

a real GEM

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Ryan Hughes highlights the importance of wide portfolio diversification during volatile markets and the benefits of a MultiManager approach to Global Emerging Markets.



Over the past 12 months equity markets have had a fairly torrid time, with the mainstream markets falling back significantly and entering bear market territory. During this period, the FTSE All Share index has fallen nearly 5%* (it has fallen by significantly more year to date). Emerging markets, however, have proved to be far more resilient with the MSCI Emerging Markets Index growing by almost 11%* over the same period.

maintaining diversification

Typically, when private investors become nervous of equity markets the first investments to be sold are those with the highest risk. However, the evidence of the past year has clearly suggested that maintaining exposure to some of these higher risk areas as part of a diversified portfolio would have been beneficial to overall performance.

Additionally investors are able to maintain exposure to higher risk assets by drip-feeding their money in with the aim of smoothing out the higher level of volatility associated with emerging markets. In times of increased volatility this strategy can prove to be very

effective due to the benefits of 'pound cost averaging'. This lessens the risk of trying to invest a large amount at any single point in time.

blending expertise

The Skandia Global Emerging Markets Equity Fund was launched in August 2007 to provide a solution for investors wishing to benefit from the strong growth exhibited by emerging market countries, but without taking on the volatility associated with individual markets. The Fund is structured to have exposure to the very best regional managers rather than attempting to solely invest in the best generalist managers that exist. Given that we believe no fund manager can be the best at all times, we aim to blend the skills of a range of experts in the emerging market sector to provide the ideal client solution.

The Skandia Global Emerging Markets Equity Fund consists of six specialist managers - each with extensive experience of managing money in the emerging markets sector:

- Gartmore Latin American Fund
- Resolution Hexam Emerging Europe Fund

- Hamon Asian Market Leaders Fund
- Lazard Emerging Markets Fund
- Schroder Global Emerging Markets Fund
- Asia Pacific mandate managed by First State

Over the first year of the Fund, this approach has proved to be very successful with the Fund returning 12.1% compared to a return of 8.8% from the IMA Global Emerging Markets sector*. This places the Fund firmly in the 2nd quartile and makes it comfortably the best-performing multi-manager fund in the sector.

With a significant focus on the strong economic growth prospects of the emerging market regions while more established markets struggle, a well diversified approach to investing in this area with exposure to the very best regional managers could well prove to be beneficial for long-term investors. ●

The Skandia Global Emerging Markets Equity Fund is available through Skandia's Life, Pensions, MultiFUNDS and Royal Skandia fund ranges and the Selestia Investment Solutions investment platform.

*Source: Lipper Hindsight, 16 August 2007 to 15 August 2008, total return in GBP. Past performance is not a guide to future performance. The Skandia Life fund will not mirror the performance of the underlying fund because of Skandia Life fund charges, taxation adjustments (if appropriate) and the Skandia investment process. Investments held in emerging markets are usually considered to carry a greater degree of risk relating to dealing, settlement and custody practices than investments in established markets.

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