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Bloated UK All Companies' sector holds lion's share of investors' cash – but top performing funds are in rival sectors, reveals Moneyspider.com

Ratings analyst Moneyspider.com warns on 'high risk' strategy of putting all eggs into UK All Companies basket

North America and Japan the outstanding performers – and Stateside investment outlook much rosier as US emerges from recession

A recent Investment Management Association (IMA) study (May 09) shows that the UK All Companies sector is the most popular home for investors' equity-based Isas.

According to the IMA, the UK All Companies (UKAC) sector accounted for the majority - 21 per cent of gross inflows - for UK domiciled funds during the 08/09 tax year.

But new data by Moneyspider.com – which compares the daily performance of all funds within the IMA – reveals that private investors who put all their funds in the one basket are likely to miss out on better returns elsewhere.

As the Moneyspider.com data shows (see attached tables) the top performing UKAC fund over the past 12 months to the end of May 09 is Investec's Special Situations.

All the funds within the UKAC sector lost money over the period, but Investec, at £4,836 on a £5k investment fared better than hugely popular funds such as Fidelity's Special Situations and Artemis and Jupiter SS funds.

All of these have lost significant percentages of their value in the past 12 months, (see attached tables) despite continuing to attract significant sums of investor capital.

Yet a quick glance at the form of top rated funds in the rival North America sector shows Neptune's US Opportunities fund outgunned the best UKAC performers over the past 12 months.

Neptune's European Opportunities fund did not perform quite so well over the one year period (see tables), but investors who held the faith with the fund over the past five years would have enjoyed a return of an impressive £11,967 on a £5k investment.

Longer, five year investment terms have also proved to be the winning formula for funds, which invest, in China's turbo-charged economy,

A £5k investment with First State's Greater China fund would now be worth a pack-leading £13,195 after half a decade, despite the global downturn which saw most equity-based funds tumble in the third quarter of 2008.

Neptune's Japan Opportunities fund (see tables) has also been an outstanding performer in the past one and five year periods, turning in a return of £9,017 and £11, 229 respectively on an initial £5k investment.

"None of the UKAC funds have been able to get anywhere near these returns," said MoneySpider.com spokesman Tony Ahearne.

"While we have seen a rebound in the value of equities in the past six weeks as major global indices around the world respond to more positive economic data, there is scant evidence that actively managed UK funds are keeping pace with rivals in other sectors.

“And while the top US fund (Neptune) is some way behind its Japan Opportunities equivalent (see tables) the smart money will more than likely focus on the North American sector as the States emerges slowly but surely from recession,” he added.

“A cautious mood of optimism has powered Wall Street upwards, with the Dow Jones industrial average up by 27% since early March, recovery in the US housing market and positive signs of a thaw in the credit crunch,” he said.

“We have of course also seen a significant rebound in the performance of the FTSE 100 Index of leading UK company shares, but I would be very nervous about keeping all my eggs in the UKAC basket.

“It is understandable that investors would want to keep their money within funds which reflect the UK economy, but this would be counter productive,” said Ahearne.

“As our data shows, there is a significant difference between one and five year performance data – crucially, investors should bear in mind that short term performance figures are not necessarily a guide to how a fund is going to do over more traditionally accepted three and five year time frames.

“A general rule of thumb is not to have any more than five per cent of your portfolio exposed to any of the higher risk sectors – Japan and China would clearly fall into this bracket, but it could also be argued that having high exposure to the UK All Companies sector

is also a high risk strategy, especially when rival sectors appear to be doing so much better.”

Moneyspider.com has no registration fee and the service not only rates the performance of each of the client’s own funds but also shows a comparison with the top five funds in the same sectors.

It also shows the top-performing funds from all sectors, so Moneyspider.com investors can see where the real profits have been.

“Keeping a close eye on your fund’s performance is vital in these uncertain times - in rapidly changing market conditions, as we are currently experiencing, knowing how a specific fund in which you are invested is performing and – equally important – how other funds compare, is simply good financial common sense,” said Ahearne.

Ends

Further details on the mechanics of Moneyspider.com can be found at www.moneyspider.com

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Editor's notes

Moneyspider.com was launched in April 2004 and is an independent investment research and information company for private investors. Moneyspider.com constantly monitors all 2,000 or so funds available to UK investors and provides online personal reports that are updated on a daily basis showing current valuation and performance of all funds in one place.

The Moneyspider service is provided to those investors who have or are thinking about purchasing Unit Trusts or OEICs (Open Ended Investment Companies) including stocks and shares ISAs. Moneyspider doesn't move or change the investments in any way; they remain as they are - with the same Fund Managers.

The Moneyspider Rating® provides a unique assessment of the performance of each fund measured against four key parameters:

- **Sector ranking: a comparison with all other funds in the same sector as your fund (based on the sector definitions used by the Investment Management Association).**
- **All funds ranking: a comparison with all other 2000 or so Unit Trusts and Open Ended Investment Company funds available to UK investors.**
- **FTSE 100: a comparison of the total return of the fund with the total return of the FTSE 100 index (comprising the UK's 100 largest companies), providing a consistent benchmark for each fund.**
- **Cash: a comparison of the fund's performance with the return from an equivalent amount deposited in a 90 day non-high interest access account.**

Moneyspider.com's unique computer system calculates the results, with specific weightings allocated to each of the four categories, with each one analysed and compared over 1, 3 and 5 years. Although the rating is generated from a highly complex, computer-based performance analysis, involving 34 separate computations, it produces a simple and straightforward result; scoring each of your funds from A (a very high rating) to E (a distinctly poor rating).

Behind these easy-to-understand ratings is a percentage score, which is calculated to four decimal points. Each day Moneyspider.com's system calculates this percentage score for every single one of the 2000 or so funds on our database, thus providing a comprehensive ranking for all funds. The 'Rank in Sector' for each fund on the Moneyspider Report, is based on the ranking of these percentage scores.

Through Moneyspider, investors can not only monitor their investments but they can also buy and switch funds, with 50% of all commission charges being rebated to the customer.

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