

# Press Release

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## **OMAM'S WATTS SEES OPPORTUNITIES IN UK RETAILERS**

Richard Watts, manager of the Old Mutual UK Select Mid Cap Fund, believes that the improving outlook for discretionary spending should be beneficial for a range of companies in the retail sector.

Watts comments:

“Despite rising rates of unemployment, those people who are still in work are generally better off as falling costs of food, fuel and mortgage repayments have resulted in higher levels of disposable income. Although the savings rate is expected to rise, we expect some of this surplus income to find its way onto the high street, where there should be a number of beneficiaries.”

Watts believes that the best opportunities lie in those retailers selling small-ticket items or must-have goods. Examples include WH Smith, where the average spend is just a few pounds, and Halfords, as motorists increasingly keep their existing cars for longer rather than buying new ones.

Watts continues:

“The key characteristics that we have been looking for in retail stocks are balance sheet strength, a good dividend yield and good dividend coverage. The sector includes a number of companies with these attributes that I believe are inexpensively rated and therefore offer good upside potential. More recently we have been looking to identify companies where trading is showing signs of stabilising and the market will be prepared to re-rate them to valuation levels that reflect recovery potential.”

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Watts believes that one such company is Debenhams, which, although has a high debt level, is trading well and is attractively valued compared to other retailers.

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**Notes for editors:**

1. Old Mutual Asset Managers (UK) Limited ('OMAM') is an active investment manager focused on high performance and absolute return products.
2. OMAM acts as investment manager to a range of UCITS funds, hedge funds and segregated accounts.
3. OMAM's product range is organised around four areas of investment expertise: quantitative strategies, statistical arbitrage, discretionary equities and fixed interest & macro.
4. OMAM has a non-prescriptive approach to its portfolio managers, employing talented, entrepreneurial individuals who are given the appropriate freedom to apply their own proven investment methodology, rather than being constrained by a house style or view.
5. OMAM is one of a number of independently-managed asset managers within the Old Mutual group.

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6. OMAM has no house market view and any opinions expressed in this document are the views of individual fund manager(s) as at the time of writing. These views may change and may have already been acted upon.

7. Further information is available at [www.omam.co.uk](http://www.omam.co.uk).