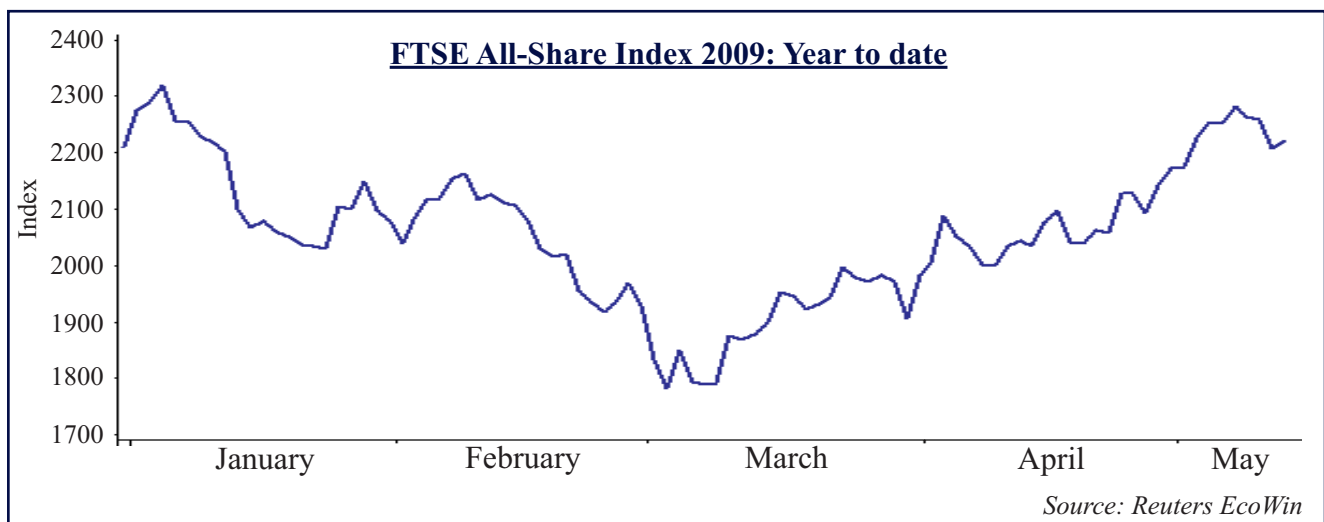


15 May 2009

FOCUSED FINANCIAL ADVICE

BULL, BEAR OR BALANCED? ANTHONY BOLTON OF FIDELITY AND JONATHAN RUFFER OF RUFFER LLP TO DEBATE THE ISSUE ON 4 JUNE 2009

Does the 25% rally in the FTSE All-Share Index over the past two months (see chart below) mark the beginning of a new bull market in equities? Our view at present is that, while the recent rise in share prices is most welcome, significant increases in equity weightings are inappropriate at present for most. In the context of the global crisis and the resulting policy response, this rally may be based on little more than relief that the financial system has stabilised.



The action taken globally by governments and monetary authorities in response to the crisis has, rightly in our view, been bold. Increases in government spending, the recapitalisation of the banking sector, aggressive interest rate cuts and quantitative easing are all intended to ameliorate the impact of the credit crunch and ensuing recession. However, these actions come at a cost: (i) higher public spending this year will result in higher taxes next year, (ii) more government debt means taxes will have to stay higher for longer and (iii) measures aimed at improving credit conditions for consumers and companies (i.e. record low interest rates and quantitative easing), will have to be reversed as soon as economic recovery takes hold to avoid the threat of surging inflation.

Our view, therefore, remains as stated in our note of early April: it is too early to aggressively reposition portfolios for recovery. What would cause us to change? Among other indicators, we are monitoring government bond yields and monetary aggregates very closely to see whether the deflationary risks are receding. We are also studying company trading updates and outlook statements to gauge the degree to which the recession is reflected in corporate profit forecasts.

In the meantime, we will be hosting a lunchtime seminar on 4 June 2009 at Stationers' Hall in the City of London from 12-2pm entitled: 'Bull, Bear or Balance: Are Equities the Right Investment in the Current Economic Climate?' Two of Britain's most renowned investment managers – Anthony Bolton of Fidelity and Jonathan Ruffer of Ruffer LLP will present their views.

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