

## March Market Review

March 2010

Equities have again provided the better returns during March when compared to Bonds and cash.

For UK investors the UK Equity and European markets provided the better returns with the USA and Pacific/Emerging Markets providing positive but relatively smaller increases.

Within the UK market medium sized companies have been attracting monies to a greater degree than larger companies whilst smaller companies have started to lag. Sectors like Industrials, Travel, Technology and Autos have been in the ascendancy whilst Life Insurance, Leisure and Fixed Line Telecom move to the bottom of the list.

The main reasons for the continued positive sentiment over the month have been:

- a) The better than expected corporate earnings trend has continued.
- b) Global economic statistics have continued to reinforce recovery.
- c) Less concern with regards to Greek debt resolution.
- d) Government policy support has remained consistent.

The Bond markets reversed recent weakness although the ten-year yield is just below 4% pricing in heightened inflationary/interest rate expectations. Index linked and corporate bonds continue to out-perform Gilts. Gold prices were relatively flat whilst oil prices were strong moving back above \$80.

The currency markets were very quiet with the biggest movement being a re-tracement of Yen strength against £ which reduced Japanese returns in £ terms.

The combination of low interest rates, improved earnings and better economic growth is currently supporting equity markets and corporate bonds. This looks like a textbook recovery phase of an economic cycle hence the v shaped recovery. Concerns over a) debt b) unemployment c) the potential for higher interest rates and d) political risk have been put on the back burner.

As mentioned in my previous report the market is now pricing in a normal recovery and a low risk of a double dip recession. Any miscalculation could lead to a rapid turnaround in sentiment and a reversal in asset prices given

the extent of the rally over the last year. We continue to expect a movement towards higher market volatility. In this environment investors should concentrate on wide asset class diversification and scrutinise stock selection whilst emphasising 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.

**Dominic Sheehan**  
**Investment Director**

<b>Indices</b>	<b>31/12/2008</b>	<b>31/12/2009</b>	<b>% Capital Change (£)</b>
<b>Global Equities</b>			
FTSE 100	4434.20	5412.90	22.07
FTSE 250	6360.85	9306.90	46.30
Dow Jones	8776.39	10428.00	7.64
Dax 30	4810.20	5957.43	14.60
Hang Seng	14387.48	21872.50	41.30
Nikkei 225	8859.56	10546.44	5.00
Shanghai Composite (China)	1820.81	3277.14	62.80
<b>UK Bonds</b>			
UK Govt All Stocks	160.83	152.13	-5.40
Index Linked All Stocks	342.36	357.48	4.40
<b>Currencies</b>			
£/\$	1.4647	1.6168	10.40
£/Euro	1.0437	1.1279	8.10
£/Yen	132.64	150.38	13.30
£/HK\$	11.78	12.67	7.60
£/Yuan	9.98	11.03	10.50
<b>Commodities</b>			
Oil	42.29	78.51	68.20
Gold	880.15	1096.35	12.80

<b>Indices</b>	<b>28/02/2010</b>	<b>31/03/2010</b>	<b>% Capital Change (£)</b>
<b>Global Equities</b>			
FTSE 100	5354.50	5679.64	6.10
FTSE 250	9344.39	10165.28	8.80
Dow Jones	10325.26	10856.63	5.32
Dax 30	5598.46	6153.55	9.20
Hang Seng	20608.70	21239.35	3.40
Nikkei 225	10126.03	11089.94	4.20
Shanghai Composite (China)	3051.94	3109.10	2.20
<b>UK Bonds</b>			
UK Govt All Stocks	150.87	152.02	0.80
Index Linked All Stocks	354.10	363.40	2.60
<b>Currencies</b>			
£/\$	1.5220	1.5193	-0.20
£/Euro	1.1160	1.1236	0.70
£/Yen	135.30	142.09	5.00
£/HK\$	11.83	11.79	-0.20
£/Yuan	10.39	10.36	-0.30
<b>Commodities</b>			
Oil	77.44	82.23	6.20
Gold	1117.25	1112.40	-0.40