



HOLD OR FOLD?

Insight Investment Wealth Builder Balanced F&C Multi Manager Balanced

Only one fund cuts the mustard with our panellists this week despite their dual efforts to be more diverse and defensive. Tim Cooper reports.

Insight Investment Wealth Builder Balanced

This fund was launched in January 1996 and has assets of £102 million. It is jointly managed by Dr Ana Cukic Munro and Patrick Armstrong. It has exposure to equities, commodities, currencies, hedge funds, fixed interest funds and private equity.

'We have a significant underweight of 40% in traditional equities, compared with the peer group average of 78% equity exposure,' says Armstrong. 'This helped the fund weather the equity market volatility over the past year and perform relatively strongly.'

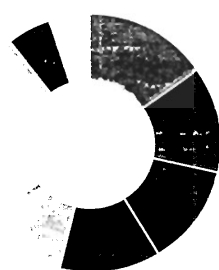
'People mistakenly think that diversification is achieved by adding more stocks to your portfolio but unfortunately that doesn't reduce the risk. When equities crash, they all go down together, no matter how many stocks you have.'

Real diversification comes from adding different asset classes, different regions and different management styles.

'Our short positions in equities are driven by the exact opposite of what will drive our long positions. To take advantage of over-valued equities, we have gone short on small-cap US stocks. Small caps suffer most in the slowing stages of the economy and always underperform. They are also the most expensive, trading at 22 times earnings, whereas the rest of the world is at 14 times earnings. Whenever you can short something that is over-valued with earnings estimates that aren't going to be achieved, that is a great opportunity.'

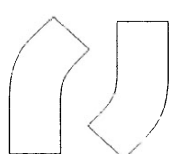
INSIGHT INVESTMENT WEALTH BUILDER BALANCED FUND

Source: Insight Investment



31 January 2008

■ Absolute equity	15.4%
■ Equity UK	13.2%
■ Commodities	12.8%
■ Equity Europe	12.5%
■ Cash/others	11.0%
■ Currency	10.4%
■ Property	7.2%
■ Equity Asia ex Japan	7.0%
■ Private equity	5.6%
■ Fixed income global	4.9%



Clever schemes are not always as effective as the notes on the tin might suggest.



Peter Chadborn

This fund is marketed as a whole portfolio in a single fund. It will typically hold up to 25 funds but in proving the portfolio claim, it may also diversify and adjust risk by using derivatives, currencies or commodities. Furthermore, the broad mandate means that the fund can invest in any geographical sectors in the world. The asset allocation is what one could reasonably expect to find in a fund fitting a balanced description. However, specific weightings in commodities (12.8%), currency (10.4%) and private equity (5.6%) mean that the other claim of being a multi-asset fund is also being demonstrated.

Both fund managers have been with Insight for over four years, which provides reassurance.

Twelve-month performance is a very respectable 2.6% against the sector average of -3.5%. This makes the fund top quartile, which has also been achieved over the last three months. This fund would therefore be a **hold**.



Steve Buttercase

The big problem with any fund of funds arrangement is ensuring that the additional layers of charges can be justified by performance. They immediately fall into the same category of expensive fund managers with reputations, specialist funds and even certain hybrid investments. This fund has underperformed F&C's over recently but has also beaten the benchmarks it sets itself. I have mixed feelings about this.

But what is more intriguing is the incredibly geeky aspect to the fund – with inbuilt mechanisms creating non-correlation assets and boosting returns with cleverly engineered instruments that offer 'low-risk methods of supplementing returns'. But clever schemes are not always as effective as the notes on the tin might suggest.

This fund may have some merit. But it has not performed well enough. Like a football manager, whatever your strengths and weaknesses, it always comes down to results – **fold**.



Jeremy Robinson

I've been using multi manager funds for 21 years – I'm their number one fan – but not for cautious managed.

I don't use Insight at the moment though I did research their new team at launch. I initially felt they were too quant oriented and lacked the qualitative, entrepreneurial flair that is essential in multi manager funds (indeed in all fund management). But they have become more pragmatic recently in fund selection and performance is in the ascendancy.

Insight's quant capabilities and process are more suited to derivative strategies (long short, 130/30 and hedge funds) rather than long-only equities, property, private equity and bonds. Their robust process and credentials do win mandates in the institutional arena but retail markets are more dynamic and performance oriented and increasingly boutique driven (which I certainly prefer).

The multi-manager sector is very competitive and I have other favourites – **fold**.

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HOLD OR FOLD?

citywire.co.uk to view the factsheets on
[this fund](#) or download the printable PDF

F&C Multi Manager Balanced

What *New Model Adviser*® says:

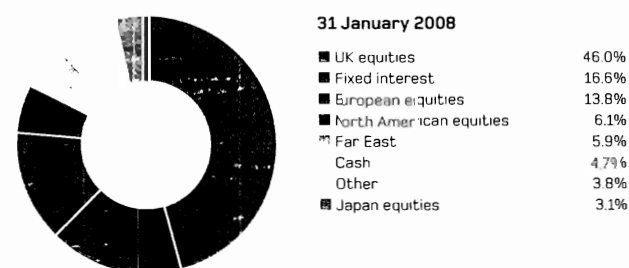
This fund was launched in February 1993 and is managed by Richard Philbin. Funds under management total £118 million. The fund aims to provide income from a lower risk portfolio of authorised collective investment schemes, such as unit trusts and OEICs. These funds are invested mainly in the UK and include investment in fixed interest securities.

What F&C says:

'The aim of the portfolio is to provide investors with a diversified exposure to a range of asset classes through what we believe to be the best and most consistent funds on offer,' says Philbin. 'Under current market conditions, we continue to favour managers who display a more fundamental approach to investment, especially those with a large-cap and growth bias. Until the credit markets show signs of stability, we are avoiding higher risk high yield bonds and focusing on investment grade instead. We are overweight in Europe and the Far East and still underweight in Japan until recovery becomes more apparent. 'Over the last few weeks we have increased our defensive positions. Our exposure to fixed income and cash now represents 21% of the total fund's portfolio. This compares to the 15% exposure of the sector's benchmark, the IMA Balanced Managed. We have also purchased the New Star Sterling Bond fund. 'We have recently added a 3.5% position in BlackRock Absolute Alpha, a fund with a hedge fund mentality that can benefit from opportunities in falling markets.'

F&C MULTI MANAGER BALANCED FUND

Source: F&C



What the advisers say:



Peter Chadborn
Principal
CBK

This fund's main difference from its rival this week is that it is a fettered fund of funds. The heaviest weighting is 17.5% in the F&C UK Growth and Income fund, which has been a decently performing fund until recently. At 90% the overall cap on equity exposure is quite high.

The fund is well established and the manager has been at the helm for five and a half years. During his tenure, it has produced steady returns over the longer terms of three years (26.5%) and five years (79.6%).

However, the shorter term has seen the fund fall from a second-quartile position and it is currently languishing in the fourth quartile. This trend is not dissimilar to the performance of the fund's top holding, which is not particularly inspiring.

One hopes that normal service will resume once this period of market volatility has subsided, so I would take a view on this fund at that time. For now it would be a **hold**.



Steve Buttercase
Independent financial adviser
M2 Financial

Generally, it is extremely difficult to maintain an above average return even without an extra layer of charges to contend with.

However, I have met Philbin and he gave a very convincing case for this fund's approach. The performance has largely been good and generally above benchmark by enough to justify the fees. Over five years the 8% difference is flirting dangerously with that justification but from the right side.

Philbin's strength has been his single-mindedness although that has been sadly lacking in the current liquidity crisis. In a few years will we be retrospectively salivating at the bargains that could have been snapped up?

Instead he has gone for safety and cash which may of course be shown to be exactly right:

I trust a reliable pilot in a storm and Philbin is definitely that. I have used his fund before and will probably do so again so that makes it a **hold**.



Jeremy Robinson
Director
Capitol Capital

I tend to use the F&C Distribution and Global Growth but again not Cautious or Balanced Managed.

Philbin is a streetwise and entrepreneurial manager with a proven qualitative acumen. But ironically his traffic light process (a robust screening system) does temper his skills. While selecting consistent funds it can filter out some excellent, albeit volatile, ones.

The traffic light analysis is a masterpiece of branding, even though it is a combination of existing ratios used by many multi-manager funds. You wonder if Philbin might do better using his own intuition instead.

But the stringency adds that reassuring process that some people look for. It is comforting and delivers consistency, which then allows me to add high alpha performers to my best client portfolios.

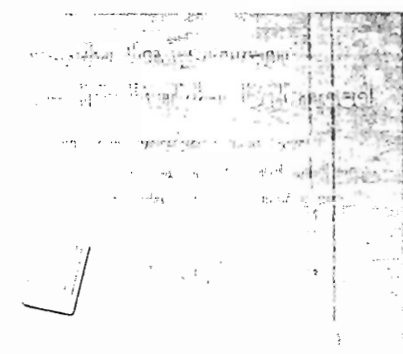
F&C also have the pragmatic nous to integrate absolute styles, private equity and derivatives into the mix. It's a **hold**.



The stringency adds that reassuring process that some people look for.

Jeremy Robinson

New Model Adviser's® verdict



Fidelity American

All three advisers trusted this manager to deliver relatively safe and consistent long term returns, despite a recent performance slump.



DEFENSIVE TACTICS HAVE GIVEN THESE FUNDS STEADY GROWTH

Source: Lipper

