Ninety One UK Alpha I Acc GBP

November 2021
Investment Research

Opinion	Performance	Risks	Costs	ESG
Square Mile rating: A	3 years annualised returns: 4.77%	Risk of asset class: 8 (scale 1–10)	Ongoing charges: 0.83%	Company: 0 1 2 3 (2)
Exclusion / Sustainable / Responsible Practices / Impact	% of time met performance objective over 5 years: 4.4%	Risk of fund within asset class: 1 (scale 1–5)	Transaction costs: 0.25%	Fund: 0 1 2 3 (2)
FE fundinfo crown rating: FE fundinfo Crown Fund Rating (3 crowns)		SRRI 5; -26.85% 3 years max drawdown	Total cost of investment: 1.08%	

Overview

The focus of the fund is on growing the capital value of investments over time through a portfolio of UK equities. Whilst equities can lose money over short to medium time periods, over longer time periods, and particularly over multiple investment cycles, equities, in aggregate, have proved an extremely successful way of accumulating capital.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe that the fund should be able to outperform the FTSE All Share index by at least 2% per annum over rolling five year periods.

Active/Passive: Active	**Domicile:** United Kingdom
Asset Class: Equity	**IA Sector:** IA UK All Companies
Launch Date: 05/02/1979	**Fund Size (as at 12 Nov 2021):** £1637.5m
Yield: 1.60%	**Distribution Pay Date:** Oct 01 (Final)
Fund Manager: Simon Brazier	**Ongoing Charge Figure:** 0.83%
	Transaction Cost ex Ante: 0.25%

Fund Opinion

This fund is run by a manager who has adhered to the same investment philosophy since the start of his career, and who has also consistently applied a well-constructed investment process. He is supported by a like-minded team whose integral part of the process is not restricted to solely providing investment ideas and analytical resources, but to also challenge and help drive debate around investment decisions. Indeed, this is a strategy which has been designed to benefit from the inefficiency and short-term nature of stock markets and, in order to do so, the manager and his team undertake a rigorous analysis of a company's financial position, industry profile and its management team, incorporating all of this into an evaluation of what they believe to be its true value.

We would highlight that this is not a fund that aims to shoot the lights out on a performance level, instead it looks to outperform regardless of the market backdrop. This means that, unlike the more aggressive strategies within the UK All Companies sector, whose more stringent investment styles may cyclically fall in or out of favour, the manager is aiming instead to produce regular and attractive levels of outperformance. In recent years, this fund's manager has been particularly cautious about the state of markets and the macroeconomic backdrop, and so has positioned the fund accordingly in defensive, large cap companies, which for the most part has hindered the fund's relative returns. However, given the clarity of the investment philosophy and process, as well as the commitment and drive of the fund manager and his supporting team, we believe that this is an attractive proposition for those investors seeking an opportunistic strategy which should offer a reliable return profile over the long term.

There is also an offshore version available, the Ninety One UK Equity fund (a Luxembourg SICAV), which is run along identical lines.

Fund Description

Previously known as Investec Asset Management, Ninety One is an investment management firm founded in South Africa in 1991. In March 2020, it demerged from the Investec Group and listed on the London and Johannesburg stock exchanges. This fund is managed by the co-head of the Quality team, Simon Brazier, who joined Investec in late 2014. Mr Brazier was previously at (Columbia) Threadneedle Investments, where he was Head of UK Equities and responsible for managing one of the firm's flagship UK equity strategies, amongst other mandates. Mr Brazier opened his investment career with Schroders in 1998 before moving over to Threadneedle in 2010. Mr Brazier is supported by colleagues with whom he previously worked at Threadneedle, as well as the rest of the Quality team, which is based across Ninety One's London and Cape Town offices.

Mr Brazier's investment philosophy has remained consistent throughout his career. He and his team essentially believe that the inefficiency of markets, not least because of their tendency to focus on the short term, presents opportunities for investors who are willing to take a longer-term view. Essentially, through an in-depth understanding of the mechanics and driving forces behind a company, the team feel that they can find investments which the market may have irrationally, though temporarily, mispriced. The manager has a natural preference for attractively valued higher quality companies, however, if the valuation is right, he will also consider turnaround situations, contrarian plays and firms facing short-term cyclical headwinds. In essence, the team seeks profitable and growing companies, with healthy free cash flow generation and a management team with a proven record of wisely allocating capital, especially in investing for further growth.

Investment ideas are primarily generated from the team's own experience, interaction with companies, other Ninety One teams and from select external sources. In establishing the longer-term valuation of a company, the team assesses a number of aspects. This includes a review of a firm's financial position, such as balance sheet strength and the ability to generate free cash flow, as well as more qualitative characteristics concerning its competitiveness, industry position, management team and profit growth potential. It uses all of this information, as well as appropriate financial models and metrics, to uncover what it considers to be a true valuation of a company. A critical element to the investment process is the team's debate and discussion, upon which all of the investment decisions made ultimately hinge.

Risk plays a large role in Mr Brazier's decision making and he looks to minimise the potential for losses by having a bias to quality companies, investing at a low price and focusing on business risk (e.g. financial, operational or liquidity risk). Alongside this, there is a desire to remain diversified by theme, e.g. defensives or cyclicals, to not be overly exposed to a particular investment style nor be dominated by market cap biases. The fund will be typically invested in 50-90 stocks and have at least 50% in the FTSE 100, though this is usually around 70% in practice, and no more than 10% will be allocated to smaller companies.

Risk Summary

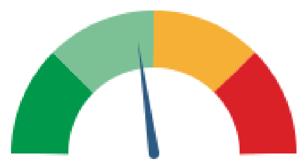
This fund invests in UK equities and as such the main risk is that these, as higher risk assets, can be volatile instruments. Although dependent on the manager's views of the market and the macro back drop, this fund will typically have a bias towards larger, higher quality companies. This should help to add a defensive nature to this strategy's performance profile, though it also means that it could potentially lag the wider UK equity market during shorter periods of market euphoria. That being said, this fund may be better suited to investors with a longer-term investment horizon.

Value for Money

The fund's ongoing charge figure (OCF), is lower than that of the peer group median, as are its transaction costs, leading to a total cost of investment which we find to be both competitive and fair. Overall, we believe that this fund offers adequate value for money because it provides investors with access to a core UK equity franchise, which is managed by a competent fund manager, but which has suffered from performance issues in recent years.

In line with the MiFID II regulations, asset managers are required to disclose all of the costs and charges related to the running and administration of their funds, including items outside of the OCF, such as research costs. This step is at the discretion of each fund group, but it is one that a number of firms have followed, including Ninety One, which absorbs all of the costs associated with its research. This should slightly reduce the overall fee paid by investors.

TCI v Peer Group

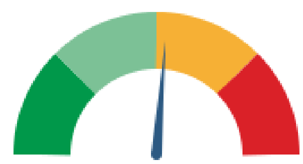


1.08%

OCF v Peer Group

0.83%

Transaction Costs v Peer Group



0.25%

ESG Integration

Company Assessment	0	1	2	3
ESG factors are considered formally but are not instrumental within all of the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors are actively considered by the fund's manager as an important part of the investment process, but do not drive the final investment decision.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
☐	☐	☐	☐

Additional Information

Annualised Return	4.77%
Annualised Volatility	16.90%
Max Drawdown	-26.85%
Max Gain	13.48%
Max Loss	-25.98%
Sharpe Ratio	0.23
Sortino Ratio	0.20

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

241.1 pence

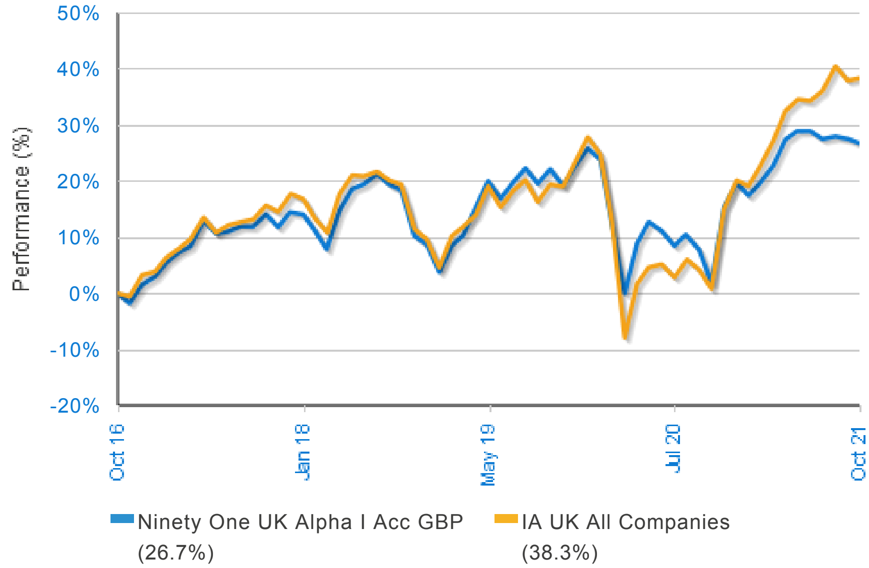
Benchmark

FTSE All Share

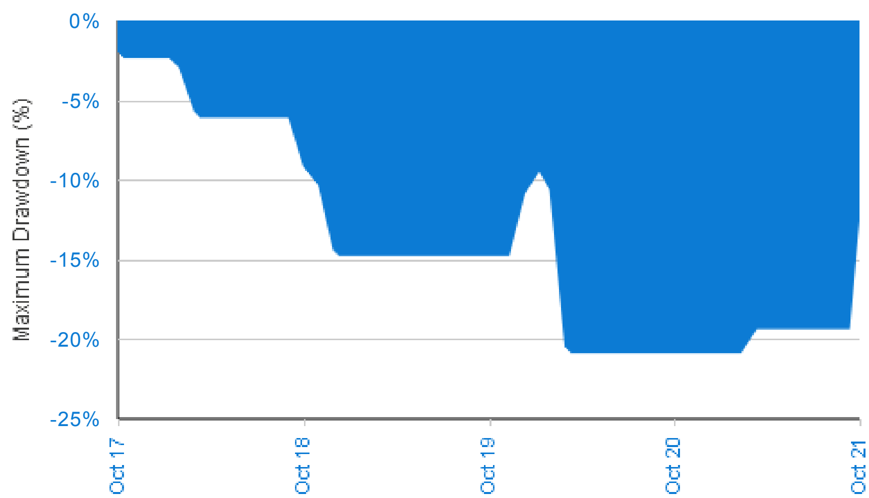
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	18.4	32.4	4
12-24m	-11.8	-12.8	2
24-36m	3.1	0.0	2
36-48m	5.9	5.5	2
48-60m	12.9	13.6	2

Capital Growth



Maximum Drawdown (Rolling 12 Months)



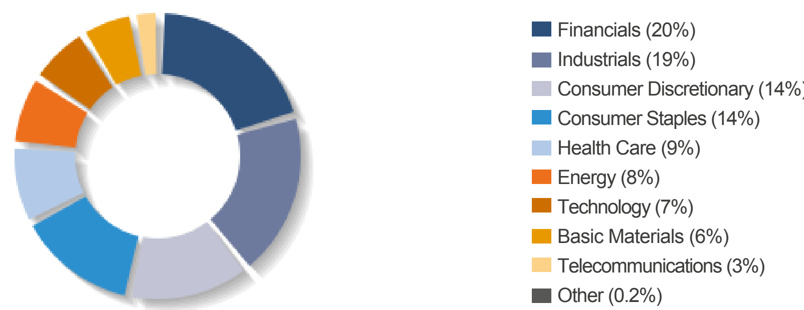
Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
ASCENTIAL PLC	4.3
BP	4.2
GLAXOSMITHKLINE	3.5
ROYAL DUTCH SHELL PLC	3.5
RECKITT BENCKISER GROUP PLC	3.2
LLOYDS BANKING GROUP PLC	3.0
FEVERTREE DRINKS PLC	2.8
NEXT	2.8
RELX PLC	2.8
MELROSE INDUSTRIES PLC	2.7

Sector Breakdown

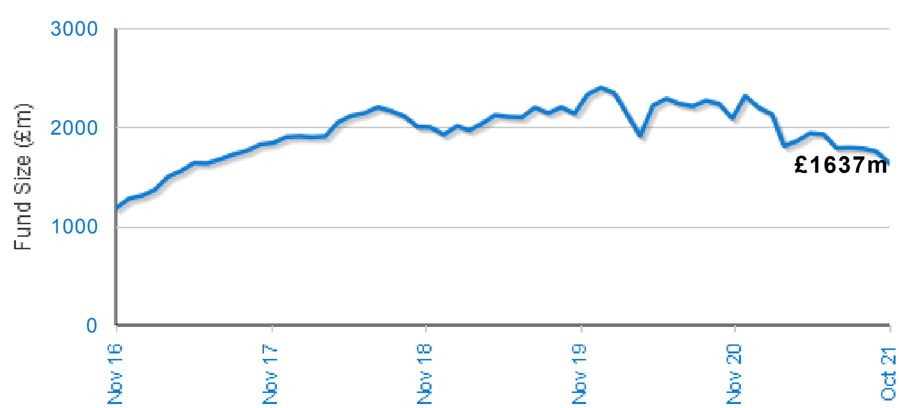
(Data as at 30 Sep 2021)



Geographic Breakdown

(Data as at 30 Sep 2021)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk			●
Liquidity Risk			●
Emerging Markets Risk			●
Derivative Risk			●
Manager Risk	●		

Equity Risk
The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk
The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk
This fund does not have significant exposure to corporate debt.

Exchange Rate Risk
The fund is predominantly invested in domestic assets.

Liquidity Risk
The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk
The fund predominantly invests in securities listed by organisations operating in developed markets.

Derivative Risk
The portfolio is predominantly invested in underlying cash securities.

Manager Risk
The manager is seen as an important element in Square Mile's rating of the fund. Square Mile is likely to downgrade the fund if the manager were to leave.

FE Risk Rating: 89.00

SRRI: 5

Disclaimer