

FTF Martin Currie UK Managers' Focus

Opinion

- This Recommended fund is managed by an experienced and close-knit team.
- They work in a highly collegiate fashion but have no fear of challenging each other to ensure that the best ideas are incorporated into the portfolio.
- They are passionate investors, constantly striving to offer investors the best risk/return outcome for the whole portfolio.
- The fund is a one-stop-shop for investors who wish to access the team's highest conviction ideas within a single vehicle.

Characteristics and Utility

- This is an all-cap fund by design, given the nature of the construction process and is therefore appropriate as an active, stock-driven holding within a blend of UK equity funds. For more benchmark-driven investors, it is best paired with an index-orientated fund.
- The fund may struggle in periods of very high momentum in the market when the focus upon strong businesses with strong balance sheets is a less relevant driver of stock prices.
- A protracted period of underperformance from small and mid-caps stocks would also be challenging for the fund, given its innate biases.
- The fund is an ideal offering for investors seeking to access the stockpicking credentials of the Martin Currie UK Equity team.

Risk Commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 6. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 6 means the fund's historic volatility is between 15% and 25%.

The fund's volatility profile is similar to that of the benchmark and the broad peer group, despite its all-cap nature. This speaks to the consideration given to overall portfolio construction. Nevertheless, the structural bias to mid and small-cap companies relative to the market has the potential to generate higher levels of relative volatility/tracking error at times. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	17 October 2011
Manager(s) Since:	Martin Currie UK Equity Team (Oct 11)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	FTSE All Share
IA Sector:	UK All Companies

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at theadvisercentre.co.uk. An asset manager adviser factsheet is also provided there.

Fund Snapshot

A flexible, all-cap UK equity fund, managed by a close-knit team of UK equity specialists. The approach is designed to capture the team's best ideas within a single, carefully overseen vehicle. Within its sector, the fund features in our 'All-Cap, Blend' category.

Investment Team

The fund is managed by the FTF Martin Currie UK Equity team, which consists of six portfolio managers, namely, Ben Russon, Richard Bullas, Dan Green, Jo Rands, Will Bradwell and Marcus Tregoning. The portfolio is designed to be the purest expression of their best ideas, with the final investment decision made by the two co-lead managers, Richard Bullas and Ben Russon. Ms Rand and Mr Bradwell select the larger-cap stocks and Mr Russon also invests with a large-cap bias. Messrs Bullas and Tregoning select the mid-cap stocks and Mr Green manages the small-cap portion. In addition, Michael Brown, CIO, works closely with the team, providing analysis and risk insights.

Investment Philosophy

The managers seek to generate outperformance of the benchmark and peer group by investing flexibly in companies that are undervalued and offer attractive risk/return profiles. There is no natural style bias in the underlying stock selection process, but rather a desire to distil the team's best ideas into a high conviction portfolio.

Investment Process

While a predominantly bottom-up process, a top-down framework helps to guide the managers towards the best opportunities in stocks and sectors. The initial stage of the stock selection process eliminates companies with high levels of balance sheet risk or poor management with a view to avoiding classic value traps. Stocks that pass the initial quantitative screen are then candidates for review, with a focus on stocks where a clear valuation anomaly exists. Each manager runs proprietary valuation models that rank stocks by the estimated total shareholder return over the next five years. Any stock that improves its ranking is a candidate for inclusion in the portfolio. The managers then undertake more detailed analysis according to their preferred valuation approaches, using metrics that help them to assess the liabilities outstanding in a business and its cash generative capabilities. The managers do not analyse and value companies in isolation as they believe it is important to compare and benchmark a company's potential value against the wider market and industry peers. External research is received from a well-established network of brokers but the emphasis is firmly upon proprietary analysis. The managers work in close proximity and are constantly challenging each other and sharing ideas. As long-term investors, they are patient in respect of establishing new positions.

Portfolio Construction and Risk Controls

The portfolio is fairly concentrated, typically featuring 35 to 60 stocks. It can be invested between 60% and 80% in large-cap stocks, and between 20% and 40% in small and mid-cap stocks. Individual absolute stock weights range between 1% and 5%. Once the managers have selected their best ideas, the portfolio is analysed for any unintended biases, themes or concentrations to ensure that, overall, it is cohesive and sufficiently diversified. There is no reference to the benchmark and stock weightings are purely a function of conviction and the risk/reward profiles.

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