

Multi-manager cash positions at lowest level for over 18 months

The latest edition of Defaqto's free multi-manager guide shows the increasing confidence of multi-managers in the market, with cash positions being at their lowest levels for more than 18 months.

The worsening economic forecasts brought about by the credit crunch led many managers to take a much more defensive stance by increasing cash weightings. Looking specifically at the Investment Management Association managed sectors, multi-manager funds had hit a peak in terms of cash positions by January 2009.

At that time, the IMA Balanced Managed sector showed an average cash position in multi-manager funds of 9%, whereas the cautious managed sector was as high as 11.9%. Only a year later, January 2010, we have returned to more normal levels of cash weighting with Balanced Managed at 5.1% and cautious managed at 6.8%.

Report author and Insight Analyst Fraser Donaldson commented: "These average figures are probably what you would expect given the path of the markets over the last year or so. As ever though, the devil is in the detail. In these sectors at the beginning of July 2008, around 10% of multi-manager funds had a 20% or greater position in cash and by January 2009 this had risen to almost 15% before falling back again to the current position of less than 2%. Some of these cash positions at times touched 40% and 50%."

Mr Donaldson warned that although there is nothing wrong with multi-managers taking big bets on staying out of the market in cash, it is essential that advisers are aware that this can happen and keep themselves up to speed with current asset allocation positions.

"Advisers must be aware that unusual and uncertain markets can lead to unusual asset allocation decisions. There are risks associated with this, in that timing might be wrong and a recovery missed. Worse, clients and advisers might expect their fund to be more or less fully invested, taking care of cash exposure elsewhere. This will magnify any incorrect decision."

The guide can be downloaded at www.defaqto.com/adviser/ifa/guides

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Notes to editors:

Fraser Donaldson joined Defaqto in November 1994. Prior to joining Defaqto, Fraser worked for national IFA Towry Law where he was involved in building best advice panels for investment products and was instrumental in setting up the Towry Law Discretionary Management Service in partnership with Mercury Asset Management (now Merrill Lynch). Fraser heads up the Investment Research Team specialising in Unit Linked Single Premium product both offshore and onshore, as well as collective investment schemes both offshore and onshore, as well as their 'wrappers'. Fraser also helps in the qualitative analysis of industry investment teams to support our consultancy division. www.defaqto.com/media-centre/fraser-donaldson

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