Key notes

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Architas Quarterly Investment Review – Caspar Rock

Q4 2011 was much more positive than Q3 2011

- European politicians finally realised they had to sort out the Eurozone, the comparative failure of German Bund auction was key to this
- US economic data showed persistent improvement
- China's inflation rate peaked and began to come down

Major themes the Architas Multi-Manager team are focused on

- Valuations within equity markets are attractive – but some parts of the world offer better value than others
- Quality and stability of earnings growth
- Income generation a vital consideration

Actively managed Multi-Manager funds of funds have performed well

- Those in the range with higher equity content have done better than those with more fixed income
- Architas had focused on fixed income managers that were shorter duration than the overall peer group – this has been a negative in Q4 2011
- Architas had a big exposure to credit and less exposure to government bonds in Q4 – which proved a negative
- Despite this long term records of the fund of funds range remain very strong

The Multi-Asset passive fund range all rose during Q4 2011

- All the portfolios are diversified across assets
- All helped by their weighting towards longer duration gilts

Capital-protected funds

- All provided positive returns in Q4 2011
- All conservatively invested as markets are volatile
- Three products in the range: Protector 70, Protector 80 and Protector 85

Outlook for 2012

- US economy has been strengthening at the end of 2011 and investors are looking to see if this is a sustainable trend
- Important to get greater visibility and improvement in the Eurozone debt situation
- There is plenty of political risk ahead: not just with elections in the US but in Europe too
- Uncertainty remains on economic growth in the developed world
- Important to focus on quality assets and income

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In the case of the Protector funds (referred to in this video as Capital Protected Funds), there are some circumstances where the protection may fail:

- If market conditions decline so suddenly that the manager cannot rebalance the fund investments;
- If there is an adverse change in the tax treatment;
- If a counterparty defaults by failing to repay capital and interest.
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