KAMES CAPITAL
Strategic Bond (OEIC)

OBSR Fund Rating
AA

OBSR FUND RATINGS

Key Information

Launch Date	16 December 2003	
Fund Size	£492.4m	
Type of Shares Available	Income & Accumulation	
Distribution Dates	31 March, 30 June 30 September, 31 December	
Distribution Yield	n/a	
ISA	Yes	
ISA Transfer	Yes	
Standard Fund Management Charges	**Initial**	4.50%
	Annual	1.25%

Classification

Sector	Sterling Strategic Bond
OBSR Category	Strategic
Benchmark/Index	Barclays Capital Global Aggregate

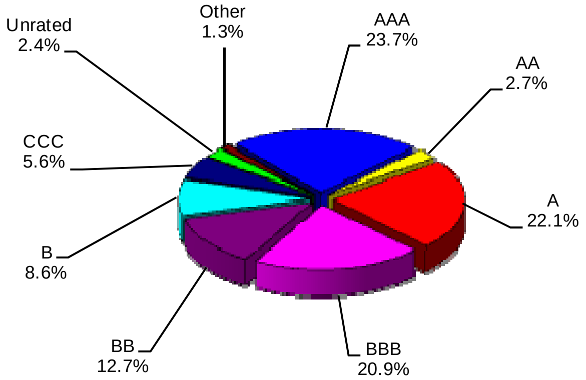
Management/Investment Style

Fund Managers	David Roberts (March 2004) Philip Milburn (November 2009)

Offered by one of the UK's largest fixed interest teams, this concentrated portfolio selects the best ideas from the UK, US and Netherlands' fixed interest desks. The manager can asset allocate across the credit spectrum from sovereign bonds to emerging markets debt and the fund may invest in any geographic region.

Asset Distribution - Credit Rating

Source: Kames Capital



Top Ten Holdings

Top Ten Holdings	%
Australia 3% I/L 20/9/2025	5.4
UK (Govt) 2.5% IL 16/8/2013	4.7
European Investment Bank 6% 6/8/2020	4.6
US Treasury 4.75% 15/2/2041	4.1
UK (Govt) 4.25% 7/12/2055	3.2
US Treasury 4.25% 15/11/2040	1.9
Mellon Cap III 6.369% 9/2066	1.4
Royal Bank of Scotland 11/4/2016	1.4
First Hydro Finance 9% 31/7/2021	1.4
Kabel BW Erste 7.5% 15/3/2019	1.3
Concentration (Top 10)	29.4
Total Number of Holdings	96

Source: Kames Capital

Investment Objective & Methodology

The primary investment objective is to maximise total return (income plus capital) by investing in global debt instruments, denominated in any currency, ranging from AAA Government Bonds through to high yield and emerging market corporate bonds. At least 50% of the fund will be invested in sterling and other currency denominated bonds hedged back to sterling. The fund aims to maximise total return and deliver top quartile performance on a rolling three-year basis.

The fund is co-managed by David Roberts, who is Joint Head of Fixed Income in the UK, and Philip Milburn. AEGON has significant fixed income resources and operates a strong team-based approach to research and portfolio management. The team in the Edinburgh office also liaises closely with the AEGON offices based in The Netherlands and the US.

The fund aims to take the best ideas from the fixed interest teams based in the UK, US and The Netherlands and has the capacity to invest anywhere along the credit curve and in any geographic location. The basic principle is to leverage off the extensive internal analytical resource base, used in all three locations, to try and identify security mis-pricings and market inefficiencies. The process is a combination of top-down strategy together with bottom-up stock picking. Dialogue between the three locations is strong and research output is published in a shared common format. This interaction culminates in a succession of formal monthly conference calls and meetings. As a starting point, the International Rates team is responsible for the research and analysis of macroeconomic data which forms the basis of the global asset allocation, duration and curve positioning for all portfolios. The next step is to apply these top-down conclusions to establish the desired allocation between sovereign debt and corporate bonds. The managers then apply bottom-up research to identify their sector preferences for the fund. Finally, all investible asset classes are ranked, from an absolute and relative perspective and this supports their portfolio construction decisions.

The fund typically holds between 40 and 60 positions and there is no formal benchmark. The managers may invest in government, investment grade, high yield, emerging market bonds and cash in pursuit of the most attractive opportunities. As a result, there are no tracking error restraints and risk is controlled instead through extensive internal analytical support. Non-sterling exposure is typically hedged back to sterling although the managers are able to take strategic currency positions where conviction is high.

www.obsrfundratings.co.uk

Data as at 30 June 2011
Last Updated September 2011

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