



Italy: 'We have had a huge destruction of stock prices in Italy over the last few years and we are trying to take advantage of that'
 Credit Suisse's Gregor Trachsel talks to Citywire online

Fund manager ratings

THE MANAGERS MAKING THE GRADE

Bond fund managers have dominated our newly-rated round-ups over the past few months but it's their equity peers who stand out this time round

RATINGS SNAPSHOT

Nine managers were newly rated in France this month bringing the country's total to 295. Across the border, Spain notched up 12 new entrants boosting its total to 257.



Emily Blewett

Reporter



Leading this month's newly-rated list with an AA rating and Citywire Manager Ratio of 0.76 is Xavier Delaye who runs the DNCA Invest Evolutif I fund.



Xavier Delaye

Delaye has managed this mixed asset portfolio since its launch in 2007 at French boutique firm DNCA Finance, which he co-founded in 2000. With just under €50 million in assets under management, the fund had a third of its assets in equities in Q3 last year. These holdings were dominated by more cyclical names such as tech firms Cisco Systems and oil services firm Schlumberger as well as pharmaceutical company Roche.

The remainder of the portfolio consisted of 15% cash and 50% bonds.

Turkish delight

Next up is Ercan Güner, who is also AA-rated this month with a manager ratio of 0.71 for his performance

on the HSBC GIF Turkey Equity fund.

For most of last year, the Turkish stock market had a relatively strong run with financial and consumer names driven higher on looser monetary policy.

The country's long-awaited return to investment grade status, courtesy of ratings agency Fitch, alongside easing signals from the Central Bank of Turkey on an improving inflationary outlook, all helped to support the strength of the country's stock market last year.

The fund was nearly fully invested in the middle of last year and had six of its top 10 holdings in financial names.

Speaker to Citywire at the time, Güner warned that despite positive medium- and long-term fundamentals, the market was due a correction.

Nordic focus

Just behind Güner with a manager ratio of 0.62 is Jonas Jakobson who has run the Nordic Equities Sweden fund since its launch in 2009 and has achieved an AA rating in the process.

The fund has a relatively concentrated portfolio of 20-40 equities and focuses on large and mid-sized



Ercan Güner

firms that are traded in the Swedish market.

Jakobson, as founder of the Nordic Equities Kapitalförvaltning and as chairman of the investment board, also helps oversee a number of other strategies that are focused on the Scandinavian market.

Delving in debt

Banging the bond drum this month is Aristoteles Damianidis who has gained an A rating for his management of the UBS (Lux) Bond SICAV - Emerging Europe fund.

The bond fund invests in corporate and government debt within central and eastern Europe with mixed credit ratings.

Top holdings include mostly sovereign debt such as Polish, Hungarian, Romanian and Turkish bonds.

Speaking to Citywire Global in October last year, Damianidis said part of his strategy was to look at countries, outside of the EU borders, that have been flirting with membership.

For example, he said his exposure to Montenegro's sovereign debt was driven by his confidence that Balkan states were becoming more 'disciplined' in fiscal and legal policy. ●



Jonas Jakobson

TOP 10 NEWLY RATED MANAGERS BY MANAGER RATIO					SOURCE: Citywire
Manager	MR	Tracking error	Contributing fund	Country rating	
Xavier Delaye	0.76	4.38	DNCA Invest Evolutif	AA France, AA Italy	
Ercan Güner	0.71	4.30	HSBC GIF Turkey Equity	AA Turkey, AA Spain, AA Germany, AA Italy, AA France, AA Netherlands, AA Belgium, AA Austria, AA Sweden, AA Switzerland	
Jonas Jakobson	0.62	5.30	Nordic Equities Sweden	AA Sweden	
Eric Janca	0.61	1.90	NOE Hypo Bond Select HCM Eurasien Peals NOE Hypo Wachstum Hypo-Invest HCM Aktien Global NOE Hypo Ausgewogen	AA Austria	
Aristoteles Damianidis	0.57	2.45	UBS (Lux) Bond SICAV - Emerging Europe	A France, A Austria, A Germany, A Italy, A Netherlands, A Belgium, A Spain, A Sweden	
Dean Newman	0.55	3.75	Invesco Latin American Equity	A Italy	
Ian R. Edmonds	0.45	3.69	Legg Mason WA Global Multi Strat	A France, A Austria, A Germany, A Italy, A Netherlands, A Belgium, A Spain, A Sweden, A Switzerland	
Dirk Bongers	0.45	30.84	Antecedo CIS Strategic Invest	A Austria	
Sabina Raza	0.42	3.18	Barclays GA - Global Corporate Bond Barclays GA - Global High Yield Bond	A France, A Spain	
Rodney Gaskell	0.42	4.12	HSBC ISF MultiAlpha Global Aggregate Bond	A Austria	

CITYWIRE MANAGER RATIO: Manager Ratio reflects how much 'added value' in terms of outperformance against the benchmark the fund manager delivers for each unit of risk assumed, where risk is defined as not mirroring the index's return. It ties together the fund manager's personal career history with the Information Ratio of the underlying funds

Citywire Fund Manager Ratings


Citywire's Fund Manager Ratings identify the individual managers who have the best risk adjusted personal performance track records over 3 years and highlights the funds they are currently managing.

Of the 950+ active fund managers in Citywire's UK database, less than 5% receive an 'AAA' rating and less than 20% receive any rating at all.



- The Citywire Manager Ratings are based on what is referred to as the Citywire Manager Ratio (equivalent of the Information Ratio). This takes into account career moves, career breaks and switches in funds managed. The figure reflects how much 'added value' in terms of out performance against the benchmark the fund manager delivers for each unit of 'risk' assumed (where 'risk' is defined as not mirroring the index's return or deviation away from the benchmark).
- All managers who run funds within 24 IMA unit trust sectors are considered for a Citywire Manager Rating. Ratings are awarded on the basis of achieving, or exceeding, certain performance thresholds based on their 36-month Citywire Manager Ratio across all sectors.
- Managers are arranged in order of their Citywire Manager Ratio from highest to lowest. From here the average ratio is calculated and used as the 'first cut'. Only those with an above average ratio are considered for a Citywire Manager Rating (see below for an example of how ratings are calculated).
- The managers who clear this first hurdle then have their ratios averaged again and are separated into two pools once more. This procedure is repeated again for each of these two pools to produce four classes of managers who achieved a higher than average Manager Ratio. Only managers within the top three classes will receive an 'AAA', 'AA' or 'A' Citywire Manager Rating.

Citywire Fund Manager Rankings

	Total Returns% (Discrete Period Rank)							Current Funds
	Jul/02	Jul/06	Jul/05	Jul/04	Jul/03	Jul/02		
	Jul/07	Jul/07	Jul/06	Jul/05	Jul/04	Jul/03		
Anthony Bolton	142.25	16.02	18.89	27.17	21.11	14.03	• Fidelity	
	(11/94)	(64/182)	(52/169)	(33/151)	(11/151)	(64/160)	Special Situations Acc	

Rankings identify the individual fund managers who have the best personal track records in a sector and show which funds they are currently managing.

Rankings are based on the personal, 'average monthly performance' of each manager. This is calculated as an average, based on the monthly performance of the underlying funds.

- When one fund manager runs two or more funds, concurrently within the same unit trust sector, a monthly average is calculated across these funds.
- When a fund manager has a 'career break' there is no monthly return figure in the analysis. However once that manager resumes managing a fund in the same sector, we substitute the average performance of all managers in that sector for the missing months.
- A manager has to be currently active, as well as being active at the beginning, or before, the period under review.
- Joint managers are treated as being equally responsible for a fund's performance; therefore the returns are attributed to each fund manager on a non-weighted basis.

The rankings and ratings methodologies adopted by Citywire have been approved by AKG Ltd, a leading firm of actuaries.

Further information on the AKG approved methodology can be found on the following document

http://www.citywire.co.uk/publications/web_resources/AKG_Citywire_UK_Ratings_Report.pdf

Sample Distribution of Fund Manager Ratios using 20 sample Fund Managers

Efficient markets dictate that just over half of investors will not outperform the market consistently, year on year, as is the case with fund managers. Hence some do not achieve high information ratios. In practical terms, this means that the distribution of fund manager ratios in the UK is skewed to the negative, and explains why it is so hard to achieve a Citywire rating.

In the UK market, on average, 20% of managers achieve a Citywire rating. Out of these, 10% are 'A' rated, 5% are 'AA' rated and the top 5% are 'AAA' rated.

The below table illustrates how a mock sample of 20 managers would have their Citywire Manager ratio converted into a possible rating.

Manager Ratio	Citywire Rating	
Top half of mean 9 managers above -0.298	0.90	AAA
	0.70	AA
	0.50	A
	0.30	A
	0.10	n/a - 3
Bottom half of mean 11 managers below -0.298	0.00	n/a - 3
	-0.10	n/a - 3
	-0.20	n/a - 3
	-0.25	n/a - 3
	-0.30	n/a - 2
	-0.40	n/a - 2
	-0.60	n/a - 2
	-0.65	n/a - 2
	-0.70	n/a - 2
	-0.75	n/a - 1
	-0.80	n/a - 1
-0.85	n/a - 1	
-0.90	n/a - 1	
-0.95	n/a - 1	
-1.00	n/a - 1	

- The first stage in the analysis uses the Mean to calculate the performance of the average manager in the sector. In this case, the average manager achieves a ratio of -0.298, which demonstrates how there are more managers in the lower half (11) of the table than in the upper (9). Managers between -1 and -0.30 are classed as either '1' or '2' in our internal

database, depending on whether they are top or bottom of the lower half of all managers.

- The second stage looks at all the managers left after the first stage and calculates the Mean again to show which managers are above average but not good enough for a rating (between -0.298 and 0.217 in this case).
- The third stage uses the Mean on the remainder to calculate the 'A' rated managers. Managers between 0.3 and 0.5 achieve an 'A' rating, or a '4' in our database
- The fourth stage uses the Mean to calculate the 'AA' and 'AAA' rated managers. Managers with a rating of 0.70 are 'AA' or '5' in our database. Managers with a rating of 0.90 and above are 'AAA' or '6' in our database

Reasons why a manager may have good sector performance but no Citywire rating

- A manager must have at least 30 months performance out of a 36 month period to be eligible for Citywire ratings. Thus, managers who are relatively new to a sector over 1 or 2 years may well be in line for achieving a rating, but aren't yet eligible to be considered.
- Citywire Manager League Tables show the ranking of manager's total returns for any funds they run in that specific sector. However, managers often run multiple funds over multiple sectors. Citywire Ratings are calculated on the managers overall performance for all sectors. Thus it is possible for managers to perform well in one sector, but not receive a rating as their performance in another sector has reduced their overall manager ratio performance.
- It is possible that a manager may have beat their benchmark to appear high up in the league tables, but their risk adjusted performance means that they've had volatility which has placed them outside of our ratings, i.e. other managers have achieved similar returns by taking less risk.