

Man Undervalued Assets

Opinion

- This Established fund is managed by a long-standing team, the members of which built the investment process together and remain firmly committed to its unique investment credentials.
- The investment process is thoughtful and intuitive. The unwavering focus upon under-appreciated value, determined by their assessment of a company's ability to generate cash, or by a thorough understanding of the asset base of a business, reinforces the rigorous and repeatable nature of the investment process.
- The team benefits from the specialist and wide-ranging expertise within Man Group. In particular, the firm's hedge fund activity fosters technical insights into the market.
- By dint of the success of the strategy, the book of assets managed by this team has grown to a significant size. While this fund is not soft-closed, the firm has taken the pre-emptive measure of managing inflows to ensure its size does not compromise the investment strategy.

Characteristics and Utility

- The fund combines a systematic approach to analysing companies with intensive company research. The resultant portfolio deviates significantly from the underlying benchmark and is multi-cap in nature.
- The cashflow focus brings a "quality" feel to the portfolio, while the clear valuation criteria mean that the fund typically has a value tilt.
- The fund is therefore an effective diversifier within a UK equity blend, given its value-biased, all-cap credentials.

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 characteristics are favourable compared to the index, although its multi-cap, value style has the potential to experience bouts of higher volatility. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	15 November 2013
Manager(s) Since:	Henry Dixon (Nov 13) Jack Barrat (Nov 13)
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

Offers investors a portfolio of UK equities, managed using a distinctive investment methodology. The fund is a multi-cap strategy with a contrarian value approach, seeking material undervaluation of assets or returns on capital. Within its sector, the fund features in our 'Value-Biased' category.

Investment Team

Co-manager, Henry Dixon, leads a team that is dedicated to multi-cap, long-only investment at Man Group. Jack Barrat is co-manager of the fund and they are assisted by portfolio manager, James Houlden, and analysts, Erin Ennis and Hannah Burrows. Messrs Dixon and Barratt previously worked at Matterley (part of Charles Stanley) before joining GLG (now Man Group) in October 2013. Mr Houlden and Ms Ennis joined the firm in 2017 and 2016, and Ms Burrows joined in July 2022.

Investment Philosophy

The investment team conducts intensive company research with the intention of identifying companies that are trading below an estimate of their replacement cost or their intrinsic value, as defined by their profit stream. In all cases, the companies are cash-generative and typically have strong balance sheets. The objective is to build a portfolio that offers materially better value than the broad market.

Investment Process

The process begins with in-house modelling of the investable universe of stocks using Holt, Quest and Bloomberg, which brings some 1500 eligible companies down to a more manageable 500. More in-depth research is then undertaken to give a greater understanding of a company's assets and liabilities, while ensuring that all off-balance sheet items are accounted for in the analysis. This generates an estimate of the invested capital and equity within a business to create a clear picture of its true value. The value of the invested capital is then compared to its enterprise value to identify stocks where the market is undervaluing the asset base or alternatively, where the company is producing a return on capital that is higher than its cost of capital.

Buy decisions are generated from discovering companies that are trading below replacement cost and are generating cash or whose profit streams are currently undervalued. Target prices are established for each company under consideration. Forecast returns must exceed 20% for FTSE 100 companies, 30% for FTSE 250 stocks and 50% for small companies. The management of all mid and small-cap companies are seen prior to any purchase being made. Stocks are sold when they reach price targets, if the cash flow to a business materially changes or the company receives an earnings downgrade.

Portfolio Construction and Risk Controls

The fund typically features 40-60 stocks, spread across the market cap spectrum. The maximum weighting in an individual stock is 5%, with a stated minimum holding of 0.5%. The fund may hold up to 20% in continental European equities. Relative position sizes are a function of liquidity, volatility and the potential upside in a stock. The fund is continuously monitored by Man Group's independent risk management team.

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