

# Funds that make a killing in a downturn

mortgage market would collapse when everyone else was positive. Exposure to GLG, which invests in emerging markets, has also helped its performance.

Close AllBlue, another fund of hedge funds, is the choice of Mick Gilligan at Killik, a stockbroker. Listed on both the Alternative Investment Market and the Guernsey stock exchange, it has returned 7% since June.

Dampier prefers Blackrock UK Absolute Alpha, which does not invest in hedge funds but is run using hedge-fund techniques. Since the credit crunch began it has been the best performing UK fund rising 7%. Since its launch in April 2005 it is up 29%.

Dampier said: "Most fund of hedge funds are trading at a premium because they are in demand, which means the share price is higher than the underlying funds are worth. Blackrock's fund is better value and easier to understand."

Run by Mark Lyttleton, UK Absolute Alpha is one of the few schemes taking advantage of a change to investment rules that enables managers to use derivatives.

## I've done well out of shorting retailers, housebuilders and pub stocks\*

came in second at 31% after the gold price shot up to more than \$900 (£457) a troy ounce.

Opinion is divided about whether investors should be buying into gold now. Ross Norman of The Bullion Desk, the top forecaster for the London Bullion Market Association for the past four years, predicts that gold could reach \$1,170 this year.

However, Cockerill said: "Over the long term it still looks a good investment, but short-term I don't think it is time to buy. When confidence returns to the stock markets I can see speculative money being pulled out of gold which could cause the price to drop."

Sterling Bond, which focuses on blue chip bonds.

## Cautious managed funds

You would expect these multi-asset funds, which invest in a blend of equities, bonds, cash and occasionally property to have held up. But investors have discovered too late they are not protected against downturns.

The average fund is down 5% since June while the worst performers are BGI Global Income Plan down 17% and New Star Tri-Star, which has fallen 15%. But CF Ruffer Total Return, with 42% in equities, 50% in bonds and 3% in gold bullion, has risen 6% since June.

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## THE BEAR BAITERS

| Fund                           | Return since June | 3-year return    |
|--------------------------------|-------------------|------------------|
| Merrill Lynch Gold & General   | 39%               | 156%             |
| Thames River Hedge Plus        | 17%               | 58%              |
| Baring Directional Global Bond | 16%               | 11%              |
| Blackrock UK Absolute Alpha    | 7%                | 29% <sup>1</sup> |
| CF Ruffer Total Return         | 6%                | 16%              |

<sup>1</sup> Since launch in April 2005.

Source: Morningstar

## Bond funds

After years in the doldrums, bond funds have bounced back: Baring Directional Global Bond, which invests in government bonds worldwide, is up 16% since June — a stunning return for normally boring bonds.

Brian Dennehy at Dennehy Weller, an adviser, said: "Fund managers are genuinely excited about the prospects for bonds over the next few years as high quality corporate bonds are yielding 7% or more."

He recommends Artemis Strategic Bond, which invests in a combination of high quality and higher risk bonds, or New Star



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