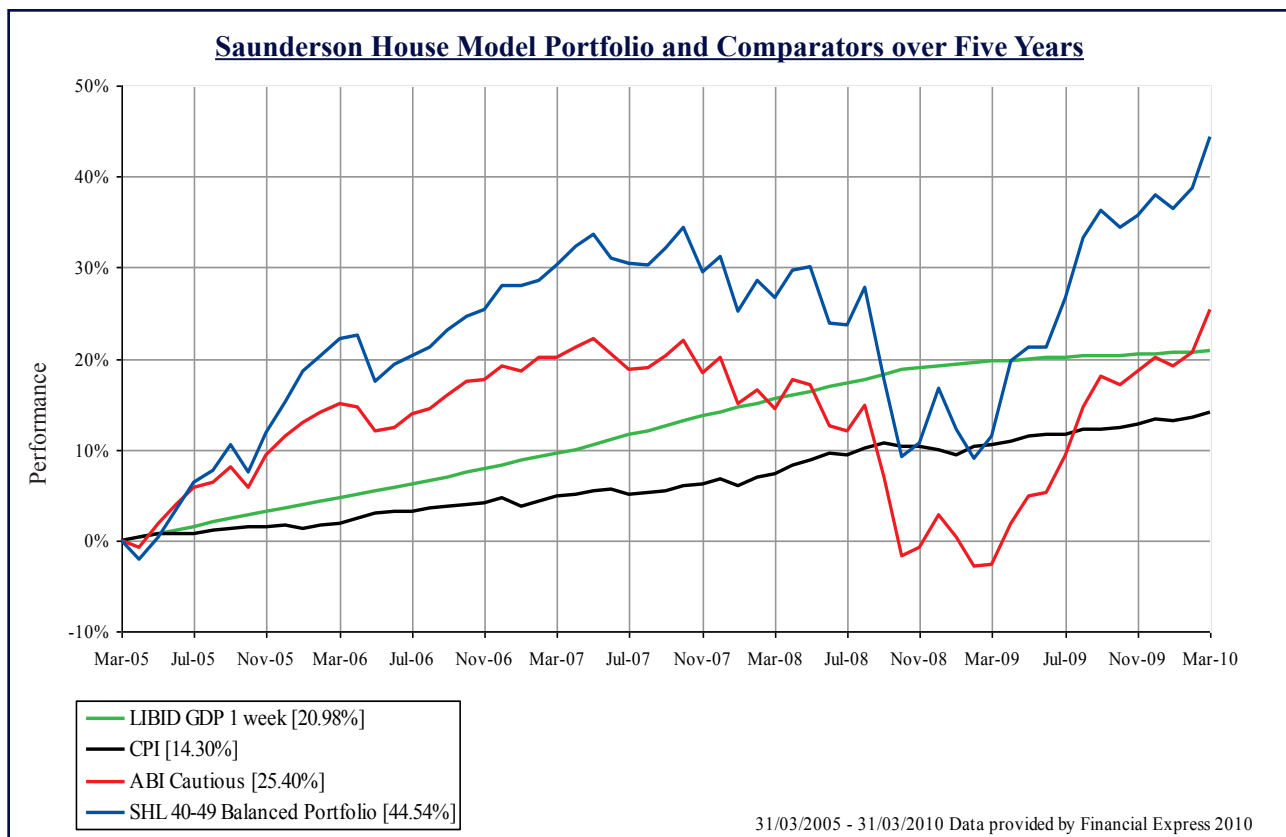


Saunderson House outperforms inflation by 4.94% per annum

Balanced investment portfolio generates 7.65% per annum over five years and proves resilient during credit crunch

The Saunderson House Model Portfolio (see below) provided an average annual return of 7.65% over the five years to the end of March 2010. Inflation over the same period averaged 2.71% per annum meaning that the portfolio achieved a real return of 4.94% per annum. This performance was achieved using the following four asset classes: Equities, Bonds, Property and Cash. As well as generating strong real returns, this approach means that clients have benefited from transparency and a high degree of liquidity.

As the chart below shows, the model's performance compares favourably with the returns achieved on cash and those of the average fund within the ABI Cautious Managed Sector.



External data provided by Financial Express 2010

The Saunderson House Model Portfolio is the middle range tactical model for clients with a balanced attitude to risk. Returns for other models are comparable. Portfolios with different risk profiles are constructed on the same basis with weightings to the four asset classes adjusted as appropriate.

Balanced portfolios capture equity market recovery

Asset Allocation switches contribute to a strong 12 months for the Saunderson House Model Portfolio

The Saunderson House Model Portfolio provided a return of 34.47% in the 12 months to the end of March 2010, boosted by recovering equity markets and value adding asset allocation switches. These switches included the deployment of cash to fund purchases of corporate bond and commercial property funds, both of which benefited from strongly recovering asset prices.

The Model Portfolio return was achieved with an average allocation to equities of 53% during the period. The return on the FTSE World Index, a 100% equity index, was 47.13% over the 12 month period, while an industry comparator, the ABI Cautious Managed Index, which has a c50% allocation to equities, returned 30.52% (see table below).

	2009/10 (%)	2008/09 (%)	2007/08 (%)	2006/07 (%)	2005/06 (%)	3-Year (% p.a.)	5-Year (% p.a.)	5-Year Annualised Volatility (%) ¹
SHL Model Portfolio	34.47	-16.02	-3.87	7.99	23.28	2.78	7.65	10.21
ABI Cautious Managed	30.52	-16.71	-5.32	5.11	15.84	0.97	4.62	8.71
FTSE World Index	47.13	-19.96	-2.32	2.95	30.92	4.78	9.17	17.16
7-Day GBP LIBID	0.55	3.90	5.92	5.03	4.76	3.43	4.01	0.58
Inflation (CPI)	3.37	2.91	2.40	3.07	1.81	2.89	2.71	1.27

External data provided by Financial Express 2010

Summary of asset allocation switches over the last 12 months:

- 1) A further allocation to corporate bonds from cash in June 2009. This supplemented the initial position taken in January 2009, which was funded by the sale of conventional gilts. This increased corporate bond exposure was sought through funds with strategic mandates to give managers the flexibility to hedge out the risk of rising gilt yields, if appropriate;**
- 2) An increase in allocations to prime commercial property from cash, to take advantage of lower prices;**
- 3) An increase in equity weightings to the US, Asia Pacific and Emerging Markets funded by a reduction in UK equities. This move was designed to take advantage of stronger recovery prospects in the US and better long term economic growth in the Asia Pacific and Emerging Markets regions.**

¹Volatility is a statistical measure of risk, based on how widely returns have varied in the past. Typically more volatile assets, such as equities, provide higher returns over a medium term holding period when compared to low volatility assets, such as cash deposits. By making active, value-based asset allocation switches, Saunderson House aims to improve returns while reducing portfolio volatility wherever possible.

This note is for general guidance only and represents our current understanding of law and HM Revenue and Customs practice as at 30 June 2010. We cannot assume legal liability for any errors or omissions and detailed advice should be taken before entering into any transaction. The value of investments and any income therefrom can go down as well as up and you may not get back the full amount you invested. Performance data is purely indicative and based on unaudited pro-forma models. Charges for fund management are included. Fees for overall financial advice are excluded. Actual returns will depend on individual circumstances. Past performance is not a guide to future performance. Saunderson House Limited is authorised and regulated by the Financial Services Authority.