

## Sterling Asset Management Fund

### Investment objective

This Fund aims to achieve an increase in value whilst suppressing volatility and risk, through a conservative allocation of assets between, primarily, international equities, fixed interest securities and cash or money market instruments. Exposure to equities is limited to a maximum of 50% and exposure to fixed income securities is limited to a maximum of 70%. Exposure to currencies, other than base currency, after hedging, will not exceed 50%.



### Fund Facts

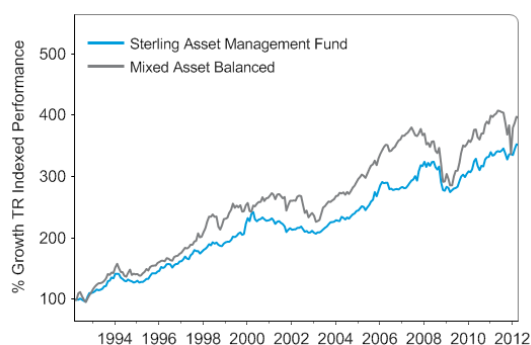


#### Head of Asset Allocation

Tristan Hanson

<b>Launch Date</b>	04/02/92
<b>Fund Size</b>	£254.18m
<b>Fund Currency</b>	GBP
<b>Sell Price</b>	35.2219
<b>Buy Price</b>	36.9830
<b>Yield</b>	0.0000
<b>Minimum Investment</b>	£10,000 or foreign currency equivalent
<b>Initial Charge</b>	5%
<b>Annual Mgmt Fee</b>	1.5%
<b>Total Expense Ratio</b>	1.84%
<b>Dealing Day</b>	Daily
<b>ISIN No</b>	GB0000532423
<b>Sedol No</b>	0053242
<b>Dividend Policy</b>	Income re-invested: roll-up fund
<b>Manager</b>	Ashburton Fund Managers Limited
<b>Investment Manager</b>	Ashburton (Jersey) Limited
<b>Custodian</b>	Royal Bank of Canada (Channel Islands) Ltd
<b>Authorised For Public Sale In</b>	Jersey, Guernsey and South Africa

### Performance



Annual average compound rate of return: **6.45%**

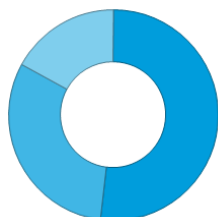
Growth (%)	Fund	*Sector Average
<b>YTD</b>	4.88	4.61
<b>1 Yr</b>	3.38	1.16
<b>3 Yr</b>	26.42	42.44
<b>5 Yr</b>	23.19	9.59
<b>since launch</b>	252.22	296.73
<b>Volatility (%)</b>	<b>Fund</b>	<b>*Sector Average</b>
<b>since launch</b>	7.25	9.39

\*Sector: Mixed Asset Balanced  
Source: Morningstar

### Strategy

#### Asset Allocation (%)

52	Bonds
31	Equities
17	Cash/Cash Equiv

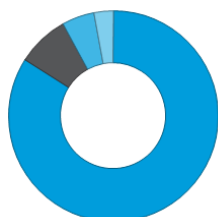


#### Geographical Weightings (%)

	EUR	US	UK	JPN	ASIA	OTHER
Bonds	6	22	11	-	-	13
Equities	2	14	3	4	7	1
Cash/Cash Equiv	-	-	17	-	-	-

#### Currency Weightings (%)

84	UK
8	Others
5	Asia
3	N America



#### Largest Holdings

Top 5 Bonds	%	Top 5 Equities	%
Mex Bonos Desarr 6.5% 10 Jun 2021	5.34	American Express Co	0.97
South Africa(Rep Of) 5.250% 05/13	4.07	Perrigo Co	0.94
Muzinich Fund America Yield Hedgd	3.73	Cerner Corp	0.92
Korea Rep 7.125% 04/19	3.49	Comp De Bebidas Amer	0.89
Mex Bonos Desarr 8% 19/12/2013	3.00	Intl Business Mchn	0.88

**Regulation:**  
Collective Investment Funds (Jersey) Law 1988 (as amended).

### Contact Us

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### Commentary highlights

- Global equity markets continued their strong run to close the quarter up 11.1% in local currency terms (total return), following a gain of 1.3% in March.
- Equity weightings were maintained at the same levels throughout the first quarter (small overweight relative to neutral) until the end of March when we reduced exposure by 5% across the Multi Asset Funds.
- Generally, we view equities as attractively priced and also retain a preference for corporate and emerging market bonds within fixed income markets.

A member of the FirstRand Group

## Sterling Asset Management Fund

## Commentary

## Review

Global equity markets continued their strong run to close the quarter up 11.1% in local currency terms (total return), following a gain of 1.3% in March. On the month, US and Japanese equities led the way with total returns of 3.3 and 3.2% respectively. US bank stocks were boosted by stress test results released in early March, suggesting resilience to another financial shock. European equities were roughly flat on the month, while China was a notable laggard (-6.8%). Having rallied in January and February, Chinese stocks were subject to renewed concerns of a hard landing in the domestic economy as industrial profits data was released, showing a decline of 5% year-on-year in the first months of the year. This followed previous mixed economic releases and Premier Wen's downward revision of the 2012 growth target to 7.5%, which had already unsettled markets (although not unsurprising or significant in itself, in our view). Economic data released so far this year is consistent with a slowdown towards a soft landing (say around 8%) in our view, but until the data definitively turns upwards, investors will likely remain nervous.

Global government bonds sold off modestly (-0.4% in hedged US dollar terms). US treasuries were notably weak (-1.1%) as the Federal Reserve March meeting statement dampened expectations for a third round of QE. Corporate bonds and emerging market bonds outperformed modestly.

In terms of currency markets, sterling outperformed (+0.6%), the Brazilian real weakened following intervention (-6%), the yen dropped a further 2.1% and the Australian dollar and Indian rupee were both down 3.6% on the month (all versus US dollar). Gold declined 2.5%.

After a strong first two months of the year, March was a disappointing month for our Multi Asset Funds. An overweight position in HK/Chinese equities was a drag on performance after previously boosting returns; as was weakness in the Brazilian real and the decline in market volatility which dragged down the value of volatility futures we held as an insurance policy in case of an unforeseen correction. A frustrating month but overall a satisfactory quarter, in our view.

## Activity

Equity weightings were maintained at the same levels throughout the first quarter (small overweight relative to neutral) until the end of March when we reduced exposure by 5% across the Multi Asset Funds. While little has changed in terms of our medium-term views, the recent fears in China, at a time when investors have become much more complacent of risk, suggest volatility may increase in the near-term, hence our modest reduction in risk.

Towards the end of the month we added modestly to emerging market currency exposure, in particular the Malaysian ringgit, Korean won and Mexican peso. Over time, we believe a select basket of EM currencies will outperform the majors.

## Outlook

Looking ahead, we are encouraged by recent developments in the US economy and believe steady growth in the range of 2% - 2.5% is likely this year. Risks are more elevated in China and Europe, in our view, but we believe the recent fears over Chinese growth will subside over the coming 6 months or so, if not sooner. This would likely create a strong rally in China-exposed equities, but conditions are likely to remain difficult and volatile until economic data confirms a turn in the cycle. We will try to manage the risk/reward trade-off of this view over the coming months, having also to be aware of the risk that our base case scenario may be proven wrong or come to fruition later than we expect. In Europe, we continue to see difficult times ahead as austerity bites at a time of very low growth. In the near-term, elections in France and Greece may be a source of volatility.

Generally, we view equities as attractively priced and also retain a preference for corporate and emerging market bonds within fixed income markets. We also think a number of emerging market currencies should strengthen against the majors (including interest rate return). However, risks remain and we are currently positioned somewhat cautiously, since sentiment in the wider investment community has become much more bullish already following strong gains in markets, in contrast to the opportunities presented by widespread pessimism late last year.

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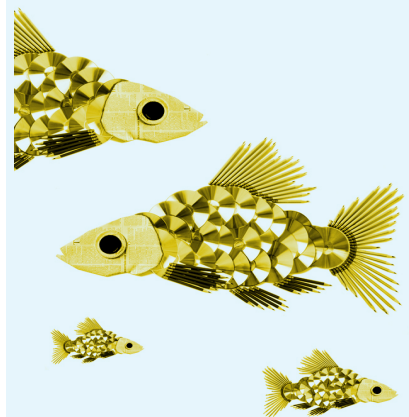
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## The way we see things



## Sterling Asset Management Fund

Carp created using 249 pencils, 99 CDs, The Financial Times newspaper, 4 gold chocolate coins, 4 lens caps.

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