

Home > Financial News > Funds

# Mark Slater: Traditional UK banks are a scary investment, but I do own HSBC

David Thorpe 27 Jan 2015 | [News](#) - [Comment now](#)

Mark Slater, manager of the best and second-best performing funds out of more than 270 funds in the IA UK All Companies sector in 2014, and manager of the tenth-best out of more than 80 funds in the IA UK UK Equity Income sector last year, intends to continue to swerve investments in what he calls the ‘traditional’ UK banks for the time being.

Slater, whose Slater recovery fund was the top performer in its sector, remarked, ‘I think that banks frighten us at the present – the traditional banks that is. I believe that governments see them as a source of tax revenue now. The banks have been fined huge amounts, and governments will start to miss that revenue, and so it will be the same every year. Even if the banks do well and keep their noses clean, they could still be fined.’

The fund manager continued, ‘We own two banks. HSBC, which is our only traditional bank investment, is a very small holding in the fund. It is a strong business and it is well capitalised and improving all the time. But we also own Arbuthnot, which is a private bank, and that has done much better than HSBC for us. It has gone up threefold since we bought it.’

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Mark Slater is not keen on investments in UK banks

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He added that he will be swerving some of the utility and gambling stocks due to concerns that those companies could suffer as the general election approaches. He commented, ‘We have sold Centrica and William Hill, because we think that the sectors in which they operate could be in the firing

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line – they could become political footballs.'

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The largest holding in the **Slater Growth fund** is China-focused Huchison China MediTech.

He disclosed that this company, which he has owned since 2010, has generated a return of 126 per cent for his fund this year. Slater revealed that while he has sold some shares recently, this has been done in order that he can comply with the regulatory rules that state that no unit trust can have more than 10 per cent of its capital in any one company, but he remains a fan of the stock.

He added, 'There are several divisions to this business. The main part is a healthcare business, and in China there is a massive change happening in relation to healthcare, with spending increasing by 20 per cent a year. It is quite similar to what happened when the NHS was created in the UK, and Huchison is well placed to capitalise on that.'

Slater added, 'The strength of the healthcare business was the reason we invested initially, but there are a couple of other positives. Firstly, the company has a lot of land, with a book value of \$10 million. Now we kind of knew that it was worth more than \$10 million, but it is now worth in the hundreds of millions.

'The second additional positive is that the company has long had a loss-making R&D business, and that put some investors off, but now that business is doing much better.'

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