



Independent Financial Advisers

## *Investment Commentary 6 Months to April 2011*

A torrid six months with significant volatility in all areas.

**Fixed Interest** and **High Yield** holdings fell sharply through November and December mostly on the back of Eurozone debt concerns. Corporate Bonds have recovered to a degree but there is still concern about rising inflation and the possibility of interest rate rises in the short term. Higher yielding securities have generally fared better and are in profit over the period. In the early part of the year we reduced exposure to Corporate Bond funds in favour of Strategic Bond and High Yield funds.

In the **Managed Risk** sector performance has been mixed with some strategic positions failing to deliver. Overall, however, there was enough exposure to equity markets within this sector to deliver positive returns. We are reassured by the continuing low levels of volatility displayed by our Managed Risk fund selections, particularly at a time when markets generally are facing great uncertainty.

There has also been mixed performance in our **Property** holdings over the period. Global property has been volatile but the overall trend has been upwards. Our UK holding in **Aviva Property Trust** however registered a sharp fall towards the end of the review period when the fund moved to a “bid price” basis. This is a short term measure to deter redemptions from the fund. We are still confident in the longer term performance of this fund.

With interest rates still at all time lows, concerns over inflation have led to a general increase in risk appetite. This has been good news for **Developed Equity** markets despite concerns over Libya and the tragic events in Japan. Several funds have posted double digit returns over the period. A special mention must go to the **Investec Global Energy** fund with a return of more than 28% over the six month period.

**Emerging Market** funds have been rather more subdued, particularly in the last few months. This has as much to do with inflationary concerns as the knock on effects of unrest in the Middle East. Diversification is an important factor in these markets and we remain positive about the prospects for the **Neptune Russia & Greater Russia** fund (not one for the faint-hearted) which delivered significant positive returns over the period.

**Commodity** funds posted healthy gains overall although these were tempered by profit-taking in the second half of the review period. We expect increasing volatility in this sector.

In summary:

- Our more cautious portfolios failed to meet their targets over the six month period because of the poor performance of fixed interest securities generally.
- Our more aggressive portfolios outperformed comfortably on the back of rising equity prices and increased risk appetite.
- All portfolios are ahead of target over the past one year and two year periods.
- Volatility in all portfolios remains within our target range.

30<sup>th</sup> March 2011