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Private investors back financial sector rebound

- *Private investors have over 50 per cent more relative allocation to financial services companies than professional fund managers*
- *Professional fund managers favour an array of cyclical sectors, allocating, on average, over a quarter of their funds to industrial and consumer services sector stocks*
- *Price earning ratios and companies with sound and improving business fundamentals are attracting professional investors*

There is a growing divergence between the investment strategies of private investors and professional Fund Managers, data from Lloyds Wealth Management has shown. Lloyds TSB Private Banking manages many clients' assets, whilst the investment channels offered by Halifax and Lloyds TSB Share Dealing provide access to information from many clients' personal investments. This data provides a highly representative cross-section of investors.

Private Client Investors continue to bet on a continued financial sector rebound, investing over 50 per cent more than professional fund managers, who have focussed on cyclical sectors and outsourcing businesses, including a significant presence in the financial sector.

The professionals' investments in cyclical businesses (such as consumer services and technology) including Logica PLC, RSA and VT Group PLC total an average of almost 30 per cent of their total investments and capture the upswing in share values resulting from improvements in the economy. These positions are also balanced by allocations in less economy-sensitive sectors, such as telecommunications, which often provide high dividend yields.

Whilst top picks of private investors are heavily weighted in the financial services sector, the Fund Managers plump for a more diverse range of investments, as the table (below) of Professional Investors' top five picks shows:

Stock	Sector	Dividend Yield	Direction of Analyst Estimates Revisions	Price-Earnings Ratio	Stock Beta (risk relative to market)
Logica	Computer Services	1.26%	Upgrading	11.85	0.93
VT Group	Aerospace/Defense	2.5%	Flat	14.53	0.70
RSA Insurance	Property/Casualty Insurance	6.56%	Declining	9.39	0.88
FirstGroup	Transport-Services	4.57%	Bottoming	10.35	1.01
Smiths Group	Diversified Manufacturer	3.57%	Bottoming	13.62	0.88

Consistent themes across these stock picks include attractive valuation (e.g. Price-Earnings ratios), and improving fundamentals (analyst upgrades).

Commenting on this analysis Prabal Gupta, Investment, Proposition and Marketing Director of Lloyds Banking Group said: "Many people own bank shares as a result of building societies such as Halifax, Abbey National and the Woolwich demutualising. These shareholders are maintaining their commitment to the banking sector in hope of future capital gains."

Source: Bloomberg, Lloyds Banking Group UKPB Research

Notes to Editor:

Lloyds Banking Group offers a range of investment management services.

- Lloyds TSB Private Banking offers the relationship based Investment Portfolio Service
- Self Directed Clients are able to transact investment via LloydsTSB Share Dealing and Halifax Share Dealing.

Lloyds TSB Private Banking manages approximately £9bn in assets on behalf of affluent and high net worth clients.

Halifax Share Dealing and Lloyds TSB Share Dealing together have approximately 1.1 million clients.

The survey sample included five professional fund managers used in Lloyds Private Banking's Investment Portfolio Service (data as at 30/10/2009), and 4,700 'active' self directed customers using Halifax Share Dealing (data as at 03/11/2009).

Halifax Share Dealing is the UK's 2nd largest retail broker by market share. Active customers are defined as those who have traded between 4-24 times in the past 6 months and therefore considered to be actively managing their portfolio.

For each of the two groups, Top 5 Stock Picks are produced by comparing the weighting of each stock in the group's aggregate holdings relative to its FTSE All Share weighting. Therefore Logica was the company whose weighting in the Professional Managers aggregate holdings minus its market weighting gave the largest figure.

Private Client Investors			
Sectors	Average Position	FTSE All-share	Difference to Benchmark
Financials	32.3	23.6	8.7
Consumer Services	13.2	9.7	3.5
Utilities	6.5	3.4	3.1
Industrials	7.7	6.9	0.8
Technology	1.8	1.3	0.5
Professional Fund Managers			
Sectors	Average Position	FTSE All-share	Difference to Benchmark
Industrials	11.3	6.9	4.4
Consumer Services	13.9	9.7	4.2
Technology	4.8	1.3	3.5
Telecommunications	7.7	5.9	1.8
Health Care	9.5	7.9	1.6

Top 5 Stock Picks	
Professional Fund Managers	Private Client Investors
Logica PLC	Lloyds Banking Group
VT Group PLC	Royal Bank of Scotland Group
RSA Insurance Group PLC	Barclays
FirstGroup PLC	Taylor Wimpey
Smiths Group PLC	BT Group

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