19th July 2012

Our Ref: MK/RD/Q212

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

Dear Mr & Mrs Other

Re: MPL Portfolio Valuation – 123456789.1

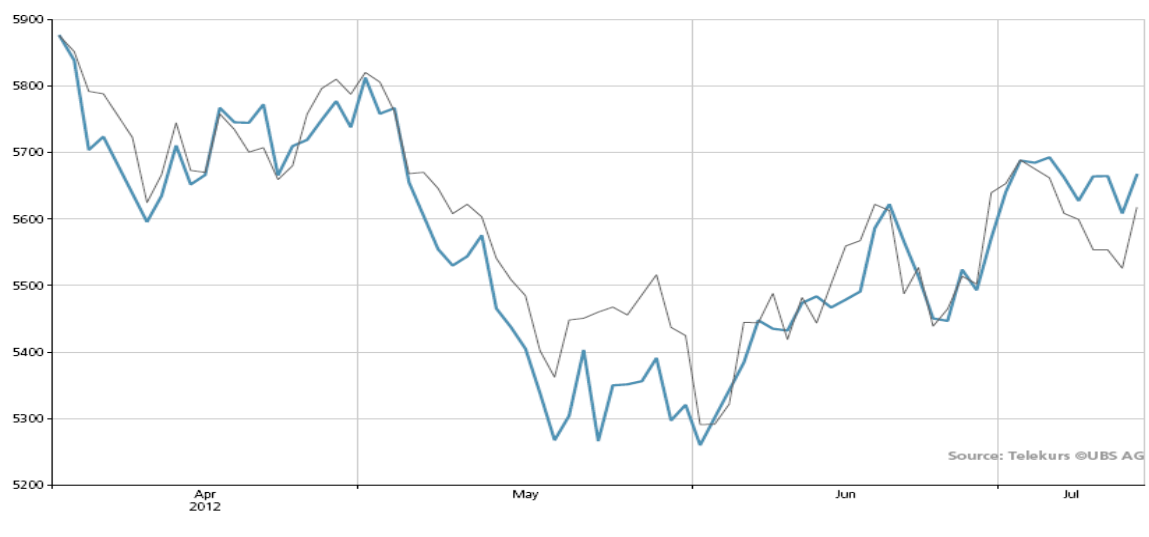
Market Review

The French and Greek Presidential elections are behind us, the Spanish banks and the country's underlying economy limp on to fight another day, Chinese economic growth is slowing and US leading indicators suggest softness in the US economy.

With the Queen's Jubilee celebrations and a packed summer sporting calendar culminating in the thirtieth Olympiad contributing to very low market participation so far this summer, equity markets in the UK and US (as shown below) have moved ahead from their May lows on thin volume.

The moves have occurred as a result of markets being buoyed by any positive news in relation to Greek or Spanish short term 'sticky plasters', positive coincident economic numbers from China and the United States, and the prospect of further monetary easing in the United States.

FTSE 100 and S&P 500 April 1st 2012 to 16th July 2012



The value of investments and any income will fluctuate (this may partly be the result of foreign exchange rate fluctuations), and investors may not get back the full amount invested. Past performance is not a guide to future returns.

This is against a backdrop of falling bond yields (and thus increased prices) in the UK and Germany, mainly in response to concerns over global economic growth, and the lack of speed by European policy makers in dealing with the ongoing European debt crisis.

In recent weeks stimulus in various forms has been implemented in regions such as Continental Europe, the UK, China, Brazil and South Korea in the absence of any action in the United States from the Federal Reserve. This leaves us finely poised in terms of what the Federal Reserve will do, and the subsequent impact of its actions upon global financial markets.

On the macro economic front, further food for thought for the Fed has been provided. Weak job creation and retail sales numbers in the United States, slowing Chinese Gross Domestic Product numbers (at 7.6%) as well and an International Monetary Fund downward revision in its forecast for global growth for the next two years. Also its revision in UK growth to just 0.2% (down from 0.8%) this year and 1.4% next year (down from 2%).

This leads us to the US micro-economic area, and in particular the second quarter company results. With no action from the Federal Reserve so far in reaction to softening macro-economic data, US companies second quarter earnings could tip the balance.

At present, analyst's earnings growth forecasts for the US equity markets are running at an approximate level of just under 6% for the second quarter. Negative guidance by US companies for these second quarter earnings growth numbers has been at a level not seen for over 10 years.

This leaves us with an interesting investment conundrum over the next few weeks. Confirmation of the negative guidance in poor earnings numbers attached with weakening macro-economic numbers, could lead to increased bets by market participants that there will be further quantitative easing stimulus from the Fed (which has largely been priced into equity markets).

On the other side of this, earnings numbers which exceed the negative guidance could lead to further action from the Fed, which in turn could lead to a very negative equity market reaction as we head towards a US Presidential Election and fiscal inaction until at least January 2013, when the incumbent President Obama or President Romney is inaugurated.

<u>MPL Asset Allocation</u>

We have maintained an even more cautious stance in the second quarter by reducing global equity holdings throughout all portfolios which are below average risk and above. In tandem with this decision we have increased UK index-linked treasury holdings across all portfolios, along with an increase in Infrastructure holdings (which have a low correlation with equity markets via a placing in International Public Partnerships Plc).

With a balance of cash available in all portfolios and liquid low risk assets at our disposal, if there are any sharp downward movements in equity markets which overshoot the underlying valuations of assets within these markets, we will be in a very strong position to take advantage if this situation were to arise.

With kind regards

Yours sincerely

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