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**Moneyspider.com**

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## **Corporate bonds now ‘default investment of choice’ – but the smart money is on Global bond sector, warns Moneyspider.com**

INVESTORS are continuing to pile into corporate bond funds, reflecting the continuing search for income at a time of historically low base rates, according to **Moneyspider.com** ([www.moneyspider.com](http://www.moneyspider.com)).

But latest **Moneyspider.com** research reveals (see table below) that it is the GLOBAL bond sector which is outperforming its peers.

Other equity-based sectors, such as Japan, emerging markets and ‘specialist’ sectors, have effectively been abandoned by investors now appearing to be less inclined to take on funds with a riskier profile, said **Moneyspider.com** spokesman Tony Ahearne.

“What we are seeing is effectively a flight to safety – and of course a flight to income - as global bond funds remain one of the few sectors where investors can extricate genuine income streams from their portfolios,” said Ahearne.

In March 2009, the most popular sector for **Moneyspider.com** investors was corporate bonds – around 26 per cent of investors holding their portfolios with the service are now in bond based funds.\*

“The trend broadly reflects the fact that investors are now taking a deeply cautious approach to the nature of their investments – if you bear in mind the average profile of **Moneyspider.com** investor, typically in their late 50s to late 60s – then this caution is unsurprising,” added Ahearne.

“Investors like the fact that the better performing corporate bond funds – such as M&G’s market leading fund - aim to provide a regular income and the potential for capital growth, coupled with a lower risk than investing in equities.

“But as our research shows, investors may wish to look at moving into the global bond sector in order to maximise returns,” he added.

Top 5 funds per 1-year performance (March 2008-March 2009)

<b>Fund Name</b>	<b>Sector</b>	<b>1 Yr Perf.</b>	<b>Moneyspider Rating</b>
Neptune Japan Opportunities	Japan	57.862	A
M&G Int. Sovereign Bond	Global Bonds	36.4683	A
Scottish Widows Int. Bond	Global Bonds	28.7863	A
BlackRock Global Bond	Global Bonds	27.212	A
Henderson Overseas Bond	Global Bonds	26.9281	A

Source: Moneyspider.com / Financial Express 05.04.09

“With gilt yields down managers are having to look under every stone to maximise income - Government bonds and highly rated investment grade corporate bonds tend to perform well when economic growth is deteriorating, so it is no surprise that investors continue to gravitate towards this asset class,” he said.

The UK All Companies sector - which accounted for 19% of gross ISA sales (IMA, March 2009) in February of this year - has also proved popular with **Moneyspider.com** investors.

“Looking at the wider, equity-based picture, there is a perception in the current climate that overseas based funds are much higher risk – so the exodus from Japan funds, for example – **Moneyspider.com** clients are holding up to 80 per cent less exposure in Japan, Asia Pacific (excluding Japan) and Japanese Smaller Companies, along with Global Emerging Markets – is hardly surprising,” said Ahearne.

That said, Ahearne warned that investors could be shooting themselves in the foot by the wholesale abandoning of more exotic funds.

“If you look at Neptune’s Japan Opportunities fund for example, an investor would have nearly doubled their money over the past five years. This fund has turned an initial £5,000 investment into £8,665 over the past five years.

“Corporate bond funds continue to deliver lower volatility and healthy yields, which are bound to be attractive given the appalling rates available to savers generally.

“But investors would do well to remember that many bond managers will be saddled with under-performing bonds which they cannot sell. That said, high quality investment grade corporate bonds are still extremely attractive, especially when compared to government bonds and cash deposits.”

**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 crucial 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

\* Moneyspider.com, April 2009 internal investor trend analysis

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

[www.moneyspider.com](http://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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