

## SHINING A LIGHT ON THE..... Jupiter Absolute Return Fund

### AT A GLANCE

Investment Objective	
The Fund seeks to generate absolute return, over a 3-year rolling period, independent of market conditions, by investing on a global basis. Capital invested in the Fund is at risk and there is no guarantee that the investment objective will be achieved over the 3 year rolling periods or in respect of any other time period.	

<b>Inception Date</b>	14 <sup>th</sup> December 2009
<b>Fund Factsheet Link</b>	<a href="http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F000005J71">http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F000005J71</a>

Management	
<b>Manager Name</b>	<b>Start Date</b>
James Clunie	1 <sup>st</sup> September 2013

Investment Style Details	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	-
Large	-
Medium	-
Small	-
Micro	-

Top 10 Holdings		
<b>Total number of holdings</b>	221	
<b>Assets in Top 10 Holdings</b>	234.93%	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
Jun19 Sgld Ln C @ 161.99 06/20/2019	-	148.03%
Mar19 Spx C @ 3100.000000 03/15/2019	-	43.39%
United Kingdom of Great Britain and N...	-	7.39%
Mar19 Spx C @ 2900.000000 03/15/2019	-	7.25%
United Kingdom of Great Britain and N...	-	6.29%
United Kingdom of Great Britain and N...	-	6.11%
United Kingdom of Great Britain and N...	-	5.75%
ETFS Physical Gold	-	4.51%
BP PLC	Energy	3.27%
United States Treasury Notes 2.75%	-	2.94%

Volatility Measurements	
<b>3-Yr Std Dev (volatility)</b>	5.31%
<b>3-Yr Mean Return (average)</b>	-1.94%

## FUND PERFORMANCE

Performance from 1 January 2013 to 30 April 2019:

	2013	2014	2015	2016	2017	2018	2019
<b>Jupiter Absolute Return Fund</b>	1.87%	-0.80%	5.27%	9.56%	-3.16%	-0.68%	-6.25%
<b>Vanguard Global Bond Index</b>	-0.13%	7.97%	1.25%	3.51%	2.00%	-0.11%	2.70%

Performance over 12 months, 3 years, 5 years and since fund manager tenure.

	1 year	3 years	5 years	Since fund manager tenure
<b>Jupiter Absolute Return Fund</b>	-7.17%	-6.08%	3.04%	4.90%
<b>Vanguard Global Bond Index</b>	3.55%	4.72%	15.11%	19.69%

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

## UPDATE....

This fund is simple to understand: - it is a long/short strategy. It basically holds positions in stocks which it expects to decline (shorts), and stocks which it expects to rise (longs). The story behind this fund is compelling and the manager has had previous success at SWIP. The difficulty is that since tenure this fund has returned about the same as cash, and over three years would have lost investors money. The question for the fund manager is why anyone would consider this fund. There are three things working against the fund currently.

The first is style. The fund is long value (cheap) stocks, and short growth (expensive) stocks. The markets are more focused on growth than value.

The second is geographic. The shorts are in the US where the markets are at record highs and longs are in cheaper markets like the UK and Japan.

The third is beta. The fund is 33% net short and this negative beta has gone against the fund.

There have been one or two winners but overall things are playing against the strategy. Wayfair is a short and recently has had a flow of negative news but continues to get more expensive. On the long side Centrica has been disappointing. They have more shorts than longs and are similarly positioned to 2015 where they did well the following year.

They have good conviction on the shorts as the results continue to be poor to lacklustre and even disastrous in some cases. They believe sentiment will go against these. This could be the last buyer of expensive stocks (exhaustion argument), an increase in supply of shares and therefore hitting a tipping point, or a shock political change.

In terms of longs these remain cheap stocks, with good balance sheets and beating expectations. The catalyst for change could happen very quickly. For example, Carpet Right saw its shares double in one day.

They believe the market is very fragile now and this an anti-fragile fund. If the market continues down at the current route, then the fund could lose another 4% but if there is a rotation then it could quickly make 15% to 20%. They admit if it continues as is for the next 12 to 18 months it could be very difficult for the fund.

In terms of cash flows these have been minimal which seems to suggest investors are using this as an anti-growth strategy. By this they may have growth assets within their portfolios, but they are using this as protection should things change.

In summary, the performance has been poor for the fund and the positioning away from expensive glamour stocks to boring cheap stocks has been the undoing of performance. However, they believe that a rotation will come and that is when the fund performance will change. Investors will need to decide whether that is a risk they are prepared to take.

*The source of information in this note has been provided by Jupiter and is correct as at April 2019. 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.*