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L&G backs gold as hedge against market worries

INVESTMENT
by Marc Shoffman

Legal & General's multi-manager team is going for gold after reaching more than £500m in funds under management in the past three years.

Tim Gardner, co-fund manager, said he was particularly keen to keep accessing gold equities to hedge political and economic uncertainty.

He co-manages the £290.9m L&G Multi-Manager Growth Trust, the £21.74m Multi-Manager Balanced Trust and the £206.3m Multi-Manager Income Trust with Alan Thein.

Mr Gardner said: "One area we are positive on is gold equities. Our view on gold is that it is a good hedge against certain events. There are things in the market to worry about, such as political troubles in the Middle East and north Africa and the eurozone economies. Gold can act as a hedge."

He said this was being accessed

3-year performance of L&G Growth Trust



Source: L&G

through the £192.9m Investec Global Gold fund, which has a 7 per cent to 8 per cent weighting in the growth trust, 7 per cent in balanced trust and 6 per cent in income trust.

He said: "We do not think inflation in developed economies is likely to take off in the near term, although it is a risk. Gold would generally be correlated with inflation and it is likely to discount inflation earlier rather than later. We think gold will

increase further in price before inflation takes hold so it is better to be early than late."

Mr Gardner said central banks were more worried about avoiding deflation than countering inflation and predicted that interest rates would not be increased while fiscal retrenchment was ongoing.

He said the team was also increasing exposure to energy through the \$475m (£290m) Guinness Global Energy fund,

aiming to take advantage of a hunt for resources in countries such as China.

The growth trust returned 2.2 per cent up to the end of March, compared with 1 per cent in the Investment Management Association Active Managed sector.

The income trust returned 1.5 per cent up to the end of March, compared with 0.5 per cent in the IMA Cautious Managed sector.

The balanced trust returned 1.9 per cent up to the end of March, compared with 0.6 per cent in the IMA Balanced Managed sector.

Kevin Tooze, managing director of Essex-based Equity Partners, said: "Gold has long been a haven. There is potentially more mileage in the yellow metal price but it has already had a tremendous run."

"Gold as a commodity still seems safe but the only problem is that it has no yield. It is not an income vehicle."

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