



Fund Focus: A reflective of a fund within our Select Investment Range

Jupiter North American Income

9 July 2010

For professional adviser use only

Fund Objective

The objective of the Fund is to achieve long-term capital growth and income by investing primarily in North American securities. The Fund's investment policy is to invest primarily in North American blue chip companies.

Fund Facts

- Jupiter North American Income is a US equity fund which was launched in 1998.
- The Fund is managed by Sebastian Radcliffe, who took over the mandate in 2001. He began his investment career in 1998 with Jupiter as an analyst in the US equities team, specialising in US technology stocks.
- As well as Jupiter North American Income, he runs a Luxembourg-domiciled Sicav version of the fund and the US portion of John Chatfeild-Roberts' Jupiter Global Managed Fund.
- The Fund changed its objective to include a provision for income in May 2007. However the low-yielding nature of S&P 500 companies means the historic yield is around 1.5%.
- Radcliffe's starting point for portfolio construction is top-down macro analysis to identify sector strengths and weaknesses, and trends in the market.
- He then focuses on bottom-up company research, looking for companies which can generate returns which consistently are higher than their cost of capital (the cost of a company's funding).
- The qualities he looks for in a company include barriers to entry, a unique product, cost advantages, intellectual property.
- He also looks to vary the style bias of his portfolio according to market conditions and the business cycle.
- His fund can therefore exhibit both value and growth attributes, although Radcliffe describes himself as a growth investor by nature.
- His portfolio is typically run with around 70 holdings and the manager uses cash strategically on the margin.

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IMA Sector	North America
Fund manager (since)	Sebastian Radcliffe (January 2001)
Fund launch date	September 1998
AuM	£308m
3-mth returns (IMA rank)	17.5% (44/87)
1-yr returns (IMA rank)	34.6% (42/83)
3-yr returns (IMA rank)	24.5% (6/68)
5-yr returns (IMA rank)	64.9% (5/61)

Five-year discrete annual performance

	30/4/09 to 30/04/10	30/4/08 to 30/04/09	30/4/07 to 30/04/08	30/4/06 to 30/04/07	30/4/05 to 30/04/06
Jupiter North American Income	34.87%	-5.77%	-1.59%	6.49%	24.45%
S&P 500 TR	34.41%	-13.54%	-3.75%	4.74%	21.27%

Source: Lipper Hindsight, as at 30.04.2010

The IMA rank is based on the IMA UK All Companies sector as at 4 May 2010. Lipper data based on bid-to-bid prices with net income reinvested in sterling terms. All returns ignore commissions, fees and charges.

The performance figures are calculated gross and refer to the past; past performance is not a reliable indicator of future results.

Top Ten Holdings

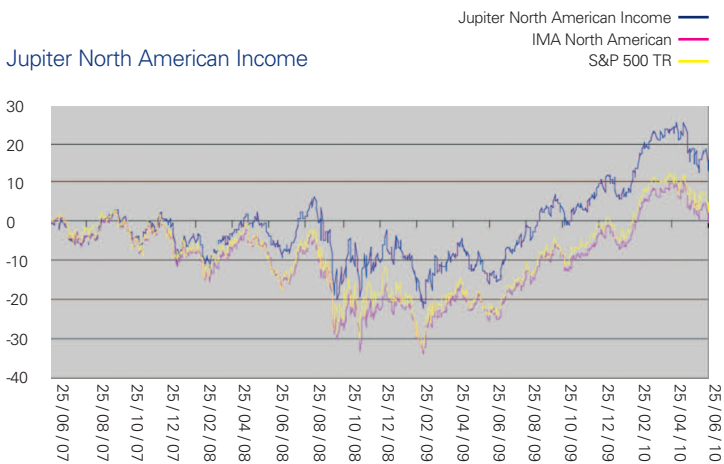
Security	Portfolio
Occidental Petroleum	3.41%
General Electric	3.36%
Microsoft	3.22%
Comcast	3.21%
Honeywell International	3.18%
Emerson Electric	3.12%
International Business Machines	3.02%
CVS	2.91%
Cisco Systems	2.62%
Waters	2.56%

Sector Breakdown

Sector	Portfolio
Industrials	21.00%
Technology	17.16%
Healthcare	12.34%
Consumer Services	11.98%
Financials	11.54%
Oil and Gas	9.62%
Consumer Goods	7.88%
Basic Materials	3.27%
Telecommunications	1.07%
Cash	4.14%

Source: Jupiter Investment Management, as at 31.05.2010

Jupiter North American Income



Source: Lipper Hindsight as at 08.05.2010

The returns shown above are for the underlying Jupiter North American Income Acc fund. When you invest through a product from the Select Portfolio, you are investing in an Alico version of this fund which is constructed so that it mirrors the composition of the underlying fund. However, the returns achieved by the Alico fund may vary slightly from those achieved by the underlying fund.

The performance figures are calculated gross and refer to the past; past performance is not a reliable indicator of future results.

Macro Analysis

- Radcliffe is broadly optimistic on US equities and stock market valuations.

His bullishness is based on several factors:

- The liquidity injected into the global economy by central banks
- The dramatic cost cutting undertaken by US firms post-Lehman
- Relatively high cash levels held by institutional investors
- Fair equity valuations.
- The Jupiter manager's analysis of S&P 500 company results for Q1 2010 shows 83% of the firms beat analyst earnings forecasts for the year. Of these 83%, forecasts were beaten by 20% on average.
- This, he argues, shows how slow analysts have been in revising up company earnings, estimates and a reason for the undervaluation in the market.
- He gives examples of Caterpillar and John Deere, mega-cap US industrial firms, which have traditionally struggled in downturns.
- These companies were able to remain profitable in this recession by their ability to idle plants and lay-off staff through the use of contract workers.
- Despite his medium-term confidence in the rising market, Radcliffe has been using cash on a tactical basis, raising the level to around 9% of the fund from 4%.

This is another example of Radcliffe's bias towards capital protection which helped him outperform in 2008.

- On a sector level, Radcliffe remains underweight financials, and owns no banks, as he believes future banking reforms will impact the earnings potential of many institutions.
- Against this he has a double overweight to industrials – particularly global blue-chip companies – where he believes the market has underestimated the operating leverage of firms.
- He has run an underweight to consumer cyclical stocks for the past two years and concedes he underestimated the rebound in these sectors from March 2009.

Alico Analysis

- The fund has been one of the few large-cap US funds to be able to consistently beat the S&P 500.
- The majority of funds in the IMA North America sector are managed with either a value or growth bias. This has meant the performance of a fund is dependent as much on whether the style bias is in or out of favour as the stock-picking abilities of the manager.
- Radcliffe's pragmatic style has meant he has been able to rotate his portfolio more successfully than other US managers.
- He has made some very prudent sector calls over the past three years, building a large underweight to financial stocks to protect assets in the downturn and then overweighting industrials as the markets rebounded.
- Although he lagged the market in the first few months of the rebound from March 2009, his outperformance in the previous two years far outweighed this underperformance.
- The sector skyline below shows that despite his favouring of growth companies, he has a value bias to his portfolio (Dark blue bars). The light blue bars clearly show his preference for strong balance sheets and global-facing companies.
- We see the fund a core US holding in a portfolio, offering decent downside protection and exposure to the large, blue-chip equities so prevalent in the S&P 500.
- As a group, Jupiter recently underwent an initial public offering (IPO). The vast majority of employees are shareholders, including manager Sebastian Radcliffe.
- While we are concerned about the motivation of some managers following the IPO – for example, John Chatfeild-Roberts, Anthony Nutt and Philip Gibbs received tens of millions of pounds each from the issue – this is not the case with Radcliffe.
- As a recent addition to the fund management roster and not a board member, Radcliffe's compensation would be less significant.

Portfolio Style Skyline (Sector Adjusted)



Source: Style Research, as at 31.03.2010

- Alico Wealth Management Risk Rating: 6*
- Select Portfolio: Asset Charge 0.75%, Fund Manager AMC 0.75%
- Trustee Portfolio Bond AMC 1%, Capital Portfolio Bond and Pension Bond AMC 0.75%, Fund Manager AMC 0.95%.

For more information about our entire fund range, please go to Alico Wealth Management's website: www.alicowm.co.uk

For more information about Jupiter North American Income, please refer to Jupiter Investment Management's website: www.jupiteronline.co.uk/IFA/

* The investor is prepared to accept moderate levels of volatility to access potentially higher returns in the medium to long term.

Please note: this fund is available through all products within the Select Portfolio as well as previously existing Capital Portfolio Bond, Trustee Portfolio Bond and Pension Bond.

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