



Whitechurch Portfolio Management Service - Review of Core Strategies, Quarter 3 2007

Monthly Distribution Strategy

Over the past three months it has been a difficult climate for more cautious and income producing areas of all key asset classes. This has been compounded by the stockmarket volatility over the summer. Against this backdrop this portfolio has fallen in value by 2.6%. Whilst disappointing, we believe that this is very much a short-term trend against a difficult backdrop of rising global interest rates.

Going forward, we believe the climate is looking much more positive to continue to produce attractive long-term positive returns, through a combination of income and capital growth. Equities remain our favoured asset class, although one change was made to our equity exposure at the end of the period, replacing AXA Framlington Monthly Income with Newton Global Higher Income in order to reduce our exposure to UK equity income. We believe that dividend growth opportunities overseas look very attractive and the new fund will exploit this area. We also believe corporate bonds are now looking good value following the recent correction and if interest rates fall in UK and US this will be positive. We also believe the prospects for overseas commercial property are attractive and our move out of UK property exposure to invest in the New Star International Property fund will prove beneficial.

This investment strategy is suitable for a balanced investor prepared to accept the potential of a fluctuation in the value of capital in order to potentially generate an above average return.

Stockmarket Growth Strategy

The second quarter saw this strategy prove very resilient in a volatile climate, producing growth of 1.7%, ahead of the IMA Global Growth sector return of 0.8%. This return consolidated further the strong returns over the past year. The quarter has been characterised by volatility within many stockmarkets over the summer, caused by worries in bond markets and, in particular, concerns about the US sub-prime mortgage market. Whilst developed markets fell back, Far East and Emerging markets remained buoyant and our exposure boosted returns, although we will reduce exposure if we see valuations becoming stretched. No changes were made over the period and we are happy with the current balance between sectors and the wide geographic spread within the portfolio.

Going forward, we remain confident on the outlook for stockmarkets and believe that the backdrop for equities is positive. Emerging economies remain buoyant and provide some very attractive opportunities for investors. Developed economies are in reasonable shape and if the US continues to cut interest rates this should stimulate growth, with valuations looking appealing in many areas.

Monthly High Income Strategy

The third quarter was a very difficult backdrop for high yielding investments as interest rates in many areas, including the UK, continued to rise. This provides an unsupportive backdrop for fixed interest bonds, in which much of this strategy is invested. This has been compounded by the issues regarding the US sub-prime mortgage market and wider global credit concerns over the summer. Against this backdrop this portfolio has provided a negative total return of 0.7% over the quarter, in line with a 0.8% fall from the IMA Other Bond sector.

However, the recent corrections means that bonds are now trading on more attractive valuations and higher yields than we have seen for some time and the prospects appear much more enticing going forward. We are now seeing a change in the backdrop for bonds with interest rates looking to have peaked in the US and UK. We expect further rate cuts over the next year in the US and believe that we will also see cuts in UK interest rates, which will make the underlying areas in this portfolio more attractive versus cash.

The portfolio is exposed to a broad spread of corporate bonds positioned up and down the risk scale, while the equity component provides further diversification benefits to the portfolio overall. Overall we are content with the positioning of the strategy and believe it will provide a good level of income going forwards.

***Produced October 2007 by Whitechurch Securities Ltd, Kings Weston House, Kings Weston Lane, Bristol BS11 0UR
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Whitechurch Portfolio Management Service - Review of Specialist Strategies, Quarter 3 2007

Global Income & Growth Strategy

The past quarter has been a difficult climate for equity income assets due to the stockmarket volatility over the summer. However, the strategy has proved resilient falling 0.3%, versus a total return of 0.8% for the IMA Global Growth sector.

Global equity markets have seen a dramatic escalation in volatility in recent months. The fallout from the US sub-prime mortgage market has had a serious knock-on effect especially throughout the financial sector which hit dividend producing income strategies. However, exposure to Asia boosted returns over the quarter whilst our European holding also held up well. No changes were made over the quarter and we believe the strategy offers exposure to dividend growth opportunities across a wide range of global markets.

Going forward, we remain confident on the outlook for stockmarkets and believe this strategy is well placed. Equity income investing is a proven investment philosophy, but up until recently dividend investing was seen as the preserve of the UK market. However, the world is changing and dividend growth in the developing markets of Asia, Latin America and the mature markets of continental Europe is now surging ahead. Over 90% of the stocks in the FTSE World Index that yield more than 3% now lie outside of the UK. We believe this strategy provides an excellent way to exploit this theme and provides excellent potential for investors to receive attractive total returns through a combination of income and capital growth. However, as with all stock market investments, the portfolio will be subject to volatility.

Energy & Global Shift Strategy

It is pleasing to report that this investment strategy has produced an exceptional level of growth over the past quarter, increasing in value by 9.8% versus 0.8% for the IMA Global Growth sector.

Emerging markets have shrugged off the summer volatility as their economies remain buoyant. This resulted in our theme of a global shift in economic power providing exceptional returns for investors and also showed that the emerging economic superpowers are showing signs that they can flourish despite concerns of slowdown in major Western economies.

Within the energy theme it has been the Investec Global Energy fund which has been the best performer whilst the Merrill Lynch New Energy trust fell. However, we believe that the new energy theme is an exciting one, with ever-increasing support of governments to back and enforce new energy directives and legislation.

One change was made to the portfolio where we reinvested cash proceeds back into First State India Subcontinent. This provides the portfolio with well managed exposure to India from the group's highly experienced Far East team.

Going forward, we remain positive on the outlook for stockmarkets and we are confident that the strategy is suitably positioned to exploit its dual theme further and is exposed to many exciting funds with potential for exceptional long-term returns. However, it is important to remember that this portfolio invests in high risk long-term themes and this means it will endure the vagaries of any future significant stock market volatility that may occur within the areas in which it is invested.

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