

# Key notes



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## Simon Murphy, Old Mutual UK Select Equity Fund

### Overview of markets as a stock picker

- Markets have continually switched between favouring risk and risk avoidance
- Difficult for stock picker trying to find good fundamental stocks and for confidence in equity investing
- Important to remain close to companies you are invested in, maintaining regular dialogue with company management

### RPS – one example of a favoured holding

- Active position in RPS – a consultancy to energy businesses
  - ◊ Looks at environmental considerations of big energy projects
  - ◊ Commercial building consultancy, water utility infrastructure consultancy, assessing geographical requirements around developing big energy projects
- Alternative to a straight energy company because it does not play on one particular resource

### Burberry – a growing position in spite of its cyclical nature

- Burberry – been adding to recently in spite of portfolio's cyclical bias
- Is a stock specific decision rather than a sector bet
- Company is taking greater control of its brand across all geographies – eg China, Spain, Japan
- Capable of strong medium term growth irrespective of short-term cyclical considerations

### Favours specific life assurance stocks

- Portfolio has exposure to Legal & General and Prudential
- Sector has been unfairly sold off, tarnished by other areas of financials ie banks
- Life assurance companies have stronger balance sheets than last crisis and compared with the banks
- L&G and Pru have little exposure to European sovereign debt
- Both companies' shares not sold down quite as aggressively as banks but have reached attractive levels

### Outlook for UK equity valuations

- UK equities are looking cheap given strength of corporate balance sheets, shape of company finances and profitability
- Expect the global economy to continue to muddle through – it will be slow, cautious growth
- As big macro worries subside and investor sentiment improves equities will look increasingly cheap, markets will make progress and valuations will rise

Old Mutual Asset Managers (UK) Limited  
2 Lambeth Hill  
London, EC4P 4WR, UK

Client Services 0808 100 8808  
Broker Services 0808 100 2715  
Dealing 0808 100 3570



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