



LWM Consultants Ltd

Meeting the Fund Manager

Standard Life UK Equity Unconstrained Fund

When we were in Edinburgh recently we missed meeting Ed Leggett who is the fund manager for the Standard Life UK Equity Unconstrained Fund. This has been part of the more adventurous portfolios for some time. It is free of market cap biases and is based on conviction led position sizes.

The discussion spanned the Euro to understanding the basics around the fund. The notes from the meeting are detailed below.

Overview

We started by looking at Europe. The discussion centred on the problems facing the Eurozone. The problem is that Europe is not integrated and the good nations are subsidising the poor nations. This has been the problem throughout its existence, ten years ago Germany was struggling but now it has emerged as the powerhouse. Now Germany is subsidising others who are struggling.

Clearly what needs to happen is a convergence of political policies and effectively a centralised bank which prints money and buys debt. But as a manager you have to take a view on it i.e. you are in the market, or you are not!

Interestingly Ed saw the risk more in the US than Europe. The US has in place the building blocks for growth but what happens if it flattens. This mirrors some concerns raised by others around growth in the US.

So what does this mean when it comes to investing? Ed said that share prices are all over the place and don't reflect the sound business underneath. We talked about Barclays as an example pre Lehman liquidity was less than six months, now it is 18 months. The problem for many businesses is that the market is pricing in Lehman style events but actually companies are in a far better shape than they were then.

What we have now is many good companies trading on low PE ratios. They have strong balance sheets and good cash reserves. When you reflect on this the market is mispricing many companies.

We talked about experience and Ed admitted he has made mistakes as any fund manager will but this enables him to learn. In building the portfolio he looks at each company and judges what the risk is. So for example if he feels there is a downside risk of 100% then it will never exceed 0.5% of the fund. Conversely if he feels the upside is 100% plus then the holding could be 3 to 4% of the fund.

This is a conviction led fund and therefore there is greater risk when driving returns but the fund has performed well in difficult markets and we believe that long term this has the potential to deliver.

Conclusion

In developing the portfolios we are looking for funds and fund managers who we feel can deliver in the particular sectors they specialise in. We believe this is an excellent UK fund especially in the more adventurous portfolios and for those with a longer time frame when coming to investing.

The source of information in this note has been provided by Standard Life Investments and is correct to the end of June 2012. These are notes from meeting the fund manager and should not be seen as a recommendation to purchase this fund. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should also note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.