Research Summary – September 2011

Summary of Opinions

The following is our interpretation of various opinions and statements taken from our research and meetings. This is not meant to be an exhaustive list and the opinions do not necessarily represent the views of Equilibrium. Clients should not act upon the information in this document without consulting their adviser.

General

Who	What	Source
Ernst & Young Item Club	Believe that proposals to ring-fence UK banks' High Street operations from their investment banking divisions could reduce economic growth by 0.3%. They feel sluggish growth in the financial sector could undermine the recovery. The report comes ahead of the Independent Commission on Banking's final recommendations, due next week. The commission has already recommended ring-fencing retail banks to help prevent another financial crisis. The Item Club said the commission's recommendations would end the implicit government guarantee of UK banks. This would increase the cost of borrowing for banks on the wholesale financial markets, which would in turn increase the costs of lending to large businesses by up to 1.5%. This is "likely to result in a loss of up to 0.3% of GDP", the club said. The UK economy grew by 0.2% between April and June this year. "These predictions are not based on a worst-case scenario, they're based on moderate assumptions about the extent of ring-fencing," said Neil Blake economic advisor to the Item Club.	BBC.co.uk 5/9/11

Research Summary – September 2011

Who	What	Source
Harvinder Sian, RBS European Rates Strategist	RBS expects Greece will experience a hard default this December in a move it says will cause "violent contagion" in global markets. In a note to clients, RBS European rates strategist Harvinder Sian said Greece will default on or around the IMF's 11 December review of its fiscal reforms. The note pointed to the inability to implement reform, over-aggressive austerity targets, an absence of further compromise from the IMF and EU and the increasing difficulty of passing laws through the Greek parliament as factors influencing its forecast. "The only reason for suspecting the 11 December review is still the more pivotal date [than the 11 September review] is the idea Greece has at one more iteration of promises to make and policymakers have every reason to close their eyes and hope, and give the benefit of doubt until the situation is so clearly negative that nothing can be done", Sian said. If and when Greece defaults, a violent contagion will require ECB interventions and possibly a global reaction, he added. "Private capital simply will not come back to these sovereign and related capital markets as the risks of a dissolution to the euro rises," the note said. It added the ultimate solution is "huge ECB intervention in European government bonds and perhaps private bond markets". “A Greek default is coming and is a pivotal factor is our assessment that all European government bonds ex-Germany at this stage are still speculative investments.”	Investment Week 6/9/11

Research Summary – September 2011

Who	What	Source
Jim O'Neill, Chairman of Goldman Sachs Asset Management	"...here's what Goldman's crystal ball gazer (Jim O'Neill) says policy-makers needed to do to restore some calm to markets: 1. Clear, credible, targeted action from President Obama and Congress to create US jobs and stimulate domestic investment. 2. If not more QE from the Fed, an ongoing clarity about their bias. 3. A quick resurrection of a credible budget in Italy. 4. A move towards an interest rate cut from the ECB. There is no inflation problem and the Euro Area economy has weakened a lot. 5. Some indication by German Chancellor Merkel that as part of a more fiscally coherent EMU, Germany would accept the principle of Euro Bonds. 6. A clear signal from Beijing that once inflation has peaked, monetary tightening is finished. Numbers 3 and 5 are probably unlikely, but would you bet against the rest?"	FT Alphaville blog (Posted by Neil Hume), 06/09/2011
Roger Bootle, Economist, Capital Economics	Their Global GDP forecast is only just below long term average. However, usually after recession GDP races ahead, so by comparison this is poor. Emerging market growth remains v strong, except for emerging Europe where they expect negative growth. There is significant risk of double dip but this is not their base case. Thinks commodity prices could fall a long way and this could actually be a big positive. This has been a leading factor behind consumer slowdown. The inflation "shock" is not a shock and will fade. Falling commodity prices may actually kickstart growth. Italy is a serious danger – low growth, high debt/GDP ratio and dodgy politics! France debt/GDP ratio is a worry – can they afford to bail out others? The Euro needs to split due to big surpluses in Germany and big deficits in the PIIGS. They can't possibly have the same economic policy.	New Model Adviser Retreat, 8/9/11

Research Summary – September 2011

Who	What	Source
Roger Bootle, Economist, Capital Economics **(continued)**	Germany should leave and take the Netherlands ,Finland, Austria, and maybe France, with them.Germany not free of blame – German consumer spending has barely risen in the last decade. Germany's economy is too dependent on exports and very little internal growth via consumer. A split would allow the PIIGS to recover. The Northern Euro would rise which would be bad for German exports but would increase pressure on consumption to rise. If there is a break up, markets would be a screaming buy. He expects more QE which will not do much good, but is one of the few options left. QE doesn't work well when it is needed – when we have a broken financial system, as the usual transmission mechanisms don't work. It has not fed into the general economy.	New Model Adviser Retreat, 8/9/11
Financial Times Journalists	European officials look set to speed up plans to recapitalise the 16 banks that came close to failing last summer's pan-EU stress tests as part of a co-ordinated effort to reassure the markets about the strength of the 27-nation bloc's banking sector. A senior French official said the 16 banks regarded to be close to the threshold would now have to seek new funds immediately. Although there has been widespread speculation that French banks are seeking more capital, none is on the list. Other European officials said discussions were still under way.	FT Europe Update, 23/09/11
JP Morgan Chase	The likelihood is 'better than even' that the Federal Reserve will soon roll out a fresh programme of asset purchases, or QE3. Even though Ben Bernanke, the Federal Reserve's chair, refused to use his annual speech at the Jackson Hole symposium on Friday to hint at QE3, JP Morgan Chase's North America analyst Michael Ferol, argued that reading between the lines only a few of the FOMC's members were against more aggressive action to kick-start the economy. 'The hawks on the FOMC may generate a fair amount of media attention, but minutes to the 9 August meeting remind us there is a less vocal dovish faction that favours even more aggressive policy easing, and their view has been winning out over time,' Feroli pointed out.	Citywire 31/8/11

Research Summary – September 2011

Who	What	Source
Bank of England Monetary Policy Committee	"Most of the members thought it was increasingly probable that further asset purchases to loosen monetary conditions would become warranted at some point. Among the members voting to leave the stance of policy unchanged there were a number of considerations." "There was some merit in waiting to see how developments evolved in the coming weeks, including the actions of overseas authorities. Some loosening had already been provided by the lower path for market interest rates, although whether that would be sufficient to offset the deterioration in demand prospects was unclear. "For most members, the decision of whether to embark on further monetary easing at this meeting was finely balanced since the weakness and stresses of the past month had significantly strengthened the case for an immediate resumption of asset purchases. "For some members, a continuation of the conditions seen over the past month would probably be sufficient to justify an expansion of the asset purchase programme at a subsequent meeting."	Minutes of September 2011 meeting
Richard Woolnough, Fund Manager, M&G Optimal Income etc	Operation twist involves the Fed selling $400bn of US treasuries with maturities of three years or less to buy $400bn of US treasuries with maturities between six and 30 years. This action is designed to drive long-term rates down to stimulate the economy. In a conventional world, one would expect the fall in long-term interest rates to boost the economy However; this is not a conventional world. The flat yield curve and the anchoring of short-term interest rates will reduce the positive cost of carry those banks can earn, handicapping the banking system. Additionally, by flattening the yield curve via unconventional policy actions, the leading indicator of economic growth – the Conference Board Leading Economic index – will point to a weaker economy.	Investment Week 22/9/11

Research Summary – September 2011

Who	What	Source
Richard Woolnough, Fund Manager, M&G Optimal Income, etc **(continued)**	This might deter business planners who have historically looked at this indicator to assess the health of the economy and cause them to reduce or defer potentially stimulating investment plans. This will act as a drag on growth, precisely what the Fed is trying to avoid.	
Thanos Papasavvas, Strategist for Fixed Income & Currency, Investec	Puts a 75% probability on the Eurozone moving to greater fiscal union. There is a 20% of some countries leaving the Euro voluntarily. There is also a 5% chance of total breakup. "A crisis is a terrible thing to waste and so similar to the ERM crisis in 1992 which was the trigger for accelerating the path towards a single currency by 1999, this current crisis could be the trigger for accelerating the single currency towards fiscal confederation. "This would require changes to the Treaty which alongside a closer fiscal union would also have a new strategy for the clear and orderly exit of profligate nations which do not wish to abide by the rules of "the Club". This would take away the moral hazard which the Germans rightly worry about and allow for a future Finance Ministry to be set up with supervisory powers over the 17 nations. The aim would not be for all member states to have the same tax rates, but for all member states to abide to prudent fiscal management. Once the architecture has been built on such sound foundations of monetary and fiscal prudence, then the eventual departure of weak member states would not threaten the existence of the single currency project as they do today. "For as long as the cost of the break-up scenarios are prohibitively expensive and outweigh the cost of keeping the single currency together, the probability of the euro surviving will be the highest. There is a small window of opportunity to address the structural issues of the euro for its third and final stage of development. Policy makers and politicians should not miss it."	Email 30/9/11
Consensus/Summary	**The majority of this month's opinions continue to be bearish, with economic growth likely to be much lower than previous estimates over the next few years. No one is now advocating a rise in interest rates. Many believe it is imminent that Greece will default by the end of 2011.**	

Research Summary – September 2011

Equities

Who	What	Source
Scott Grannis, Independent Economist	Corporate earnings are at record highs and in the US, after-tax profits have risen by 9% over the past 12 months, now equating to 10.1% of the country's GDP, an all-time high. But at around 13 times, the P/E ratio is actually currently sitting significantly below its long-term historic average of 15.6x. 'The only logical explanation for why stocks are lagging profits is that the market expects a) interest rates to rise and/or b) profits to decline in future years. So far, neither has happened. In fact, interest rates have fallen and profits have continued to rise. Maybe the market has just been looking way ahead to events that have not yet happened, or maybe the market is just way too pessimistic.'	Citywire 5/9/11
Goldman Sachs Analysts	"In order to justify current prices you need to have a pretty pessimistic view of long-term returns and growth - we reckon the market is priced for something like only 1 percent (per annum) long-term dividend growth and a fall in return on equity to below the long-term average."	Reuters 6/9/11
Paul Boyne, Fund Manager, Invesco Perpetual Global Equity Income	Comparing equity yield to bonds, they look very attractive. They are at similar levels but he expects the equity yield to grow. On a PE basis, the MSCI World appears fair value. However, if we see significant earnings downgrades it could start to look expensive quite quickly. Note that 50% of the Index is USA. There are plenty of pockets of value in large cap, defensive stocks globally.	New Model Adviser Retreat 9/9/11
Richard Buxton, Fund Manager, Schroders UK Alpha Fund	Richard cites depressed sentiment and low trading volumes continuing from August; predicting the FTSE trading at levels of 4,700 to 5,700 until greater clarity surrounding the major Global/European issues is gained.	Fund Manager Breakfast, 16/09/11

Research Summary – September 2011

Who	What	Source
Robin Griffiths, Strategist, Cazenove	Most world stock markets have suffered a bad fall. This move does not look like the end of something, but more like the start of a new bear market for the Western world. However, there will still be opportunities to make money in these markets. In a normal four-year cycle, markets tend to have three good years and one bad. However, in the presence of a secular downtrend, the skew tends to become nearer to 24 months up and 24 down. The most recent high was 26 months after the March 2009 low. The system is working pretty much as it should. This is what the charts are telling us to expect in more detail: • Immediately we could see a rally that could last about a month and will take Western indices about 50% of the way back up from where they have just fallen.. The US S&P index could reach circa 1260 and the FTSE, 5600. • We could then see a further decline into the normally weakest part of the year, late October, with the FTSE at 4400 and the US S&P at 900. • The charts then point to a rally from a late-October low into early next year which would top out in March, at the latest, and will not go back to new highs. The markets could then retrace some of the gains until we reach a true buying level for Western markets between October 2012 and March 2013. • As for the Asian markets, the charts point to a truly good buying opportunity later this year, probably from late October onwards.	Citywire 12/9/11
Richard Bayley, technical analyst, Collins Stewart	UK stocks may drop up to 15 percent before resuming a rally that could push the FTSE 100 Index to the highest level since the end of the dot-com bubble in 2000. The advance from May 2009 until August 2011 was the end of the first five-stage climb in equities suggested by Elliott Wave theory. We are currently in the middle of a three-step decline, which will be followed by another five-part gain.	Bloomberg 26/9/11

equilibrium

Research Summary – September 2011

Who	What	Source
Douglas Turnbull, Fund Manager, Neptune China Fund	'Chinese market is currently nearly the cheapest it has ever been, at 9.5 times earnings. Therefore, it is at a discount to many of its peers and, in our opinion, not appropriately valued. 'Chinese economy is becoming more insulated from external shocks. As China continues to move away from the export-led growth of the past, the growth of the domestic consumer – and therefore the economy – will continue outside the sphere of developed world news.' With uncertainty throughout Europe and US continuing to linger and the seeming non committal/active stance of Western politicians, the above suggests reason to return to Emerging, but more specifically, the Chinese Markets.	Fund Update Email, 09/09/11
Neil Woodford, Fund Manager, Invesco Perpetual Income Fund	His strategy hasn't changed for three years, he is still cautious in his stock selection and feels defensive stocks are still the way forward. He believes this is an exceptionally difficult economy, with low inflation with possible deflation. He explained that people shouldn't expect a magical recovery and we will remain in this low growth economic scenario for a long time to come.	Invesco Perpetual Manager Roadshow, 27/09/2011
Chris Taylor, Fund Manager, Neptune Japan Opportunities	Chris again stood firm on the Neptune houses long term Global economic views; that the balance of power is shifting from West to East, and that GDP increases and projections highlight opportunities not limited to BRIC but emerging markets excluding BRIC also; projected GDP of EM exc BRIC in 2015 is $14.5 tn, compared with USA in 2015 at $14.6 tn. More Japan focused, Chris still feels that the currency hedge that is detracting from his fund is necessary as the level of debt will force authorities to intervene at some stage believing it is when not if.	Meeting, 29/09/2011
Stuart Rhodes, Fund Manager, M&G Global Equity Income Fund	Stuart points that many income funds will outperform in falling markets, due to the nature of Companies invested in, however many will find it hard to maintain this level in a rising market. He, however is still confident that there are opportunities for investment in either market that can achieve a better than average return with some companies able to maintain dividend growth on a consistent basis of over 20 years. Although Stuart confirms the US as the prime market for Companies with capital discipline and constant dividend growth; he also sees Australia and Brazil as potential for big dividend payers with ability to grow too.	M&G Roadshow, 30/09/11

Equities (Continued)

Consensus/Summary	**There are a variety of opinions on where equity will go from here, but the majority believe that the asset class continues to be significantly undervalued and at these current levels and equities are looking very attractive.**	

Research Summary – September 2011

Property

Who	What	Source
Citywire article	Commercial property transaction volumes in the UK and Europe have been ticking up over the past quarter, with a number of large institutional investors snapping up assets. Several are reporting notable shifts in the locations investors are backing, though, with economies across Europe growing or slowing at distinctively different speeds. AXA Real Estate Investment Managers says it completed €2.13 billion (£1.88 billion) of transactions in Europe in the first half of the year, some €1.19 billion of which comprised acquisitions. The group said there had been a change in the geographical focus compared with 2010. Some 46% of its acquisitions took place in the UK compared with 25% last year and 19% in France compared with 18%.	Citywire 6/9/11
Ignis Property Update	The stable level of performance property continues to deliver should offer investors some comfort, although sentiment towards the asset class may well suffer some ‘collateral damage’ in the current environment Rental income streams have proved remarkably resilient in the past so maintenance and enhancement of these receipts will prove crucial for performance Investors continue to chase a limited pool of prime assets in stronger locations putting further upward pressure on ‘top end’ prices in what remains a highly segmented market Offices, boosted by the strong London weighting will be the top performing sector over the next three years although the margin by 2013 is much reduced.	Monthly Update 20/09/11

Research Summary – September 2011

Property (continued)

Who	What	Source
Philip Nell, Aviva Property Fund Manager	UK commercial property continues to deliver positive returns, though the rate of recovery has slowed significantly since the start of the year in response to increased economic and financial uncertainty, as well as a perception of reduced value in the property market following the sharp recovery over the past twelve months. In addition debt - often a key driver of the market - is still very hard to come by. We are probably on the threshold of a period of below-average returns for the market as a whole. Even though there are growing signs that the worst of the occupier market downturn is behind us across all sectors, Central London offices are the only major sector currently enjoying rental growth. For other sectors, a return to rental growth does not look likely before 2011. We therefore expect below-average returns through the second half of 2010 and into 2011, with strong returns expected for 2012 and 2013 as the rental recovery broadens out across the market. On a medium-term view, we continue to expect robust risk-adjusted returns from real estate.	Monthly Update, 20/09/2011
Gerry Ferguson, Fund Manager, SWIP Property	Whilst availability of good quality stock remains low, the yield compression that has been driving the market appears to have halted. Returns are now almost wholly based on income. Properties offering asset management opportunities are becoming more attractive as investors look further up the risk curve in order to generate acceptable returns. Risk of tenant default and falling rental values/voids still having an impact on poor secondary values. Rental growth at an all property level has been marginally positive since the beginning of the year, with continuing positive growth for offices. Our forecasts are currently being updated for Q3 and will reflect the current economic outlook. As such we expect our rental growth and property return outlook to decrease from what was forecast last quarter.	SWIP Property Update, 22/09/2011

Research Summary – September 2011

Who	What	Source
Fiona Rowley, Fund Manager, M&G Property Fund	Fiona, as expected, advised that Property will be driven by Income receipts rather than Capital gains and that the gulf between Prime and Secondary properties is ever widening with weak tenancy demand for non prime locations. She feels that Offices will prove to be the early cyclical mover and as such is increasing her exposure, particularly in the south east. With the external threat of inflation, Fiona has c 25% of her fund inflation protected through either agreed rental increases or annual appraisal on rent that would peg rates to RPI.	M&G Roadshow, 30/09/11
Consensus/Summary	**Consensus for property is not positive due to its increasing link to economic growth, which is likely to be poor. Income levels remain attractive but little growth is foreseen. However, fund managers see some pockets of value.**	

Research Summary – September 2011

Fixed Interest

Who	What	Source
James Foster, Fund Manager, Artemis Strategic Bond	“The high yield market is now discounting that 45% of companies will go bust (with 40% recovery rates) over the next five years. In banks it is discounting that six big European banks will default (with 25% recovery) out of the 25 in the index over the next five years. These numbers are highlighting the distress in the market: defaults on this scale are unprecedented in our lifetimes. Value is clearly being demonstrated. But in a market racked with uncertainty, investors are waiting for policymakers to provide some semblance of order. “On the other hand, the background of low interest rates for a sustained period is a very important driver. The panic in the banking sector will subside and the fantastic yields now available will fall as confidence returns. The banks have a much greater level of capital now than even 2 years ago. We’re confident that the markets will be positive again soon.”	Email update 2/9/11
Richard Woolnough, Fund Manager, M&G Corporate Bond and Optimal Income funds	Believes that huge problems remain within the banking sector and in peripheral Eurozone countries and his funds retain very low exposures to both sectors. However, he believes the sell-off has been indiscriminate. Non-financial investment grade and high yield corporates have also experienced spread widening despite being fundamentally much more sound than many sovereigns and financials. At an index level sterling BBB (including financials) spreads have risen to 386bps and euro BBBs to 375bps, whilst high yield spreads have widened to 845bps (Source: Bloomberg as at 1 September 2011). He believes spreads at these levels are pricing in too pessimistic an outlook and therefore that credit risk is currently very attractive. He has increased high yield exposure in all his funds.	Email update 2/9/11
John Pattullo, Head of Fixed Income, Henderson Global Investors	We are likely to see low growth both in Europe and American. This is actually a supportive environment for some corporate bonds. He is particularly positive about the BBB market. In the short term, he expects credit markets to go lower. It is an over the counter market, and he is getting many more calls from people selling bonds than wanting to buy. However, the implied default rate in the market is very high compared to historic averages, and therefore valuations are very cheap. At the moment, a huge liquidity premium is being demanded.	New Model Adviser Retreat 8/9/11

Research Summary – September 2011

Fixed Interest (continued)

Who	What	Source
Ben Lord, Co-Manager, M&G UK Inflation Linked Corporate Bond fund	He remains positive on investment grade corporate bonds. There is a sweet spot of GDP growth which is particularly supportive for credit, and we are in that zone at the moment. Less growth = higher default risk, more growth = people switch to equities. Markets are currently pricing in much more than a normal recession in Europe. Outlined 4 possible scenarios: • Global slowdown • Developed market slows, emerging markets strengthen • DM strengthens, EM slows • Global recovery 1 and 2 are most likely and would be supportive for investment grade bonds. 3 and 4 are unlikely. In terms of inflation, labour costs are increasing in the US and this will feed into prices. Although inflation is not their base case, they feel it is a significant risk and that everyone should have some inflation exposure in their portfolio. They are not buying banks and are concerned for several reasons, such as regulation, exposure to European debt. He feel that at some point even senior bond holder may well be required to share in the pain – equity holders have already felt it.	New Model Adviser Retreat 8/9/11

Research Summary – September 2011

Fixed Interest (continued)

Who	What	Source
Paul Brain, Fund Manager, Newton Global Dynamic Bond fund	Greece will default and this could be a Lehman's like event. There is no choice but to let it go. Although high yield shows value with the issues in the economies it could perform very poorly in the short term at least. He is heavily in government bonds and quality corporate. He is also positive about emerging market government bonds with less link to problems in Europe. He expects greater than 6% pa from his fund which has a current yield to maturity of 5.5%.	New Model Adviser Retreat, 8/9/11
Roger Bootle, Economist, Capital Economics	Gilts show no value but are not expensive in current environment. 10 year Japan bonds went to 0.6% pa at one point. Gilts maintain safe haven status for now. However, the medium term risk is enormous, when yields rise back to usual 5% or 6%.	New Model Adviser Retreat, 8/9/11
Steve Russel, Ruffer Investment Company Manager	'We believe that inflation will be the hammer which strikes the anvil, and conventional bonds in safe areas will fall very sharply. At the moment we are making money from [linkers] because of their [similarity] with conventional bonds. To the extent that this continues, they too are in dangerous territory.' Our strong belief is that the fundamentals will more than save them from their current valuations –but we cannot be sure that there will not be a [natural break] when all bonds fall, conventional and index-linked alike.' 'Fear investments are now in a bubble. The IMF has estimated that to accommodate the liquidity which is looking for a 'riskless' home, there would need to be a further $1.5 trillion in safe assets. No surprise then, that the stock of safe investments is riding dangerously high - reinforced as it is by those who can euphemistically be described as momentum investors.'	CityWire Article, 15/09/11

Research Summary – September 2011

Fixed Interest (continued)

Who	What	Source
Gary Kirk, Partner, Portfolio Manager, TwentyFour Asset Management	Believes the market is vastly overestimating the potential default rate on high yield bonds. At the time of writing the 5yr iTraxx Crossover index is trading at 727-730. That means that an investor looking to buy €10m protection against the 40 component names that make up the index they would be obliged to pay €730,000 per annum. Over the life of the index this is €3.65m. Mathematically this spread implies a cumulative default rate 44.5% ie. over the 5yr period the breakeven point would be the default of 44.5% of the entities that make up the index (presuming there is a 40% recovery value in those corporates that have "defaulted"). In other words the market spread is equating to 18 out of the 40 names experiencing a credit event over the coming 5yrs. With a fertile imagination we could see a handful of names facing serious difficulty if there was a deep and long drawn out recession – but realistically we struggle to imagine a scenario where 44.5% fold over the coming 5yrs.	Email 8/9/11
Richard Woolnough, Fund Manager, M&G Optimal Income	Is up to his highest ever weighting in high yield. "We have been selling some of our safer defensive things we have owned and putting more credit risk on board", Woolnough said. "We have been increasing our high yield exposure because we think there is good value there. The risk-reward trade-off is good. The weaker companies went to the wall in 2008 but the ones that are left are pretty healthy. We want to lend to this healthy cohort. "We have been adding selectively, because at the moment you are getting paid very, very well for taking credit risk." However, he remains very underweight financials saying that banks are in a structural bear market and need to reinvent themselves.	Investment Week 8/9/11
Jim Leaviss, Fund Manager, M&G UK inflation linked Bond Fund	Jim believes we will see a full Greek default by the end of 2011, however expects that this will be accompanied by further efforts to reduce any contagion throughout Europe by way of; creation of funding for other peripheral economies, fiscal restructure, further funding to banks. Jim also pointed to high yields as potentially good value, with the market pricing in defaults in range of 18% in BBB companies whereas the actual default figures are about 2%.	M&G Roadshow, 30/09/11

Research Summary – September 2011

Fixed Interest (continued)

Consensus/Summary	**The continuing opinion on sovereign debt is saying that it is currently overvalued during this period of global economic uncertainty due to investors moving into 'safer' investments. Volatility in the bond market will continue to persist.** **A few opinions are saying that high yield offer good value at the moment along with lower investment grade, non-banks.**	

Research Summary – September 2011

Fund Manager Contact Summary

*** Includes other key contacts and speakers such as analysts, economists, and others.**

Event	Speaker(s)	Type of Contact
New Model Adviser Retreat	Roger Bootle, Chief Economist, Capital Economics	Face to face
New Model Adviser Retreat	Paul Boyne, Fund Manager, Invesco Perpetual Global Equity Income	Face to face
New Model Adviser Retreat	Simon Brazier, Fund Manager, Threadneedle UK Equity fund	Face to face
New Model Adviser Retreat	John Pattullo, Head of Fixed Income, Henderson Global Investors	Face to face
New Model Adviser Retreat	Alexandre Houpert, Head of Exchange Traded Products, Societe Generale	Face to face
New Model Adviser Retreat	Ben Lord, Co-Manager, M&G UK Inflation Linked Corporate Bond fund	Face to face
New Model Adviser Retreat	Richard Marwood, Fund Manager, Axa Distribution Fund	Face to face
Meeting	Margaret Lawson, Fund Manager, SVM UK Growth Fund	Face to face
Meeting	Alex Savvides, Fund Manager, UK Dynamic Fund, JO Hambro	Face to face
Allianz Conference	Michael Konstantinov, Fund Manager, Allianz BRIC Stars Fund	Face to face
Meeting	Stephen Jones, Fund Manager, Kames Inflation Linked Fund	Face to face
Standard Life GARS	Tam McVeigh, Fund Manager, Standard Life GARS Fund	Face to face
Meeting	Richard Buxton, Fund Manager, Schroder UK Alpha Plus	Face to face
Equilibrium Investment Dinner	Luke Stellini, Product Director, Invesco European Income Fund	Face to face
Teleconference	Ainslie McLennan, Fund Manager, Henderson Property Fund	Telephone

Research Summary – September 2011

Event	Speaker(s)	Type of Contact
M&G Meet the Managers Roadshow	Steven Andrew, Fund Manager, M&G Multi-Asset Fund	Face to face
M&G Meet the Managers Roadshow	Jim Leaviss, Fund Manager, M&G Fixed Income	Face to face
M&G Meet the Managers Roadshow	Fiona Rowley, Fund Manager, M&G UK Property Fund	Face to face
M&G Meet the Managers Roadshow	Steven Andrew, Fund Manager, M&G Global Equities	Face to face
Invesco Perpetual Fund Manager's Conference	Neil Woodford, Fund Manager, Invesco Perpetual Income	Face to face
Invesco Perpetual Fund Manager's Conference	Jeff Taylor, Fund Manager, Invesco Perpetual European Equity	Face to face
Invesco Perpetual Fund Manager's Conference	Dean Newman, Fund Manager, Invesco Perpetual Emerging Countries	Face to face
Meeting	Chris Taylor, Fund Manager, Neptune Japan Opportunities	Face to face

This month we met 19 fund managers and spoken to 4 other key individuals.

Research Summary – September 2011

Monthly Figures – September 2011

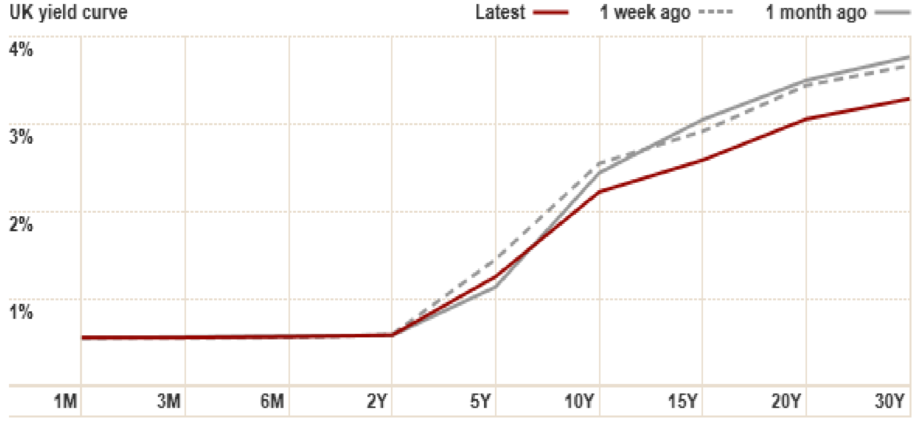
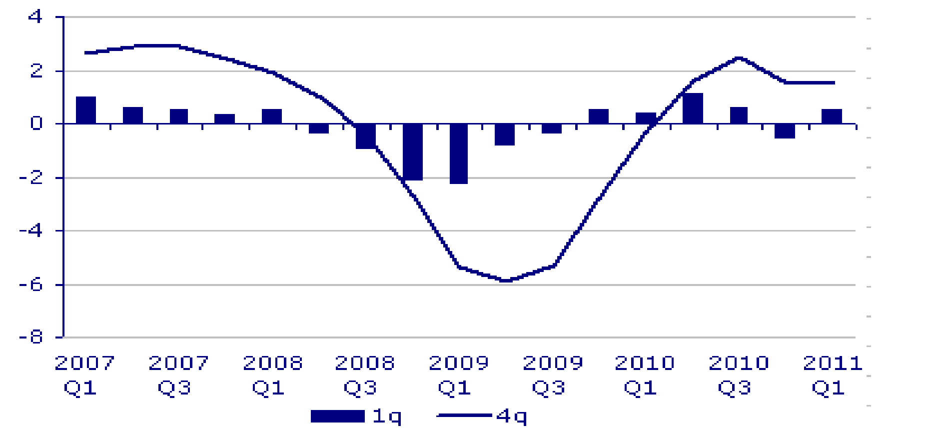
Index	Value
FTSE 100 – last day of last month	5394
FTSE 100 – last day of this month	5128
% change (ignores dividends)	-5%
FTSE Allshare – last day of last month	2787
FTSE Allshare – last day of this month	2555
% change (ignores dividends)	-8.3%
Oil price (Brent Crude) $	$100.58
% change	-12.2%
US$ to £ - last day of last month	1.62
US$ to £ - last day of this month	1.53
% change	-5.5%
Euro to £- last day of last month	1.13
Euro to £- last day of this month	1.16
% change	+2.7%
RPI	5.0%
Change from last month	-
CPI	4.5%
Change from last month	+0.1%
BoE Base Rate	0.5%

Index	Value
UK 10 Year Gilt Yield	2.22%
FTSE Allshare P/E Ratio	10.3x
FTSE Allshare Yield	3.5%
Spread v Gilt	1.28%
IBOXX Sterling Corp Bond Yield	5.86%
Spread v Gilt	3.64%
IPD UK All Property Yield	6.0%
Spread v Gilt	3.78%

Monthly Portfolio Figures	% Change
Fixed Interest	-1.23%
Strategic Fixed Interest	-1.13%
UK All Companies	-5.23%
UK Large Companies	-2.18%
UK Dynamic	-4.77%
Global Established	-4%
Global Dynamic	-5.24%
Global Speculative	-12.87%
Alternative Equity	-1.52%
Property	-0.07%

Sources: Financial Express Analytics, Indexco.com, National Statistics, Bloomberg, FT.Com, Google Finance, Yahoo Finance

Research Summary – September 2011

Gilt yield Curve	GDP Growth
	
Government Debt & Deficit	**Average Wage Earnings**