

How to navigate markets with no margin of safety

As asset managers face a market with no margin of safety, choosing the right investments for their portfolio becomes a challenge. Ben Leyland, Senior Fund Manager, JOHCM Global Opportunities Fund shares his views on the market and discusses what their strategy is likely to be in the near future.



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IN THE CURRENT MARKET ENVIRONMENT, finding the right companies to invest in is a difficult task. Ben Leyland, Senior Fund Manager, JOHCM Global Opportunities Fund is sitting on a huge cash balance while his team finds investment options with a limited amount of downside and a significant upside, on a per stock basis.

The fund is looking for stocks that are valued attractively, because of a dip in the market falls, a particular sector, or in an individual stock.

Leyland points out that for his team, the advantage lies in being part of a global fund with access to global companies, building a concentrated portfolio with significant average investments of 2.5% to 3% - which means they're able to mobilize a significant portion of the fund from cash even if they find just a handful of interesting companies.

Further, one of the main drivers of the fund's analysis and focus is economic exposure rather than listing venue - which is why the team seems to be underweight US equities despite having a significant economic exposure to the US market through their holdings in European entities.

Trends suggest that the fund is typically underweight the financial sector. Leyland reveals that the team is uncomfortable with the level of gearing that's inherent in the sector. Even in the current environment with rising interest rates, they don't feel that they warrant a change in the strategy, especially because the fund maintains a long-term outlook. ■