INVESTMENT REVIEW

31st March 2009

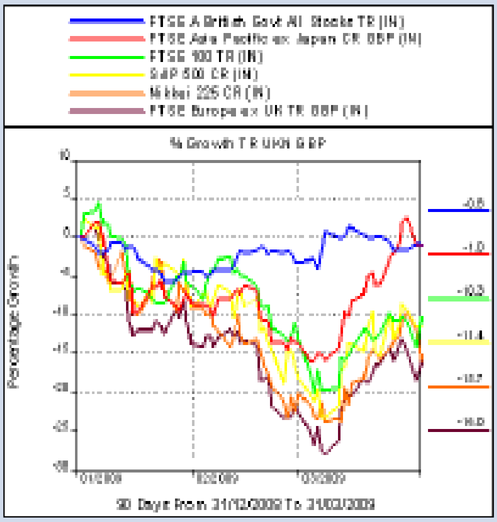
BECKETT ASSET MANAGEMENT LTD

SPRING HAS SPRUNG A BEAR MARKET RALLY?

INTEREST RATES AT RECORD LOWS

QUANTITATIVE EASING UNCHARTED WATERS

SOME COMMODITIES REBOUND



Figures shown are for a sterling denominated investor, for the 3 month period to 31/03/2009. Source: Reuters Hindsight

As the clocks sprung forward into British Summer Time at the end of March, so did Equity Markets, but the quarter overall saw negative returns on the major Indices. Are the dark days of winter now behind us? Markets at least appear to want to believe that politicians and central banks will affect a reflationary rescue of the dismal circumstances.

There was a sharp deterioration in global industrial production in Q1 – Japanese exports fell 50% year on year. With Japan being the world's second largest exporter, this was not just a credit-related issue, but a collapse in global demand. This impacted on the portfolios containing specific Japanese funds and to a degree the other portfolios where this negative sentiment impacted on global equities generally.

By comparison, in areas, there has been some resilient data. For example in European consumer spending and economic activity, also in the US, the housing market seems to have perhaps found a floor, with the level of foreclosures seeming to slow. The US consumer also appears interested in refinancing mortgages and even buying new houses.

In the commercial property markets though, much of the current news still tends to refer to falling property prices. However, despite the global trends, much of what dictates the performance of a specific property market is the local, intrinsic dynamics of supply and demand. As a result, there are property markets around the world which still offer opportunities. Also, as prices fall in places like the USA and the UK, rental incomes, relative to purchase prices are increasing.

Global interest rates are now at or near 0%. Interest rates in the UK continued to tumble, settling at 0.5% in March, the lowest since the central bank was founded in 1694. With its rate-cutting ammunition all but exhausted, the Bank of England pressed the button on a much more drastic policy, "quantitative easing (QE)" – in simplistic terms known as printing money - in an effort to kick-start the economy. It needs to be aggressive enough to encourage lending by banks. As the banks receive cash in exchange for government bonds, this helps them to build up their reserves and the hope is that they then lend some of it out to families and businesses. The trick is not creating too much cash, thus sending inflation out of control.

Inflation warning signs are being felt – we saw the first failure of a Gilts auction in many years, suggesting investors felt yields were too low relative to the risk of UK plc. Whereas the Index-Linked Bond auction held a few days later was oversubscribed. Copper and Crude Oil also achieved new highs for the year in March. In the longer term an inflationary environment is a support for real assets like Property and Equities.

Following the announcement of QE policies, we have seen substantial weakness in the US Dollar, Sterling and the Swiss Franc recently. As the macro economic developments have such an impact on investment markets, we have taken positions in funds where views, perhaps on currencies, or how interest rates will move can be converted into an investment. Also while there continues to be so much turbulence, we are utilising funds in some of the portfolios which aim to make a return from UK equities in all market conditions. These funds are not guaranteeing returns but are designed to complement existing funds by reducing the overall volatility.

Overall it is a very uncertain outlook for Spring/Summer. We are likely to get some fairly confusing signals coming out of the data in the next few months, at times buoying the optimists or fuelling the pessimists. This will keep investment markets in a quandary and our Fund Managers on their toes, looking to exploit anomalies in their areas of specialism.

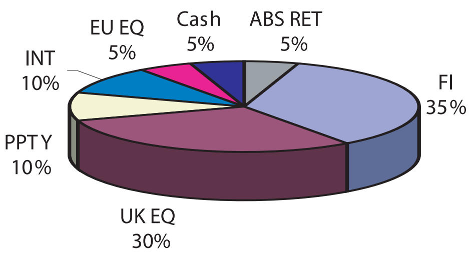
BAM Portfolio Models' Investment Performance

	31/03/04 to 31/03/05	31/03/05 to 31/03/06	31/03/06 to 31/03/07	31/03/07 to 31/03/08	31/03/08 to 31/03/09
Income Portfolio Strategy	+10.0% ▲	+16.8% ▲	+7.9% ▲	-7.7% ▼	-21.0% ▼
Income & Growth Portfolio Strategy	+8.1% ▲	+19.4% ▲	+8.1% ▲	-10.2% ▼	-22.2% ▼
Growth Portfolio Strategy	+8.9% ▲	+31.5% ▲	+8.2% ▲	-3.4% ▼	-23.1% ▼
Adventurous Growth Portfolio Strategy	+7.5% ▲	+34.2% ▲	+6.0% ▲	-4.1% ▼	-27.7% ▼
Indices					
IMA CAUTIOUS MANAGED	+8.7% ▲	+14.9% ▲	+4.2% ▲	-4.9% ▼	-16.9% ▼
IMA BALANCED MANAGED	+10.2% ▲	+24.8% ▲	+5.1% ▲	-5.2% ▼	-21.4% ▼
IMA ACTIVE MANAGED	+10.1% ▲	+28.6% ▲	+4.6% ▲	-4.9% ▼	-24.4% ▼
FTSE ALL SHARE	+15.6% ▲	+28.0% ▲	+11.1% ▲	-7.7% ▼	-29.3% ▼
FTSE A BRIT GOVT ALL STOCKS	+5.0% ▲	+7.4% ▲	+0.6% ▲	+7.6% ▲	+10.3% ▲
FTSE WORLD	+8.4% ▲	+31.6% ▲	+3.2% ▲	-1.4% ▼	-20.4% ▼
FTSE WORLD EUROPE (EX UK)	+18.6% ▲	+36.0% ▲	+12.4% ▲	+2.8% ▲	-31.1% ▼
FTSE WORLD ASIA PACIFIC (EX JAPAN)	+13.5% ▲	+37.6% ▲	+12.3% ▲	+11.2% ▲	-23.1% ▼
JAPAN NIKKEI 225	-5.8% ▼	+44.4% ▲	-10.4% ▼	-15.2% ▼	-9.5% ▼
S&P 500	+3.8% ▲	+21.7% ▲	-1.1% ▼	-6.3% ▼	-14.2% ▼

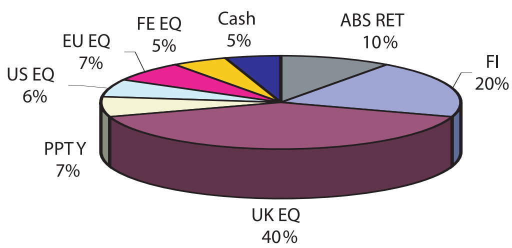
Note: BAM figures take into account normal dealing costs <u>BUT NOT</u> BAM fees.
Source: BAM portfolio performance figures: Beckett Asset Management
Indices: Lipper Hindsight Basis: Total return UK NET GPB
IMA: Investment Management Association
OVERSEAS EQUITY RETURNS ARE FOR A STERLING DENOMINATED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

Target Model Portfolio Structures 31/03/2009

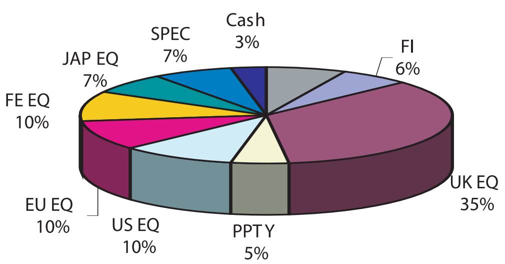
Income Portfolio Strategy



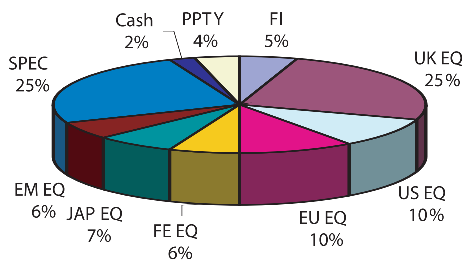
Income and Growth Portfolio Strategy



Growth Portfolio Strategy



Adventurous Growth Portfolio Strategy



Please note that asset allocations may change over time

EM EQ	Emerging Markets Equities
EU EQ	European Equities
FE EQ	Far East Equities
FI	Fixed Interest
INT	International Equities
PPTY	Property
UK EQ	UK Equities
US EQ	United States Equities
JAP EQ	Japanese Equities
SPEC	Specialist Equities
AB RET	Absolute Return

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