



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
Japanese Central Bank	Despite continuing weakness in consumer spending, the bank expects the Japanese economy to start to recover in the second half of this year. Recent official data showed that the country's industrial output rose by 5.7% in May, compared with April.	BBC.co.uk 15/7/09.
US Federal Reserve	The US economy will sink at a slower pace than previously thought in 2009, thanks to a rebound in the second half of the year. However, unemployment will continue to rise.	BBC.co.uk 15/7/09
Standard Life house view	After a strong rebound, they believe Sterling has probably peaked against the dollar but there is further weakness in the Euro.	Email update 16/7/09
Azad Zangana, European Economist, Schroders	Commenting on recently released UK GDP figures: "The size of the latest fall in output is significantly worse than expected and increases pressure on the Bank of England's Monetary Policy Committee to expand its quantitative easing programme further at its August meeting. However, the provisional estimate is subject to revision and does show that the economy is past the worst phase of the recession. Private business surveys have been pointing to a substantial improvement in recent months. Despite the setback, we continue to expect a return to positive growth in the second half of this year."	Email update 24/7/09
Consensus/Summary	The consensus view is very much that the developed economies will move out of recession in the second half of this year. However, the pain will be felt for much longer as employment figures are continuing to worsen	

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Equities

Who	What	Source
Stuart Parks, Head of Asian Equities, Invesco Perpetual	<p>The de-coupling of the Asian and global economy is happening and but will take 20 years to be complete. Even though all markets fell together in the recent crisis, this does not mean that de-coupling is not happening.</p> <p>The consumer sector in Asia is continuing to grow and they are gradually becoming less export led economies.</p>	Email update July 2009
Blackrock House View	<p>“The equity valuation case has certainly weakened on the latest rally and markets are likely to grind, rather than surge, higher.</p> <p>“We do not believe that a further test of the old market lows will emerge and expect – over time – more positive factors to dominate, albeit in an environment in which equity returns are likely to be subdued rather than spectacular. The main driver of equities into next year will be the extent to which the nascent global recovery gains traction and generates greater confidence of an upturn in corporate earnings.”</p>	Strategy Framework, 1/7/09
Neptune Investment Managers	<p>The Japanese market has begun to catch up as investors have started to appreciate that the worst is over globally and that a recovery has begun, led by the BRIC countries. Therefore, as the global economy regains its composure, Japanese firms should disproportionately benefit from the impending worldwide economic upswing given their strong competitive position combined with a well geographically-diversified sales base, featuring a substantial and growing exposure to the BRIC countries.. This means the market is likely to gain further momentum throughout the year and largely ignore the outcome of the September 2009 general election. The low exposure of investors to Japan could mean a significant inbound flow of investment funds later in the year which would lift share prices further.</p>	Email update July 2009



Equities (continued)

Larry Connors, CEO, Tradingmarkets.com	He has laid down 8 rules which determine when a bear market turns into a bull market. All of those rules have now been fulfilled and according to his theory a bull market is now underway.	This is Money 28/7/09
David Schwartz, Stockmarket Historian	Believes historic patterns can suggest market moves. He says we are in a bull market and he believes the FTSE 100 will finish at around the 5,300 mark.	This is Money 28/7/09
Cory Gilchrist, Fund Manager, Gartmore US Opportunities Fund	Macro economic data continues to point towards a recovery, but it will not be a V-shaped recovery. Rather, it is believed the recovery will be more 'saw toothed' in appearance, made up of many short sharp rallies and subsequent fall backs. We have seen this already in Q2 2009, where the market rallied strongly for the first six weeks, before drifting back down. However, the market closed up by the end of the quarter, and the manager feel this is indicative of how the recovery will take shape. This kind of market environment offers opportunities to pick up quality growth companies with recovery potential.	Email update 22/7/09
Neil Woodford, Fund Manager, Invesco Perpetual Income fund	Whilst he is very pessimistic about the world economy, he believes certain areas of the equity market are fundamentally undervalued and therefore believes there is potential for decent profits for investors in the right stocks. He is focused on companies with solid balance sheets and whose business models are not geared to fluctuations in economic performance. He is focused on traditional defensive sectors such as pharmaceuticals, utilities, tobacco and telecoms.	Email update 28/7/09

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Equities (continued)

BBC Article	<p>“The FTSE 100 was considered to have hit a ceiling at 4,500 to 4,600 points, but it seems very close now to breaking through that. Many chartists believe that, once safely through, the markets are capable of another sizeable leg upwards.</p> <p>But the volumes have been slim. One newspaper columnist contemptuously called it "an office boy's rally", small-time investors getting carried away while the Big Boys are away on holiday. For 13 of the last 22 sessions volume in London has been below a billion shares traded. “</p>	Bbc.co.uk 31/7/09
Consensus/Summary	<p>The consensus for equities is now much more positive with many analysts believing the recent rallies can be sustained. However, caution needs to be exercised as markets have risen quickly over a short period when trading volumes are thin. There is still a danger of further setbacks but we would hope to see further gains towards the end of the year.</p>	



Property

Who	What	Source
M&G Property Portfolio, Fiona Rowley, Fund manager	The rate of decline in the IPD Monthly Index slowed to 1.6% during April, an improvement from the steady decline experienced in the first three months of 2009, and considerably better than the successive record monthly falls in the last quarter of 2008. Yields on prime properties seem to be stabilizing, primarily on high street shops, supermarkets and distribution warehouses with good quality tenants on long leases. Capital values are increasingly at levels that discount both lower tenant demand and deteriorating rental prospects. There is also evidence of rising interest from both overseas and now, progressively, from domestic investors.	June 2009 Fact Sheet
SWIP Property, Gerry Ferguson, Fund Manager	'SWIP believes that the time is right to re-enter the market and are taking advantage of some excellent opportunities that meet our criteria of prime quality assets in good locations with a strong income stream'.	Citywire Interview, July 2009
SWIP	<p>Although total returns remain in negative territory, the pace of decline has moderated slightly since the end of last year. While the freefall in capital values may be slowing – suggesting that values may be approaching some kind of floor – the total decline, so far, has reached an extraordinary 39.5% in just 18 months. Values are now back to levels not seen since 1999.</p> <p>Whilst capital values continue to decline, driven by falling rents, it is at a decreasing rate. Pricing is beginning to stabilize and most commentators believe that we are nearing the bottom of the market. Portfolio strategy is focused on protecting and enhancing existing income through maintaining close relationships with the tenants. Income is obviously key.</p> <p>We expect that 2009 will be the low point for GDP and the property market, with the economy picking up towards the end of the year. This should bring a more positive outlook for rental growth and an improvement in investor confidence.</p>	Email commentary, July 2009

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Property (continued)

<p>Martin Gahbauer, Chief Economist, Nationwide</p>	<p>House prices posted their fourth increase in five months in June and there is now a chance that prices could end the year higher than where they started. The annual change is now just -6.2%.</p> <p>Although the resilient house price rise came as a surprise, 'it is not inconsistent with other economic indicators and asset prices, which have also bounced back somewhat after very severe declines around the turn of the year'.</p> <p>But he said high unemployment would hurt buyer confidence. 'It is unlikely, therefore, that price increases can be sustained for long at the very strong rate observed over the last few months.'</p>	<p>Citywire.co.uk 30/7/09</p>
<p>Investment Property Databank</p>	<p>The UK commercial property market is showing signs that the worst of the crash may be over. The IPD UK quarterly index put capital growth at -4% in the three months to the end of June, beating forecasts.</p>	<p>IPD.com July 09</p>
<p>Consensus/Summary</p>	<p>Falls in commercial property prices have slowed and in some areas of the market prices have stopped falling altogether. Many analysts are turning cautiously positive with rental yields now at around 8%. If these yields are sustained and prices have stopped falling, this would lead to some potentially good returns.</p>	



Fixed Interest

Who	What	Source
Adam Cordery, Head of UK & European Credit Strategies, Schroders	"Whilst corporate bond yields have already come in to some degree since March, we remain convinced that there is still a significant opportunity for investors relative to cash and government bonds."	Email update 1/7/09
Keith Wade, Chief Economist, Schroders	The rise in government bond yields can be attributed to higher inflation expectations judging by the gap between nominal bonds and TIPS (Treasury inflation-protected securities) real yields. Having been discounting deflation of minus 1% per annum for the next ten years at the end of 2008, the breakeven rate has risen to a more conventional 2%.	Email update 3/7/09
Euan McNeil, Fund Manager, Aegon Strategic Bond fund	Continues to believe there is excellent value in investment grade, which they prefer to both high yield and government debt. If gilt yields get back over 4% they may add longer duration to the portfolio.	Monthly muse, 12/7/09
John Stopford, Head of Fixed Income, Investec Asset Management	History suggests investment grade corporate bonds could potentially outperform government bonds by almost 6% p.a. over the next 3 years	Email update 23/7/09
Consensus/Summary	<p>The consensus remains that investment grade bonds still represent good value compared to government bonds. High yield bonds could potentially provide some excellent returns. However, many analysts are nervous of the risks and feel the potential in investment grade is high enough for them not to need to take additional risk by lending to weaker companies.</p> <p>However, if inflation surprises on the upside this could reduce the potential for returns from fixed interest.</p>	



Research Summary – July 2009

Fund Manager Contact Summary

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

Event	Speaker(s)	Type of Contact
Meeting	David Crawford, Fund Manager, Octopus Absolute Return Fund	Face to Face
Meeting	Bill Miller, Winton Futures Fund	Face to Face
Meeting	Simon Laing, Fund Manager, Newton American	Face to Face
Meeting	Adam Cordery, Fund Manager, Schroder Corporate Bond	Face to Face
Meeting	Ian Lance, Fund Manager, Schroder Income Fund	Face to Face
Meeting	David Barclay-Miller, Aria Investment Funds	Face to Face
Meeting	Rod Sleath, Fund Manager, Collins Stewart Continental Europe Focus Fund	Face to Face

This month we met five fund managers and two other key individuals.



Research Summary – July 2009

Monthly Figures

Index	Value
FTSE 100 – last day of last month	4,249
FTSE 100 – last day of this month	4,608
% change (ignores dividends)	+8.45%
FTSE Allshare – last day of last month	2,178
FTSE Allshare – last day of this month	2,353
% change (ignores dividends)	+8.03%
US\$ to £ - last day of last month	1.64
US\$ to £ - last day of this month	1.67
% change	+1.83%
Euro to £- last day of last month	1.17
Euro to £- last day of this month	1.17
% change	0%
RPI	-1.6%
Change from last month	-0.5%
CPI	1.8%
Change from last month	-0.4%
BoE Base Rate	0.5%
Change from last month	0%

Index	Value
UK 10 Year Gilt Yield	3.8%
FTSE Allshare P/E Ratio	10.1
FTSE Allshare Yield	4.3%
Spread v Gilt	0.5%
IBOXX Sterling Corporate Bond Index Yield	7.01%
Spread v Gilt	3.21%

Monthly Portfolio Figures	% Change
Fixed Interest	3.3%
Dynamic Fixed Interest	4.76%
UK All Companies	8%
UK Large Companies	6.21%
UK Dynamic	7.5%
Global Established	6.53%
Global Dynamic	7.93%
Global Speculative	9.53%
Alternative Equity	0.89%
Property	0.54%