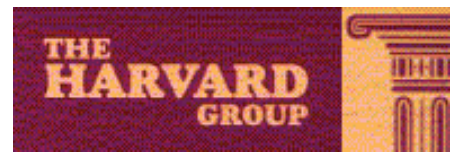


Portfolio Review Report



Skandia Pensions & Bonds Moderate Portfolio

What's been happening this Quarter?

It has been quite an eventful quarter with the Greek debt problems, resulting in the Eurozone showing solidarity with an agreed bail-out package, the small matter of an election in the UK, hung parliament, the Liberal Democrats in discussions with both Labour and the Conservatives and now a Coalition Government.

On the back of such uncertainty, we resisted any knee-jerk reaction and took the decision to hold the portfolios. With the election concluded (for now) and the Greek debt concerns abated, we feel that we are now in a position to look at the sector allocation within the portfolio and review our strategy for moving forward.

General Market Consensus

Positive

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

The General Market Consensus remains very favourable to South East Asia equities and Emerging Markets.

UK Corporate Bonds remain positive, however this sector does appear to be slowing and it has moved down the General Market Consensus. Japanese equities, however have risen quite sharply in the Consensus.

Balanced

UK Smaller Companies
US Smaller Companies
UK Property
Global Property
International Fixed Interest
European Equity

International Fixed Interest has slipped down the General Market Consensus while UK and Global Property continue to improve. European Equity has moved rapidly down on the back of the Greek Debt concerns and the fear of other economies, such as Italy succumbing to the same problems.

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 believe the neutral risk position of the portfolio remains appropriate for the remainder of the quarter, however we are recommending adjusting the allocation with a greater emphasis towards income generating funds and alternative investment strategies.