30th April 2012

Our ref: MK/RD/Q112

Mr & Mrs A N Other
123 ACB Street
London
NE1 2BA

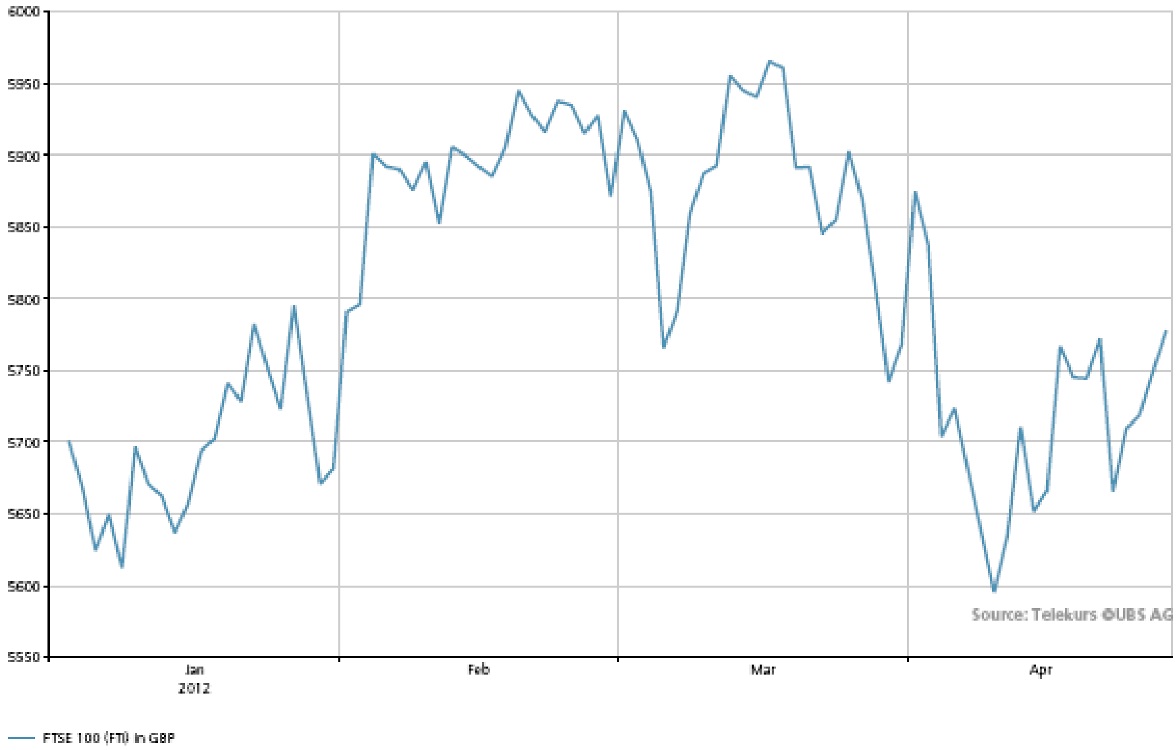
Dear Mr & Mrs Other

Re: MPL Portfolio Valuation – 123456789.1

<u>Market Review</u>

The 1st quarter global equity market rise fuelled by improved macro economic data in the United States and liquidity provided by the European Central Bank (ECB) through its Long Term Purchase Operation (LTRO), appeared to have lost momentum by Mid March.

<u>FTSE 100 January 2012 to 27th April 2012</u>



Much weaker than expected US Non-farm payroll job numbers and softer economic numbers in China, led investors to believe that the US economic recovery could be stalling, whilst global economic growth could falter as Chinese growth slowed. Fragile sentiment was compounded by comments made by members of the US Federal Reserve over the prospects (of lack of them) for further Quantitative Easing (QE) in the United States.

These factors led to a sell-off in risk assets such as commodities, with precious metals such as Gold also moving to the downside, as investors believed that a lack of any further QE would have a knock-on effect with a much lower inflationary impact negating the need for protection from Gold in the shorter term.

The first quarter US earnings season arrested the market slide somewhat, with the number of companies reporting earnings above expectations exceeding 65%. However, a major concern in this reporting period has been that operating profit margins in some industries such as commodities are currently at a cyclically high level which in the shorter term, is potentially an unsustainable situation. If margins begin to fall over the next few reporting seasons, this will call into question analyst earnings forecasts, impacting upon equity market valuations.

This is true in the case of Apple Incorporated which recently beat forecast reporting earnings which had nearly doubled. Due to the impact of Apple upon the S&P 500 equity index in the US, these results helped to arrest the recent slide in equity markets. Looking forward, a note for concern in this report is that Apple CEO Tim Cook said “Quarter three gross margin is expected to decline to 41.5 percent,” this could be indicative of the currently high levels of operating margins discussed.

On a Macro front, we have the prospect of the second round of the French Presidential election to contend with, the forthcoming Greek election, and bond market concerns regarding Italian and Spanish debt to overcome. In the immediate term, a victory for François Hollande, the Socialist Party candidate in the second round of the French Presidential election, would roil markets as some analysts believe that this event could imperil co-operation between France and Germany on solving the eurozone’s fiscal and economic challenges.

MPL Asset Allocation

With the challenges faced above, we have continued to reduce exposure to equity markets throughout the quarter, moving the proceeds into fixed interest on a tactical basis. This should serve to give us some breathing space in what should be a seasonally slow but challenging second quarter.

With kind regards

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