

Monthly Investment Update



What's Been Happening?

May has produced some positive returns for the portfolio although growth has slowed down recently. We are particularly pleased with the performance of the funds which specialise in Corporate and High Yield bonds in the fixed interest sector, and we are hopeful of this performance continuing for the short term.⁽¹⁾

The US smaller company sector has not performed particularly well for May, however, the portfolio is not heavily exposed to this area and therefore this has had minimum effect on the overall performance.⁽¹⁾

There are now more indications that global markets and economies are beginning to show signs of a return to normality after an extended period of uncertainty and volatility:

- Key measures in the health of the world trade (Baltic Dry Shipping Index) has shown a small rise so far in 2009.
- The volatility in equity markets (this measure of volatility is known as the Vix index) has fallen considerably since mid 2008 and are now approaching normal levels.
- On Wednesday the 27th of May, it was announced that the three month LIBOR rate (the interest rate that Banks are willing to lend to each other) has reduced to 1.276%, and we are hopeful that this will encourage the economy to start moving forwards again in the long term.⁽³⁾

After our analysis of the General Market Consensus, the growing confidence in the Equities has slowed and confidence in UK Gilts has fallen. The General Market Consensus has shown an increase towards UK Corporate Bonds and the Asia Pacific Region Equities.⁽²⁾ The table below illustrates the general market consensus and highlights which sectors investment houses favour moving forward:⁽²⁾

<p>POSITIVE UK Corporate Bond Asia Pacific Equity Global Emerging Markets</p>
<p>NEUTRAL US Equity UK Equity International Fixed Interest BRIC (Brazil, Russia, India, China) Equities UK Smaller Companies Japan Equity US Smaller Companies European Equity</p>
<p>NEGATIVE UK Gilt Global Properties UK Commercial Properties</p>

Is it time to take another look at Commercial Property?

Gerry Ferguson, manager of the Scottish Widows Investment Partners Property Trust, has spoken recently about the state of the commercial property market. After a year of watching capital values plunging, he is now looking to get back into the market, placing offers in a number of properties and says he expects to closed the deals imminently.⁽⁴⁾

He stated that he does not yet feel that the commercial property market has seen the bottom just yet, however, he does feel that the end is in sight. He added 'Most forecasters believe capital values will fall 45-50% from their peak in 2007. To the end of the last quarter, they'd fallen by just more than 40%, according to the Investment Property Databank index. We've still some falls to come'.⁽⁴⁾

He feels that investing in a declining market places the buyer at an advantage and believes that investors are beginning to pick up bargains in commercial property.⁽⁴⁾

He continued 'After the summer the case for investing in property will become even more compelling. The rate of capital value decline is beginning to settle and by the time we get to the third or fourth quarter, it's bottoming out.' He cited a three year time horizon the value will be at worst maintained, however capital appreciation is likely to be secondary to income as a source of returns over the next five years.⁽⁴⁾

Salamanca Capital Chief executive, Martin Bellamy has also commented on the commercial property market and stated 'It's an exciting time to be in a position where you can be opportunistic' When talking of the Tri FCM Salamanca Global Property fund. As with the Scottish Widows Investment Partner Property fund, Salamanca Capital is actively seeking bargains and opportunities.⁽⁴⁾

What does this Mean for your Portfolio?

At this point in time, Harvard do not feel that it is appropriate to look into property investing. As we move forward, we will continue to monitor any positive developments, and should we see a compelling investment opportunity for your portfolio, the re-introduction of this sector may be considered further.

New Star International Property Fund

Henderson New Star have recently reassured that their team is working to re-open the fund as soon as it is considered appropriate to do so and when they are confident that they have established a strong and lasting liquidity. They have also stated that the sales of carefully selected assets within the fund have been identified for disposal, which they hope will facilitate the re-opening of the fund.⁽⁵⁾

Please note that your Skandia Investment Plan will be moving to the Selestia platform within the next few weeks. Skandia will be writing to you with further information relating to this.

Your investment is being transferred to the new platform as part of the Skandia/Selestia platform merger. The funds that you currently hold within your plan will not be affected.

We are happy with this merger and can confirm that no action will be required from you.

Research/Information Source

- ¹⁾ U-Skan Reports taken 27/05/2009
- ⁽²⁾ Skandia Informer Market Consensus Table - May Publication
- ⁽³⁾ Citywire Indication Graphs - 28/05/2009
- ⁽⁴⁾ Investment Advisor Publication - 11/05/2009
- ⁽⁴⁾ Henderson New Star Update Publication - May 2009

***The Value of your investment will go down as well as up and you may not get back the full amount invested
Equity investments do not include the same security of capital which is afforded with a deposit account.
The Financial Services Authority does not regulate deposit accounts.***

The Information contained in this document is for information purposes only and does not constitute financial advice. You should seek independent financial advice as to the suitability of an investment to your personal circumstances.

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