

# MGM Active

## Balanced Fund

Launch Date:	<b>25 November 2009</b>
Current Fund Manager:	<b>BNY Mellon Asset Management</b>
Sector:	<b>(ABI) Balanced Managed</b>
Risk rating/level:	<b>Moderate</b>
AMC:	<b>1.60% Life / 1.85% Pension</b>

The objective is to achieve a balance between capital growth and income predominantly from a portfolio of UK and international securities. May also invest in derivatives, forward transactions and collective investment schemes. Suitable for customers who can accept fluctuations in value in return for potentially higher investment returns over the medium to long term (at least 5 years) and who are prepared to accept that the value of their investment can fall in the short to medium term.

The MGM fund currently invests in the Newton Balanced Fund which has been managed by Iain Stewart since January 2005.

Within Newton's investment process there is considerable focus on the identification of global investment themes, and the fund will typically hold a diversified portfolio of over 120 securities, mostly UK and overseas equities, with a minimum of 15% exposure to cash and bonds.

**Please remember that past performance is not a guide to future performance and the value of investments can fall as well as rise.**

The Fund is appropriate for investors who are:

- Investing for the longer term
- Looking for returns that exceed bank or building society returns
- Prepared to accept that the value of their investment may fall in the short to medium term
- Seeking investment performance from a fund predominantly made up of UK and overseas stockmarket investments

### Quarterly Commentary

The following commentary is provided by Old Broad Street Research as at April 2010

#### Summary recommendations

- OBSR recommends the Newton Balanced Fund based on its regard for Newton's global thematic investment process on which this fund relies and on the experience and track record of the fund manager, Iain Stewart.
- The fund benefits from its single portfolio structure with Iain Stewart responsible for managing all aspects of this fund ensuring total ownership of the fund. This is not an in-house fund of funds.
- The fund is viewed as medium risk on a qualitative basis as the manager can take significant positions in the portfolio when he has strong views.
- The fund is considered suitable as long-term core holding for those seeking a balanced multi-asset approach.

## Fund Performance Analysis

The following commentary is provided by Old Broad Street Research as at April 2010

### Fund performance analysis

- The fund has delivered excellent long-term returns, with significant outperformance since 2007 as the manager's defensive positioning has protected the fund in the market downturn.
- Against the difficult market backdrop in 2008, the fund's high cash weight of around 20% helped performance as did the decision to hold the cash in a basket of foreign currencies in the latter half of 2008 when Sterling weakened significantly. The fund also benefitted from the manager's decision to buy government bonds in the latter half of 2008 and, within the equity component of the fund, to maintain a bias to defensive companies with strong balance sheets and robust financials combined with his decision to be very underweight banks.
- Since the market recovery of March 2009, the fund has however lagged its peer group significantly. This is the result of the manager's retained defensive bias and his caution on underlying global economic problems caused by the debt burden in Western economies and stockmarket prospects. He was underweight in many of the cyclical equity stocks that drove the market recovery from its March lows and has preferred to invest in the large-cap defensive names with attractive dividend prospects that in his view were very cheap but that have generally lagged. At the sector level, overweight positions in telecoms and healthcare have also detracted from recent performance.

### Past Performance Figures

**NB: Please note that Performance Figures will not be available until 1 year after launch.**

#### Top Ten Holdings (as at 31/03/2010)

1	Vodafone Group PLC	4.12%
2	GlaxoSmithKline PLC	3.78%
3	Norway (Kingdom of)	3.40%
4	BP PLC	2.71%
5	Millicom Intl Cellular	1.71%
6	Newcrest Mining Ltd.	1.70%
7	ETFS Agricultural DJ-AIGCISM	1.58%
8	Novartis AG	1.51%
9	ETFS Physical Gold	1.48%
10	BHP Billiton PLC	1.44%

#### Asset Allocation (as at 31/03/2010)

	Fund
UK Equities	32.53%
Europe ex UK Equities	15.58%
North American Equities	10.57%
Pacific ex Japan Equities	8.93%
Other International Equities	4.92%
Japanese Equities	3.08%
Overseas Bonds	12.78%
UK Bonds	2.86%
UK Index Linked	0.75%
Cash	8.00%
<b>Total</b>	<b>100.0%</b>

### Sector Analysis (as at 31/03/2010)

	Fund
Bonds	15.45%
Health Care	11.87%
Telecommunication	11.49%
Basic Materials	10.48%
Oil & Gas	7.92%
Financials	7.77%
Industrials	7.09%
Consumer Services	5.62%
Consumer Goods	4.83%
Commodities	4.19%
Utilities	1.88%
Technology	1.75%
Unit Trusts (Multi Assets)	0.95%
Unit Trusts (Global/International Equity)	0.42%
Investment Trusts (Global/International Equity)	0.26%
Options	0.03%
Cash	8.00%
<b>Total</b>	<b>100.0%</b>

### Regional Breakdown

UK	36.2%
Europe ex UK	23.4%
North America	14.8%
Money Market	8%
Others	7.6%
Asia Pacific ex Japan	4.8%
Japan	3.1%
Latin America	2.1%

## Ratings / Awards for the Newton Balanced Fund

OBSR Rating of A

Standard & Poor's AAA

Morningstar 5\*

Citywire AAA



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