

## A QUANT BOUTIQUE

Gary Reynolds of Courtiers Investment Services on his unusual set-up **p33**



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Hsia: suffered difficult first quarter

## Top rated UK Growth funds fall behind in first quarter

**PERFORMANCE**  
by James Kenny

Many of Standard & Poor's top-rated UK Growth funds underperformed in the first quarter, the group has revealed.

Funds such as the AAA-rated £603m New Star UK Growth fund and the AA-rated £836m Lazard UK Alpha fund both ranked in the bottom quartile of the UK Growth sector between January and April.

S&P said the most common reasons for poor performance were capitalisation bias, stock selection and sector allocation.

Stephen Whittaker, who manages the New Star fund, and Tony Willis, who co-manages Lazard's, both said a major reason for their underperformance was an underweight position in mining. The stance proved detrimental as metal prices remained high, the managers said.

The Lazard fund, which started to underperform in the second half of last year, was hit by its positions in consumer services, basic materials and oil & gas, S&P said.

Other funds to record bottom quartile performances included Investec's £35m UK Alpha fund which had a particularly bad run due to its stock picking process.

Ken Hsia, manager of the Investec fund, said: "Following a strong fourth quarter, several of the companies had a pause for breath."

Although the managers have lagged the first quarter, it is pertinent that investors consider performance over the longer term before drawing any conclusions.

Manager claims the fund will benefit from reforms in the Chinese healthcare sector

# Atlantis sets its sights on Chinese healthcare

**CHINA**  
by Susan Butterworth

Atlantis Investment Management is planning to launch a fund that invests in Chinese healthcare.

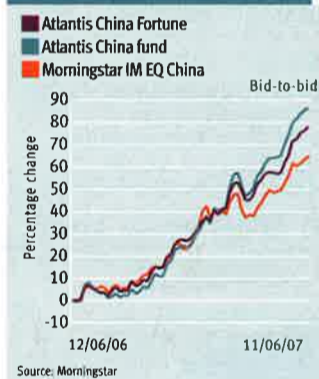
James Alexander, marketing director for Atlantis, said: "The healthcare sector in China presents us with extraordinary investment opportunities. It is relatively underdeveloped and is entering what we think is a long-term period of reform, which will see government spending increase significantly in coming years."

The fund will have a concentrated portfolio of between 20 and 30 stocks.

It will be managed in-house by Atlantis fund director Yang Lui, who also manages the £246.5m Atlantis China fund and the £290.6m Atlantis China Fortune fund - both of which are Dublin-domiciled.

According to Morningstar,

### Atlantis China funds v sector



the China fund is ranked second out of 33 funds in its sector, returning 209.8 per cent over three years to the 11 June 2007. This compares with a sector average of 130.7 per cent.

The team running the fund will employ a bottom-up stock picking approach, with decisions driven by fundamentals rather than benchmarks.

"The objective is to generate capital gain using an absolute

return style of investing," Mr Alexander said.

It is expected that the majority of the fund's holdings will be Chinese or Hong Kong listed, although the manager could also invest in companies that are based in other countries but have exposure to China.

According to Mr Alexander, per capita healthcare spending in China is low relative to the western world, but it is set to rise.

He said the sector had moved from being dominated by state owned enterprises towards being a market economy, and he thought several areas of the healthcare sector and related industries will benefit from increased government spending, changes to regulation and increased demand for health-care medical insurance.

Mr Alexander said: "We think it is going to be a large sector within the Chinese market."

The fund will be free to invest in all areas of the Chinese healthcare sector, including pharmaceuticals and biotechnology.

The fund manager will also consider investing in related industries such as environmental protection.

The Ucuts III fund will be Dublin-domiciled and under the Atlantis International umbrella.

### FUND FACTS

- » Launch date: 19 June
- » AMC: 1 per cent
- » Performance fee: 20 per cent of gains over 5 per cent hurdle
- » Minimum investment: £5000

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**FT Business**  
FINANCIAL TIMES

## Beware new fund launches

**PERFORMANCE**  
by Catherine Neilan

More than a third of all funds launched in the UK over the last three years have returned less than 10 per cent, Morningstar figures have revealed.

Of the 329 fund launches since June 2004, 116 vehicles have generated less than 10 per cent, while 32 produced negative returns. As funds' lifespans vary from three years to a few months, any performance comparison needs to be cognisant of that fact.

The figures include the annual management charge but do not account for initial commission, which implies real returns were even lower. These statis-

tics are unappealing given that the Bank of England's base rate is 5.5 per cent.

Japanese funds were the worst performers, with Martin Currie's £103m Japan Alpha fund the worst performer on the list, down 14.22 per cent.

Investec's £77.1m Japan fund and Axa Framlington's £13.8m Japanese Smaller Companies funds were not far behind, falling 11.75 per cent and 10.09 per cent, respectively.

A spokesperson for Martin Currie said the team was reviewing the fund range as a result of poor performance. He said: "The recent performance of all our Japan funds, including Japan Alpha, has been disappointing.

"Yes, it has been a tough mar-

ket, but we are still not comfortable with some of the team's decisions. We are working hard to put this right. There will be no change in managers whose long-term record remains excellent, but we are reviewing our investment process to ensure we return to delivering the sort of investment performance that our clients expect and we intend to deliver."

Property also featured among the worst performers, with the £59m SJP Property unit trust, launched in January, falling 97bps. Andrew Humphries, head of asset management for SJP, cited a combination of initial costs and having invested in securities while finding direct properties as reasons for the fall.

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## More bonds Less waves

**Allianz PIMCO Sterling Total Return Fund**

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THE INTERNATIONAL INVESTOR

RBS may cut bailout aid

Bank asks investors to consider buying nonvoting shares

BY SARA SCHAEFER MUÑOZ

LONDON—Royal Bank of Scotland Group PLC is weighing whether to seek a modest reduction in its use of a U.K. government program to insure its bad assets, becoming the latest bank considering ways to scale back its dependence on government bailouts.

The Edinburgh-based bank, already state-controlled, is sounding out investors on whether they would be willing to purchase some shares that are due to be transferred to the government under a plan to insure

the bank's toxic assets, according to a person familiar with the matter.

RBS agreed to the plan in February, saying it would insure about £300 billion (\$487.17 billion) in bad assets with the government; as part of the agreement, RBS would issue the government as much as £25.5 billion in special, non-voting "B" shares. If the full amount of shares were issued and converted to ordinary shares, the government stake in the bank would rise to about 85%, from its current 70%.

RBS is seeking input from investors on whether any would be interested in purchasing about £3 billion-to-£4 billion in B shares, this person said. The talks are driven by the fact that markets have stabilized and the bank's share price has risen since the original plan was agreed to in February, this person

said. RBS closed down less than 1%, at 56.30 pence (91 cents), on the London Stock Exchange Friday, nearly triple its lows in February.

The bank, however, is still committed to the general terms of the plan that it agreed to initially, the person said.

RBS's peer, Lloyds Banking Group PLC, has been in talks with the government and financial regulators to fully or partially exit from the asset-protection plan, hoping to both avoid the fee and avoid an outcome in which the government winds up with majority control of the bank. At first-half results presentations last month, Lloyds chief executive Eric Daniels said the worst of the losses were behind Lloyds. RBS Chief Executive Stephen Hester struck a different tone, saying his bank might not see a substantial improvement in results until 2011.

Babcock buys nuclear assets from the U.K.

BY SELINA WILLIAMS

LONDON—The U.K. Atomic Energy Authority said Friday it agreed to sell its commercial arm, UKAEA Ltd., to Babcock International Group PLC for £50 million (\$81.2 million).

The sale is part of a privatization of government-held nuclear assets, as the U.K. lays the groundwork for private companies to build nuclear-power plants. The U.K. is in the midst of a push to renew its aging fleet of nuclear-power stations, most of which are due to be retired over the next 15 years.

In 2006, the government sold Westinghouse Electric U.K. Ltd. to Toshiba Corp. for £5.4 billion. Earlier this year, it sold its stake in U.K. nuclear-power generator British Energy to Electricité de France SA. The government also sold land held by the Nuclear Decommissioning Authority to utilities seeking to build new nuclear-power plants.

UKAEA provides nuclear-decommissioning, waste-management and environmental-remediation services in the U.K. and overseas. It also offers project-management and consultancy services for the construction of new nuclear plants.

The sale "generates good value for the taxpayer," U.K. Business Secretary Peter Mandelson said in a prepared statement.

Babcock is a supplier of nuclear-engineering services in the U.K. The company also has a range of defense-industry contracts.



A row of houses that were sold in Pershore, Worcestershire, earlier this month. House prices rose in mid-September 0.6% from August.

U.K. house prices pick up; new listings remain scarce

BY ILONA BILLINGTON

LONDON—U.K. house prices rose in early September as sellers' confidence picked up at the onset of the traditional autumn moving season, while the lowest level of stock in 18 months also contributed to the boost, property Web site Rightmove said.

According to Rightmove's latest index, house prices in mid-September rose 0.6% on the month and were just 1.5% lower on the year. The annual decline was the smallest since a 1% fall reported in September 2008. In August, Rightmove reported a 2.2% monthly drop while prices fell 3.1% in annual terms.

Rightmove said the steady increase in mortgage finance had drawn more home buyers to the market while the amount of sellers remained at low levels. For every 10 properties sold, just eight new properties are being listed for sale, according to the survey.

The monthly increase in property prices is in line with other recent upbeat housing-market surveys, with economists citing the shortage of new property for sale as a contributing factor. Some say that once supply picks up, and the Bank of England begins to raise interest rates from the record low rate of 0.5%—likely some time early in 2010—the current run of price rises could reverse.

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MORNINGSTAR logo and Alliance Bernstein logo with contact information.

Table of investment fund performance data including Fund Name, NAV, and % Return.

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FUND SCORECARD

Sector Equity Health Care

Funds that invest primarily in the equities of companies in the medical and health-care industries. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending September 18, 2009

Leading 10 Performers

Table listing leading 10 performers with columns for Fund Rating, Fund Name, Fund Mgmt Co., Curr. Legal Base, and % Return.

NOTE: Changes in currency rates will affect performance and rankings. Source: Morningstar, Ltd. Key: \*\* 2YR and 5YR performance is annualized.

Worries over Aiful, lenders send Japan's market lower

BY ROSALIND MATHIESON AND V. PHANI KUMAR

Consumer-financing companies dragged down Japan's benchmark index after Aiful said it was preparing to apply for debt-relief procedures.

The Nikkei Stock Average of 225 companies slipped 0.7% Friday to 10370.54, leaving it down for two of the past three weeks.

Trading volumes were thin ahead of an extended holiday for the market from Monday through Wednesday.

Aiful's shares were untraded on Friday, with the ask price putting them down by their limit of 27%, wiping out more than a quarter of the company's market value. Takefuji slumped 9.5%.

There also were concerns that the new leadership may take steps to support small businesses, hurting lenders in the process.

Among regional banks, Chiba Bank ended down 1.1%, while Bank of Yokohama declined 2.2%.

Chinese stocks tumbled after hefty gains this month, also helping to pull down Hong Kong shares from their 13-month closing high in the previous session.

The Shanghai Composite skidded 3.2% to 2962.67 and Hong

Kong's Hang Seng Index fell 0.7% to 21623.45. Ample liquidity and an improved global economic outlook moderated the Hang Seng's decline.

For the week, the Shanghai index slipped 0.9% and has finished lower for five of the past seven. The Hang Seng ended 2.2% higher for the week, its third consecutive weekly advance.

In Shanghai, shares of Jiangxi Copper dropped 5.4% and Yunnan Chihong Zinc & Germanium lost 4.8% as base metals lost some momentum.

In Hong Kong, China Shenhua Energy fell 1.8%, Aluminum Corp. of China dropped 1.5% and Zhaojin Mining declined 1.2%.

On the upside, property developer Poly (Hong Kong) Investments surged nearly 16%, its highest level since November 2007, on news the company plans to sell a 2.3% stake to China's sovereign-wealth fund and also plans to sell shares to its parent company in exchange for property assets in various Chinese cities.

"Wall Street stopped reacting to good news last night and there are a few negatives, such as continuing jobless claims, that were being ignored on the way up," said Patersons senior private-client adviser Chris Blair in Sydney. "I think people are looking a bit deeper because the market has been so strong."