

Investment Commentary

February continued January's good performance with the A share class finishing the month up over 2% to give a year to date return in excess of 8%.

Whilst slightly more sedate than January, February saw continued strong gains across the majority of the portfolio holdings and an altogether more normal feel to the portfolio. The earnings season has passed largely without too much disruption to the portfolio, with the exception of Goodyear Tire which we cover in our Top Movers document, and we now enter a month where there is traditionally a shortage of stock specific news to drive markets. As such, we enter a period where technical, macro economic and political inputs will have a larger impact on markets.

At the moment that bodes well for the next month with a softening of tensions in both the Brexit negotiations and US/China trade negotiations providing a tail wind along with the continued assistance of the World's Central Banks. Despite this we are always mindful that trees do not grow to the sky and that the time to be greedy was when every one else is fearful.

We were greedy towards the end of last year and have been handsomely rewarded for that bravery but we no longer see those levels of fear in the wider community which means that we have allowed our portfolio to return to more normal levels. Indeed, our delta when we entered the year was in excess of 60, significantly higher than our normal 35-45 range. At the end of February, that had returned to 42.5, back in the range albeit at the higher end.

This has been achieved, alongside reducing our unexposed cash, as we have taken opportunities during the month to commit additional capital to work where we see opportunities.

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Whilst we have reduced our delta, this does not mean that we are bearish but simply that the opportunity for extraordinary profits has passed for the time being. We continue to believe that the current 10 year bull market in equities has further to go and that the December sell off has taken away some of the complacency that had built up.

However, we are shocked how short the market's memory is and that implied volatility, a measure of fear within the market, has fallen back to levels which were prevailing before the fourth quarter sell off.

The fundamental background for the market may well have improved but that sort of confidence can be easily shaken and as such we will remain flexible and nimble.

Fund Facts

Launch Date

14 January 2003

Lead Fund Manager

Richard Harwood
MitonOptimal Jersey Ltd
(since inception)

Fund Structure

UCITS V

Domicile

Dublin

Currencies

GBP, USD, EUR, CHF

Administrator

CACEIS Ireland Ltd

Dividend Yield

Target 6.0%
2019 Est 7.47%

Dividend Policy

Distribution

Dealing Days

Daily

Fund AUM

£48.5m

Min Subscription

50,000 for individuals,
10,000 for platforms and
designated bodies

