

# Key notes



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## Architas Quarterly Investment Review - Caspar Rock

### Overview of Q3

- Been a tough time for equities - MSCI World and Europe down c.20%
- Lower risk fixed income assets e.g. gilts and long-dated gilts have done well
- Higher risk fixed income - investment grade, high yield, convertibles, EMD – hit quite badly
- Causes for uncertainty:
  - ◊ US budget deficit negotiations; US downgrade; European debt crisis; poor unemployment
- October saw signs of a pick-up in US - but Europe still disappointing
- Valuations are low on well-run companies - buying opportunity for patient investors

### Performance summary Q3

- Architas multi-manager funds with lower equity exposure (eg Reserve, Cautious Income) have done better in Q3 than those with higher equity content (eg Dynamic, Growth)
- Caspar Rock just back from Singapore –Asian investors believe when markets fall in the west it could affect the east – currency, EMD, stock markets not immune to market pain
- In fixed income, maintaining shorter duration over anticipated inflationary pressure
- Avoiding synthetic ETFs in favour of fully replicated – as they are lower risk
- In Protector funds - cutting exposure to risky assets
- Architas Protector range aims to protect 70% or 80% of its highest-ever share price – Architas launched 85 in October for the more cautious investor; aims to protect 85% of highest ever share price

### Outlook for rest of the year / early 2012

- Early October saw quite a sharp recovery in equity markets
- Economic growth will remain dull
- Inflation will remain a persistent problem at c.3% pa
- Bias towards high yield and investment grade where discounts are overly pessimistic
- Architas prefers yield rather than growth funds on a 2-3 year horizon
- Opportunity for fixed income but it's a volatile, and sometimes illiquid, asset class

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