

Investors lose faith with regulatory authorities, but banks still shoulder much of the blame for credit crisis



Nearly 60% of respondents to a recent survey by F&C believe the regulatory authorities that presided over the credit crisis were part of the problem and cannot be relied upon to ensure it won't happen again.

But while 34.5% felt blame for the global financial crisis should be shared, an almost identical number – 34.4% – said banks should take most of the blame.

F&C Investments emailed the survey to private investors in June and invited readers of its investment trust customer magazine, Focus, to participate throughout the autumn. Nearly 700 people responded. Among other findings of the survey – which was split into two parts, the first dealing with the economy, markets and the political scene and the second focusing on respondents' own investment portfolios – was a degree of optimism regarding a global recovery. A fifth of respondents said they could already see evidence of recovery, with a further 32% expecting recovery to start within one to three years. Turning to politics, more than 85% of respondents said they thought the Government would leave it as late as possible to call a General Election, which must take place before 3 June 2010.

If F&C's investors are right, Gordon Brown and his Labour Party colleagues will need all the time they can get to challenge the ascendant Conservatives. Asked who would win most seats if a General Election were held today, 91.6% said the Conservative Party.

However, while the expectation was clear-cut, the ramifications of a change of Government were less so – just under half (49%) said it would have a positive effect on the economy and stockmarket, against 10% who expected a negative effect and 28% who said it would have no effect.

Asked which asset class would do best over the coming year, nearly half the respondents to the survey (46%) chose international equities, with UK equities (11.5%) and commodities (10.1%) the next most popular choices.

While 61% had not changed the mix of assets in which they invest as a result of the credit crunch, more than a quarter – 28% – said they now held a wider range of asset classes than previously. One particular area to find favour was higher-yielding equities. With interest rates so low, 14% said they were investing more in these, with 19.6% deploying a range of income-producing assets to boost their portfolio yield.

Mike Woodward, Head of Investment Trusts at F&C Investments, commented: "While it seems our investors are a thoughtful bunch not prone to the kind of knee-jerk reactions we have seen in the popular press, more than a third still believe banks are most to blame for the credit crunch, and over half think regulatory failures contributed to the problem. But despite their misgivings over the handling of the financial crisis, it is encouraging to see how optimistic they are for the future, and we hope their faith in the equity markets will be rewarded in 2010." *For a copy of the full survey results, please contact the F&C Press Office on 020 7011 4600 or email sarah.godfrey@fandc.com.*

International focus helps UK smaller companies shrug off domestic woes

An increase in its weighting towards UK smaller companies has helped F&C Global Smaller Companies, managed by Peter Ewins, to beat its benchmark in the six months to 31 October 2009.

The investment trust, which produced a net asset value total return of 18.9% and a share price gain of 20.7% over the period, was underweight the UK relative to its benchmark of 40% Hoare Govett UK Smaller Companies Index and 60% MSCI World ex UK Small Cap Index, which returned 18.8%. But its UK holdings achieved a return of 27.7% over the period compared with the index return of 23.6%. With the UK arguably in worse economic shape than other major markets, the investment trust's Board said F&C Global Smaller Companies' focus on UK stocks with an international outlook had stood it in good stead.

Chairman Anthony Townsend said in the

half-yearly results statement, released on 15 December: "The best contributor to performance in the UK was City of London Investment Group, an emerging market focused asset manager, which benefited from the recovery in overseas equities. Speciality chemicals company Elementis saw its share price more than double as global demand for its paint additive products showed signs of stabilisation, while McBride, which supplies own-label household and personal care products across Europe, produced good results as consumers switched to these cheaper products away from brands."

As at 31 October, the trust held 37.9% of its portfolio in the UK, with 36.8% in North America, 9.5% in Europe, 6.9% in Japan and 8.9% in the rest of the world, largely the Asia Pacific region.

F&C Monthly Lunchtime Press Briefings – Multi Manager Overview

F&C's programme of monthly lunchtime press briefings continues in 2010, beginning with the F&C Multi Manager Team on 13th January at our offices in Exchange Square. Dean Cheeseman, Head of Multi Management at F&C, along with fund managers Oliver Sonnichler and Paul Carne, will give an overview of likely themes for 2010. Invitations will be sent in the coming weeks; to book your place please contact Jennifer Donohoe by email at jennifer.donohoe@fandc.com. Further events in the series will be announced in the New Year.

F&C Press Office cover over Xmas

The press office will be covered on the following days over the Christmas and New Year holiday period:

Thursday 24th December
Tuesday 29th-Thursday 31st December

A skeleton staff will operate; please use the general press office enquiry line 020 7011 4600. Normal service will resume on Monday 4th December 2010.

We would like to take this opportunity to wish you a very merry Christmas and all the best for 2010.

The F&C Press Office

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