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Press Release

ADVISER FUND INDEX PANELLISTS PUT FAITH IN EQUITIES: LARGE CAPS SHINE BRIGHTEST

A survey of the Adviser Fund Index (AFI) panel reveals an overriding confidence in equities, in particular, large caps. Survey respondents, a panel of 18 specialist investment advisers that represents more than £40 billion of investor assets under management, widely predict that large caps will outperform over the next 12 months.

The mid-season questionnaire is split into two sections; views on financial markets, and AFI portfolio recommendations. The first section includes predictions for global equity markets, bonds, commercial property, commodities and interest rates. The second part examines actual AFI portfolio recommendations, the performance of the three AFI indices (Aggressive, Balanced and Cautious), and the investment processes used by the panellists.

Despite higher volatility in the financial markets since May, most AFI panellists claimed they were optimistic about the prospects of equities and believe all three indices would perform strongly during the rest of 2006.

Other headline predictions from the survey reveal that:

- More than 70% of respondents believe the FTSE 100 index will exceed 6,000 before the end of 2006
- 86% expect equities to post better returns than commercial property, bonds and cash during the next 12 months
- all respondents expect large cap shares to provide stronger returns than their smaller peers over the next 12 months
- 70% of panellists expect growth equity management styles to outperform value investing over the 12 months
- almost two thirds expect the USD to depreciate against the euro, and the same proportion expect the Japanese YEN to outperform the dollar





- several funds have been dropped from panellists' AFI portfolio recommendations as a result of fund manager changes; Credit Suisse Alpha Income, Marlborough UK Equity Income and Old Mutual Dynamic Bond were all dropped by panellists following fund manager departures

Japan was another area of panellists' speculation. Half believe that Japan's economy will grow faster than any other major developed territory in the next year, with the others predicting steep growth for America and Germany. 43% of panellists polled believe Japanese equities will provide investors with the best returns over the next 12 months and for the subsequent three years.

North America was the most popular choice for being the worst-performing equity region over the same period. 28% of respondents believe that the global emerging markets region is likely to be the worst performing, while 22% of panellists predicted the opposite.

Significantly, no one predicted UK equities to provide the strongest returns for either one or three years, hence all respondents expect one or more of the overseas stock markets to outperform UK shares going forward.

However, half of AFI panellists identify a UK equity portfolio as the fund with their AFI recommendations that has performed best compared with expectations since performance of the AFI started on 1st November 2004. Three panellists named Neil Woodford's Invesco Perpetual Income fund.

This suggests a likely high churn rate in the AFI portfolio constituents when the next rebalancing takes place on 1st November 2006.

Paul Wynne, head of communications for Financial Express, who commissioned the survey says: "Tapping in to the knowledge and expertise of the UK's leading investment advisers is what the Adviser Fund Index is all about. The panellists are able to show investors and other advisers that strategic portfolio construction and accurate fund selection can achieve greater returns, and that good financial advice is essential."





Since performance of the Adviser Fund Index started on 1st November 2004, the AFI Aggressive index has outperformed the FTSE All Share. All three AFI indices have outperformed their APCIMS and IMA sector average equivalents.

The Adviser Fund Index (AFI) is made up of the recommended portfolios of a panel of leading UK investment advisers. Based entirely on the funds actually recommended to clients, the AFI Aggressive, Balanced, and Cautious portfolios carry real-life credibility, and provide insight in terms of the benefits of holding top quality funds. A full explanation of the AFI methodology is available at: www.trustnet.com/general/afi.asp.

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