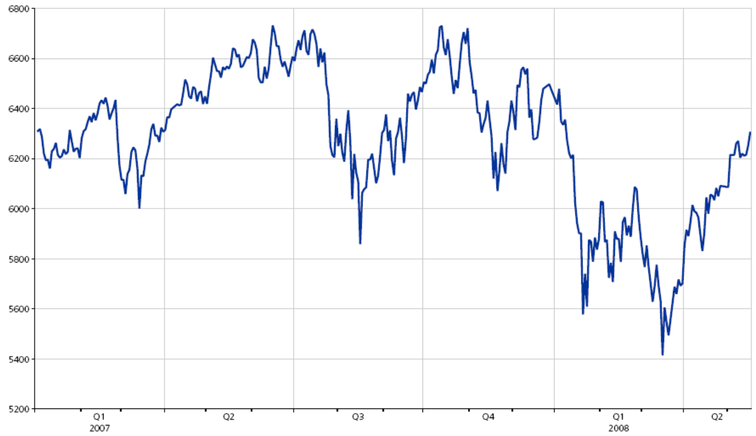
20th May 2008

Market Report

The FTSE 100 has risen strongly in the last six weeks, moving approximately 10% to a current level of over 6300 points.

The stock market has reacted positively to steps taken by the UK Government, the Bank of England and a number of financial institutions including UBS and the Royal Bank of Scotland to address the current problems seen in financial markets.

FTSE 100 (2007-Present)



There still appears to be a lack of confidence between financial institutions (the current level of the London Interbank Offered Rate and fixed term money market deposit rates being a prime example of this!) as institutions have begun to hoard cash deposits as a buffer against any unexpected falls in liquidity in short term money markets.

Although we have seen fixed term money market rates 'normalise' in recent weeks against the above background, we may have to accept that businesses and indeed individuals will in future face tighter credit conditions, stunting economic activity and ultimately growth.

Adding this to the current concern regarding inflation, the market focus will now need to move back to the underlying economy (with a downward revision of economic growth and earnings expectations).

At current UK equity market index levels, we believe that the continuing effects of the credit crunch upon the underlying economy are not being factored into current market prices.

MPL Asset Allocation

Cash

3 month money market deposit rates here have remained at a level of 5.5%, as the Bank of England measures to restore order to the money markets appear to have had an effect in the short term with some stabilisation in money market rate fluctuations across the board.

The 'Backwardation' that we have seen in recent months has ended with 6-12 month fixed term deposit rates offering yields greater than the 3 month money market rate at 5.60 – 5.71% respectively.

Fixed Income

The medium to long term (5-10 year) UK Treasury market has become dramatically more attractive in the last month. Yields have risen in response to the Bank of England's and UK Government's measures to restore order in financial markets, along with concerns regarding inflation.

We have taken this opportunity to purchase the UK Treasury 4¾% 2020 and UK Treasury 4% gilts below par, locking in yields of approximately 5% and 4.85% respectively. We aim to take advantage of potential weakness in equity markets going forward, seeking additional capital gain with these gilts moving back towards par.

Equity

In light of our current views on the equity market, we have begun to reduce the equity portfolio weighting for our clients across the board to levels under 35%. Having performed impressively in line with the recent equity market rise, gains on aggressive equity growth funds such as Artemis European Growth have been locked in, with exposure to the equity market being retained through the use of Equity Income funds invested in defensive areas of the equity market with reasonable yields.

If markets do fall back sharply in response to a revaluation of company earnings on the basis of the current economic downturn, we shall be looking to regain exposure to the growth area of the equity market in order to capitalise upon any economy-driven market revaluation.

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