

stars of europe

February 2010

The Skandia European Best Ideas Fund has performed exceptionally well since launch in April 2008 and will soon be available to UK investors via Skandia Investment Solutions. Ryan Hughes provides further details.



The European Best Ideas Fund blends our highest conviction pan-European managers, each investing in their highest conviction ideas, in one compelling fund. Launched on 10 April 2008, the fund has since performed extremely well, successfully weathering some very challenging market conditions during its first year. Performance in 2009 was outstanding, with the fund returning 41% and significantly outperforming the gain of 32.6% for the MSCI Europe Index*. This strong performance is evidence of the excellent stock-picking capabilities of the underlying managers, whose most successful positions last year are shown in the table.

Europe, including the UK, is one of the world's largest and most diverse economies. There are 16 countries represented in the fund's benchmark, the MSCI Europe Index, presenting a huge opportunity set for stock pickers. The drivers and characteristics of each market can vary enormously, as highlighted by the range of returns across the region in 2009, from around 9% for Finland and Ireland to over 50% for Norway and Belgium**. In addition, each manager may also invest up to 25% of their mandate in stocks outside this benchmark.

The European Best Ideas Fund is well diversified in terms of country, sector and stock allocation, indicating that the managers are indeed finding opportunities in different areas of the market. This is evidenced by the low level of stock overlap (currently just five stocks are held by two managers) and all of the top 10 holdings are less than 3% of the portfolio***.

Managers typically invest in their ten best stock ideas (although a range of 8-12 is permitted to allow time to build or reduce positions effectively). To run such a concentrated portfolio successfully, each

manager must continually review their level of conviction in each stock held and maintain a consistent and disciplined approach to investment decision-making. This is not just limited to cutting losses on a weak position; it can be equally challenging to exit a favoured stock that has performed exceptionally well. However, profit-taking and recycling those gains are essential and Skandia Investment Group (SIG) takes an active role in ensuring managers do not become wedded to certain stocks and are constantly thinking about their next best ideas. ●

Top 10 contributors	Fund %	Relative % to MSCI Europe	Relative contribution to performance %
Outotec	1.53	1.53	1.64
Barclays	2.38	1.67	1.41
Eurasian Natural Resources	0.48	0.42	1.32
Royal Bank of Scotland	0.61	0.44	1.21
Pace	0.31	0.31	1.15
Xstrata	1.08	0.72	1.05
Rexel	1.21	1.21	0.83
Spirent Communications	0.34	0.34	0.82
Signet Jewelers	0.48	0.48	0.79
Bourbon	0.72	0.72	0.76

Source: Factset 31 December 2008 to 31 December 2009. Based on average holding over the period. All data relative to MSCI Europe Index.

Past performance is not a guide to future performance.

*Source: Financial Express, gross total return bid-to-bid with net income reinvested, in euro terms, 31 December 2008 to 31 December 2009.

**Source: Lipper Hindsight. MSCI country indices, total return in local currency terms, 31 December 2008 to 31 December 2009.

***Holdings data correct as at 3 February 2010.

current manager line-up

The European Best Ideas Fund boasts an impressive line-up of leading investment managers, including some high-profile names such as Crispin Odey and Roger Guy. The fund also provides access to excellent managers at investment houses less widely available in the UK, including Financière de L'Echiquier and First Private.

Each manager is selected in accordance with SIG's rigorous '4P' research process (see page 24) which considers a manager's philosophy, process, people and performance, and all are closely monitored to ensure they deliver as expected.

Crispin Odey

One of Europe's longest established and best known hedge fund managers, Crispin Odey has successfully applied a pragmatic approach to picking undervalued stocks for over two decades.



ODEY
ASSET MANAGEMENT

Tobias Klein

A German boutique which, under founder and CEO Tobias Klein, is recognised as one of the best quantitative managers in Europe. First Private's approach has led to significant outperformance over the years.



first private
ASSET MANAGEMENT

Barry Norris

Part of the Ignis group of boutiques, Argonaut was co-founded by Barry Norris. He follows a pragmatic and, at times, thematic stock-picking approach that has led to strong long-term outperformance.



argonaut
CAPITAL PARTNERS

Terry Burnham

A US-based boutique that has built a strong reputation over the last three decades using a quantitative investment approach. Their multi-factor model targets winning stocks based on value, quality, momentum and earnings growth factors.



ACADIAN

Roger Guy

An impressive manager with a strong reputation built over nearly two decades of great performance. His success has come from taking a pragmatic approach, combining long-term winners with short-term trading.



Gartmore

James Inglis-Jones

Experienced hedge fund and long only managers James Inglis-Jones and Gary West use a unique two-factor 'cash flow' philosophy and process to generate outperformance.



LIONTRUST

Didier Le Menestrel

An aggressive French boutique founded by its star fund manager Didier Le Menestrel. Didier has delivered strong performance through adopting an unconstrained, highly focused opportunistic approach to buying undervalued stocks.



FINANCIÈRE DE L'ÉCHIQUEUR

Hugh Cuthbert

An established boutique that has a reputation for delivering strong performance. Hugh Cuthbert buys stocks that are attractive from a trade buyers' perspective, seeking companies which may be unpopular, in transition, set for recovery or with a strong competitive edge.



SVM
HARRIS LTD STOCKHOLDERS

Rajesh Shant

Newton's thematic investment approach and focus on quality GARP (Growth at a Reasonable Price) stocks is a powerful combination. Rajesh Shant, Newton's Head of European Equities, possesses a strong mix of macroeconomic insights and thorough company knowledge.



NEWTON
The Power of Ideas

James Buckley

An experienced manager with a detailed stock knowledge. James typically invests for the long term, seeking companies with superior business models or management in a similar vein to venture capitalists.



BARINGS

The European Best Ideas Fund blends ten outstanding managers, each investing in their ten highest conviction ideas, ultimately creating a diversified portfolio with tremendous long-term potential.

The Skandia European Best Ideas Fund will be available through the Skandia Investment Solutions platform shortly.

www.skandia.co.uk

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Skandia provides you with access to its investment platform, known as Skandia Investment Solutions. Within this platform you can open an ISA and Collective Investment Account provided by Skandia MultiFUNDS Limited, a Collective Retirement Account and Collective Investment Bond provided by Skandia MultiFUNDS Assurance Limited and an Offshore Collective Investment Bond, distributed by Skandia MultiFUNDS Limited but provided by Old Mutual International (Guernsey) Limited.

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