

PORTFOLIO TURNOVER LEVELS ABOVE 94% FOR QUARTER OF ALL FUNDS

Lipper Fitzrovia's latest report on portfolio turnover levels for Unit Trusts and OEICs reveals that half of all actively managed equity funds in the UK have an annual portfolio turnover below 58.4%, while a quarter have a portfolio turnover above 94.7%.

This indicates that the typical holding period for stocks in UK funds is 21 months. The 25% of equity funds that are most actively traded have an average holding period of 13 months.

Generally, those funds investing either globally, or solely in the UK, have lower median portfolio turnover, 64.5% and 55.3% respectively. This compares with funds investing in Europe, Japan and North America with median portfolio turnover of 81.0%, 88.3% and 88.1%.

Interestingly, funds with Ethical or Socially Responsible investment policies have the lowest median portfolio turnover of 38.4%.

Ed Moisson, Director of European Fiduciary Operations at Lipper Fitzrovia, said, "Monitoring portfolio turnover levels by fund companies is essential to help demonstrate that funds are being managed in the long-term interests of investors. Acting in investors' interests is a fiduciary responsibility.

"Fund companies can use this research to compare their own portfolio turnover levels against the levels of their competitors. And Multi-Managers in particular can use the information as part of their fund selection process."

Portfolio turnover is crucial in establishing whether, or not, a fund is doing "what it says on the label". High turnover for a fund claiming to be very actively managed is a good indication that it is being managed in the anticipated way but above average turnover levels for a conservative style fund should raise questions.

Portfolio turnover is also a key driver of trading costs. While such costs are not disclosed to retail investors, it has been estimated that a fund with a portfolio turnover of 100% during the course of a year would be expected to incur trading costs of approximately 1%.

Additionally, investors in UK companies continue to be at a relative disadvantage globally because they also have to pay stamp duty (0.5% on purchases of shares in UK companies).

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Notes to Editors

Table 1. **Quartile analysis of portfolio turnover**

Note: actively managed equity funds only

Quartiles:	1st P/T Quartile	2nd P/T Quartile	3rd P/T Quartile	4th P/T Quartile
Sector:				
All sectors	Up to 33.1%	Up to 58.4%	Up to 94.7%	Over 94.7%
UK only	Up to 31.5%	Up to 53.7%	Up to 79.9%	Over 79.9%

Table 2. **Portfolio turnover by IMA sector**

(Note: index trackers and funds of funds have been excluded from this analysis)

IMA Sector	Median P/T
Active Managed	46.8%
Asia Pacific Ex-Japan	74.7%
Balanced Managed	49.9%
Cautious Managed	44.3%
Europe Excluding UK	81.0%
Global Emerging Markets	59.6%
Global Growth	64.5%
Japan	88.3%
North America	88.1%
UK All Companies	55.3%
UK Equity Income	51.3%
UK Smaller Companies	48.7%

1. "Benchmarking UK Portfolio Turnover" covers over 1,600 Unit Trusts and OEICs, with over £316.8 billion in total net assets. Over 155 asset management companies are represented. Copies of the report are available at a cost of £3,499 from Lipper Fitzrovia, telephone 020 7307 1444.
2. Consistent methodology used for the calculation of portfolio turnover: the lesser of purchases or sales over one year, divided by average total assets for that year.
3. The report was completed in December 2006 and analysed latest available financial statements, generally from year-end 2005 and the first half of 2006.
4. Lipper, a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments including mutual funds, retirement funds, hedge funds, fund fees and expenses to the asset management and media communities. Covering 150,000 share classes and over 80,000 funds located in 56 domiciles, Lipper is the world's leading fund research and analysis organisation. It provides the free Lipper Leader ratings for mutual funds registered for sale in 20 countries. Additional information is available at www.lipperweb.com.