

Post-Xmas results show retail sector has avoided “Armageddon”



Despite the recessionary environment, 2009 saw most areas within retail enjoy like for like sales down just a few percentage points over the year.

Sales for ‘big ticket’ retailers were the poorest performers early in the year, which was expected whilst nervous consumers avoided expensive purchases. The second half of 2009, and so far in 2010, has seen analysts upgrade profit expectations across the sector, as forecasts seemed too conservative. Furthermore, falling mortgage rates and utility costs, coupled with a slowing rate of increase in unemployment, mean that many consumers are now better off.

Catherine Stanley (pictured), manager of the flagship F&C Stewardship Growth and Stewardship Income funds, commented: “It’s fair to say that the UK retail sector did not suffer the Armageddon many predicted for 2009. Sales in late January 2008/early 2009 were generally poor, making for easy comparatives, so like-for-like sales increases for the sector have looked good so far in this year’s important January trading updates. Furthermore, margin performance has been good year-on-year across the sector as retailers have entered the January sales with much lower stock positions, having planned more conservatively than they did last year”. Nevertheless, the sector has so far reacted ambivalently to the positive trading updates. “Next – usually a good sector barometer – recently announced upgrades to profits on reported like-for-like sales increases of +3.2%, and yet their stock still fell. This indicates that whilst the market anticipates upgrades in advance, it remains nervous on the consumer outlook for 2010 and 2011. We expect further upgrades in the short term, however with fiscal tightening inevitable from the next government, the consumer is likely to come under greater pressure in the second half of this year”, Stanley concluded.

Whilst larger cap retailers are mature with little medium term growth prospects, Stanley

believes several mid and small cap retailers, such as Dunelm, have considerable opportunities to grow their earnings.

F&C links up with iChild to provide age-tailored financial tips

F&C has linked up with specialist parenting website iChild (www.ichild.co.uk) to become its Children’s Savings Partner.

The partnership, which went live at the start of 2010, aims to offer tailored financial tips for parents of children in the five main age groups catered for by iChild: 0-12 months, 1-3 years, 3-5 years, 5-7 years and 7-11 years. Parents could already access child development information as well as activities for each age group, and the new F&C content slots in alongside this, including printable activity sheets based on simple financial concepts such as coin recognition.

The children’s savings pages offer useful tips on things like budgeting, pocket money and financial education, as well as information on how to choose, top up or switch a Child Trust Fund, and other savings options for children, from deposit accounts to stockmarket-linked savings plans and pensions.

F&C is a major provider of Child Trust Funds, with a choice of stakeholder (investing in a FTSE all-Share tracker OEIC) or shares-based plans (investing in F&C’s range of investment trusts). The largest of those trusts, Foreign & Colonial Investment Trust, is sponsoring a school-based financial education programme for 5-7 year olds called Pounds and Pennies, and activities from this programme are also available through iChild. Phil Bird, director of iChild, said: “We have a large membership base of parents and grandparents who are all concerned about the development and education of their children. We are delighted with the new partnership with F&C as we are now able to provide excellent financial information and guidance to our members. Plus, we can educate a new generation of savers, with the excellent children’s activities that parents can download from the website. The early reaction from members has been very positive, and we look forward to a successful long term partnership with F&C”.

Cheeseman adds Monument Bond Fund

F&C’s Multi Manager Team have established a new position in the Monument Bond Fund in their F&C Multi Manager Distribution and F&C Multi Manager Cautious portfolios.

The fund is managed by 24 Asset Management, an independent boutique comprised of credit and RMBS specialists drawn from senior positions at Barclays, Citigroup, Wachovia and Morgan Stanley. It invests in AAA and AA rated residential

mortgage backed securities (RMBS) from Europe and Australia – assets that the Team believe are equally attractively valued and transparent. European and Australian RMBS tend to be more transparent than their US counterparts and are linked to originating bank – a characteristic that offers a greater degree of security.

Dean Cheeseman, Head of Retail Multi-Management, said: “With the cost of borrowing likely to trend upwards later this year, the purchase sits well with our longer-term strategy of tempering exposure to more interest rate sensitive assets, whilst at the same time increasing positions in areas (like high quality RMBS) that are not negatively impacted by higher rates”.

The purchase was funded by trimming existing corporate bond holdings and positions held are 2.5% in both the F&C Multi Manager Distribution and F&C Multi Manager Cautious portfolios.

F&C Monthly Lunchtime Press Briefings

F&C’s programme of monthly lunchtime press briefings continues in February and March with two very special events.

Firstly, to celebrate Chinese New Year, F&C are hosting a lunch event at Imperial City restaurant, Royal Exchange, Cornhill on Monday 8th February. Mike Hanbury-Williams, Head of Pacific Equities, and Peter Dalgliesh, manager of the F&C Pacific Assets Trust, will be in attendance to discuss the outlook for China and Asia. Secondly, March 24th sees the launch of the annual Responsible Investor Report which provides key trends in our shareholder votes across areas such as remuneration and capital structures along with an outlook on ‘hot spots’ for 2010. To book your place at either event, please contact Jennifer Donohoe by email at Jennifer.Donohoe@fandc.com.

EAT announces dividend for 2010

European Assets Trust has announced it is to pay a dividend of €0.432 per share in 2010. This is in line with its policy of paying out 6% of its net asset value as a dividend, based on assets at the end of the preceding year. Because of a sharp recovery in asset values, the payout for 2010 is 33% higher in cash terms than the 2009 dividend. The 2010 dividend will be paid in three equal instalments of €0.144 at the end of January, May and August. Investors can elect to receive their dividend in the form of shares rather than cash (a ‘scrip dividend’) if they so wish.

Press Contact: +44 (0)20 7011 4600

Jason Hollands (Corporate)
Tel: +44 20 7011 4168
jason.hollands@fandc.com

Paula Garrido (Institutional)
Tel: +44 20 7011 4190
paula.garrido@fandc.com

Jennifer Donohoe (OEICs)
+44 20 7011 5017
jennifer.donohoe@fandc.com

Sarah Godfrey (Investment Trusts)
Tel: +44 20 7011 4215
sarah.godfrey@fandc.com