Save & Prosper Balanced Investment Fund

save&prosper

All performance data relates to the Save & Prosper Balanced Investment Fund

Investment objective

To provide long term growth by investment in a balance of the main investment sectors. The fund should provide a good alternative to a narrowly based share portfolio.

Fund statistics

Fund manager(s)	Valerio Salvati and David Chan
Fund launch date	04/72
Fund size (as at 30/06/10)	GBP 45.7m

Portfolio breakdown (as at 30/06/10)

	%
Property	**31.2**
UK Equity	**24.0**
UK Bonds	**19.1**
US Equity	**11.6**
Europe Equity	**3.4**
Japan Equity	**3.1**
Pacific Equity	**2.8**
Global Bonds	**2.3**
Emerging Markets Equity	**1.3**
Cash	**1.2**

Fund review (as at 30/06/10)

The second quarter of 2010 was an unhappy one for global equity markets, as investors worried about the threat to growth posed by European austerity budgets and weak data in the US and China. Meanwhile, bond investors found safe havens in the US and other major government bond markets.

The fund produced a negative absolute return but was ahead of its benchmark for the quarter. The decision to begin the quarter overweight equities versus bonds detracted; however, this overweight was reduced in May and then reversed to an underweight in June. By region, equity overweights in Japan and Pacific ex-Japan were beneficial, as these regions saw the smallest falls, while an equity underweight in Europe ex-UK, the worst performing region, also added value. As equity markets fell, bond exposure provided some support and an overweight in property relative to equities was beneficial.

Relative performance of some of the underlying funds was disappointing this quarter, with UK and Asian funds generally underperforming. The Japan Strategic Value Fund performed ahead of its benchmark, as did the Global Equity Income Fund, which produced a very strong relative return despite the difficult markets.

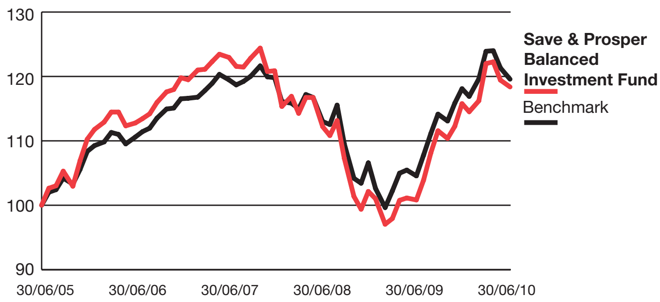
Fund outlook (as at 30/06/10)

Fiscal policy is being tightened across much of the G20 group of nations, which carries risks for growth in 2011. Monetary conditions have become very easy in Europe, but have tightened in the US, China and Japan. We stick with our longstanding thesis of a sub-par economic recovery in 2010/11 and acknowledge that there is risk of disappointment.

Benchmark

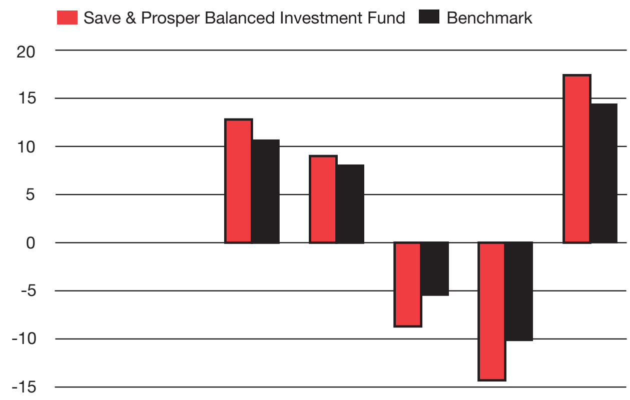
Composite benchmark: 25% FTSE All-Share, 25% FTSE World Ex UK, 25% FTSE All-Stocks and 25% S&P Property Fund.

Cumulative performance (as at 30/06/10)



%	3M	1 Y	3 Y	5 Y	10 Y
Save & Prosper Balanced Investment Fund	**-3.0**	**17.4**	**-3.7**	**18.4**	**33.9**
Benchmark	-3.5	14.4	0.1	19.6	36.9

Rolling 12 month performance (as at 30/06)



%	2006/2005	2007/2006	2008/2007	2009/2008	2010/2009
Save & Prosper Balanced Investment Fund	**12.8**	**9.0**	**-8.7**	**-14.3**	**17.4**
Benchmark	10.6	8.0	-5.4	-10.1	14.4

Returns calculated on an offer to offer, net income reinvested basis.

Source: J.P. Morgan.

For up to date information and performance data please contact our Customer Services Team on 0845 3000144. Telephone lines are recorded to ensure compliance with our legal and regulatory obligations and internal policies.

You should remember that past performance is not a guide to the future. The price of investments and the income from them may go down as well as up and you may not get back the full amount invested. Investment in emerging markets may involve a higher element of risk due to political and economic instability and underdeveloped markets and systems. Investments in smaller companies may involve a higher degree of risk as markets are usually more sensitive to price movements. Exchange rate changes may cause the value of underlying overseas investments to go down or up. The value of property assets is a matter of valuer's opinion, not fact. These assets may be more difficult to realise and may not be realisable at all. The level of tax benefits and liabilities will depend on individual circumstances and may change in the future.