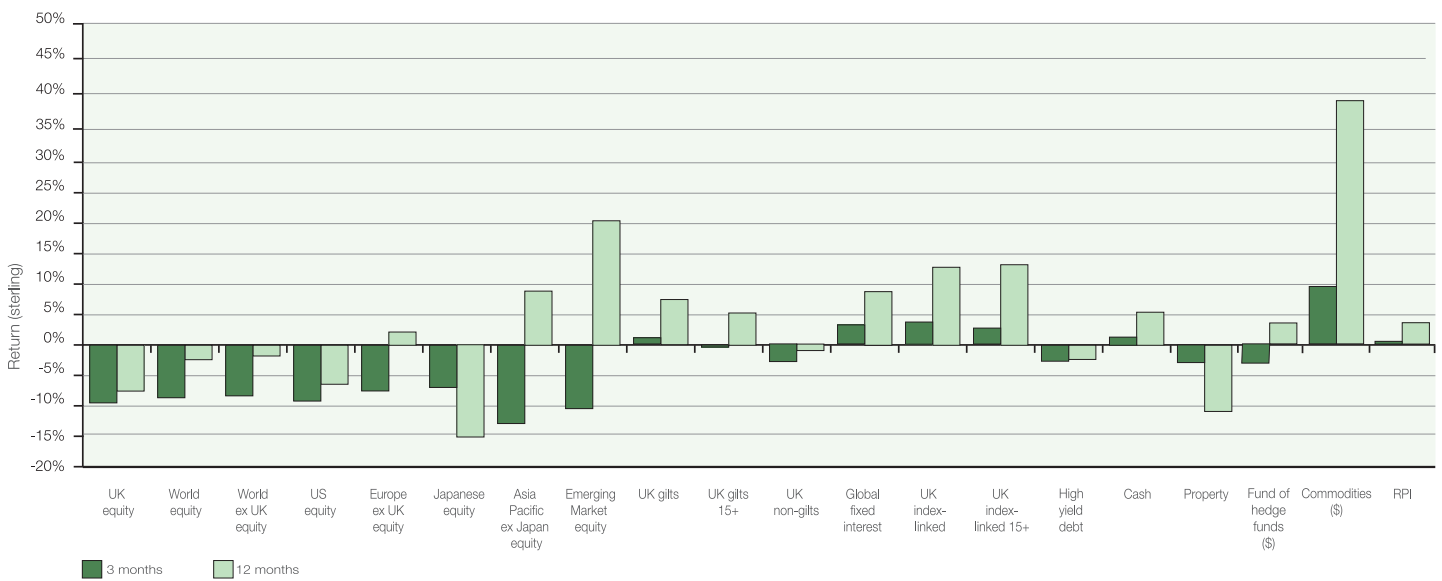


Review of investment markets for 1 January to 31 March 2008

Total returns to 31 March 2008



The 'credit crisis' developed into a 'credit crunch' over the first quarter of 2008 (1 January to 31 March). Mortgage and bank lending conditions were tightened for both consumers and businesses.

Over the same quarter, general opinion on the likelihood of a recession in the US strengthened to 'near certainty', with some people warning that it may be a 'severe' rather than 'mild' recession.

Global equity returns have fallen over the last year. And the fall was sharpest over this last quarter, with Asia Pacific the hardest hit as the much weaker outlook for global growth was recognised. The UK equity market (FTSE All-Share Index) underperformed on world markets, falling by 9.9% over the quarter and 7.7% over the year.

The UK base interest rate ended the 12 months to 31 March 2008 at 5.25% – having peaked at 5.75% during the second half of 2007.

Returns on the UK property market fell in this quarter. Up until the middle of 2007, property experienced exceptionally high returns. People recognised the property market as an investment opportunity, but it has now become overpriced and prices are beginning to drop to more realistic values. Tighter lending conditions and weaker economic conditions could lead to more falls in property values.

