

SUMMARY:

The end of 2014 was a generally positive month for UK investors with all major markets producing positive returns. Unlike in previous months, it was generally European markets that led the way while the US lagged. Markets reacted positively to news from the European Central Bank of a programme to purchase sovereign bonds, which exceeded market expectations. Concerns over a possible Eurozone breakup after the Greek elections appeared to have little negative impact. Outside of the EU there was a surprise announcement from the Swiss Central Bank when they dropped the Francs peg to the Euro, causing the Franc to soar in value and turbulence across Swiss markets.

In contrast the US was one of the poorer performing markets, as weaker than expected fourth quarter earnings were released. UK markets meanwhile received a slight boost on the back of ECB announcement, whilst Japan and Emerging Markets both performed well in sterling terms.

It was another quiet month for funds on the Select 100 with only five issues identified none of which were deemed to require investor action.

SUMMARY OF GOVERNANCE FINDINGS:

	This Month	Last Month	Since Last Review
Total Events	4	2	34
Critical Events	0	0	0
Noteworthy Events	4	2	34
No. Removed from Select 100	0	0	0

CRITICAL EVENTS:

These are events that require immediate action. This will centre on funds that have been removed from our short list because we feel there is a significant risk of them performing in a way that would be extremely detrimental to their present and future value.

- There are no critical events this month.

NOTEWORTHY EVENTS:

These are events that we deemed serious enough to warrant further investigation.

Fund Name: Henderson European Selected Opportunities

Event: The fund has seen large inflows over recent months, with £62 million added in December and £500m in total during 2014. Assets under management is now approaching £2 billion.

Investigation - Spoke to fund manager: Over 80% of the fund is invested in companies with a market cap of over £20bn, this ensures there are no concerns regarding liquidity. Cash is used only for transactional purposes as the fund aims to be fully invested. The fact the cash weighting has remained so low through the year (below 5%) suggests no problems in absorbing the inflows.

Conclusion: The managers have had no problems investing this cash, helped by the fact that 80% of their holdings are at the large end of the scale, and the cash weighting has remained extremely low. There is no cause for investors to take action.

Fund Name: CF Lindsell Train UK Equity

Event: There has been a change in the group from Capita Financial Managers to Lindsell Train Ltd.

Investigation - Analysis of fund: Capita Financial Managers provide front office and back-office administration services to Asset Management companies. Despite being the Authorised Corporate Director of the fund since inception, Nick Train was the only person responsible for the funds management since inception. Therefore the change in the group name has no impact on the fund management. It just clarifies which company is responsible for the management of the fund. Lindsell Train Ltd is the company co-founded by Nick Train and Michael Lindsell.

Conclusion: Investors will not be impacted by the change.

Fund Name: M&G Index Linked Bond

Event: The fund has been flagged up due to a change in behaviour which has seen the fund behaving more in line with its peers.

Investigation - Analysis of fund: With the decrease in US and UK government yields in 2014, correlation between debt securities has increased. They have performed extremely well, especially in the second part of the year. The fund's volatility and that of the IA UK Index Linked Gilts have reached the same level, provoking the tracking error to fall.

Conclusion: This is a natural consequence of market movements and investors should not be concerned.

Group Name: Threadneedle

Event: Threadneedle is going through a rebrand to become Columbia Threadneedle Investments.

Investigation - Spoke to fund manager: Threadneedle is going through a rebrand to become Columbia Threadneedle Investments.

Investigation - Spoke to fund manager: Both Columbia and Threadneedle are owned by Ameriprise. Columbia has offices in nine cities in the US and is the 11th largest long-term fund manager in America. [Threadneedle is 5th largest retail manager in UK]. Together they have \$505bn under management out of \$797bn of funds in Ameriprise.

This is essentially a marketing move for the benefit of business in Asia, where they believe the name of Columbia has greater weight. The idea is the new brand will express greater depth of their research capabilities and a greater footprint and scale. The Threadneedle branding will remain in the UK.

The Threadneedle team have access to the research of their Columbia equivalents but have had so for over a year, so nothing has changed here. There is no change to the structure or investment process of Threadneedle.

Conclusion: This is a rebranding exercise which does not affect how the UK funds are run so there is no need for investors to take action.