

**Peer Group:**  
 Balanced Managed  
**Fund Manager/Adviser:**  
 Tom Caddick (since launch)  
**Location:**  
 London

**Group Contact No:**  
 0845 113 0273  
**Website:**  
 www.lv.com  
**S&P ID Number:** SB920650  
**Share Class screened:**  
 Inst



**Launch Date:** December 2007  
**Fund Size (January 2009):**  
 £36m

Further information on S&P's fund coverage can be found at  
[www.funds.standardandpoors.com](http://www.funds.standardandpoors.com)

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### STANDARD & POOR'S OPINION (JANUARY 2009)

Tom Caddick was recruited to launch LV's multi-manager offering. This is his first spell as head of a team. He has recruited Simon Brooks - who he already knew - and has introduced a disciplined fund selection approach, which closely resembles the one adopted during his time at F&C. Both Caddick's mindset and the approach he has developed appear to suit the group's risk-aware philosophy.

Although only a team of two fund selectors, the quantitative screen is very effective at reducing the number of funds to be considered for qualitative review. The focus on consistency is evident in every step of the process, which emphasises fund selection over highly active allocation. The qualitative analysis is the overriding element and is largely used to validate the output, although there is some room for flexibility to include funds that fall

outside the screen, as is the case with recently launched funds.

The team acts independently but can rely on the input from proven resources within the group, in particular in fixed income and pan-European equities.

Caddick was lead manager of two fettered portfolios at F&C for a period of around nine months, during which the funds outperformed our sector median. Although short, his track record at LV has met the objective of delivering steady predictable above-peer returns. Caddick also had considerable input in the management of the multi-manager funds at F&C.

The solid and effectively applied approach warrants the retention of the A (New) rating.

### FACT FILE

**Group:** LV (formerly Liverpool Victoria before a re-branding in 2007) is the UK's largest friendly society and provides a broad array of financial products, ranging from banking to insurance and investments.

**Team:** Caddick heads the multi-manager team of three. It is formally set up as an independent unit from the other teams but maintains considerable interaction with the resources available in the group.

**Fund Manager:** Caddick has spent the majority of his 10-year career focusing on fund selection,

eventually rising to the role of lead manager at F&C in December 2006. He joined LV in 2007.

**Style:** Most of the added value is sought through the selection of funds showing high consistency of returns against peers. Deviations from the IMA Balanced Managed index are deliberately contained.

**Performance:** Since launch to 31/12/2008, the fund has returned -20.0%, compared with -20.7% for the sector median, ranking 74/159.

### FUND MANAGER & TEAM

Tom Caddick heads the multi-manager team of three. Together with Simon Brooks, he focuses on qualitative analysis and portfolio construction. Regina Ezech is responsible for database maintenance. They draw on Steven Albert's input for alternative and structured products. There is also constant interaction with the other investment desks of group, in particular on UK and European equities, as well as fixed income. Caddick is a member of the group's monthly asset allocation committee.

Tom Caddick - accounting and finance, started his career in 1998 at Ashcourt AM, before moving to Neville Merriam Investment Management (now Principal Asset Management). He joined F&C in 2004 as a fund analyst, eventually rising to lead manager of the fettered funds in December 2006.

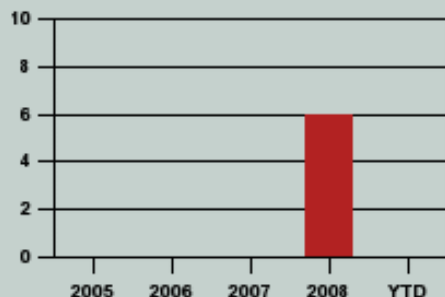
Simon Brooks - quantity surveying, started his career at Daiwa Bank as a bond dealer in 1987. From 1994 to 2002 he worked as fund manager at Lester Aldridge Solicitors, Blake Laphorn Solicitors, then at the Investors Partnership Research. In 2003, he joined Solus where he was deputy manager of the multi-manager range. In 2004, he became deputy CIO of investment management and then head of portfolio implementation at Skandia, before moving to LV in June 2008.

### INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

**AS THE FUND IS UNDER THREE YEARS OLD THERE IS INSUFFICIENT PERFORMANCE DATA FOR RISK/RETURN ANALYSIS.**

### CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

## PORTFOLIO CHARACTERISTICS

No. of holdings	17
Turnover ratio (%)	N/A
% in top 10	66

## TOP 10 HOLDINGS (01/01/09)

	%
River & Mercantile UK Equity	8.4
M&G Corporate Bond	7.5
Invesco Perpetual High Income	7.4
Martin Currie North American Alpha	7.3
Invesco Perpetual Corporate Bond	6.7
Fidelity Institutional Cash Sterling	6.3
M&G Recovery	5.9
BlackRock UK Special Situations	5.8
LV European Ex-UK Growth	5.4
First State Asia Pacific Leaders	4.9

\* In top 10 holdings a year ago

## ALLOCATION BREAKDOWN (01/01/09)

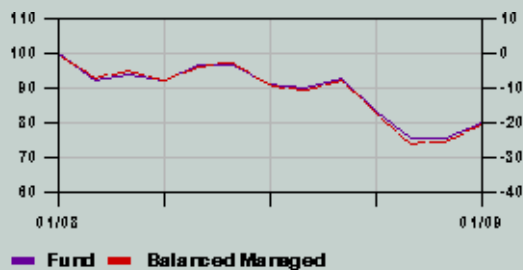
	Fund %
<b>EQUITY</b>	
North America	10
United Kingdom	38
Europe ex UK	11
Japan	3
Pacific ex Japan	5
Others	4
<b>FIXED INTEREST</b>	0
<b>PROPERTY</b>	0
<b>ALTERNATIVES / OTHERS</b>	19
<b>CASH</b>	10

Units III permits net fund exposure to be less or greater than 100%.

## PERFORMANCE STATISTICS

	Launch
Fund	-20.0%
Standard & Poor's Peer Median	-20.7%
Fund Rank	74/159
Standard Deviation	-
Relative Standard Deviation	-
Volatility Adjusted Ranking	-

## CUMULATIVE PERFORMANCE



# LV= BALANCED MANAGED FUND

Peer Group: Balanced Managed



## MANAGEMENT STYLE

This fund-of-funds is run in a risk-aware fashion to produce returns consistently above the sector median largely through fund selection. Asset allocation tends not to deviate significantly from the IMA Balanced Managed benchmark.

The monthly house view is used as a framework. Allocation to styles or capitalisations is mainly discussed by the multi-manager team during its monthly meetings.

Fund selection targets onshore and offshore funds with a minimum of 18 months' record of consistent outperformance of their peers. A proprietary quantitative screen scores funds on performance (40%), alpha

generation (30%), downside volatility (20%) and Sortino ratio (10%) over 75 randomly generated discrete periods going back up to four years. Highly scored funds are then subject to qualitative research with regular contact with managers and systematic portfolio analysis.

The portfolio has 15-25 holdings, with up to 12% for core funds, 2-7% for satellite and up to 2.5% for trading positions. Passive instruments are used in efficient markets or for tactical moves. Scenario analysis is used for portfolio construction. Deviations tend to be within 10% at the asset class level and 5% for regions.

## PORTFOLIO REVIEW

The defensive stance of the portfolio has remained with underweights in equities and emerging markets, and a preference towards income-oriented funds and traditionally cautious managers.

Exposure to Japan has moved from a marginal overweight to underweight, while the US is overweight on the view that it will be the first out of the recession.

The slight growth tilt of the equities portion has been reduced with the purchase of Threadneedle UK Equity Alpha Income.

The majority of in-house funds has been sold and only the LV European ex-UK remains as a core holding of this portfolio. Exposure to Europe has recently been reduced to underweight.

The number of holdings in the portfolio has gone up from 17 to 22, partly a result of the recent purchase of the Templeton Global Bonds (GBP-hedged share class). Exposure to two absolute return funds (one investing in equities and the other in fixed income) is also being built as a substitute for cash.

## PERFORMANCE ANALYSIS (JANUARY 2009)

Since launch in December 2007 the fund has outperformed the sector median. Performance during the first half of 2008 suffered due to the defensive stance of the portfolio. However, this came right during the second half, with strong contribution from both asset allocation and fund selection.

Having some exposure to corporate bonds hurt, but was more than offset by the underweight in equities, emerging markets and the focus on experienced managers. At

the fund level, the Baillie Gifford Corporate Bond was the only notable disappointment.

Before moving to LV, Caddick was at F&C, where he was lead manager of two fettered funds-of-funds - including the F&C Managed Balanced Fund, which sits in the same peer group. He managed them for nine months, during which time both funds outperformed the relevant sector median. However, the fettered nature of those portfolios makes this performance figures not entirely comparable to the fund-of-funds currently run by Caddick.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

Fund	2005		2006		2007		2008		YTD 31/12/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
LV=	19.8	/	10.2	/	5.4	/	-20.0	74/159	-20.0	/
Median							-20.7			

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