25th April 2013

Our Ref: MK/RD/Q113

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>

In an eventful first quarter of 2013, the majority of investors and clients alike have focused upon the major rise in global equity markets, which has taken US indices in particular to all time highs. However, this ignores the fact that the majority of the other asset classes through which the MPL investment team have positioned client portfolios, also experienced marked rises (with the exception of gold).

In early January after the Office for National Statistics (ONS) failed to announce any changes in the method of RPI measurement, UK index-linked bond yields fell sharply, with a correspondingly sharp increase in prices. Emerging-market sovereign debt in Latin-America and Asia also increased in value, benefiting from factors such as a 50 basis point interest rate cut and an upgrade in the S&P ratings agency outlook to 'positive' in countries such as Mexico. Developed market sovereign debt, such as Australia also experienced capital gain, as good retail sales figures in the Australian economy buoyed the Aussie dollar versus Sterling.

UK and South-East Asian commercial property, along with UK corporate bonds also pushed ahead in response to improving equity markets and the increasing search by investors for greater yield from their investments. Our client's public infrastructure investments also improved in value, owing to strong Net Asset Value growth driven by portfolio performance of underlying assets which produced 22% more cash than last year, and new investments totalling £146.6 million in areas such as offshore electricity transmission and the construction of schools.

The balanced nature in which portfolios have risen in the last quarter, in many senses justifies a portfolio approach characterised by a diversified range of assets which all contribute to the overall performance of the portfolio as a whole. The danger when commentators in particular focus upon sharp rises in one of these assets classes in isolation (after the event has occurred), is that the human nature of investors and clients alike, can potentially lead them to want a higher percentage of this particular asset class. This can lead to an increase in risk exposure to a particular asset class within a client portfolio, at the expense of other less correlated assets within the portfolio, that have also played a significant part in the overall increase in the portfolio.

For example, in the last 6 months to the present, the performance of MPL client investments in public infrastructure have increased by circa 11% versus a 12% increase in the FTSE 100, hence both assets have contributed to the overall performance, within a less correlated and hence less risky portfolio approach.

Going forward, we believe that macro driven event risk should die down until late on this coming summer when the US sequester is revisited and the German election occurs. Given the strong start to the year, and in the absence of the aforementioned macro event driven risks, the focus will now turn back to the fundamentals for all specific investment within their respective asset classes. This "stock/individual asset specific" approach coupled with a seasonal lack of high volume in markets through the summer months in the absence of any real selling pressure, could lead to markets being squeezed higher throughout this period, before macro driven event risks return later this year.

With kind regards

AIDAN VAUGHAN
MANAGING DIRECTOR
aidan@mplltd.co.uk

MARK KITSON
INVESTMENT DIRECTOR
mark@mplltd.co.uk

RICHARD DAWES
INVESTMENT MANAGER
richard@mplltd.co.uk

**Source – Bloomberg 31.03.13*