

## Quarterly report on Funds and Fund Groups

# Welcome

to the second moneyspider.com Quarterly Report, carrying rankings of funds and fund management groups in the UK, based on the unique Moneyspider Rating<sup>®</sup> formula. (see page 3)

In this Report we look at the best and worst performing funds over the second quarter and show which fund management groups have been bestowed with the coveted **Moneyspider Maestro Award** and the dreaded **Moneyspider Monster Award**.

For the first time, we will also be able to show who the climbers and fallers are and to see which groups have moved up and down the table rankings from the first quarter.

The second quarter, from April to June, was particularly unnerving for investors as millions were wiped off share prices and markets across the globe in a matter of days. Concerns over interest rate rises and economic growth in the US and Japan sparked a selling off of riskier assets – those invested in emerging markets for example – in favour of less volatile assets such as bonds. As a result of this ‘flight to safety’, we see some particularly interesting results in the ranking tables this quarter.

Once again we will highlight the best funds across each sector, and expose some of the best-known ‘brands’. The Report may also ring some cautionary alarm bells for millions of investors who are simply not aware that their hard-earned savings might be wasting away in under-performing monster funds.

### Rankings are tabled across the following categories:

- Top funds across each of the most popular IMA investment sectors (Table 1)
- Best Fund Group (Moneyspider Maestro Award) – the fund management groups with the highest % of A or B Rated Funds (Table 2)
- Worst Fund Group (Moneyspider Monster Award) – the fund management groups with the highest % of D or E Rated Funds (Table 3)
- Top 5 funds overall (across all 2,000 Unit Trusts and OEICs) (Table 4)
- Bottom 5 funds overall (Table 5)
- Ranking of all Fund Management Groups (Table 6)

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

TABLE 1: Top funds across each sector

IMA Sector	Fund Name	Moneyspider Rating	Moneyspider % Score
Global Growth	Investec Global Equity S USD	A	99.8598
Specialist	JPM Natural Resources*	A	99.4452
Global Emerging Markets	CS European Frontiers*	A	99.3996
UK All Companies	Schroder UK Mid 250*	A	99.2319
Japan	AXA Framlington Japan*	A	98.8740
Europe ex UK	Jupiter European Special Situations	A	98.0371
UK Equity Income	Invesco Perp Income*	A	97.7682
Asia Pacific ex Japan	Gartmore China Opps	A	97.1948
UK Corporate Bond	Schroder Long Dated Corp Bond I	B	73.6751
North America	GAM North American Growth	C	60.9403

Source: Moneyspider / Financial Express 30.06.06

\*Was also top performing fund in sector in Q1 '06.

### Moneyspider.com looked at the top funds across 10 of the most popular IMA sectors.

Unlike the last quarter, where no one fund management group dominated more than one category, Schroder has topped the

table in two categories: the Schroder UK Mid 250 Fund in the UK All Companies Sector and Schroder Long Dated Corporate Bond Fund in the UK Corporate Bond Sector. Historically, Schroder has not been regarded as a ‘strong bond house’, so this result is particularly interesting to

see. Five names appear in the table once again this quarter – the Invesco Perpetual Income, CS European Frontiers, JPM Natural Resources, AXA Framlington Japan Opportunities and Schroder UK Mid 250 Funds – all of which have continued to perform consistently well despite the market correction in May. So for these managers, it is certainly not just about having one successful quarter; they have been able to perform consistently in volatile markets.

In the North American category, GAM, one of the World’s largest fund managers has topped the sector with the GAM North American Growth Fund. However, due to the dire performance of this sector as a whole over the past few years, the Fund has only attracted a C Moneyspider Rating. Special mention should be made of Gartmore, which has suffered a tricky quarter as a result of a change in ownership. Whilst Gartmore as a whole ranked 34 out of 55 Fund Management Groups in the overall rankings table (see table 6), the Gartmore China Opportunities Fund has been a stellar performer, topping the Asia Pacific ex Japan category in the second quarter.

**TABLE 2: Top 5 fund groups**

Fund Group	A or B Funds	Total Funds	% A or B	Rank Q1 '06	Rank Q2 '06	Climber or Faller?
<b>Rathbone</b> Moneyspider Maestro Award	12	14	85.71	1	1	No change
Neptune	13	17	76.47	2	2	No change
Dalton	9	12	75.00	–	3	New entry
First State	8	11	72.72	4	4	No change
Artemis	7	10	70.00	5	5	No change

Source: Moneyspider / Financial Express 30.06.06

Last quarter we applauded the success of the boutique fund managers, who took four of the top five places for the Best Overall Fund Management Group in the UK. We wondered whether this consistency would continue or whether the boutiques would be outpaced by their larger rivals. But once again, the boutiques have proved us wrong, maintaining their position in the overall tables, taking four of the top five places.

In the first quarter, Rathbone was awarded the 'Moneyspider Maestro Award', for the Best Overall Fund Management Group, and has once again this quarter finished top of the table. Neptune, First State and Artemis retained second, fourth and fifth spots respectively and Marlborough dropped from third to sixth. Dalton was a newcomer to the rankings this quarter, making a grand entrance at number three. Dalton Strategic Partnership, is an independent investment management group – Greater China Opportunities, Japan Opportunities and North American Opportunities amongst the high octane funds within its stable. A group to keep a keen eye on!

**TABLE 3: Bottom 5 fund groups**

Fund Group	A or B Funds	Total Funds	% A or B	Rank Q1 '06	Rank Q2 '06	Climber or Faller?
Legal & General	9	39	23.07	46 =	52 =	Fall
Lincoln	3	13	23.07	39	52 =	Fall
HSBC	7	31	22.58	38	54	Fall
AEGON	3	17	17.64	48	55	Fall
Thornhill Moneyspider Monster Award	0	11	0	51	56 =	Fall
MLC Moneyspider Monster Award	0	10	0	52	56 =	Fall

Source: Moneyspider / Financial Express 30.06.06

Two groups, MLC and Thornhill, have been awarded the Moneyspider Monster Award for the Worst Overall Fund Management Group in the UK. It is the second quarter in which MLC has taken home the Award and of great concern is the fact that once again none of its funds are rated either A or B by moneyspider.com. Even more worrying is that three of MLC's 10 funds are 'manager of manager' funds, meaning that investors are likely to be paying higher fees for the privilege.

HSBC ranks the 4th worst fund management group overall. We will wait to see if their investment in new resources and funds pays off in subsequent quarters. Legal & General and Lincoln share the 5th worst place.

## GUEST COLUMN

Richard Philbin

The last quarter witnessed incredible volatility! In the three months to 30 June, only one IMA sector managed to post a positive return. That amount was 0.62%, and the sector in question was Money Market. Japanese Smaller Companies under performed all other sectors with an average loss of -17.66%. Legg Mason Japanese Equity has the unfortunate title of being the worst performing fund over the quarter. But, when you consider this fund has delivered unit holders 121.50% over the past three years, surely you can forgive the odd down period? But for comparison purposes, the average Japanese fund has returned 68.14%.

Whenever you invest, consider risk as well as return. Cash funds by their nature are less risky to capital on a monthly basis, but the power of inflation (no matter how low) can erode spending power. The message to investors is when building a portfolio, it is best to adopt a strategy that encompasses both low and higher risk assets. The best performing assets over the past five years have generally been in the riskier equity markets – Global Emerging Markets, Gold funds, and Commodity investments for instance. Part of the reason these have been so good over the past five years is that they were languishing at the bottom of the charts for the previous five years and investors love to buy bargains! Does that mean that the under performing equity assets of the past five years – Technology, Telecoms, North America and Japan are going to provide the driving force for the next five?

The answer to that question is possibly! We believe Japan is rising from the ashes; consumers are spending again, interest rates should rise this year. This perversely means consumers will spend as it infers shoots of inflation, not the deflationary environment the country has been saddled with for many years. Corporations are more shareholder friendly, profits are rising and stock market valuations don't look stretched.

Whether today provides a fantastic buying opportunity I don't know. I stick to the maxim of "It's TIME IN the market as opposed to TIMING the market" which should give the best returns.

**Richard Philbin is Director, Fund of Funds, F&C Asset Management plc**

## The unique Moneyspider Rating<sup>®</sup> 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).

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TABLE 4: Top 5 funds overall

Fund Name	Sector	1 yr % return	3 yr % return	5 yr % return	Moneyspider rating	Moneyspider % score
<b>Investec Global Equity S USD</b>	Global Growth	46.7998	144.8237	116.3699	A	99.8598
<b>JPM Natural Resources A</b>	Specialist	53.5899	236.1408	296.4418	A	99.4452
<b>CS European Frontiers R</b>	Global Emerging Markets	44.6272	161.1514	245.4299	A	99.3996
<b>Schroder UK Mid 250</b>	UK All Companies	29.8203	104.5617	109.1117	A	99.2319
<b>Gartmore PP Emerging Markets Opps</b>	Pensions	28.6569	108.1988	88.9648	A	99.1032

Source: Moneyspider/Financial Express 30.06.06

\*Only CS European Frontiers was among the Top 5 last quarter, ranked number 1.

While the resources sector was rocked during the second quarter, with a number of stocks sold, reverting to more respectable valuations, the JPM Natural Resources Fund took the specialist category for the second consecutive quarter.

However, the £837 million Investec Global Equity Fund which has been around since 2001 has had a stellar 1, 3 and 5 year performance history. Consistent with the Moneyspider Rating<sup>®</sup> methodology, applied to more than 2,000 Unit Trusts and OEICs, the performance of the Investec Global Equity Fund over 1,3 and 5 years was compared to its peer group, the FTSE 100, all 2,000 UK funds and returns from a cash account, arriving at the Moneyspider percentage score and rating category. So it's not just a matter of a fund returning fantastic performance in any given period; it must be consistent, it must be best in its sector and best overall – quite a feat!

TABLE 5: Bottom 5 funds overall

Fund Name	Sector	1 yr % return	3 yr % return	5 yr % return	Moneyspider rating	Moneyspider % score
<b>Invesco Perp US Equity</b>	North America	-3.2252	2.2233	-39.2523	E	3.4416
<b>Insight Cash R</b>	Money Market	-0.6691	-6.5576	-7.4924	E	3.0905
<b>AEGON Technology A</b>	Technology & Telecoms	-6.0013	1.8522	-54.7015	E	2.9529
<b>Threadneedle Dollar Bond 1</b>	Global Bonds	-3.6379	-10.9282	-11.1812	E	1.9136
<b>Neptune CIF Global Health</b>	Specialist	-13.4367	-22.5026	-52.6167	E	0.4776

Source: Moneyspider/Financial Express 30.06.06

While the Invesco Perpetual Income Fund, under the stewardship of industry stalwart Neil Woodford, took out the best UK Equity Income category for two consecutive quarters, the Invesco Perpetual US Equity Fund has languished at the bottom of the tables as the worst fund overall. The Fund isn't managed by Neil Woodford and highlights the dangers of investing simply in the 'brand'.

Neptune has just been voted Investment Week's 'Specialist Group of the Year 2006' and, with 13 of its 17 funds receiving an A or B Moneyspider Rating, is second top fund group for a consecutive time this quarter (table 2). But that couldn't prevent it from having the bottom fund overall in Q2 2006 with its CIF Global Health Fund.

Again, it demonstrates the importance of not relying on any one fund management group for all your investment needs. Just because one fund from a management group ranks highly doesn't mean they all will!

The Moneyspider Rating<sup>®</sup> was applied to the funds of 57 Groups this quarter, compared to 52 last quarter. The main reason for this increase lies in the eligibility criteria for inclusion in the moneyspider.com tables. Fund management groups must have at least 10 funds available to the UK retail market, and of those 10 funds, each fund must have a performance history of at least one year.

Of the larger well-known investment groups, Jupiter, Lazard and M&G took up the 7th, 8th= and 10th spots overall. Big brands, including Scottish Widows, Henderson and Legal & General once again feature prominently at the tail end.

The major banks continue to disappoint. Halifax is the best of a bad lot, ranking 24th, moving down 13 places from the last quarter. Abbey National, NatWest and HSBC finish at the tail end in 49th, 50th= and 54th spots. Investors still need to be vigilant when buying managed funds through their bank branch.

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TABLE 6: Ranking of all fund groups

Fund Group	A or B Funds	Total Funds	% A or B	Rank Q1 '06	Rank Q2 '06	Climber or Faller?
Rathbone	12	14	85.71	1	1	No change
Neptune	13	17	76.47	2	2	No change
Dalton	9	12	75.00	–	3	New entry
First State	8	11	72.72	4	4	No change
Artemis	7	10	70.00	5	5	No change
Marlborough	11	17	64.70	3	6	Fall
Jupiter	18	28	64.28	7	7	No change
Lazard	7	11	63.63	13	8 =	Climb
St James's Place	7	11	63.63	–	8 =	New entry
M&G	38	61	62.29	16	10	Climb
JP Morgan	19	31	61.29	10	11	Fall
New Star	22	36	61.11	12	12	No change
Invesco Perpetual	21	36	58.33	9	13 =	Fall
Schroder	28	48	58.33	8	13 =	Fall
Baillie Gifford	12	23	52.17	17 =	15 =	Climb
Old Mutual	12	23	52.17	17 =	15 =	Climb
Investec	13	25	52.00	21	17	Climb
Allianz	7	14	50.00	6	18 =	Fall
BGI	5	10	50.00	–	18 =	New entry
Threadneedle	33	66	50.00	23 =	18 =	Climb
Thesis	5	10	50.00	–	18 =	New entry
SWIP	17	36	47.22	20	22	Fall
Fidelity	24	51	47.05	14	23	Fall
Halifax	7	15	46.66	11	24	Fall
SG	11	24	45.83	15	25	Fall
Aberdeen	11	25	44.00	29 =	26	Climb
Merrill Lynch	10	23	43.47	23 =	27	Fall
Credit Suisse	20	47	42.55	–	28	New entry
Newton	19	45	42.22	29 =	29	No change
Prudential	9	22	40.90	45	30	Climb
Cazenove	7	18	38.88	36	31 =	Climb
WAY	7	18	38.88	25	31 =	Fall
F&C	15	39	38.46	28	33 =	Fall
Scot Mutual	5	13	38.46	46 =	33 =	Climb
Gartmore	21	56	37.5	31	35	Fall
Norwich Union	15	41	36.58	37	36	Climb
Standard Life	16	44	36.36	19	37	Fall
Insight	17	48	35.41	32	38	Fall
Rothschild	6	17	35.29	50	39	Climb
Skandia	11	32	34.37	27	40	Fall
Baring	12	36	33.33	33	41 =	Fall
Royal London	4	12	33.33	42	41 =	Climb
UBS	7	21	33.33	22	41 =	Fall
Scottish Widows	14	43	32.55	44	44	No change
Premier	7	22	31.81	26	45	Fall
AXA	12	38	31.57	35	46	Fall
S & W	12	42	28.57	–	47	New entry
Henderson	36	130	27.69	41	48	Fall
Abbey National	11	41	26.82	49	49	No change
NatWest	4	16	25.00	34	50 =	Fall
Resolution (ex Britannic)	4	16	25.00	40	50 =	Fall
Legal & General	9	39	23.07	46 =	52 =	Fall
Lincoln	3	13	23.07	39	52 =	Fall
HSBC	7	31	22.58	38	54	Fall
AEGON	3	17	17.64	48	55	Fall
Thornhill	0	11	0	51	56 =	Fall
MLC	0	10	0	52	56 =	Fall

Source: Moneyspider/Financial Express 30.06.06

To be eligible for inclusion in the Moneyspider Quarterly table rankings, Groups must have at least 10 funds available to the UK retail market.