

**SHINING A LIGHT ON THE.....
SLI Global Total Return Credit Fund**

AT A GLANCE

Investment Objective	
The objective of the fund is to provide a return from capital appreciation and income.	

Inception Date	24 September 2014
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000UG1R

Management	
Manager Name	Start Date
Credit Team	24 September 2014

Top 10 Holdings		
Total number of holdings	114	
Assets in Top 10 Holdings	11.67%	
Name		% of Assets
US Treasury Bond		1.71%
Neptune Finco 144A 6.625%		1.34%
Barclays Cv		1.12%
Fage Dairy Ind S A / Fage Us 144A 5.625%		1.10%
Aa Bond Co 2.875%		1.09%
Qbe Ins Grp		1.08%
Cybg		1.07%
Catalent Pharma Solutions 4.75%		1.07%
Unitymedia Kabelbw 4%		1.05%
Logistics Uk 2015 FRN		1.04%

FUND PERFORMANCE

Performance 24 September 2014 (launch) – 31 May 2017

	2014	2015	2016	2017
SLI Global SICAV Total Return Credit Fund	0.65%	2.15%	8.02%	3.06%
Vanguard Global Bond Index	2.41%	1.25%	3.51%	1.39%

Performance over 12 months, and since launch:

	1 year	Since launch
SLI Global SICAV Total Return Credit Fund	7.46%	5.16% p.a.
Vanguard Global Bond Index	1.11%	3.20% p.a.

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes

LWM Consultants Ltd

reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

This meeting was held with Mark Munro as an introduction to the fund. He started by explaining that the fund was established for institutional clients and in particular, pension schemes offering guaranteed benefits. The aim is to deliver a return of between 6 and 8% p.a. over a 5-year period with low volatility.

At its heart, it is a credit fund, so effectively for investors who want a credit fund (so corporate and / or government debt) this fund is aimed directly at this group. It holds between 70 to 100 ideas plus around 10% - 15% in cash. The aim is to identify mispriced bonds across all cycles. They start from a group of around 3,000 issuers and then distil down to their winners list.

The average credit rating is BBB- with a diversified portfolio spread across sectors and regions. This fund will likely appeal to those who want to have access to bond investments with limited volatility and targets a positive return. It will go across the spectrum holding global investment grade, global high yield, emerging market debt, asset backed securities and sub-financials. Mark explained that the fund will move up and down the scale (i.e. how much it holds in each debt instrument) depending on their view at any point in time.

We discussed liquidity and Mark explained the fund has a maximum size of between £1.5 and £2 billion. Currently it is significantly below this.

Some of the holdings / themes include:

1. Bank of America, Barclays, Societe Generale – improved environment for and sentiment towards banks post Trump election
2. Direct Line, Unicredit – subordinated debt offers selective value
3. Mafrig, Cemex, Pertamina – pockets of opportunity with Emerging Markets
4. Mattamy, Pulte – US homebuilders to further benefit from affordability and consumer strength

Other holdings include AT&T, Fortive, Electronic Arts, Center Parcs and Jaguar Land Rover.

A key element of the fund is enhanced downside using tactically adjusted credit exposure, option based volatility strategies and portfolio dampeners. These can be complex instruments but the team have experience of using these strategies within other portfolios they manage. Some examples of strategies they are using include Long US Dollar vs Euro, Korean Government Bonds and cash.

In summary, one of the “concerns” would be performance. The fund doesn’t have a three-year track record yet, and the target return is over a 5-year period. The question is whether it can deliver on its target return. The challenge is how bonds will respond moving forward, which is something similar funds face. On a positive this is managed by a near 50 strong team with experience in running a number of similar strategies, and this might be an alternative way of having exposure to debt instruments within the portfolio.

LWM Consultants Ltd

The source of information in this note has been provided by Standard Life and is correct as at June 2017. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.