

Embargoed until 23/01/2008 0:01AM

LONDON, 22nd of January 2008

FINANCIAL EXPRESS CROWN RATINGS REBALANCED

The latest rebalancing of Financial Express's Crown Ratings has produced the following highlights:

- The **Neptune China** fund, launched in December 2004, has received the maximum 3 Crowns in its first eligible season. A fund requires 3 years history before it will be awarded a Crown Rating.

This fund has returned 178.9% in the last three years, making it the second best performing fund in its IMA sector and the eighth best performing Unit Trust and OEIC, across all sectors.

Analytical ratios used by Financial Express, such as Sharpe and Information Ratio, show that the management are making good investment choices and achieving returns in excess of those expected for the level of risk taken on.
- **Marlborough UK Micro Cap Growth** is another fund newly rated with 3 Crowns. The fund has low levels of volatility compared with its peers, yet has managed to be consistently among the best performing funds in the sector.

The fund has a low Beta, which means its performance is less susceptible to market volatility and the fund has, therefore, suffered less as result of the recent market downturn.
- Four of **Gartmore's Multi-Manager funds** have been rated for the first time in the recent rebalancing of Crown Ratings. Three of these funds have achieved a rating of one Crown, with the fourth fund being awarded 2 Crowns.
- The **Gartmore Global High Alpha**, for example, has returned 42.57% in the last three years, which is just below the performance of the sector as a whole. Similarly, the fund has an average level of volatility when compared with its peers. Crown Ratings measure consistency of performance, volatility and alpha. Ironically, the reason this fund is not challenging for a 2 Crown Rating is that it has a low Alpha score.
- A few funds were catapulted from a 1 Crown Rating to a 3 Crown Rating. These funds include the **Merrill Lynch Income Portfolio, Allianz RCM European Index and Manek Growth**. In the case of the Merrill Lynch fund the 'scores' for all three constituents of the Crown Rating have increased considerably, with the largest change being in the Alpha component. In recent months this fund has achieved an excellent level of outperformance of the sector benchmark, suggesting that the manager is using an active management style and not passively following the market.

ENDS

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NOTES TO EDITORS

Crown Ratings

Crown Ratings are compiled using three key measurements of a fund's performance: Alpha, Volatility, and Consistency.

Alpha is a measure of the fund's returns against its benchmark. It is the loss or gain the fund has posted when the benchmark return is assumed to be zero.

Volatility measures the degree to which the fund's periodic returns vary either side of its mean return. The larger the fluctuation, the more risky the fund is.

Consistency tracks the nature of a fund's overall return. Was this achieved steadily over time, or were normally loss-making periods offset by a large atypical gain?

Crown Rating 3

These represent the top 20% of funds in their sector. By definition they will have demonstrated a good, if not excellent, record across the three performance criteria.

Crown Rating 2

This rating goes to the next 30% of funds in the sector. Here, Trusnet looks at performance that tends more towards the average for the sector. This could arise from a consistently average showing across the three criteria, or from elements of good performance which have been mitigated by a lower score in one of the other criteria.

Crown Rating 1

This rating comprises the remainder of the funds in the sector. It does not necessarily indicate that there is nothing to recommend these funds, although this could be the case. Equally, a meritable component of the rating could have been outweighed by negative criteria that would be tolerable within some clients' risk/reward profiles.

These ratings are, of course, intended to offer a pointer towards funds that are worthy of further investigation.

Non-rated funds

To be eligible for rating, a fund must possess the following characteristics:

- it has 3 years' history
- its history is accurate and consistent
- it is in a sector of 10 or more funds
- it does not belong to specialist or unclassified sector

Methodology

Alpha

Recent history has been treated as more relevant than that of a remoter past, and the model is weighted accordingly. The fund's Alpha measurements are taken over 36 months, 35 months, 34, and so on through to 12 months. This collection of Alphas is then averaged to produce an overall Alpha. In this way, the 12-month measure features in every Alpha calculation, while the 36-month figure is only included once, and so the weighting is achieved.

The Alphas for each fund are then re-scaled and ranked, so that the lowest becomes zero, and the highest scaled as 100. The resulting value between 0-100 for each fund is the Alpha component of the Crown Rating.

Volatility

The Volatility measurements are treated in the same way as Alpha to produce this component of the Crown Ratings. This applies generally, but exceptions are made for sectors which inherently carry lower volatility. For most bond funds, volatility is only given half weight – scaled from 0-50 – and cash funds dispense with a volatility component altogether.

Consistency

This is based on the fund's total return history (with net income re-invested), taking 3 years-worth of quarterly performance. On this basis, each fund is ranked within its sector and its percentile performance established. The percentiles are then averaged to produce an overall consistency measurement.

As before, the resulting body of figures is re-scaled from 0-100 to form the consistency element of the rating.

In Combination – the Crown Rating

This is a matter of simply adding the three measurements to arrive at the Crown value. The combined values are ranked, and Crown Ratings are assigned according to where the fund falls within its sector.

Financial Express

Financial Express is the main provider of fund data and website solutions to the UK financial sector. The company collects daily fund prices for more than 70,000 European and global investments, and is relied upon as the sole or main source of data by providers (e.g. Skandia, Standard Life, Henderson) wrap platforms, fund supermarkets, personal finance websites and financial advisers. Financial Express data is also distributed to the main vendors, including Bloomberg, Reuters, Morningstar and Telekurs.

Financial Express:

- collects fund prices, dividends and histories, on more than 60,000 UK and offshore funds
- validates, databases and disseminates fund and equity data
- provides tools to display and analyse this data in order to educate and inform investors and advisers

Financial Express collects the following data:

- UK fund data, including prices dividends, corporate actions (capital events), histories
- factsheet information for all UK retail funds
- UK equity data
- factsheet information for all LSE equities
- equity news (RNS feeds, Company Announcements [UK-Wire], AFX news)
- European equity data
- US equity data

Financial Express provides data and/or tools to UK product providers, wrap platforms, and fund supermarkets, plus a large number of data vendors and third party websites.

Financial Express provides the following applications and tools:

- Price Display – all financial instruments, with hyperlinks
- Interactive Charting – total returns, comparative performance
- Portfolio Tool – multi portfolio user, multi currency, with portfolio analysis
- Fund Factsheet Display and Fund Selection Tool – with filters
- Equity Factsheet Display and Share Selection Tool – based upon fundamentals data and historic performance
- Largest Gainers & Losers / Performance Tables – across all equities and funds
- Scatter charts – risk versus performance interactive JAVA charts
- Wealth management services