

Star Fund Managers

Life beyond the stars

16 July 2014



Summary....

- Funds run by 'star managers' typically continue out-performing after the star departs
- A firm's culture is critical – key attributes sustain post-handover, e.g.
 - 'Star managers are not islands – they are supported by a team of analysts originating ideas and technical valuations
 - Such teams often remain in place after a star's departure
 - Firms take trouble to mentor younger talent and create tomorrow's stars
- Firms also have other attributes which sustain after a manager's exit: -
 - Investment philosophy
 - Process
 - Global research and ideas
- Where entire investment team's do leave, firms have every incentive to replace with top manager talent

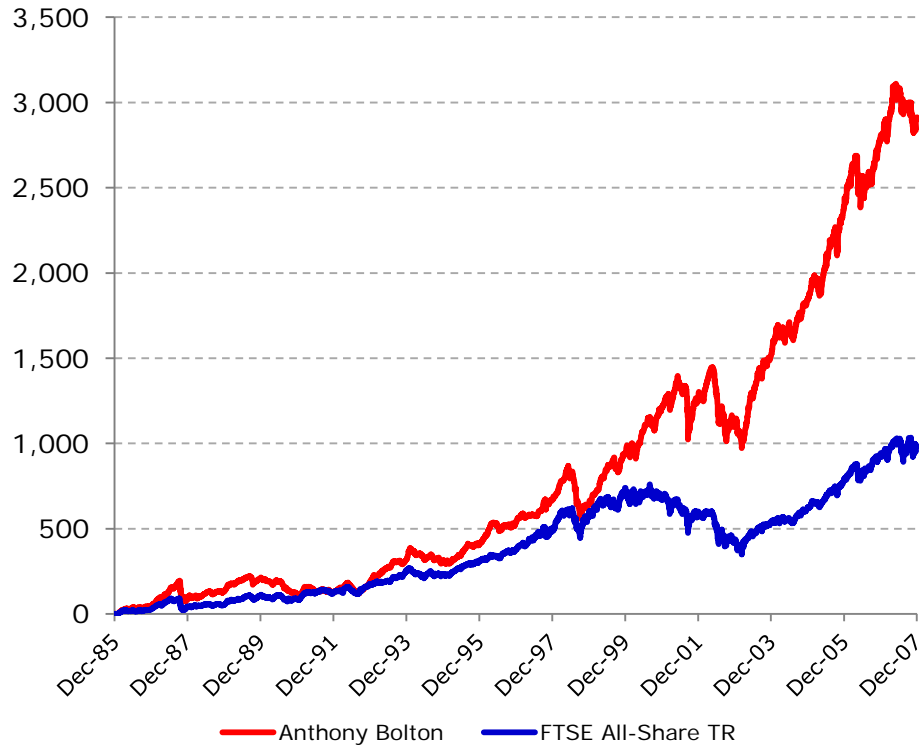
New managers typically continue their predecessor's out-performance

Fund	Star Manager	Start Month	End Month	% pa growth Vs benchmark	New Manager	% pa growth Vs benchmark
Fidelity Special Situations	Anthony Bolton	Dec-85 *	Jan-08	5.3%	Sanjeev Shah & Alex Wright	1.9%
Schroder UK Alpha Plus	Richard Buxton	June-02	June-13	4.1%	Philip Matthews	2.8%
Liontrust UK Growth	Jeremy Lang	Apr-96	Mar-09	1.8%	Anthony Cross / Julian Fosh	2.6%
Henderson EU Select Opportunities	Roger Guy	Dec-93	Jan-10	3.8%	John Bennett	2.2%
Schroder European Opportunities	Chris Rice	Dec-02	June-13	0.9%	Steve Cordell	5.3%
Jupiter European Special Situations	Leon Howard-Spink	Apr-01	July-05	6.4%	Cedric de Fonclare	1.6%
Axa Framlington UK Smaller Companies	Rodger Whiteoak	July-01	Feb-08	8.2%	Henry Lowson	2.3%
Schroder Tokyo	Dennis Clough	June-89	Mar-04	7.0%	Andrew Rose	0.8%
Schroder Income	Nick Purves	Oct-03	May-10	2.2%	Nick Kirrage	1.8%
Jupiter Financial Opportunities	Phillip Gibbs	June-97	Oct-11	12.4%	Robert Mumby	-2.4%
Fidelity European	Tim McCarron	Jan-03	Sept-09	0.8%	Samuel Morse	-0.6%

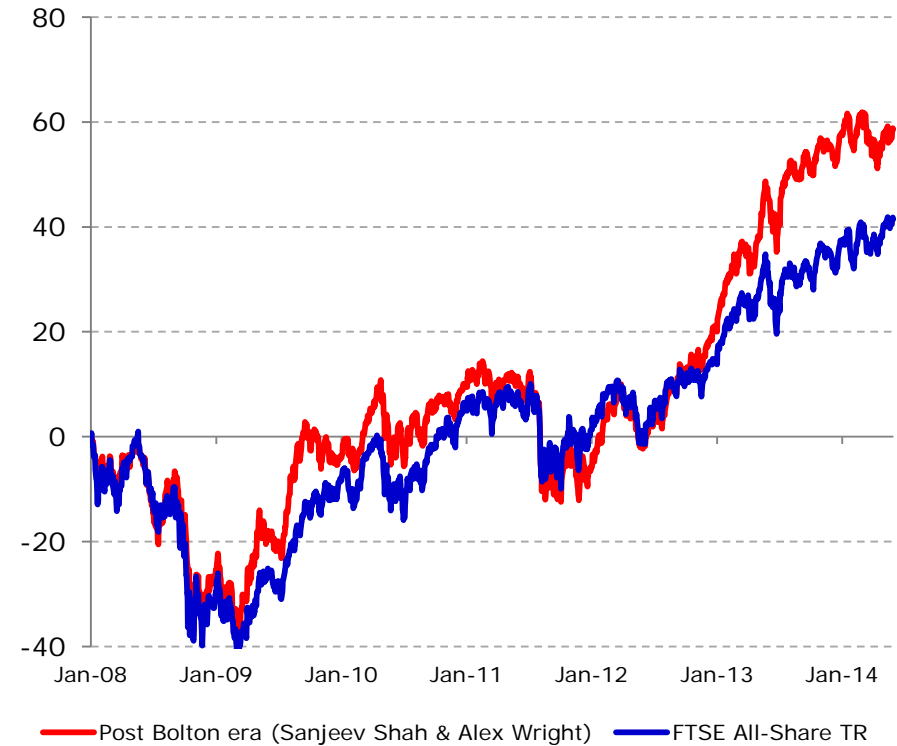
* The fund started in 1979, but Aegon has data since 1985

Fidelity Special Sits has out-performed by 2% pa since Bolton departed

Fidelity Special Sits 1985-2007



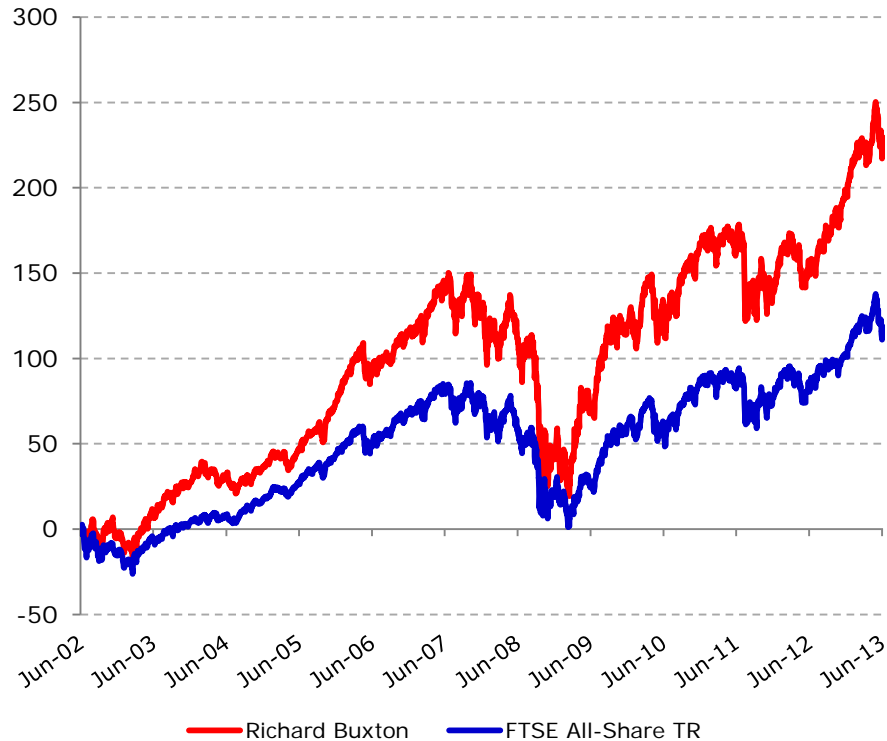
Fidelity Special Sits 2007-14



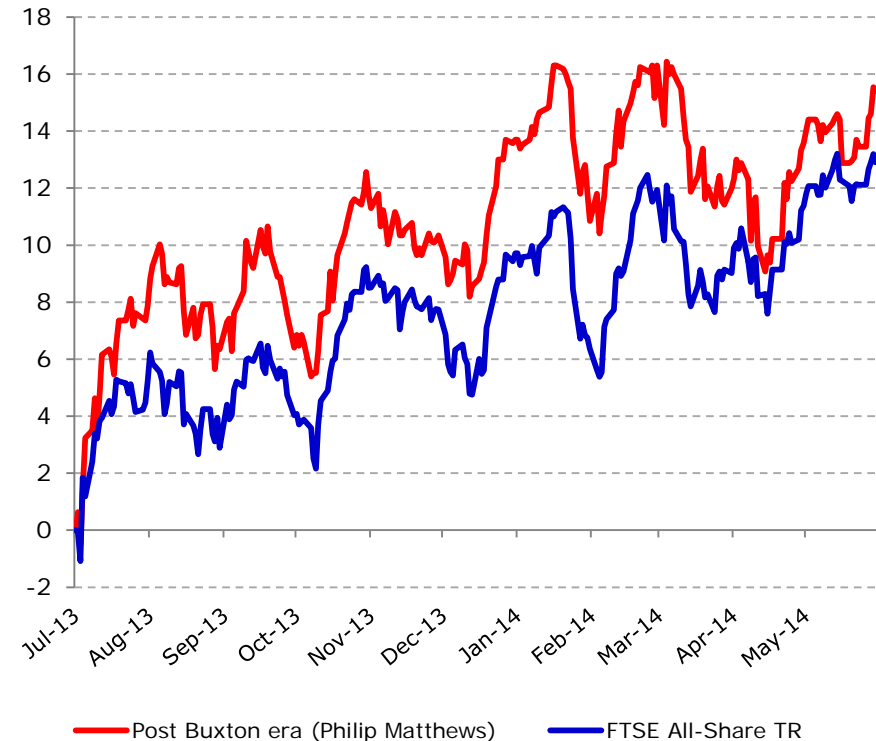
- Consistent application of contrarian / value approach over 1979-2014, e.g.
 - Courage to not join the dot com party in 1999-2000
 - Bold positions built in financial sector over 2010-11
 - backing domestic recovery stocks over 2011-13, e.g. house builder Redrow, when forecasters predicted poor economic recovery in the UK
- Active mentoring of more junior managers by Anthony Bolton
- Patience to accept periods of under-performance, e.g. 1998-99, 2011

Schroder UK Alpha Plus:- out performance since Buxton departed

Schroder UK Alpha Plus 2002-13



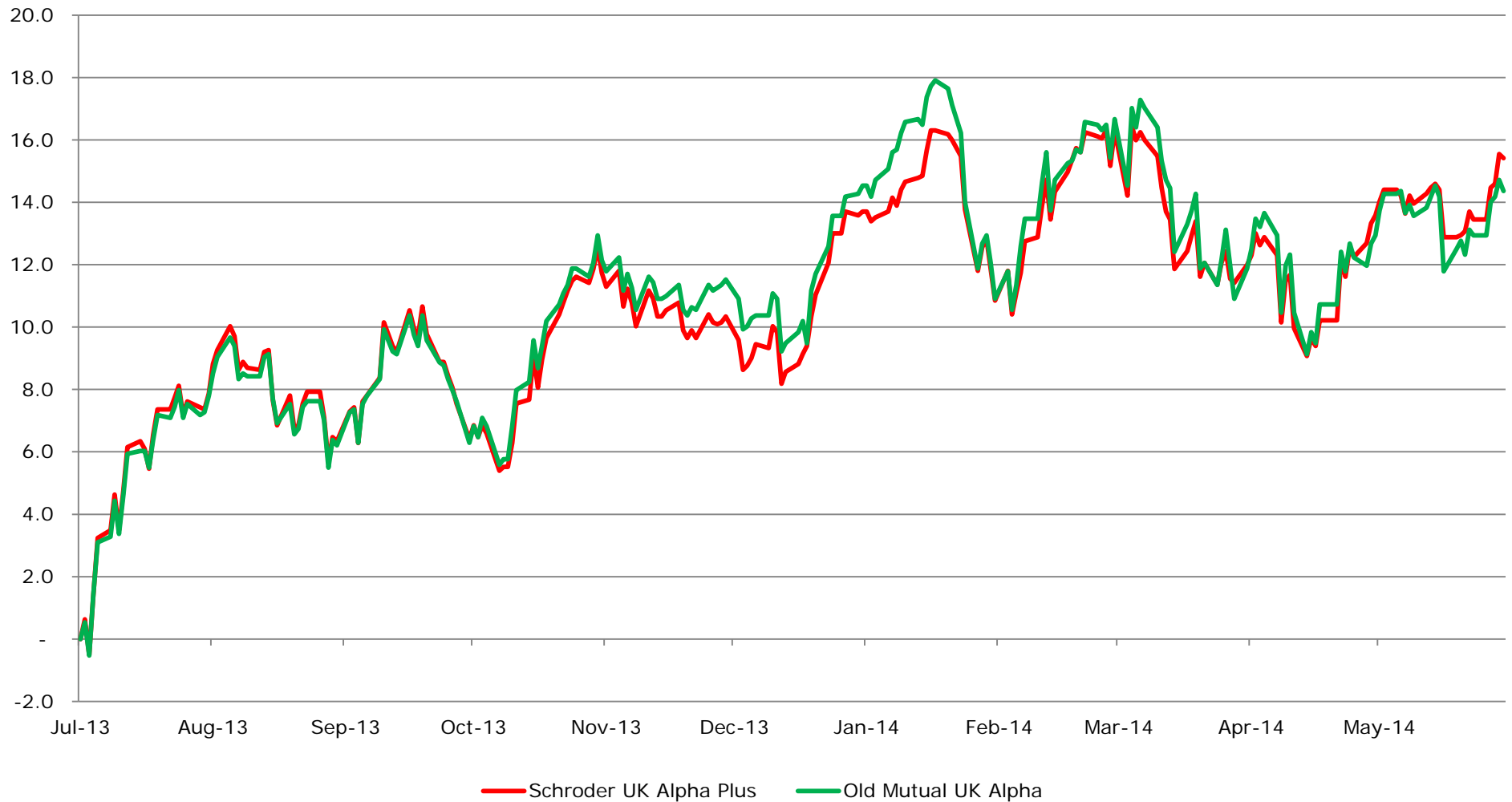
Schroder UK Alpha Plus 2013-14



- When Buxton left, Schroder replaced one proven fund manager with another:- Philip Matthews joined from Jupiter
- High conviction fund with ~ 55 holdings
- Decisive action taken over 2013-14 to drive performance through the market cycle:-
 - Reduced aggregate domestic cyclical exposure of the fund in 2013
 - Raised holdings of mega caps during 2013-14, e.g. Shell, Glaxo, BP, HSBC

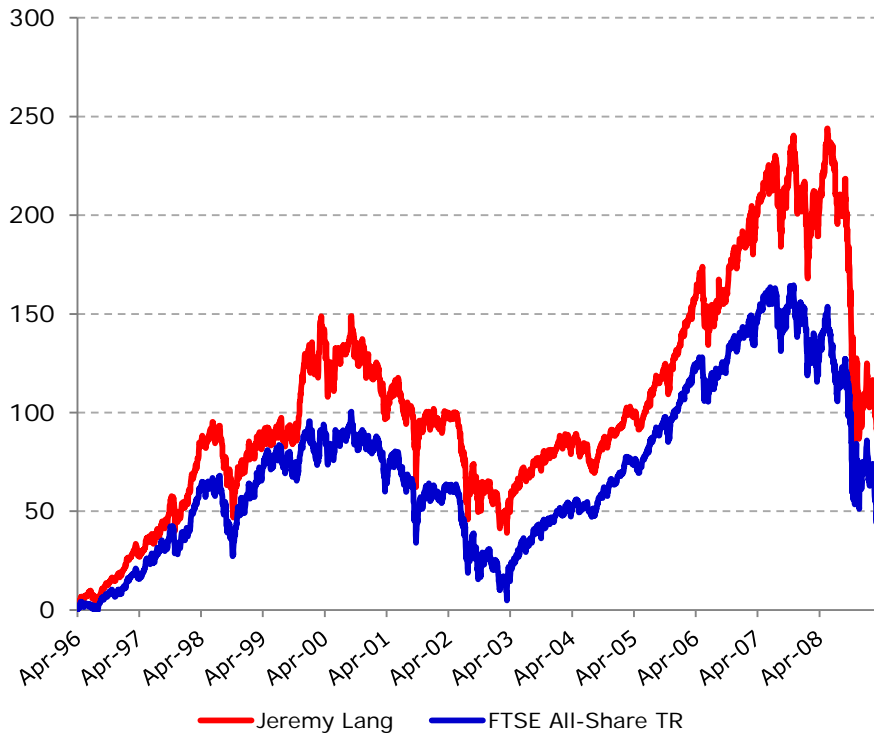
.... and broadly in line with Buxton's new OMGI fund

Schroder UK Alpha Plus & Old Mutual UK Alpha 2013-14

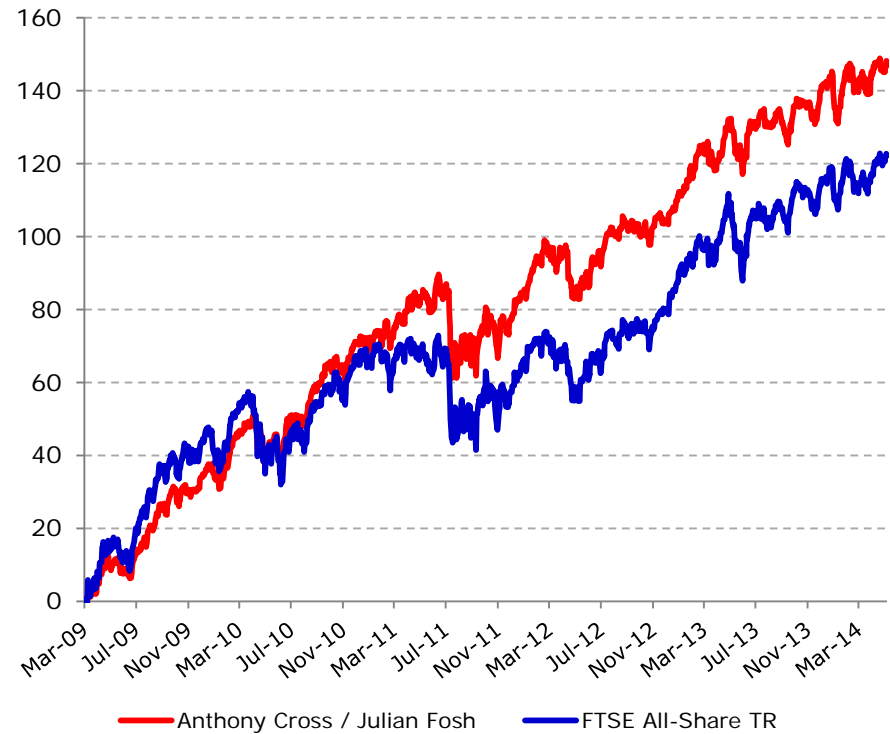


Liontrust UK Growth:- investors would have done well to stay put after Jeremy Lang departed

Liontrust UK Growth 1996-2009



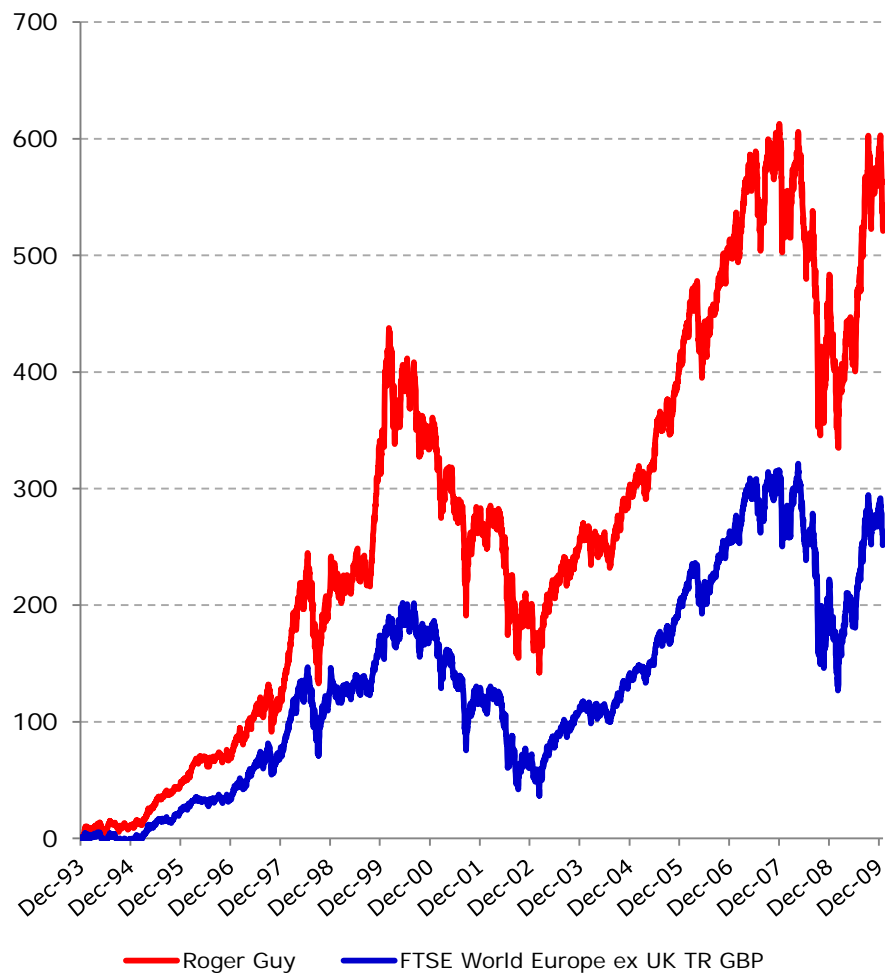
Liontrust UK Growth 2009-14



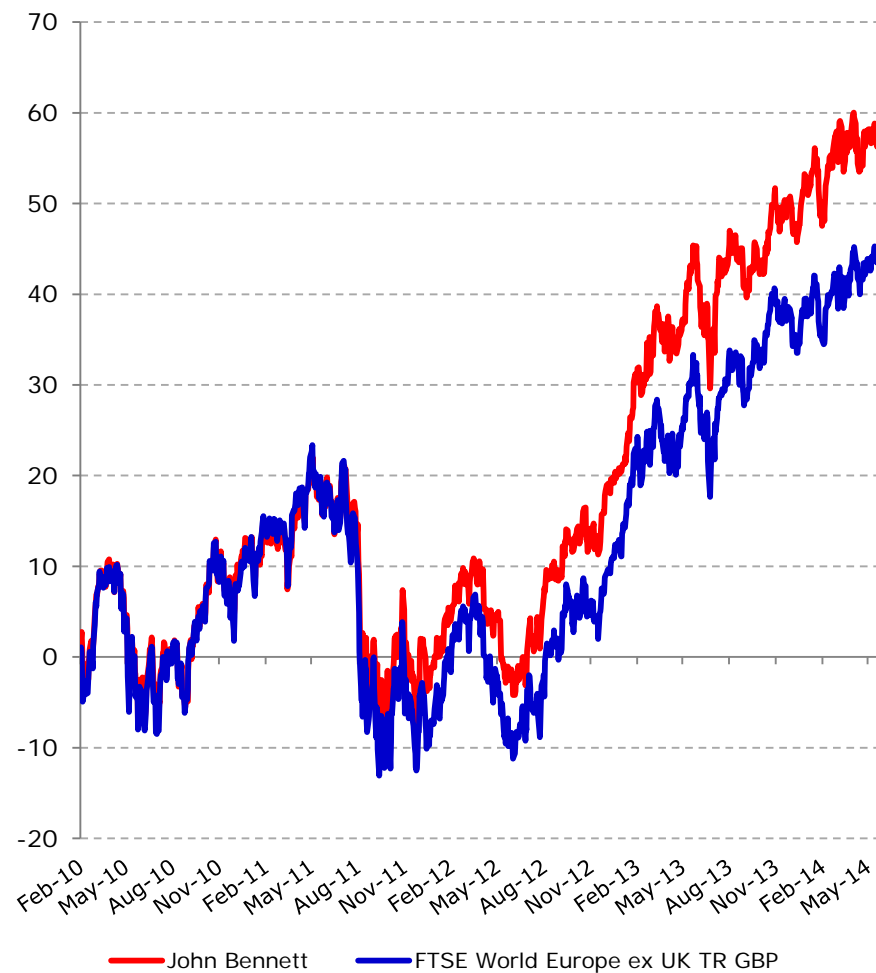
- Liontrust was eager to replace star manager Jeremy Lang with top talent when he left in 2009: -
 - Anthony Cross had been at Liontrust since 1997 developing a distinct investment process
 - Anthony and Julian **XXX** have over 50 years' combined investment experience – 40 years when they took over the fund
- They have applied the 'Economic Advantage' investment process, designed to identify businesses with high barriers to competition: - intellectual property, strong distribution channels, or high levels of recurring revenue (70%+)
- Intellectual conviction enabled them to spot exciting companies with these attributes before the general market got excited, e.g. Rotork, Rightmove, Compass

Henderson EU Select Opportunities:- no need to panic when Roger Guy departed

Henderson European Select Opportunities 1993-2009

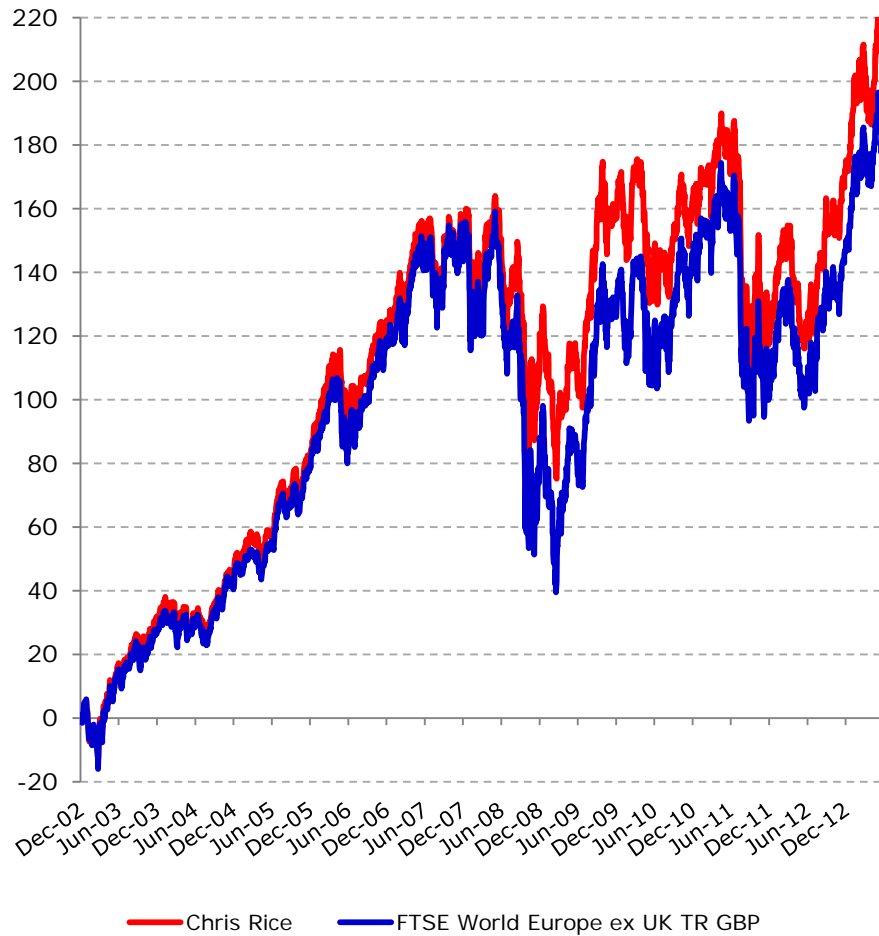


Henderson European Select Opportunities 2009-14

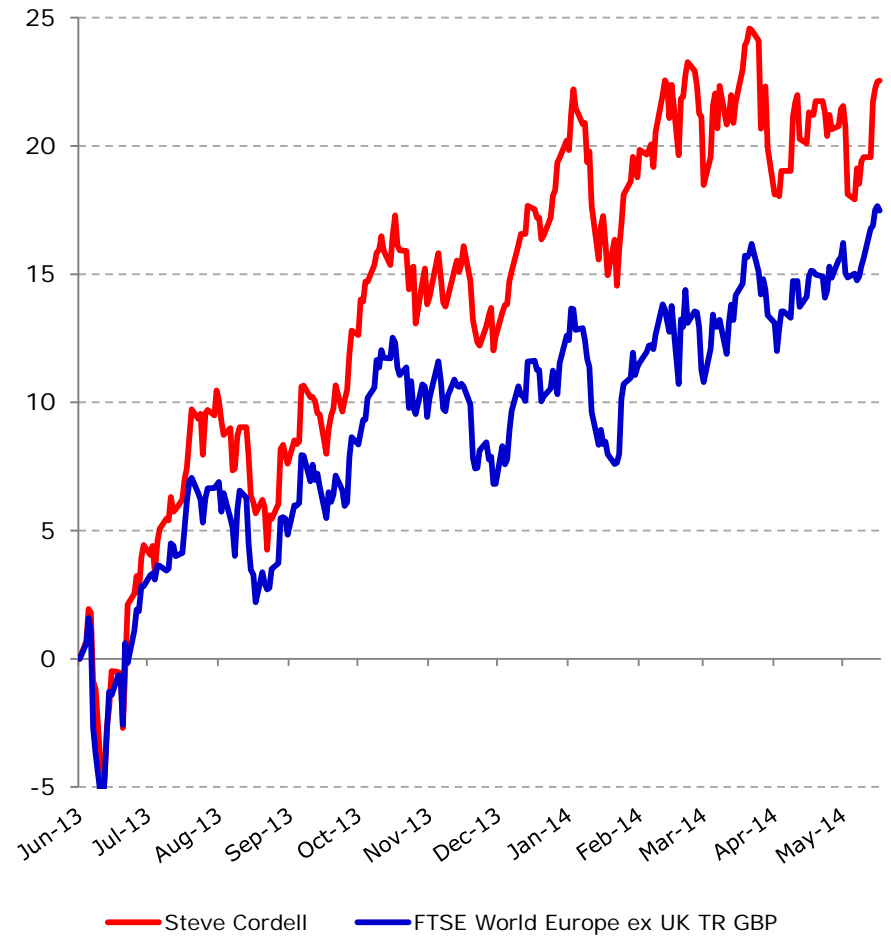


Schroder European Opportunities

Schroder European Opportunities 2002-12

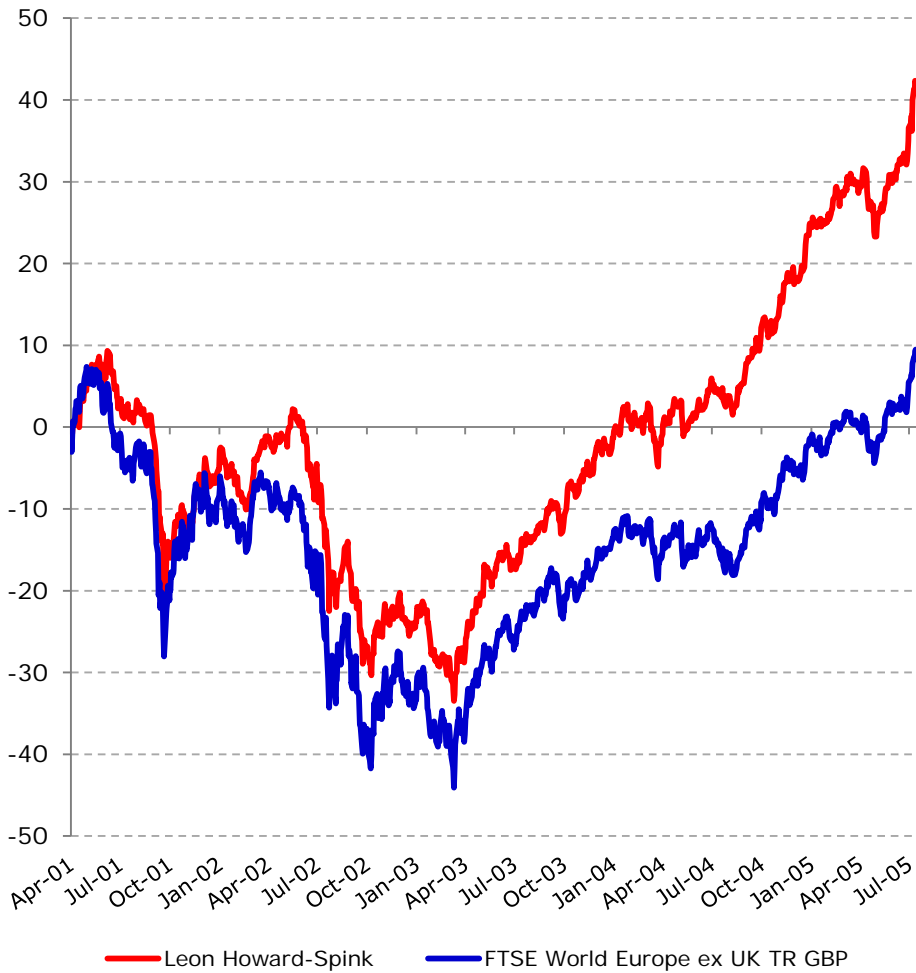


Schroder European Opportunities 2002-12

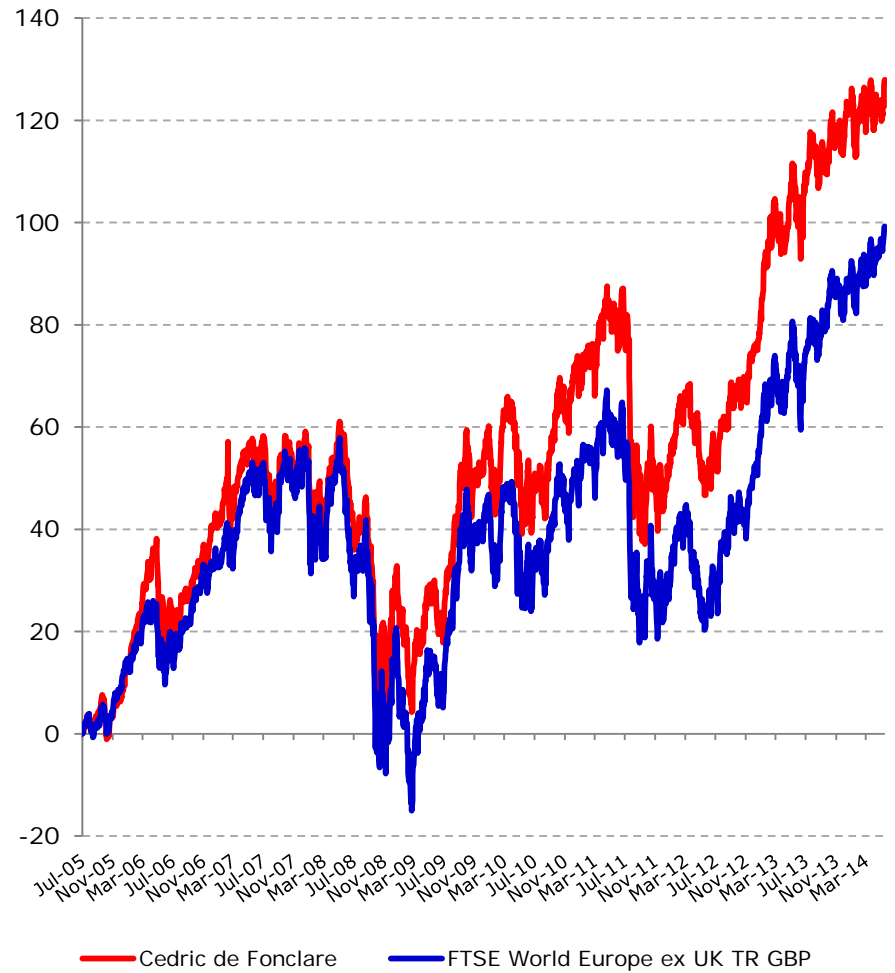


Jupiter European Special Situations

Jupiter European Special Situations 2001-05

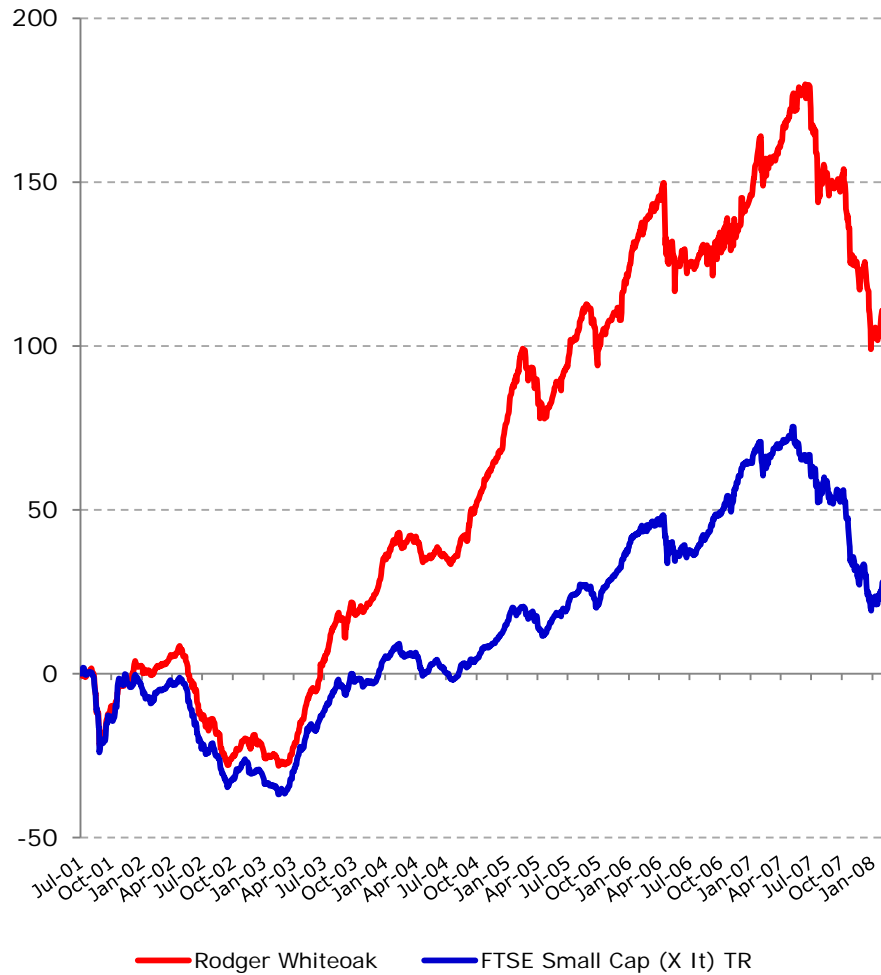


Jupiter European Special Situations 2005-14

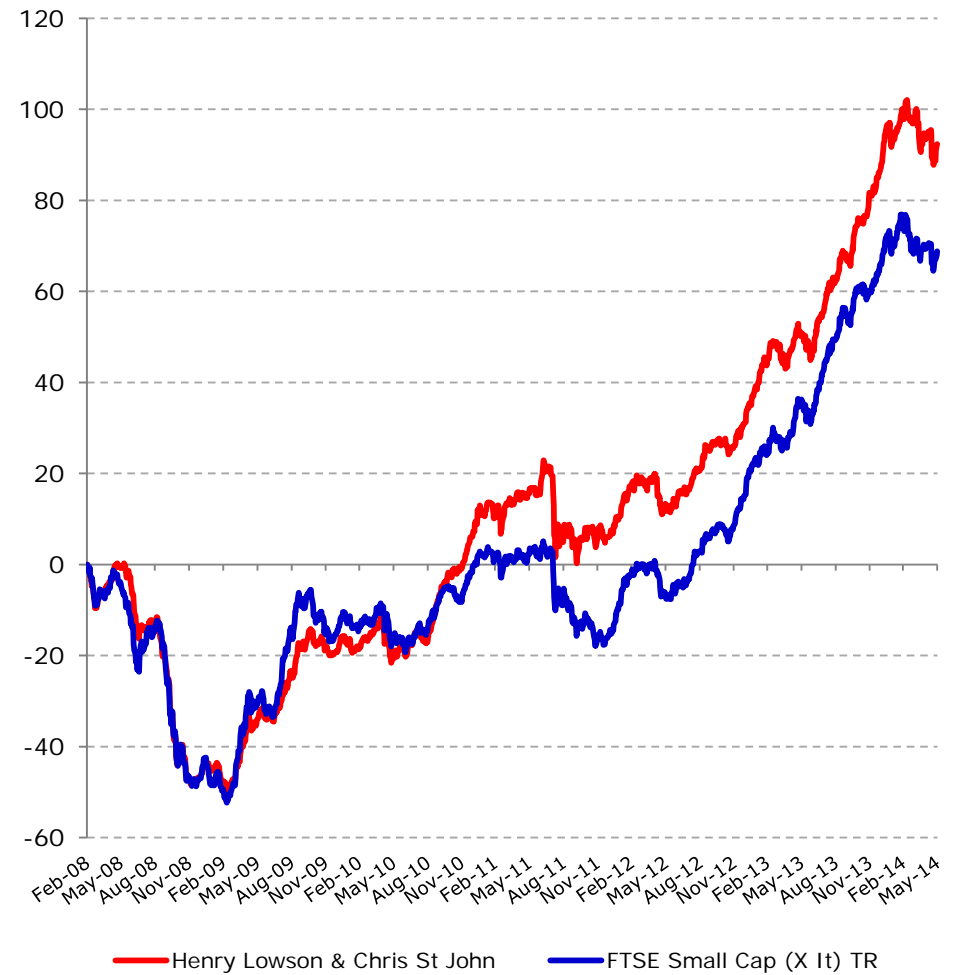


Axa Framlington UK Smaller Companies

Axa Framlington UK Smaller Companies 2001-08

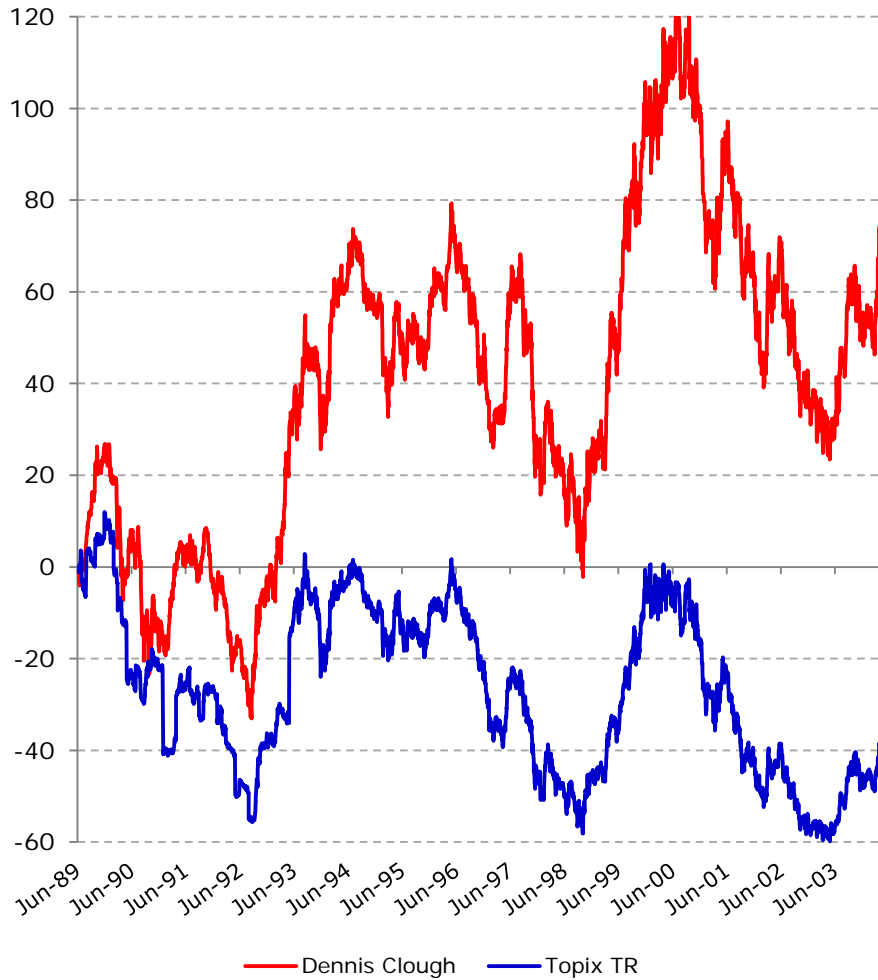


Axa Framlington UK Smaller Companies 2008-14

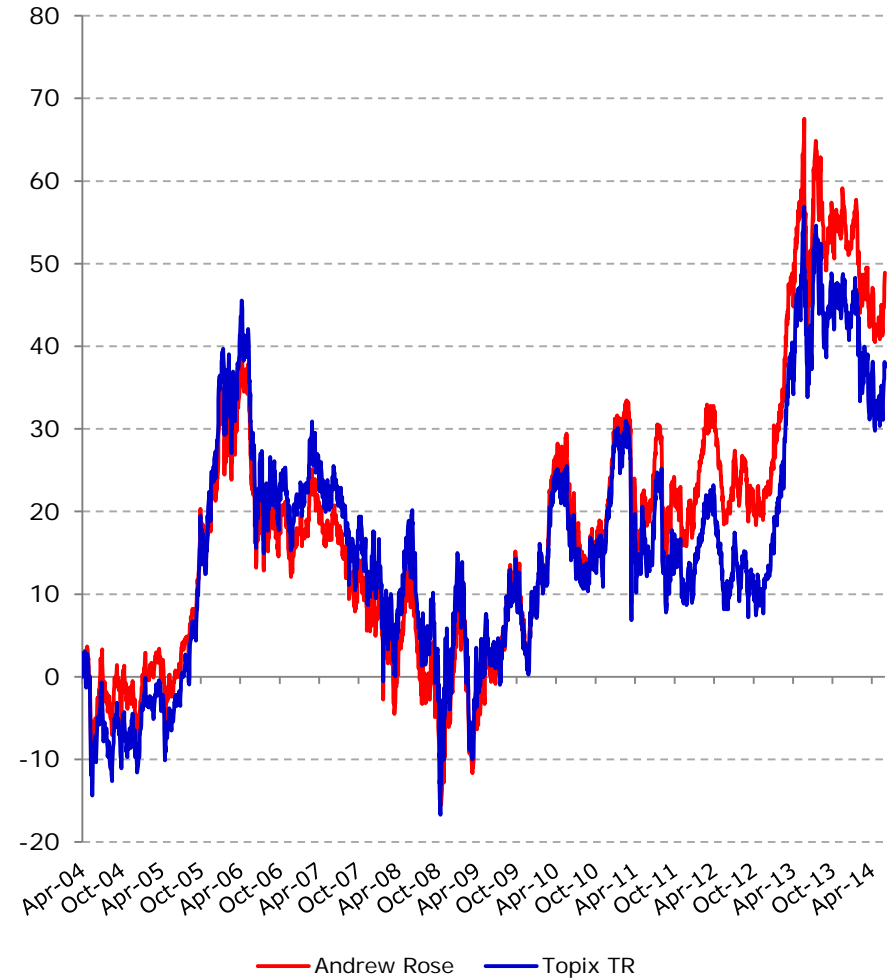


Schroder Tokyo

Schroder Tokyo 1989-2004

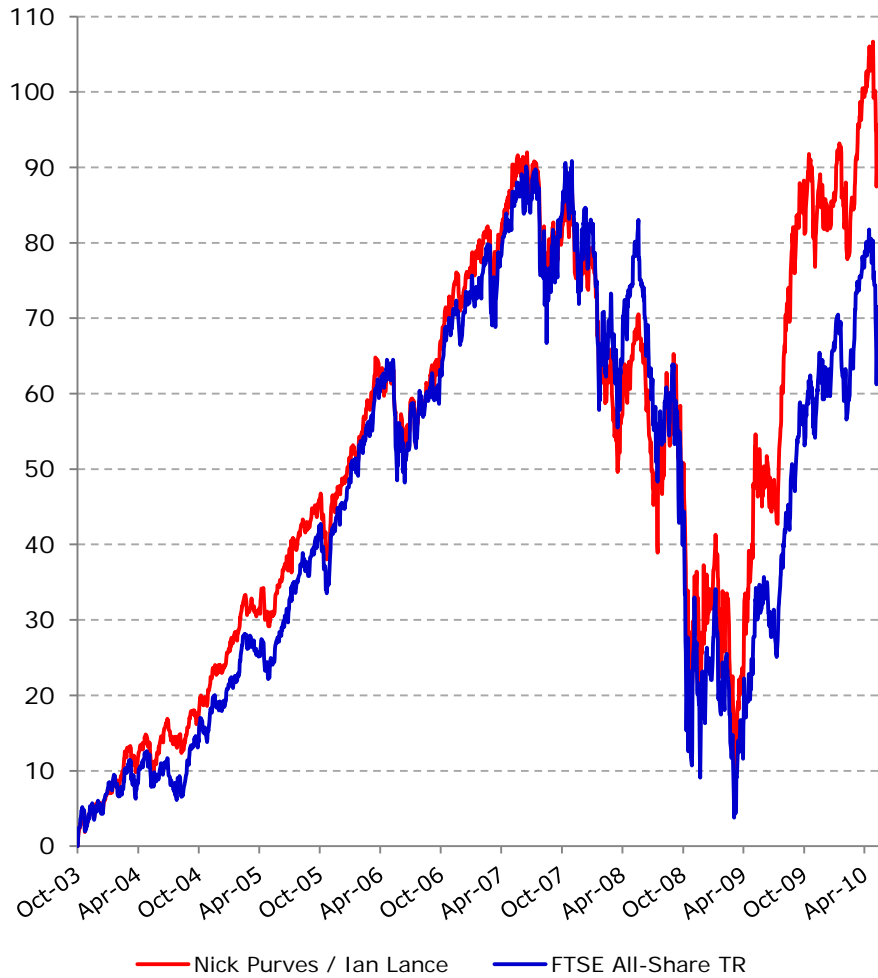


Schroder Tokyo 2004-14

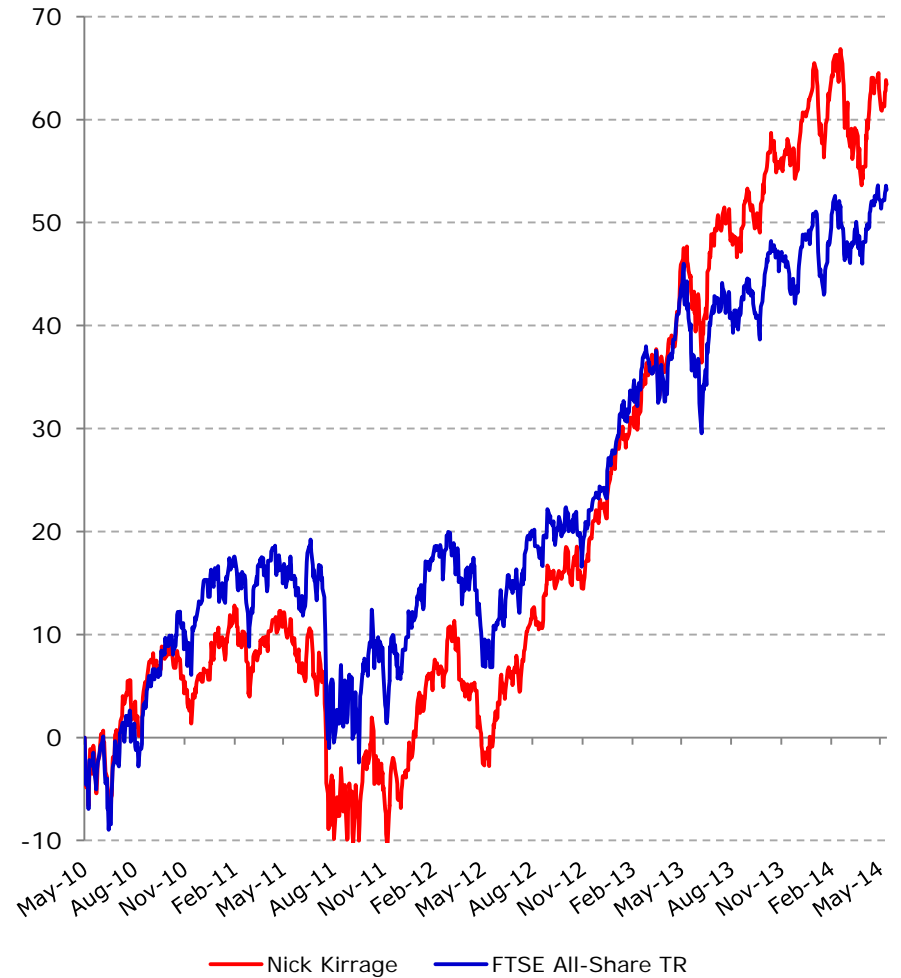


Schroder Income

Schroder Income 2003-10



Schroder Income 2010-14

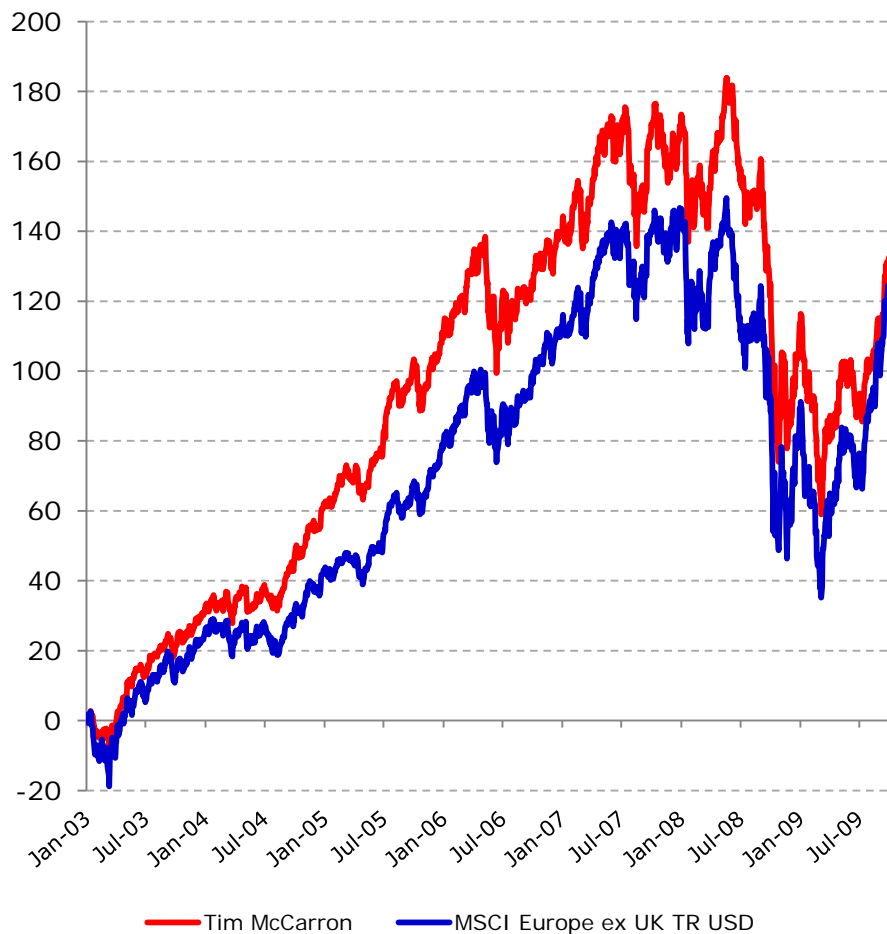


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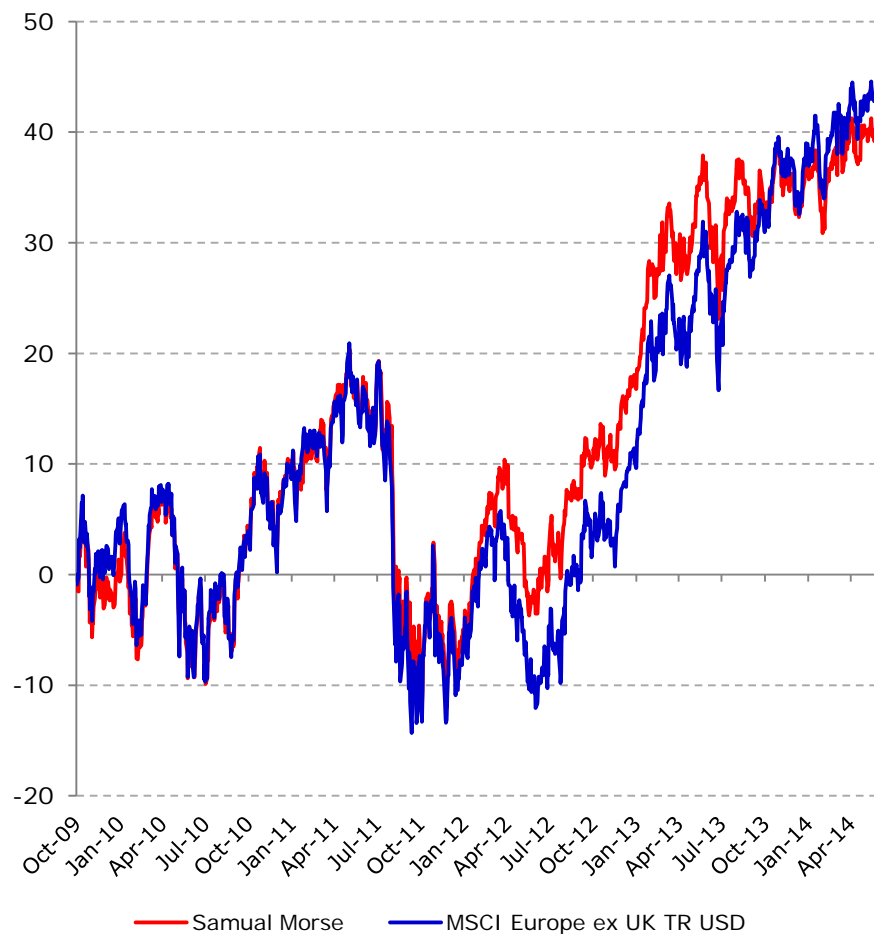
not all funds continue to out-perform

Fidelity European

Fidelity European 2003-09

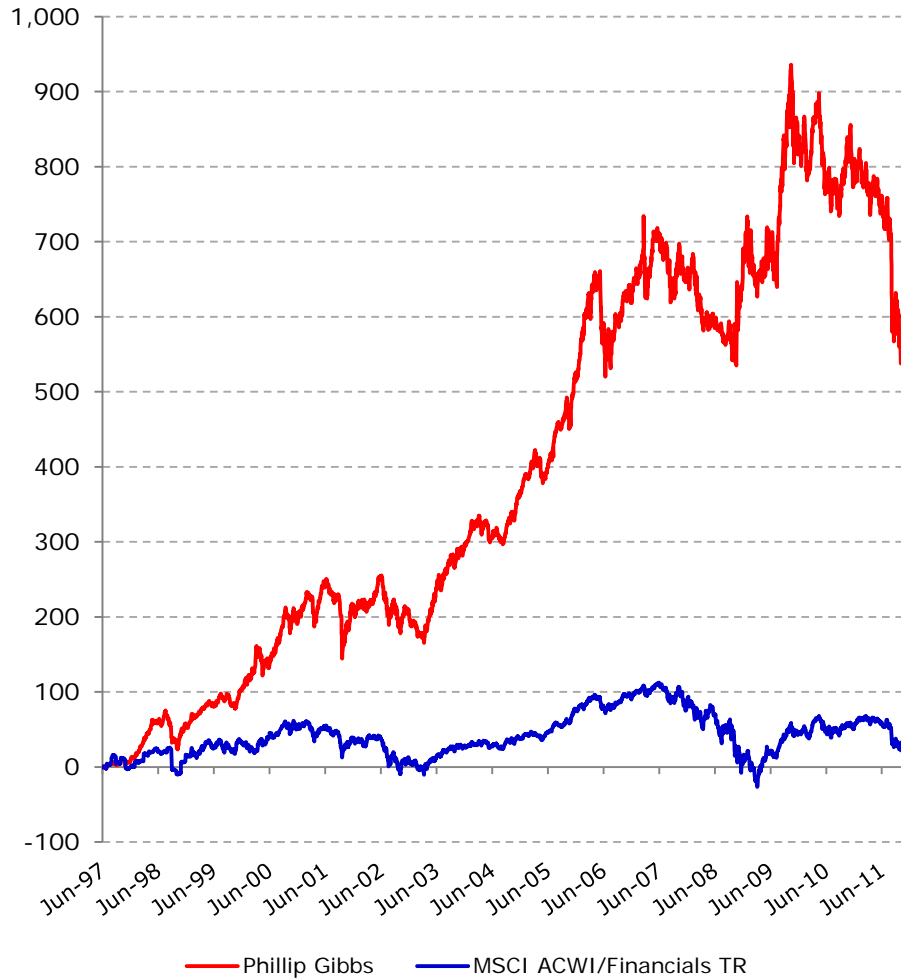


Fidelity European 2009-14

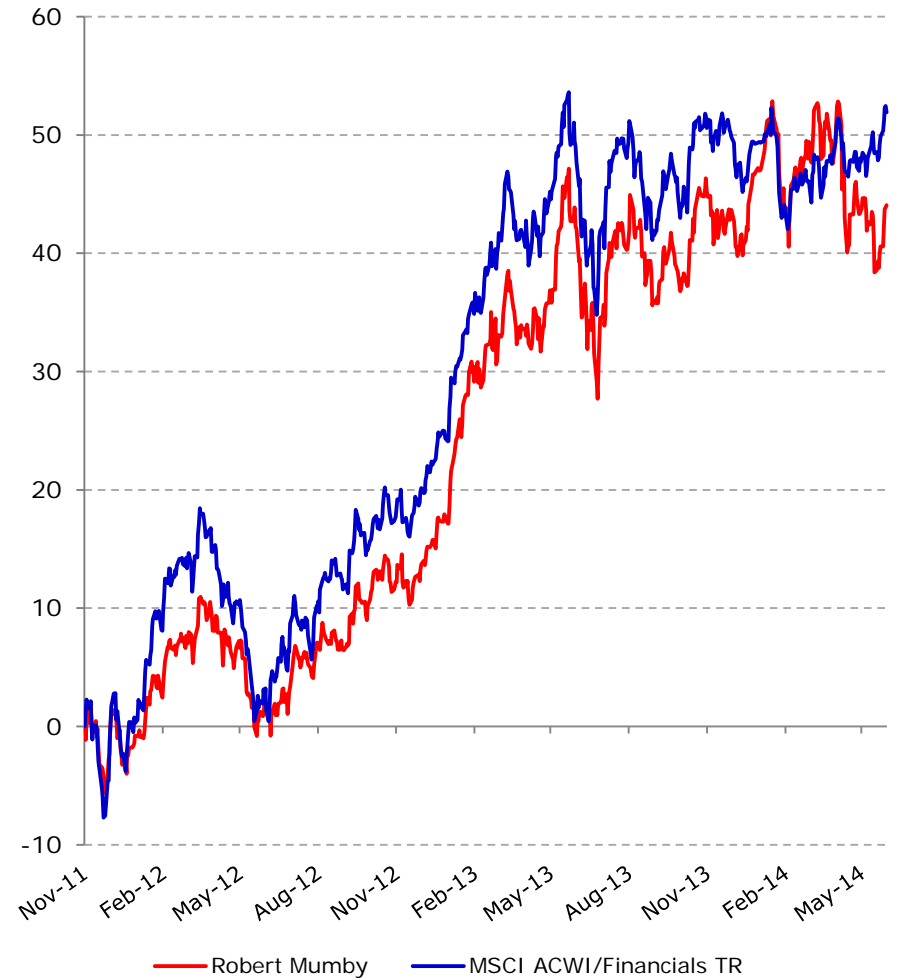


Jupiter Financial Opportunities

Jupiter Financial Opportunities 2003-11



Jupiter Financial Opportunities 2011-14



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