

# Jupiter Distribution I Inc

May 2019

## Outcome

The managers aim to deliver long term capital accumulation as well as providing a sustainable and rising level of income. Distributions will be made on a monthly basis and an attempt is made to pay a consistent level of income each month. However this is not guaranteed and payments may fluctuate.

The managers are acutely aware of the conservative investor base and general risk appetite of the unitholders. Permanent loss of capital is very much at the forefront of their minds when constructing the portfolio. This means that the fund will not overreach for income and introduce higher levels of risk when market yields are at low levels. Consequently, the fund, at times, may deliver a lower level of income than some of its competitors.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●		●	

## Performance Objective

To deliver first quartile performance within the IA Mixed Investment 0-35% share sector over rolling 3-5 year periods.

<b>Active/Passive:</b> Active	<b>Sector:</b> IA Mixed Investment 0-35% Shares
<b>Launch Date:</b> 04/03/2002	<b>Fund Size (as at 30 Apr 2019):</b> £772.0m
<b>Yield (as at 13 May 2019):</b> 3.1%	<b>Distribution Pay Date:</b> Monthly
<b>Fund Manager:</b> Alastair Gunn, Rhys Petheram	<b>Ongoing Charge Figure:</b> 0.61%
<b>Domicile:</b> United Kingdom	<b>Transaction Cost ex Ante:</b> 0.16%
<b>Multi-Manager:</b> No	



## Fund Opinion

We believe this fund may have some appeal for the more risk averse investor. The experienced managers are very aware of the investor base and seek to minimise permanent loss of capital. Although essentially run as two separate sub-portfolios, the managers' integrated approach helps inform their respective investment processes and leads to a deeper understanding of overall portfolio risk. This is implemented within the bond portfolio by investing in the debt of reliable businesses which have sensible longer-term strategies and where the manager feels comfortable holding each issue for the duration of its term. On the equity side, the emphasis is on higher quality dividend paying companies which are trading below their perceived value. This valuation discipline can also provide some downside protection.

Whilst the fund is only likely to invest the majority of the portfolio in investment grade corporate bonds and high yielding UK equities, and therefore in some respects may appear less diversified than other multi-asset offerings, we feel the collegiate approach of the managers, the integrated manner within which they work and their understanding of the investor base are a compelling combination for a fund such as this.

## Fund Description

The fund has been designed to appeal to the more risk averse investor, seeking a steady and regular yield with modest capital gains. It is co-managed by Rhys Petheram and Alastair Gunn. Mr Petheram is a member of Jupiter's multi-asset team. He joined the group in 2006 as a fund manager, having previously worked as a credit analyst at Moody's Investor Services and Towers Perrin. He is a CFA Charterholder. Mr Gunn joined Jupiter in 2007 and is a member of the UK equities team. His career started in 1986 as a trainee real estate analyst and he has worked as an analyst and fund manager for a number of investment banks including Credit Lyonnais and Chase Manhattan Bank.

The starting point for portfolio construction is the risk profile of the underlying investors; the managers then look to optimise income within this framework. The pair work very closely when building the portfolio however selection of underlying securities is very much the individual responsibility of each manager. Mr Petheram is responsible for the fund's fixed income component and manages this in a conservative manner seeking strong companies which he believes are likely to be able to pay the coupon over the full term of the bond. In order to deliver good risk adjusted returns he is acutely aware of the portfolio's sensitivity to interest rate moves and the credit quality of the underlying issues. Mr Gunn runs the equity element and invests in attractively valued, high quality businesses which pay, or are likely to start paying, dividends. His approach is long-term and he looks for companies where he expects there to be dividend growth on a multi-year basis.

The fund will be split broadly 70%:30% between fixed income and equities. Although the managers will adjust this asset mix to reflect their views of investment conditions and opportunities, active asset allocation will not be the primary driver of returns. Individual stock selection is the core concern for both managers. The aim is to provide a sustainable level of income which is expected to grow over time. Income payments will be made on a monthly basis and the managers attempt to pay a consistent level of income each month, however this is not guaranteed and payments may fluctuate.

## Risk Summary

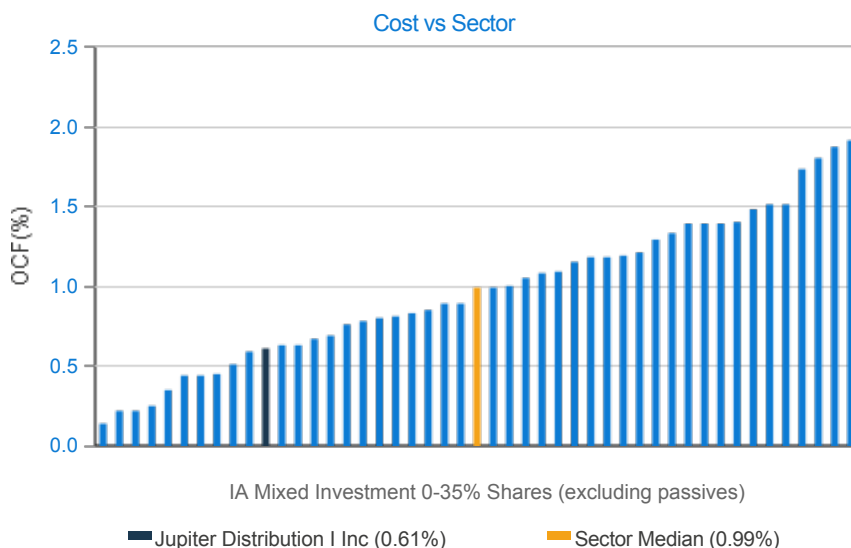
The fund invests predominantly in high quality corporate bonds and UK equities. Compared to some funds with a similar risk profile the stated investment universe is much narrower. Should these asset classes suffer a period of short term negative sentiment the fund may lack the diversification to mitigate such an episode as successfully as its peers.

## Value for Money

(Calculation as at 15 May 2019)

The fund's overall cost is well below that of the sector median. This is in part because the fund follows a relatively simple strategy and invests directly in UK equities and bonds. It does not invest in more esoteric securities which can carry higher costs. We think the fund offers reasonable value for money.

Following the introduction of MiFID II regulations in January 2018, asset management firms are now required to disclose all costs and charges related to the running and administration of funds. This can include items outside of the OCF, such as research costs. As a result, Jupiter will be absorbing the costs associated with their research, which should slightly reduce the overall costs paid by investors. This step is at the discretion of each fund group, but it is one that a number of firms have followed.



This chart shows the ongoing charge figure (OCF) for the fund relative to the median and all other funds in the sector. Each blue bar represents the OCF of an individual fund's 'primary' share class as meets the Investment Association's definition.

## Socially Responsible Investing

There are no explicit environmental, social and governance (ESG) considerations stated in the objective and the managers do not explicitly screen investments based on these factors. However, as a business, Jupiter Asset Management is highly active in corporate governance and engage heavily with companies to try and shape future remuneration and incentivisation policies to ensure the alignment of shareholder and management interests.

### Additional Information

<b>Annualised Return</b>	2.79%
<b>Annualised Volatility</b>	3.87%
<b>Max Drawdown</b>	-4.95%
<b>Max Gain</b>	4.80%
<b>Max Loss</b>	-3.99%
<b>Sharpe Ratio</b>	0.00
<b>Sortino Ratio</b>	-0.03

(3 year data to last month end)

### Currency of Share Class

GBP

### Fund Price (as at 13 May 2019)

59.4 pence

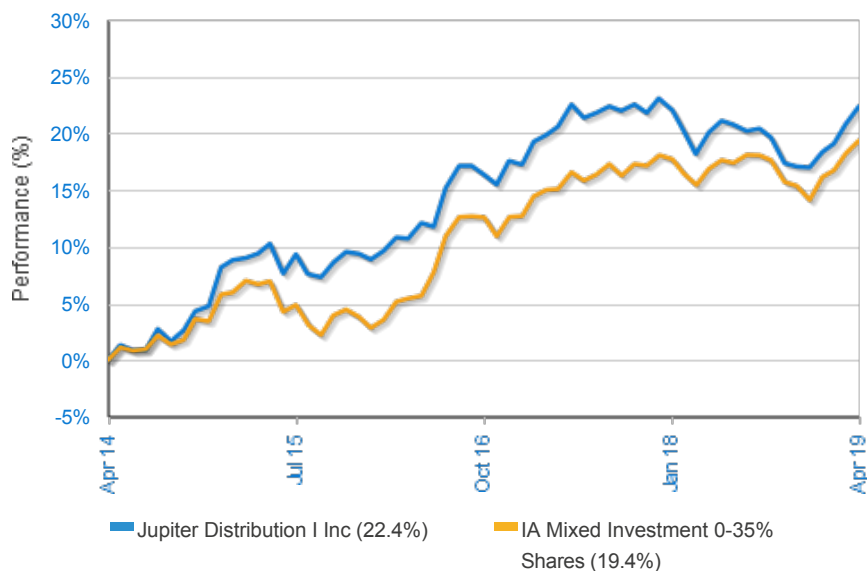
### Benchmark

None Stated

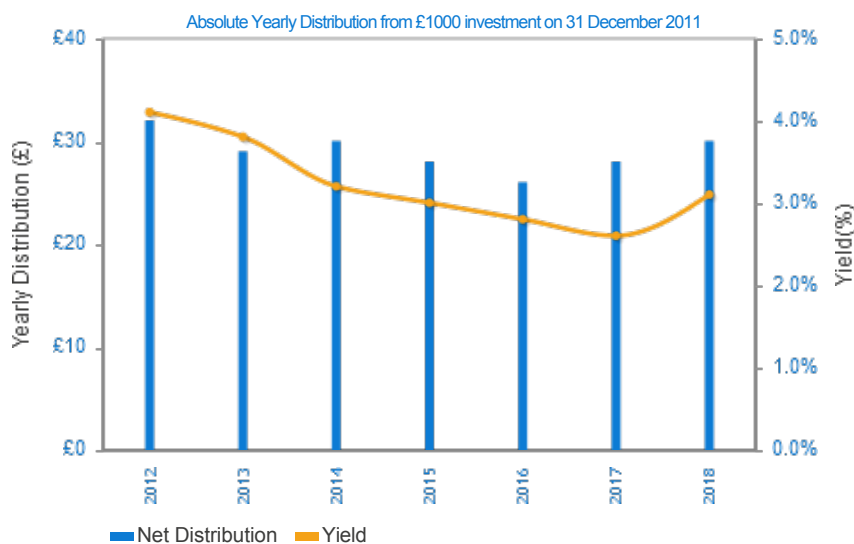
### Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	2.3	2.4	3
12-24m	-1.4	0.4	4
24-36m	8.2	9.4	3
36-48m	1.7	-1.7	1
48-60m	9.9	7.5	1

### Capital Growth

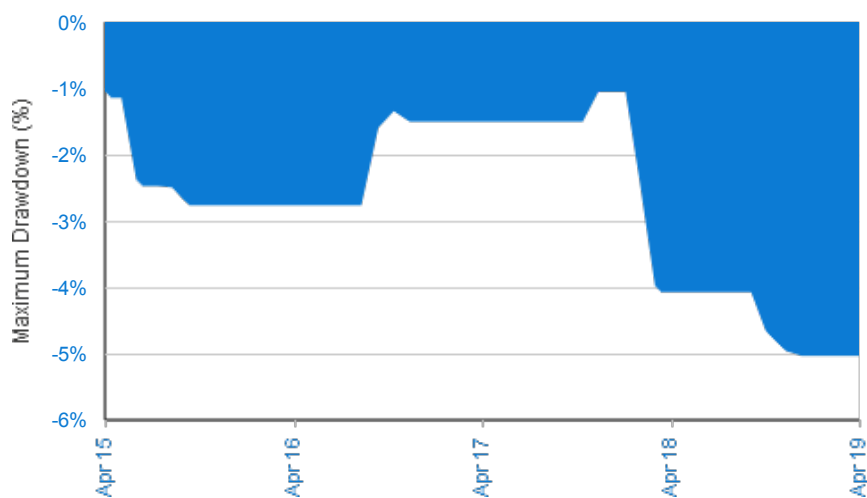


### Income



This graph assumes that income is distributed to shareholders and not reinvested. Yield represents share price fluctuations.

### Maximum Drawdown (Rolling 12 Months)



### Asset Allocation Positioning

Name	%
UK Corporate Fixed Interest	31.4
International Equities	26.2
Global Corporate Fixed Interest	19.8
Global Government Fixed Interest	18.3
Money Market	4.2

(Data as at 31 Mar 2019)

### Top Ten Holdings

(Data as at 30 Apr 2019)

Company Name	%
BP	2.5
ROYAL DUTCH SHELL	1.9
UNILEVER 1.375% MTN 15/09/24 GBP100000	1.8
AUSTRALIA(COMMONWEALTH OF) 4.5% TB 21/04/33 AUD100 (CDI)	1.6
UNITED STATES OF AMER TREAS BONDS 2.25% BDS 15/08/46 USD100	1.5
BANK OF NOVA SCOTIA 1.05% 30/09/21	1.5
US TREASURY 2.5% 15/05/46	1.5
US TREASURY 2.75% 15/08/47	1.4
METROPOLITAN LIFE GLOBAL FUNDING 2.625% 05/12/22	1.4
HSBC HLDGS	1.4

### Sector Breakdown

(Data as at 30 Apr 2019)



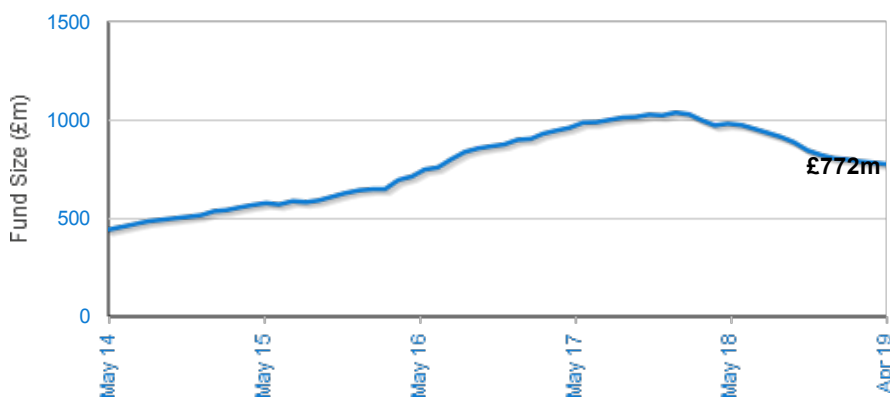
### Geographic Breakdown

(Data as at 31 Mar 2019)



### Assets Under Management

(Data as at 30 Apr 2019)



### Financial Express Crown Rating



### Financial Express Alpha Manager Rating

N

## 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 has some exposure to shares. Shares are volatile investments but diversification across asset classes may moderate these risks. At times of economic stress, volatility may rise as might correlations between asset class returns.

### Interest Rate Risk

The fund is predominately invested in higher quality fixed interest markets. The fund price may fall if interest rates climb more rapidly than expected.

### Credit Risk

The fund has significant exposure to high grade corporate debt. Widespread credit downgrades may adversely impact the fund price, typically this occurs at times of economic weakness.

### Exchange Rate Risk

The fund may have some exposure to assets denominated in foreign currencies however the majority is expected to be in Sterling. Changes to exchange rates may impact the fund price.

### Liquidity Risk

The fund predominantly 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 developed markets.

### Derivative Risk

The fund is predominantly invested in physical assets but may employ derivatives as part of its risk management strategy.

### Manager Risk

The managers are seen as an important element in Square Mile's rating of the fund, although potential alternatives may exist elsewhere in the organisation. Square Mile will reappraise the rating if the lead managers' were to leave.

FE Risk Rating: 28

SRRI: 3

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