



Merian Investment Funds Series II - North American Equity Fund

Research Note
June 2020

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

1. Description

SUMMARY

Merian Global Investors was bought out from Old Mutual Global Investors by management and a private equity firm (TA Associates) in 2018 as a stand-alone asset management business. It manages c.£28bn of assets. In February 2020, Jupiter Asset Management announced its purchase of MGI for £370m to create the UK's second largest retail asset management firm with a combined £65bn AUM.

Lead manager is Ian Heslop. He joined Merian in 2000 and is head of global equities. He manages a range of funds adopting the same systematic strategy as for this Fund. Prior to joining the business, he was a UK quantitative fund manager at Barclays Global Investors. He is supported by two other managers as well the broader global equities team.

The team's strategy employs rigorous research, based on fundamental investment insights and objective evidence, to identify stock selection criteria that may predict stock price movements. The investment process aims to generate a highly diversified portfolio with favourable risk return characteristics. The strategy includes a process to identify the market environment and change the emphasis of the portfolio as sentiment changes.

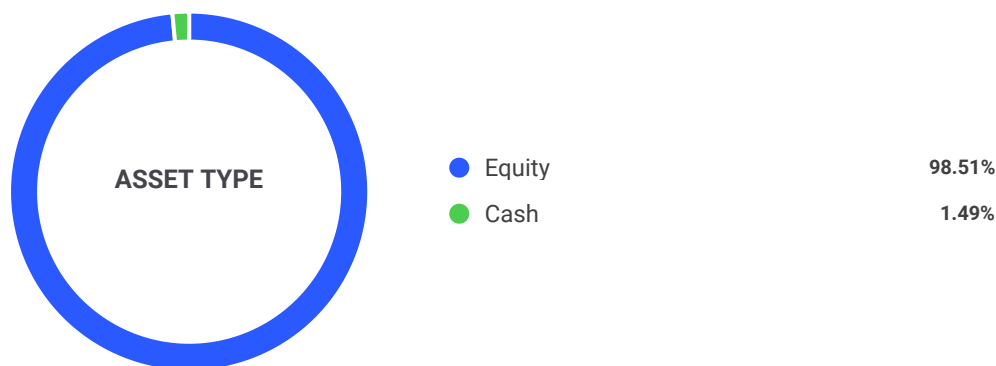
The management team uses a systematic investment process that incorporates diverse stock selection criteria to identify mis-priced stocks and to capitalise on opportunities in all market conditions across North America. The Fund seeks to exploit behavioural biases and market

INVESTMENT PROCESS

The Fund uses a stock selection approach based on five criteria that are believed to identify superior opportunities for capital appreciation.

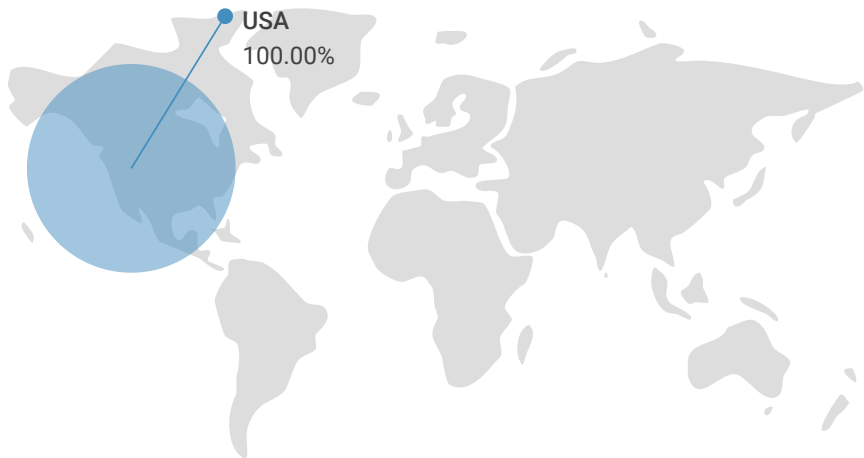
- Dynamic Valuation incorporates screening for stock quality into the valuation process; the blend of stocks included are adjusted based on macroeconomic conditions
- Market Dynamics, incorporating stock and sector effects, are used to establish momentum and reversal expectations. This aims to limit the volatility of momentum investing
- The Sustainable Growth criterion filters stocks with a greater level of growth sustainability. Forecasting tools are used to anticipate periods of greater opportunity
- The Analyst Sentiment phase of the selection process focuses on the exploitation of behavioural biases in order to capitalise on market reactions to changes in analyst forecasts
- The final stage of the stock selection process incorporates analyses of company management and their decisions to allocate capital

The results are aggregated into a single return forecast for each stock. Downside risk mitigation and portfolio optimisation are achieved by controlling unwanted exposures; holdings are rebalanced weekly depending on changes in alpha and risk, whilst maintaining security and sector weights in similar proportions to the MSCI North America index. Liquidity limits on holdings minimise the market impact of sell orders. The management team calculates the marginal contribution to Value-At-Risk for each holding in order to determine optimal weightings. This allows for the ranking of ideas by profit-to-risk ratio. Scenario analysis and stress-testing are used to assess the sensitivity of the portfolio to industry trends and sentiment.

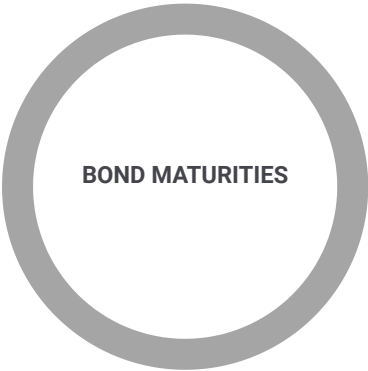
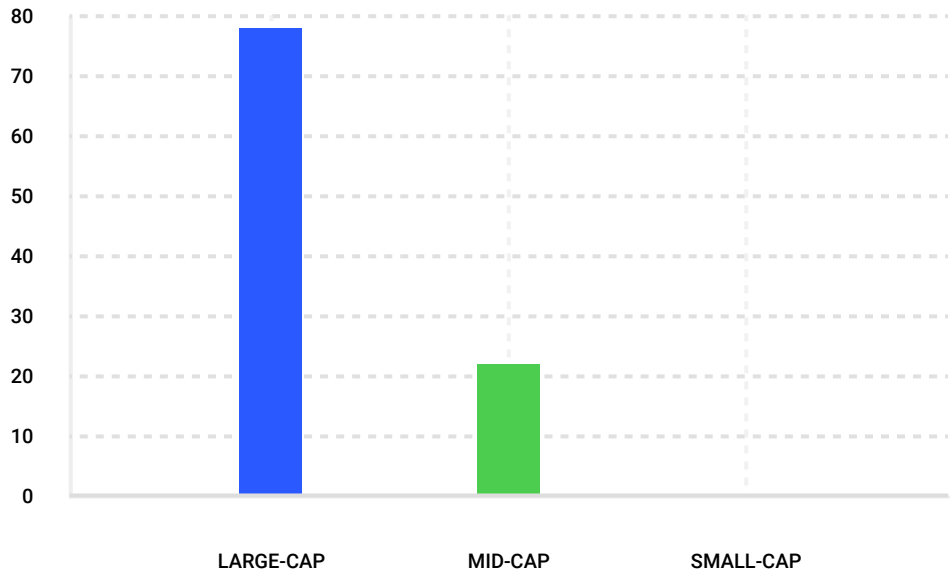


2. Aggregated Net Exposure

Regional Exposure



Equity Market Cap (%)



BOND MATURITIES

Not Applicable



BOND RATINGS

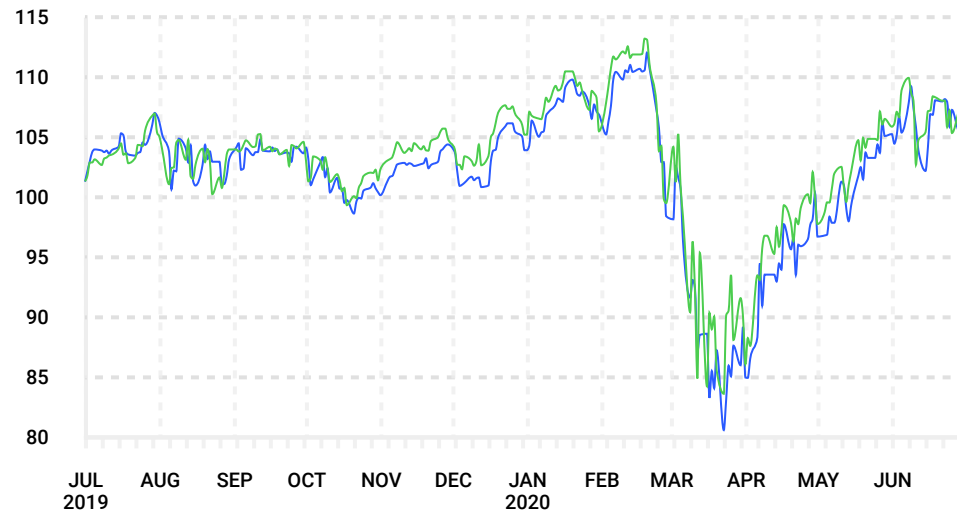
Not Applicable

3. Overall Performance

● Merian North American Eq R GBP Acc - GBP ● US Equity 500 GBP

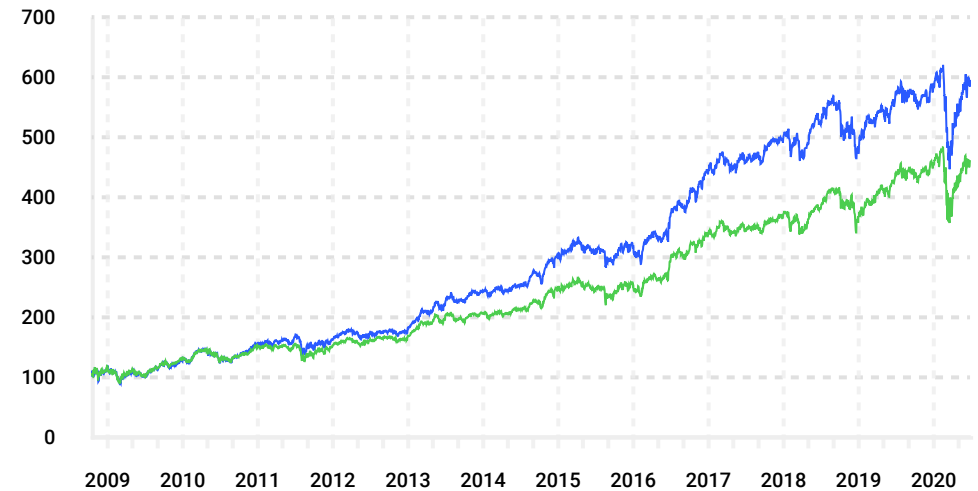
GROWTH (%) - OVER 1 YEAR

01 Jul 2019 - 30 Jun 2020



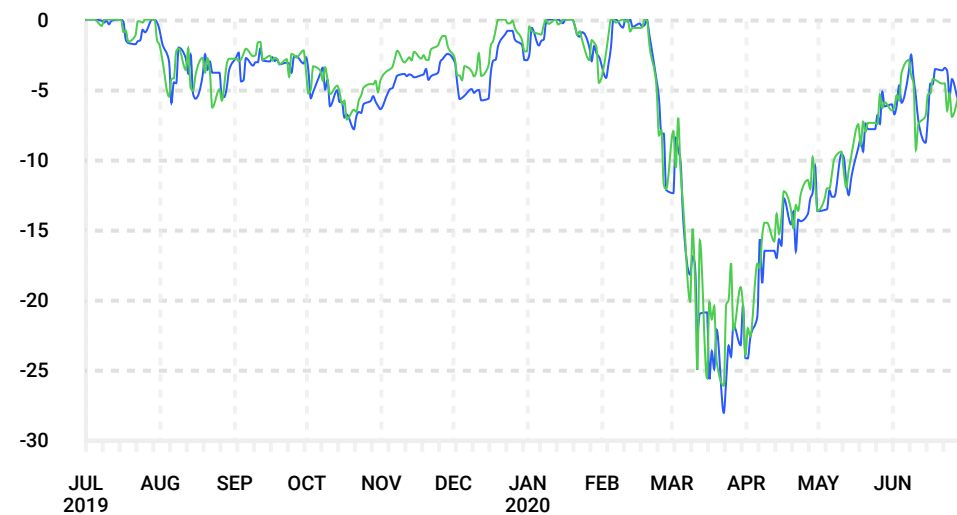
GROWTH (%) - FROM INCEPTION

20 Oct 2008 - 30 Jun 2020



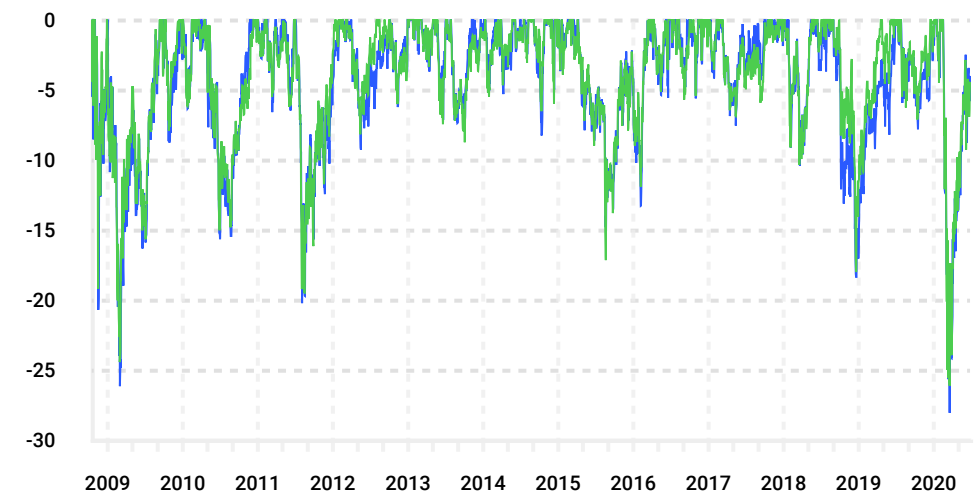
DRAWDOWN (%) - OVER 1 YEAR

01 Jul 2019 - 30 Jun 2020



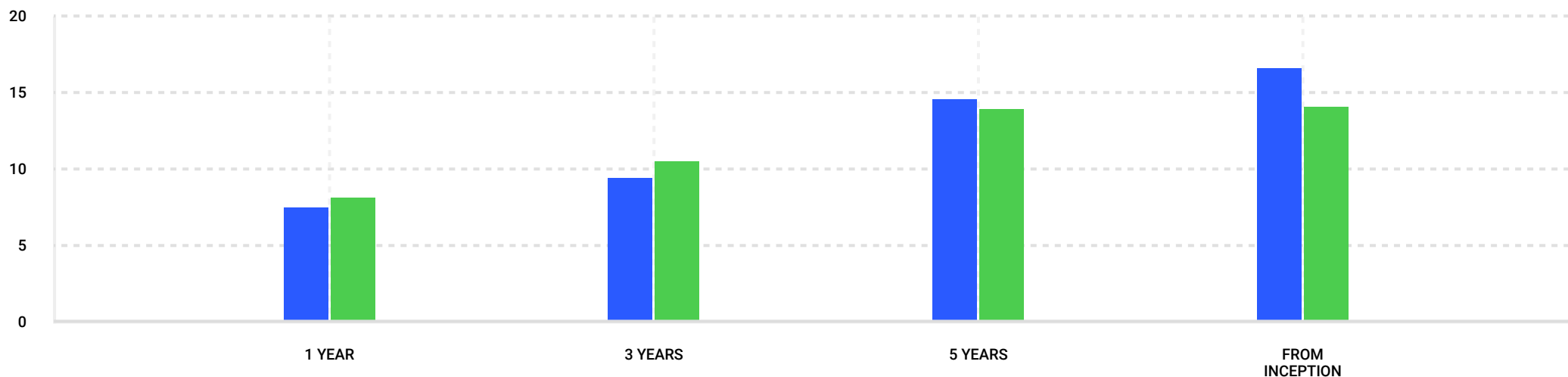
DRAWDOWN (%) - FROM INCEPTION

20 Oct 2008 - 30 Jun 2020



4. Returns

● Merian North American Eq R GBP Acc - GBP ● US Equity 500 GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2020	2.86	-7.93	-9.37	12.49	4.75	2.31							3.48
2019	6.41	3.61	0.64	4.03	-2.55	3.65	6.72	-3.42	0.50	-3.12	3.95	-0.46	21.07
2018	1.02	-0.43	-5.95	4.35	6.71	0.41	1.22	5.79	-0.66	-8.79	2.30	-8.50	-3.92
2017	0.73	4.44	0.05	-3.14	2.50	-0.92	1.51	1.88	-1.11	4.69	0.65	0.68	12.34
2016	-5.65	6.87	2.31	-0.42	0.58	6.64	8.04	0.67	1.23	4.60	3.73	3.89	36.74
2015	2.88	1.31	4.18	-3.87	2.34	-5.13	2.99	-4.35	-3.84	9.26	2.83	-0.23	7.60

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Merian North American Eq R GBP Acc - GBP	7.45	9.36	14.50	16.53
US Equity 500 GBP	8.09	10.47	13.86	14.00

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Merian North American Eq R GBP Acc - GBP	7.45	30.61	96.33	493.95
US Equity 500 GBP	8.09	34.61	90.89	360.15

5. Annualised Analytics

● Merian North American Eq R GBP Acc - GBP

● US Equity 500 GBP

PERFORMANCE - OVER 1 YEAR

01 Jul 2019 - 30 Jun 2020

	Merian North American Eq R GBP Acc - GBP	US Equity 500 GBP
RETURNS (%)	7.45	8.09
VOLATILITY (%)	26.56	34.02
ALPHA	-0.11 *	N/A *
BETA	1.06 *	N/A *
CORRELATION	0.95 *	N/A *
SHARPE RATIO	0.21	0.19
SORTINO RATIO	0.29	0.26
MAX DRAWDOWN (%)	-28.07	-26.14

PERFORMANCE - FROM INCEPTION

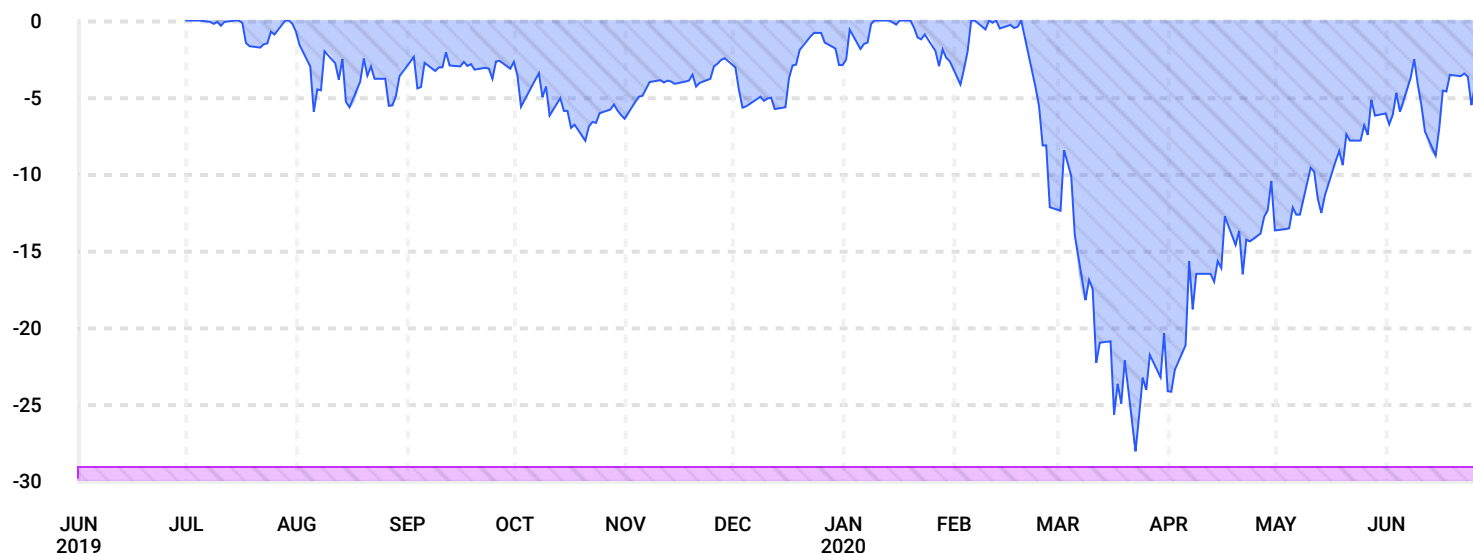
20 Oct 2008 - 30 Jun 2020

	Merian North American Eq R GBP Acc - GBP	US Equity 500 GBP
RETURNS (%)	16.53	14.00
VOLATILITY (%)	20.36	20.62
ALPHA	0.22	N/A
BETA	0.98	N/A
CORRELATION	0.91	N/A
SHARPE RATIO	0.78	0.62
SORTINO RATIO	1.13	0.92
MAX DRAWDOWN (%)	-28.07	-26.14

* calculated over a 3 year period where history permits.

Simple Stress Test Drawdown (%)

01 Jul 2019 - 30 Jun 2020



Stress test notes

This chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

6. Disclaimer



Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).