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News in Brief

Expect excellence

F&C
Investments

A decade is a long time in investment, points out Tigue



As we enter a new decade, the one thing we can be certain of is that no-one can really tell what it will hold for investors. At the end of 1999, the FTSE 100 index had reached an all-time high of nearly 7000 points and all the talk was of the 'new paradigm' of internet and technology stocks. But as Jeremy Tigue, manager of Foreign & Colonial Investment Trust, points out, things did not play out exactly according to the script.

"The internet has changed the world, as it was forecast to do, but in technological change the benefits tend to go to the consumer rather than the manufacturer," he says, pointing out that the huge improvements in productivity both at home and at work have not translated into the untold riches investors in tech companies were led to expect. "If you look at the technologies of the last decade, 10 years ago Google was in its infancy, and there was no iPod, no BlackBerry, no smartphones – all things we take for granted now. There will be as much technological change in the next 10 years as there has been in the last, and many of the most successful companies probably haven't been started yet."

In fact the overriding theme of the last 10 years turned out to be emerging markets, which will probably continue to dominate the investment landscape in the next few years, though, as Tigue pointed out before Christmas, most of the easy money has probably been made and the path from here is unlikely to be smooth.

The 'noughties' may have been a lost decade in terms of stockmarket capital values, particularly in the UK, where 2009 ended with the FTSE 100 Index at 5412.88, more than 1,500 points lower than 10 years earlier. But as Tigue points

out, reinvestment of income has meant investors have actually made money in many cases. Foreign & Colonial, which invests globally in a broad portfolio of listed and private equity, has produced a total return of 34% over the decade, although its share price has remained broadly flat. (Figures to 31/12/09, source: Lipper.)

The focus on income could benefit investors in solid defensive sectors such as tobacco, utilities and pharmaceuticals, which also did well in the fallout from the tech bubble. However, Tigue says that although these stocks are cheap, they do not represent the same kind of compelling value they did a decade ago.

"When markets are euphoric, the only way is down, and when they are discounting Armageddon, as was the case in early 2009, the only way is up," says Tigue. "You make money by doing the opposite of the consensus. But at present the consensus is far from clear, so it will be interesting to see how the early part of this new decade pans out."

Cheeseman buys L&G

F&C's Multi Manager Team have added L&G Managed Monthly Income to the bond portion in the F&C Lifestyle Defensive portfolio.

The move follows the Team's decision to diversify their corporate bond exposure towards the end of 2009.

Dean Cheeseman, Head of Retail Multi Management, commented "Fund manager Richard Hodges operates the fund in a relatively conservative manner and we consider it an ideal core fixed income holding, particularly its focus on high quality investment grade bonds in addition to some government bonds. As a result, we hold just over 4% of our portfolio in it."

The F&C Lifestyle funds are actively managed by F&C's Multi Manager Team 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.

December's Question of the Month – investors' reactions to Copenhagen: a battle between hope and cynicism

Almost half of investors in a recent survey said they thought December's landmark climate change conference in Copenhagen would have no effect either on the environment or on stockmarkets.

Throughout December, users of F&C's investment trust website were asked the question 'What effect will the Copenhagen Climate Conference have on the environment and global stockmarkets?'. But while 42.6% were dismissive of the possibility of real change resulting from the conference, 20.4% were more optimistic, saying they thought it would be beneficial both for the environment and for markets. A further 18.5% saw benefits for the environment alone, with 11.1% saying the conference would boost stockmarkets but not help the planet. A pessimistic 7.4% felt Copenhagen would be detrimental to both the economy and markets.

The survey was the latest in F&C's Question of the Month series, which seeks the views of private investors on hot topics in the market.

A small number of respondents also left comments, some of which quite neatly summed up the two poles of the debate. While one investor said the conference "is indispensable for the environment and will help the stockmarket by creating and enhancing new business," another commented: "Copenhagen was just a big freebie party for politicians". Mike Woodward, head of investment trusts at F&C Investments, commented: "Even if Copenhagen has no direct effect on the markets, climate change is a growing investment theme, as shown by the current scramble between the major utility providers to build offshore wind farms around the British coast." January's Question of the Month seeks to gauge investor appetite for investing in commercial property. Results will be out at the beginning of February.

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. Time is running out to book your place: please contact Jennifer Donohoe by email at jennifer.donohoe@fandc.com. Further events in the series will be announced next week.

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

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Registered Office: Exchange House, Primrose Street, London EC2A 2NY. Registered in England No.517895

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