

Press Release

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MID AND SMALL CAP SHARES WELL POSITIONED TO LEAD A STOCK MARKET RECOVERY, SAYS OMAM'S NICKOLS

As equity markets begin the process of anticipating economic stabilisation and recovery, the cyclically sensitive nature of the small and mid cap indices should leave them well placed to lead a stockmarket rally, according to Daniel Nickols, Head of UK Mid & Small Cap Equities at Old Mutual Asset Managers (UK) ('OMAM') and manager of the Old Mutual UK Select Smaller Companies Fund.

The top-performing fund, rated AAA by both Standard & Poor's and OBSR, invests in about 100 companies and targets above average rates of profit growth and high prospects for positive earnings upgrades that are not anticipated by the market at large. Daniel Nickols has a AAA Citywire Fund Manager rating and is a Trustnet Alpha manager.

Nickols comments:

"Given the magnitude of economic stimulus measures applied globally, it is now possible to argue credibly that the trough in the business cycle will happen towards the end of 2009. In anticipation of this recovery, market leadership seems to be swinging decisively towards a range of economically sensitive sectors and away from the more defensive sectors that have been relatively strong through the worst of the credit crunch."

Nickols believes that mid and small cap stocks should benefit from these trends, as cyclically sensitive sectors are well represented within these areas of the UK market. Sectors such as retail, housebuilders and travel & leisure - typically amongst the earliest beneficiaries of any economic recovery - have begun to show signs of outperformance against the wider market.

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Nickols adds:

“In the near term we expect markets to remain volatile, as the sharp recovery from recent lows suggests that some weakness may follow the euphoria resulting from the most recent announcements of stimulus packages. Nonetheless, given that equity markets typically successfully pre-empt an economic recovery by between three and six months, we have felt it appropriate to move away from our ‘cautious’ stance on the mid and small cap area and adopt a neutral view.”

Accordingly, Nickols now favours a range of early cycle, consumer discretionary sectors such as general retailers, pubs & restaurants and housebuilders. He believes that substantial interest rate cuts in the UK will drive lower mortgage costs, which combined with reduced utility bills should underpin the discretionary element of consumer spending in the coming months, in spite of rising unemployment and an increasing savings ratio.

Nickols believes that such companies are likely to be amongst the earliest beneficiaries of improving macroeconomic newsflow, both at a corporate level and in share price terms.

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Notes for editors:

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