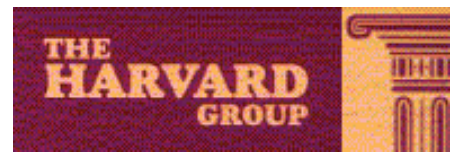


Portfolio Review Report



Skandia Pensions & Bonds Moderate Portfolio

What's been happening this Quarter?

We are delighted with the performance of the portfolio, which has delivered strong returns throughout the course of the quarter.

Whilst we are happy that most sectors have delivered adequate performance, the Cash/Deposit & Cash Instrument sector has held the portfolio back. This sector is used for diversification and, as a defensive Measure, however, with interest rates being at historical lows, little return has been achieved. As we are taking a more positive view on investments, we do not believe this sector will be of great benefit as a defensive strategy.

There was also a record rise in the rate inflation reported in January; however, we do not believe this will prompt the Bank of England to begin raising interest rates.

General Market Consensus

Positive

Emerging Markets
UK Corporate Bonds
South East Asia Equity
BRIC Equities
UK Equity

The General Market Consensus remains very favourable to Emerging Market and South East Asia equities. UK Corporate Bonds remains positive, and the portfolio will remain heavily invested in these areas.

Balanced

North American Equity
European Equity
International Fixed Interest
UK Smaller Companies
US Smaller Companies
UK Property
Global Property
Japanese Equity

Japanese Equities have moved down the general consensus over the quarter, therefore the portfolio remains light towards this sector. North American Equities, European Equities and US & UK Smaller Companies remain neutral and have performed well over the quarter. UK Property has moved up in the consensus and has performed very well over the quarter. The UK Property sector has not been held in the portfolio for some time; however, we shall be addressing this within this report

Negative

UK Gilt

The only negative sector in the consensus is UK Gilts. We have ensured minimal exposure to this sector within the portfolio.

Moving Forward....

We are now in a more positive mood as we look forward to the next quarter. We shall look to reposition the portfolio back to a neutral position from defensive as we hope to capitalise in what appears to be the midst of a global recovery.

While we are in confident mood at this review, we will not be recommending a bolder position than neutral, as we feel that a neutral position will harness the potential for growth during a recovery while reducing the effect of any short term volatility.