

## F&C welcomes Government's decision to leave CGT untouched



F&C has welcomed the Chancellor's decision to leave the rate of capital gains tax unchanged in yesterday's Pre-Budget Report. This offers a continued opportunity for higher earners to benefit from the B shares of Investors Capital Trust, an investment trust managed by Rodger McNair at F&C Investments in Edinburgh. The trust, which sits in the AIC's UK High Income sector, has a unique share structure comprising two share classes – A shares and B shares. The two share classes are essentially the same bar one key aspect – the tax treatment. The A shares pay traditional dividends each quarter while the B shares pay a capital distribution of an equivalent amount, and at the same time, as the dividends on the A share. The B share distributions are classified as capital distributions for tax purposes and therefore are not subject to income tax. They are taxed under the CGT regime which affords substantial benefits to certain individuals such as higher rate taxpayers. CGT currently stands at a flat rate of 18% while the higher rate of income tax is currently 40%, rising to 50% for those earning in excess of £150,000 in April 2010.

With UK base rates still at an all-time low of 0.5%, income-seeking investors may want to consider a move up the risk spectrum into equities, but may be less pleased to surrender 50% of their income returns to HM Revenue & Customs (particularly if they are also surrendering 50% of their bonus). Investors Capital Trust offers some respite for these investors through its innovative structure. Rodger McNair commented: "The absence of any change to the CGT regime is very good news for holders of Investors Capital Trust B Shares. The B shares are subject to CGT which remains at a flat rate of 18%,

substantially lower than the top rate of income tax. It also worth remembering that tax on the B shares is not payable on receipt of the distributions but is calculated on disposal of the shares - if an investor holds on to their shares they pay no tax, so they effectively receive a tax free income."

### Cheeseman buys Neptune European Opportunities

F&C's Multi-Manager Team have sold out of Ignis Argonaut European Income Fund and established new positions in Neptune European Opportunities fund within the F&C Lifestyle Balanced and F&C Lifestyle Growth portfolios. The Team acknowledge that Ignis Argonaut European Income has delivered steady relative numbers against the FTSE Europe ex-UK Index and its peer group, however are concerned that its inherent income orientation in the future and subsequent emphasis on companies paying a high dividend yield could potentially result in the Fund struggling to keep pace with the wider market. Whilst it is likely to continue delivering on its income target, the Team have sought an alternative holding capable of delivering out-performance in 2010 and believe that Neptune's European Opportunities fund more than meets this requirement. Dean Cheeseman, Head of Multi Management at F&C, commented: "Neptune European Opportunities offers investors access to a specialist investment boutique that has a proven core competence in this region. Fund Manager Rob Burnett has established himself as a highly proficient stock picker, leveraging off the global sector-driven ideas of his fellow fund managers at Neptune. Neptune European Opportunities, like Argonaut, has a bias away from large caps, but its mandate permits greater latitude to extract value where the manager best sees fit". "Within both Lifestyle Balanced and Lifestyle Growth, we believe that Neptune, with its pragmatic mandate, will complement our existing core European strategy of Cazenove European and hold positions of 2.5% and 2% in each portfolio respectively". The F&C Lifestyle funds are actively managed by F&C's Multi Manager Team and based around third party risk-

profiling tool Dynamic Planner, which links a client's risk profile with the appropriate balance of investments. The F&C Lifestyle Funds mirror the asset allocations of the four most common risk profiles.

### Two more gongs for F&C

F&C has recently received two coveted awards. On 25 November we were awarded a Gold Standard award for Fund Management for a fourth consecutive year. The Gold Standards aim to identify financial services companies that excel in five areas important to the consumers of financial products and services - financial strength, capability of the company to conduct business, service, fair value and trust.

Only a few companies have been privileged enough to win a Gold Standard award, and as such, we believe this is an outstanding achievement, particularly as the qualifying criteria for the Gold Standards, which are awarded by Incisive Media on the advice of a panel of independent expert judges, have increased year on year.

This success was followed by a Funds Europe 'Socially Responsible Investment Programme' Award for F&C's Governance & Sustainable Investment (GSI) Team last week. F&C's GSI team hold an enviable position as market leaders in sustainable investment strategies including the Stewardship range, F&C Ethical Bond Fund and F&C Global Climate Opportunities Fund alongside reo© (Responsible Engagement Overlay), which promotes active engagement with companies to encourage better environmental, social and governance practices.

The Team also use their position as shareholders to encourage best practice through constructive dialogue and fully exercising their voting rights, dedicating the last 20 years to developing effective ethical, governance and sustainable investment strategies.

These successes build on a number of awards we received in 2009, including first place in the Top 50 Call Centres and the accolade of Best Investment Trust Provider at the Investment Life & Pensions Moneyfacts Awards.

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