Threadneedle American

What *New Model Adviser*® says:

This fund was launched in February 1968 and is managed by Andrew Holliman. Assets under management total £892 million. It aims to achieve capital growth by investing in medium to large North American companies.

What Threadneedle says:

'Over the last 12 months our positioning has been biased towards higher quality growth stocks,' says Holliman. 'The valuation convergence in the market over the last two or three years has resulted in similar valuations for high and low quality businesses. We look for companies that have strong and growing cash flows over the short and longer term with a lower than average sensitivity to economic trends.

'Tighter conditions in the credit markets, the ongoing deterioration in the housing market and a very difficult profit environment continue to challenge the US economy and equity market.

'However, interest rates have peaked. Strong company balance sheets and abundant cash flows provide some valuation support. We continue to find plenty of businesses, particularly those with superior long-term growth prospects, trading at their most attractive valuations for many years.'

THREADNEEDLE AMERICAN FUND

Source: Threadneedle

31 December 2007

Information Technology	23.0%
Financials	14.9%
Industrials	11.5%
Consumer staples	11.2%
Energy	10.0%
Healthcare	9.7%
Consumer discretionary	5.9%
Materials	5.1%
Utilities	4.9%
Cash	2.6%
Telecommunication services	1.2%

Overall it is a stock picking selection rather than a decision driven by sector trends. **Nicola Downs**

What the advisers say:

Fiona Sharp
Chartered financial planner
M2 Finance4women

This fund has outperformed its peers consistently over the last three to five years. Although recent performance suffered in December 2007, it still managed to outperform the sector average, despite being underweight in the two top performing sectors (energy and telecoms).

The fund has been top quartile over three years and second quartile over one year. In 2007 it returned a healthy 9.6%. It combines above average performance with below average volatility.

AA Citywire rated Holliman's background has always been in US equities. His stock picking approach should stand him in good stead with the rough waters ahead.

The fund is well diversified with 78 stocks. Only 25% of the fund is in the top 10 holdings. It has been overweight in IT and underweight in financials in recent months. This may have kept it from suffering more than others.

Fees are reasonable with an initial charge of 3.75% and annual management charge of 1.5%. I rate it a **hold.**

Andrew Merricks
Head of investments
Skerritt Consultants

The fund's best spell is in the past.

Threadneedle aggressively marketed its US funds in the late 1990s when globalisation and the technology boom meant that investors in US funds generally did pretty well. This fund has performed better than the majority of funds in its sector over one and three years. But it has lost money over one year when some of its peers have made a profit. Over three years it has produced less of a gain than the average fund in the UK, Europe or global growth sectors.

It is virtually impossible to find a US fund that outperforms its benchmark on a consistent basis. With the dollar expected to remain weak, it is difficult to see where value is added by investing in the sector at all.

If your investment model tells you to invest at least partially in the US, an exchange traded fund or other tracker may be the more profitable way to gain this exposure. As an investment I rate this fund as a **fold.**

Nicola Downs
Director
Trentham Invest

Holliman has managed this fund since April 2004. His deputy Cormac Weldon has six years' experience and also manages the Threadneedle American Select fund.

Comments from the factsheet about the business stock selection appear woolly. Threadneedle mentions sustainable growth characteristics but does not define exactly what these characteristics are. Similarly it states that it allocates capital effectively – but what is effective?

Stocks run to between 70 and 90 and the manager has taken a view on the top 20 in the US market. The view must be positive, neutral or negative, resulting in the appropriate over- and underweights. Another 30 stocks that the manager finds most favourable are then chosen and the manager personalises the fund. Overall it is a stock picking selection rather than a decision driven by sector trends.

Performance against the index has been positive over one, three, five and 10 years. It also has very positive ratings and is a **hold.**

Fidelity American

What *New Model Adviser*® says:

This fund was launched in December 1979 and is managed by Aris Vatis. Assets total £1,330 million. It aims to achieve long-term capital growth by actively managing a portfolio made up primarily of US stocks.

What Fidelity says:

'The stock market has moved quickly to discount a more negative scenario for the US economy,' says Vatis. 'The Federal Bank has acted aggressively but it will take time before we know how effective this action has been. The volatile price movements of many companies' shares present some interesting opportunities for active investors. With a disciplined approach to stock selection, it is possible to ignore the short-term noise.

'Many financial companies have been sold down very aggressively and not all of them will face significant problems. Several very good companies in the consumer sectors have also been sold down too far. At times like these it is important to focus on longer-term fundamentals and seek out high quality companies that can continue to grow market share.

'There are some medium-term structural problems for the US, but there are always bright spots in this very broad and deep market. When these coincide with share price volatility, opportunities for successful long-term investment are often presented.'

FIDELITY AMERICAN

Source: Fidelity

31 December 2007

Information Technology	19.5%
Financials	16.4%
Energy	12.9%
Healthcare	11.4%
Consumer staples	10.5%
Industrials	9.9%
Consumer discretionary	8.5%
Telecommunication services	4.4%
Other	6.2%
Cash	0.3%

What the advisers say:

Fiona Sharp
Chartered financial planner
M2 Finance4women

I have not recommended any American funds for the last three years, although I may change my mind. Quality US companies are still capable of making a profit, and North American companies are gaining market share for goods and services. Coupled with fears of a recession and the global credit crunch, this should signal buying opportunities.

Vatis is the third manager of this fund in the last five years. He is also a stock selector with a bottom-up approach. Within this he has no preset style and a 'go anywhere' approach to investment, seeking out restructuring opportunities and under-researched businesses.

The Fidelity American fund is also heavily exposed to IT stocks and underweight in financials. As a result, recent performance has been similar to the other fund, although at the expense of slightly higher than average volatility. The initial charge is 3.5%, and the annual management charge is 1.5%. It is a **hold.**

Andrew Merricks
Head of investments
Skerritt Consultants

This fund hit the headlines in the late 1990s when the manager at the time made a stunningly successful call on the technology boom ahead of the crowd. As a result the fund did particularly well and became a must-have for the private investor who buys on recent past performance. When the bubble burst, so did the relative performance of this fund, but not before it had mushroomed in size. Arguably this made it harder to manage.

Since then performance has struggled to be anything better than second quartile. The US sector has been very difficult as the dollar has declined, adding the effects of a weakening currency to a notoriously difficult sector.

In the 1990s UK investors were generally underweight in the US when they should have been overweight. Since then they have been overweight when they should have been underweight. I don't see much hope for a reversal of fortunes for this or other US funds in the near future, so this is a **fold.**

Nicola Downs
Director
Trentham Invest

This fund has no limit on company investments of any market capitalisation.

Stocks are selected on a bottom-up basis in the belief that the relevant macro changes in industry will be incorporated at individual company level. Specific stock selection criteria such as cash flow, revenue, earnings growth, all assist in the buying process.

The sell discipline is agreed at point of purchase and once the objectives and reasons for purchase have been met, the stock is sold. Similarly, if there are concerns over valuation, or deteriorative fundamentals, the stocks are also sold.

The fund consistently outperforms its index and has delivered long-term growth over 10 years of 13.8% annualised versus 3.6% by the index.

The last one-year performance is 5.1% versus 3.3% for the index, which is a positive position. However, I feel this is one to watch going forward. This buy and sell discipline is a significant contributor to the success of the fund and it is a **hold.**

He has no preset style and a 'go anywhere' approach to investment.

Fiona Sharp