



May 2019

FOR PROFESSIONAL INVESTORS ONLY

JOHCM Global Income Builder Fund – Reflections on our first year

*‘In theory, there is no difference between theory and practice, while, in practice, there is.’ –
Yogi Berra, former New York Yankees baseball player*

The J O Hambro Capital Management (JOHCM) Multi-Asset Value Team was recently pleased to celebrate the one-year anniversary of the JOHCM Global Income Builder Fund (GIB). It has certainly been an interesting time in which to set up and launch a new investment vehicle, so we thought we would take the occasion to share a few thoughts:

While GIB builds on the collaboration of team members Giorgio Caputo and Rob Hordon while at First Eagle Investment Management, where they co-managed a similar strategy from its 2011 inception to 2016, there was still much involved in moving to a new corporate home. The strong support we received from throughout the J O Hambro organization made this as smooth and seamless as possible.

Our team was greatly strengthened by the additions of Lale Topcuoglu and Remy Gicquel, previously with Goldman Sachs and Harris Associates, respectively, while Giorgio and Rob have been reunited with former colleague Hugues Le Bras. We believe that our integrated approach to investing across asset classes is a key differentiator compared with the top-down structures and siloed teams found elsewhere.

Testing market conditions

Reflecting on the 12 months since we launched the fund, we think the challenging market conditions of the past year have been an early but ideal test for GIB. The volatility has afforded us the chance to test our processes and discipline in seeking to provide a conservatively managed income and total return solution that can be nimble and opportunistic in response to market dislocations. Indeed, in some senses we are almost grateful for the market turbulence, since this is a strategy designed to perform well in volatility and exploit periods of market stress.

For contrarian/value investors such as ourselves, the market air pocket that developed in Q4 2018 in response to a raft of investor fears, including trade tensions and the prospect of rising interest rates in the US, was precisely the type of market dislocation in which we would expect to find compelling investment opportunities and swiftly react to them. We increased our equity exposure by a double-digit percentage during the quarter and deployed capital into various individual equities and select debt instruments at what we viewed as favourable prices. This included some very active buying during the Christmas holiday when the liquidity air pocket was at its most acute. These kinds of fleeting investment opportunities show how nimble, bottom-up approaches can add an opportunistic and tactical complement to traditional asset allocation committees that typically act with a bit more of a lag.

The bottom-up advantage

This episode also showcased the advantages of taking a bottom-up approach to multi-asset investing. While top-down approaches seek to discern broad opportunities across asset classes, a bottom-up approach has the potential to benefit from more significant inefficiencies that may be occurring at the security level. Multi-asset strategies exist to redirect capital from one area to another as market conditions change, yet so many lack what may be the most effective

tool for doing so: a bottom-up perspective into the specific securities that comprise each asset class.

Looking ahead, we believe the financially repressive policies of central bankers and demographic challenges facing the developed world mean income-focused investors will need nimble, flexible and creative investment solutions to meet their investment needs, especially as traditional fixed income products are likely to provide meagre returns in coming years. An uncertain investment environment and changing market dynamics mean investors should also anticipate further market volatility ahead. Our agile team is highly focused on identifying the opportunities in individual securities that this volatility will inevitably reveal.

One year on from the fund's launch and with over US\$100 million in assets under management in our overall strategy (including our own personal assets and those of our families), we think it has been a promising start, but we are certainly not complacent. We will be working hard in the coming years to provide our clients with an evergreen solution to the income challenge.

Thank you to our colleagues for welcoming us into the collegiate and supportive environment that is J O Hambro Capital Management. Most of all, though, thank you to those who have expressed an interest in the Global Income Builder Fund, particularly those early adopters.



Giorgio Caputo
Senior Fund Manager
& Head of Multi-Asset
Value Team



Robert Hordon
Senior Fund Manager



Lale Topcuoglu
Senior Fund Manager
& Head of Credit

JOHCM Global Income Builder Fund

Discrete 12-month performance (%) to:

	30.04.2019	30.04.2018	30.04.2017	30.04.2016	30.04.2015
A GBP Class	9.02	-	-	-	-
MSCI World NR index	12.50	-	-	-	-
Bloomberg Barclays US Aggregate index	11.24	-	-	-	-
BofAML Global High Yield Constrained (BB-B)	12.16	-	-	-	-
IA Mixed Investment 20-60% shares	2.48	-	-	-	-

Past performance is no guarantee of future performance. JOHCM/MSCI Barra/Bloomberg Index Services Limited, NAV of Share Class A in GBP, net income reinvested, net of fees. The A GBP Class was launched on 30 April 2018. Performance of other share classes may vary and is available on request.

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The Fund's objective is to offer monthly income generation consistent with long-term capital growth. In order to make monthly distributions, all or part of fees and expenses may be charged to the capital of the Fund. By charging the fees and/or expenses to capital, capital may be eroded and income will be achieved by foregoing the potential for future capital growth. The annual management charge is charged to the capital of the Fund.

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