

Key notes



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Dan Nickols, Old Mutual UK Select Smaller Companies Fund

Fund positioning and investment themes

- Fund has taken on more 'quality' in response to market turbulence
- Main change has been derisking of the more economically sensitive parts of the portfolio
- A long-term investment theme remains structural growth:
 - ◊ Focus on stocks with a distinctive market niche that can grow irrespective of the wider economy
 - ◊ A way of accessing growth that is uncorrelated to the UK or the global economy

Global vs UK exposure

- Internal discussions have taken place around the fund's weighting towards overseas growth
- Nickols retains view that BRIC economic growth will continue to outpace developed world
- Remains materially underweight UK on the whole
- Remain significantly underweight consumer and government-orientated sectors

Housebuilder Bellway – a stock example

- Likes to retain some exposure to key sectors - housebuilders represent 5% of investment universe
- Bellway is both well managed and good value – trading on about 0.8x NAV
- Quoted housebuilders are in a strong position to improve margins and grow NAV
- Smaller competitors have dropped off

Sentiment among company managements beginning to shift

- Up until late summer management teams were presenting a positive view of trading prospects
- The optimism is moderating - though not quite so much as to be either cautious or pessimistic
- Currently weighing contrary influences
 - ◊ Attractive valuations - c.9.5x prospective earnings
 - ◊ Improving economic indicators in US and China
 - ◊ But unresolved situation in eurozone
- Retain balance of structural growth and higher economic sensitivity to ensure targeted exposure to pockets of global growth

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