

# Multi-Manager

## Asset allocation dashboard - February 2012

● Positive ● Neutral ● Negative

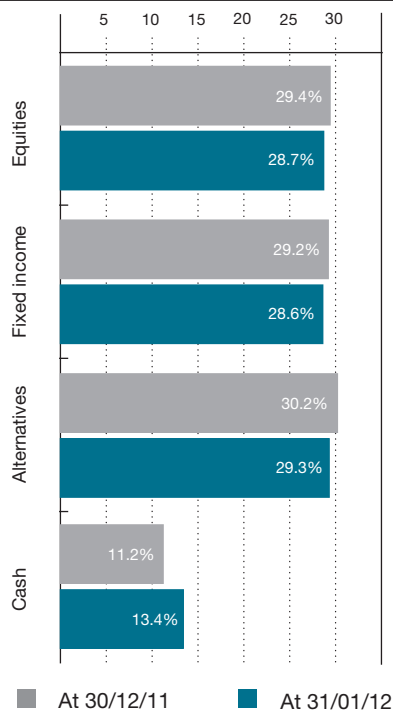
Keep track of the multi-manager team's latest thoughts on asset classes - whether they are positive, neutral or negative and why.

<b>Fixed income</b>	High yield	●	High yield spreads look attractive, on a relative basis, at levels that have previously only been seen in a recession.
	Investment grade	●	Spreads look 'fair value' at this point, although pockets of value are evident.
	Government bonds	●	The longer-term outlook remains challenged, despite the potential for further short-term rallies as the 'risk on' trade falters.
<b>Currencies vs £</b>	Yen	●	Coordinated weakening of the yen likely to continue.
	US\$	●	The dollar remains the 'risk off' currency and continues to look cheap at this level relative to sterling and the euro.
	€	●	Sovereign issues remain and we expect ongoing bouts of weakness.
	Asian currencies	●	These remain undervalued relative to Western currencies over the longer term, but may experience continued near-term volatility.
<b>Equities</b>	UK	●	Recent sector de-rating has brought selective areas of cyclicity back into focus on a valuation basis. The earnings outlook for some of the industrial cyclical / basic material sectors though remains challenged.
	European	●	Valuations have moved significantly in recent months, through ongoing political discussions over the sovereign crisis. Selective depressed value and defensive growth areas continue to look compelling.
	North American	●	Some stabilisation of economic data has provided a market boost in recent weeks. Valuations look less attractive on a relative basis at this stage though.
	Japanese	●	Japanese large cap valuations - particularly in financials - remain attractive although the yen continues to look uncompetitive.
	Asia Pacific	●	The area remains vulnerable to a Western slowdown, but signs of policy easing may provide a near-term boost in investor sentiment.
	Emerging markets	●	The longer-term domestic consumption story remains intact and modest exposure remains in these areas but, as is the case with Asia Pacific equities, a Western slowdown may impact growth expectations from here.
<b>Alternatives</b>	Absolute: Equity	●	Relative value trades remain attractive in a period of high actual volatility and limited market directionality.
	Absolute: Fixed income	●	As is the case with Absolute: Equity, relative value strategies offer potential upside in trendless markets.
	Absolute: Macro	●	Unconventional global monetary & fiscal policy continues to provide significant opportunity for macro managers.
	Commercial property	●	Valuations remain problematic and yields do not yet offer an interesting entry point.
	Agriculture	●	All commodities are likely to struggle in an environment of a strengthening US dollar.
	Precious metals	●	In the near term, the need to hold gold has fallen but increasing talk of future quantitative easing may make this a more interesting proposition at some point.
	Industrial metals	●	The longer-term supply constraint story remains clear, but near-term valuations still look stretched and remain vulnerable to a Western slowdown and a US dollar upswing.
	Energy	●	The longer-term supply constraint story remains clear. Despite recent volatility, near-term valuations still look somewhat stretched and remain vulnerable to a Western slowdown and a US dollar upswing.

Source: Cazenove Capital at 31/01/12.

The opinions expressed here represent the views of the multi-manager team at the time of preparation and are not necessarily the views of Cazenove Capital. Each asset class is reported on in isolation and should not be used as a relative comparison. These views should not be interpreted as investment advice.

**Diversity Fund**



**Equities**

**UK:** Our shift to selective areas of value in some more cyclical industries continues with positions in Fidelity Special Situations and Franklin UK Mid Cap aiding this move. However, we still retain some exposure to companies with strong balance sheets, good cash flows and high dividend yields which still offer both relative and absolute value.

**European:** Whilst the macroeconomic picture remains challenged, we continue to maintain a weighting to selective defensive growth and depressed value sectors where valuations look attractive.

**North American:** Exposure to selective secular growth stories remain.

**Japanese:** Valuations remain attractive in sectors such as financials. Increasing opportunities being seen in some of the more export led industries and overseas manufacturers given recent market moves.

**Asia Pacific:** On a relative basis, the domestic growth story looks expensive at this point.

**Fixed income**

Credit exposure continues to be weighted towards selective high yield credit where spread levels remain attractive. Government securities remain challenged over the longer term and thus of limited interest at this stage.

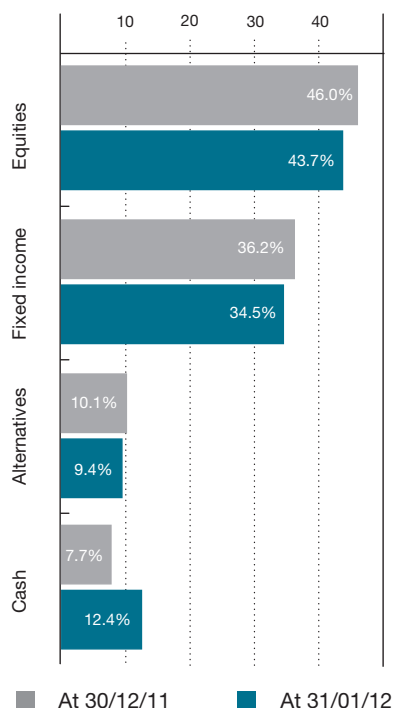
**Alternatives**

Still populated with a number of 'risk off' hedges. The likes of Cazenove UK Absolute Target and Majedie Tortoise continue to rotate where appropriate as valuations in certain cyclical areas begin to offer value. Our Short EUR Long USD ETF has been repurchased given the expectation of further Eurozone pressure through February.

**Cash**

Cash has drifted upwards towards the end of the month given the dramatic move in most asset classes through January. We await a better opportunity to invest in the near term. A small US dollar position remains.

**Diversity Income Fund**



**Equities**

**UK:** Our holdings still favour companies with strong balance sheets; good cash flows and high dividend yields which still offer both relative and absolute value. However, the sector de-rating of recent months has allowed us to modestly increase our weightings to selective areas of value in some more cyclical industries. This process will likely continue.

**Asia Pacific:** A modest holding remains, predicated on the long-term domestic consumption story where yields remain attractive although valuations are beginning to look expensive.

**Fixed income**

Credit spreads remain selectively attractive, particularly in high yield, where we continue to have selective exposure. Government securities remain challenged over the longer term and thus of limited interest.

**Alternatives**

Populated with a number of 'risk off' hedges. The likes of Cazenove UK Absolute Target and Majedie Tortoise continue to rotate where appropriate as valuations in certain cyclical areas begin to offer value.

**Cash**

Cash has built up given strong inflows towards month end. Given market movements, we await a better opportunity to put this cash to work in the near term. A small US dollar position remains.

Source: Cazenove Capital at 31/01/12.

[www.cazenovecapital.com/dashboard](http://www.cazenovecapital.com/dashboard)

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