

Quarterly report on Funds and Fund Groups 2006 – year end

Market Monoliths Fail To Deliver For Investors

2006 was a rollercoaster year for UK retail investors, the final quarter being no exception, with the market's monoliths and the High Street banks continuing to languish at the bottom of the Moneyspider.com league table (see pages 2 and 3).

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Moneyspider.com looked at the top and bottom funds across the 11 most popular IMA sectors.

(These sectors comprise over 80% of total Funds under Management at December 2006)

A fund manager can have one good quarter or one good year, but consistency over the long term is key. As the latest results show, three funds managed to top the table in their respective sectors, for two consecutive years.

After a strong 2005/06 where investors made a lot of money, it was a nerve racking ride for investors in Japan in the last three months of 2006. Despite finishing on an eight month high, the

Japanese market was down 6% during the quarter before staging a spectacular 10% rally during the last five weeks of the year. AXA Framlington Japan has topped its sector for three consecutive quarters – no mean feat!

But for UK investors much of the market's gains were eroded if their investment was not hedged to minimise the risk of currency movements on the performance of the portfolio.

Top Funds across each sector			December 2006	Bottom Funds across each sector		
Fund Name	Moneyspider Rating	% Score	IMA Sector	Fund Name	Moneyspider Rating	% Score
Threadneedle Asia 2 USD	A	99.1203	Asia Pacific excl. Japan FUM £13,315,321,664	HSBC Greater China R	C	56.7143
Jupiter European Special Situations	A	98.0532	Europe excl. UK FUM £34,388,437,786	Credit Suisse European R	D	39.5130
Credit Suisse European Frontier R *	A	99.0523	Global Emerging Markets FUM £6,185,265,693	Henderson Emerging Markets X	B	67.5662
Neptune Global Equity B	A	98.0907	Global Growth FUM £27,831,650,513	Invesco Perpetual Global Dyn Theme	E	17.9086
AXA Framlington Japan	A	80.8713	Japan FUM £8,833,528,660	New Star Japan	E	12.4587
Threadneedle American Select 2 USD	B	67.9501	North America FUM £15,686,398,988	Invesco Perpetual US Aggressive	E	5.2219
Threadneedle Latin America 2	A	98.8827	Specialist FUM £20,270,968,788	Gartmore US Bear 1	E	0.2929
Schroder UK Mid250 *	A	99.2093	UK All Companies FUM £110,442,958,992	Premier UK Opportunities	E	24.0489
Newton Long Corp Bond ES 2 *	A	79.7532	UK Corporate Bond FUM £31,845,614,871	SWIP Managed Extra Income A	E	14.5897
Invesco Perpetual High Income	A	98.6166	UK Equity Income FUM £50,069,197,168	M&G Income X	C	44.1001
Old Mutual UK Select Small Cos	A	99.3501	UK Smaller Companies FUM £9,792,114,341	S&W Nucleus Smaller Securities Trust	D	30.1386

* = Also Top fund in December 2005

Source: Moneyspider/Financial Express 31.12.06.

To be eligible for inclusion, fund management groups must have at least 10 funds available to the retail market.

UK fund manager Threadneedle took out three of the 11 IMA categories (see above), demonstrating excellent fund manager expertise across different sectors. However, looking across Threadneedle's range of no less than 78 funds, the Group ranked equal 27 of the 54 fund management groups rated. These results remind us that just because a well-known fund group has expertise across certain sectors, it doesn't mean that all their funds are winners. To generate each fund rating, the Moneyspider system

calculates a percentage score for all of the 2,000 or so funds rated – to four decimal points – and whilst the Threadneedle American Select 2 USD Fund is the top-performing fund in the IMA North America sector, it is a B rated fund, scoring 67.9501% (see table above). Whilst a B rating is a high rating, it is a valuable indicator to investors – a warning sign – that even if they are invested with the best fund manager or fund management group, they might be invested in a geographical sector which is performing poorly overall.

See page 2 for how the Moneyspider Rating[®] works.

The unique Moneyspider Rating[®] How does it work?

Moneyspider.com monitors and ranks each one of the 2,000 funds (Unit Trusts and OEICs) available in the UK and provides a unique assessment of the performance of each fund measured against four key parameters:

- **Sector ranking:** comparison with all other funds in the same sector based on the sector definitions used by the Investment Management Association (IMA)
- **All Funds ranking:** comparison with all other 2,000 or so Unit Trusts and Open Ended Investment Company funds available to UK investors
- **FTSE 100:** comparison of the total return of the Fund with the total return of the FTSE 100 index, providing a consistent benchmark for each fund
- **Cash:** comparison of the Fund's performance with the return from an equivalent amount deposited in a 90 day access account

Moneyspider.com's unique system calculates the results, with specific weightings allocated to each of the four categories, analysing and comparing each over 1, 3 and 5 years. A proprietary algorithm involving 34 separate computations produces a percentage score for each fund calculated to four decimal points, which in turn is translated into five straightforward and easy-to-understand ratings:

- from **A** (a very high rating)
- to **E** (a distinctly poor rating).

Important Information

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Ranking of all fund groups

Just as the Australians took home the recent Ashes series, Australian-backed First State Investments took out top honours for the 'Best Overall Fund Management Group' in the December quarter, taking out the **Moneyspider Maestro Award**. Three years ago First State consolidated and rationalised several of its underperforming 'dud' funds. The strategy has clearly begun to bear fruit, allowing the fund manager to focus on its core areas of expertise.

Boutiques shine

Boutique fund manager Rathbone, which has dominated the tables by finishing first in each quarter during the year, came in at second spot. Meanwhile Artemis, which added three new funds over the year, had a successful final quarter moving up to rank equal fourth, alongside the fast-growing Neptune Investment Management. Neptune finished 2006 with its Global Equity fund topping the Global Growth sector and its fledgling Russia and Greater Russia Fund and China Fund already topping the entire funds universe with the two highest (albeit provisional) Moneyspider.com ratings – an extraordinary feat.

Looking back over 2006, a consistent pattern emerged, the boutique managers dominating the top five places each quarter with the big banks languishing at the rear end. Of the bigger players, Jupiter, Lazard and Invesco Perpetual were the most successful larger groups overall. While each boasts star funds and star fund managers, they were able to demonstrate consistent out-performance across a range of their funds – not just a few.

Dangers of investing in 'the Brand'

The fall from grace of Fidelity, probably the biggest brand of all in the world of investment, was nothing less than spectacular, the fund giant crashing no less than 32 places in Moneyspider's 'All fund groups' ranking tables over the course of 2006. Fidelity ranked 41 of the 54 fund management groups monitored and ranked by the Moneyspider.com Rating formula over the course of the year, but the big High Street names – HSBC, Abbey National, Halifax and NatWest – ranked lower still. These four banking groups offer an average of 23 funds each to the retail market, but less than a third of the funds in their respective ranges have proven themselves worthy of a Moneyspider.com A or B grade Rating. Halifax was the biggest faller over the course of the year, crashing 38 places to rank 52. These shocking statistics once again underline the dangers of investing in 'the brand'. Fidelity was in good company, with Investec crashing 31 places to rank 42 (one place below Fidelity) and UBS crashing 31 places too to rank 43.

One surprise fall from grace over the final quarter was that of well-known investment bank Rothschild, with not one of its 13 funds meriting an A or B Rating. Ranked 21 overall in Q3, with 8 of its funds ranked A or B, Rothschild – which for the most part manages money on behalf of private investors – fell abruptly to rank last and collect the **Moneyspider Monster Award**.

In the preceding three quarters of 2006, the Moneyspider.com Ratings showed MLC (part of National Australia Bank) consecutively taking out the 'Worst Overall Fund Management Group' in the UK. Fortunately for UK investors, if too late for those who have been invested with MLC, the Group has consolidated or closed some of its dud funds, now offering less than 10 funds to the UK retail market. This makes MLC ineligible for the Moneyspider.com table rankings, but that simply masks the fact that its remaining funds remain amongst the worst performers.

Dec-05					Dec-06				
No of A & B Funds	Total No of Funds	% A or B Funds	Rank Dec' 2005	Fund Management Group	No of A & B Funds	Total No of Funds	% A & B Funds	Rank Dec' 2006	Year on Year Change
8	11	72.72	2	First State Moneyspider Maestro	10	11	90.90	1	Up 1
12	14	85.71	1	Rathbone	12	14	85.71	2	Down 1
				St James's Place	9	11	81.81	3	N/A
10	15	66.67	5 =	Neptune	11	14	78.57	4 =	Up 1
				Artemis	11	14	78.57	4 =	N/A
17	29	58.62	13	Jupiter	22	29	75.86	6	Up 7
				Lazard	8	11	72.72	7	N/A
7	14	50.00	20 =	New Street	10	14	71.43	8	Up 12
29	45	64.44	7	Invesco Perpetual	27	38	69.44	9	Down 2
12	17	70.59	4	Marlborough	13	20	65.00	10	Down 6
22	31	70.96	3	JP Morgan	20	31	64.51	11	Down 8
				Margetts	7	11	63.63	12	N/A
5	17	29.41	41 =	Cazenove	11	18	61.11	13	Up 28
23	36	63.89	8	New Star	22	37	59.46	14	Down 6
24	47	51.06	19	Newton	27	46	58.70	15	Up 4
11	31	35.48	35	Aberdeen	14	25	56.00	16	Up 19
28	46	60.87	10	Schroder	28	51	54.90	17	Down 7
12	23	52.17	18	Old Mutual	12	22	54.55	18	No change
7	14	50.00	20 =	Premier	13	24	54.16	19	Up 1
				Thornhill	7	13	53.85	20	N/A
15	45	33.33	38	F&C	23	43	53.49	21	Up 17
10	35	28.57	43	BAM / Baring	19	36	52.78	22	Up 21
35	62	56.45	16	M&G	31	59	52.54	23	Down 7
3	11	27.27	44	Scottish Mutual	7	14	50.00	24	Up 20
16	24	66.67	5 =	SG	11	23	47.82	25 =	Down 20
9	22	40.91	26	Merrill Lynch	11	23	47.82	25 =	Up 1
19	52	36.54	32	Threadneedle	36	78	46.15	27 =	Up 5
14	28	50.00	20 =	Standard Life	24	52	46.15	27 =	Down 7
				Royal London	6	13	46.15	27 =	N/A
11	23	47.83	24	Skandia	19	42	45.24	30	Down 6
18	55	32.73	39	Gartmore	18	40	45.00	31	Up 8
18	36	50.00	20 =	SWIP	16	37	43.24	32	Down 12
13	23	56.52	15	Baillie Gifford	10	24	41.67	33	Down 18
10	34	29.41	41 =	Norwich Union	19	46	41.30	34	Up 7
52	123	42.28	25	Henderson	57	140	40.71	35	Down 10
				WAY	9	23	39.13	36 =	N/A
8	23	34.78	36	Prudential	9	23	39.13	36 =	No change
17	47	36.17	33	AXA	18	46	39.13	36 =	Down 3
				Allianz	6	16	37.5	39	N/A
14	41	34.10	37	S&W	14	38	36.84	40	Down 3
32	51	62.75	9	Fidelity	19	52	36.54	41	Down 32
15	25	60.00	11	Investec	12	34	35.29	42	Down 31
10	17	58.82	12	UBS	7	20	35.00	43	Down 31
9	49	18.37	49	Legal & General	18	52	34.62	44	Up 5
18	49	36.73	31	Insight	13	39	33.33	45	Down 14
6	16	37.50	29	Resolution (Britannic 2005)	10	31	32.26	46	Down 17
5	14	35.71	34	NatWest	5	16	31.25	47	Down 13
3	13	23.08	48	Lincoln	4	13	30.77	48	No change
11	44	25.00	45 =	Scottish Widows	15	50	30.00	49	Down 4
4	16	25.00	45 =	AEGON	5	17	29.41	50	Down 5
20	49	40.82	27	HSBC	9	32	28.13	51	Down 24
8	17	47.06	14	Halifax	4	15	26.67	52	Down 38
10	27	37.04	30	Abbey National	17	29	24.14	53	Down 23
6	17	35.29	35	Rothschild Moneyspider Monster	0	13	0	54	Down 19

Source: Moneyspider/Financial Express 31.12.07

To be eligible for inclusion in the Moneyspider Quarterly table rankings, groups must have at least 10 funds available to the retail market and, of those 10 funds, each must have a performance history of at least one year.

Note: Certain groups not included in December 2005 table due to not having the minimum number of funds.

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Moneyspider and the Individual Investor

Moneyspider provides investors with a clear analysis showing how all their funds are performing in one comprehensive but easy to understand Personal Report.

The **Moneyspider Report** has the benefit of disclosing comparative information fund managers may not be willing to disclose to investors particularly if the fund in question has performed badly. Investors will also have access to a personal report online which is updated daily at www.moneyspider.com, emailed monthly and archived for future reference.

For each fund registered with Moneyspider, the **Moneyspider Report** provides investors with:

- A current valuation
- A five year performance review
- A comparison with the top five funds in the same sector
- A ranking in that sector (according to Moneyspider ratings)
- A list of the top ten best performing funds overall
- A unique Moneyspider rating which is both objective and independent

The **Moneyspider Rating[®]** provides a unique assessment of the performance of each fund measured against four key parameters, each one analysed over one year and three years and five years (weighted towards the longer term), as follows:

- All funds within the same sector
- All funds available to UK investors
- The FTSE 100 Index
- Cash held in a secure deposit account (no other rating uses this parameter).

The rating is derived from a complex computer based algorithm of 34 separate computations which produces a percentage score calculated to 4 decimal points, and this in turn is translated into the straightforward **Moneyspider Rating[®]**, scoring each fund from A (highly rated) to E (very poorly rated).

Investors pay no fees for registering their funds with Moneyspider. The costs of providing the services are covered by the charges already being deducted by most fund managers in the form of renewal commission.

Moneyspider[®]

Track Your Fund Performance

Mr A Sample
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and emailed to you every month.
Past emailed reports are available for you
to retrieve online whenever you want.

Your personal report at 12:49:39 on 10-
Jan-2007

Investment Type	Fund Manager Fund Name	Original Investment	Current Value	Current Units	Performance			Rating	*Rank in Sector
					1 Year	3 Years	5 Years		
OEIC	Fidelity Investments Managed International	£4,000	£3,727	548	1.1%	32.3%	3.2%	E	139/147
ISA	Jupiter UT Mgrs UK Special Sits	£5,000	£4,585	4,593	20.7%	50.4%	33.6%	B	152/232
Unit Trust	Jupiter UT Mgrs Undervalued Assets	£5,000	£10,022	4,600	19.5%	63.1%	85.5%	A	35/232
Total Investment			£18,335						

The top 5 funds - In each of your sectors

The top 5 funds in Global Growth (147 funds in sector) Your fund(s) shown in bold.

*Rank	Fund Manager - Fund Name	Performance			Rating
		1 Year	3 Years	5 Years	
1	Neptune Investment Mgmt - Global Equity A Acc	15.8%	106.4%	139.3%	A
2	Jupiter UT Mgrs - Fund of Inv Trusts	16.3%	91.7%	88.9%	A
3	Jupiter UT Mgrs - Global Opportunities	16.3%	80.6%	86.0%	A
4	Investec Fund Managers (UK) - Global Equity A USD	20.4%	56.7%	84.8%	A
5	M&G UK - Global Basics X Acc	10.1%	93.6%	N/A	A
139	< Fidelity Investments - Managed International	1.1%	32.3%	3.2%	E

* Rank in sector is according to Moneyspider ratings.

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