

Market consensus

After our analysis of the General Market Consensus, there have been very few changes:

POSITIVE

SOUTH EAST ASIA EQUITY
UK EQUITY
EMERGING MARKET EQUITY
BRIC COUNTRIES EQUITY

BALANCED

UK CORPORATE BOND
EUROPEAN EQUITY
NORTH AMERICAN EQUITY
UK SMALLER COMPANY EQUITY
UK PROPERTY
GLOBAL PROPERTY
US SMALLER COMPANY EQUITY
GLOBAL BONDS & FIXED INTEREST
JAPAN EQUITY

NEGATIVE

UK GILT

POSITIVE: UK Equity has improved its position within the market consensus, while South East Asian, Emerging Market and BRIC Countries Equities all remain positive.

BALANCED: Global Bonds & Fixed Interest has moved down in the consensus considerably. During the review process, we have been gradually reducing the allocation towards this sector over the past twelve months and we may look to continue this process at the next review.

NEGATIVE: UK Gilts remain the only negative sector again. The portfolio has minimal exposure to this sector.

What's been happening?

The price of **Gold** rose toward the end of September as both the Bank of England and the Federal Reserve in the US have given signals that more Quantitative Easing may be required. The general feeling among investors is that any further Quantitative Easing would create weakness in both Sterling and the Dollar, herding them towards Gold in an attempt to insulate them from any further currency weakening.

There have been high profile economists that have stated their belief that any further Easing will be strategically placed into particular industries rather than the introduction of new money generally via the bond markets as we saw during 2008 & 2009.

Inflation remains higher than the 2% government target with the rising costs of food, air fares and clothing contributing to an inflation figure unchanged at 3.1% to the end of August.

We believe there is a possibility the Bank of England may stand firm with the current interest rates well into 2011 as the austerity measures and rising unemployment will eventually begin to reduce prices.

After an extended period of less than favourable news from **Europe** and in particular the high level of coverage to the debt problems of Greece and other southern European states, we are now seeing better news emerging.

The European Commission announced that it expects the Euro-zone to grow by 1.7% in 2010, which is nearly double the original forecast earlier in the year. This growth may be patchy with the southern states lagging behind economies such as Germany. We have carefully selected fund managers within the portfolio that we feel will be able to find the best areas for both growth and dividend income from the Euro-zone.

Moving forward

We are pleased with the progress made with the portfolio since the last review and believe the asset allocation changes made have proven to be successful.

Our position with regards to sector allocation remains as it was during the August review and our analysis of the general market consensus supports our positioning for the time being.