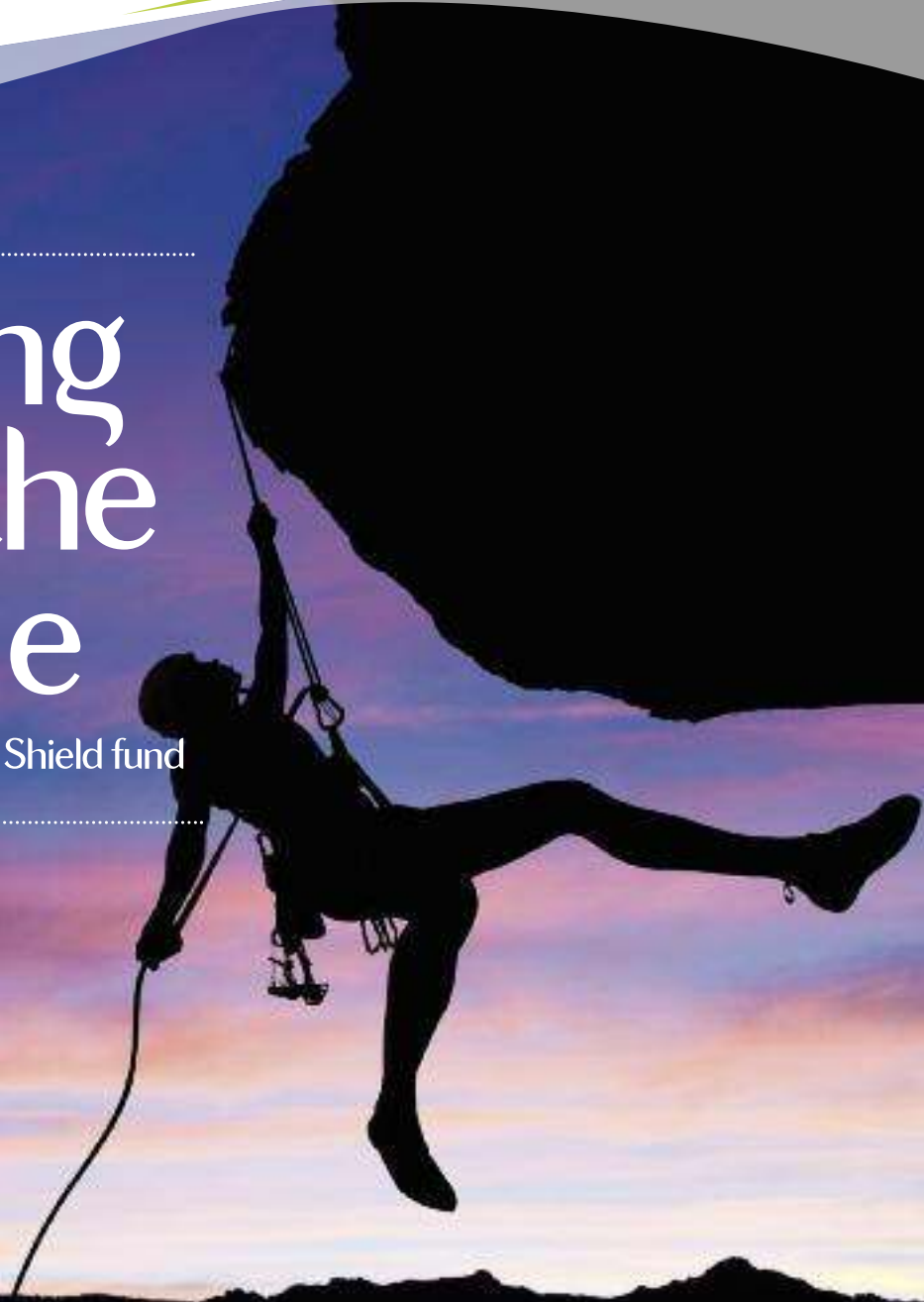


informe

Quarter 4 2011

protecting against the downside

preview of the innovative Skandia Shield fund





professional trustee expertise, free of charge

Choosing a trustee is an important decision for any client. They must be reliable, objective and able to understand the complexities of administering a trust.

For a limited period only, you can offer your clients the opportunity to benefit from the convenience and expertise of appointing the Royal Skandia Trust Company as a corporate trustee, completely free of an annual charge

For new bond applications with premiums of £200,000 or more, and which request that Royal Skandia Trust Company is appointed as corporate trustee, the annual £300 fee will be waived for the life of the trust. Plus, there is no establishment fee either.

So now you can turn a vital decision for your clients into an easy one.

For more information, **contact your Skandia International Sales Consultant.**

welcome to the quarter four 2011 issue of **informer**

The great thing about this industry is that there are always new opportunities and challenges, and some not so new challenges. The turbulent markets will no doubt set the context for Q4. In this edition we bring you a summary of the findings from our Adviser Sentiment survey that we carried out in July. We got over 300 responses, and probably not surprisingly, the majority had most confidence in their own local economies. Better the devil you know?

As you'll know, Richard Rogers, Skandia International's sales director, has decided to move onto pastures new. I have worked closely with him for 15 years. I'd like to take this opportunity to personally thank him for his immense contribution to the business. Like many, I will miss Richard. Read his



article on his reflections about the industry and his career on page 9.

As we open the next chapter for Skandia International, I'm excited about the future. We've got some great initiatives coming for you, and as a key part of Old Mutual, we have an opportunity to develop into new areas for us. I hope that our success, thanks to your support, in the 2011 International Adviser awards is a demonstration of our ongoing commitment to you and your clients. It was particularly pleasing to see that we were the only company with awards in all three categories – Asia, Middle East and the UK.

In total, we were awarded the following:

- Best for adviser support/customer service – Middle East
- Best single premium investment product – Middle East, for our Executive Redemption Bond.
- Best online proposition – Middle East
- Best online proposition – UK offshore
- Best trust/estate planning product – UK offshore, for our Loan Trust
- Best trust/estate planning product – Asia, for our Discounted Gift Trust

My best wishes for a strong Quarter Four

Michelle Andrews
Commercial Director

Skandia International, part of the wealth management business of Old Mutual plc, is the international group of companies which provides the offshore and cross-border investment solutions for the Old Mutual Group.

The views expressed by external contributors are not necessarily those of Skandia.

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

This document is based on Skandia's interpretation of the law and practice as at July 2011. While this interpretation is believed to be correct, Skandia can give no guarantee in this respect or that tax reliefs and the tax treatment of investment funds will remain the same in the future. The value of any tax reliefs will depend on individual financial circumstances.

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shielding your clients against loss



Coming soon, the innovative Skandia Shield Fund will offer portfolio bond investors the potential for capital growth while protecting at least 80% of their original investment.

Dean Bowden outlines the benefits.

The Skandia Shield Fund will offer portfolio bond investors access to Skandia Investment Group's (SIG's) leading risk-targeting and asset allocation capabilities, together with 80% protection of the highest-ever price the fund achieves. This means that at least 80% of any money invested in the fund will be protected against losses. Given the turmoil seen in financial markets for much of this year, the appeal of downside protection is stronger than ever for many investors.

In partnership with SIG, Shield is provided by Commerzbank, Germany's second-largest bank. While protected funds are not a new concept, Shield takes a different approach from others in the market.

targeting volatility

Unlike most protected funds, Shield has a volatility target, against which SIG actively manages the fund's asset allocation in order to maximise investment returns for the targeted level of risk. SIG sets the asset

Shield enables investors to take advantage of capital growth opportunities offered by global stock and bond markets but limits the extent of any potential loss

allocations within a portfolio comprising a diversified basket of market assets (equities and fixed income) which is combined with a cash holding, adjusting the mix so that the fund will benefit as different assets perform well during different economic conditions.

For example, when markets are very volatile, the portfolio will have low allocations to risk assets (especially equities) and more in cash, while the opposite will be true when markets are exhibiting low volatility. This active asset allocation policy contrasts with most protected products, which tend to be passively managed with fixed asset allocations.

Specifically, Shield targets risk and return over rolling 20-day periods. Because it uses a short-term volatility target, the protection element can be managed effectively and can also help deliver better risk-adjusted returns. This is illustrated by the chart below, which shows that, over short-term periods, equity returns are more likely to be positive in low volatility environments and negative in high volatility environments.

This is particularly interesting at the extremes in which very high volatility often coincides with large negative returns (see the shaded area of the chart) – the correlation between negative returns and high volatility is 0.3 over the last 22 years. This doesn't mean that it works all the time, but it is statistically significant and one can say with quite a lot of confidence that, provided asset allocation changes can be implemented swiftly and effectively, using a short-term volatility target can improve risk-adjusted returns.

From the fund's launch until 24 August 2011, despite very challenging market conditions in which world equities are down 6%*, Shield is up 0.1%.

a flexible approach

The Shield Fund's price is based on the performance of the portfolio, ie both the basket of market assets and the cash holding. The fund does not hold these assets directly, but gains exposure to their performance via a combination of cash alternatives and derivatives, which is more efficient and helps minimise trading costs. The protection element of the fund is provided by a protection asset, which is independent of the fund's asset allocation strategy. This structure has several advantages;

- First, because the protection asset is held separately, the allocation to the basket of assets can be adjusted at any time, allowing the fund to benefit from market upturns. Less flexible funds, which rely on moving to cash after markets have fallen, cannot take advantage of market recoveries as effectively and may even become 'cash locked' if equity markets have suffered a prolonged downturn.
- Second, the protection asset can be realised at any time, not just at the end of a set term.
- Finally, the protection asset has a real value. After paying the annual premium, there is potential to recoup those costs and even to make a profit, unlike most protected products, where fees are paid away and only add value if protection is actually needed.

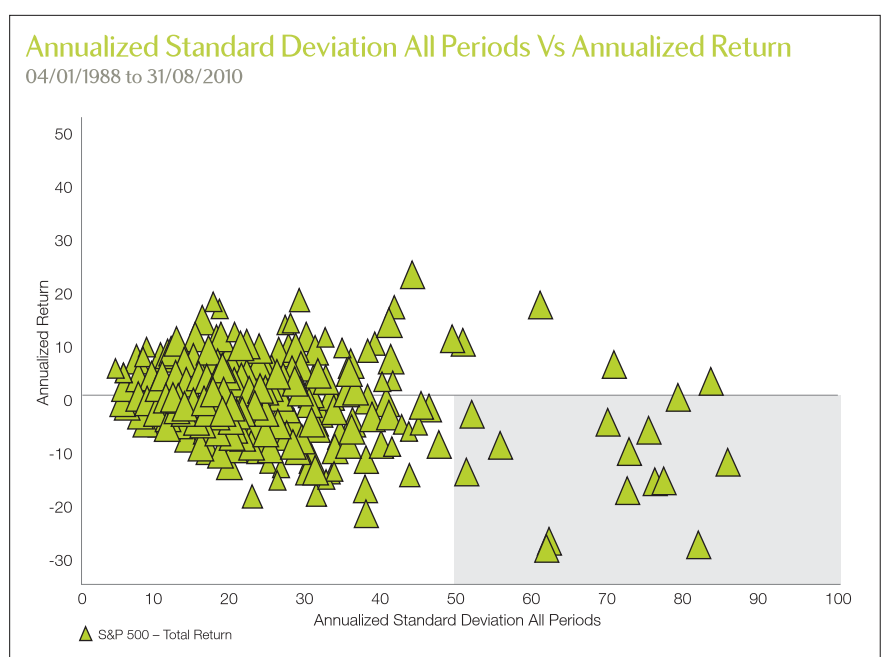
While most protected products have a fixed term, Shield is priced on a daily basis, giving investors immediate access to their money and allowing for regular contributions and top-ups as required. Shield also differs from many competitor products by receiving a total return from its underlying investments; ie any growth, dividends and interest are reinvested to boost the value of the fund.

In summary, Shield offers numerous benefits. It enables investors to take advantage of capital growth opportunities offered by global stock and bond markets but limits the extent of any potential loss caused by market declines. At all times, 80% of the fund's highest-ever price is protected. This means that, right from the day of purchase, investors will know the minimum price they will receive if they choose to sell the fund, which they can do at any time. As the fund's value increases, so does the minimum share price.

The fund should therefore prove attractive to investors who need some certainty but also opportunity. This might include people who:

- are approaching or are in retirement
- are nervous about exposing their savings to stock markets for the first time but are looking for more than cash returns
- have a specific liability target they cannot afford to miss, such as school fees. ●●

More details and launch date coming to you soon.



*as measured by the MSCI AC World Index

top-up of the QROPS

How should existing QROPS holders increase their retirement funds? **Rachael Griffin** considers the possibilities.



Where a client has already consolidated their UK tax-relieved pension money into a QROPS, what opportunities are there for them to continue building a fund for retirement? For a UK-domiciled client who is comfortable to lock in their additional contributions until at least retirement age (55 at the earliest) it may be inheritance tax efficient to make additional contributions to their existing QROPS.

However, not all providers will allow this. Some may insist your client sets up a new QROPS or investment product.

Technically, there is no reason why non-UK tax-relieved money cannot be added to an existing QROPS. However, what is important is that the UK tax-relieved and non tax-relieved funds are accounted for differently.

This is key because of the QROPS provider's statutory obligations to report certain events within the first five tax years after the

member becomes non-UK tax resident. Such as, for example, the requirement to ensure that 70% of the Member's UK tax-relieved scheme funds are earmarked to provide a pension for life.

Also, if the client were to become UK tax resident in the future, the UK tax-relieved funds would be subject to certain restrictions – for example the amount of pension commencement lump sum that can be taken – whereas the non-UK tax-relieved funds would not.

In order for an overseas pension scheme to be regarded as a QROPS, it must meet a number of prescribed conditions set by the UK authorities. Generally, this means the scheme must be established outside the UK and recognised for tax purposes by the country in which it is established. The QROPS must also be regulated as a pension in the country in which it is established. If it is unregulated, either:

(a) the scheme must be established in a Member State of the EU or in Norway, Iceland or Liechtenstein, or

(b) the scheme's rules must ensure that at least 70% of a member's UK tax-relieved scheme funds will be used to provide an income for life.

QROPS pension benefits (with associated lump sums), payable to the member under the scheme from the transferred funds, may not become payable earlier than the normal minimum pension age in the UK, currently set at 55. The scheme manager of the QROPS must also notify HMRC when they make a payment within the first five tax years of a member becoming non-UK tax resident.

//
As with any financial products, QROPS are not for everyone, so each client should be assessed individually.
..... //



Contributions paid into a QROPS will benefit from UK inheritance tax exemption, which of course could mean an immediate tax saving from a potential 40% tax liability if your client were to die. That said, it is crucial that top-ups paid into a QROPS are reasonable in nature. This is to ensure that UK HM Revenue and Customs does not impose anti-avoidance legislation and negate the potential tax savings.

Take, for example, a client with five to ten years to retirement, who makes a number of ad hoc additional contributions of, say, £20,000, and whose lifestyle is not affected by these payments. It's clear that they would be considered very differently from a client who has been diagnosed with a terminal illness and places all their liquid assets in the QROPS.

As with any financial products, QROPS are not for everyone, so each client should be assessed individually. Circumstances specific to each client such as age, residency, domicile, future plans and willingness to lock in additional contributions will all need to be considered when selecting the best retirement option for the client.

What is certain is that, when suitable, QROPS will give people who live abroad (or are planning to relocate prior to retirement) a clear and easy way to consolidate the UK pension assets they have gathered throughout their working lives in the UK. Where appropriate, they can also make additional contributions in an IHT-efficient manner. ●

Introducing Quantum Lite, a new QROPS proposition

We are delighted to announce an exclusive new fee structure agreed with the Concept Group for the co-branded Aurora Quantum QROPS

Known as Quantum Lite, the new fee structure is aimed at clients with transfer values of less than £75,000 at which level many current QROPS fee structures may be prohibitive. The exclusive new charging structure makes the Quantum Lite proposition amongst the most attractive QROPS of its kind and, furthermore, for clients with longer to go until retirement, charges are further reduced.

The arrangement has a one-off set up fee of £295, which includes one transfer. The ongoing annual charge ranges from £295 for those aged 45 and under, £395 for 46 to 50 year olds and £495 for applicants over the age of 51.

An additional feature of Quantum Lite will enable investors to make lump sum top up contributions for an initial £150 fee and £150 additional annual charge.

Our research has indicated that clients with smaller pension pots also want to benefit from the flexibility of QROPS but needed a more cost effective solution. It also high-lighted that clients want to continue to contribute towards their retirement whilst consolidating their existing pension arrangements and both Aurora Quantum and Quantum Lite can now address these needs, irrespective of the size of the transfer amounts.

For more details, contact your Skandia International Sales Consultant.

bore it, build it, buy it

The urban migration of populations in the emerging economies is creating exciting new openings for investors. Peter Kirkman of J.P. Morgan Asset Management looks at a choice of themed funds to take advantage of the mass migration trend.



The United Nations anticipates that by 2030 almost 60% of the planet's inhabitants will live in towns and cities. Emerging urban populations are projected to grow between 133% and 150% faster than current overall population growth, with more than 350m people – six times the population of the UK – moving to the cities between 2010 and 2015.

Urbanisation is being driven by the industrialisation of emerging nations. People are lured to urban centres by the prospect of better wages and improved quality of life. This in turn increases demand for goods, leading to further industrialisation and the creation of more jobs – the virtuous circle of emerging market development.

This mass migration is creating long-term opportunities for investors, as companies in developed and emerging markets alike are benefiting from predictable demand shifts resulting from the emerging market urbanisation trend.

new city dwellers, new development

In 1975 the United Nations estimated that only three cities had a population of more than ten million people: Tokyo, New York and Mexico City. By 2005, that number had risen to 20, and by 2025, the UN estimates the total will be 29. Of these, 24 will be in the emerging world. By 2050, emerging market city dwellers are expected to make up 83% of the world's urban population.

Urbanisation means emerging markets have readily available labour forces, keeping wage costs cheap and allowing companies to expand rapidly – key competitive advantages in the global marketplace.

However, the influx of new inhabitants places a strain on basic services in the cities. As a result, investment in power stations, airports, railways and other infrastructure has become a key priority for regional businesses and governments.

chart 1: 350m people headed for the cities

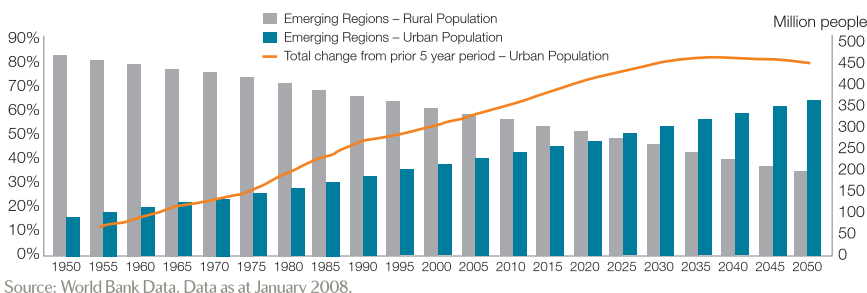
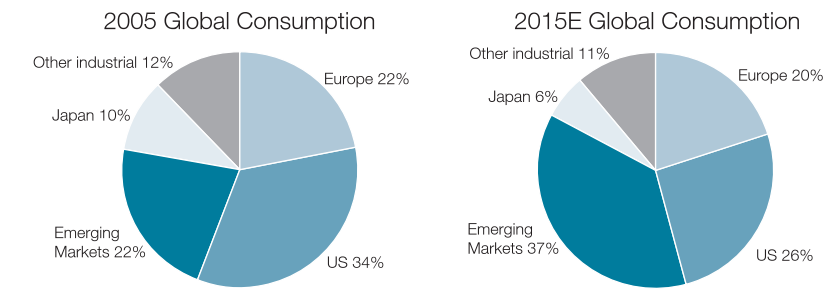




chart 2: Emerging markets will dominate future consumption



Source: Credit Suisse, Economics department research.

For investors, the infrastructure theme offers broad opportunities across multiple emerging market sectors, from airport operators to financing providers, in a tangible growth area.

new consumers, new spending patterns

As emerging market citizens move to urban areas, their spending patterns change, driving demand for products ranging from disposable nappies to mobile phones. They demand better healthcare and living standards, whether through better hygiene, access to cheaper drugs or the wider availability of health insurance.

Meanwhile, higher wages in the city boost disposable incomes and fuel aspirational spending. This benefits luxury goods labels and global brands as consumers aspire to own the same brands as their western peers. In 2007, emerging market consumers began to outspend their US counterparts. By 2015, they are forecast to account for 37% of global consumption.

Tapping into these shifting spending patterns offers compelling investment opportunities.

Even during the financial crisis, emerging market consumers kept buying, helping to buffer many emerging economies from the global recession. While sales of consumer goods in developed markets fell 14% between 2007 and 2009, demand in emerging markets grew by 11%.

accessing the mass migration theme

Theme funds seek to take advantage of sustainable, long-term investment trends, including the virtuous circle of development and consumption resulting from mass migration in emerging markets. At J.P. Morgan Asset Management, we offer three funds that are particularly well placed to benefit from this trend.

bore it

JPMorgan Funds – Global Mining Fund taps into the demand for raw materials, which is

expected to grow rapidly, while supply is constrained by the escalating cost of extracting raw materials.

The fund benefits from a proven investment process honed over 45 years by our natural resources portfolio managers and analysts, who conduct over 1,000 company meetings a year to find the most attractive mining stocks.

build it

The need for infrastructure development is creating attractive long-term investment opportunities. The JPMorgan Funds – Global Infrastructure Trends Fund finds the stocks best positioned to profit from this trend.

The fund is free to invest wherever infrastructure trends are driving profits. This could be in companies benefiting as emerging markets build the infrastructure to support growing urban populations, or those set to profit from shifting infrastructure trends in the developed world.

buy it

The JPMorgan Funds – Global Consumer Trends Fund seeks to capitalise on long-term changes in consumer spending. The fund benefits from both structural shifts in western spending patterns and the rising power of the emerging markets consumer, focusing on three key drivers of global consumption: Demographics & Urbanisation, Aspiration and Health & Wellness.

The key for investors is to have access to these investment themes, supported by the confidence that J.P. Morgan Asset Management has the skills, resources and proven results to take advantage of attractive opportunities.

The JPMorgan Global Consumer Trends Fund will be launching shortly on the Royal Skandia fund range. The JPMorgan Global Mining Fund and JPMorgan Global Infrastructure Trends Fund are both accessible through the Skandia International portfolio bonds (Executive Bond and Collective Bond).

Peter Kirkman is Portfolio Manager for the JPMorgan Funds – Global Consumer Trends Fund.

¹Source: United Nations ²Source: United Nations ³Source: Credit Suisse ⁴Analysis based on 254 members of the MSCI All Country World Consumer Discretionary Index. Sources: Company reports, MSCI, Compustat, Worldscope, Bloomberg, J.P. Morgan

enter the dragons



Tom Stevenson, Investment Commentator at Fidelity International, introduces two newcomers to the Skandia offering.

Fidelity Funds Global Real Asset Securities Fund

Invest in real assets to combat inflation

After years in which the inflationary dragon lay slumbering, it has woken with a vengeance. Inflation has become impossible for investors to ignore – and with oil and food prices high and rising, it looks likely to remain a threat for some time to come. For investors, this presents a challenge, as inflation erodes the value of assets and cash flows. What can they do to protect themselves from rising prices? In attempting to inflation-proof portfolios, investors might consider an allocation to so-called ‘real assets’, the value of which is directly linked to rising prices.

Real assets (such as gold, copper mines, oil fields, real estate and land) have intrinsic value, and their value is less likely to be eroded by inflation. Basic resource stocks have outperformed the broad index in each of the last five years of rising inflation in Europe, while oil and gas stocks outperformed in four out of the five periods. Meanwhile, real estate and infrastructure both offer bond-type cash flow streams, which can be extremely attractive in times of inflation, when the value of coupons from bonds themselves is being whittled away.

An extra advantage is that the gearing inherent in most property investments acts in favour of these assets during bouts of inflation; the real value of the debt used to fund their purchase decreases as the capital value of the asset increases.

For an astute investor, this represents a valuable opportunity, and today there are direct ways to play this theme, such as the Fidelity Funds Global Real Asset Securities Fund. This fund invests in securities backed by real assets within the energy, materials, industrials, real estate and utility sectors.

The fund is relatively concentrated, with around 50-70 stocks. Amit Lodha, manager of the fund, may choose any company in the relevant sectors, regardless of size or location. An important step in Amit’s analysis involves meeting companies up and down the value chain to build a better picture of the forces impacting their profitability. Also, Fidelity’s global pool of research analysts enables him to search for the areas of greatest pricing power and competitive advantage. This often leads to some of the best investment opportunities at each point in the economic cycle.

It is worth emphasising that real assets function as more than just an inflation hedge within a portfolio. In developing an allocation to commodities, basic materials, industrials, energy, real estate and infrastructure, investors are also inherently tapping into the growth potential of emerging markets. The demand for, and supply of, many of these assets are key components in the long-term emerging markets investment case. What’s more, while the emerging market economies may have stalled recently, the long-term development story remains compelling. ●

Fidelity Funds China Consumer Fund

Capturing the buying power of China's expanding consumer sector

The dragon, of course, also represents China, and few would deny that this rapidly growing consumer market is an exciting and enduring investment prospect, offering 1.3 billion potential consumers and powered by a rapidly emerging middle class. China is still at a relatively early stage of its economic development, having only begun to shake off the dead hand of communism in 1978 under its then leader Deng Xiaoping. Although closing in on the US in terms of the overall size of its economy, in per capita terms (which matter more) China is still a relatively poor country with enormous potential to grow for years to come.

The potential is underlined by the significant disparity between economic output in the coastal areas of China and its interior regions. As the interior regions catch up through increased government focus, economic output is likely to rise. It is worth noting, too, that the number of urban households, as well as incomes, is set to significantly increase in China. The Chinese economy is currently at a turning point similar to those of Japan in 1969 and Korea in 1988. History has taught us that beyond this point the consumption intensity of the economy tends to begin rising significantly, as it moves away from a dependence on exports and towards domestic spending.

At Fidelity, we imagine the likely golden age of consumption in China as being supported by five pillars: the government's pro-consumption policies, robust economic growth and rising income, rising penetration of consumer goods and services, changing patterns in spending, and urbanisation.

Earlier this year Fidelity launched the Fidelity Funds China Consumer Fund. As its name suggests, the fund invests in companies involved in the development, manufacture or sale of goods

or services to consumers in China. The Hong Kong based portfolio manager, Raymond Ma, has a strong conviction that the Chinese consumption story offers investors unique potential. He firmly believes that this burgeoning area will outperform the broader Chinese market.

Supported by Fidelity's experience in Asia and its locally-based research team, Raymond aims to find the best consumer opportunities and outperform the MSCI China Index over a 3-5 year period. All this makes the Fidelity Funds China Consumer Fund the ideal investment vehicle for clients who want to gain exposure to this huge and developing story. ■

looking for 'the best of the best'



Prudential's **Robert Rountree** explores the mysterious East in search of hidden gems.

The IOF Dragon Peacock Fund is sometimes viewed as a China-India fund. Investors often ask, 'What is the Fund's current exposure to India, especially given India's inflation outlook?' Or, 'How is the Fund Manager positioning the Fund, given China's growth and property bubble concerns?'

While these are perfectly valid questions, we feel they do not really capture the essence of the Fund. This is not to say that such issues are ignored; macroeconomic, financial and market issues do show up on the investment radar, but through the prism of their impact on specific companies.

Instead, the Fund focuses primarily on identifying those corporate gems hidden away within two of the world's fastest growing economies, as well as those that look undervalued given these growth prospects. Whether the Fund is overweight or underweight, a specific economy is not its primary concern.

While this stance, in part, reflects Prudential's investment philosophy, there is also a solid practical reason for it. Because of the stage of economic development of each economy, some corporate sectors may be more developed in one than the other. In fact, some sectors might still be in their infancy in one, yet quite advanced in the other.

When it comes to insurance, computers and internet software companies, for example,

the investor has a greater choice if he (or she) looks towards China. But when it comes to diversified financials, consumer finance and IT service companies, the investor may be better advised to try India.

If wireless telecom, pharmaceutical and electrical utility industries are being considered, the exposure via Indian companies is much greater than in China alone.

Just as the Fund does not focus on economies, neither does it focus on sectors. A sector 'overweight' might easily be the result of the Fund seeing good value in just one stock. The Fund can, and does, take aggressive positions.

With both China and India being out of favour this year (China for even longer), equity valuations are quickly falling back towards attractive levels, suggesting that many of today's concerns are being rapidly discounted.

For a valuation-based fund, which focuses on attractively valued companies generating sustainable cash flows, that is good news indeed. We believe China and India are only at the beginning of their long-term growth potential. Both markets are emerging – so they are bound to be volatile. But a steady, value-based investment approach should give the prudent investor an exposure to this opportunity. ●

Indonesia – an attractive destination



Indonesia has been the darling of investors for the last few years. **Chow Wing Kin** from Prudential says it's easy to see why.

Not only is Indonesia's fiscal health one of Asia's strongest but its growth rate is one of Asia's fastest. Real GDP is forecast to rise at an average rate of 6½% per annum over the coming five years, bettered only by China and India.

There are many reasons for this solid performance. Indonesia's relatively young (and growing) working population continues to underpin strong domestic demand, while the low dependence on exports attracts investors seeking refuge from a possible global economic slowdown. Domestic consumption, for example, accounts for about 60% of GDP, which is lower than that in many other export-oriented Asian economies. US trade accounts for a mere 2% of GDP.

The benefits of this resilience were clearly demonstrated during the 2008 financial crisis. The economy grew by more than 4% in 2009, despite the impact of Lehman

Brothers' bankruptcy and the European debt crisis.

These strengths have not gone unnoticed; Indonesia has seen a number of sovereign rating upgrades since 2001. One consequence has been that investors have been reassessing the justification for the higher risk premium imposed on Indonesian equities since the 1997 Asian crisis. The surging Indonesian equity market was just one manifestation of this reassessment.

Reflecting this strong economic outlook, corporate profits are expected to grow in the high teens over the next few years, exceeding their ASEAN counterparts.

However, a word of caution is advisable. Despite Indonesia's potential, investors should not forget that it is an emerging economy – so there will be bouts of volatility as investors reassess the risk and the outlook.

Indonesian equities have risen at such a breakneck speed over the past few years (as investors recognised a market they had previously overlooked) that it would be unrealistic to expect such a rise to continue without a break or consolidation. Having said this, Indonesia is one of Asia's strongest equity markets thus far in 2011.

Nevertheless, equity valuations do seem set for a 'breather', with equities likely to trend in line with the growth in profits.

If anyone is concerned that the Indonesian story has reached its final chapter, they should look towards Indonesian companies. Since the 1997 Asian financial crisis, they are, it can be argued, better run, more transparent and financially prudent. However, on the other hand, their valuations today are much lower than they averaged throughout the 1990s!

It seems that Indonesia's equity story has not yet finished. ●●

new risk ratings explained

Skandia International has adopted new risk ratings for the Royal Skandia and Skandia Ireland fund ranges, based on the Committee of European Securities Regulators (CESR) risk and reward indicator guidelines published in July 2010. **Phil Oxenham** explains the process involved.

We have used the principles of the methodology recommended by the CESR to apply objective risk ratings to all funds within the Royal Skandia and Skandia Ireland fund ranges, to provide investors with a meaningful indication of overall risk and reward.

We calculated the standard deviation of the performance of the fund over the last five years and then assigned this figure to a relevant volatility interval. The volatility intervals were then allocated a risk rating from 1 to 5 as shown below:

Volatility	Risk Rating
5	1
5-10	2
10-15	3
15-20	4
20	5

Some of the underlying funds linked to on the fund range have not been running long enough to generate the required performance history. In these cases, we have used the standard deviation of the available performance of the fund, along with the standard deviation of the available performance of a suitable sector benchmark, to assign the fund a risk rating.

For example, a fund that only has two years of available returns would use that performance history, along with the suitable sector benchmark performance for the three previous years, as shown below:



Royal Skandia and Skandia Ireland funds are not currently assigned risk ratings, but we have previously shown risk ratings of 1 to 10 for each fund. Our fund factsheets, which are available at www.skandiainternational.com, still show the sector risk ratings of 1 to 10 as opposed to individual fund ratings. Whilst the new methodology for funds uses a scale of 1 to 5, in principle the ratings have not fundamentally changed with low risk funds still at the lower end of the risk span, regardless of which risk rating methodology is used.

The new fund risk ratings are shown for the first time as part of the fund performance statistics on the following pages. ●●

