

## The Whitechurch 100

Welcome to the latest edition of the Whitechurch 100.

Every quarter we update our **Whitechurch 100** – which consists of our preferred funds in each of the Investment Management Association (IMA) sectors – ranging from UK Equity Income to Emerging Markets, which you may find useful as a reference aid.

The list is designed to be used for reference only – **it is not and should not be considered as advice**. The funds included are not firm recommendations or ‘must buys’. The funds featured in the Whitechurch 100 reflects, in our opinion, those unit trusts / OEICs that we believe should do well in their respective sectors over the mid to long-term – i.e. a minimum time period of 5 years.

All funds have been given a Whitechurch risk rating and this figure is based on a risk scale of 1 to 10. The risk rating figures are realistic and based on our analysis of the sector represented, consistency of performance, the underlying investment philosophy and the structure of the portfolio.

The Whitechurch Risk Rating table, with full risk breakdown and explanations, can be found below. Before reading the document, please read the **Important Notes and Risk Warnings** immediately below.

### Important Notes and Risk Warnings

Any purchase carried out after reading this document will be conducted on an execution only basis – this means that no financial advice has been given.

Therefore all information provided in this document is solely to enable you to make your own investment decisions and the investments referred to may not be suitable for everyone.

Unless we have complete up to date written details of your financial circumstances and requirements we cannot and will not offer any opinion as to the suitability of any investment for any client.

Any investment made after reading this document will therefore be on the basis that client specific advice has not been given.

The price and value of investments and their income can fluctuate and you may get back less than you invested.

Past performance should not be seen as an indication of future performance.

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## Whitechurch Risk Rating Table

<b>Low</b>	<b>1</b>	You have a cautious attitude and would not be prepared to accept any fluctuation or small loss of your original investment, albeit over only short periods. You understand that this may result in low rates of return and that inflation could erode capital value over time.
	<b>2</b>	You are cautious and are attracted to lower risk investments, probably away from equity investments. You prefer any loss to be small and unlikely. You accept the lower potential growth in return for a high degree of security and understand that inflation could erode your capital over time.
	<b>3</b>	You are attracted to the lower risk investments but are prepared to accept a degree of risk and fluctuations in the value of your capital. Whilst there is an inflation risk, the risk of fluctuation of capital is restricted to a small portion of your investment. You could not handle any significant loss.
<b>Medium</b>	<b>4</b>	You are keen to keep some degree of security of your capital but accept that part of your investment is exposed to a degree of risk with the aim of a higher potential growth. Some loss of your capital is possible over some periods.
	<b>5</b>	You are a balanced investor and accept a degree of risk whilst including some security of capital within your investment. You accept that the overall investment could show losses but you are accepting the risk in return for a potentially higher return over the long term.
	<b>6</b>	You are prepared to accept a higher than average degree of risk with the aim of a potentially higher return over the longer term. You accept that this strategy requires a greater exposure to equity investments with the associated volatility.
	<b>7</b>	You are approaching the higher risk categories and are prepared to take a medium to high risk with your investment. Your aim is a higher potential growth whilst accepting that losses of capital do occur. You understand that there may be the additional risk of currency fluctuations. You are able to handle all fluctuations and are in a position to be flexible in the timing of encashments.
<b>High</b>	<b>8</b>	You are willing to take a high risk with your investment. You accept that at this level losses are common on these types of investments in return for a higher potential growth. You understand that some investments in this category may not be readily realisable or may have to be held long term.
	<b>9</b>	This very high risk strategy is suitable for only a few investors, or a small part of a portfolio, accepting exposure to, for example, specialist areas. Funds with a more aggressive approach may be included and, as with venture capital, could show no return of capital. You realise that data for valuing such investments may be restricted. Investors at this level enjoy the high returns that are possible but are able to withstand major losses.
	<b>10</b>	You have a speculative nature and welcome a degree of gamble in your approach using the highest risk investments.

## Funds Added

### Merrill Lynch Gold & General

With an increasing interest in commodities, materials and metals, we have decided to include this fund for experienced investors looking for further diversification in their portfolio. Although the fund provides excellent exposure to gold, it also provides access to mining and precious metal related shares. Managed by a highly regarded and experienced team, all of who have specialist experience in gold and special metals, the fund will be volatile and is only suitable for well-diversified and aggressive portfolios.

### M&G Recovery

A direct replacement for New Star UK Growth (see below), this M&G fund was one of the first unit trusts on the market and has been running for nearly 40 years. The M&G Recovery fund focuses on special situations and is managed on a contrarian basis. Investing in small, mid and large cap companies, the portfolio holds a large and diverse number of stocks. The fund represents a solid choice for a core UK growth fund and can be considered an alternative to Fidelity's Special Situations fund.

### Newton Higher Income

This is another direct replacement for a New Star fund, this time their Higher Income fund. Indeed, Toby Thompson made his name managing the Newton fund before leaving to head up the New Star fund employing the same investment process and high yielding equity income approach. Furthermore, Thompson's successor at Newton subsequently made his name running this fund and then left to join JO Hambro, again setting up and running a fund built on the same investment process as the Newton Higher Income fund. However, the Newton fund has managed to comfortably outperform both of its rivals over the last year and we feel that the analysts and process employed on Newton Higher Income make it a more reliable choice for this type of high yielding equity income approach as we continue in an uncertain economic climate.

### Standard Life Dynamic Distribution

Also a direct replacement and this time for the New Star Tri-Star fund. The Standard Life fund's objective is to provide a combination of income and capital growth by investing in a diversified asset mix of UK equities, fixed interest and UK commercial property. The fund achieves this by investing in a range of Standard Life funds with the manager deciding on the necessary asset allocation within the fund. The fund represents a viable alternative for cautious and disillusioned With Profits Bond investors.

## Funds Removed

### New Star Higher Income

This fund has disappointed for some time now and though we firmly believe that past performance is not the only factor to consider when assessing a fund, sometimes it is a factor that cannot be ignored. The fund has had a torrid time over the last 18 months or so and, as mentioned, the Newton fund adopts the same process in equity income investing but with markedly better results.

### **New Star Managed Distribution**

This fund blends the talents of Toby Thompson (equity income) and James Gledhill (corporate bonds), with Theo Zemek as lead fund manager responsible for making the asset allocation calls and final investment decisions. Our current opinion of Toby Thompson is mentioned above but, also, Theo Zemek has recently departed New Star for pastures new. Though we are more than satisfied with James Gledhill (Zemek's replacement and whose funds also feature on our list), this combination of factors coupled with our view that currently better distribution funds are available for investors elsewhere, means we have dropped the fund.

### **New Star Tri-Star**

The difference between this fund and the New Star Managed Distribution fund is that this fund incorporates New Star's Property fund into its asset allocation. Although, the struggles of UK commercial property over the last year or so have been well documented, this has not been the main factor in dropping this fund; rather that we have removed this fund from the list for the same reasons as those given for the New Star Managed Distribution fund.

### **New Star UK Growth**

As with Toby Thompson, the manager of this fund, Stephen Whittaker, has consistently produced 4<sup>th</sup> quartile performance since taking over this fund in 2002 and it is difficult to see where the catalyst to change the fund's fortunes is going to come from. As such, we cannot justify recommending this fund at present when there are better alternatives in the UK All Companies Sector.

## **Whitechurch Statement – New Star Asset Management**

There has been plenty of focus within the financial press and industry alike with regards to New Star Asset Management recently. Lacklustre performance in 2007 from some core areas and key funds, leading to downgrades to the group's share price, has meant that speculation about the fund provider's future has been rife.

Even though we have removed four New Star funds from the latest Whitechurch 100 list, this has been based upon investment reasons such as management changes, lack of consistency and prolonged periods of disappointing performance. Within the Whitechurch 100 list we still include seven New Star funds and we will be keeping developments at New Star Asset Management under close scrutiny going forwards. For the time being we do not suggest making knee-jerk decisions with regards to their funds and suggest holding tight. Naturally, we will keep you immediately informed if our opinion changes in any way.

## UK Equity Income

*IMA Definition - 80% of assets must be invested in UK equities and the fund must aim to have a yield in excess of 110% of the FTSE All Share index. Managers of these funds seek out UK shares of companies in a broad range of industries with yields that are above average compared with UK shares in general. They select shares of companies which they believe will be able to pay steady or increasing dividends in the future. Capital growth is not a priority but in the past equity income funds have tended to produce good levels of capital growth as well.*

Fund Name	Risk 1-10	Fund Description
<b>Artemis Income</b>	5	Adrian Frost (ex Deutsche) took over the management of this fund in February 2002. The investment philosophy is to generate capital growth together with a rising level of income through exploiting anomalies in the stock market. The portfolio will comprise of companies that can demonstrate superior growth and will concentrate on stocks that the fund manager believes will be re-rated upwards by the market in the future. The fund will have at least 80% invested in the UK but will also look at opportunities overseas.
<b>AXA Framlington Monthly Income</b>	5	This fund is under the management of George Luckcraft who has built up a strong record whilst at Framlington and previously at ABN Amro. The objective of the fund is to combine an above average level of income together with long-term capital growth. The fund will typically have a long term split of 75% equities with the balance in convertibles/corporate bonds. The equity weighting will be much higher when the manager sees opportunities for equity income stocks.
<b>F &amp; C Stewardship Income</b>	5	This is an equity income fund with strict ethical criteria. Due to ethical restrictions it is biased towards small and medium sized companies and will have a high tracking error relative to the peer group. However, the low turnover and the use of bonds and low volatility utilities has resulted in the fund having the lowest volatility in the sector. Overall this is a good income producing equity fund with prospects for strong growth, suitable for investors seeking absolute return and concentrating on absolute risk. The fund will complement more index focused funds and should be considered for well-diversified equity income portfolios. Despite the ethical restrictions placed upon this fund, the performance under Ted Scott has been exceptional. This would be our favoured fund for investors looking for an ethical fund.
<b>F &amp; C UK Growth &amp; Income</b>	5	Ted Scott took over this fund in May 2005. Scott is a highly capable manager with over 20 year's investment experience. This fund has a more flexible mandate than the F&C Stewardship Income fund, and has no index/benchmark constraints. Scott uses a barbell approach, investing a portion of the fund in companies that Scott believes will generate capital growth and a proportion in companies that generate income. Currently about 40% of the fund is invested in larger companies, held primarily for their income stream, with the rest in medium and smaller companies.

<p><b>Gartmore UK Equity Income</b></p>	<p>5</p>	<p>Chris Burvill manages this fund as a replica of the equity portion of the Gartmore Cautious Managed fund that also has an excellent record. His style has traditionally been value driven but he is prepared to be contrarian in nature (as he currently is), with a willingness to embrace growth stories in the current climate that he believes are being overlooked. Burvill's flexible style could see this fund outperform traditional equity income funds given the compression in valuations seen in recent times should companies that can demonstrate growth characteristics be re-rated.</p>
<p><b>Invesco Perpetual Income</b></p>	<p>5</p>	<p>This fund is managed by the highly respected Neil Woodford manages this fund with the aim of providing a reasonable income together with the potential for future growth. The proven investment style focuses on the manager's assessment of value based on long term macro economic views. This leads to a contrarian approach, which often results in large sector bets against the peer group and the FTSE All-Share Index. As has been the case for a number of years, the portfolio reflects a cautious macro view with large overweightings to the tobacco and utilities sectors, respectively and a zero weighting to banks. The portfolio tends to show low levels of turnover reflecting the longer-term themes. Despite the amount of money he manages (over £15 bn), Woodford still invests in smaller companies. Woodford has an exceptional long-term track record for the 15 years since he took over the fund. Recent returns have continued to be strong but the management style does mean that periods of short-term relative weakness may be expected.</p>
<p><b>Jupiter Income</b></p>	<p>5</p>	<p>This fund aims to provide investors with both capital appreciation and an income that rises at least in line with inflation. Anthony Nutt has managed the fund since April 2000 in a bottom-up, stock-specific manner within a macroeconomic framework. The fund focuses on high-quality companies, often with an emphasis on defensive areas to meet the income requirement. It invests in a mix of value and growth stocks resulting in a "growth-at-a-realistic-price" approach to stock selection. Tracking error against the FTSE All Share index may be high however, broad diversification and regular monitoring of active bets ensure an acceptable risk profile with low volatility. The fund will invest in large, medium and smaller companies. Consistent out-performance under Nutt's tenure, using the disciplined investment approach, has provided the fund with an AAA S&amp;P rating.</p>

<p><b>Newton Higher Income</b></p>	<p>5</p>	<p>This fund's success has made the reputations of two managers who subsequently went on to set up rival funds with very similar investment approaches. The incumbent manager of this fund is Tineke Frikkee, who took over in April 2004, and has proved to be a very reliable manager. The group employ a contrarian approach, with yield used as an indicator of sentiment. Frikkee buys stocks of quality companies at the time when they are out of favour with other investors and yielding 120% of the All Share. She will sell holdings when the market recognises their worth and the yield falls to the All Share yield. Because of the strict process applied to the fund there may be periods of underperformance versus the stockmarket but we believe it is a good choice for investors seeking an attractive income plus growth potential.</p>
<p><b>Psigma Income</b></p>	<p>5</p>	<p>Although this fund has only recently been launched (April 2007), it has already attracted nearly £150 million. This is due to the outstanding reputation and track record of fund manager Bill Mott, who has managed equity income funds for nearly thirty years at Credit Suisse. Mott's strong record of outperformance has been driven by his top down thematic approach, where he has successfully identified market trends and inflexion points. He will apply this approach to this fund with the objective of achieving long-term capital growth in excess of the FTSE All Share as well as providing a dividend yield that will rise faster than inflation over time. Mott will follow a value approach to stock selection. resulting in a "common sense" diversified portfolio of undervalued stocks. The portfolio is currently skewed towards blue chip companies where Mott sees value, although he will seek opportunities across the market. Psigma is a management owned boutique where management interests are driven by strong performance.</p>
<p><b>Rathbone Income</b></p>	<p>5</p>	<p>This is an excellent traditional equity income fund that invests in a portfolio of around 50 – 70 companies that provide above average and increasing income. Manager Carl Stick invests in companies where the management is committed to increasing dividends without penalising capital growth. The fund has a record of rising annual distributions over the past 5 years. Current split is 45% large cap, 25% mid cap and 18% small cap. Carl stick has produced excellent performance and the fund has been top quartile every calendar year from 2000 to 2005. It also has one of the best risk-adjusted return numbers in the sector.</p>

<b>Standard Life UK Equity High Income</b>	<b>5</b>	<p>This fund invests in the UK's largest 350 companies and is managed by Karen Robertson. The fund's key objective is total return, aiming to be top quartile against the sector year on year. However, it is unlikely to be one of the higher yielding funds with 110% of All-Share the only income requirement. KR has proven to be a good stock picker and has called inflexions in the markets well. She is backed by a well-resourced team and a disciplined process that aims to identify improving situations that are not fully recognised by the market. This is supported using a detailed matrix that has been developed over 8 years with emphasis upon consideration of behavioural aspects, earnings momentum and traditional valuation measures. This is a good core equity income fund for exposure to large and mid cap companies.</p>
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## UK All Companies

*IMA Definition – 80% of assets must be invested in UK equities and which have the primary objective of achieving capital growth.*

<b>Fund Name</b>	<b>Risk 1-10</b>	<b>Fund Description</b>
<b>Artemis Capital</b>	<b>6</b>	<p>Mark Tyndall has managed this fund since September 2002 and is a founding partner of Artemis. As of the 1<sup>st</sup> January 2006, the fund has been co-managed by Jacob de Tusch-Lec, who will likely become sole manager of the fund in the future to allow Tyndall to concentrate wholly on Artemis's company business. The fund is biased towards large companies (85%) with the remainder mostly in mid sized companies. The group's sector philosophy is based upon momentum investing and the re-rating of stocks relative to the market. Tyndall uses Artemis's in-house analytical process and is a truly active stock-picker, maintaining excellent performance even in recent times when small and medium sized companies has led the way over large caps.</p>
<b>Artemis UK Special Situations</b>	<b>6</b>	<p>Managed by Derek Stuart who takes into account a wide range of macro and company specific factors to identify undervalued stocks. He has displayed a knack of being ahead of the market through investing in out of favour areas – e.g. in 2000, whilst many fund managers were filling their portfolios with tech stocks he was shrewdly buying house builders. Stocks are subject to detailed fundamental research including company contact. Stuart is supported by a highly experienced team, operating a disciplined, proven approach. The fund is will traditionally have a bias towards medium and smaller UK companies. However, value amongst blue chips currently sees the fund with over 50% in the FTSE 100. Stuart is a very cautious manager by nature and this results in the fund often displaying defensive characteristics.</p>

<p><b>AXA Framlington UK Select Opportunities</b></p>	<p>7</p>	<p>This is a multi-cap fund, not restricted by any benchmarks and managed by the highly respected Nigel Thomas. He has a bias towards mid and smaller companies – which he feels are under-researched and he can add more value – however, the portfolio will have a core holding of at least 1/3 invested in quality FTSE stocks. Prior to joining AXA Framlington, Thomas had an established and proven record at ABN / Solus and he has been able to display out-performance in different cycles. The portfolio appears well positioned, and this should prove to be a good UK “special situations” holding for investors seeking true active management of UK shares.</p>
<p><b>Cazenove UK Growth &amp; Income</b></p>	<p>6</p>	<p>This fund was launched in January 2003, following the groups’ recruitment of highly respected fund manager Tim Russell (ex Lazard &amp; HSBC). This fund is managed on a total return basis, with little regard paid to the yield, and maintains a low level of volatility aiming to produce a 1.5% premium to the All Share growth on a rolling compound annual basis. Russell uses a flexible style driven by business cycle analysis that predicts the effect that stock market and economic cycles will have upon individual share prices. This is backed up by a relative value methodology with bottom-up stock selection based on earnings models. His philosophy has seen him outperform across various stock market and economic cycles.</p>
<p><b>Invesco Perpetual UK Aggressive</b></p>	<p>7</p>	<p>The fund is managed with an aggressive, bottom-up approach. It invests in a concentrated portfolio of UK equities with the aim of achieving strong long-term absolute performance. Due to its concentrated nature, the fund is likely to display above-average volatility but, as a small fund with wide investment parameters, the fund manager is able to exploit opportunities in many different segments of the UK market. The fund will normally hold a concentrated portfolio of stocks (typically 30) and there will be no direct correlation to any specific index. This is only suitable for investors prepared to take an above average level of risk.</p>
<p><b>Lazard UK Alpha</b></p>	<p>6</p>	<p>Manager Tony Willis has produced strong relative returns from a concentrated portfolio of 40–50 largely blue chip stocks. The process concentrates on finding companies that are attractively valued relative to their sector. This “best ideas” fund will have a tracking error of 4-5% to the FTSE All Share and looks to outperform the index by 3% annually. This has been a strong relative performer and one of the best in the sector when looking at risk adjusted returns.</p>

<p><b>M&amp;G Recovery</b></p>	<p>6</p>	<p>This is a special situations fund seeking companies that are either out of favour, in difficulty or whose prospects are being ignored by the market. The manager, Tom Dobell, who has been running the fund since March 2000, adopts a contrarian approach and seeks opportunities across small, mid and large cap UK companies. The fund is over £3bn in size and consists of between 80-100 stocks and aims to provide consistent and steady out-performance over the long-term. Dobell, backed by a corporate finance team, actively supports the companies he invests in order to improve their business. As such, Dobell emphasises that he is an investor and not a trader, and stocks within the portfolio tend to be held, on average, over 3 to 5 years.</p>
<p><b>M&amp;G UK Select</b></p>	<p>7</p>	<p>This is a "best ideas", actively managed portfolio of roughly 30-40 stocks, run in a fairly aggressive manner by Mike Felton. Felton moved from F&amp;C in early 2005 where he managed the F&amp;C UK Prime fund very successfully. He manages this fund in the same manner – around 60% of the portfolio is in core blue chip holdings whilst 40% are tactically managed special situations companies. Whilst this is a focussed portfolio, Felton is risk aware and has a pragmatic investment approach, avoiding any particular style bias. This fund changed its name to M&amp;G UK Select in September 2005.</p>
<p><b>Merrill Lynch UK Dynamic</b></p>	<p>7</p>	<p>Since taking on this portfolio in August 2003, Mark Lyttleton has maintained its strong track record and achieved top decile performance in 2004. Lyttleton has proved he is adept at running this focused, high performance mandate and has access to the best ideas from across the entire UK equity team. UK Dynamic seeks top quartile relative returns each calendar year and is AA rated by S&amp;P.</p>
<p><b>New Star UK Alpha</b></p>	<p>7</p>	<p>Launched in 2001 (under the inappropriate name of UK Aggressive) and managed by Tim Steer (ex top-rated analyst at Merrill Lynch). The fund has a concentrated portfolio (currently around 60 holdings), with a bias towards medium sized UK companies. Steer has an excellent knowledge of mid cap companies and this fund is very defensive in the nature of companies purchased. Stock selection is based upon corporate soundness and balance sheet strength. Steer's ability to avoid the losers will be key to this fund's out-performance. A solid holding for investors seeking exposure to mid caps in the UK.</p>

<p><b>Rensburg UK Managers' Focus Trust</b></p>	<p>7</p>	<p>This fund utilises the expertise of four of Rensburg's UK fund managers, who each focus on a separate area of the UK market. The fund is equally managed by Colin Morton (Blue Chip), Paul Spencer (Mid Cap), Stuart Sharp (Small Cap) and Mark Hall (Multi Cap). The fund will have a focused approach investing in a maximum of 50 stocks. Up to 10 stocks can be held in Blue Chip, Mid Cap and Multi Cap respectively, with up to 20 stocks being held in Small Cap. Each manager is responsible for 25% of any new money invested and there will be no stock replication in each manager's stock selections. The fund is not benchmarked against any index and does not have any stock or sector restrictions. The fund will be run on a pure stock-picking basis and aims to provide absolute returns over the long-term.</p>
<p><b>Schroder UK Alpha Plus</b></p>	<p>7</p>	<p>This fund is suited to investors looking for an aggressively managed UK fund with a large cap bias. The fund was launched in June 2002, managed by Richard Buxton who had an excellent record at Barings. This is a tightly held fund (20-40 stocks) that will deviate to extremes from the index (no strict tracking error). He looks for underlying themes / sectors and is then willing to trade aggressively if necessary to generate absolute returns. The fund will have above average short-term volatility however, over the long-term we believe it is an excellent choice.</p>
<p><b>Schroder UK Mid 250</b></p>	<p>7</p>	<p>As the name suggests this fund invests in the FTSE 250 index of medium sized companies. The fund will consist of a portfolio of approximately 50-80 stocks and will focus on growth companies aiming to find the "FTSE 100 stocks of tomorrow". The FTSE 250 represents 15% of the All Share, yet there are only a small number of unit trusts concentrating on the sector. Andy Brough has demonstrated a 5 year track record of consistent performance in mid caps and we believe that he will continue to add value and provide a good return from this sector of the UK market.</p>

## UK Smaller Companies

*IMA Definition – At least 80% of assets must be invested in UK companies which form part of the Hoare Govett Smaller Companies Index or have an equivalent or lower market capitalisation. These funds are generally considered of a higher risk than companies of varying size.*

Fund Name	Risk 1-10	Fund Description
<b>Artemis UK Smaller Companies</b>	7	Managed by John Dodd, who was previously responsible for Ivory & Sime Small caps. The philosophy concentrates on re-rating opportunities and a momentum strategy. Long term performance to date has been impressive. The fund continues to invest in a broad range of value and growth holdings based and despite the outlook for small cap companies; Dodd believes there are plenty of stock opportunities still available. The fund is now over £600 million in size however, Dodd has continued to provide good performance in the short-term.
<b>Schroder UK Smaller Companies</b>	7	Managed by Rosemary Banyard / Andy Brough who run a growth-biased portfolio, which has produced consistent, above average performance without taking large stock or sector positions. A good complement to the Mid 250 fund, the fund's approach is 'bottom-up' – the emphasis is on each company in its own right rather than making macro or sector judgements. They look for companies with a unique product for which demand is not being met elsewhere. Once a company moves past this stage and the competition has increased, they sell the stock in favour of other companies with better growth prospects. The fund is over £400m in size.
<b>Standard Life UK Smaller Companies</b>	7	This is a pure smaller companies fund (around £200 million in size at present), which has a good track record under the management of Harry Nimmo. Nimmo is looking for tomorrow's FTSE 100 stocks, investing in growth stocks that he believes represent good value. Nimmo runs a well-diversified portfolio and his long term performance has benefited from sticking to his philosophy of only investing in companies that make money.
<b>UBS UK Smaller Companies</b>	7	Launched in February 2003, the Fund has been managed since inception by Frank Mandunca, who previously managed smaller companies mandates at Gartmore. This fund is managed in a bottom-up stock-picking fashion and the portfolio consists of about 100 holdings at present. Of these holdings, approximately 50% are AIM stocks and this is a market favoured by the Fund Manager, who is looking to increase the exposure to large companies within this sector. Currently, the fund is around £70 million in size and it has returned top quartile performance since launch.

## UK Equity & Bond Income

*IMA Definition – 80% of assets must be invested in the UK, with between 20% and 80% in UK fixed interest securities and between 20-80% in UK equities. These funds aim to have a yield in excess of 120% of the FTSE All Share index.*

Fund Name	Risk 1-10	Fund Description
<b>Jupiter High Income</b>	5	Managed since 1996 launch by Tony Nutt with the objective of achieving a high and rising income through UK equities (currently 80%), fixed interest and convertibles (currently 20%). Nutt will employ a defensive, value based approach and this is a good fund for the cautious investor. The fund is a good choice for a cautious equity based investments, with a small portion invested in fixed interest to increase diversification.

## Cautious Managed

*IMA Definition – Invests in a range of asset classes, with the maximum equity exposure restricted to 60% of the fund. Assets must be at least 50% denominated in Sterling/Euro and equities are deemed to include convertibles.*

Fund Name	Risk 1-10	Fund Description
<b>Gartmore Cautious Managed</b>	4½	Manager Chris Burvill invests in a diversified portfolio of equities (maximum of 60%), bonds and cash. Burvill actively allocates between the asset classes according to his views of the economic cycle. This fund was launched in February 2003, and Burvill has an excellent record within this sector, having previously managed the Investec Cautious Managed fund. The current split of the fund is 50% UK equities, 41% bonds and 9% cash. The fund is managed on a total return basis but currently has an attractive yield of 4.0%
<b>Invesco Perpetual Distribution</b>	4½	This fund aims to achieve a balance of income and capital growth through a portfolio of primarily UK equity and fixed interest securities. The fund will aim to invest a minimum of 60% in bonds and 40% in equities. However, the allocation is flexible and may increase its equity allocation up to 60% maximum in exceptional circumstances. The fund is managed by the highly rated Neil Woodford (equities) and the equally highly rated Paul Reed and Paul Causer (bonds).

<p><b>Investec Cautious Managed</b></p>	<p>4½</p>	<p>This fund aims to produce a balance of income and smoothed capital growth through investment in a mixed portfolio of Blue Chip UK equities and investment grade bonds. This fund is managed by Alistair Mundy with the bond part of the portfolio managed by Investec's bond team manager, Anna Lee Jones. The fund's asset allocation is actively managed and the fund will hold at least 35% in equities or bonds dependent upon a top down view. At present the fund is overweight equities. The bond portfolio will be made up of stable investment grade issues, whilst Mundy will utilise the FTSE 350 following a value bias, focusing on out of favour equities with sustainable yields. This fund has a strong performance record.</p>
<p><b>Jupiter Distribution</b></p>	<p>4½</p>	<p>Launched in February 2002 and managed by Tony Nutt and John Hamilton, this is a cautiously managed fund, which aims to provide a sustainable income above cash and long term growth. The fund invests around 65% in investment grade and higher yielding bonds managed by John Hamilton (head of Jupiter fixed interest). The remaining 35% of the portfolio is invested in mainly UK higher yielding equities and is managed by Tony Nutt. The fund is constructed to allow Jupiter to reclaim 20% tax paid on the income distributions for PEP and ISA investors.</p>
<p><b>Standard Life Dynamic Distribution</b></p>	<p>4½</p>	<p>This fund invests predominantly in a range of other funds managed within the Standard Life group in order to achieve a total return from income and capital growth. The portfolio consists of a diversified exposure to a broad mix of assets, investing in equities, fixed interest and commercial property. The fund's asset allocation and investment decisions will be made by Jacquie Kerr, who has experience of running funds on Standard Life's insurance side. Kerr is responsible for all asset allocation and fund selection decisions. Even though the fund invests in other Standard Life funds and has a UK focus, the manager can, from time to time, invest outside of the group and invest globally.</p>

## Europe (ex UK)

*IMA Definition – 80% of assets must be invested in European equities and exclude UK securities.*

Fund Name	Risk 1-10	Fund Description
<p style="text-align: center;"><b>Artemis European Growth</b></p>	7	<p>Managed by Philip Wolstencroft who is proving to be another example that top analysts make good fund managers. Wolstencroft was consistently the highest rated European analyst during his 10 years at Merrill Lynch and ran a model portfolio that outperformed the benchmark index seven years in a row. He uses a sophisticated modelling process that focuses on EPS growth, earnings revision and valuation, which has a macro and micro overlay to produce the final stock rankings that make up the portfolio. His model is very much in tune with the philosophy of Artemis's UK team and the manager backs his convictions through a sizeable personal investment in company and fund.</p>
<p style="text-align: center;"><b>Gartmore European Select Opportunities</b></p>	7	<p>Managed by Roger Guy who splits the fund into two halves with 50% invested in long term mainly blue chip core holdings, with the remainder invested in shorter-term holdings which are traded fairly rapidly. The fund may also invest at the Manager's discretion in other assets, such as money market instruments, derivative instruments, units in collective investment schemes etc. The fund invests in large, mid and small caps but is usually heavily biased towards large cap stocks. Roger Guy's performance record on the fund is exceptionally consistent over the past ten years, making him one of the most highly respected managers in the sector.</p>
<p style="text-align: center;"><b>Martin Currie European Growth</b></p>	7	<p>Since taking on this portfolio in May 2002, Dino Fuschillo has generated a significant turnaround in performance. He follows an investment approach previously used with success at both SocGen and at Lazard. Fuschillo's approach is bottom up and relatively risk averse, offering diversified coverage of mainstream Europe via large companies with proven track records and market share. Big bets tend to be avoided in favour of a more balanced approach, with the portfolio kept diversified in terms of countries, sectors and both value and growth style characteristics. Success is seen as steady outperformance of around 2% p.a. relative to the FTSE World Europe ex-UK index, within an overall tracking error range of around 5%.</p>

<p><b>Neptune European Opportunities</b></p>	<p>7</p>	<p>This fund aims to generate capital growth by investing predominantly in a concentrated portfolio of securities selected from European markets, excluding the UK. Rob Burnett joined Neptune in June 2002 as an Investment Analyst and has been manager of this fund since its launch in November 2002. The fund adopts a global sector-based approach, seeking to overweight and underweight those sectors that are liked and disliked accordingly. This is achieved by combining in-depth, sector-based analysis with macro-economic work. Once the top-down analysis is completed, a bottom-up stockpicking approach is adopted to find the best opportunities, using company-specific valuation work and analysis to find means of gaining exposure to the sectors that the manager finds interesting.</p>
<p><b>New Star European Growth</b></p>	<p>7</p>	<p>Richard Pease takes a pure stock-picking approach, and effectively when purchasing this fund you are relying solely on his stock selection abilities. With no sector or country parameters in place, investors are taking on high relative risk. However, the nature of his stock selection means that absolute risk is tightly controlled. Pease will buy high quality companies usually with a bias towards medium sized companies. The fund's pragmatic approach with no sector / country constraints should prove ideal in the current climate where we believe pure stock pickers will continue to outperform. This fund provides good actively managed exposure to the Continent.</p>
<p><b>Schroder European Alpha Plus</b></p>	<p>7</p>	<p>Leon Howard-Spink took over the management of this fund in December 2005 from previous manager Adriaan de Mol van Otterloo. He targets stocks that can offer strong growth on reasonable valuations, with emphasis upon high quality of management. The portfolio is well diversified between large, medium and small companies and the manager runs a fairly concentrated portfolio. In effect, this results in a non-benchmark approach where deviations are magnified by a focus on valuation anomalies and special situations at stock level. The fund focuses on companies with solid balance sheets that can offer good protection on the downside and generate steady, stable returns over time.</p>

## Global Growth

*IMA Definition: At least 80% of assets must be invested in equities and which have a primary objective of achieving growth of capital. Included in this section are funds investing in a spread of international blue chip companies.*

Fund Name	Risk 1-10	Fund Description
<p style="text-align: center;"><b>Artemis Global Growth</b></p>	7	<p>Peter Saacke has been manager of this fund since January 2004, having joined Artemis in December 2002 from Merrill Lynch. He completely turned around the structure of the portfolio from day one, concentrating the portfolio to around 65 stocks and using the Artemis in-house SmartGarp quant system that aims to identify global stocks with good characteristics that tend to outperform the market. SmartGarp stands for sentiment, momentum, revisions, top-down and growth at a reasonable price and it examines about 3,000 stocks globally. Performance since Saacke took over has been excellent.</p>
<p style="text-align: center;"><b>Gartmore Global Focus</b></p>	7	<p>This is a good choice for investors seeking an active stock-picking fund with a go “go anywhere remit”. There are no benchmark constraints and, aside from regulatory requirements, the only formal limitation is a relatively broad 10% tracking error guideline against the MSCI World index. Whilst this fund has a very wide remit, the experienced manager of the fund, Neil Rogan, justifies the way it is managed. Rogan is very risk aware and knows the extent and scale of his active risk. Rogan constructs a concentrated portfolio of 30-40 high conviction stock ideas. He has a broad range of sources for ideas: the in-house research analysts, regional focus fund managers, his trading desk, the quantitative team and a well developed network of external analysts, all of whom he uses selectively but effectively. His style is growth oriented, and the fund is a mix of long-term strategic and short-term tactical investments.</p>
<p style="text-align: center;"><b>M&amp;G Global Leaders</b></p>	7	<p>This is a distinctive global equity fund that invests in a selection of stocks from the full spectrum of leading companies worldwide. Aled Smith has managed this fund since December 2000 and is also manager of M&amp;G’s American fund. The manager has a clearly defined investment approach, focusing exclusively on individual stock selections decisions and driven by fundamental company analysis. Aled focuses on identifying and exploiting positive internal change within companies, which has not yet been fully reflected in the share price. No top-down views are imposed with regards to sector, country or currency selections and there is no reference to a benchmark in the stock selection process. Candidate companies are identified using a stock screening process, with the fund manager then selecting his best ideas to construct the portfolio.</p>

<p><b>Newton Global Higher Income</b></p>	<p>6</p>	<p>The fund is a traditional equity income fund launched in Nov 2005 and is the first such retail fund to have a global portfolio which draws upon the FTSE World Index. The fund is managed by James Harries and will select global stocks from the recommendations generated by Newton's 19 global analysts. The fund will follow the "higher income" investment process that Newton have successfully applied in the UK for 10 years, whereby they only invest in yield stocks. The fund is managed with demanding yield criteria i.e., only those stocks delivering a 50% premium to that of the World index are considered. Initially, the majority of the portfolio will be invested in Europe and Asia. Only around 15% is currently held in the UK, providing low correlation with the UK stock market.</p>
<p><b>Sarasin Equisar Global Thematic</b></p>	<p>7</p>	<p>This was the first retail fund to employ a thematic approach to global investment. The fund is now managed by Guy Monson who invests in global blue chip companies with the philosophy that geographic domiciles are irrelevant. Themes are usually long-term, transcending regions or markets and find their origin in the team's understanding of key economic trends and their impact on corporate profitability. Companies fitting themes are identified by the analyst team and stock decisions are made collectively. The portfolio is also subject to rigorous risk and style analysis, ensuring that excessive bets are not taken despite the unique approach. The consistent and disciplined approach applied to the portfolio is supported by senior team members with substantial experience.</p>
<p><b>Schroder Global Equity Income</b></p>	<p>6</p>	<p>This fund is managed by the highly regarded Sonia Schermann who has a strong track record managing a global income mandate within an offshore fund wrapper. This fund will target a high yield but will not be take undue risk in order to achieve this yield targeting companies that will at invest at least half of profits back into the company, to provide solid growth prospects. This is a good core international fund for investors seeking total return through a combination of income generation and capital growth.</p>
<p><b>Templeton Growth</b></p>	<p>7</p>	<p>Suitable for investors looking for a value based approach to investment This is an all-cap global fund aiming to outperform the MSCI World Index and deliver consistent absolute returns. Country and sector weightings are driven entirely by stock selection without benchmark constraints and can therefore differ considerably from both competition and index. Portfolio risk is mitigated by holding a diversified portfolio with individual single positions rarely rising above 3%. The fund has recently been taken over by Martin Cobb, who manages the Templeton UK Equity Fund. We do not believe the change will overly affect the long term investment approach. The typical holding period for stocks is 5 years and the manager is well supported by the 30-strong team of fund manager / analysts based across the world. While the fund is susceptible to underperformance in growth-led markets, this is a good fund for investors looking for a single overseas fund to complement UK holdings.</p>

## North America

*IMA Definition: At least 80% of assets in North American securities. Most funds invest in a broad range of US and Canadian companies.*

Fund Name	Risk 1-10	Fund Description
<p style="text-align: center;"><b>Franklin Mutual Shares</b></p>	7	<p>The fund adopts a value based approach to investment seeking undervalued equities and to a lesser extent, distressed and restructuring companies. It primarily aims to achieve capital growth but it will also look to generate income through US equities and bonds. The manager will only participate in stock opportunities where risk is minimal and potential reward is substantial. As a result of this disciplined approach, a portion of the fund will be held in cash when opportunities are scarce rather than risking it in marginal investments. Lead manager Peter Langerman has overseen this fund since its launch in September 2003 assisted by Deborah Turner and David Segal. The fund currently holds 9% in cash and also has 20% invested globally outside of the US. The fund is unique in that returns are hedged back to sterling and, as such, gives investors exposure to the US markets but without the currency risk involved.</p>
<p style="text-align: center;"><b>Investec American</b></p>	7	<p>Investec have outsourced management to specialist US group Thornburg based in Santa Fe with the highly experienced Bill Fries at the helm. The investment process aims to identify promising companies priced at a discount to their intrinsic value. Portfolio construction starts by screening the whole universe on valuation parameters. The resulting stocks are then assessed within three categories: basic value, consistent earners and emerging franchises. The resulting portfolio is diversified across 35 – 45 holdings. The performance record of the US-domiciled Thornburg Value Fund reflects the success of the team's investment style.</p>
<p style="text-align: center;"><b>Legg Mason US Equity</b></p>	7	<p>This fund, opened as a UK authorised OEIC in 2003, is managed by Mary Chris Gay, although it essentially replicates investment guru Bill Miller's US mutual fund that has outperformed the S&amp;P 500 13 years consecutively. The investment approach aims to identify companies which are trading at a significant discount to their underlying value, believing ROCE and a strong franchise being the key to strong share performance. The strategy is to buy and hold a concentrated portfolio (around 35 – 45 stocks) and maintain low turnover. Miller's secret is his in depth knowledge of the companies in which he invests. Once a stock is short-listed for investment the 19 man research team will carry out an extensive company visit to assess suitability for the portfolio. The fund has the highest AAA rating. Short-term performance has been hit by the lack of resources stocks.</p>

<b>Martin Currie North American</b>	<b>7</b>	The fund is co-managed by Tom Walker and David Forsyth and it aims to provide long-term capital growth through investment in the US and Canada. This fund offers investors access to a focused conviction portfolio of 40 stocks, with a blended investment style and large cap bias. The process is disciplined and research-driven, helped by a proprietary stock screening matrix that enables the team to focus their research efforts on the most attractive stocks. The investment process is approximately 75% bottom-up and 25% top-down. The starting point is an examination of the sectoral composition of the index; the manager then identifies 2-3 themes that will feature as biases in the fund, with the last stage being stockpicking.
<b>SG American Growth</b>	<b>7</b>	This fund is managed as a 'multi-strategy' portfolio, combining five US SocGen strategies to give a blend of large and mid cap growth and value companies in proportions that lead manager Komal Sri-Kumar believes will provide the best returns. The five strategies are US Concentrated Core (large cap growth), US Large Cap Relative Value (large cap value), US Growth Equities (mid cap growth) and US Value Opportunities (mid cap value) and US Large Cap Growth. The portfolio adjusts allocation actively among the five funds anticipating market changes before they happen and is managed by an experienced team with a 12 year record in multi product asset allocation.
<b>UBS US Equity</b>	<b>7</b>	This fund has generated attractive risk adjusted returns and has been managed by Tom Digenan since launch in October 2002. It is predominantly a large cap biased fund and holds a diversified portfolio of 70 – 90 stocks managed by a strong team, making it a good choice for a first-time US investor. The philosophy employed by UBS is value based with emphasis on superior research of stocks – Digenan seeks to exploit discrepancies between the market price and the intrinsic value of stocks arising from market behaviour.

## Technology & Telecoms

*IMA Definition: At least 80% must be invested in technology and telecommunications sectors, as defined by major index providers.*

<b>Fund Name</b>	<b>Risk 1-10</b>	<b>Fund Description</b>
<b>SG Technology</b>	<b>8</b>	This fund has the most experienced manager of all at the helm, Alan Torry, who has over 30 years managing tech. Torry employs a stockpicking approach, combined with looking to exploit themes in the tech market. Torry will invest in companies utilising technology as well as those at the cutting edge of tech innovations, mixing established large cap household names with mid cap emerging companies. The fund will invest the majority of funds in the US – the most developed market for tech companies.

## Specialist

*IMA Definition: Funds with a single country or single sector theme.*

*Please note that this sector contains a diverse range of specialist funds with very different risk profiles and investment disciplines. Therefore, relative sector comparisons of performance are largely irrelevant.*

Fund Name	Risk 1-10	Fund Description
<p style="text-align: center;"><b>Allianz BRIC Stars</b></p>	8	<p>The BRIC Stars fund aims to achieve capital growth in the long-term by investing mainly in Brazil, Russia, India and China (BRIC). However, up to one-third of the fund may be invested outside of the BRIC countries in developed economies and/or other emerging markets if the manager deems fit. The fund was launched in February 2006 and is managed by Michael Konstantinov, who is backed by a team of 75 analysts located around the globe. The fund will typically hold around 60 stocks. The BRIC Stars fund certainly invests in extremely volatile and high risk areas, but the BRIC economies also offer the opportunity for excellent long-term capital growth.</p>
<p style="text-align: center;"><b>AXA Framlington Health*</b></p>	8	<p>Well-established fund managed by Deanne Donnigan. Invests in healthcare and medical products and services worldwide, with a slight ethical bias. Investment is US dominated at present, making up over 75% of the portfolio. Biotech will not normally exceed 50% of the fund, with the balance invested in less volatile medical device, healthcare and pharmaceutical providers. Despite recent launches in this area Framlington have the most experienced management team and the track record to prove it.</p>
<p style="text-align: center;"><b>Jupiter Financial Opportunities</b></p>	8	<p>Managed by Phil Gibb who invests in a concentrated portfolio (around 50 holdings) of financial services and property companies. The fund will invest globally in companies Gibb believes to be undervalued. Gibb will take aggressive positions and (the top ten holdings make up over 50% of the portfolio at present). Favoured trends currently include worldwide consolidation of the banking and insurance industries and considerable growth of the long-term savings and pensions industries. As this invests in a single sector this a specialist fund however, the fund managers' excellent track record makes it a good choice for a well-diversified equity growth portfolio.</p>

<p><b>J P Morgan Natural Resources</b></p>	<p><b>8</b></p>	<p>This well established fund has been running for nearly 40 years, with the objective of providing growth through a diversified portfolio of companies involved in commodities production. The fund is now managed by Ian Henderson and recent performance has been strong. Emphasis is placed upon small and mid cap companies that are under-researched by the market. The portfolio is currently split into 35% base metals and other mineral stocks, 28% in gold and precious metals, 27% in energy companies, and 8% in diamonds and precious stones. When investing in this fund it is important to be aware that this is a highly cyclical investment area and not to be influenced by the recent strong past performance. Commodity prices and mining-related shares can be highly volatile and many areas of natural resources would be susceptible to a stalling of the global economic recovery.</p>
<p><b>M&amp;G Property</b></p>	<p><b>4</b></p>	<p>Launched in November 2005, this fund is invested 100% in bricks and mortar and provides a large, well-diversified portfolio of properties currently in excess of £600 million. The fund is managed by M&amp;G utilising Prudential Property Investment Managers Limited (PruPIM), one of the largest commercial property investors in the UK, who manage nearly £15 billion in total. The managers have a strong record and comprehensively cover the entire UK property market. The fund is fully invested, with over 60 UK commercial properties spread across the key sectors. Available for PEP and ISA investment.</p>
<p><b>Merrill Lynch Gold &amp; General</b></p>	<p><b>8</b></p>	<p>This is a specialist unit trust which aims to achieve long-term capital growth by investing in gold, mining and precious metal related shares. It tends to be volatile and therefore is suitable for a well-diversified aggressive portfolio. Merrill Lynch (being re-branded Black Rock) have one of the premier natural resource teams in the industry in terms of knowledge, experience and expertise. The three senior members of the team, Graham Birch, Evy Hambro and Richard Davis, are all gold &amp; metals specialists and have worked together for the past 12 years and have a combined market experience in excess of 45 years. The fund is managed using top-down evaluations of the key drivers of gold and precious metal prices, and then following this through with detailed fundamental analysis including onsite company visits. Unlike many competitor funds, this fund is a relatively pure play on gold. It does not invest in base metals and total non-gold-related exposure will never exceed 25% of the portfolio. even more to the price of gold.</p>

<p><b>New Star Property</b></p>	<p>4</p>	<p>This fund provides an excellent way to gain exposure to commercial property investment. The fund focuses upon investing directly in property but will have a minimum of 20% in UK property shares with the remainder in cash/fixed interest instruments. Roger Dosset, who has over 20 years experience managing commercial property, is responsible for the direct property component of the fund. The equity part of the portfolio will be the responsibility of the UK equity team under Stephen Whittaker. The fund will remain invested primarily in direct property and have a well-diversified portfolio of properties with high quality tenants. The fund can demonstrate a good level of liquidity and yields an attractive 3.98% gross. Available for PEP and ISA investment.</p>
<p><b>New Star International Property</b></p>	<p>5</p>	<p>This is a new launch that provides exposure to overseas commercial property investment. The fund offers exposure to Continental European and Asia Pacific commercial property markets in order to provide long-term capital growth and income. The new fund will be managed by a global property team already managing £2.4 billion in UK and Overseas commercial property funds. The lead manager will be Roger Dossett, who is also lead manager of the New Star Property Unit Trust. Initially the portfolio will focus on properties in Western Europe, Central Europe and the Pacific Rim and the fund will target 80% of its portfolio in 'bricks and mortar' property. Quoted international property shares including real estate investment trusts (REITs) will also be included in the fund with the primary aim of providing liquidity. The fund will target 10-15% of its portfolio in property shares with the remainder being held in cash.</p>
<p><b>Schroder Income Maximiser</b></p>	<p>5</p>	<p>This fund provides exposure to UK equity income stocks selected by highly rated manager Nick Purves. Purves will select a concentrated portfolio of 30 to 40 higher yielding UK blue chip companies. However, the fund is structured to produce a yield of up to 7% using an innovative approach, whereby it uses derivatives to enhance the yield generated in exchange for reducing the potential of capital growth. We believe that this fund provides the same risk as a conventional equity income strategy and has a place in a portfolio to boost income levels, whilst still providing potential for moderate capital growth.</p>
<p><b>SWIP Property</b></p>	<p>4</p>	<p>The SWIP Property can invest up to 100% of the fund in direct property offering the potential for a stable income and the prospect of capital gains. The fund can invest in property across the UK, Europe and the US, as well as in all sectors (office, retail, industrial etc.), which ensures a broad portfolio that allows investors to achieve maximum diversification. Investing in this fund gives access to a team of 28 specialists, who have an average of 14 years industry experience. Also, with a total of £4.9bn invested in property, Scottish Widows are one of Europe's largest property managers. The current yield is 2.68%. Available for PEP and ISA investment.</p>

*\* Incredibly, the IMA classify the Allianz BRIC Stars fund as a specialist fund, however, if we were to classify this fund then we would sensibly put it in the Global Emerging Markets Sector.*

## Unclassified

*IMA Definition: There is no IMA definition for funds that are categorised in this sector.*

*Please note that this sector contains a diverse range of specialist funds with very different risk profiles and investment disciplines. Therefore, relative sector comparisons of performance are largely irrelevant.*

Fund Name	Risk 1-10	Fund Description
<b>Merrill Lynch UK Absolute Alpha</b>	<b>5</b>	This fund seeks to achieve a positive absolute return for investors at all times and, as such, is not benchmarked against any UK equity index. The fund is managed by Mark Lyttleton, who has over 13 years investment experience and also manages the Merrill Lynch UK Dynamic fund. In order to achieve the investment objective a variety of investment strategies and instruments will be employed, including derivatives that create both long and short positions. The fund should provides a solid, defensive position in times of stockmarket volatility, but will underperform markets during periods of strong performance.

## Japan

*IMA Definition – At least 80% of assets must be invested in Japanese securities.*

Fund Name	Risk 1-10	Fund Description
<b>Baillie Gifford Japanese</b>	<b>8</b>	Baillie Gifford has a strong team covering Japan headed by Sarah Whitely. Their investment philosophy is to take a long term approach with a 2 year plus view on stocks bought and they are committed to chosen stocks through taking decent weightings resulting in a portfolio which will be no more than 50 stocks. They are definitely stockpickers and emphasise they take a non-indexed approach and will take significant bets against the index when necessary. Hamish Dingwall is the named manager and the aggressive nature of the fund has led to improved performance recently.

<b>Jupiter Japan Income</b>	7	This fund was launched in September 2005 and is managed by Simon Somerville who has over 15 years of managing Japanese equities. Suitable for investors looking to diversify sources of yield, while also gaining exposure to the significant changes occurring in corporate Japan. The fund's benchmark will be the Japanese Topix index and Simon Somerville will look to invest in 40 – 50 holdings, looking for companies with a progressive dividend policy, with above average growth prospects and cheap valuations and targeting large, mainly domestic-focused companies that are generating sufficient excess cash to pay dividends. Whilst the yield alone at 2% after charges (equivalent to real yield of 2%) is not compelling, the strong dividend growth provides good potential of attractive total returns.
<b>SG Japan CoreAlpha</b>	8	This is a core large cap investing fund. This means the fund will act as a good core holding in the Japanese market or complement to the existing funds on panel and could help further diversify a portfolio's exposure in Japan. The fund's investment approach is contrarian, and experienced manager Stephen will have strong conviction on stocks selected for the portfolio and will look to hold these long term. The management team has no macro economic, political etc views and actively distance themselves from industry noise focusing mainly on book/price ratios to find stocks for investment.

## Asia Pacific (inc Japan)

For most clients we would advise splitting these two areas; however the following fund offer solid exposure to the area for the private investor wishing to commit a small amount of money to the region.

*IMA Definition – At least 80% of assets must be invested in Far Eastern securities including Japanese securities. The Japanese content must make up less than 80% of assets*

<b>Fund Name</b>	<b>Risk 1-10</b>	<b>Fund Description</b>
<b>Invesco Perpetual Pacific</b>	8	Invesco Perpetual has a strong presence in the region and a decent longer-term record. The Japanese element of the portfolio (20%-60% scope) is managed by Tony Roberts. Stuart Parks decides overall country/sector allocation and manages the rest of the portfolio. The fund is currently 36% invested in Japan and also has a well-diversified exposure to Korea, Hong Kong, Taiwan, India, Australia, Singapore and China. This is a good solid choice for investors who want one fund to gain exposure to the region including Japan.

## Asia Pacific (ex Japan)

*IMA Definition – At least 80% of assets must be invested in Far Eastern securities excluding Japanese securities. This includes funds investing generally throughout the Pacific Basin, including Australia and New Zealand.*

Fund Name	Risk 1-10	Fund Description
<b>Aberdeen Asia Pacific</b>	<b>8</b>	This fund is managed by Hugh Young, who has over 20 years experience of investing in Asian markets. HY is ably supported by a well-resourced and stable investment team of approximately 20 fund managers and analysts, all of whom are based in the Asia Pacific region. The investment team's close proximity to the markets in which they operate facilitates the research-driven, bottom-up stock picking approach of the fund. The fund has a concentrated portfolio of 60 – 70 companies with a bias towards those that have strong balance sheets, clean structures, visible earnings and experienced teams with a clearly defined strategy. The fund is more of an "emerging Asia" play because although it has the ability to invest in Australia and New Zealand, the weighting in these countries has generally remained below 10%. We believe this fund is well worth considering for any investor wanting exposure to emerging Asia.
<b>First State Asia Pacific Leaders</b>	<b>8</b>	Managed by the highly respected Angus Tulloch, with the backing of a strong and stable team. The fund's investment style is a pure bottom-up basis, with little regard paid to sector / country benchmarks. Tulloch looks for sensible growth companies and pays attention to absolute risk and capital preservation. First State has a strong presence in the Far East and this trust provides excellent exposure to the region. Launched in December 2003, this fund has a larger company bias than the First State Asia Pacific alternative and avoids major problems with liquidity. It is also a far more focused portfolio with 30-60 names compared to 80 – 100 in the Asia Pacific Fund.
<b>New Star Pacific Growth</b>	<b>8</b>	Ian Beattie has specialised in Asian equities for 12 years and is Head of Asian (ex Japan) funds at New Star. He employs a mix of macro-economic analysis and stock selection, but believes he can add greatest value through stock selection. His macro-economic analysis looks at political risks and the effect on investor sentiment, the difference in earnings and valuation between countries in the region as well as the structural demand/supply picture for equities. Beattie expects at least 50% of outperformance to come from stock selection. He looks at corporate governance, management commitment, suppliers and competitors as well as aiming to ascertain value and catalyst for re-rating. Beattie has a good track record managing Far East equities, and a distinct disciplined stock-picking approach, supported by a macro overlay. The use of investment trusts (up to 20%) provides greater diversification to the fund.

<b>Resolution Pacific Growth</b>	<b>8</b>	Managed by Diamond Lee, this AA S&P rated fund primarily seeks opportunities in well managed companies in those markets identified as having strong growth potential. Lee has recently repositioned the portfolio making it more balanced by reducing its growth bias and including large cap defensives such as Australian and Hong Kong banking stocks. Lee feels there is an absence of strong themes and catalysts at present and stock-picking remains crucial, with a focus on mid-cap stocks. The flexible approach employed by Lee should add value in different economic circumstances.
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## Global Emerging Markets

*IMA Definition – 80% or more of funds must be invested directly or indirectly in the emerging markets as defined by the World Bank, without geographical restriction. Indirect investment (e.g. China shares listed in Hong Kong) should not exceed 50% of the portfolio.*

Fund Name	Risk 1-10	Fund Description
<b>Baillie Gifford Emerging Markets</b>	<b>8</b>	Baillie Gifford have a strong presence in this area and have produced strong performance figures over the last three years. This fund provides a good exposure to main stream large liquid emerging market stocks, through a genuine “team based approach”. The team takes a non-indexed approach and is unafraid to take large stock, sector or country bets against the benchmark index. The fund managers place great emphasis upon company visits when selecting stocks. We believe for clients looking for emerging markets exposure this is a good solid choice.
<b>First State Global Emerging Markets Leaders</b>	<b>8</b>	Managed by Angus Tulloch with a focus on conservative large and medium size growth stocks. First State have a strong presence in the area and the portfolio is well diversified. Tulloch looks for companies with barriers to entry and sound management that are financially strong at reasonable prices for long term growth. The team's style is conservative and independent of the index, emphasising quality. This has given the fund a somewhat defensive flavour, reflected in its moderately below average volatility. The strongest returns have tended to come in falling or moderately rising markets, rather than during periods of frenzy. Launched in December 2003, this fund is a large / mid cap version of the group's highly successful Global Emerging Markets Fund.

<b>Jupiter Emerging European Opportunities*</b>	<b>8</b>	Launched in September 2002 and managed by Elena Shaftan who has in-depth knowledge of this specialist area having lived in Latvia and Russia. The portfolio contains around 30-35 'best ideas' holdings with little attention paid to the benchmark and large bets are taken on country, sector and at stock level. Her style is to build a concentrated portfolio, weighted according to her conviction of each company's management team. Being a native of Russia she is noticeably strongest in this area and makes good use of her local knowledge and network of contacts.
<b>Lazard Emerging Markets Growth</b>	<b>8</b>	This fund is managed by Lazard Head of Emerging Markets, James Donald who has run the fund since 1997. Donald will employ strict risk controls to ensure that it will invest in high quality companies that have strong finances to support attractive growth prospects. We believe this fund provides good core exposure to a diversified mix of emerging markets and has significant exposure to Asia, Latin America, Emerging Europe and Africa. The managed by a highly regarded team who manage risk and follow a prudent value approach to investing in these speculative markets.
<b>Templeton Global Emerging Markets</b>	<b>8</b>	Launched in March 2004, this fund is very similarly managed to the closed-end investment trust also managed by Mark Mobius. His long-term track record with the investment trust is one of sound outperformance and Mobius has over 30 years experience of emerging markets. His style is very much value-driven and portfolio construction may lead to deviations from the benchmark markedly at times. Mobius holds a diverse portfolio of 100 – 120 stocks.

\* *Europe Emerging Markets Sector*

## UK Gilt

*IMA Definition – At least 90% of assets must be invested in UK Government Securities (Gilts)*

<b>Fund Name</b>	<b>Risk 1-10</b>	<b>Fund Description</b>
<b>M&amp;G Gilt &amp; Fixed Interest</b>	<b>4</b>	A strong defensive fund from M&Gs fixed interest stable managed by Jim Leaviss, concentrating on gilts. The fund has delivered consistent and modest performance in each of the past five years. This is testament to a strong process at M&G and is impressive given that the fund invests only modestly in credit. The process is top-down with Leaviss drawing off ideas from the government bond team to determine the strategy for the fund. The fund is managed for total return, while attempting to maintain an attractive income yield. This is a good solid conservative fixed interest fund with no front-end charge and 0.75% annual fee. Income paid quarterly in January, April, July and October.

## UK Corporate Bond

IMA Definition – Funds which invest at least 80% of their assets in sterling denominated (or hedged back to sterling), Triple BBB+ or above rated bonds as measured by either S&P or equivalent. This excludes unrated bonds or convertibles.

Fund Name	Risk 1-10	Fund Description
<b>Aegon Sterling Corporate Bond</b>	4	Previously called Aegon Extra Income. David Roberts (ex Britannic) has taken over as Head of Credit at Aegon. The fund will invest mainly in UK fixed interest bonds (predominantly A and BBB credits) and preference shares and convertibles. Roberts is supported by a strong fixed interest team and will primarily add value through active asset allocation and stock selection.
<b>Fidelity Sterling Bond</b>	4	Ian Spreadbury manages this fund since its launch in April 2005. It will invest predominately in investment grade and government bonds, but allows Spreadbury the freedom to invest up to 20% in high yield or emerging market debt. This allows Spreadbury to match his views on the various bond asset classes with the best ideas of a strong fixed interest team to produce a well diversified fund with an attractive risk/return profile.
<b>M&amp;G Strategic Corporate Bond</b>	4	A non-benchmarked and flexible alternative to the M&G Corporate Bond fund, managed by Richard Woolnough, to maximise total returns. The fund invests 80% in investment grade at all times but Woolnough is able to move up and down the credit spectrum and can invest up to 20% in gilts or high yield bonds. The fund will show higher conviction than the more mainstream M&G Corporate Bond fund and hold between 60 and 80 credits. Woolnough's management style places a strong emphasis on top-down, macroeconomic assessment throughout the investment process.
<b>New Star Sterling Bond</b>	4	New Star took over the management of this fund from Aberdeen (formerly Aberdeen Sterling Bond) in January 2004 with Phil Roantree continuing as manager. New Star has allowed Phil Roantree to manage the fund in exactly the same way that he has done for the past 10 years, validating the relevance of the fund's strong long term record. Roantree is supported by a smaller, but higher quality team at New Star than at his previous house. This includes Theo Zemek and James Gledhill, who both have strong track records in managing fixed income funds, and Mark Sanders, a credit specialist who worked with Roantree for many years at Aberdeen. Fund aims for a high and stable income through investment in Sterling denominated fixed interest securities including preference shares, with an emphasis on assets offering a higher yield than gilts.

<b>Old Mutual Corporate Bond</b>	<b>4</b>	Stephen Snowdon took over the management of this fund in February 2004. He built up an impressive track record at Aegon and this fund is managed in the same way, taking strong views in a portfolio of roughly 90 holdings. Portfolio construction also considers macro economic drivers of corporate bond markets. Snowdon differentiates himself from some of peer group by investing in unrated bonds, an under researched area that he feels adds value to the portfolio. Overall, Snowdon is a good quality fixed interest manager with a stable team behind him.
<b>Royal London Income</b>	<b>4</b>	Managed by Jonathan Platt since its launch in March 1999, the fund invests in both UK corporate and government bonds. JP has been head of fixed interest at Royal London Asset Management (RLAM) since 1992 and heads up a small, but experienced, fixed interest team of six. The manager adopts a bottom up stock picking approach in selecting the corporate bonds for the portfolio. In-house analysis focuses on segments of the market which are under researched and often, therefore, under-valued. For government bonds, the individual stock selection is determined using a proprietary rich / cheap model developed by RLAM's head of derivatives and risk management. The fund has outperformed its sector each year for the last five years. We believe that this fund represents a solid choice for those looking for an actively managed investment grade bond fund.
<b>Standard Life Select Income</b>	<b>4½</b>	Select Income is positioned with a blend of investment grade corporate bonds and higher yield bonds. The large proportion of the portfolio is invested in investment grade securities. However, the yield of the fund is enhanced, by investing up to 20% of its assets in sub-investment grade securities. Specific risk is controlled by limiting individual holdings to 3% for investment grade credits and 2.5% for others. Alasdair Maclean is the named manager.

## UK Other Bond

*IMA Definition – 80% of assets must be invested in sterling denominated bonds (or hedged back to sterling) and at least 20% of their assets in below Triple BBB+ rated bonds as measured by either S&P or equivalent, convertibles and preference shares.*

<b>Fund Name</b>	<b>Risk 1-10</b>	<b>Fund Description</b>
<b>Aegon High Yield Bond</b>	<b>5</b>	Previously called Aegon Optimum Income, this is a bond fund that invests purely in high yield credits. The portfolio will invest in both the US and UK markets and is managed by Phil Milburn. He is supported by a well resourced US fixed interest team of 50 research professionals as part of the AEGON Group. All US dollar bond exposure is hedged back into sterling. The fund was launched in March 2002 and has shown attractive risk adjusted returns.

<b>Allianz PIMCO Sterling Total Return</b>	4½	A core and conservatively managed fund (relative to sector) March 2003. Managed by PIMCO (part of the Allianz group) who are one of the largest international bond managers, with an emphasis on low volatility and preservation of capital. It is managed for total return and does not chase yield. The maximum exposure to high yield is 50%, whilst the fund invests predominately in the UK (currently 70%) and Europe 25%. Pimco have an established global research team and a proven total return process. A minimum of 75% of currency exposure will be hedged back into sterling.
<b>Artemis High Income</b>	5	A quasi-fixed interest fund that invests in a combination of UK Convertible preference shares, corporate bonds and equities. Investment is approached from an equity standpoint under the management of Adrian Frost. Equity exposure is around 30% with corporate bonds accounting for roughly 60% of the portfolio currently. Lies in between equities and corporate bonds in terms of risk and expected reward. The fund will be managed to ensure that income payments are treated as interest (allowing 20% tax credit to be reclaimed).
<b>Artemis Strategic Bond</b>	5	This fund was launched in June 2005 and is co-managed by James Foster and Alex Ralph, both formerly of F&C. This fund aims to achieve a total return by investing predominantly in fixed income markets but may also selectively invest in other markets and asset classes as determined by the manager's strategy from time to time. The fund will invest in all types of bonds from government to corporate bonds and across the risk spectrum holding investment grade and high yield bonds. The fund's flexible remit allows the managers to position the portfolio according to their economic outlook for the corporate bond sector.
<b>Baillie Gifford Corporate Bond</b>	5	For investors seeking a defensive balanced blend bond fund where income is the key return objective then I believe that this fund is a good choice. The fund is skewed towards lower risk investment grade bonds, with typically 70% of the portfolio in this area, managed by Stephen Rodger. The remaining 30% is more aggressively positioned in high yield debt managed by Ken Barker. Within its remit, performance has been consistent. Value is added through extensive credit analysis and quantitative modelling of company strength. Fund positioning based on top down views on high risk bonds and the fund's general quality underlying portfolio has seen it outperform much of its peer group,
<b>F&amp;C Extra Income</b>	5	Managed by Fatima Luis as part of a strong fixed interest team. This fund provides a diversified portfolio of around 130 holdings with 50% investment grade and 50% high yield. All currency exposure is hedged back into sterling (around 35% Euro, 55% Sterling) so there will be no extra risk. Annual charge taken from income at 1%.

<b>Fidelity Extra Income</b>	5	Fidelity's investment process is based on bottom up stockpicking through a team of 16 high yield analysts and manager Ian Spreadbury. The fund will hold 45 – 65% in UK Corporate Bonds, 15 – 30% in UK High Yield Bonds, 5 – 15% in European High Yield Bonds and 5 – 15% in Gilts. A good quality fund from a very well respected house, the fund has an AA rating by Fund Research and was launched in February 1999. Spreadbury's distinctive style avoids big directional calls, seeking instead to add value by identifying differences in relative value between otherwise similar bonds.
<b>Invesco Perpetual Monthly Income Plus</b>	5	The Monthly Income Plus fund is actively managed to achieve a high level of income while seeking to maximise total return. The fund is managed in an active and pragmatic style with the goal of outperforming the peer group. The approach blends top down themes and tactical trading to exploit pricing anomalies. The fund is largely invested in BB & B sub investment grade UK bonds, but will also utilise US high yield bonds and up to 20% in equities to provide a growth kicker and ensure capital preservation. The bond content is managed by Paul Read while Neil Woodford is responsible for the equities.
<b>New Star High Yield Bond</b>	5	Fund launched September 2002 and managed by well-respected James Gledhill (ex M&G). Diversified portfolio (currently around 180 stocks) of investment grade (35%) and high yield bonds (60%) focussing on credit analysis from an equity perspective. Theo Zemek (Ex M&G) manages the fund with Gledhill.
<b>Old Mutual Dynamic Bond</b>	5	Fund aim is to outperform in all market conditions by actively asset allocating between high yield (min 20%, max 100% allocation) and investment grade (min 0%, max 80% allocation) whilst paying an attractive monthly income. Andrew Tunks manages the fund and is supported by Stephen Snowden (ex Aegon) who will select investment grade bonds and Sophia Skalistiri, who will determine the macro view. The idea is that they will look at where on the credit cycle the bond market is and position the fund in the appropriate rated bonds that will outperform going forward at that stage of the cycle. The fund will only invest in euro and sterling denominated bonds, but will be hedged back into sterling, which removes any currency risk.
<b>Standard Life Higher Income</b>	5	Managed by Standard Life's high quality fixed interest team, headed by Andrew Sutherland, this fund will invest around 25% in investment grade bonds, debentures and structured products with the balance in high yielding debt including emerging Government debt. This is a good complement to a gilt fund or investment grade corporate bond fund for investors looking for a well-diversified fixed interest exposure.

## Global Bond

*IMA Definition – At least 80% of assets must be invested in fixed interest securities. Most funds in this sector contain a spread of government and other fixed interest securities from all over the world and are managed to take advantage of varying interest and currency rates between different economies.*

Fund Name	Risk 1-10	Fund Description
<p style="text-align: center;"><b>Aegon Global Bond</b></p>	5	<p>Previously named Aegon Global Income, this fund provides globally diversified exposure to higher yielding bonds and is managed by David Roberts with a strong fixed interest team behind him, managing \$75bn fixed interest globally. The fund is actively managed seeking the best areas in global fixed interest and was launched in December 2003. At least 50% of the fund will be invested in sterling and other currency denominated bonds are hedged back to sterling, thereby reducing currency risk.</p>
<p style="text-align: center;"><b>F &amp; C Maximum Income Bond</b></p>	5	<p>Launched in November 2000 and managed by Fatima Luis this fund aims to deliver a high annual income through investment primarily in higher yielding UK and European corporate bonds. The process takes a top-down approach to sector strategy and uses the bottom-up research of the credit analysts for stock-specific ideas. The fund is normally fully invested in high-yield corporate bonds, which may include up to 15% in emerging markets debt. This fund has a unique feature that makes it extremely attractive; if you wish to lower the risk profile of your investment, you can elect to take a lower level of income, and reinvest the balance to aid capital growth/preservation.</p>
<p style="text-align: center;"><b>Newton International Bond</b></p>	4½	<p>This fund uses a distinctive, thematic investment process with a proactive and committed approach to stock selection and currency management. Portfolio strategy is formulated from in-depth macro-economic analysis of global government bond markets. The fund is managed by Stewart Cowley and invests predominantly in International Government bonds.</p>