

UK ALPHA TRUST.

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FUND NEWSFLOW

October 2011

Highlights

- **Lessons from history**
- **Keeping a cool head**
- **Possible winners of tomorrow**

The current investment climate bears a striking similarity to the second half of 2008. Then, as now, markets fretted at the prospect of credit defaults and share prices swung wildly as investors reacted to the daily evolution of a complicated economic situation.

Short term, the performance of the Legal & General UK Alpha Trust has been disappointing. The fund has fallen -14.04% in the three months to the end of October, compared to a drop of -4.57% for the FTSE All-Share Index.

It was a similar story in the last quarter of 2008, when the fund returned -21.21% versus -10.19% for the FTSE All-Share. Back then we used the falling markets as an opportunity to increase our positions in some favoured stocks while the price was temporarily low. In time this faith was rewarded and in particular three stocks – Immunodiagnosics, Coal of Africa and Tepnel – not only recovered their losses but went on to play a key role in the fund's strong subsequent performance, with average realised gains of 250%.

In a similar fashion, we have used the recent market weakness to add to the fund's investment in well-financed companies with attractive growth prospects. Examples of this include African Minerals and Central Asian Metals, which stand to benefit from the long-term trend of increasing demand for copper and rare earth metals driven by the growth of emerging market economies.

CSF, meanwhile, is a company that operates and develops data centres in South East Asia. It has a 35% market share in Malaysia and is well positioned to prosper from the region's rapid growth in internet traffic. A little closer to home, Conygar Investments are established property investors who can take advantage of the challenging conditions for banks in order to conclude deals on favourable terms.

Only time will tell if the potential of these stocks will be fully realised by the market, but the approach we have taken is evidence that the high conviction philosophy of the Legal & General UK Alpha Trust has not wavered during a difficult period for the whole market.

Legal & General Investment Management
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