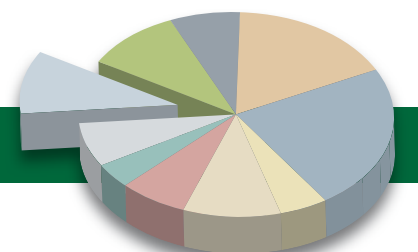


## Balanced Portfolio



### Fund Objectives and Suitability

The Balanced Portfolio is a selection of funds available via our investment platform. The aim of the portfolio is to provide capital growth or income and out perform the returns of the IMA Balanced Managed sector in any rolling 3 year period. The fund is suitable for investors seeking long term capital growth by investing in assets including global stock markets, UK and overseas fixed interest, securities, property and commodities. It is designed to provide an average level of volatility and investors should be comfortable with a minimum time frame of five years.

### Investment Process

The first stage of the investment process carried out by the Investment Committee is to carefully decide on the asset allocation and sector breakdown for the portfolio. Studies have shown that asset allocation accounts for more than 90% of the portfolio's risk and return characteristics. The emphasis is placed towards those assets the Committee consider will out perform over the medium term.

It is important to monitor the asset allocation and regular reviews and adjustments are carried out by the Investment Committee. The second stage is to consider suitable funds for each sector, taking into account each fund's holding, track record of the fund manager and the returns when compared to the level of risk taken.

### Market Overview Quarter 4 – Outlook Quarter 1 2010

As 2009 drew to a close, stock markets remained favourable for investors, as the final quarter of the year proved to be profitable. Most of these gains were made in December for the UK, Europe and Japan due to a small end of year rally. All developed markets performed at a similar rate for the quarter, with the UK, US and Hong Kong returning 5.4%, 5.5% and 4.4% respectively. Commodities continue to rise in value, led by Oil and Gold with returns of 12.9% and 8.9% respectively. Economic news was relatively uneventful during the quarter and interest rates remained unchanged in most developed markets – remaining close to zero in several countries. While US investors were enjoying Thanksgiving, other markets suffered stiff losses on the one piece of unexpected news – that Dubai World might be unable to repay its debt. As a result, most markets had their biggest falls since March, thinking this issue could reignite the financial turmoil. Subsequently, analysts have reassessed the facts behind the situation and the potential impacts, allowing most markets to regain the losses or even move to new recovery highs. Although we are probably over the worst, this is a reminder that the financial difficulties in the debt markets that emerged in 2008 are far from being fixed.

Moving into 2010, the conditions are still favourable for investors, with low interest rates and inflation, plus the continuation of the massive government stimulus being the trump card. Although monetary policy is likely to tighten during the year ahead, this is not the case at present. Other indicators to watch would be the increase in government bond yields and the price of oil, both of which could slow the recovery if they move too far in the wrong direction. However, whilst we still enjoy these benign conditions, we feel investors will continue to be rewarded.

### Risk Warning

Past performance is not a guide to future performance. The investment's value and any income deriving from it may fall as well as rise, as a result of market and currency fluctuations. You may not get back the amount originally invested.

### Sector Breakdown

Strategic Bonds .....	17%	Europe .....	7%
UK Equities .....	23%	Emerging Markets .....	10%
Property .....	5%	Total Return .....	10%
Global .....	10%	Specialised Markets .....	7%
Far East .....	7%	Total .....	100%
US .....	4%		

### Portfolio Breakdown

Sector	OBSR Fund Rating	Standard & Poor's	Financial Express	Fund %
<b>Strategic Bonds</b>				
• Invesco Perpetual Monthly Income Plus	AAA	AA	2	5
• M&G Optimal Income	AA	AAA	-	6
• Fidelity Sterling Bond	A	AA	3	6
<b>UK Equities</b>				
• Invesco Perpetual High Income	AAA	AAA	3	10
• M&G Recovery	AAA	AAA	3	10
• Standard Life UK Smaller Companies	AAA	AAA	3	3
<b>Property</b>				
• Threadneedle UK Property	-	-	-	5
<b>Global</b>				
• Neptune Global Equity	AAA	-	2	5
• M&G Managed Growth	-	AA	3	5
<b>Far East</b>				
• First State Asia Pacific Leaders	AAA	AAA	3	4
• Fidelity South East Asia	AA	AA	3	3
<b>US</b>				
• Neptune US Opportunities	A	-	3	4
<b>Europe</b>				
• Jupiter European	AAA	-	3	4
• Jupiter European Special Situations	AA	AA	3	3
<b>Emerging Markets</b>				
• JPM Emerging Markets	-	-	2	5
• First State Global Emerging Markets	AA	AA	3	5
<b>Total Return</b>				
• Cazenove MM Diversity	-	-	3	10
<b>Specialised Markets</b>				
• JPM Natural Resources	AA	-	-	4
• BlackRock Gold & General	AAA	AAA	-	3
<b>Total</b>				<b>100</b>

NB: Information correct as of December 2009

For further details on any of our portfolios or to obtain copies of our factsheets, please contact us on 01527 889 740.