

All performance data relates to the Save & Prosper Gilt Pension Fund

Investment objective

To provide actively managed investment in UK gilt-edged and fixed-interest securities either by investing directly or through other funds. The Fund seeks to achieve excess return through duration as well as sector and security selection.

The Fund is well diversified and, under normal circumstances, direct cash holdings are kept to a minimum.

Fund statistics

Fund manager(s)	David Tan and Roger Hallam
Fund launch date	11/77
Fund size (as at 30/06/10)	GBP 4.0m

Portfolio breakdown

(as at 30/06/10)

	%
JPM Life UK Bond Fund	100.0

Fund review

(as at 30/06/10)

The second quarter witnessed a dramatic shift in expectations regarding the global recovery. Although the period began with a continued rally in risk assets, concerns regarding Greek debt quickly spread to general concerns about European sovereign debt and the continued need for global deleveraging. The Bank of England's Monetary Policy Committee kept the interest rate at 0.5% over the period and made no further quantitative easing purchases. Concerns over persistence in headline inflation and inflation expectations were given further impetus by the planned hike in VAT in January 2011. The emergency budget was well received as the chancellor set out a credible framework to address the deficit.

In the fund, the main detractor over the quarter was our allocation to spread sectors away from Gilts as spreads widened amid growing risk aversion, leading to a significant flight to quality. We continue to have a structural yield advantage versus the benchmark, by holding high-conviction short-dated corporate names in the one-year sector. We have continued to hold index-linked bonds, benefiting as CPI surprised to the upside. Our cross-market spread trades continued to perform well, as did our outright long duration positioning.

Fund outlook

(as at 30/06/10)

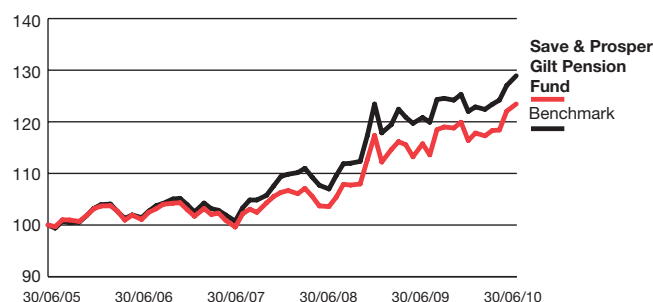
A tougher budget than the market expected, better-than-expected public sector net borrowing figures and reduced Gilt supply contribute to our conviction on the UK on a cross-market basis versus both Germany and France. Our view is that monetary policy will remain accommodative as the government pursues aggressive fiscal tightening, resulting in an environment in which Gilt yields can outperform.

Benchmark

FTSE All-Stocks (gross income reinvested)

Cumulative performance

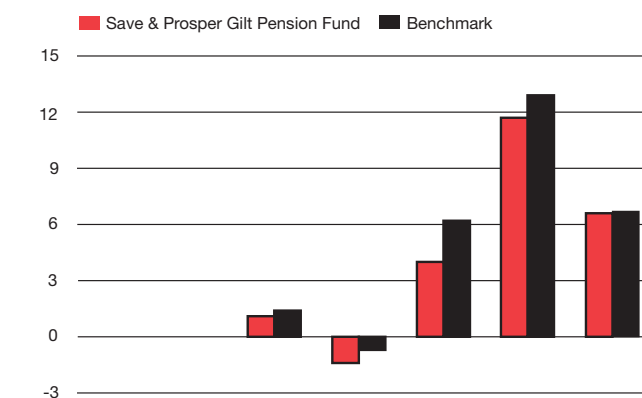
(as at 30/06/10)



%	3M	1 Y	3 Y	5 Y	10 Y
Save & Prosper Gilt Pension Fund	4.3	6.6	23.9	23.5	64.8
Benchmark	4.5	6.7	28.0	28.9	72.6

Rolling 12 month performance

(as at 30/06)



%	2006/2005	2007/2006	2008/2007	2009/2008	2010/2009
Save & Prosper Gilt Pension Fund	1.1	-1.4	4.0	11.7	6.6
Benchmark	1.4	-0.7	6.2	12.9	6.7

Returns calculated on an offer to offer, pension fund tax 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.

Save & Prosper is a trading name of JPMorgan Asset Management Marketing Limited, which is authorised and regulated by the Financial Services Authority.

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