

Key notes



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Simon Murphy Old Mutual UK Select Equity fund

Murphy has just reached three-year track record on fund

- Has beaten benchmark and come near top of second quartile as a result
- It has been a volatile period for markets
- Key factor has been switching from being bearish to bullish in March 2009
- For Q1 2011 the fund has been top quartile, helped by strong returns from quality stocks

Fund has been building up exposure to credit check company Experian

- Wants exposure to stocks with structural growth now that economic cycle is maturing
- Experian is opening up in new markets, particularly in Latin America
- Group is also bringing out new products where there is demand

Has sold out of Sainsbury's after strong returns from stock in 2010

- The domestic market is now getting much tougher for food retailers
- The business is having to cope with a lot of commodity price inflation
- Not confident the business can repeat its success of previous years

Fund has sold out of HSBC

- Had an underweight position originally
- Revenue has been disappointing and costs have been rising
- Taken decision to exit the position completely

Top 10 holdings has three oil stocks, Shell, BP and Tullow Oil

- Has big integrated companies like Shell and BP because high oil price means they generate vast cashflows
- Tullow is about oil exploration and it is being successful in its ventures in Africa

Murphy is continuing to avoid defensives and focus on a pro-cyclical stance

- Has kept out of defensives (such as tobacco and beverages) in preference to higher growth opportunities
- Maintaining focus on global growth but the economic cycle is maturing
- As a result is looking to broaden out the portfolio during the course of the year

Expect inflation to be higher than it has been in the last 20-30 years

- Equities typically cope pretty well with inflation in the range of 2-5%
- Companies are good at passing moderate inflation on to customers
- If inflation rises then expect equities to become a more popular asset class

A positive outlook for UK equities

- Expect double digit returns for the next two years
- This is assuming earnings growth continues in range of 8-10%pa and there is some expansion in multiples
- Equities look attractive when low rates are dampening returns from other asset classes

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