

Market Review

June 2010

The best asset returns over the month came from the bond markets with widespread weakness across the major equity markets suggesting reduced appetite for riskier assets. This again continued the trend which has built up over the last quarter.

For UK investors the equity returns were negative both domestically and overseas.

Within the UK market over the month medium sized companies out-performed larger companies. Since the start of the year both medium and smaller company indices have been in the ascendancy relative to the FTSE100. The main sector strength has been in Electronics, Industrials, Technology, Chemicals, Transport and Personal Goods with the main weakness in Oil and Gas, Real Estate, Life Insurance and General Retail.

In terms of bond markets there was increased demand for Gilts, Investment Grade Corporate Bonds and Index Linked reflecting a move towards safer assets.

The currency markets witnessed a recovery in £ which had been sold off over the previous period.

The Emergency Budget included plans for a reduction in public spending and increased taxation leading to improved sentiment towards the UK bond and currency markets.

The market falls reflect the focus on sovereign debt issues (impact on growth prospects) and investor concerns over the ability of governments to achieve fiscal consolidation whilst at the same time avoiding another recession. The backdrop of recent economic data suggesting continued uncertain economic conditions has led to higher volatility in the movement of market asset prices. Although the IMF has raised its outlook for 2010 global growth prospects this puts more pressure on the emerging and developing countries to continue growing at relatively robust levels to compensate for those countries dealing with lower growth/debt issues.

Going forward investors will be looking at the following:

- a) The results of the stress testing by the committee of European Bank supervision to assess the resilience of the EU Banking sector.
- b) Given the uncertainty of recent Economic data releases, corporate results should now set the tone with emphasis on revenue growth and outlook statements.
- c) The maintenance of a low interest rate environment until growth prospects improve.

As in previous reviews we feel that volatility will remain high given the uncertainties facing investors and advise wide asset class and stock diversification with the emphasis on high quality assets.

I am of course obliged to remind you that all investments should be viewed as long term, that past performance is no guarantee for the future and that the value of stocks can go down as well as up. Yields are not fixed and can vary. Please consult a qualified advisor to discuss needs, objectives and risks involved in investment.

Dominic Sheehan
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Indices	31/05/2010	30/06/2010	% Capital Change (£)
Global Equities			
FTSE 100	5188.00	4916.00	-5.30
FTSE 250	9637.00	9428.00	-2.20
Dow Jones	10136.00	9774.00	-6.50
Dax 30	5964.00	5965.00	-3.20
Hang Seng	19765.00	20128.00	-1.20
Nikkei 225	9768.00	9382.00	-4.10
Shanghai Composite (China)	2592.00	2398.00	-9.50
UK Bonds			
UK Govt All Stocks	154.90	157.44	1.60
Index Linked All Stocks	362.66	368.57	1.60
Currencies			
£/\$	1.4506	1.4956	3.10
£/Euro	1.1819	1.2229	3.50
£/Yen	132.22	132.38	0.10
£/HK\$	11.30	11.646	3.10
£/Yuan	9.91	10.13	2.20
Commodities			
Oil	74.33	74.66	0.40
Gold	1216.35	1241.45	2.10