

Man Continental European Growth

Opinion

- This Recommended fund is managed by Rory Powe, who has an unwavering commitment to the growth style of investing and an infectious enthusiasm for identifying stocks with the requisite attributes for this highly concentrated portfolio.
- The lessons learnt over many years mean that the outright pursuit of growth stocks is tempered by an assessment of the sustainability of their growth and their valuation. Equally, balancing the “Emerging Winner” stocks with “Established Leaders” is recognition of the need to moderate the potential volatility of an outright growth portfolio.
- Mr Powe and his team are a natural fit within the wider Man GLG group and they have a constant dialogue with members of other investment teams.

Characteristics and Utility

- This is a pure blood growth fund, meaning that it tends to thrive when earnings growth is scarce and economic growth is indifferent.
- It can benefit from market momentum but typically struggles when economic growth is more prevalent and more cyclical sectors are in favour.
- Little attention is paid to the underlying benchmark. As such, it is likely to have a differentiated relative risk and return journey.
- Given the stock concentration, there is the potential for elevated volatility compared to the peer group but, depending upon market conditions, this is not necessarily a permanent feature.
- The fund is best deployed as a long-term holding. For those concerned about risk relative to the benchmark, it should be blended with an index-aware fund and/or a value-biased fund.

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%.

A score of 6 is in keeping with funds of a similar type. The stock concentration and the strong style characteristics of the fund can lead to bouts of elevated volatility and drawdown. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	17 July 1998
Manager(s) Since:	Rory Powe (Oct 14)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	MSCI Europe ex UK
IA Sector:	Europe excluding UK

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 focused European equity fund where the manager has an unwavering focus on growth stocks. He categorises his ideas into two types: 'Established Leaders' and 'Emerging Winners'. The resultant portfolio can be idiosyncratic in nature but he has a very clear vision of return drivers for the stocks that feature in the portfolio. Within its sector, the fund features in our 'Larger-Cap, Growth' category.

Investment Team

Rory Powe is the lead manager of the fund and is supported by dedicated analysts, Ivan Rachev, Nikolaus Von Abercron, William Burke-Nash and Lewis Spencer. Together, they aim to have a deep understanding of a limited number of companies. Mr Powe has a long history of investing in European equities, both in a long only and alternative format. His previous roles were at Powe Capital Management and Invesco, the former as the principal, the latter as a lead fund manager.

Investment Philosophy

The manager is an unashamed growth investor, focusing his attention solely upon stocks that are in a position to preserve their price/earnings multiples, or have scope to expand their multiples through earnings and cash flows. He seeks out two types of companies: “Established Leaders”, with dominant market positions and clear medium-term growth objectives; and, “Emerging Winners”, which are high growth names that offer returns in excess of 15% annually, thereby continuously growing into their price/earnings multiples.

Investment Process

From a universe of around 2,500 companies, the team uses key criteria to identify the “Established Leaders” and “Emerging Winners”. “Established Leaders” should meet the team's five criteria of competitive leadership, revenue traction, robust profitability, financial strength and attractive/acceptable valuation. “Emerging Winners” must be on track to satisfy the same five criteria within five years.

A shortlist of candidates is generated through a combination of company meetings and in-house research. External research incorporates macro-economic and market analysis from third-party strategists, as well as input from an established network of experts to assist with the identification of suitable candidates.

The final portfolio is a mix of often eclectic stocks that have clear return objectives, pleasing valuation characteristics and adequate liquidity. Pricing power and the ability to defend a market position are also required attributes. A concentrated portfolio is preferred, reinforcing the manager's unwavering focus upon companies with strong growth dynamics and unique market positions.

Portfolio Construction and Risk Controls

The fund typically features 30-40 stocks and the manager is prepared to hold elevated weightings in stock where he has the greatest conviction. There is a strict minimum of 67% in “Established Leaders” and a maximum of 33% in “Emerging Winners”. The maximum sector over or underweight is +/-30% compared to the index, providing the manager with significant flexibility. A maximum of 20% of the fund may be invested in stocks with a market cap of less than the US\$1 billion. Risk management occurs at various levels. Risk limits are agreed by the risk committee and the independent risk management function monitors the fund against the portfolio guidelines and risk limits. An in-house risk system is used to measure a wide range of portfolio characteristics.

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