

# THREADNEEDLE UK EXTENDED ALPHA FUND

## AT A GLANCE

A UK equity fund with a quality growth bias that can extend long positions in favoured companies whilst shorting unattractive stocks.

## REASONS TO INVEST

- 1. Ability to generate greater alpha:** The portfolio manager has a 'go anywhere' approach and invests in our best ideas. The fund structure allows us to take larger positions in favoured growth stocks, whilst shorting unattractive stocks. We believe that tactical shorting can add value and enhance risk management and, in addition, the proceeds from short positions can also be used to extend long positions.
- 2. Use market volatility to our advantage:** We believe that the stock market is influenced by short-term factors which create opportunities for those investors with a clear view of the worth of a business. We look to exploit these situations by taking long positions in fundamentally strong yet undervalued companies which can benefit from a re-rating, while taking short positions in overvalued companies with weakening fundamentals, which are vulnerable to being de-rated by investors.
- 3. Collaborative approach to idea generation:** We draw on insights from the broader UK equity team, as well as the stock, sector, thematic and macro thinking of our wider investment platform. Access to company management is an important part of our research process and the team holds approximately 800 meetings with management per annum.



**CHRIS KINDER**  
Portfolio Manager (since November 2010)

## KEY FACTS

### Fund inception date

12 May 2003

### Benchmark index

FTSE All Share

### Peer group

UK IA – UK All Companies

### Fund size (as at 31.12.2016)

£137m



“Essentially, we look for decent businesses at decent prices, while keeping an eye out for unattractive businesses at unattractive prices that can be added to the short book. We look for persistently high returns on capital over time and the ability to reinvest cash flows at that same high rate. It is an ideal allocation for investors who are looking for large cap, growth exposure in the UK market. The fund has demonstrated defensive properties too with its ability to short, offering investors’ protection in down or flat markets.”

– Chris Kinder

## INVESTMENT APPROACH

We believe that the stock market is too influenced by short-term factors and market noise, which can create opportunities for those investors with a clear view of the worth of a business. By placing valuation at the heart of our approach, we look to exploit these situations by taking long positions in fundamentally strong, yet undervalued, companies which can benefit from a re-rating. We couple this by taking tactical short positions in overvalued companies

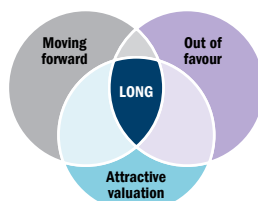
with weakening fundamentals, which are vulnerable to being de-rated by investors.

By constructing a diversified portfolio, we believe we are able to deliver consistent and strong risk-adjusted returns through the cycle; the ability to adopt short positions allows us to take a more aggressive negative view on particular stocks than would be possible in a long-only fund, increasing the opportunity to outperform.

## CHARACTERISTICS OF LONG AND SHORT POSITIONS

### Characteristics of long positions

- Positive cyclical surprise
- Value destroyer turned value creator
- New product/addressable market
- Positive trading statements
- Management change
- New business wins

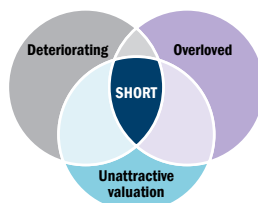


- Long-term growth prospects underappreciated
- Resilient long-term franchise/business model underappreciated
- Refinancing opportunities
- Sector/stock out of favour

- Tailored valuation measures (varying by company/sector)
- Cheap vs. own history
- Strong operating cash conversion
- Director buying

### Characteristics of short positions

- Change in market environment/disruptive technology
- Negative cyclical surprise
- Downward earnings revisions and increased dispersion



- Long-term growth prospects overestimated by the market
- Value destructive management unwilling to change
- Inappropriate rights issues/remuneration
- Value destructive M&A
- Sell-side analysts universally positive

- Expensive vs. own history
- Questionable accounting policies
- Inappropriate balance sheet structure
- Poor cash generation
- Director selling

## RISK PROFILE

Past performance is not a guide to future returns and the fund may not achieve its investment objective. The value of the fund may fluctuate in response to the performance of individual companies and general market conditions and investors may not get back the sum originally invested. Fluctuations in exchange rates may also cause the value of investments to rise or fall. The fund may exhibit significant price volatility. The investment policy of the fund allows it to invest materially in derivatives. The fund enters into short selling with the aim of profiting from falling prices. However, the potential losses are unlimited as the prices of the underlying investments can increase very significantly in a short space of time.

The fund's assets may sometimes be difficult to value objectively and the actual value may not be recognised until assets are sold. The fund may enter into financial transactions with selected counterparties. Any financial difficulties arising at these counterparties could significantly affect the availability and the value of fund assets. Leverage amplifies the effect that a change in the price of an investment has on the fund's value. As such, leverage can enhance returns to investors, but can also increase losses, including losses in excess of the amount invested. Please read the Key Investor Information Document and the Fund Prospectus if considering investing.



To find out more visit [columbiathreadneedle.co.uk](http://columbiathreadneedle.co.uk)



**Important information:** Data as at 31 December 2016, unless otherwise stated. Threadneedle Specialist Investments Funds ICVC ("TSIF") is an open-ended investment company structured as an umbrella company, incorporated in England and Wales, authorised and regulated in the UK by the Financial Conduct Authority (FCA) as a UCITS scheme. TSIF is registered for public offer in Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Singapore, Spain, Switzerland, Sweden and the UK. Shares in the Funds may not be offered to the public in any other country and this document must not be issued, circulated or distributed other than in circumstances which do not constitute an offer to the public and are in accordance with applicable local legislation. Income may fluctuate in accordance with market conditions and taxation arrangements. The difference at any one time between the sale and repurchase price of units in the scheme means that the investment should be viewed as a medium to long term investment. Investments may be subject to sudden and large falls in value, and the investor could lose the total value of the initial investment. This material is for information only and does not constitute an offer or solicitation of an order to buy or sell any securities or other financial instruments, or to provide investment advice or services. Please read the Prospectus before investing. Subscriptions to a Fund may only be made on the basis of the current Prospectus and the Key Investor Information Document, as well as the latest annual or interim reports and the applicable terms & conditions. Please refer to the "Risk Factors" section of the Prospectus for all risks applicable to investing in any fund and specifically this Fund. The above documents are available in English, French, German, Portuguese, Italian, Spanish and Dutch (no Dutch Prospectus), Swedish (for the Key Investor Information Document only) and can be obtained free of charge on request from: Columbia Threadneedle Investments PO Box 10033, Chelmsford, Essex CM99 2AL. The research and analysis included in this document has been produced by Columbia Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice and should not be seen as investment advice. Information obtained from external sources is believed to be reliable but its accuracy or completeness cannot be guaranteed. Issued by Threadneedle Investment Services Limited. Registered in England and Wales, Registered No. 3701768, Cannon Place, 78 Cannon Street, London EC4N 6AG, United Kingdom. Authorised and regulated in the UK by the Financial Conduct Authority. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies. [columbiathreadneedle.com](http://columbiathreadneedle.com) Valid from 04.17 | Valid to 12.17 | J26446