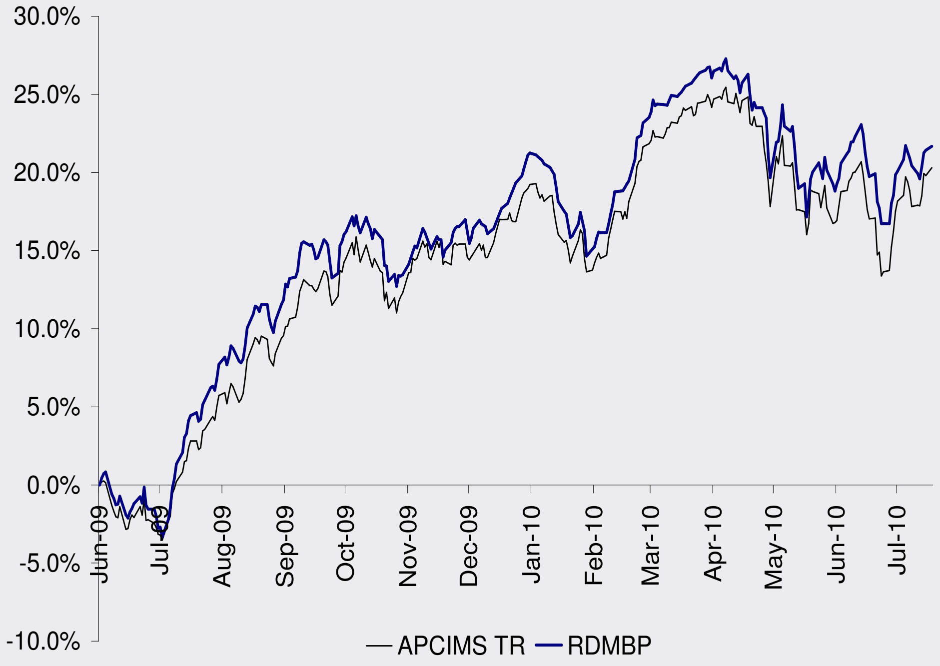
BALANCED PORTFOLIO

The markets have taken a downturn recently. Charlotte Watson, Investment Executive, explains recent movements within the portfolio and reiterates our pro-emerging markets stance.

The portfolio reached its first anniversary on the 9th June 2010 and has consistently outperformed the APCIMS TR benchmark for the past twelve months which can be seen in the adjacent graph.

Our most recent quarterly publication entitled 'Risk of Double Dip?' confirms our cautious outlook and our model portfolio continues to convey this picture through our continued Overweight positions in classic defensive sectors such as Utilities, Telecoms, Healthcare. Within the more cyclical sectors, we remain ahead of the benchmark in Technology and Industrials which we see as key sectors at this early stage of the economic recovery.

We have recently included three new stocks in the portfolio. Premier Oil has been added as a growth play as we identified the market had overlooked the value of its recent discoveries. Since the inclusion on the 5th July Premier Oil has increased by 18%. Other stocks that have been included have been Babcock International as a balanced play and AstraZeneca, which has been added to diversify our holdings within the Healthcare sector and for its very attractive high dividend yield of 5.1%.



We continue our Overweight stance in international equities, particularly looking to emerging markets as this is where we see the most growth. Along the same theme, within our UK equity holdings we prefer stocks which have a substantial overseas exposure.

The Investment Committee meets regularly to discuss the portfolio's construction and to ensure it remains a 'balanced' play depending on market conditions.

Charlotte Watson, Investment Executive

HERE TO HELP

The Investment Committee - Please get in touch on 0117 933 0020 for more information.

James Hutson
Chief Investment Officer

Alex Holbech
Investment Analyst

Adam Sketchley
Investment Analyst

Dan Williamson
Investment Manager

Mark Sevier
Fund Manager

James Gardner
Fund Manager

Darren Horton
Investment Executive

Recommendation history: Talk Talk BUY 01/07/2010; British Land BUY 09/06/2009; Kingfisher BUY 02/07/2010; Schroder US Mid Cap BUY 09/06/09; Investec Global Gold BUY 25/01/2010; GLG Japan Core Alpha BUY 22/03/10

ResearchDigest.

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August 2010

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STRESSFUL TIMES FOR EURO BANKS

Adam Sketchley, Investment Analyst, provides a synopsis on the month's market movements and reflects on the recent stress tests applied to European banks.

THE MONTH THAT WAS

91 European banks were subjected to 'stress tests' to assess their ability to survive future economic shocks. Seven of these failed: 5 Spanish, 1 German and 1 Greek.

BP has finally been able to stop the leak of oil from its Macondo well in the Gulf of Mexico. Whilst the relief wells are still expected to finalise the operation, a new cap has been fitted and is comfortably holding the oil in.

Spain has won the first world cup to be held in Africa. South Africa held the 19th FIFA World Cup, which the Spanish won by beating the Netherlands 1-0 in the final, amidst the deafening noise of vuvezelas.

July has been a busy month, with European equity markets starting on rocky ground, where a sharp sell-off in risk assets was driven in part by an upward move in LIBOR. This, consequently, raised investor concerns over a lack of liquidity within the European banking sector. This situation was not helped by the redemption of €442bn 12-month ECB loans. A classic flight to quality ensued as European equity markets declined while benchmark sovereign bond yields fell. The provision of €111bn of six-day loans by the ECB helped to stabilise the situation, as investors began to focus on the outcome of the European bank stress tests.

Investor optimism for a positive outcome from European bank stress tests led to a steady appreciation in risk assets over the month and failed to be suppressed by rather bearish global growth data from the IMF. In the end, only seven of the ninety-one banks failed the tests. Unsurprisingly five of the banks were Spanish, one German and one Greek. What with the recapitalisation and balance sheet restructuring of UK banks, the likes of Barclays and Lloyds were not seen to be at risk and have since seen positive share price momentum take hold. However, for our mind, the most sensible UK bank play remains HSBC, with its broad product array, global reach, solid capital and liquidity position, and emerging market/ Asian exposure.

In the UK, preliminary Q2 GDP came in at +1.1%, nearly twice that of market consensus expectations and the biggest gain since 2006. Nevertheless, economists remain sceptical about the biggest rise in construction since 1963. In our view, given the economic headwinds facing the UK, such an increase in construction during the period appears rather excessive. Consequently, we expect to see a downward revision to this figure at some point in the near future.

Elsewhere in the world, Chinese GDP growth came in at +10.3% for Q2 (Q1 +11.9%), below consensus expectations, albeit in line with the Chinese government's strategy to cool its economy to a target growth rate of +8%. However, Asian growth thunders on, with Singapore seeing record Q2 GDP growth of +19.3% YoY.

Meanwhile, on the stock front this month, BP remained in the headlines, with the announcement that the oil well leak in the Gulf of Mexico had been stopped. The announcement that the oil giant had posted a $17bn quarterly loss prompted the departure of CEO Tony Hayward, to be replaced by American Robert Dudley. Nevertheless, the business continues to generate impressive cash levels and profitability, with underlying Q2 profits of around $5bn and underlying Q2 cashflow of some $8.9bn.

On the concluding page of this publication we provide an update on the Balanced Model Portfolio, which portrays our macro thoughts, asset allocation and stock picking in practice.

Adam Sketchley, Investment Analyst

27th July 2010

EQUITIES

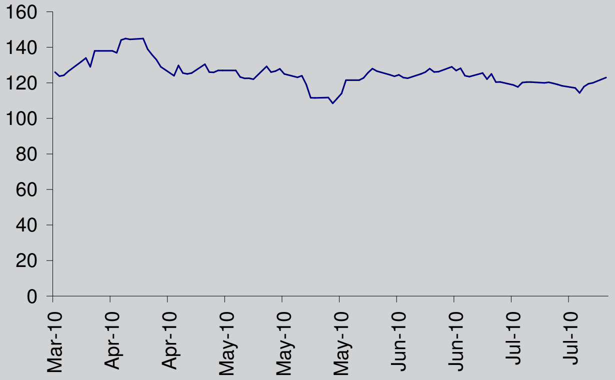
Source: Datastream

TALK TALK

Talk Talk operates at the 'value' end of the broadband and fixed line telecommunications markets and continues to attract significant inflows of new customers and this looks set to continue as consumers' disposable incomes come under increasing pressure. Guidance for the year is very positive, with the group expecting a net addition of 140 - 180 thousand new broadband customers leading to revenue growth of 6-8% and a c.15% improvement in EBITDA margin. The acquisition of Tiscali is proving to be successful, with £40-50mn of synergies expected by the end of the financial year. Whilst broadband penetration in the UK is already high at 70%, we feel that Talk Talk is in a unique position in its value offering, and with the stock offering a projected 4.5% yield, we are fans of Talk Talk as a balanced play.

James Hutson, Chief Investment Officer

BALANCED



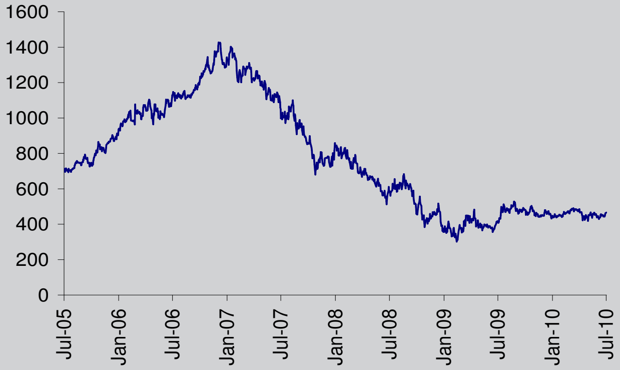
Name: Talk Talk
Ticker: TALK
PE est: 9.4x
Price: 123p
Industry: Telecoms
Dividend Yield est: 4.5%

BRITISH LAND

One of the UK's largest Real Estate Investment Trusts (REIT), British Land has total assets (either owned or managed) of c. £13.5bn. The majority of these properties are within prime UK locations, although more recently the group has been branching out into Western Europe. The recent economic downturn and its consequences have created a challenging and volatile environment. However, we like British Land's high quality tenants (e.g. Sainsbury's and Tesco) and with an average lease expiry of 13 years and strong visible rental incomes, we feel that the outlook for the company has ample distance. As a result, we are confident that the high dividend yield, currently at 5.7%, is sustainable in the medium-term. Consequently we consider British Land a strong income play on the UK commercial property market.

Alex Holbech, Investment Analyst

INCOME



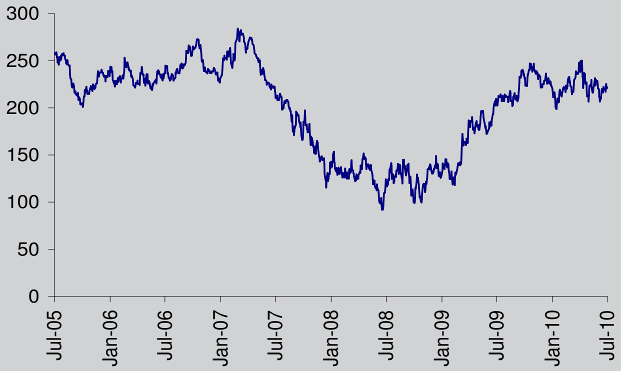
Name: British Land
Ticker: BLND
PE est: 15.6x
Price: 470.7
Industry: REIT
Dividend Yield est: 5.7%

KINGFISHER

Kingfisher is Europe's leading home improvement retailer, with over 830 stores in eight countries, owning brands such as B&Q. With a tight housing market, we view Kingfisher as a play on homeowners favouring DIY, rather than moving house or paying for trade labour. France has remained the group's most profitable region and we see the mild summer weather experienced there and in the UK providing an appealing prospective outlook for the group. The group has proved its ability to generate profits in weak sales environments, as seen by its 12% increase in retail profits in Q1, driven by higher margins and cost efficiencies. Consequently, assuming no material change in seasonality, we feel Kingfisher provides a valid medium-term growth play, with an acceptable dividend to boot.

Adam Sketchley, Investment Analyst

INCOME



Name: Kingfisher
Ticker: KGF
PE est: 11.6x
Price: 1055
Industry: Consumer Services
Dividend Yield est: 2.9%

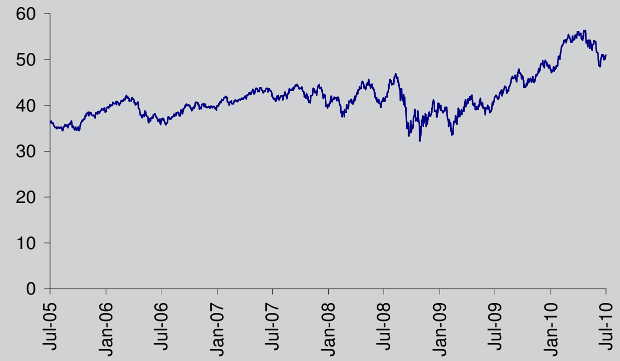
COLLECTIVES

Source: Datastream

SCHRODER US MID CAP

The fund's objective is to provide capital growth and income primarily through investment in equity securities of medium-sized US companies. The fund has been in the top quartile of its class over 1, 3, and 5 years and also since its launch in April 2005 and is also the only fund in the IMA North America sector rated AAA by OBSR and has 5 stars from Morningstar. The fund is managed by Jenny Jones and her team who are based in New York. Its investment approach focuses on three types of opportunities: 'mispriced growth stocks', 'steady eddies' and 'turnarounds'. This fund is a core holding within the Rowan Dartington Balanced Model Portfolio; it is one of our preferred methods of gaining exposure to the US markets.

Alex Holbech, Investment Analyst

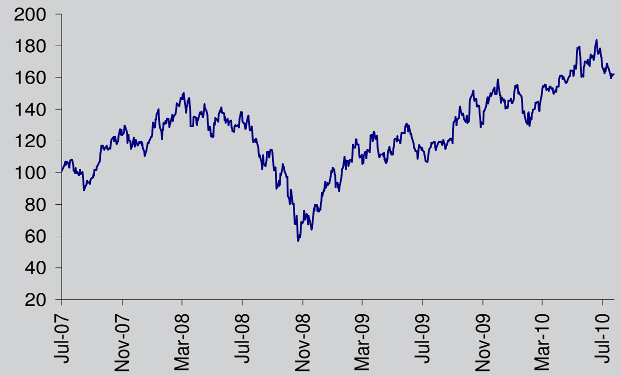


Name: Schroder US Mid Cap
Fund Size: £506.1mn
SEDOL: 3034727 (ACC) 3034705 (INC)

INVESTEC GLOBAL GOLD

This fund intends to achieve long-term capital growth through investment in equities issued by companies around the globe involved in gold mining. With increased volatility in bond and equity markets and concerns over the movements of major currencies, gold has found favour with investors as an alternative store of value. We also like the fund as a hedge against inflation risks. We are bullish on the gold price in the medium term and this fund provides good exposure to the precious metal. It also has the ability to invest up to a third in companies which mine for other precious metals, which provides a bit of protection within the collective. We like it as an indirect play on the gold price and as a way of installing a bit of protection within a portfolio.

Alex Holbech, Investment Analyst

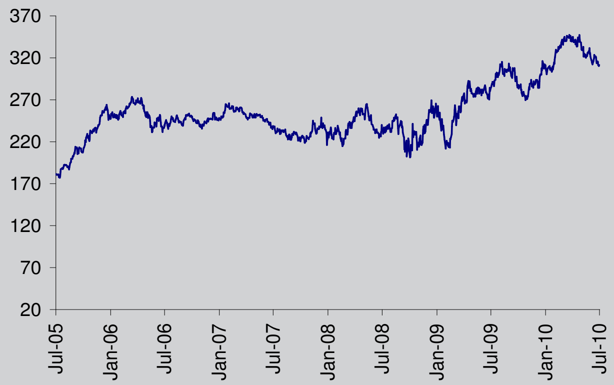


Name: Investec Global Gold Fund
Fund Size: £221.7 mn
SEDOL: B1XFGM2

GLG JAPAN CORE ALPHA

Managed by Stephen Harker and Neil Edwards, two very experienced managers within the Japanese equity markets, the fund looks to achieve capital growth through investing in the quoted securities of companies operating in Japan. It has a bias towards large cap stocks and tends to take a contrarian market view with quantative valuation playing a key part in the stock picking process. This bottom-up approach has led to a concentrated portfolio - roughly 50% of the portfolio is in the top 10 holdings. The fund holds an AAA rating from Standard and Poor's and has strong performance figures since launch, with top quartile performance over 3 and 5 years as well as so far in 2010, having returned +9.58% year to date.

Alex Holbech, Investment Analyst



Name: GLG Japan Core Alpha
Fund Size: £851.3 mn
SEDOL: B0119C6