



## Welcome

Guy Knight — Group Sales and Marketing Director

Summer has finally arrived, but a sunnier climate is not free of problems: drought, sunburn and blistering paint ... need I go on?

The same is true of the current economic climate, and we examine the opportunities and threats it poses to investors. Find out (page 4) why we foresee further volatility for some considerable time.

Schroders features in our house profile on page 6. Little did Johann Heinrich Schroder know in 1804 that this firm would become a global asset management company with around £168 billion under management.

Given our belief that the US will lead the recovery from the global downturn, we compare and contrast (pages 8-9) two funds hoping to capitalise on the upturn: Gartmore US Growth and Schroder US Mid Cap.

Around 80% of the funds purchased by our customers are selected from our popular Platinum 120 range of funds. On pages 10-13 we list the whole range and identify funds new to the Platinum 120, spotlighting four of the new entrants.

If a diversified portfolio of investments and a medium degree of risk floats your boat, Europe may be of interest to you. Find out why on pages 14-15.

On the other hand, if you want to smooth out the ups and downs, have you considered pound cost averaging? Our resident expert explains what it means on page 16.

So, keep watching the weather reports and you may avoid a splash or a burn. I wish you a great summer and continued successful investing.

## Our risk profiles

We use different classifications when assessing the risk profile of a fund. Each category has varying degrees of risk depending upon the nature of the underlying investments.



**Important information about our investment research and content of this magazine:** The investments and/or services referred to in this document may not be suitable for every investor and if in doubt you should contact a financial adviser. You should be aware that the prices and values of stock market investments and the income from them may go down as well as up and you may not get back the amount you originally invested.

Performance figures shown are calculated on bid price to bid price basis (mid to mid for OEICS) with net income (dividends) reinvested. Performance figures are shown in Sterling unless otherwise stated. Past performance is not a reliable indicator of future performance. Performance figures and graphs are sourced from Trustnet Limited and Financial Express.

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There have been some exciting new funds launched recently. Andy Parsons looks at the objectives and policies of three of them. And then there's movers and shakers; Andy provides a quick update on the latest funds sold and purchased via The Share Centre.

## Recent fund launches

Because of their lack of trading history, we are unable to provide an opinion on these three funds. However, they are all available through The Share Centre at 0% initial charge and no purchase commission until 31 August 2010.



### Schroder Global Alpha Plus

Launched at the end of April 2010, the fund aims to provide capital growth through investment in equity securities worldwide. To meet this objective, the manager will invest in a select portfolio of securities which are believed to offer the best potential for future growth. The fund may also invest in a wide range of investments including transferable securities, collective investment schemes, cash, deposits, derivatives, warrants and money market instruments.

We always believe that a fund that is run on a high conviction basis (meaning investments are highly concentrated), affords the investor some comfort from the knowledge that selections are always drawn from its managers' very best ideas. Not only will this fund reflect the 30 best ideas from its managers Virginie Maisonneuve and Jonathan Armitage, it also has the added benefit of not being constrained in terms of region or sector.

### Schroder Asian Income Maximiser

The fund aims to provide income with potential for capital growth primarily through investment in equity and equity related securities of Asian (ex Japanese) companies.

Following their very successful UK Income Maximiser, which itself was an enhancement of their widely respected Income fund, Schroders has now decided to adopt the same format with their Asian Income offering, and introduce an Asian Income Maximiser with a 7% target yield.

The process will mirror the UK Maximiser, whereby the managers look to sacrifice some of the potential growth via selling covered call options to generate additional income over and above the stock's normal dividends. Investors can take comfort from knowing that no stock is sold unless owned and there is no counter-party risk.

### L&G UK Absolute

Launched in February of this year, the fund will invest in a variety of derivatives providing both long and synthetic short exposure to a wide range of assets, principally through the use of contracts for difference and other over the counter derivative instruments.

The fund may also invest in other transferable securities, permitted deposits, money market instruments and units in collective investment schemes. At times, the fund may have derivative exposure of up to 100% of its assets.

The fund is managed by the very successful head of UK Equity team at Legal and General Investment Management, Rob Churchlow.

## Movers and Shakers

As you will see, there still appears to be an appetite for emerging markets, in particular Latin America, and precious commodities, which feature prominently in our top five funds purchased. The top five funds sold are from a range of geographical regions.

Please remember that the funds appearing in both the top buys and sells are simply a reflection of our overall customer base and their trading patterns during May 2010. The inclusion of any fund in these lists should not be seen as an endorsement from The Share Centre to buy or sell. All purchases and sales decisions should be based on personal financial circumstances.

### Top funds purchased through The Share Centre

1. Legal & General UK Index R Trust Acc
2. Invesco Perpetual Latin American Fund Acc
3. BlackRock Gold & General A Fund Acc
4. Aberdeen Emerging Markets A Fund Acc
5. Threadneedle Latin America 1 Fund Acc

### Top funds sold through The Share Centre

1. Threadneedle Latin America 1 Fund Acc
2. Investec Global Gold A Fund Acc
3. Neptune China A Fund Acc
4. Neptune Russia & Greater Russia A Fund Acc
5. Old Mutual Asian Select A Fund Acc

## Read before you buy

No initial charge and no dealing commission on purchases where you see this bauble. Before investing in any of the funds we offer, you will need to read and keep a copy of Funds Key Features document for the fund you want to invest in or if you are investing in the SF Portfolio of Funds you will need to refer to its Simplified Prospectus. All of these documents are available by visiting [www.share.com](http://www.share.com). If you do not understand any point please contact our Customer Service team.



# Economic overview

Before we drill into some of our specific thoughts, we thought we would provide you with an economic backdrop, against which we can paint a picture of some of the more interesting funds.

Whether you prefer the retail price index or the consumer price index which the Bank of England uses as a monitor, inflation matters. We expect inflation to have already peaked. However, other pressures are building. The central bank believes inflation will fall back, but only moderately, becoming sticky about the 3% mark. An alternative school of thought holds the view that a little inflation now might be a good thing, to inflate economies out of public debt mountains. The worry is that this could easily mutate into hyperinflation.

A further concern is that the volume of money flowing into emerging economies could put further pressure on export inflation, which could hinder sustainable growth, particularly in a currently fragile Europe.

Unemployment seems to have peaked globally, but stable economic growth remains a worry. As governments in the UK and Europe adopt fiscal tightening, households could see their income placed under further pressure as taxes rise.

On a slightly more positive note, sterling is weaker against the dollar. This may have a negative impact on holidaymakers looking to travel overseas, but will assist in an export recovery and should lead to some improvement in UK company balance sheets.

There is concern among economists that growth in the UK could slow in 2011 as the impact of policy stimulus fades.

Whether the quantitative easing (QE) programme has been a success is still open to debate.

Unquestionably there is confidence back in the banks, but the banks have not upheld their part of the bargain, which was to lend the capital created. Therefore, the cost of borrowing has not been driven down. The question now is whether further QE is required to fill the banks to bursting so that they have to lend, and to help maintain some growth. This is an issue which sits at the heart of economic recovery. The government, and particularly Vince Cable, is leaning harder on the banks to lend. It is also important that the banks can get back to 'business as usual' as soon as possible because while the UK credit rating hangs in the balance this puts further pressure on confidence in the UK economy and government. Conversely, while the government is putting pressure on the banks to lend more, it is also looking at imposing regulatory restrictions on bank risk taking. This has created a somewhat contradictory approach to banks. While on one hand the government wants them to lend more, at the same time it wants them to take less risk.

The US is attempting to exit from the downturn via the process of creating money by following the principles of monetary economics defined by the likes of Milton Friedman. Mr Friedman argued that the main cause of the 1930s depression was a contracting money supply. The chairman of the US Federal Reserve, Ben Bernanke, is a disciple of this approach. However, there is some doubt over whether the policy of stimulating growth via an expanding money supply has been successful. Thanks to bank reluctance to lend, the US broad money supply has apparently been contracting throughout this year.

Instead of stimulating demand, US monetary policy may create a bond bubble in US Treasuries. This is further hindered by the savings ratio in the US remaining historically low, leading to the deficit running at just over 10% of GDP, the lowest level in more than 50 years. (The next lowest point was about 7% of GDP, in 1974/5.)

If there is truth in the decoupling thesis, which argues that the global economy is no longer reliant on the US economy for growth, then we will see an interesting challenge as China attempts to slow growth in an attempt to engineer a soft landing.

Inventory restocking has been a major component of the global recovery, but can economic growth be sustained once inventories are back to capacity? The threat of further debt default contagion and austerity in Europe could put the strength of the recovery in doubt, and therefore limit the demand for imports. Debt default contagion and austerity could also lead to protectionist measures adding another layer of trade tension, with the picture muddied even further by the fact that a weaker sterling and euro could stifle demand for imports.

With many economists of the opinion that the global inventory cycle will have completed the restocking phase later this year, question marks hang over how sustainable the recovery will be.

Europe accounts for 40% to 50% of Asia's trade. If demand for imports in Europe is weak, Asia also will suffer, along with other emerging economies.

Hope is provided by the prospect of emerging economies remaining a little stronger than their developed counterparts, as inter-trade between the emerging economies continues to develop. To put it another way, trade between emerging economies is supporting the decoupling thesis.

With China's growth in GDP expected to be about 10%, we have concerns that its equity market could under-perform. Brazil's growth prospects remain promising, as do India's.

In our view, doubts over sovereign debt and the underlying strength of sustainable growth provide cause for concern. Further volatility may follow for some considerable time.

# Sharefunds Portfolio of Funds holdings update

Investors need to adjust with the changing economic climate, and so it is that our sister company, Sharefunds, has brought in new additions to its three Funds of Funds: Cautious, Positive and Adventurous. Below we shine light on these new entrants, and to the right illuminate which of the portfolios the funds fall into.

## Newton Real Return

This is an absolute return fund which has a broad mandate allowing the manager to invest in various asset classes and international regions. At the time of writing, the fund has a yield of 3.38%. Launched in 2004, it has been a consistent top performer. The fund changed its name in 2009 from Newton Absolute Intrepid fund and has an annual return target of 1 month LIBOR + 4%.

We believe this fund, managed by Iain Stewart, fits well with our current concerns relating to the global economy, as it can provide good asset diversification while seeking the best opportunities in the global market. In difficult markets the manager can hold up to 50% of the portfolio's value in cash. In addition, we are getting some income from the fund to help achieve our income target. Such is our view of market volatility that we took the decision to hold this fund in all three SF portfolios. This fund is a new addition to our Platinum 120 range.

## Invesco Perpetual High Income

The Invesco Perpetual High Income fund, managed by Neil Woodford, has suffered some poor press in recent times for its lacklustre performance. For many years Neil's funds have been seen as a bell-wether for fund performance in the UK equity income sector. This fund is almost £10 billion in size, and when it does not meet market expectation it affects many UK investors.

We have, however, been adding units of this fund since October 2009 in both SF Cautious and SF Positive, as we believe Neil's defensive stance fits well with our view of the world for the next 18 months. It is our view that should markets slip, Neil's High Income fund should be well supported and would not fall as steeply as the wider market. Should markets tread water, we are comfortable with the income distribution of the fund and prefer a portfolio of large capitalised companies that have the majority of their earnings derived from overseas assets.

## M&G Global Dividend

Another fund which focuses on large capitalised companies that have good dividend distributions is Stuart Rhodes' M&G Global Dividend fund. We believe this is a good vehicle for providing exposure to global equity income companies. For more details of this fund see our interview with Stuart Rhodes in the last edition of Fundholder. This fund is a new addition to our Platinum 120 range of preferred funds.

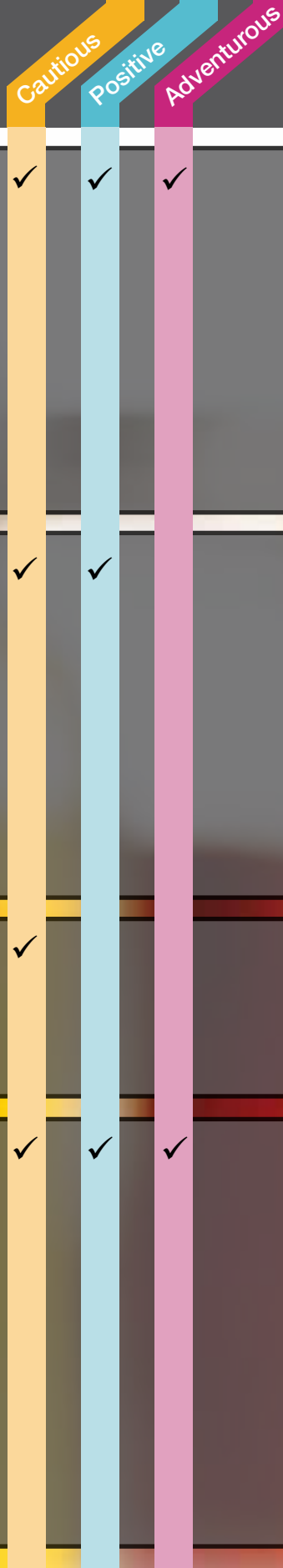
## Investec Emerging Market Debt

With government debt in the UK, Europe and US approaching 100% of respective GDP, emerging market debt is looking more attractive. Since many emerging economies are generating fiscal surpluses we hold this fund in all three of our SF portfolios.

The fund is managed by Peter Eerdmans, and aims to achieve positive returns from a combination of income and capital through bonds issued by emerging market borrowers, predominantly issued in their local currencies.

Emerging market debt tends to lack correlation with other asset classes. It therefore offers the benefit of providing diversification within a portfolio. Historically it has also provided better risk-adjusted returns than equity-backed funds investing in these regions. As per our comment on China's GDP opposite, we consequently reduced our exposure in the region in March.

This is a new addition to our Platinum 120 range.





# House Profile: Schroders

Schroders is a large, well established asset management company with operations across the globe.

Formed in 1804, the company has been listed on the London Stock Exchange since 1959, and now forms part of the FTSE 100. Since 2000, when it sold off its investment banking business to Salomon Smith Barney, the firm has focused solely on asset management and related businesses.

Today, it manages £167.9 billion (€188.3 billion/\$254.7 billion)\* on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world. It employs 2,611 people, working from 32 offices in 25 countries. Its global presence spans Europe, the Americas, Asia and the Middle East, and the company likes to emphasise its close proximity to the markets in which it invests.

With such large scale, it is not surprising to learn that Schroders invests across a broad range of asset classes including equities, fixed income and alternatives. It says that by maintaining a broad range of products covering most asset classes within equities, fixed income and alternatives, it is able to offer products which are in demand at different phases in the economic and market cycle.

## Main emphasis

While offering a diverse range of product types, Schroders emphasises its commitment to the creation of long-term value. It describes how its core skills relate to its ability to devise, produce and deliver products for clients across the full range of asset management activities, which allows it to meet the needs of this broad spectrum of clients.

## History

The foundation of the firm, back during the reign of George III, occurred when Johann Heinrich Schroder became a partner in his brother's London-based firm. The company rapidly became a prosperous business, focusing on the finance of trade between America and Europe, particularly in tobacco, cotton, sugar and rice.

Schroders expanded rapidly during the first few decades of the twentieth century, and as New York grew to rival London for pre-eminence in global finance, it established a firm in New York, the J Henry Schroder Banking Corporation, or Schrobanco as it came to be called.

Schroders is now able to build upon its 200 years' worth of experience, maintaining its independence with a strong balance sheet and a stable ownership structure.

## Scale

Schroders manages assets on behalf of large corporates, local authority, central government and charitable entities, as well as on behalf of individuals, via mutual funds and investment trusts.

Its broad geographical reach has enabled it to develop strong relationships with distribution partners across the globe, from local banks and independent financial advisers to global banks and insurance companies.

## Asset types

**Equities** In addition to its equity portfolio managers and analysts in London, Schroders has equity professionals located in continental Europe, the US, Latin America and in eight offices across Asia Pacific.

The equity products range from single-country to multi-regional funds, small- and mid-cap funds, funds designed to deliver high excess returns over the market, and defensive strategies which reduce market risk.

**Fixed income** Schroders combines a research-intensive approach, with credit and macro capability that supports local portfolio management teams in Europe, North America and Asia. It employs fundamental and quantitative approaches to manage aggregate, government, credit and high-yield portfolios.

**Multi-asset** Schroders boasts 60 professionals with a broad range of skills and capabilities across different asset classes, dedicated to delivering multi-asset solutions for clients. It offers a comprehensive range of customised solutions, pooled products and advisory services. It also specialises in providing a consultative, solutions-based approach for clients, which efficiently diversifies risk.

These diversified growth strategies are available to both UK and international clients to address their specific multi-asset investment requirements. Schroders also offers structured investments, liability driven investment and multi-manager products.

**Alternatives** Schroders' alternatives business includes property, emerging market debt, commodities and agriculture funds, funds of hedge funds and private equity funds of funds. Schroders broadened its alternatives offering to include a new global currency fund in 2009.

On the opposite page we look at three Schroders funds which we believe are especially interesting.

Please remember that the prices of funds can go down as well as up and you may not get back your original investment. When investing, do not base decisions on past performance.

\* Source: Schroders as at 31 March 2010

## Schroder UK Alpha Plus Manager: Richard Buxton

**Our risk rating: M5** | Fund size: £1,927.3m | Yield: 0.62%

**Aim:** To provide capital growth through investment in UK and other companies. In order to achieve the objective the manager will invest in a focused portfolio of securities. The emphasis of the fund will be investment in UK companies. The fund may also invest in companies headquartered or quoted outside the UK where those companies have material or critical operations within, or derive significant business from, the UK

**Opinion:** The fund is managed by the widely respected head of UK equities at Schroders, Richard Buxton. Richard generally adopts a contrarian approach to investing. He focuses on a concentrated portfolio of stocks that he believes are most likely to rise in value by at least 10% to 20% for the three years following their inclusion, although this growth cannot be guaranteed.

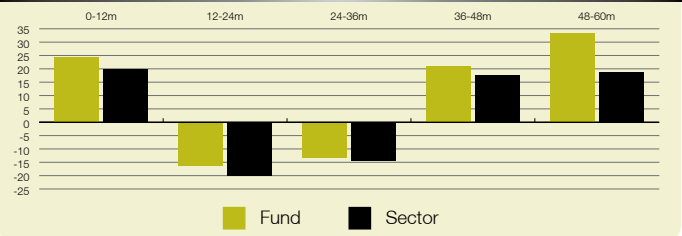
The decision making and stock selection are based on a bottom-up and top-down process, although bottom-up tends to dominate the process.

The manager will occasionally look to benefit from short-term conditions, looking to add value through his natural stock-picking ability and to play out any specific sector or thematic plays available.

### Discrete annual performance (%) to 30 June 2010

	0-12m	12-24m	24-36m	36-48m	48-60m
Fund	24.44	-16.44	-13.48	21.15	33.16
IMA UK All Companies	19.78	-20.01	-14.6	17.72	18.88

### Performance chart



0%  
initial charge  
see page 3

## Schroder Income Maximiser Manager: Dr Thomas See

**Our risk rating: M5** | Fund size: £625.3m | Yield: 6.82%

**Aim:** To provide income with potential for capital growth primarily through investment in equity and equity related securities of UK companies. The fund will also use derivative instruments to generate additional income. The manager may selectively sell short-dated call options over securities or portfolios of securities held by the fund or indices, in order to generate additional income by setting target strike prices at which those securities may be sold in the future.

**Opinion:** May be suitable for investors who prefer their income to be derived from the UK equity markets, with the added potential benefit for capital growth. The fund aims to provide 7% annual income after basic rate tax.

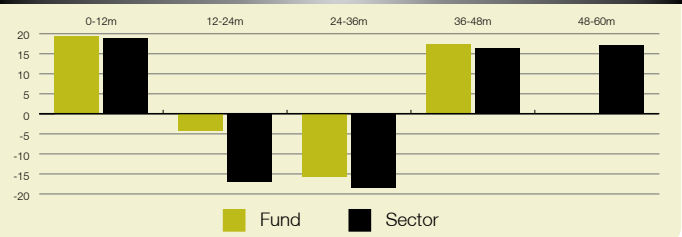
In order to achieve its income aim, the fund will hold underlying securities such as Vodafone and other large cap UK companies, while employing a method of investment consisting of selling covered calls (options) against the underlying securities to

enhance income return. This strategy should deliver its objective in the majority of market conditions. However, in strong rising markets it is likely to under-perform.

### Discrete annual performance (%) to 30 June 2010

	0-12m	12-24m	24-36m	36-48m	48-60m
Fund	19.42	-4.23	-15.78	17.56	n/a
IMA UK Equity Income	18.86	-16.94	-18.52	16.46	17.04

### Performance chart



0%  
initial charge  
see page 3

## Schroder Global Climate Change Managers: Matthew Franklin and Simon Webber

**Our risk rating: H10** | Fund size: £28.8m | Yield: 0.00%

**Aim:** To provide capital growth primarily through investment in equities and securities of worldwide issuers which will benefit from efforts to accommodate or limit the impact of global climate change.

**Opinion:** The fund looks to produce capital growth by investing in companies that either mitigate or adapt to the effects of global climate change, and is structured around five themes: energy efficiency, clean energy, environmental resources, low carbon fossil fuels and sustainable transport. The managers are free to invest in companies that they believe offer the greatest opportunities for investors.

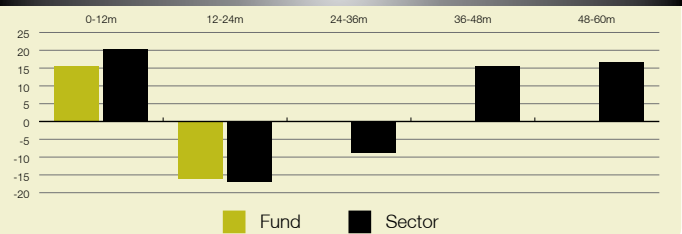
The fund managers Matthew Franklin and Simon Webber, and their team of six global sector specialists and two climate change specialists, research ideas for the fund. They are supported by a global network of over 70 in-house analysts. Typically the fund will hold between 50 and 100 companies selected from about 500 climate change companies.

The fund is not limited by ethical, sector or regional constraints, or dictated by a benchmark. It has little overlap with other mainstream global equity funds and would therefore sit nicely within a well diversified portfolio, with the added benefit that investors are doing their bit for global climate change.

### Discrete annual performance (%) to 30 June 2010

	0-12m	12-24m	24-36m	36-48m	48-60m
Fund	15.54	-16.08	n/a	n/a	n/a
IMA Global Growth	20.43	-16.32	-8.84	15.68	16.63

### Performance chart



0%  
initial charge  
see page 3

# Compare & Contrast

By Andy Parsons, Advice team manager

## Gartmore US Growth Manager: Tom Marsico

Our risk rating: **M7** | Fund size: £249.3m | Yield: 0.00%

**0%**  
initial charge  
see page 3

**Aim:** To achieve a long-term return in excess of the long-term return that is typically achieved from US equity markets, primarily by investing in companies incorporated in the US or having their registered office there. The fund is expected to invest in large capitalisation companies. The return is expected to be mainly growth of capital.

**Opinion:** You may recall, in our October issue we presented a case for suggesting the West, and the US in particular, would lead the recovery from the global downturn. Our position has not changed.

North America still remains the largest economy on the planet. There are many reasons for this. For example, its ability to innovate, its access to investment, and the strong distribution

channels both internally and beyond its borders. There are very few countries in the world today that do not have US brand and product penetration.

The Gartmore US Growth fund was launched in 1976 and has been managed by Tom Marsico since June 2007. The fund invests predominantly in large US companies, and should therefore benefit from the brand awareness of its investments, inflows of investment and global exposure. Key holdings are unlikely to surprise investors, for the brands are easily identifiable within our daily lives, for example Apple, Google, McDonalds and Goldman Sachs.

As for performance, the figures in the table below show the fund has demonstrated strong, steady consistency across all major time periods. We believe this will continue.

We have rated this fund as medium risk (M7) and believe it is suitable for those investors who wish to have access to large-cap companies within the US, but which also exhibit a strong global presence.

### The manager's comment



The fundamental market indicators continue to point to a recovery, but the markets themselves are failing to show it. Earnings across large-cap US companies are back to peak levels (ie before the credit crunch), yet the market is still 30% below where it was at that time. This discrepancy (discount) can, in part, be attributed

to the uncertainty surrounding European government debt risk, but the disconnect today between US companies and the market represents a buying opportunity.

The concentrated portfolio of large-cap stocks is geared partly towards a US consumer recovery and partly towards longer-term global growth stories. Exposure to national banks, railroad companies and retailers is typical of the fund's exposure to the US recovery, while holdings in best-of-breed global brands such as Google, Apple and Nike, represent exposure to the longer-term global growth story.

Tom Marsico



### Discrete annual performance (%) to 30 June 2010

	0-12m	12-24m	24-36m	36-48m	48-60m
Fund	25.18	-10.87	-2.23	8.96	7.8
IMA North America	24.13	-11.73	-11.95	9.84	4.82

### Performance chart



### Charges and Savings

Initial charge without promotional offer	5.00%
Initial charge with promotional offer	0.00%
Initial purchase commission with promotional offer	0.00%
Annual charge	1.50%
Total expense ratio	1.70%

### Three reasons to buy this fund:

- Investors seeking specific US exposure, but are concerned about continuing market volatility, then as a fund that focuses on large-cap companies, the Gartmore US Growth fund should generally provide greater stability.
- The fund allows an investor indirect access to some of the world's largest and most prominent global brands. Whether we are listening to music via our iPod (Apple Inc), grabbing a quick bite to eat at McDonald's, or searching the Internet via Google for items to buy before selecting Amazon, the fund provides exposure to the very same companies we use on a regular basis.
- The fund is fairly constrained, demonstrating the conviction the manager has in his investment choices. The fund currently holds around 44 stocks.



Full details of how we reach our views on investments can be found on our website. Remember that investment values can go down as well as up and you may not get back your original investment.

## Schroder US Mid Cap Manager: Jenny Jones

**Our risk rating: M7** | Fund size: £506.1m | Yield: 0.00%

**Aim:** To provide capital growth and income primarily through investment in equity securities of smaller and medium-sized US companies. Investments will be in directly held transferable securities. The fund may also invest in collective investment schemes, warrants and money market instruments.

**Opinion:** As investors know, the US was where the credit crunch began, and so the global economic downturn was to a large extent born in the USA. Equally, however, the US could lead the world to recovery. Under the leadership of President Obama, and thanks to the tough measures taken by the US Federal Reserve, the US is now showing signs of doing precisely that.

In addition, America being America, it will dust itself off and do what it does best, innovate and rejuvenate brand USA. The US remains the largest economy and its impact on our everyday lives is clearly visible wherever you look.

The Schroder US Mid Cap fund, as it is now known, was initially launched as the Schroder Small and Mid Cap fund back in April 2005. It is managed by the highly experienced and well respected Jenny Jones, based in New York. With over 29 years' investment experience behind her, Jenny has consistently been able to deliver top quartile performance for this fund and her other fund, the Schroder US Smaller Companies Fund. The portfolio generally concentrates on those companies whose size falls within the US\$1bn to US\$7bn range, which represents approximately 19% of the total US market available for investment.

As the performance table shows, Jenny has delivered in both rising and falling markets, clearly demonstrating her ability to not only benefit from the good times, but also to limit the downside when the going gets tough.

The fund typically contains between 60 and 90 stocks, which are chosen from a universe of approximately 1,200 companies, by employing a stock selection process that uses qualitative and quantitative analysis processes.



**0%**  
initial charge  
see page 3

This fund is suitable for investors wishing to add diversification to a US holding, away from large-cap biased funds. This fund is held within the SF Portfolio of Funds – Positive and Adventurous.

### Three reasons to buy this fund:

- Jenny Jones and her team have a vast amount of experience and have continually proved that they have an ability to identify and invest in the right stocks. Jenny is currently rated a Trustnet Alpha Manager and the fund is rated AAA by OBSR.
- For those investors looking to diversify their US exposure away from a more mainstream general large-cap US fund, then this fund may well be suitable.
- We still believe that America is a land of investment opportunity.

### The manager's comment



Despite recent bouts of volatility, our 12-month outlook for the US economy and corporate earnings remains optimistic. Since lows hit in March, we have been encouraged by a shift in the market that has seen larger, higher-quality companies begin to outperform. US corporates have just finished an exceptional earnings season, which we believe will set the tone for the next 12 months. Within the S&P 500 (ex-financials) earnings have been the second highest on record. Many of these companies have emerged from the downturn in better financial shape than has been the case historically, and therefore our outlook is for businesses to lead the US out of this downturn. Overall, we have been encouraged by a shift in the market which has seen larger, higher-quality companies begin to drive the recovery.

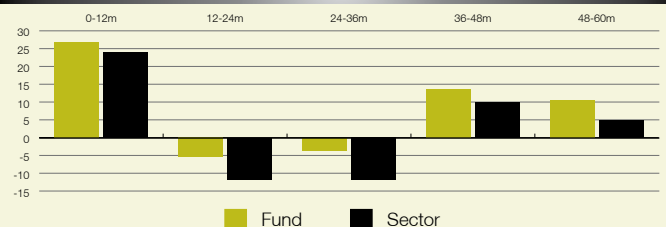
Jenny Jones



### Discrete annual performance (%) to 30 June 2010

	0-12m	12-24m	24-36m	36-48m	48-60m
Fund	26.93	-5.43	-3.64	13.75	10.5
IMA North America	24.13	-11.73	-11.95	9.84	4.82

### Performance chart



### Charges and Savings

Initial charge without promotional offer	5.25%
Initial charge with promotional offer	0.00%
Initial purchase commission with promotional offer	0.00%
Annual charge	1.50%
Total expense ratio	1.63%

our website at [www.share.com/risk](http://www.share.com/risk). Please remember that the prices of investment. When investing, do not base decisions on past performance.

# TIME IS PRECIOUS

**Our Platinum 120 range of funds is designed to save our customers time**

We are all busy, and it is difficult to find the time to carry out the necessary research when selecting funds to invest in. Fund research and selection are both time consuming and complex. The range of funds available is growing too, making the decision process even harder.

By condensing the enormous market of funds available down into 120, we believe investors have a more simplified and less onerous task in making their selections.

**History** The Platinum 120 range was officially launched in June 2009 with funds carefully selected by our in-house experts Andy Parsons and Sheridan Admans. The list is based on our duo's ideas of the funds they believe have the best long-term prospects. They always look for strong underlying management.

Investors are able to read their current opinion on each fund in the range by visiting [www.share.com/p120](http://www.share.com/p120) and selecting a fund. We also provide a variety of tools to help the investor select funds of interest from within the Platinum 120 range and the wider universe of funds.

Every investor has their own personal preferences, investment objectives and attitude to risk, and we believe that through the offering of our Platinum 120 range we have created a list of funds that should offer potential investment ideas for even the most diverse of investors.

**Is there a financial benefit?** There is another benefit for our investors. For the majority of funds (over 90%), we have agreed special terms with the fund houses to have their initial charge waived. This discount, along with 'no purchase commission' on the Platinum 120 range, ensures investors are safe in the knowledge that when they invest, for example, £10,200 into our Fund ISA, then that is what is actually invested. There are no hidden or extra charges to concern investors.

**Selection** Selection of the Platinum 120 is driven on both a qualitative and quantitative basis, and is not based simply on past performance since this is not a reliable indicator of future performance. Andy and Sheridan have based their selection on careful monitoring, regular meetings with the fund houses and fund managers, as well as critical analysis through the various tools available to them.

On our website we show a personal view from our in-house experts for each of the Platinum 120 constituents. In addition, there is a clear indication of when the fund is also held within our own SF Portfolio Funds.

This does not mean we believe investors should sell funds not featured within the Platinum 120. We are certainly not implying such funds should be sold. This list simply represents our experts' current preferred choices from the vast fund arena.

**Risk** We recognise that each investor has their own personal attitude to risk, so we have risk rated each fund based on its underlying investments, overall objectives and geographical region.

A more detailed guide on how the risk categories are designated can be found by viewing our investment research policy at [www.share.com/risk](http://www.share.com/risk).

**2010 the continuing outlook** At the start of this year, we stated that we thought 2010 would be very tough with bouts of volatility and uncertainty. We still believe this to be the case. We have so far been proven correct and feel this will remain the case for the foreseeable future.

Before making the rash decision to sell a fund, bear in mind the strategy of the fund you have invested in and the objective you had hoped to achieve when you originally took the decision to invest in it. Many fund managers invest in companies with the expectation that they will generate income and/or growth over the mid or long term. If you buy a fund with this strategy, you may need to allow the fund manager sufficient time to produce the expected returns.

## Around 80% of our customers' fund purchases are from the Platinum 120

**Changes to the Platinum 120** Over the past year we have promoted just one fund to the list. That was back in January when the SWIP Property Trust entered.

Now, as we reach the first anniversary, we are undertaking our next round of promotions to the list. As we said when the Platinum 120 was launched, any fund that no longer retains its status within our list should not automatically be seen as a sell. It is just that we believe new entrants are better suited to provide the potential for growth or a sustainable income over the next couple of years.

Please remember that the prices of funds can go down as well as up and you may not get back your original investment. When investing, do not base decisions on past performance.

### Old Mutual Global Strategic Bond

Manager: Stewart Cowley

**Aim:** To produce an attractive level of income together with capital appreciation by investing in a diversified portfolio of fixed and variable rate bond investments, including convertible securities. The fund will vary the currencies in which it invests to enable it to achieve its objective.

**Opinion:** The manager Stewart Cowley, who heads a fixed income team of seven, seeks to achieve an attractive total return (combination of growth and income) through an unconstrained 'go-anywhere' global bond and currency portfolio. He does this with a view to protecting the value of clients' money, albeit no guarantees can be made.

The fund is managed with four performance objectives in mind: to beat cash; grow the net asset value (assets less liabilities) on a consistent basis; to rank top quartile; and outperform the benchmark over a market cycle. The manager tries to position the fund to capture the major secular trends in markets, while also managing short-term volatility.

The fund is suitable for those investors who are prepared to accept the higher risk and potential volatility a truly global bond fund has to offer.

NEW ENTRY

## Investec Multi-Asset Protector

Managers: Philip Saunders and Max King

**Aim:** To provide long-term capital growth from a multi-asset portfolio and to deliver protection at 80% of the fund's highest share price ever achieved. This outcome is not, however, guaranteed. The fund may take investment exposure to global equities, bonds, property, commodities, cash and alternative assets. From time to time the fund's strategy will be to increase its allocation to low-risk interest bearing investments, in its design to deliver 80% protection.

**Opinion:** Investors should be aware that although the fund's title implies protection, this is not guaranteed. The protection being provided is via a derivative contract agreed with a counter party, and therefore there is always a risk that the third party could become insolvent. However, for those investors seeking an investment offering a lower risk than equities, but one which is intended to outperform a money market fund, with a degree of protection, then this fund may well suit. Investors should also be aware that if the market was to suddenly rally upwards, then this fund will generally underperform and miss out on the gains.

NEW ENTRY

## AXA Framlington UK Select Opportunities

Manager: Nigel Thomas

**Aim:** To achieve capital growth by investing in companies, primarily of UK origin, where the manager believes above average returns can be realised.

**Opinion:** This fund looks to identify opportunities within the UK market via a multi-cap approach. The fund is run by the very experienced Nigel Thomas, who has over 30 years' investment experience and knowledge from which to draw upon. Generally, one-third of the fund will be invested in the FTSE 100, with the remainder being spread across the FTSE 250 and smaller companies. In terms of stock selection, this is predominantly driven via a bottom-up approach, with the manager looking for those companies that offer opportunities through a variety of measures such as recovery, growth, new management or which are simply out of favour with the market.

By the very nature of being a multi cap fund, this fund would make an ideal addition to help diversify a core UK fund holding.

NEW ENTRY

## M&G Global Dividend

Manager: Stuart Rhodes

**Aim:** To deliver a dividend yield above the market average, by investing mainly in a range of global equities. The fund aims to increase distributions over the long term while also maximising total return (the combination of income and growth of capital).

**Opinion:** This fund was launched only in July 2008 and we would not normally promote a new fund until we have had access to sufficient track record to justify its inclusion. We have made an exception. We are firm believers that the fund's simple investment strategy is compelling and that investors should seek income from beyond the UK's shorelines.

NEW ENTRY

The funds currently featured in our Platinum 120 range are listed below. The list is current at 1 July 2010, but may be subject to change. The most up-to-date version can be found at [share.com/p120](http://share.com/p120). Funds followed by a ✓ have had their initial charge reduced to zero. New entries to the list are highlighted. We have also indicated funds that have been dropped.

	Fund Size £m (approx)	Zero charge
<b>Absolute Return</b>		
BlackRock UK Absolute Alpha	2,033.8	✓
L&G Diversified Absolute Return	463.4	✓
Newton Real Return	1,717.5	✓
<b>Asia Pacific Excluding Japan</b>		
Fidelity South East Asia	1,917.0	
First State Asia Pacific Leaders	4,313.0	✓
First State Asia Pacific Sustainability	137.0	✓
First State Greater China Growth	411.0	✓
Gartmore China Opportunities	716.4	✓
Invesco Perpetual Hong Kong & China	235.0	✓
Martin Currie Asia Pacific	263.0	✓
Newton Asian Income	409.5	✓
Schroder Asian Income Maximiser		✓
Schroder Asian Income	83.6	✓
<b>Balanced Managed</b>		
Jupiter Merlin Balanced Portfolio	750.9	✓
Newton Balanced	1,812.8	✓
<b>Cautious Managed</b>		
Investec Cautious Managed	1,531.6	✓
JPM Cautious Total Return	767.7	✓
Jupiter Merlin Income Portfolio	2,106.4	✓
<b>Europe Excluding UK</b>		
BlackRock European Dynamic	306.5	✓
Cazenove European	855.3	✓
Ignis Argonaut European Alpha	294.1	✓
Ignis Argonaut European Income	401.9	✓
Jupiter European	1,315.4	✓
Neptune European Opportunities	960.1	✓
<b>Europe Including UK</b>		
M&G Pan European	277.8	✓
<b>European Smaller Companies</b>		
Baring Europe Select	383.3	
Threadneedle European Smaller Companies	763.3	✓
<b>Global Bonds</b>		
Investec Emerging Market Debt	919.7	✓
M&G Emerging Markets Bond	15.9	✓
M&G European High Yield	60.2	✓
M&G International Sovereign Bond	56.4	✓
Old Mutual Global Strategic Bond	171.1	✓
<b>Global Emerging Markets</b>		
Aberdeen Emerging Markets	1,500.0	✓
First State Global Emerging Markets Leaders	1,058.0	✓
JPM Emerging Markets	781.7	✓
JP Morgan Emerging Market Infrastructure	14.3	✓
<b>Global Growth</b>		
BlackRock Global Equity	173.9	✓
Jupiter Ecology	355.0	✓

Jupiter Global Managed	294.7	✓
Jupiter Merlin Worldwide Portfolio	518.8	✓
Lazard Global Equity Income	78.3	
M&G Global Basics	4,464.5	✓
M&G Global Dividend	198.7	✓
M&G Global Growth	894.5	✓
M&G Global Leaders	988.3	✓
Neptune Global Equity	1,070.3	✓
Newton Global Higher Income	1,115.9	✓
Schroder Global Climate Change	28.8	✓

## Japan

Invesco Perpetual Japan	383.2	✓
Neptune Japan Opportunities	100.8	✓

## Japanese Smaller Companies

Fidelity Japan Smaller Companies	87.0	
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## North America

AXA Framlington American Growth	169.7	✓
Gartmore US Growth	249.3	✓
Investec American	641.4	✓
Jupiter North American Income	317.0	✓
Newton American	62.3	✓
Neptune US Opportunities	628.1	✓
Schroder US Mid Cap	506.1	✓

## North American Smaller Companies

Threadneedle American Smaller Companies	171.9	✓
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## Property

Aberdeen Property Shares	184.7	✓
L&G UK Property Trust	400.3	✓
Premier Pan European Property	48.4	✓
SWIP Property Trust	2,000.0	✓
Schroder Global Property Securities	494.1	✓

## Guaranteed/Protected funds

Investec Multi Asset Protector	183.4	✓
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## Specialist

Allianz RCM BRIC Stars	799.8	✓
AXA Framlington Biotech	50.2	✓
BlackRock Gold & General	2,467.3	✓
First State Global Listed Infrastructure	£156.0	✓
First State Global Resources	649.0	✓
First State Indian Subcontinent	125.0	✓
Investec Enhanced Natural Resources	182.0	✓
Investec Global Energy	219.3	✓
Investec Global Gold	107.9	✓
Invesco Perpetual Latin American	360.3	✓
JPM Natural Resources	1,865.5	✓
M&G Global Convertible	395.6	✓
Neptune Russia & Greater Russia	361.7	✓
Threadneedle Latin American	1,041.3	✓

## Sterling Corporate Bond

Invesco Perpetual Corporate Bond	5,560.9	✓
Jupiter Corporate Bond	268.3	✓
M&G Strategic Corporate Bond	2,510.1	✓

## Sterling High Yield

Baillie Gifford High Yield	119.8	✓
Investec Monthly High Income	172.0	✓

## Sterling Strategic Bond

Henderson Strategic Bond	850.1	✓
Invesco Perpetual Monthly Income Plus	2,816.4	✓
Investec Sterling Bond	238.1	✓
L&G Dynamic Bond	1,030.2	✓
M&G Optimal Income	2,140.3	✓

## UK All Companies

Artemis UK Special Situations	1,044.1	✓
AXA Framlington UK Select Opportunities	1,569.2	✓
BlackRock UK Dynamic	1,517.2	✓
BlackRock UK Special Situations	870.1	✓
Investec UK Special Situations	338.4	✓
L&G UK Alpha	100.2	✓
L&G UK Growth	233.0	✓
L&G UK Index	4,197.7	✓
M&G Recovery	5,058.5	✓
Newton Income	1,260.3	✓
Newton UK Opportunities	425.4	✓
Old Mutual UK Select Mid Cap	745.2	✓
Schroder UK Alpha Plus	1,927.3	✓

## UK Equity Income

Artemis Income	2,983.3	✓
BlackRock UK Income	416.6	✓
JO Hambro Capital Management UK Equity Income	386.4	✓
Newton Higher Income	2,623.9	✓
Schroder Income	1,419.9	✓
Schroder Income Maximiser	625.3	✓

## UK Gilt

Allianz PIMCO Gilt Yield	577.5	✓
BlackRock Government Securities	39.9	✓
M&G Gilt & Fixed Interest Income	646.8	✓

## UK Equity Income & Growth

Invesco Perpetual High Income	9,235.3	✓
Invesco Perpetual Income	7,062.0	✓

## UK Index Linked Gilt

Henderson Index Linked	175.4	✓
M&G Index Linked Bond	134.7	✓
Royal London Index Linked Gilt	154.2	

## UK Smaller Companies

Baillie Gifford British Smaller Companies	198.9	✓
Marlborough Special Situations	167.2	✓
Marlborough UK Micro Cap Growth	25.5	✓
Old Mutual UK Select Smaller Companies	408.0	✓
Standard Life UK Smaller Companies	526.8	

## Funds leaving the Platinum 120

Martin Currie North American | M&G High Yield Corporate Bond | Artemis Global Growth | Allianz RCM Global Eco Trends | Investec Global Free Enterprise | Standard Life Ethical Corporate Bond | L&G High Income | First State Global Opportunities | Newton European Higher Income | M&G Corporate Bond | Newton Pan European | L&G UK 100 Index | Close Escalator 100 | Invesco Perpetual UK Growth | Allianz PIMCO UK Corporate Bond | Schroder UK Mid 250 | Schroder Strategic Bond

Data source: Financial Express as at 1 July 2010



# Europe

## A continent grapples with debt crisis

The debt crisis is like a mosquito moving from host to host, filling up on fear before plunging into another victim. Initially, as a result of the complex mortgages which banks had subjected to clever packaging and marketing, we saw foreclosures in the US housing market on a mass scale. This led to a crisis of confidence between the banks on both sides of the Atlantic, resulting in central bank bail outs to support the financial system. We are now in phase 2.0 of the debt crisis, which threatens sovereign states. It has started in Europe, and this may be where it ends, but in the US there is a risk of a bubble forming in US treasuries as money flows into dollars.

Thanks to state leverage and now bank exposure to property developments in Spain, we have also seen LIBOR (the London Interbank Offered Rate) versus OIS (overnight indexed swaps) spread rates widen in the last few months, not to the extent seen in 2008, but enough to convey fragility over confidence in Europe. LIBOR versus OIS is an important indicator as it provides clues on the health of the banking system – the wider the spread, the greater the concern. Even though we have seen these spreads widen, government stimulus packages have allowed banks to recapitalise, providing some confidence over liquidity. The current concern relates to the quality of assets backing short-term loans, as government finances in Europe are under fire.

Questions over Europe and the financial strength of many of its constituents are likely to remain an area of market tension for some time. There is also likely to be debate over the potential breakup of the European Monetary Union, and talk of a central treasury.

Unemployment is likely to remain sticky at current levels. A side benefit from the crisis of confidence, however, has been a weaker euro, which may give Europe the opportunity to increase exports.

Europe has a significant number of global brand leaders within its borders, plus a number of innovative companies that are well capitalised and managed. With confidence in European economies low, you could be forgiven for preferring to avoid investing in European companies. However, we believe you should look again, as there are a number of European fund managers who are very aware of the issues surrounding investment into these companies, but are still delivering positive returns.

If you seek a diversified portfolio of investments and are comfortable with at least a medium degree of risk, Europe still offers opportunity for some of the reasons mentioned above. Diversification is key, and there are many industries which are not well represented in the UK. For example, Germany is well established as a global leader in engineering, particularly cars, while Denmark is a world leader in turbine development.

Ironically, fear could yet prove to have some benefits. Market sentiment over contagion worries is forcing the price of European companies down. However, unearthing those companies which are undervalued and have strong balance sheets, and that have good prospects in such difficult conditions, takes considerable skill and time.

Over the page we take a closer look at three managers who seek to do this.

Do not lose sight of the fact that Europe is the world's second largest economy by GDP. This is significant as companies and nations will have various trade agreements in place. Finding other nations and companies to trade with and which meet certain standards, levels of innovation and efficiency, will take time.

At the moment, conditions in Europe are not dissimilar to conditions in the UK. The European economy is fragile and needs work, but companies that are well capitalised, have diversification of earnings and are not reliant on the strength of their native consumer, should have a reasonable opportunity to grow over the longer term.

There has also been a shift in the corporate governance of companies in Europe (ex UK) in recent years, affecting how directors are remunerated for company performance. Not so long ago directors would be given free options when joining a business, which they could exercise at will. Now, more directors are being encouraged to stake a personal financial commitment in the company that employs them, ensuring they are more involved in growing earnings per share.

Please remember that the prices of funds can go down as well as up and you may not get back your original investment. When investing, do not base decisions on past performance.



**Aim:** To achieve long-term capital growth for investors. The fund invests primarily in the shares of companies incorporated or listed in Europe, excluding the UK, which the manager consider exhibit either growth or value investment characteristics, placing emphasis as the market outlook warrants. The fund may also invest in collective investment schemes.

**Opinion:** The BlackRock European Dynamic fund has a mandate for investing across small, medium and large capitalised markets, with the portfolio being concentrated and comprising about 35 to 65 companies. The investment team believes that markets are not efficient, but opportunities can be identified through rigorous analysis.

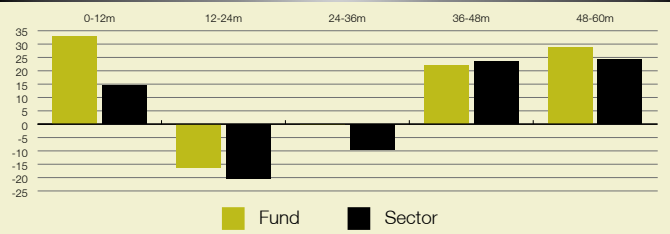
The fund has been managed by Alister Hibbert since 2008. It has delivered a first quartile performance over each period since. Alister's investment style is blended by taking account of economic conditions and overlaying that with companies

he believes are best suited to deliver the returns he thinks are achievable in those conditions. Alister looks for companies that he believes can deliver earnings significantly higher than have been discounted by the market over a five-year time horizon.

**Discrete annual performance (%) to 30 June 2010**

	0-12m	12-24m	24-36m	36-48m	48-60m
Fund	32.86	-16.36	-0.11	21.91	28.83
IMA Europe Excluding UK	14.58	-20.54	-9.71	23.4	24.34

**Performance chart**



**Aim:** To achieve long-term capital growth by investing in any or all European markets, excluding the UK, and any or all economic sectors.

**Opinion:** The manager Chris Rice has been at the helm since December 2002, and his track record during that period is impressive, with the fund ranking within the first quartile on a three and five-year cumulative basis.

In terms of the portfolio's construction, overall the fund will generally hold between 70 and 90 stocks, with the largest exposure being that of large-cap stocks, about 60% to 80% of the fund, with mid caps then making up between 10% and 35%, and small caps up to 10%. By having these distinct parameters, the manager has flexibility in his investment approach and the ability to produce a well diversified and blended fund.

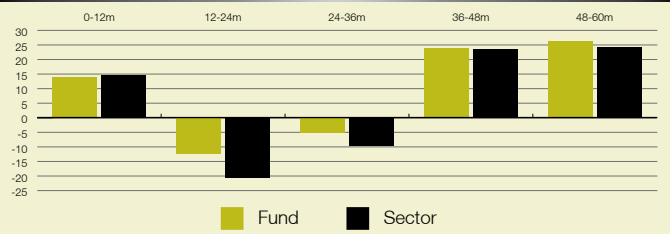
Chris Rice, like the manager of the BlackRock fund, blends his investment style by taking account of economic conditions and

overlaying that with companies he believes are best suited to deliver the returns he thinks are achievable in those conditions. What makes this fund stand apart from the BlackRock fund is an increased level of diversification.

**Discrete annual performance (%) to 30 June 2010**

	0-12m	12-24m	24-36m	36-48m	48-60m
Fund	13.94	-12.19	-4.99	23.98	26.1
IMA Europe Excluding UK	14.58	-20.54	-9.71	23.4	24.34

**Performance chart**



**Aim:** To achieve long-term capital growth by investing directly (and where appropriate, indirectly) in securities of European companies. The manager's policy is to seek growth predominantly through investment in securities of carefully selected companies quoted on the principal European stock markets, while retaining the flexibility to invest in small, growth companies or niche opportunities should the chance arise.

**Opinion:** The manager Nicholas Williams predominantly takes a bottom-up approach to investing (stock picking), identifying those companies that have been through their screening, company visit and fundamental research analysis. The fund itself will be diversified such that it will generally hold between 80 and 110 growth stocks. Despite the bottom-up approach, Nicholas will always take into account Baring's in-house economic view to ensure that any themes identified are exploited where possible.

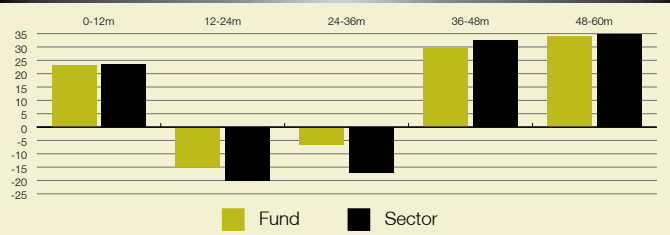
Those companies that Nicholas has identified have had to clearly

demonstrate that they offer undervalued growth prospects, have sustainable cash flow generation, and have the catalyst for a price re-evaluation as the current market price does not fully reflect the sum of all the parts.

**Discrete annual performance (%) to 30 June 2010**

	0-12m	12-24m	24-36m	36-48m	48-60m
Fund	23.24	-14.88	-6.62	29.57	33.81
IMA European Smaller Com	23.46	-20.22	-17.19	32.52	34.58

**Performance chart**





# Ask the expert

Sheridan Admans, one of our investment advisers, considers an investment strategy designed to mitigate against the risk that comes with volatility.

## What is pound cost averaging?

Pound cost averaging is an investment strategy. It applies to any type of investment, but is more appropriate for assets that are likely to be volatile.

It works via a process entailing a drip-feed of monies into chosen investments over time, rather than a one-off injection of all available capital. This method also works for those who make monthly investments out of surplus income, or who are receiving payments from another source which they want to invest.

## So what are the benefits of this investment approach?

By making regular contributions, investors benefit from averaging out the price at which each tranche of the investment was purchased. In this way it is possible to avoid having to consider that thorny problem of market timing.

The following chart illustrates the principle. We are assuming £250 per month is invested. (Please note the table excludes any charges or stamp duty that may apply.)

Month	Unit price (p)	Units bought
1	200	125
2	175	143
3	175	143
4	150	167
5	175	143
6	200	125
7	225	111
8	220	114
9	200	125
10	190	132
11	200	125
12	200	125
		1,578

As you can see, when a share price is falling more units/shares are bought, and when the price is rising fewer units/shares are purchased. An average price across the holding results. In this way, market volatility has largely been smoothed-out.

Had £3,000 been invested in one lump sum in the first month, 1,500 units/shares at 200p each would have been purchased. In this example, by investing a regular amount each month, the portfolio would finally have consisted of 1,578 units/shares at an average price of 190p.

## When is pound cost averaging a good idea?

The monthly investing route is particularly suited to investing in funds, where there is generally less need to keep a close eye on buying decisions as the fund manager is making the investment decision with regards to the constituents of the fund.

## Can you give me examples of funds that could be right for this approach?

Two good funds that may sit well with this approach are First State Global Resources and Invesco Perpetual Hong Kong & China funds.

Both of these funds are managed by top performers in their respective asset classes and sectors, and they both are within our Platinum 120 preferred range of funds. We have highlighted these funds in part due to their topical nature and the natural level of volatility experienced in mining/energy and Chinese investments. For more details on these funds please see the Fund Centre section on our website.

### First State Global Resources

Manager: Dr Joanne Warner

This fund invests in a diversified portfolio of companies that are exposed to global resources and energy. As the fund invests in companies exposed to these sectors, it tends to have a higher degree of volatility. Gaining exposure to resources through a fund constructed in this manner ensures that your returns are reliant not only on demand for natural resources, but also on the management of the company mining and/or managing the raw materials.

0%  
initial charge  
see page 3

### Invesco Perpetual Hong Kong & China

Managers: Samantha Ho and Paul Chan

The Invesco Perpetual Hong Kong & China fund, managed by Samantha Ho and Paul Chan, is an ideal way of investing in the regions after which it is named. The fund has currently been defensively aligned by the managers in the hope of taking advantage of those companies that are domestically focused rather than exposed to the broader issues of the global downturn. Asian economies generally benefit from a higher degree of personal savings than do Western economies, and this should in turn feed through to domestic demand holding up.

0%  
initial charge  
see page 3

China is predominantly an export led market which is rich in resources and an abundance of cheap labour compared to the West. As its inhabitants move from the farmlands to the growing metropolis in search of better living and higher income prospects, internal consumer demand is growing. As wealth and lifestyle improve, China's people are demanding a more Western style of life.

Please remember that the prices of funds can go down as well as up and you may not get back your original investment. When investing, do not base decisions on past performance.