

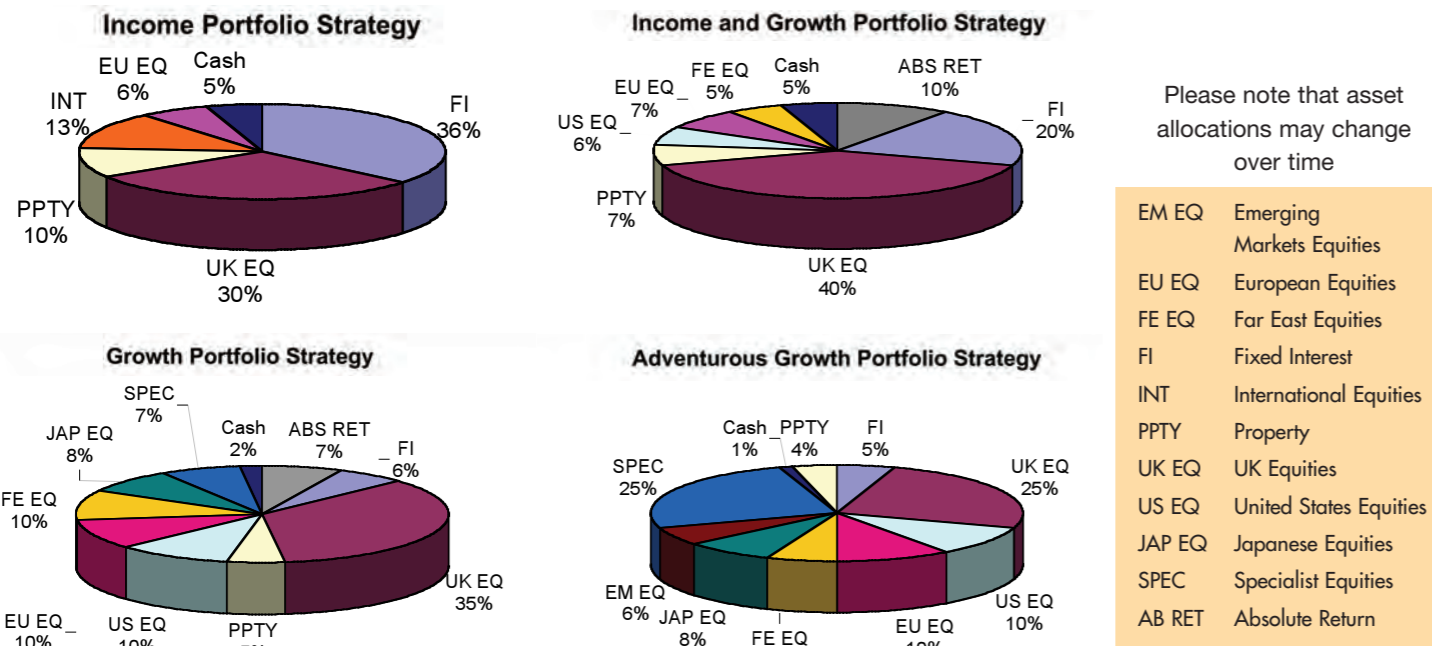
# BAM Portfolio Models' Investment Performance

|                                       | 31/12/03<br>to 31/12/04 | 31/12/04<br>to 31/12/05 | 31/12/05<br>to 31/12/06 | 31/12/06<br>to 31/12/07 | 31/12/07<br>to 31/12/08 |
|---------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Income Portfolio Strategy             | +10.1% ▲                | +12.9% ▲                | +12.0% ▲                | +0.4% ▲                 | -20.4% ▼                |
| Income & Growth Portfolio Strategy    | +8.2% ▲                 | +13.8% ▲                | +12.4% ▲                | +0.3% ▲                 | -23.4% ▼                |
| Growth Portfolio Strategy             | +10.5% ▲                | +24.0% ▲                | +13.6% ▲                | +8.6% ▲                 | -24.4% ▼                |
| Adventurous Growth Portfolio Strategy | +9.7% ▲                 | +28.3% ▲                | +10.0% ▲                | +8.8% ▲                 | -30.0% ▼                |

| Indices                            | 31/12/03<br>to 31/12/04 | 31/12/04<br>to 31/12/05 | 31/12/05<br>to 31/12/06 | 31/12/06<br>to 31/12/07 | 31/12/07<br>to 31/12/08 |
|------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| IMA CAUTIOUS MANAGED               | +8.6% ▲                 | +12.3% ▲                | +6.8% ▲                 | +1.2% ▲                 | -16.4% ▼                |
| IMA BALANCED MANAGED               | +9.0% ▲                 | +19.8% ▲                | +9.8% ▲                 | +4.1% ▲                 | -21.7% ▼                |
| IMA ACTIVE MANAGED                 | +9.1% ▲                 | +22.8% ▲                | +9.8% ▲                 | +6.2% ▲                 | -26.1% ▼                |
| FTSE ALL SHARE                     | +12.8% ▲                | +22.0% ▲                | +16.8% ▲                | +5.3% ▲                 | -29.9% ▼                |
| FTSE A BRIT GOVT ALL STOCKS        | +6.6% ▲                 | +7.9% ▲                 | +0.7% ▲                 | +5.3% ▲                 | +12.8% ▲                |
| FTSE WORLD                         | +8.3% ▲                 | +24.9% ▲                | +7.2% ▲                 | +10.8% ▲                | -19.4% ▼                |
| FTSE WORLD EUROPE (EX UK)          | +13.8% ▲                | +24.1% ▲                | +20.1% ▲                | +15.7% ▲                | -24.0% ▼                |
| FTSE WORLD ASIA PACIFIC (EX JAPAN) | +17.1% ▲                | +35.6% ▲                | +12.6% ▲                | +29.4% ▲                | -31.0% ▼                |
| JAPAN NIKKEI 225                   | +4.9% ▼                 | +36.2% ▲                | -7.1% ▼                 | -6.8% ▼                 | -1.2% ▼                 |
| S&P 500                            | +3.4% ▲                 | +17.3% ▲                | +1.6% ▲                 | +3.7% ▲                 | -12.8% ▼                |

Note: BAM figures take into account normal dealing costs BUT NOT BAM fees.  
 Source: BAM portfolio performance figures: Beckett Asset Management  
 Indices: Lipper Hindsight Basis: Total return UK NET GBP  
 IMA: Investment Management Association  
**OVERSEAS EQUITY RETURNS ARE FOR A STERLING DENOMINATED INVESTOR. Past performance is no indicator of future performance**

## Target Model Portfolio Structures 31/12/2008



## BECKETT ASSET MANAGEMENT LTD

### Contact Us

For further information, please contact us, on 01284 754500

Beckett Asset Management Limited  
 Dettingen House  
 Dettingen Way  
 Bury St. Edmunds  
 Suffolk IP33 3TU

Tel: 01284 754500  
 Fax: 01284 773701  
 Email: info@beckettinvest.com  
 Web: www.beckettinvest.com

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31st December 2008

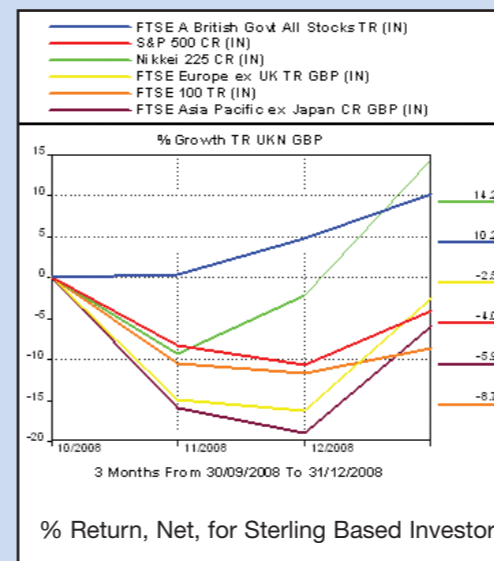
## BECKETT ASSET MANAGEMENT LTD

**JANUARY/FEBRUARY  
 SALE – BIG MARK  
 DOWNS ON ALL ASSETS**

**2008 A RECORD  
 BREAKER BUT FOR ALL  
 THE WRONG REASONS**

**COMMODITIES  
 WOE BUT INFLATION  
 WORRIES SUBSIDE –  
 DEFLATION FEARS  
 NEAR TERM**

**OBAMA TO THE  
 RESCUE?**



Investors will be glad to see the back of 2008, after a year of unprecedented events left Credit, Property, Equity and Commodity markets battered and recession in the UK and other developed economies a reality. The wholesale reduction in company debt played a big part in the tumultuous year we experienced and there is no doubt that what began as a credit crunch in 2007, spiralled into a financial crisis much more quickly and severely than expected.

Emerging markets, which had become the primary contributors to global expansion over the last several years, as their share of Global GDP Growth surged to more than half the total, could not prop up the rest of the world as it faltered. While the likes of Russia, Brazil and India are not expected to contract, they face severe headwinds and even the powerhouse that is China is cooling. However, like Western Governments, the Chinese policymakers have also been making plans, signalling they too are prepared to do whatever is needed to prop up domestic demand.

It was a year of two distinct halves for Commodity markets as they ended up suffering their worst annual performance since records began. This was despite many setting record prices during 2008 such as Oil; a number of precious metals, such as Platinum and some soft commodities, such as Wheat. There were more records set with Bond yields too, with exceptional expected rates of defaults never previously seen priced in at the expense of capital values. There were also wild swings in Currencies, with Sterling severely punished in the last quarter. So what is in store for us in 2009?

With the reality of recession upon us, it appears this at least brings clarity to forecasting and the policy responses required. We have seen large interest rate cuts in all the major economies, with possibly more to come, coupled with further stimulus packages around the globe. These range from further assistance for banks to infrastructure spending. There are several scenarios that could play out, "Obama to the rescue" and a quick recovery being one which is perhaps hoped for, but a less dramatic and more likely scenario is that patience will pay off.

We need to see evidence of stability in the financial sector and a working mechanism of credit supply. In terms of making a return on investment, in both equity and debt, the key will be surviving the lag it takes for these stimuli to show results and there will be casualties. The expectation and responsibility lies with the fund managers we have chosen for our portfolios to spot those who can survive and indeed those who will emerge stronger. Defaults on Corporate Debt will rise but you will be adequately compensated by the yields available and exposure to this asset class via a collective investment means good diversification of risk and active management. This will be a testing time and demonstrates why we recommend a fund based approach to investing, so the top resources and talent are employed and the investment risk is spread.

While deflation is a worry for the short term, the actions of Governments and central banks will ultimately prove inflationary, so Inflation Linked Bonds currently look very attractive at current prices and yields. We have exposure to this asset class in a number of our portfolios.

We know 2009 will be a difficult operating environment as credit is harder to access and more highly priced and therefore investment markets will find it difficult to make progress as news flow remains gloomy and volatility remains. However we believe there will be an opportunity to see an improvement in portfolio values this year and we will be watchful for the signs that policy responses are gaining traction. This will likely come first from a revival in risk appetites and an improvement in asset prices which acts as a leading indicator for a recovery in the broader economy.