

NEWS

Cheviot Balanced manager William Buckhurst looks to Europe and UK for growth as he sees no catalyst in Japanese and US equities

Cheviot cautious over Japan and US markets

By Mark Preskett

Cheviot fund of funds manager William Buckhurst remains cautious over the Japanese and North American markets, preferring instead to take strong positions in the UK and Europe.

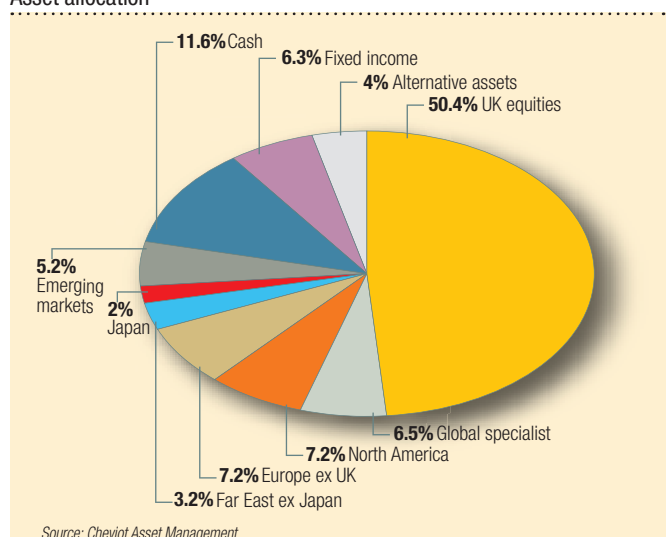
Buckhurst, who co-manages CF Cheviot Balanced, said while company valuations in Japan were improving, he sees no catalyst to push up valuations in the equity market.

Buckhurst has just 2% of his fund in Japan, in the more defensive, large-cap vehicle Schroder Tokyo.

"Japan is an interesting area – many managers came unstuck there in 2006," he said. "I do not know what the catalyst might be, and I am adopting a 'wait and see' approach before re-investing."

Buckhurst, along with fellow manager Alan McIntosh, is also underweight US with 7.2% of the portfolio invested

Asset allocation



in the region through the Findlay Park US Smaller Companies fund and Old Mutual North American.

"If global growth slows I do not buy into the flight-to-quality argument," he said.

"I see global growth over the next six years coming from emerging markets.

"If there is a global recession, I am more inclined to stick with UK and Europe."

The balanced managed fund

has taken up nearly its full quota on equities, with 81% in the asset class (close to the 85% IMA limit), and 8% of the fund is invested in high-yield bonds, with no other bond exposure.

"I have 5% of the fund in cash as a bond proxy," he said. "I have no money in investment grade or gilts."

"Bonds are struggling against a backdrop of rising interest rates and higher inflationary pressures."

Buckhurst said he is slowly building up his alternative-assets exposure and has bought into two fund of hedge funds, F&C Event Driven and Tapstry Investment Company.

Around half of his fund is invested in the UK with Tony Nutt's Jupiter Income, Mark LITTLETON's Merrill Lynch UK Dynamic and Ian McVeigh's Jupiter UK Growth forming the backbone of the portfolio.

"I am still keen on the bright

sort of small-cap fund. A good small-cap manager can still make money in the current market," he said. "However, I have been taking profits out of the mid-cap sector as the market has gone so high on the back of bid activity."

Turning to emerging markets, Buckhurst holds around 5%, split between Lazard Emerging Markets and Jupiter Emerging European Opportunities.

The fund was launched on 10 April 2007 and is currently £5m in size.

Cheviot evolved from boutique-house Cheviot Capital after being bought by former Laing & Cruickshank chief executive Michael Kerr-Dineen last year.

The company now has around 110 staff, the vast majority having defected from Swiss group UBS, which bought Laing & Cruickshank for £160m in 2004.

RCM to use derivatives on tech trust to boost returns

By Hannah Smith

The RCM Technology Trust has announced plans to use derivatives in its investment approach and is also proposing a bonus issue of subscription shares.

RCM, the global equity arm of Allianz Global Investors, took over management of the £62m Trust from Close Finsbury in May this year after manager Michael Bourne stepped down.

RCM proposes to introduce "a sensible level of exposure to derivatives" to boost returns and improve the portfolio's risk-return profile.

Simon White, head of investment trusts at Allianz Global Investors, said: "Technology is quite a volatile sector, and using derivatives is a more effective way of managing a portfolio and gaining exposure to the underlying stocks."

He added that the intention is not to turn the fund into an absolute return or hedge vehicle, but to continue to generate long-term capital growth.

"Although the tech sector has been unloved in the past, many investors are still positive on a five-year outlook," he said.

"One of the fund's holdings is Nintendo, which has expanded the gaming market with its motion-sensitive Wii console."

White added that Nintendo is trading at a low valuation compared to its strong growth rate.

Meanwhile, RCM's board has proposed a bonus issue of



White: technology volatile

subscription shares, subject to shareholder approval.

Qualifying shareholders will each receive, without payment, one subscription share for every five Ordinary Shares held by them on 17th August 2007.

These will be qualifying investments for existing PEPs, and the stocks and shares component of an ISA.

The subscription shares are not specifically a way of raising cash from the market, although this could happen in the future if the share price rises, White said.

He added that the aim was to provide investors with another way of gaining exposure to the trust.

Under the new authority, the Trust will retain the shares in treasury for resale at a future date, buying back at over 7% if there is stock available to buy.