

Welcome

For the first time, online fund performance and rating provider, Moneyspider.com, is publishing its table rankings of funds and fund management groups based on its unique Moneyspider Rating[®] formula.

The results provide investors with a snapshot of the best and worst performing funds on a quarterly basis, and show which of the fund management groups have been bestowed with the coveted **Moneyspider Maestro Award** or the dreaded **Moneyspider Monster Award**.

By exposing the overall performance of some well-known 'brand' names in the funds marketplace, the report may ring some cautionary alarm bells to millions of investors who are simply not aware that their hard-earned money might be wasting away in under-performing monster dud 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 2000 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 UK retail market.

TABLE 1: Top funds across each sector

| Sector | Fund Name | Moneyspider Rating | Moneyspider % Score |
|-------------------------|----------------------------|--------------------|---------------------|
| Global Emerging Markets | CS European Frontiers R | A | 99.3922 |
| Europe ex UK | Artemis European Growth | A | 99.0271 |
| Asia Pac ex Japan | Aberdeen FE Emg Economies | A | 98.7306 |
| UK All Companies | Schroder UK Mid 250 | A | 98.7017 |
| Japan | AXA Framlington Japan | A | 98.6843 |
| Specialist | JPM Natural Resources | A | 98.103 |
| UK Equity Income | Invesco Perp Income | A | 96.2831 |
| North America | Tilney American Growth 2 | A | 90.2028 |
| UK Corporate Bonds | Newton Long Corporate Bond | A | 81.1732 |

Source: Moneyspider/Financial Express 31.03.06

Moneyspider.com looked at the top funds across nine of the most popular IMA sectors. Results revealed that no one fund management group dominates more than one category. Investors should therefore not rely on one fund management group for all their investment needs. While Aberdeen has an excellent reputation for managing Asian Equities, four of their UK equity funds are rated C by Moneyspider.com. Some of the lesser known names in CS European Frontiers and Tilney American Growth have top funds in their stables, with significantly smaller sales and marketing budgets compared to their larger rivals.

Although 2006 started with markets across the world reaching historic highs including the FTSE 100 index, Japan's Nikkei and the continual surge in oil prices, the question is whether recent downturns will see the same faces at the top of the Moneyspider.com tables in Q2 and beyond.

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 2000 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).

TABLE 2: Top 5 fund groups

| Fund management group | A or B Funds | Total Funds | % A or B | Rank Q1 2006 |
|--|--------------|-------------|----------|--------------|
| Rathbone Moneyspider Maestro Award | 12 | 14 | 85.71 | 1 |
| Neptune | 13 | 17 | 76.47 | 2 |
| Marlborough | 12 | 16 | 75 | 3 |
| First State | 8 | 11 | 72.72 | 4 |
| Artemis | 7 | 10 | 70 | 5 |

Source: Moneyspider/Financial Express 31.03.06

The success of boutique fund managers in the UK has continued apace, taking out four of the top five places during the first quarter of 2006. Boutique managers Rathbone, Neptune, Marlborough and Artemis all offer fewer funds in the marketplace compared to their larger rivals, focusing on what they're good at. It can be argued that a group like First State, which is backed by Australian parents is 'boutique' in nature, but not in ownership.

Classifying a boutique manager is still subject to industry debate, but generally boutique managers possess the following characteristics: Independent, percentage of

business owned by staff, small in size, greater flexibility and opportunity to generate excess returns. In the coming quarters, all eyes will be on the boutique's ongoing performance to see if they really can continue to outperform their larger rivals.

Among the larger investment houses some familiar names in Jupiter, Schroder, Invesco Perpetual and JPMorgan made up the top 7-10 places, with only one percentage point separating all four groups (see Table 6). Jupiter, with fewer retail funds available to the market, narrowly nudged ahead of Schroder. Over the last quarter, investors

poured billions into Invesco's flagship Equity Income Funds, along with JPMorgan's popular Natural Resources Fund. However, it's important to note that not all funds offered by these big brand fund managers are winners.

The next top performers among the large managers were New Star, Fidelity and SG, all offering a massive number of funds to the UK retail market with advertising budgets to match. It was encouraging to see Halifax come in at number 11, with 64 % of funds rated A or B by Moneyspider.com. Historically, banks have been poor at running fund management operations, but some favourable signs are emerging.

A special note should be made of Henderson, with a staggering 126 funds offered in the retail market, coming in at the tail end of the table at 41st position out of 52 groups. Of Henderson's 126 funds, 64% (ie 80 funds) are rated C-E by Moneyspider.com; a clear signal that investors should not trust the strength of a brand or rely solely on a group's past reputation.

TABLE 3: Bottom 5 fund groups

| Fund management group | A or B Funds | Total Funds | % A or B | Rank Q1 2006 |
|---|--------------|-------------|----------|--------------|
| Aegon | 5 | 17 | 29.41 | 48 |
| Abbey National | 11 | 38 | 28.95 | 49 |
| Rothschild RPIC | 4 | 17 | 23.53 | 50 |
| Thornill | 1 | 11 | 9.1 | 51 |
| MLC Moneyspider Monster Award | 0 | 10 | 0 | 52 |

Source: Moneyspider/Financial Express 31.03.06

At the other end of the scale, some of the industry's biggest and oldest names make up the bottom ten worst overall performers. MLC is the worst offender, with none of its 10 funds carrying an A or B Moneyspider.com rating. Interestingly, three of MLC's 10 funds are 'manager of manager' meaning investors are not only getting bad performance, they are possibly paying higher fees for the privilege.

Familiar names in Scottish Widows, Prudential, L&G and Scottish Mutual finish in 44th-46th bottom spots (see Table 6).

At the end of last year, AXA acquired the funds management business of Framlington. In the first quarter of 2006, Framlington funds have now been rebranded AXA Framlington and are ranked 35 out of 52 groups. If the two groups were still

separated, Framlington alone would be ranked 17, and AXA at 47. So while as a combined group AXA Framlington is certainly not at the top of the tables, they do have some top funds which were jewels in the crown brought across after the acquisition including the Framlington UK Smaller Companies and Framlington Japan Funds, both rated A by Moneyspider.com, with the newly branded AXA Framlington Japan Fund taking out the Best Japan Fund for Q1 2006 (see Table 1).

An issue which has received plenty of media attention and speculation this quarter has been the acquisition of Gartmore. Ranked 31 out of 52 companies overall, Gartmore recently lost three of its European Equity Fund Managers to rival Britannic. Takeovers cause a great deal of uncertainty. Investors should keep a close eye on their investments with Gartmore, but don't be forced into panic switching or selling.

GUEST COLUMN
John Husselbee

Changes in regulation, in the form of ‘COLL’ and ‘NURS’ – the new rule books for the fund management industry issued by the Financial Services Authority – are set to give rise to a whole new type of investment fund, one that allows fund managers to access a much broader range of investment ‘tools’. At the same time, the industry is making an ever-increasing array of asset classes and investment products available to the smaller investor. These changes give the investor greater choice and flexibility and offer up the ability to invest in products that can perform in all manner of economic conditions.

The traditional asset classes used in well-constructed investment portfolios were cash, fixed income and equities. Other asset classes have only become accessible to smaller sums of capital in recent years. Now investors of all sizes can access a broader range of assets including property, venture capital, structured products, hedge funds, commodities and derivative instruments.

Before embracing these additional asset classes investors will need to build their knowledge levels. The potential long-term rewards of ‘multi asset’ investing make it worthwhile doing so. However, for those looking to access this potential without having to take such an active approach to their investment portfolios, I expect to see the majority of the multi manager funds available in the marketplace today adopting multi asset strategies in the near future.

The introduction of multi asset strategies will increase what is achievable in terms of performance and investment objectives. The opportunity for greater downside protection, which effectively means limiting how much an investor can lose, and performance across a wider variety of market conditions, are only the tip of the iceberg in terms of what is possible. But even the most dynamic of asset allocation policies will not capture 100% of the upside of any particular asset class, theme or market. Despite the ever evolving world of portfolio management the principles are still the same. The right blend of non-correlated or low correlated assets, which means the value of the assets do not rise or fall in sync with each other, ensures a smoother ride over the long term.

John Husselbee is Chief Executive Officer of North Investment Partners, an independent multi manager specialist.

TABLE 4: Top 5 funds overall

| Fund Name | Sector | 1 yr % return | 3 yr % return | 5 yr % return | Moneyspider Rating | Moneyspider % Score |
|--------------------------------|-------------------------|---------------|---------------|---------------|--------------------|---------------------|
| CS European Frontiers R | Global Emerging Markets | 73.4482 | 261.2412 | 327.6171 | A | 99.3922 |
| JPM Europe Smaller Companies A | European Smaller Cos | 58.2005 | 224.6465 | 108.4688 | A | 99.3582 |
| Artemis European Growth | Europe Excluding UK | 47.8718 | 170.8561 | 128.2474 | A | 99.0271 |
| SWIP Japan Smaller Companies A | Japanese Smaller Cos | 53.2981 | 173.8951 | 102.3157 | A | 98.7761 |
| Aberdeen FE Emg Economies | Asia Pacific Ex Jap | 48.4126 | 153.5115 | 136.6829 | A | 98.7306 |

Source: Moneyspider/Financial Express 31.03.06

Rather surprisingly no one particular sector dominated the top five spots. However, the main theme in all three top performing funds was Europe and Emerging Europe. In May last year, seven countries became part of the EU, with the results starting to bear fruit on their respective economies.

TABLE 5: Bottom 5 funds overall

| Fund Name | Sector | 1 yr % return | 3 yr % return | 5 yr % return | Moneyspider Rating | Moneyspider % Score |
|---------------------------|------------------|---------------|---------------|---------------|--------------------|---------------------|
| Scot Mut Balanced | UK All Companies | 1.0846 | 7.5674 | -3.7134 | E | 9.3239 |
| Gartmore Intl Fixed Int I | Global Bonds | -0.34 | -1.9725 | 0.1054 | E | 7.9329 |
| Insight Cash R | Money Market | 0.7112 | -6.9188 | -6.9661 | E | 3.8082 |
| Gartmore US Bear I | Specialist | 0.7117 | -39.5478 | -36.4503 | E | 2.0173 |
| F&C UK Bond 2 | UK Gilt | -11.2972 | -18.3333 | -21.2124 | E | 0.1906 |

Source: Moneyspider/Financial Express 31.03.06

While most investors feel relatively safe investing in the ‘UK Gilt’ market, the worst performing fund – F&C UK Bond – was from this sector. Gartmore occupied two of the bottom five spots, with its US Bear & International Fixed Income Funds rated E.

Scottish Mutual, a well known insurance stalwart, saw its Balanced Fund come in as the fifth worst fund overall. Alarmingly, this fund sits within the IMA’s UK All Companies Sector which is the largest and one of the most popular sectors among UK investors.

IMPORTANT INFORMATION

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Moneyspider...
a small spider
which is said to
bring good fortune
to the person on
whom it lands!



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TABLE 6: Ranking of all fund groups

with a minimum of 10 funds
available to the UK retail market.

| Fund Group | A or B Funds | Total Funds | % A or B | Rank Q1 '06 |
|-------------------|--------------|-------------|----------|-------------|
| Rathbone | 12 | 14 | 85.71 | 1 |
| Neptune | 13 | 17 | 76.47 | 2 |
| Marlborough | 12 | 16 | 75 | 3 |
| First State | 8 | 11 | 72.72 | 4 |
| Artemis | 7 | 10 | 70 | 5 |
| Allianz RCM | 9 | 13 | 69.23 | 6 |
| Jupiter | 20 | 29 | 68.97 | 7 |
| Schroder | 33 | 48 | 68.75 | 8 |
| Invesco Perpetual | 30 | 44 | 68.18 | 9 |
| JPMorgan | 21 | 31 | 67.74 | 10 |
| Halifax | 9 | 14 | 64.29 | 11 |
| New Star | 23 | 36 | 63.89 | 12 |
| Lazard | 7 | 11 | 63.63 | 13 |
| Fidelity | 32 | 51 | 62.75 | 14 |
| SG | 15 | 24 | 62.5 | 15 |
| M&G | 38 | 62 | 61.29 | 16 |
| Baillie Gifford | 14 | 23 | 60.87 | 17 = |
| Old Mutual | 14 | 23 | 60.87 | 17 = |
| Standard Life | 22 | 37 | 59.46 | 19 |
| SWIP | 23 | 41 | 56.1 | 20 |
| Investec | 14 | 25 | 56 | 21 |
| UBS | 11 | 20 | 55 | 22 |
| Merrill Lynch | 12 | 22 | 54.55 | 23 = |
| Threadneedle | 36 | 66 | 54.55 | 23 = |
| WAY Fund Managers | 9 | 17 | 52.94 | 25 |
| Premier | 10 | 19 | 52.63 | 26 |
| Skandia | 13 | 25 | 52 | 27 |
| F&C | 23 | 45 | 51.11 | 28 |
| Aberdeen | 17 | 34 | 50 | 29 = |
| Newton | 23 | 46 | 50 | 29 = |
| Gartmore | 27 | 56 | 48.21 | 31 |
| Insight | 23 | 48 | 47.92 | 32 |
| Baring | 9 | 19 | 47.37 | 33 |
| NatWest | 7 | 15 | 46.67 | 34 |
| AXA Framlington | 21 | 47 | 44.68 | 35 |
| Cazenove | 7 | 17 | 41.12 | 36 |
| Norwich | 14 | 35 | 40 | 37 |
| HSBC | 13 | 33 | 39.40 | 38 |
| Lincoln | 5 | 13 | 38.46 | 39 |
| Britannic | 6 | 16 | 37.5 | 40 |
| Henderson | 46 | 126 | 36.51 | 41 |
| Royal London | 4 | 11 | 36.36 | 42 |
| BAM | 6 | 17 | 35.29 | 43 |
| Scottish Widows | 15 | 43 | 34.88 | 44 |
| Pru | 8 | 23 | 34.78 | 45 |
| L&G | 10 | 30 | 33.33 | 46 = |
| Scottish Mutual | 4 | 12 | 33.33 | 46 = |
| Aegon | 5 | 17 | 29.41 | 48 |
| Abbey National | 11 | 38 | 28.95 | 49 |
| Rothschild RPIC | 4 | 17 | 23.53 | 50 |
| Thornill | 1 | 11 | 9.1 | 51 |
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