

## A diversified and alternative approach to low risk investing

### Paul Smith, Fund Manager: Premier Defensive Growth Fund

The IA Targeted Absolute Return sector consists of funds with different goals and objectives, that seek to achieve an absolute return in very different ways. This leads to significant dispersion of returns.

Even where the asset mix is ostensibly similar, the approach may be very different. For example, the majority of mixed asset funds focus on large macroeconomic events. The investment approach on the Premier Defensive Growth Fund focuses on specific investment strategies, often targeting microeconomic events with appropriate risk management.

This Fund has a very strong focus on risk management and more specifically on aiming for positive returns over rolling three year periods with a small fraction of the volatility of global equities.

The Fund is an actively managed portfolio diversified across investment themes, investment strategies, asset classes, geographies and markets. The team search for liquid investments to help them effectively manage the Fund in changing market conditions.

The investment themes, each of which has the potential to contribute to the Fund's overall objective, are as follows: discount opportunities, relative valuation, defined investments, trading strategies and short-term catalysts. These focus respectively on price anomalies of individual investments, pricing anomalies between different investments, investments with a fixed life and, or a fixed entitlement, expressing a specific investment view or taking advantage of specific market conditions, and finally focusing on investments that can take advantage of potential short term catalysts that can lead to a change in the value of an investment.

Potential and actual strategies in the Fund are each risk profiled, risk scored and risk modelled by the investment team. This process is designed to highlight and compare risk profiles across investment types and investment strategies and to give early warning signs of changing risks both at a strategy and fund level. This provides the appropriate confidence in the ongoing risk profile and ability to provide an absolute return over a rolling three year period.

The investment team would typically expect defined investments to form a core part of the portfolio, and currently have 47% of the Fund allocated to this investment theme. This is because the inherent characteristics of these investments make it possible to risk manage and control ever changing risks contributing to the Fund's diversified low risk profile. As mentioned earlier, typically they are identified by having a fixed life or a fixed entitlement, or both. The fixed life allows easier identification of the major risks and the fixed entitlement enables the calculation of the responsiveness of the investment if those risks occur.

The next largest theme is currently trading strategies, representing about 28% of the Fund. Within this theme the investment team aim to use a combination of financial instruments to tactically express a view or take advantage of market conditions. Recently the team have allocated a greater proportion of the Fund's assets to the discount opportunities and relative valuation themes as the opportunity sets within these themes have increased and often do not rely on directional asset class views of which the team have become concerned.



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A free, English language copy of the fund's Prospectus, Key Investor Information Documents and Supplementary Information Documents are available on the Premier website. All data sourced to Premier Asset Management unless otherwise stated. For your protection, telephone calls are recorded and monitored for quality assurance purposes.

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