

April 2012

### Portfolio manager's commentary

An interesting three months saw the Defensive Income portfolio finish broadly in line with its sector finishing up over 2.39% for the quarter.

The main feature of this quarter has been the relative decline of Gilts as forecast in our last review. We continue to reduce our holding of Gilts as we cannot see long term value in this asset class. We have also reduced our holding of UK Corporate Bonds. The changes have been implemented to increase the diversification of our Corporate Bonds so that we hold more Global Investment Grade Corporate Bonds. We have also increased the equity holding to boost the diversification within the portfolio.

With the returns on cash instruments at all time lows and volatility expected to remain we are continuing to refine the portfolio by selling under-performing funds and seeking opportunities to improve returns.

### Indicative risk rating



### Portfolio mandate

Indicative risk rating	Asset classes	Asset allocation				Benchmark
		Cash	Fixed interest	Equities	Other	
2 - 3	Minimum	0	0	0	0	Composite benchmark (no suitable alternative)
	Maximum	20	100	15	15	
	Normal alloc.	0	87	8	5	

### 12 month fund performance versus benchmark



A - Defensive Income benchmark (composite) 01/01/2012 TR in GB [6.17%]  
 B - \*\*IMS Defensive Income (July 2010) 01/01/2012 TR in GB [5.77%]



Andrew Urquhart  
Portfolio Manager

### Portfolio objective

This portfolio has been constructed to generate an annual gross income in excess of 3.75%.

### Investment approach

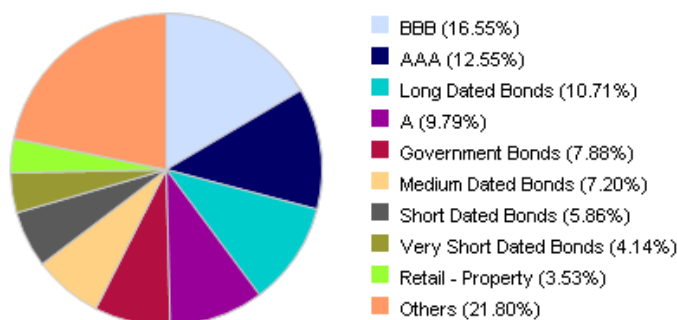
The objective is achieved by using a cautious investment approach primarily focused on UK government and corporate bonds with limited exposure to equities to provide a degree of inflation-proofing. The performance of all the funds in the portfolio is constantly monitored and formally reviewed on a quarterly basis by an investment committee.

### Holdings

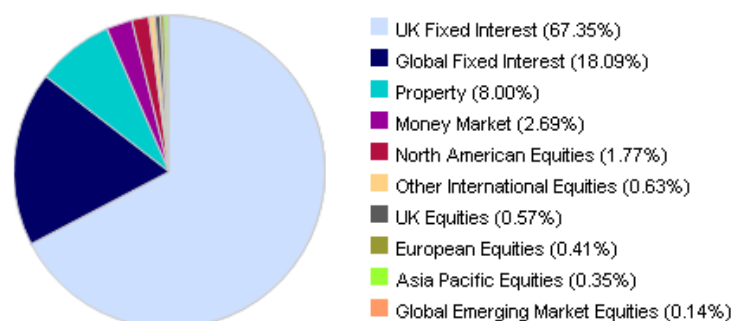
Global Fixed Interest	24.00%
GLG - Global Corporate Bond	
Invesco Perpetual—Global Bond Inc	
Investec - Emerging Markets LC Debt	
Global Growth	4.00%
M&G - Global Dividend	
Property	8.00%
Ignis - UK Property	
UK Fixed Interest	59.00%
AVIVA - Monthly Income Plus	
F&C - Corporate Bond	
Allianz - PIMCO Gilt Yield	
L&G - All Stocks Gilt Index	
M&G Gilt & Fixed Income	
Rathbone - Ethical Bond	
BlackRock - Corporate Bond	
UK Equity Income	5.00%

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## Asset allocation



## Regional breakdown



## Important notes

Returns shown are gross of any initial, fund or adviser charges. All data are to 31.3.2012.

Past performance is not a guide to future performance. The value of investments and any income from them will fall as well as rise; you may get back less than the amount invested. Higher volatility investments are subject to sudden and large falls in value and could result in a loss equal to the sum invested. Certain investments are not readily realisable and investors may experience difficulty in realising the investment or in obtaining reliable information on the value or associated risks. Changes in rates of exchange may have an adverse effect on the value, price or income of investments denominated in currencies other than Sterling.

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## Key facts

Initial charge	Max. 0.36%
Annual charge	Max. 1.35%
ISA qualification	Yes
Twelve month yield	4.00%
Volatility*	5.82 (Benchmark 3.03)
Sharpe ratio**	0.57 (Benchmark 0.8)

The charges shown do not include any that your adviser may elect to receive, are after initial rebates and will depend on the provider selected. Further details are available on request.

\*Volatility measures how much an investment deviates from its average over a period – the lower the better.

\*\*The Sharpe Ratio measures the trade-off between risk and return – the higher the better.

5 Lancer House  
Hussar Court  
Westside View  
Waterlooville

Tel: +44 2392 231448

Fax: +44 2392 263432

Email: [info@imscapital.co.uk](mailto:info@imscapital.co.uk)

For further information please contact your financial adviser.

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