

# Key notes



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## Ian Heslop, Old Mutual Global Equity Absolute Return Fund

### Performance against market conditions

- Fund saw strong results in first half of year
- Performance has continued throughout the second half of year despite volatile markets
- Fund is generally uncorrelated to equity markets
- Volatility profile remains in line with expectations

### Opportunities still exist amid volatility

- Global Equity Absolute Return Strategy is designed to perform in all market conditions
- It is important to capture changing investor sentiment within portfolio
- European situation is grave but opportunities to make money do exist
- Despite globalisation, markets are not the same and they do react differently to different stimuli

### Japan as an example

- Outlook for Japan has moved into positive territory post-tsunami quite quickly
- It had suffered its 'lost decade' – deflation, excess debt, excessive property boom
- Japan has decoupled from Western markets leading to outperformance of value stocks

### Macro outlook – focus on Europe

- High volatility will continue for the next six months on a global scale
- Europe's debt problems will continue to plague all equity markets
- Even if Greek problem is resolved, those of Italy, Spain, Ireland etc will remain
- Flexible portfolio construction is essential to navigate markets

### Portfolio construction over summer and beyond

- Consumer staples is a key sector that has been driving performance eg Swedish Match, Nu Skin
- Outperformance has been driven by early defensive positioning in blue chips
- During the summer derisked the portfolio – which was correct
- Has been buying some cheaper stocks but largely those with a defensive bias
- Believes uncertainty in equity markets will continue and investor sentiment will remain cautious

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