

25 May 2006

Press Brief

Fund Sector Report: North America

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Technically this sector encompasses Canada, a relatively safe and worthy area of enterprise. But in all practical terms it is dominated, like world markets, by the USA. Short- to medium-term concerns about aspects of the US economy – rising interest rates and inflationary pressures - have meant that the market has not kept pace with the equities revival of the past three years. But the fact remains that this is the biggest marketplace on the planet, home to profitable, world-beating businesses; a market where contrarian stockpickers can prosper, and which longer-term investors ignore to their detriment.

Given this environment, performance measurements suggest that investors still need to exercise a degree of vigilance. Over the three years to May 2006, the sector proved more volatile on average, at 11.18%, than the UK's FTSE All-Share Index figure of 7.16%, and recorded an average return of 21.39%.

However, it is noteworthy that the sector's range of volatility peaks at 16.5% (Neptune US Opportunities), and 55 of the 83 funds in the group cluster tightly around an 11-12% band. Within that band returns can be very different, varying from a 51% (Threadneedle American Select USD) gain at the top end to barely 2% (Artemis North American Growth) from the poorest performer.

The two top performing funds overall yielded almost 48% (Threadneedle American Select USD) and 51% (Threadneedle American USD) while restricting volatility to 8.24% and 9.28% respectively. At the same time, the two-percenter (Artemis North American Growth) is not only miserly with its return, it comes with an 11.39% risk factor into the bargain. Clearly, the investor's choice of fund will determine whether the risk/reward relationship is satisfactory or disastrous.

This is a market in which it is difficult to outperform (that is, find good companies that outperform the market), but as outlined above, there are exceptions where managers with the stockpicking skills can find plenty of leading companies. At the corporate level, US companies are flush with cash, earnings are robust, confidence is high and new investment is kicking in. Expert opinion has it that both inflation and interest rates are close to their peak, and a period of stable conditions lies ahead. And it is inconceivable that the USA will not be a key participant in the beneficial effects of ongoing globalisation.

Source: *Financial Express Analytics* – data tables for further information and illustrations.

This report is also available at www.trustnet.com.

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NOTES TO EDITORS

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