CSS STRATEGISE: "SPECIAL SITUATIONS" FACTSHEET

COLLINS SARRI STATHAM
INVESTMENTS

SPECIAL SITUATIONS STRATEGY

Collins Sarri Statham Investments Ltd

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SPECIAL SITUATIONS OBJECTIVE:
To select investments on the basis of expected corporate activity/ "bid situation"/ M&A/ insider buying/ change in corporate strategy. Please refer to the CSS Strategise Brochure for further

Key Risk Factors

1.The return from "Special situations" investments are variable and sensitive to events and outcomes that may be difficult to predict.
2. "Special situations" may already incorporate bid premiums hence may offer limited upside.
3. The outcome of M&A activity may hinge on factors outside of the control of the board of directors including the Competition Commission and capital markets.
4. Please note that these figures are based on gross performance and do not include commissions, compliance charges or other costs. Please contact us for further information on our fees and charges.
5. The figures and performance chart refer to simulated past performance which is not a reliable indicator of future performance.

CSS Strategise "special situations" strategy

The "Special Situations" strategy targets listed equity investments marked as "Bid Situation" or where there exists a high possibility of corporate activity either in the form of a takeover approach, or a demerger in the short term. The strategy will also take the view that a special situation might result from heavy insider buying/ selling activity or a significant change in corporate strategy.

Special situations statistics simulation

Using a hypothetical simulation, the Special Situations recommendations (modelled on a £100k portfolio with 10 equally weighted recommendations) was monitored from 31st October 2008 to 31st October 2011. The performance of the Special Situations recommendations delivered a return of 54.86%. There is no appropriate benchmark with special situations, hence the simulation does not compare performance against a benchmark index only on an absolute basis. The simulated performance takes into account dividend and capital distributions which adjust respective shareholdings when they occur. In reality holders have the choice of cash or shares in respect of dividends.

	Portfolio
Return (GBP)	54.860
Annualised Monthly Return	15.695
Annualised Volatility	25.189
Relative Return (GBP)	---
Monthly Return	1.222
Highest Monthly Return	16.799
Lowest Monthly Return	-10.165
Maximum Loss	23.322
% Positive Monthly Returns	50.000
Correlation	---
Alpha	---
Beta	---
R-Squared	---
Sharpe Ratio	0.580
Treynor Ratio	---
Information ratio	0.623

Source(s): Statpro plc

Conclusion

The time period of the simulation is possibly too long given that takeovers do not take three years. The simulation does suggest that even if the expected M&A activity does not materialise, that the strategy should still achieve decent medium term returns. In a "special situations" context the investor is hopeful of *short-term* activity which either happens or not hence index benchmarking is of limited use. "Special situations" short-term returns are more erratic as indicated by the VaR measure at 2.42%.

Our simulation of the Special Situations strategy identifies the following characteristics:-
* A 54.86% return during the approximate 3 year time period.
* A Sharpe ratio (risk adjusted measurement of return) of 0.58x.
* Monthly return in a range of 16.799% to -10.165% with an average of 1.222%.

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Risk Warning - All investments involve degrees of risk including the risk of capital loss. The securities and investments referred to in this document are not suitable for all investors. Investors should make their own investment decisions based on their own financial objectives and financial resources and, if in any doubt, should seek advice from an investment advisor. Past performance and simulated past performance will not necessarily be repeated and is no guarantee of future success. Where investments are made in currencies other than the investor's base currency, movements in the exchange rate will affect values. Furthermore levels of taxation may change, as may taxation policy.

Definitions:

Correlation: A statistical measure that measures how investments move in relation to each other. For example if the correlation was 0 the two investments would move independently of each other. Typically correlation measurements are between -1 (opposite direction) to 1 (moves in lock step with each other).

Alpha: broadly the degree of outperformance from a given benchmark. For example if the investment rises 10% and the benchmark return is 5% it would have an alpha of 5%.

Beta: broadly the sensitivity of the investment to the movement in the market i.e. if the investment had a ratio of 1 it would move the same as the market. Beta measures covariance of the returns of the asset in respect of the portfolio to the variance of the portfolio.

R-Squared: the percentage of the asset's movement attributable to the movement of the market.

Sharpe ratio: excess return per unit of risk i.e. Expected returns ("R") less the risk free (Rf) rate divided by the standard deviation of returns (σ).

Treynor ratio: returns in excess of risk free return (Ri - Rf) divided by market risk (Bi); i.e. risk adjusted returns per unit of market risk.

Information ratio: measures the risk adjusted return divided by the standard deviation of returns

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