



Independent Financial Advisers

Investment Commentary *6 Months to July 2011*

Another difficult period with investors pulled in different directions. Low interest rates and the threat of inflation increase the appeal of real assets such as shares and property but concerns over global debt create a very skittish market.

Fixed Interest and **High Yield** holdings were steady and comfortably ahead of cash returns. We still favour actively managed bond funds and we lean towards higher yielding securities for maximum value.

Our **Managed Risk** funds have struggled to make headway in markets with so little direction but they have continued to do their job of reducing overall volatility. These funds will only “shine” when markets gain some momentum – one way or the other! In rising markets they will capture much of the gains but at a reduced level of risk. In falling markets they will preserve value and limit losses.

We are comfortable with the medium term prospects for our selected **Property** funds. Global property remains volatile but is on an upward trend. In the UK the **Aviva Property Trust** has twice been moved to a “bid price” basis in just over three months. This is a short term measure to deter redemptions from the fund. It is a clear reflection of the level of uncertainty in the market.

In **Developed Equity** markets we experienced sharp falls at the start of the year following unrest in the Middle East, the tsunami in Japan and increasing concerns over the Greek economy. The rebound in mid March was equally pronounced and demonstrated the present duality of the market. There is clearly pent up demand and liquidity but nobody seems quite sure whether the price is right.

Uncertainty in the developed world usually translates into even greater volatility in **Emerging Markets** and this has been the case during the first six months of 2011. We still believe, however, that emerging markets will be the “engine room” of growth over the next decade although it is bound to be a bumpy ride.

Commodities experienced an unexpected “sell off” during the period. This may well have been sparked by increasing volatility in the sector. Looking ahead it seems likely that continuing demand from growing economies such as China will ensure that the general trend in prices will be upwards although there are bound to be some significant “corrections” along the way.

In summary:

- The HDA portfolios generally failed to meet their “cash plus” targets over the past six months in difficult trading conditions.
- All portfolios are comfortably ahead of their targets over 1, 2 and 3 years.
- Volatility in all portfolios is well within our target range.
- We do not expect to make any significant portfolio changes in the short term. Our “cash plus” portfolios will remain defensively positioned until the market outlook is much clearer.

30th June 2011