

# Global Dynamic Equity Fund

Terms in italics are explained in the glossary of terms at the end of this document.

## fund objective

To provide long-term capital growth predominantly through investment in global equities.

## investment policy

The Fund will invest directly in securities or through collective investment schemes in order to give exposure to a diversified portfolio predominantly investing in global equities. The Fund may have exposure to cash, near cash, money market instruments, permitted deposits, and securities. The Fund may invest in collective investment schemes including those that are managed or operated by the ACD or an associate of the ACD.

The Fund may also invest directly in *derivative* instruments and *forward transactions* for the purposes of investment or efficient portfolio management.

*Forward transactions* may also be used with the aim of reducing currency risk for currency hedged share classes.

## about the fund

The Global Dynamic Equity Fund is a focused and flexible global equity solution that combines both manager selection and *active asset allocation* in a single fund. The Fund will provide access to a diversified portfolio of high quality investment managers, each running a specialist regional or country-specific *mandate* across the full global equity opportunity set. These managers have been carefully selected, blended and monitored by Skandia Investment Group's investment research team.

Skandia Investment Group's unique position and size in the market gives it unrivalled access to world-class managers, including those not otherwise available to individual investors.

The Fund benefits from the vast experience of Skandia Investment Group's investment research team, who take great care in selecting, blending, monitoring and replacing managers. The manager of manager approach employed within the Fund ensures that the underlying portfolios can be tailored to achieve the optimal overall blend while maintaining transparency and cost effectiveness. The Global Dynamic Equity Fund offers a cost-effective, one-stop solution for clients seeking diversified global equity exposure.

## asset allocation

as at 31 December 2009

Market	Strategic asset allocation	Controlled tactical asset allocation	Active position
North America	28.5%	26.5%	-2.0%
Europe inc UK	32.5%	28.5%	-4.0%
Asia Pacific ex Japan	17.0%	20.0%	3.0%
Japan	9.0%	9.0%	0.0%
Emerging Markets ex Asia	13.0%	16.0%	3.0%
Total	100.0%	100.0%	

The Global Dynamic Equity Fund uses the MSCI AC World GDP Index for the strategic asset allocation.

Around the strategic benchmark, a controlled tactical asset allocation approach is taken which allows the portfolio managers to increase or reduce exposure to a particular region depending on its current attractiveness.

This flexibility allows the allocation to each region to flex by up to 30% either side of the target weight but not to exit regions entirely. This framework ensures an appropriate level of investment flexibility while managing benchmark risk effectively.

## fund facts

For Skandia Investment Group administered business only. These details are specific to the OEIC. Some or all of the fund fact information below will differ for investments made via other Skandia products.

Launch date	27 March 2009
Launch price	50 pence
Share price as at 31 December 2009	70.44 pence
Fund size as at 31 December 2009	£805.5m
IMA sector	Global Growth
Benchmark	MSCI AC World GDP Index
Initial Charge	5%
Annual Management Charge	1.50%
Total Expense Ratio (estimated)*	1.99%
Minimum Investment	£1,000 lump sum £50 monthly regular investment
Share class	Sterling accumulation
Valuation point	12 noon UK time
ISA eligibility	Yes
SEDOL	B55N934
ISIN	GB00B55N9343
MEXID	SINGLDE
XD dates	31 December and 30 June
Payment dates	28 February and 31 August
Fund structure	UCITS

\*As this fund was less than a year old when figures were last calculated, this is an estimated figure.

## manager profiles

### US Equities

#### Epoch

Large-cap *value mandate* – a boutique manager focusing on high quality companies with strong and sustainable *cash flow*. The experienced, close knit investment team led by David Pearl adheres to a thorough and in-depth research process, and will not invest if they cannot obtain a satisfactory *cash flow* analysis. Epoch takes a pragmatic view on good investments from a *style* perspective and is not rigidly focused on pure *value* stocks. Fund Manager David Pearl.

#### Marsico

US all-cap growth *mandate* – a focused portfolio blending both *top-down* and detailed stock-level research to identify attractive growth opportunities. Marsico is a 100% employee owned boutique with an impressive, experienced investment team. Fund Manager Cory Gilchrist.

#### QMA

US *value mandate* – their approach focuses on attractively priced, out of favour companies, based on the view that investors tend to over-emphasise the negative characteristics of stocks and therefore drive prices lower. This enables QMA to benefit from the re-rating once the market recognises this under-valuation and prices recover over time. This disciplined, diversified investment approach has been in place for over 25 years. Fund Managers John Leib and Deborah Woods.

#### Acadian

US *alpha mandate* – a *quantitative* approach assessing multiple factors that results in a *style* that does not look to be either *value* or growth. This investment process which centres on the belief that markets are inefficient due to behavioural reasons has been adapted to cater for the changing investment environment and is focused towards outperformance but at the same time managing the risk taken in the portfolio. Fund Manager Terry Burnham.

## European Equities

### Argonaut

European *alpha mandate* – a high conviction portfolio that seeks to exploit opportunities wherever the manager finds them in the market. Quality of analysis rather than quantity is the approach and the focus is on fundamental company research. Fund Manager Barry Norris.

### Alliance Bernstein

European *value mandate* – a high conviction, *value*-orientated approach structured to make optimal use of their in-depth research. Their *value* philosophy is based on market inefficiencies. Through the use of their fundamental research capabilities they can identify companies that are being mispriced by the market, giving them the opportunity to buy the greatest amount of long-term earnings for the best price. Fund Manager Graeme Griffiths.

*Following the departure of Dirk Enderlein from Allianz RCM (who managed part of the European portfolio), State Street have taken control of this mandate and are currently managing it passively.*

## Asia Pacific ex Japan Equities

### First State

Pacific *mandate* – targeting an attractive blend of growth, quality and value, this portfolio is managed with an *absolute return* focus by a highly talented and successful team. They will not follow consensus or be driven by the index, enabling them to explore ignored areas of the market. Fund Manager Alistair Thompson.

### MIR

Asia Pacific *mandate* – an extremely high quality investment team targeting *value* and *momentum* using both *quantitative* and, to a lesser extent, *qualitative* research. An enormous amount of academic research backs their approach, with key academics in the team. Fund Manager Kenny Tjan.

## UK Equities

### Schroder

UK *alpha mandate* – a thematic focused portfolio that aims to add value regardless of which *style* of investing is in vogue. Fund manager, Richard Buxton, aims to identify potential beneficiaries of broad structural change (ie deregulation within an industry) that have been poorly recognised by the market. Fund Manager Richard Buxton.

## Japanese Equities

### FuNNeX

Japanese equity *mandate* – managed by a highly talented fund manager who believes that stocks with low valuations and strong company fundamentals will outperform the market. The high *alpha, value* orientated portfolio targets excess returns. Fund Manager Akira Yoshimi.

*Please note that the Investment Adviser is Dalton Capital (Guernsey) Limited and Dalton Strategic Partnership LLP (Dalton). FuNNeX Asset Management, Inc. provides investment advice on a non discretionary basis to Dalton.*

## Emerging Markets ex Asia Equities

### Gartmore

Emerging markets ex Asia *mandate* – a risk-controlled approach aiming to outperform in all market conditions. Their philosophy lies in the pursuit of the unexpected, with the team seeking to identify companies that will generate earnings that exceed or can be sustained beyond market expectations. Fund Manager Chris Palmer.

## International indices via exchange traded derivatives

### Bank of New York Mellon

Responsible for implementing an element of the controlled tactical asset allocation strategy within Global Dynamic Equity Fund.

## glossary

**Absolute return** – Absolute return funds look to make positive returns whether the overall market is up or down.

**Active asset allocation** - Strategy where the manager makes specific investments away from the *benchmark* with the goal of outperforming an investment *benchmark* index.

**Alpha** - A measure of excess return against the *benchmark*.

**Benchmark** - A standard against which the performance of a security or fund can be measured. The benchmark could be an index or the average for all similar funds, also known as the sector average.

**Cash flow** - The amount of cash a company generates and uses during a given period. Cash flow can be used as a measure of a company's financial strength.

**Derivative** - A derivative is a contract between two or more parties whose value is derived from a related asset.

**Forward transactions** – an agreement to buy or sell assets for delivery at a certain time in the future for a certain price (also known as futures).

**Mandate** - Our structure allows us access to the skills of managers in the institutional or corporate market as well as managers who are already available to individual investors through retail funds. Managers that we select in the institutional market are asked to manage a mandate (essentially this is simply a written agreement between us on how we want our investment to be managed on our behalf).

This allows us to control the investment boundaries, including the types of investment and the level of risk we want the manager to take. By tailoring the mandate we can also get each manager to focus on the areas where we think they are most skilled - giving them the best chance to outperform.

**Momentum** - Investment based on a rising trend in a company's earnings or price movements. A momentum manager will seek to ride out the trend and sell the stock once it has peaked.

**Qualitative analysis** - Analysis that uses subjective judgment in evaluating securities based on non-financial information such as management expertise, strength of research and development and employee relations.

**Quantitative analysis** - An approach to investment management which seeks to use statistical or numerical methods rather than more subjective (or qualitative) factors.

**Style** - The investment approach a manager takes to achieve his or her objectives.

**Thematic** - A fund manager may construct a portfolio by weighting it towards particular industries or sectors expected to benefit from demographic, social or other changes. This is known as thematic investing.

**Top-down** - An investment approach where an investor looks at a country's economy before considering an industry to invest in. Next, they determine what industries or sectors will return well because of the economic conditions and, finally, they then buy stocks that are attractive within that industry.

**Value investing** - A value investor is one who seeks to buy shares when they are under priced and to take profits when they appear over valued. The P/E (Price/Earnings Ratio) is a key measure for the value investor. Deep value refers to stocks with particularly strong value characteristics.

## important information

What you get back will depend on investment performance and is therefore not guaranteed. The value of investments and any income from them can fall as well as rise as a result of market and currency fluctuations.

The past performance of an investment is not a guide to future investment performance.

You should appreciate that there are inherent risks in all types of investment. There can be no guarantee that the objectives of the Fund will be achieved.

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The Authorised Corporate Director for the Skandia Global Dynamic Equity Fund is Skandia Investment Management Limited.

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