

JOHCM UK DYNAMIC FUND



UNDER THE BONNET



NOVEMBER 2019 REVIEW

Alex Savvides, Senior Fund Manager

Tom Matthews, Analyst

INVESTMENT BACKGROUND

Global equity markets moved higher in November, with US indices reaching new all-time highs. Markets were buoyed by economic indicators suggesting the slowdown in global manufacturing may have bottomed: JP Morgan's global manufacturing PMI rose for the third consecutive month and the eurozone manufacturing PMI was marginally ahead of the flash and previous month's readings. Global bond yields moved sharply higher but retraced much of their gains on news that the US and China were struggling to complete phase one of their trade deal.

In the UK the FTSE 250 total return index reached an all-time high. Soft domestic economic data was more than offset by growing market optimism that the hiatus in politics may be drawing to an end as polling data suggested the Conservative party is poised to win a majority in the forthcoming general election. Sterling held its gains from the previous month.

STRATEGY UPDATE

The Fund underperformed the index in November, returning 2.30% versus a 2.82% return by its benchmark, the FTSE All-Share Total Return index (12pm adjusted). It was a sluggish month for news flow for the Fund and a volatile period for share prices.

QinetiQ arguably had the best news flow amongst the Fund's holdings after its interims showed the growth strategy continuing to gather pace, which saw the shares up 11% initially against the benchmark. With 96% of FY20 forecast revenue already under contract and 30% organic growth in order intake, analysts made further upgrades to earnings. FY21 earnings estimates have increased 11% since the beginning of the year. The shares closed the month up just 4% against the benchmark and up 5% for the year-to-date.

A trading statement from **Centrica**, a newer holding and deep turnaround situation, showed encouraging signs of progress, in line with our thesis and against very sceptical market expectations. There were no downgrades to forecasts (having warned on profits at the last two November trading updates), an acceleration in the cost efficiency programme and growth in consumer customer accounts; the shares ended the month up 9% against the benchmark. The Fund also benefited from a bid by Recipharm for **Consort Medical**. Frustratingly, the Fund had only just begun building a position in this medical devices supplier on the belief it was undervalued.

The Fund's best performing holding over the month was **Restaurant Group**. Its shares benefited from increased investor interest in UK domestic stocks.

3i was the Fund's worst performing holding as the valuation of Action, 3i's largest asset, came in at the lower end of analyst expectations following an anticipated liquidity event. Whilst this may seem disappointing, the valuation is only a mark-to-market exercise for 3i, which took the opportunity to increase its stake, thereby maintaining control of this high growth asset (+5.6% like-for-like sales for the last ten months). The shares closed down 7% against the benchmark for the month.

Electrocomponents's interims led to the first downgrade to forecasts (c. 4%, of which 2% is foreign exchange) since the global manufacturing slowdown began a year ago. This was a remarkable performance given the economic headwinds experienced in its largest markets of the US and Germany. The share price reaction was exacerbated by news that the CEO would take temporary leave for treatment of a medical condition.

Full-year results from **Euromoney**, whilst in line, saw minor cuts to forecasts for foreign exchange and phasing of an event which weighed on shares. Finally, we were disappointed to learn that one of the Fund's best CEOs, Mark Allan of **St Modwen Properties**, had been poached to become CEO of Land Securities.

FUND PERFORMANCE

JOHCM UK Dynamic Fund performance (%):

	1 month	3 months	1 year	5 years	10 years	SI annualised
Fund	2.30	6.36	11.03	45.67	183.06	10.60
Benchmark	2.82	4.14	11.67	38.66	121.17	6.73
Relative return ¹	-0.50	2.13	-0.57	5.06	27.98	3.62

Discrete 12 month performance (%):

	30.11.19	30.11.18	30.11.17	30.11.16	30.11.15
Fund	11.03	-3.52	19.02	13.34	0.81
Benchmark	11.67	-2.33	13.70	10.32	1.35
Relative return ¹	-0.57	-1.22	4.68	2.74	-0.53

Past performance is not necessarily a guide to future performance

Source: JOHCM/Bloomberg/FTSE International. NAV of share class A in GBP, net income reinvested, net of fees, as at 30 November 2019. Inception date: 16 June 2008. Note: Performance data for the period 16 June 2008 to 22 October 2009 is for Ryder Court UK Dynamic Fund. From 23 October 2009 onwards, the Fund converted to JOHCM UK Dynamic Fund. All fund performance is shown against the FTSE All-Share TR Index (12pm adjusted). Performance of other share classes may vary and is available upon request. Inception date: 16 June 2008. ¹Geometric relative.

STOCK CONTRIBUTORS

Top five

Rank	Stock	Relative Return Contribution %
1	Restaurant Group	0.17
2	Consort Medical	0.16
3	Essentra	0.16
4	Compass Group*	0.14
5	Elementis	0.13

Bottom five

Rank	Stock	Relative Return Contribution %
1	British American Tobacco*	-0.30
2	3i Group	-0.30
3	Euromoney	-0.29
4	Daily Mail and General Trust	-0.24
5	Electrocomponents	-0.17

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Source: JOHCM/FTSE International/Bloomberg. Figures are at end of day and calculated gross of fees on an arithmetic basis in GBP. All performance is shown against the FTSE All-Share TR Index (12pm adjusted). Data from 31 October 2019 to 30 November 2019. *Stock was not held during this period.



Source: JOHCM/Bloomberg unless otherwise stated. Issued by J O Hambro Capital Management Limited authorised and regulated by the Financial Conduct Authority. Past performance is no guarantee of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment. The information contained herein including any expression of opinion is for information purposes only and is given on the understanding that it is not a recommendation and anyone who acts on it, or changes their opinion thereon, does so entirely at their own risk. The opinions expressed are based on information which we believe to be accurate and reliable, however, these opinions may change without notice. The Fund's investment include shares in small-cap companies and these tend to be traded less frequently and in lower volumes than larger companies making them potentially less liquid and more volatile. Source: JOHCM/Bloomberg/FTSE International. Note for return history: NAV of share class A in GBP, net income reinvested. Benchmark: FTSE All-Share TR Index. Performance of other share classes may vary and is available on request. FTSE International Limited ("FTSE") © FTSE 2017. The Industry Classification Benchmark ("ICB") and all rights in it are owned by and vest in FTSE and/or its licensors. "FTSE" ® is a trademark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. Neither FTSE or its licensors accept any liability for errors or omissions in the ICV. No further distribution of ICB is permitted without FTSE's express written consent. JOHCM® is a registered trademark of J O Hambro Capital Management Ltd. J O Hambro® is a registered trademark of Barnham Broom Holdings Ltd. Registered in England and Wales under No: 2176004. Registered address: Level 3, 1 St James's Market, London SW1Y 4AH, United Kingdom.

