

Big Picture Investing

Dynamic Asset Allocation
The Way of the Future



Cutting Cost

Cutting Risk

Keeping it Simple

Investment management for Charities,
Pension Funds and Individuals using
Exchange Traded Funds

Evercore Pan Asset



Dynamic Asset Allocation

The Way of the Future

Simple, Well-Diversified, Flexible,
Liquid, Transparent, Cost Efficient
Investment...

Keeping it Simple



This publication explains how Exchange Traded Funds can be used as the building blocks for constructing investment portfolios in place of direct investments in individual stocks and shares. Part One discusses the planning of investment policy and the advantages of using Exchange Traded Funds. Part Two discusses the options for smaller investors. Part Three discusses the main asset classes that are available to investors and in each case provides an illustration of one of the Exchange Traded Funds that is available within that asset class.

This publication is a description of an investment methodology rather than a research publication. It is provided for information and discussion purposes only. It does not constitute professional advice and does not constitute an offer to sell or a solicitation of an offer to purchase any security or any other investment or product. It does not contain any investment recommendations. Attention is drawn to the important information and risk warnings at the end of the publication.

BIG PICTURE Investing

Concentrate on Asset Allocation

Keep it Simple

using Exchange Traded Funds

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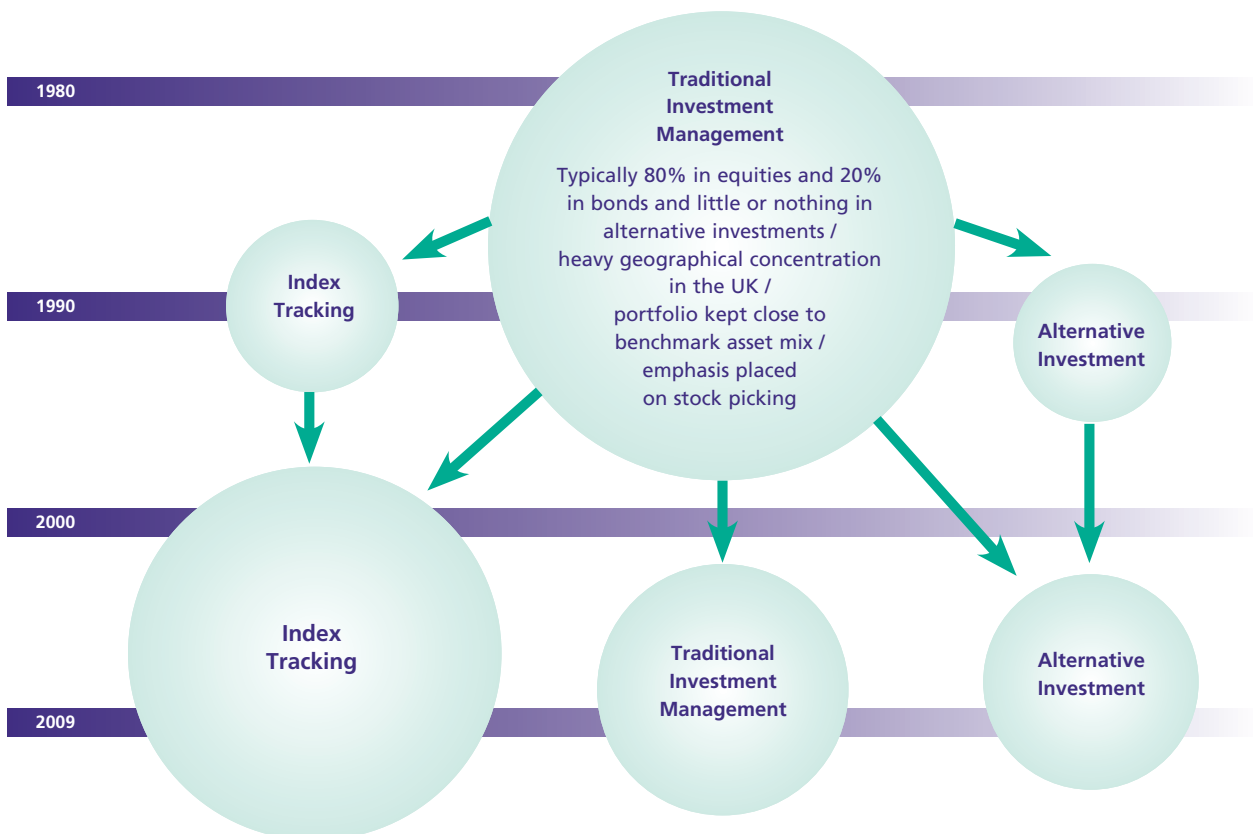
Introduction

This book describes a new, different, potentially cheaper and better way of managing investments. We concentrate on the big picture. We spend our time and energy on the overall asset allocation. It has been shown in many studies that your asset allocation drives your returns. Once we have recommended and agreed an asset allocation suited to your needs, we propose implementing it in the lowest cost way. That today means using Exchange Traded Funds (ETFs) as portfolio building blocks. It is gaining rapid acceptance amongst owners of private wealth and trustees of both charitable endowments and pension funds. It offers a number of advantages and solves some of the particular problems they often face. ETFs are growing in importance in the US and the UK. For many investors they will become the way of the future.

Much has changed in the investment management world. Investors emerged from the disillusionment of the dot com boom and the savage ensuing bear market at the end of the last century determined never to go back there again. The traditional investment management approach was deemed to have failed. New approaches, a wider range of investment possibilities and better risk management were called for.

Traditional investment management was already under attack from index tracking in the institutional investment management marketplace as long ago as the 1980s. Alternative investment also became more important. These trends gathered pace throughout the 1990s and were propelled forward all the faster by the painful experience of investors across the turn of the millennium. Today, index tracking or passive investment plays a big role in institutional investment and alternative investment, in its many different forms, has arrived in the mainstream.

The Evolution of the Investment Management Landscape



The traditional investment management approach to private wealth and charitable endowments has needed updating too. The range of asset classes employed in traditional portfolios is generally narrow. Despite the fact that studies show that it is asset allocation that is the key determinant of the level of long-term investment returns, traditional investment managers preferred to concentrate on active stock picking which all too often proved to be a triumph of hope over experience. Over time, comparatively few active managers “beat the index” and many suffered periods of damaging underperformance.

We believe that the traditional investment management approach to private wealth and charitable endowments must pay much more attention to asset allocation. It should be combined with index tracking and alternative investment in ways that combine the strengths of all three approaches.

The Credit Crunch and crash of 2008 was a further shock to investors in both traditional portfolios and in many alternative investments. Those who stayed fully invested in share portfolios, relying on active management to improve returns, lost large sums. Many alternative investments ranging from hedge funds through private equity to property turned out to be illiquid, vulnerable to large market losses, and often expensive. Investors are asking is there a better way?

Many owners of private wealth and trustees of charitable endowments are now looking for something different. The practical problems of incorporating broader asset allocation, index tracking and alternative investment into portfolio management have revolved around accessibility and liquidity. In particular, how can investors embrace the wide universe of index tracking and alternative investment opportunities in simple, well-diversified, flexible, liquid, transparent and cost effective ways? How can they get out again quickly if circumstances change?

It is no good choosing an asset allocation and then leaving it. Whilst we aim to identify investment areas that will work for the long term, great market volatility and big changes in economic outlook can require important changes. For example, during 2008 we held 100% cash or cash-like investments for our fully discretionary clients to avoid the worst of the Credit Crunch. In 2009 we have recommended a range of income bearing investments.

We believe that the answer to your need for flexibility is to use ETFs as your main portfolio building blocks. The purpose of this publication is to show how. We also believe cash is an underestimated asset. If times are troubled moving more into cash is the best and simplest protection.

What are ETFs?

Think of a traditional investment trust but one dedicated to a single asset class - say European equities. Picture this trust holding a portfolio of European equities chosen to exactly replicate the structure and performance of the European equity index so that there is no risk of poor stock picking. Finally, picture this trust having solved the traditional problem of investment trusts that their shares can trade at a discount to their underlying asset value so denuding part of their return. In broad terms you are picturing an ETF.

Now picture an ETF whose specialist single asset class is not a mainstream equity market like Europe but instead Chinese or Indian equities. Picture too an ETF whose single asset class is, for example, global private equity companies, US inflation-linked government bonds, Far East property companies, emerging markets infrastructure companies or global clean energy companies. You are now picturing how the rich universe of ETFs can be used as building blocks to create a diverse portfolio. ETFs provide lower cost, more liquid proxies for most types of investment.

First launched in the US in 1993, by the end of August 2009 there were 1,773 ETFs worldwide, with assets totalling \$890.52bn¹. They are a well established investment tool. However, their potential as portfolio building blocks has been transformed over the last three years by a proliferation of new and diverse ETF launches, resulting in a broad universe of investment opportunities.

Investing in ETFs requires professional advice and not all ETFs are suitable for all investors. However, it is now possible to construct balanced, widely diversified investment portfolios comprised more or less entirely of ETFs and tailored to each investor's different circumstances and requirements. This is where the strengths of traditional investment management, index tracking and alternative investment meet. We believe many investors will conclude that it is the way of the future.

John Redwood

Jane Bransgrove

Lynn Hutchinson

¹ Source: Barclays Global Investors.

Choosing the right assets

You cannot avoid having an asset allocation

Investment is about putting money at risk in a carefully controlled way in the capital markets to seek a better return than the risk free rate of return that is available by leaving cash in the bank. The long-term investor aims to match or beat inflation so that the real spending power of the capital and income is preserved. Inflation at the government's target rate of 2% halves the value of money in 35 years. Charitable funds and pension funds need to keep pace with the growth in earnings. Wages and salaries typically rise by 2-3% more than price inflation over the longer term. Every day that markets trade your fund's asset allocation is tested by market movements. Are you watching it carefully? Does your asset allocation make sense?

There are four elements to formulating and implementing a successful investment strategy:

- 1 Defining your circumstances and investment objectives and deciding the amount of risk that you feel comfortable taking.
- 2 Understanding the fundamental risk and return characteristics of each investment asset class, what they offer the investor, the way in which the asset classes perform relative to one another, their likely behaviour in different economic environments and their different costs and tax treatments.
- 3 Marrying your circumstances and objectives to the wide range of investment asset classes available to formulate a suitable strategic asset allocation. You can then construct a portfolio of individual investments to implement this strategic asset allocation.
- 4 Keeping the investments under continuous review. Changes to the original strategic asset allocation may be called for if there are changes in your circumstances and objectives. Occasionally it may be necessary to switch more into cash to protect your investment. Sometimes assets which make sense for your long-term purposes become too expensive. We look carefully at sustainable and growing income. When prices rise high income yields are low, alerting us to possible extra risk of loss.

There are a number of issues that define your circumstances and investment objectives. These include:

What is the minimum level of income or drawings that your portfolio must provide regardless of market conditions?

Broadly speaking, the higher the immediate income you require, the more you will need to invest in high current income producing monetary asset classes such as bonds and the less you will be able to invest in growing but lower current income producing real asset classes such as equities and property. Therefore, the lower will be the long-term capital and income growth that you will be able to achieve. Formulating an investment policy is generally about balancing conflicting objectives. In the immediate aftermath of the Credit Crunch, government bond yields are low relative to other assets, whilst some other assets offer uncharacteristically high yields.

What is the minimum level of cash or readily realisable investments that must be kept in reserve at all times to meet capital spending plans and other contingencies?

Similarly to meeting high income needs, the bigger your requirement to hold money in liquid reserve form, the more you will need to hold in short-term monetary investment asset classes and the less you will be able to hold in the sort of long-term real asset classes that provide capital and income growth and protect against inflation. The problem is that these real asset classes can experience big swings in their prices so you run the risk of finding that, just when you need to draw on your reserves, it is a bad time to sell.

What is the worst temporary fall in capital value that could be tolerated during the downswing of the inevitable market cycles? How long could you afford, or would you be willing, to wait for eventual recovery?

Markets are volatile and unpredictable in the short-term. This is the risk that you are deciding to tolerate when you invest in pursuit of higher returns rather than leaving your money in the bank. The general economic cycle helps and hinders but is often not synchronised with the stock market cycle. Although investment is cyclical, it is not always possible to anticipate the cyclical turning points with any consistent degree of accuracy and investors inevitably pass through periods of losing some of their money on paper.

A typical bear market in equities sees prices falling by over 20% and in the worst case much greater falls can take place. In the UK, share prices fell by over 70% in the 1973/74 bear market, by over 50% in the 2000/01 bear market and by almost 50% in 2007/09. Avoiding the cost of these falls can make a big difference to your returns.

Nonetheless, such experiences are extremely uncomfortable and whilst a bear market is going on there will inevitably be periods during which investors find themselves doubting the prospects of eventual recovery. We did advise our clients to be very liquid in 2008.

The lower your tolerance for temporary falls in value, the more you invest in less volatile asset classes that will protect short-term capital value but are unlikely to provide much in the way of long-term capital and income growth.

It is, of course, part of the investment manager's job to try to anticipate stock market turning points to the extent possible and take action to protect you against falling markets. Tactical asset allocation of this sort has an important role to play and can soften the effect of bear markets. It is also part of the investment manager's job to ensure that you always have the protection of diversification and that your portfolio is always weighted towards better performing asset classes - the more diverse and well chosen your investments, the more likely it will be that falls in value in some parts of your portfolio will be offset to some extent by gains or smaller falls elsewhere. However you fare in the inevitable bear markets, history shows that it will generally be best to resist the temptation to sell after a bad fall so turning a paper loss into an actual loss and leaving you without the prospect of recovery.

There may sometimes be a role for so-called portfolio insurance too, provided this can be bought at a reasonable price. This involves derivatives that entitle you to sell investments at predetermined prices should they fall below these prices during the life of the derivatives. However, as with all insurance, there is a premium to be paid and this can be expensive.

The Asset Allocation Decision

Many investors want a similar result. They would like over a reasonable time period to achieve a return of around 4-5% above inflation. This would mean that a charity could offer more grants and pay more salaries over time as the fund rose in real terms. It would help a pension fund meet its obligations without requiring additional funding from the company. It enables an individual or family to improve their lifestyle and pass on more to the next generation.

Over the last decade it was not possible to earn such a return by buying and holding UK or US shares, UK or US bonds, or cash. There were two main ways a wise investor could have achieved the aim. One was to buy and hold shares in faster growing economies like India and China. The other was to put the fund into cash during sharp market declines, especially in 2008.

What of the future? We think Asia will continue to outgrow and outperform the West. We should expect a further painful period of adjustment, as the balance of payments and government deficits in the US and UK are brought under control. We do not think buying and holding UK or US government bonds at current low yields could possibly achieve it. We remain nervous about the prospects for the US and UK shares in the medium term, given the outlook for the slower growth and higher taxes.

We think it will be necessary to own more claims on the faster growing economies and on alternative assets. Traditional portfolios and buy and hold strategies may continue to disappoint. The flexibility and liquidity of ETFs could be very useful in these conditions.

What is the normal currency in which you think and in which you measure progress? To what extent can you tolerate the currency risk that is associated with any international investments in your portfolio?

For the investor whose liabilities and spending are predominantly sterling denominated, investing internationally introduces an element of currency risk since the value of their international investments will fluctuate in response not just to stock market movements but in response to currency movements too.

Choosing the right assets *continued*

Investors can choose not to take currency risk but the less currency risk you are willing to accept, the more you confine yourself to domestic UK investments and deny yourself the much wider range of conventional and alternative investment opportunities available globally, often in stronger, faster growing economies than our own and often in attractive industries in which the UK is not well represented.

More often than not sterling has been a weak currency anyway so currency risk has generally been rewarded, sometimes very handsomely. We thought that sterling would be weak over 2008 and it was, so currency risk was well rewarded. We encourage investors to think globally and invest globally. It is sometimes possible to protect against a fall in a foreign currency whilst continuing to hold the foreign share.

In the case of trusts, SIPPs and other pension funds, charitable endowments or other structures, what legal or other requirements must be met at all times, regardless of market conditions?

A statement of Investment Powers will usually be found in the Governing Instrument such as the Trust Deed or will be laid down by law. Trustee investment powers have been deregulated in recent years and replaced by the principles of diversification and suitability but some trusts still have particular constraints on their investment powers. In the event of doubt it is always advisable to take legal advice. Pension funds draw up a statement of Investment Principles to guide the manager.

What are the taxes for which you are potentially liable? How can you plan your affairs and your investment policy in such a way that these can be minimized?

Some investors and some investments are either partially or completely free from tax but most are subject to some taxes whether Income Tax, Capital Gains Tax, VAT on management fees or foreign withholding taxes on dividends. Tax has the ability to reduce investment returns considerably so tax planning is an important part of investment planning and a variety of well established and legitimate tools exist for managing tax.

What are the third party costs to which you are exposed? How can you plan your affairs and your investment policy in such a way that these can be minimized?

Investors are exposed to many costs – some visible, others less so. For example, fees are usually fairly transparent. Dealing and other transaction costs are much less so since they vary with the volume of transactions and costs such as the market maker's turn – the difference between selling and buying prices. Overall expenses are very difficult to calculate but to the extent it can be done they are often surprisingly high. Many retail funds quote so-called "Total Expense Ratios" of between 1.5% and 2.5% per annum but even these figures exclude transaction costs which can add greatly to true total costs. Neither do they take account of initial charges or any exit charges.

The best way of controlling costs is to avoid investments with high fees unless you are very confident they will be justified by performance and to avoid high levels of dealing activity unless you are very confident that this will add to performance. Many hedge funds charged 2% a year and took one fifth of gains over a stated hurdle. This level of remuneration was very high given the poor performance many recorded in 2008.

Do you have any particular preferences or likes and dislikes that should be incorporated into your investment planning?

You must be comfortable with your investments. Investors should not accept a recommended investment policy that goes against their better judgement. Trustees are not generally entitled to express personal likes or dislikes in their investment policy but private investors are free to do so if they choose.

For the private investor, what will happen to your estate on your death? To what extent should the investment policy weigh the interests of your estate's intended beneficiaries?

Many trust and other structures are available as planning tools for passing wealth down the generations. However, attitudes to inherited wealth differ and not everyone wants to leave substantial sums to their heirs. Some forward thinking will help inform today's investment policy choices.

Armed with the answers to these questions it becomes possible to marry the investor's circumstances and objectives with the wide universe of investment possibilities to determine the most suitable investment policy and strategic asset allocation and then implement it.

As the table below illustrates, studies over many years have demonstrated that it is the asset allocation decisions that are likely to prove the key determinant of the overall level of investment returns – not stock picking. Indeed asset allocation has been shown to account, on average, for more than 100% of the overall level of long-term investment returns because stock picking actually subtracts from returns. This is an insight of enormous importance and lies behind our belief that the traditional investment management approach must pay much more attention to asset allocation and embrace index tracking.

Given their relative importance, stock picking generally gets too much attention and not enough time is spent on asset allocation. Asset allocation should be widely drawn to take advantage of the rich universe of asset classes now available. It should be reviewed regularly and it should be flexible in responding to changing circumstances. Where more than one investment manager has been appointed, asset allocation needs to be considered at the level of the combined portfolios. It is particularly important that trustees are able to demonstrate that they have a suitable asset allocation process in place and are taking asset allocation advice where appropriate. The evidence suggests that money spent on asset allocation expertise will generally be better spent than money spent on stock picking expertise. This is central to the case for using ETFs as portfolio building blocks.

For larger funds, Evercore Pan-Asset can offer to provide the overall strategic asset allocation advice to the trustees or Investment Committees, and can also run a balancing fund. Under this model, trustees can keep their favoured existing managers in a multi manager fund. Evercore Pan-Asset with the trustees work out the best overall asset allocation. The overall strategy can then often be implemented with Evercore Pan-Asset investing the balancing fund in the appropriate assets to secure the overall required diversification. The other managers do not then have to make strategic shifts in their assets, and can carry on doing what they do best.

The Importance of Asset Allocation

Study	"Determinants of Portfolio Performance"	"Determinants of Portfolio Performance II: An Update"	"Does Asset Allocation Explain 40, 90 or 100% of Performance?"	"The Contribution of Asset Allocation Policy to Portfolio Performance"
Authors	Brinson, Hood & Beebower	Brinson, Singer & Beebower	Ibbotson & Kaplan	Drobetz & Kohler
Publisher and Date	Financial Analyst Journal (1986)	Financial Analyst Journal (1991)	Financial Analyst Journal (2000)	Universities of Basel and St Gallen (2002)
Data Used	91 Large US Balanced Pension Funds 1974 – 1983	82 Large US Balanced Pension Funds 1977 -1987	58 US Balanced Pension Funds 1993 – 1997 and 94 US Balanced Mutual Funds 1987 – 1998	51 German and Swiss Balanced Mutual Funds 1995 – 2001
Findings				
% of the <i>Variability</i> of Portfolio Return over Time Explained by Strategic Asset Allocation	93.6%	91.5%	Pension Funds 88.0% * Mutual Funds 81.4%	82.9%
% of the <i>Level</i> of Total Long-Term Portfolio Return Explained by Strategic Asset Allocation	112%	101%	Pension Funds 99% * Mutual Funds 104%	134%

*Before costs

Using Exchange Traded Funds as portfolio building blocks

Exchange Traded Funds (ETFs) are ideal portfolio building blocks for implementing an investment policy because they are cost-efficient, sharply defined, index tracking funds.

They are each dedicated solely to investing in one particular investment asset class and are designed to generate investment returns in line with the returns generated by the index for that asset class. This means that they are the purest way of implementing asset allocation decisions – they provide one-stop access to a broadly diversified portfolio of investments in their underlying asset class. There is no active manager risk where disappointing stock picking within an asset class may undermine the general return provided by the asset class.

As discussed on the previous page, studies show that it is asset allocation rather than stock picking which is the key determinant of the level of long-term investment returns. Over time, few active managers “beat the index” and many suffer periods of damaging underperformance. For investors whose own experiences and observations have led them to share these conclusions, ETFs are an ideal way forward.

It is important to ensure the ETF is prudently and cautiously run, that its costs are low, offered by a good sponsor, and that it is a large enough fund to make it likely it will continue in business. Sometimes small funds from some sponsors are closed and you then have to switch to a different fund.

ETFs take the stock risk out of your portfolio. Why run risks you do not have to run? Why spend money on share selection when you don't have to?

What are ETFs?

ETFs are pooled investment funds that, unlike normal unit trusts or open-ended investment companies (OEICs), are listed on the stock market so can be bought and sold through a stockbroker at any time during the trading day.

Constitutionally, ETFs are authorised investments that usually have the legal structure of OEICs. They are sponsored by banks or investment managers, have their own boards of directors, have their own custodians and have their own auditors. They are subject to the rules, dealing and settlement procedures, governance requirements and other disciplines of listed companies. The investments held within each ETF are generally also stock market listed or other exchange traded investments that are subject to similar disciplines.

First launched in the US in 1993, by the end August 2009, there were 1,773 ETFs worldwide, with assets totalling \$890.52bn¹. Morgan Stanley forecast that this figure will reach \$2,000bn by 2011. There are 95 firms on 41 exchanges around the world. The market leader is iShares: a brand with a global market share of just over 48% to date. Other leading providers include State Street, Vanguard, Lyxor, db x-trackers and Powershares¹.

ETFs are domiciled in a number of different jurisdictions, listed on a variety of different stock markets and, whatever the currency of their underlying investments, can be traded in a variety of different currencies. For the sake of simplicity, and with an eye to avoiding potential overseas tax complications, we usually confine ourselves to ETFs that are domiciled in a European location, listed on the London stock market and traded in sterling.

The ETF movement has gathered pace over the last decade with explosive growth since 2000 as the investment community has come to recognise the benefits of ETFs.

What are the Advantages of ETFs?

ETFs offer a number of advantages:

Simplicity – One completely normal stock market trade gives you diverse exposure to the underlying investment asset class. Normal settlement and custody arrangements apply. As sterling denominated share classes are generally available regardless of the currency of the underlying investments, there is no complicated foreign currency accounting required.

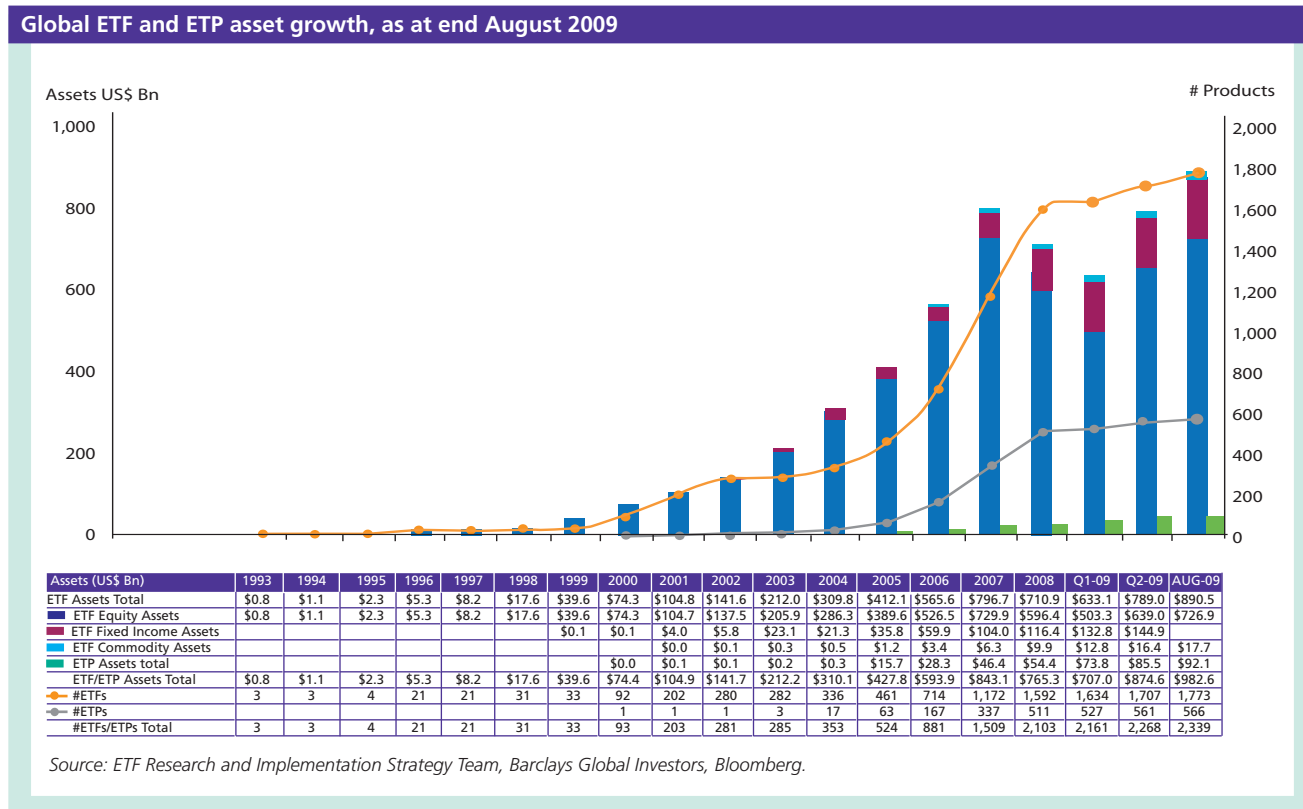
¹ Source: Barclays Global Investors.

Flexibility – This ability to buy into or sell out of a whole asset class with one simple transaction also means that an investment portfolio can be adjusted quickly and easily in response to changing stock market conditions. For example, in a suddenly falling market a portfolio's exposure to UK equities could be, say, halved or eliminated with just one trade. There is no need for any of the time consuming stock by stock construction of a selling programme that is usually required.

Transparency – Since ETFs are index trackers and the composition of their underlying indices is published at regular intervals, you know exactly what your investment exposure is within each ETF.

Liquidity – As ETFs are listed on the stock market, they are as liquid as the market. The market makers quote competitive buying and selling prices throughout the dealing day and since ETFs are open ended funds there is a creation and redemption process between the market makers and the ETF sponsor that prevent their prices diverging significantly from the underlying fund asset value. The transparency of ETFs and the fact that the holdings within ETFs are liquid exchange traded investments, means that any discrepancies that might emerge should be quickly arbitrated away. If you buy unit trusts, dealing is limited to stated times and dates.

Cost Efficiency – ETFs have no entry or exit fees, dealing spreads are tight and their internal management fees are much lower than normal pooled funds – typically only 0.2% per annum for cash and bond ETFs, between 0.3% and 0.7% for equity ETFs and 0.4% to 0.9% for alternative ETFs. These are often half or less the fees charged by actively managed pooled funds. Furthermore, no Stamp Duty is payable on secondary market purchases. The funds often offset some of the fee. We look at tracking difference after costs, which can be almost zero in the better cases.



Using Exchange Traded Funds as portfolio building blocks *continued*

What ETFs are Available?

The table below shows the rich universe of ETFs that are now available . . .

Equities	Bonds	Listed Property (REITs)	Listed Commodities (Physical/ Futures)	Other Listed Alternative Investments	Cash
Single Countries	Government	UK Property	Diversified Commodities	Private Equity	Money Market Indices
Global/Regional	Inflation-Linked	Global Property	Agriculture	Global Water	Currency Strategies
Sectors	Corporate	US Property	Energy	Global Timber & Forestry	
Style Indices – Yield, Growth, Value, Market Cap, Quant	Credit Spreads	European Property	Industrial Metals	Global Clean Energy	
Short/Inverse		Far East Property	Livestock	Infrastructure	
Option Strategies			Precious Metals	Emerging Markets Infrastructure	
Shariah			Leveraged/Inverse	Hedge Fund	

It can be seen that nearly all the main UK and global investment asset classes are available in ETF form and many other previously inaccessible asset classes too. A more detailed discussion of individual ETFs appears in the third part of this publication.

We normally recommend the bulk of the portfolio be invested in equity and bond ETFs, with the accent on the faster growing economies for the equity exposure. We can add to this some exposure to suitable alternatives, which still have the liquidity and relatively low cost of shares.

Are ETFs a Good Way of Investing in Alternative Asset Classes?

ETFs allow investors who might otherwise find it difficult or impractical to participate in alternatives assets to invest in them.

Substantial sums of money are often required in order to participate directly in asset classes like property, infrastructure and private equity. It is difficult to achieve suitable diversification, management costs can be high, the administration can be complicated and, particularly important, they are illiquid. Using ETFs to invest in alternative asset classes solves these problems. They are simple listed investments that track the indices of the listed companies operating in these fields.

On the other hand, it needs to be kept in mind that investing in asset classes like these through ETFs that track the relevant indices of listed companies, might result in more volatility in capital value than investing in physical property, physical infrastructure and private equity investments or funds of physical investments in these fields. This risks undermining the so-called “low correlation” argument for alternative investment.

One of the main arguments that is advanced for alternative investments is their low correlation with more mainstream investments. In other words, many alternative investments might hold their value better during periods of falling equity markets, albeit perhaps lagging rising markets. Listed companies and their associated ETFs in fields like property, infrastructure and private equity cannot be depended upon to display this low correlation in the short-term. Although their medium and long-term performance will be driven by the performance of their underlying asset class, the fact that they are listed and their prices can change by the minute means that they will inevitably be caught up in major stock market moves.

However, the correlation argument for alternative investment can be over-stated. Many alternative investments are only valued periodically. For example, physical property or a private equity investment may be carried in a portfolio at a fixed value between

valuation dates which will lend an air of stability during periods of volatile stock markets. However, if the economic environment which is causing that stock market volatility also means that the property or private equity investment is re-valued up or down by 15% at a stroke when the next periodic valuation date comes around, that stability and low correlation will have been to some extent illusory.

Indeed, the experience of the last two years has shown that private equity, some hedge fund strategies, property and commodities were all highly correlated to share markets. All these investments had risen on the back of ready access to credit. When credit was withdrawn or scarce, all these assets suffered savage price falls. Those who invested in property, specialist funds, private equity and some hedge funds found they lost as much as or more than those holding quoted shares. Worse still they could not get out of these holdings, and incurred substantial fees.

Low correlation that is structural in character rather than temporary is difficult to find. The performance of all “real” asset classes will tend to be driven by a common set of factors of which economic growth is often the most important. Ultimately, the performance of all “monetary” asset classes will tend to be driven by the amount of money in circulation, its price, and the interest rate.

How do ETFs track their Indices?

ETFs track their underlying indices in one of three ways:

Replication – this means replicating the index exactly by buying the same investments as those in the index identical in proportions, re-balancing whenever the index is rebalanced.

Optimisation/Sampling – this means seeking to track the index return by investing in a subset of the index constituents whose returns are judged likely to match those of the index as a whole. In the case of Optimisation, this usually occurs with computer models and limited human intervention, while Sampling uses a model to provide a model portfolio description, then the portfolio manager selects the securities to fill out the portfolio. Equity index management tends to use the former, while fixed income index fund management tends to use the latter.

Synthetic Replication – this means buying investments that may or may not be index constituents and entering into a “swap” transaction with the ETF’s sponsoring investment bank to swap the return on these investments for the return of the index. In other words, the ETF transfers to the swap counterparty the risk that the investments may not track the index and is assured of being able to deliver the index return to its own investors.

Replication may seem the most natural method of index tracking but it is not always practical. For example, in the UK it is possible to replicate the FTSE 100 Index which is made up of the biggest 100 companies since their shares are liquid and are easy to buy in the required quantities. However, this is less true of the broader and more representative FTSE All-Share Index which has around 700 constituents, many of which are comparatively illiquid smaller companies. Even optimisation is difficult in this case, so the ETFs that track the FTSE All-Share Index tend to use synthetic replication.

Swaps are a well-established financial tool. However, the synthetic replication method is a form of financial engineering and introduces an element of counterparty risk should the counterparty to the swap default. This could put a small element of the ETF’s assets at risk so it is important that the counterparty is strong. There is a regulatory obligation that an ETF’s swap counterparty risk should never exceed 10% of the fund’s net asset value - some ETF providers use various “swap” providers in order to achieve the most competitive costs and some providers now have in place 100% collateral against the swap. On the other hand, investment banks are often able to generate sources of supplementary revenue for themselves on the back of swap transactions, some of which they may share with the ETF through more generous swap terms. Therefore, the existence of the swap is capable of enhancing the underlying index return and offsetting the ETF’s management fees to some extent.

Synthetic replication can sometimes also mean that an ETF does not pay dividends but simply rolls up its total capital and income return within its asset value so it is important that income-seeking investors ascertain whether or not this is the case. With ETFs investors do benefit from the income on the underlying shares, either through the payment of the dividends or through capital enhancement.

What Makes a Well-Managed ETF?

All other things being equal, the key test of the effectiveness of an ETF is its “tracking difference” which is the term for any divergence between the performance of the ETF and the performance of its underlying index. Some ETF providers provide the tracking difference of their funds regularly so they can be closely monitored.

Using Exchange Traded Funds as portfolio building blocks *continued*

There are several potential sources of tracking difference which include:

Transaction costs – each trade within an ETF involves a set of costs, including the spread between the bid and ask prices.

Annual fees – ETFs charge an annual fee that includes the cost of portfolio management and custody of the securities in the funds.

Rebalancing costs – index providers, such as FTSE or S&P, regularly rebalance their indices. Securities enter and some depart to keep the index up to date with economic changes. In rebalancing, index providers do not take into account the costs and timing considerations of buying and selling securities in the index.

Stock lending revenue – some ETFs generate additional revenue by lending out some of their investments. Stock lending is a well-established and big business. It began as a way of facilitating the prompt settlement of trades but many stock borrowers are now funds who borrow stock in order to sell it short. Stock lending is capable of generating worthwhile revenues though it should be noted that it introduces an element of counterparty risk.

Optimisation leakage – where it is not possible to exactly replicate the index portfolio and ETF managers employ optimisation there can be divergences between the index return and the returns from the securities actually held. This problem does not arise when synthetic replication is used since this tracking methodology is capable of eliminating most forms of tracking difference.

It can be seen that the key factors in tracking difference revolve around costs since an index is a theoretical construction that does not bear any costs.

These costs, however modest, mean that ETFs are likely to underperform their respective indices to an extent some do now get close to zero tracking difference after expenses. However, this will not matter if the original asset allocation judgement is successful. It is better to slightly underperform a strong index performance due to moderate costs than risk seeing that successful asset allocation decision undermined by poor stock selection and much higher costs which is the risk with active stock picking.

What is the Tax Position of ETFs?

The tax treatment of ETFs in the hands of investors will vary with individual circumstances and may change over time so professional taxation advice should always be taken. However, some general points can be made.

ETFs are generally domiciled in established fund jurisdictions overseas such as Dublin and pay little or no local tax. The UK tax authorities will consider their dividend distributions to UK residents to be foreign dividends that are subject to dividend tax rates.

Most London-listed ETFs have distributor status, meaning that for taxable investors gains made on ETFs are generally liable to Capital Gains Tax, now 18%. Gains on those funds that do not have distributor status will be taxed as income. Therefore, all other things being equal, ETFs with distributor status are much to be preferred by the UK taxed investor since they are generally more tax efficient.

Many ETFs qualify for inclusion within ISAs and SIPPs.

Summary – Big Picture Investing

- ⌘ Asset Allocation – how much you have in shares and bonds, property and cash – is the main determinant of how much money you make or lose.
- ⌘ You cannot avoid having an asset allocation. Every day that markets trade your asset allocation is tested in the market.
- ⌘ Most active managers underperform the relevant index. Finding a good active manager can be more difficult than choosing a good share.
- ⌘ Why take risks on share selection you need not take? Why pay fees for advice on share selection when the odds on it working are poor?
- ⌘ Seeking advice on asset allocation, and indexing the investments can be a better way.
- ⌘ ETFs offer liquidity, low costs and track indices well.
- ⌘ ETFs have the best features of an Investment Trust and a Unit Trust Fund.

Considerations for ETF selection:

- ⌘ Transparent and well regulated fund structure.
- ⌘ Strong experienced sponsor and custodian with appropriate risk controls.
- ⌘ Clear and understandable tracking methodology.
- ⌘ Recognised underlying index.
- ⌘ Securities and collateral held.
- ⌘ Proven performance since inception ie low tracking difference.
- ⌘ Low total costs.
- ⌘ Liquidity of both ETF and underlying assets.

Big Picture Investing

Simple, Well-Diversified, Flexible, Liquid,
Transparent, Cost Efficient Investment
Management for Private Wealth,
Charitable Endowments and Pension
Funds using Exchange Traded Funds

PART TWO

Part Two is aimed towards investment professionals and individuals, trusts and charities with smaller amounts to invest. In the past this group of investors has often been charged significantly higher fees than a very wealthy individual or institutional investor would expect to pay.

Reducing the cost of investment is perhaps the only sure way of increasing investment returns over the long term. By accessing the PanDYNAMIC range of Model Portfolios via their IFA, smaller investors can benefit from the sort of high quality, dedicated investment management service that an institution would expect, while paying a low annual fee.

The PanDYNAMIC service also provides a robust turnkey business solution for IFAs who wish to move towards offering a fee-based service to clients in line with the recommendations of the Retail Distribution Review. With the PanDYNAMIC Model Portfolios the IFA is a core and essential member of the investment team and charges an annual fee for their part of the work.

Individual investors should note that the PanDYNAMIC Model Portfolios are currently only available on the specific recommendation of an authorised IFA who is a user of the Ascentric platform.

Discretionary active asset allocation solutions to help IFAs in a post-RDR world

From 2012, the way that IFAs do business will change following the recent Retail Distribution Review (RDR) carried out by the UK Financial Services Authority. The new regulations will require that all commissions and fees are shown separately and clearly in a process known as 'unbundling'. In their latest consultation paper the Financial Services Authority picked out Exchange Traded Funds (ETFs) as being one possible way for IFAs to comply with the requirements of the RDR:

"We are aware that few independent firms constrain themselves to looking at packaged products only. The new standards aim to reflect this while also ensuring any new developments in the market will be captured by the rules. For example, although many ETFs would be regarded as packaged products, evidence suggests that they are not generally sold to retail clients in significant numbers.

This may be because advisers do not feel they are suitable for their clients or because advisers feel ETFs are not a product with which they need to familiarise themselves. However, to the extent that ETFs can be a cheap and transparent way to invest in a particular market, even under our current whole of market requirement, these products should be considered when deciding which products are suitable for a retail client."

As mentioned in Part One of this publication, there are hundreds of ETFs in existence and most IFAs do not have the resources to carry out research into individual funds. To address this need and provide transparent, low-cost, ETF-based solutions to IFAs and their clients, Evercore Pan-Asset has created the **PanDYNAMIC** range of Model Portfolios.

Four Model Portfolios employ Evercore Pan-Asset's dynamic asset allocation process coupled with low-cost investment in carefully selected ETFs. This gives an IFA's clients day-by-day stewardship of their assets by investment professionals concentrating on the big picture. The custody and dealing service is currently provided by Ascetric, which is owned by Royal London, the largest mutual life company in the UK. The Adviser retains full control of the client account and responsibility for the relationship.

Our Investment Approach

Each Model Portfolio has a targeted level of risk and return designed to cater for standard client risk profiles. The flexibility of the Ascetric platform means that the Model Portfolios can be used for all, or part, of an investment portfolio.

The Models aim to exploit the continually changing opportunities offered by different asset classes around the world. The dynamic asset allocation process combines long-term investment in assets most likely to meet a client's needs, with shorter-term tactical decisions which can protect their assets in times of stress.

We believe that index-tracking funds are the best way to access most asset classes. This is a good way to reduce investment management costs and improve returns to the investor. It removes individual stock risk and avoids underperforming active investment managers.

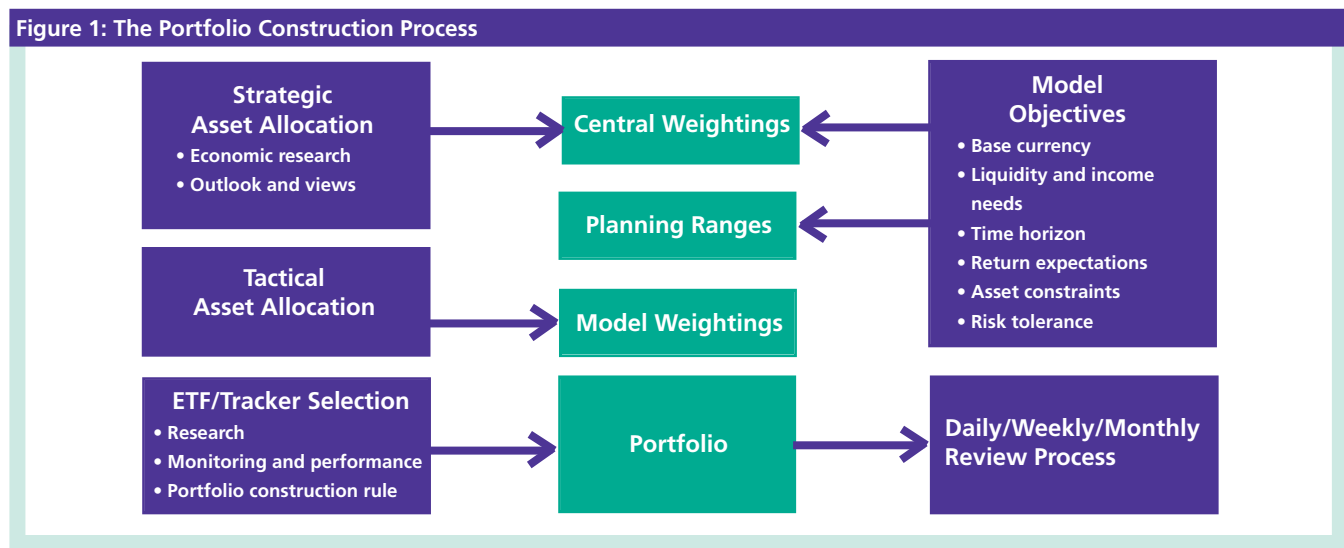
Benefits

- Reduced cost to the client
- Clearly defined risk and return targets
- Dynamic asset allocation process including holding cash to preserve capital
- Simple to use and highly liquid
- Clear reporting and investment support

The Model Portfolios

The four Model Portfolios offer a complete range of risk and return options. They allow an IFA to provide a solution for all types of investors. The risk/return ratings are designed to match the range of risk profiles generated by standard risk-profiling solutions. Risk appetite is measured in terms of maximum tolerance of loss while return targets are linked to multiples of cash returns.

Discretionary active asset allocation solutions to help IFAs in a post-RDR world *continued*



The Portfolios are carefully constructed using appropriate asset classes for each Model Portfolio's stated risk level. Detailed back-testing and performance simulations are used to verify that the model is suitable for the investor's requirement. The full range of asset classes and sub-classes includes bonds, equities, listed property, funds of hedge funds, private equity and commodities and, of course, cash.

A summary of the characteristics of each Model Portfolio is shown in the table below together with the core weightings in each asset class. The table also states the performance objectives and the indicated level of risk during normal market conditions. The range of assets included in each Model Portfolio is shown below.

We will seek to mitigate risk in difficult markets by holding more cash and avoiding riskier assets. The Model Portfolios target real rates of return over the longer term, coupled with a lower risk of loss than comes from remaining fully invested at all times. Therefore their performance will not necessarily track the rise (or fall) of any specific index.

Figure 2: The PanDynamic Range of Model Funds

	CASHPLUS					BALANCED					GROWTH					AGGRESSIVE				
Equivalent Typical Risk Group	1-2					3-4					5-6					7				
Typical Defensive: Growth Split	90:10					50:50					20:80					0:100				
Current Defensive: Growth Split	100:0					47:53					26:74					10:90				
Asset Allocation(%)	Minimum	Maximum	Typical Weight	Current Weight	Planning Range	Minimum	Maximum	Typical Weight	Current Weight	Planning Range	Minimum	Maximum	Typical Weight	Current Weight	Planning Range	Minimum	Maximum	Typical Weight	Current Weight	Planning Range
Cash	0	100	10	60	0-100	0	100	0	7	0-100	0	100	0	5	0-100	0	100	0	0	0-100
Bonds	0	100	80	40	0-100	0	70	40	40	0-70	0	30	10	21	0-30	0	100	0	10	0-100
Equities	0	20	10	0	0-20	0	70	50	40	30-70	0	85	65	49	55-85	0	100	75	62	40-100
Other Assets	0	0	0	0	0	0	20	10	13	0-20	0	30	25	25	10-30	0	40	25	28	0-40
Target*	Up to 1.5 times Sterling cash (LIBOR)					Up to 2 times Sterling cash (LIBOR)					Up to 2.5 times Sterling cash (LIBOR)					Up to 3+ times Sterling cash (LIBOR)				
Sensitivity to Volatility	5% fall					15% fall					20% fall					30% fall				

*At average rates
 Source: Evercore Pan-Asset Capital Management Ltd/Pertrac/Thomson Reuters
 Note: End Aug 2009 Data

How PanDYNAMIC Model Portfolios work for the Client

With Model Portfolios the IFA's clients do not put money into an independent structure. Instead they link money in their Ascentric account to one or more Model Portfolios. The Ascentric platform automatically populates their account with the appropriate underlying investments to replicate the selected Model Portfolio. These investments, normally low-cost Exchange Traded Funds, are adjusted each time the appropriate Model Portfolio is updated or rebalanced. Changes to the Portfolio will usually be made monthly, but may take place more frequently depending on market conditions. The investor client can hold the chosen Model Portfolio(s) within a range of available tax wrappers.

How our service works for an Adviser

The IFA must either be an existing user of the Ascentric wrap platform or open an account with Ascentric for clients wishing to invest in the Model Portfolios. New functionality on the platform enables a user to allocate all or part of a client's assets to one or more of the Model Portfolios while still holding other unrelated funds or securities. Each time the assets or weightings of a Model Portfolio are adjusted the linked assets in the client portfolio will be adjusted. The result is that the IFA's client will have professional discretionary portfolio management at a fraction of the normal cost.

Costs

The Adviser is an integral part of the Model Portfolio service who checks the suitability of the Model Portfolio for a client's needs at the outset. The IFA then monitors performance of the selected Model Portfolio, checks that it continues to be suitable for the Adviser's clients and acts as the interface between Evercore Pan-Asset and the client. For this service they agree a fee with the client which is normally a per annum charge based on the value of the client's assets. In addition to this, the client will pay Evercore Pan-Asset's annual investment management charge of 0.25% of assets linked to the Model Portfolios. The Ascentric platform also charges 0.25% plus additional moderate annual charges for certain tax wrappers such as SIPPs and offshore bonds. Low dealing charges of £1 per transaction are available for an annual fee of £60. This dealing concession is only available within the Model Portfolio Tool.

Performance

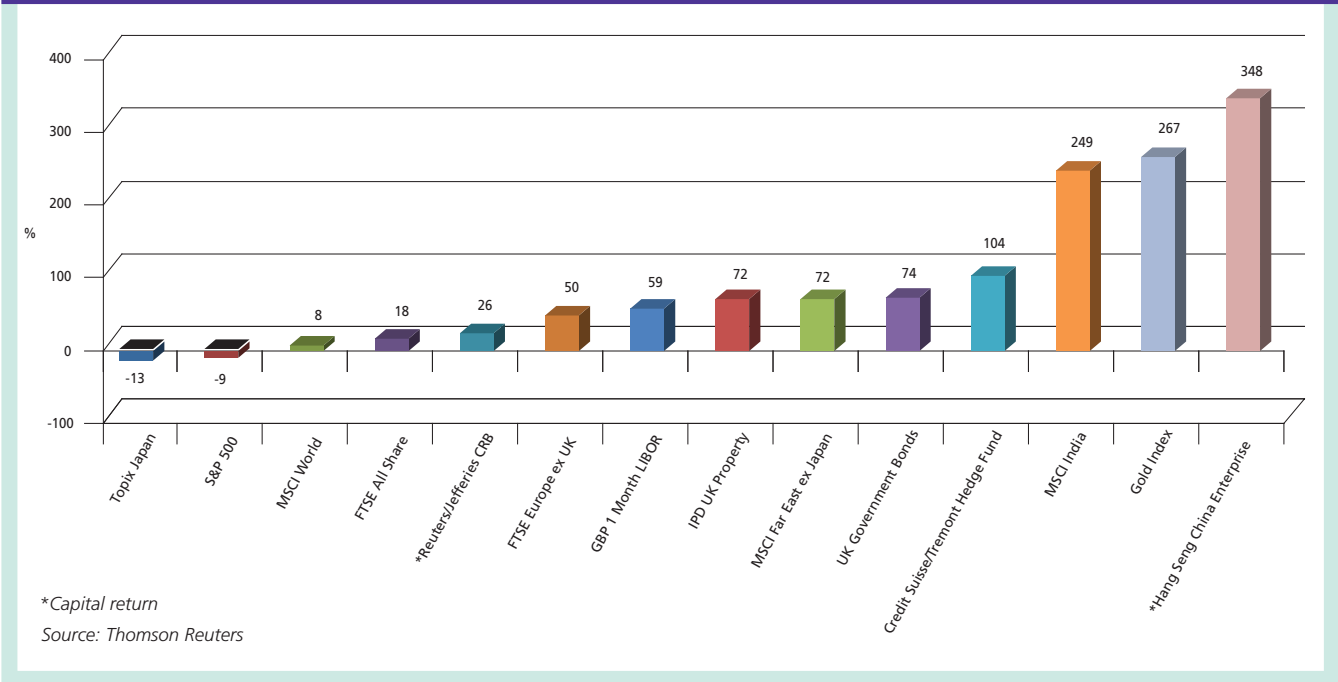
The Model Portfolios were created in April 2009 and a performance record is available to IFAs on demand. A simulation exercise has been carried out using Pertrac performance modelling software and data supplied by Thomson Reuters and Bloomberg for the period September 1999 to March 2009. The modelling uses the 'Typical Weighting' of each Model Portfolio in each major asset class as shown in Figure 2 (page 16). This performance simulation has been carried out to demonstrate that the likely exposure to volatility (potential annual loss) of each Model Portfolio falls within the stated risk parameters. The results are as follows:

Figure 3: Worst Annualised Performance				
	CashPlus	Balanced	Growth	Aggressive
Worst Annualised Performance	-5%	-15%	-20%	-30%

The results above assume being fully invested during all market conditions and do not take account of Evercore Pan-Asset's use of cash as a means of reducing portfolio risk during difficult market conditions. We are not using the simulation to derive likely returns from the Model Portfolios. This is partly because insufficient index data is available for some asset classes in the Model Portfolios universe and also because during the period when adequate data is available, major equity markets returns have mostly been poor. This is shown in the following chart of total returns (capital gains and dividends):

Discretionary active asset allocation solutions to help IFAs in a post-RDR world *continued*

Figure 4: Total Return in UK Sterling terms 31/08/99 to 31/08/09



Therefore, a fully-invested fixed asset allocation with significant exposure to developed-world equities would not have achieved the target returns shown in Figure 5 below. The Evercore Pan-Asset dynamic asset allocation process addresses this problem. We seek out and exploit investment opportunities across a wide range of global asset classes, but increase cash in Portfolios when no opportunities are available. We held high cash levels for discretionary clients during the market collapse of 2008, illustrating our willingness to protect capital in extreme conditions.

Figure 5: Target Returns

	CashPlus	Balanced	Growth	Aggressive
Target Returns	Up to 1.5 times sterling cash (LIBOR)	Up to 2 times sterling cash (LIBOR)	Up to 2.5 times sterling cash (LIBOR)	Up to 3+ times sterling cash (LIBOR)

Range of Asset Classes

Through ETFs or other index tracking investments we currently invest in the following asset classes:

ASSET CLASS	CashPlus	Balanced	Growth	Aggressive
Bonds				
UK Government Bonds	✓	✓	✓	✓
US Government Bonds	✗	✓	✓	✓
European Government Bonds	✗	✓	✓	✓
£ Corporate Bonds	✓	✓	✓	✓
US Dollar Corporate Bonds	✗	✓	✓	✓
Euro Corporate Bonds	✗	✓	✓	✓
UK Index Linked Govt Bonds	✓	✓	✓	✓
US Index Linked Govt Bonds	✗	✓	✓	✓
European Index Linked Govt Bonds	✗	✓	✓	✓
Equities				
UK Equities	✓	✓	✓	✓
US Equities	✗	✓	✓	✓
Europe(ex-UK) Equities	✗	✓	✓	✓
Japanese Equities	✗	✓	✓	✓
Far East (ex-Japan) Equities	✗	✓	✓	✓
Chinese Equities	✗	✓	✓	✓
Indian Equities	✗	✓	✓	✓
Global Emerging Markets Equities	✗	✓	✓	✓
Global Equities	✓	✓	✓	✓
Listed Property				
UK Property	✓	✓	✓	✓
US Property	✗	✓	✓	✓
European Property	✗	✓	✓	✓
Asia Property	✗	✓	✓	✓
Global Property	✓	✓	✓	✓
Listed Private Equity				
Global	✗	✗	✗	✓
Hedge Funds of Funds				
Multi Strategy	✗	✓	✓	✓
Listed Commodities				
Oil	✗	✗	✓	✓
Multiple Industrial Metals	✗	✗	✗	✓
Agricultural Commodities	✗	✗	✗	✓
General Commodities	✗	✓	✓	✓
Other Alternatives				
Timber	✗	✗	✓	✓
Water	✗	✓	✓	✓
Clean Energy	✗	✓	✓	✓
Global Infrastructure	✗	✓	✓	✓
Cash as an Asset Class				
Cash	✓	✓	✓	✓
Currencies versus Sterling				
US Dollar	✗	✓	✓	✓
Euro	✗	✓	✓	✓
Yen	✗	✓	✓	✓

Big Picture Investing

Simple, Well-Diversified, Flexible, Liquid,
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Management for Private Wealth,
Charitable Endowments and Pension
Funds using Exchange Traded Funds

PART THREE

Part Three of this publication discusses the main investment asset classes that are available to be combined in an overall investment policy and in each case provides an illustration of one of the ETFs that is available. We have also included examples of Index Funds and other exchange traded products towards the end of the section.

The ETFs described in this section have been chosen purely for illustrative purposes. They are not investment recommendations. In the case of most asset classes there are a number of competing ETF providers and the choice of these particular ETFs does not imply any judgement on their relative attractions or merits.

The companies described in each equity section of Part Three of this publication are mentioned solely because they are major constituents of the relevant stock market indices and therefore demonstrate the nature of the investment exposure within each ETF. The information provided about these companies is simply intended to be factual background information. Their inclusion does not imply any judgement on their relative attractions or merits as investments. They are not investment recommendations.

Government Bonds

Investment Case for Asset Class

Government bonds are short, medium or long dated fixed term loans to central governments. Governments guarantee to pay holders a stream of interest income during the life of the bond and to repay the capital when the bond falls due to be redeemed. Government bonds generally offer higher returns than cash on deposit in a bank and usually the more distant the eventual redemption date, the higher the return. Although the bonds are guaranteed to be repaid in full at the end of their term, they are listed on the stock market so their prices fluctuate and can move around quite a lot between issue and eventual repayment, typically in response to changes in the level of interest rates and inflation. Government bonds in the major investment territories are safe investments in the sense that it is very unlikely governments will fail to pay the interest or repay the bond. The government bond markets in these territories are highly developed and liquid.

Risks of Asset Class

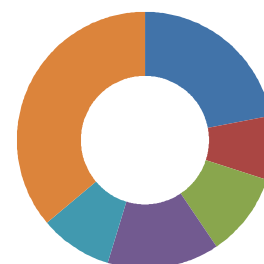
Government bonds are monetary assets rather than real assets – they have a fixed capital value at eventual redemption and pay a fixed rate of interest so over their term as a whole they offer no prospects of capital or income growth. This means that the investor’s money is totally at the mercy of inflation - despite the attractive income return, the spending power of this income and of the underlying capital is being steadily eroded. The one exception is inflation-linked government bonds, discussed separately. Investment in overseas government bonds also introduces an element of currency risk, as they usually trade and repay in a foreign currency.

Illustrative UK Government Bond ETF

iShares FTSE UK All Stocks Gilt	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	£328m
Base Currency	£
Index	FTSE Actuaries Government Securities UK Gilts All Stocks
Country of Risk	UK
Dividend Frequency	Semi-Annually
Total Expense Ratio	0.20%
Modified Duration	8.51%
Maturity	13.65 years
Moody's rating	Aaa/MR3
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	01/12/2006
Tradeable in which Currencies?	£ and €
Listed on Exchanges	London Stock Exchange & Borsa Italiana
Method of Index Replication	Optimised
Distributor Status	Yes
Annualised Tracking Difference Since Inception	-0.21%
Flat Yield	4.52%
Yield to Maturity	3.27%
Index Rebalancing	Rebalancing occurs during an auction of Gilts
Number of Holdings in Fund	33
ISA/SIPP eligibility	Yes

Maturity

- 0-3 years 22%
- 3-5 years 8%
- 5-7 years 11%
- 7-10 years 14%
- 10-15 years 9%
- 15+ years 36%



Underlying Index Information

Index Name FTSE Actuaries Government Securities UK Gilts All Stocks

UK Government Bonds - 10 Year Performance



Corporate Bonds

Investment Case for Asset Class

Corporate bonds are very similar to government bonds except that they are issued and guaranteed by companies. Since companies can fail or default, their guarantees are not as safe as government guarantees. Therefore, corporate bonds offer more generous returns than government bonds in order to compensate investors for this extra element of risk. As with government bonds, usually the more distant the eventual redemption date, the higher the return. Although the bonds are guaranteed to be repaid in full at the end of their term, they are listed on the stock market so their prices fluctuate and can move around quite a lot between issue and eventual repayment, typically in response to changes in the level of interest rates and inflation but also in response to changes in the perceived risk of the issuing company failing or otherwise defaulting. Corporate bond markets in the major investment territories are well developed and liquid. There are different grades of corporate bonds based on an assessment of the issuing company's financial strength.

Risks of Asset Class

Like government bonds, corporate bonds are monetary assets rather than real assets - they have a fixed capital value at eventual redemption and pay a fixed rate of interest so over their term as a whole they offer no prospects of capital or income growth. This means that the investor's money is totally at the mercy of inflation - despite the attractive income return, the spending power of this income and of the underlying capital is being steadily eroded. It should be noted that a high proportion of corporate bonds are issued by companies in the financial sectors so corporate bond investment involves a high exposure to the health of the financial sectors. Investment in non-sterling corporate bonds also introduces an element of currency risk.

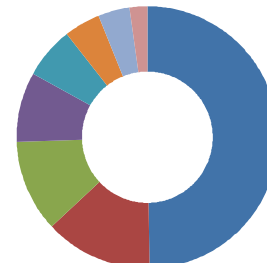
Illustrative UK Corporate Bond ETF

iShares £ Corporate Bond

Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	£909.5m
Base Currency	£
Index	Market iBoxx Sterling Liquid Corporate Long-Dated Bond
Country of Risk	UK
Dividend Frequency	Quarterly
Total Expense Ratio	0.20%
Modified Duration	7.75%
Maturity	14.27 years
Moody's rating	A2/MR5
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	26/03/2004
Tradeable in which Currencies?	£
Listed on Exchanges	London Stock Exchange
Method of Index Replication	Replicated
Distributor Status	Yes
Annualised Tracking Difference Since Inception	+0.01%
Flat Yield	6.93%
Yield to Maturity	7.40%
Index Rebalancing	Quarterly
Number of Holdings in Fund	47
ISA/SIPP eligibility	Yes

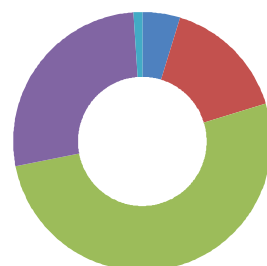
Sector Allocation

- Banking 50%
- Energy 14%
- Consumer non-cyclical 11%
- Utility 9%
- Telecommunications 6%
- Consumer cyclical 4%
- Finance & investment 4%
- Insurance 2%



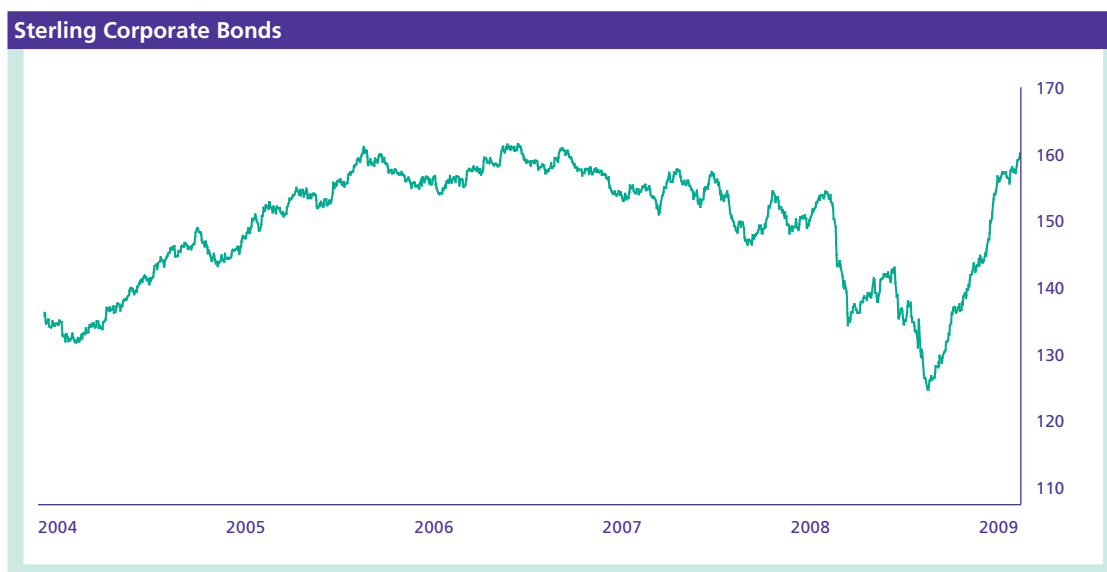
Credit Rating

- AAA 5%
- AA 16%
- A 51%
- BBB 27%
- CCC 1%



Underlying Index Information

Index Name Market iBoxx Sterling Liquid Corporate Long-Dated Bond



Top Five Fund Constituents

Banca Intesa SpA 5.5% 19-Dec-16		Domicile of Issuer Italy	
Issue Date	19-Jul-06	Weighting in Fund	4.4%
Rating (average)	A1	Yield	2.9%
Issue Amount	£1,000m	Modified Duration	23.10
Wal-Mart 4.875% 19-Jan-39		Domicile of Issuer US	
Issue Date	19-Dec-06	Weighting in Fund	4.4%
Rating (average)	AA2	Yield	5.1%
Issue Amount	£1,000m	Modified Duration	14.80
UBS AG 6.625% 11-Apr-18		Domicile of Issuer UK	
Issue Date	11-Apr-08	Weighting in Fund	4.0%
Rating (average)	A1	Yield	5.2%
Issue Amount	£900m	Modified Duration	6.45
Barclays Bank Plc 10% 21-May-21		Domicile of Issuer UK	
Issue Date	21-May-09	Weighting in Fund	3.9%
Rating (average)	BBB1	Yield	6.5%
Issue Amount	£1,961m	Modified Duration	7.28
Vattenfall 6.875% 15-Apr-39		Domicile of Issuer Sweden	
Issue Date	15-Apr-09	Weighting in Fund	3.8%
Rating (average)	A2	Yield	5.4%
Issue Amount	£1,000m	Modified Duration	13.68

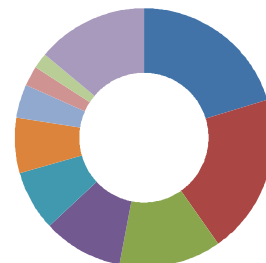
Corporate Bonds *continued*

Illustrative European Corporate Bond ETF

iShares Barclays Euro Corporate Bond	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	€96.1m
Base Currency	€
Index	Barclays Capital Euro Corporate Bond
Country of Risk	Europe
Dividend Frequency	Semi-Annually
Total Expense Ratio	0.20%
Modified Duration	4.02%
Maturity	4.98 years
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	06/03/2009
Tradeable in which Currencies?	£, €
Listed on Exchanges	London Stock Exchange, Frankfurt Stock Exchange, Euronext Amsterdam
Method of Index Replication	Optimised
Distributor Status	Applying for
Annualised Tracking Difference Since Inception	n/a
Flat Yield	5.20%
Yield to Maturity	4.87%
Index Rebalancing	Monthly
Number of Holdings in Fund	520
ISA/SIPP eligibility	Yes

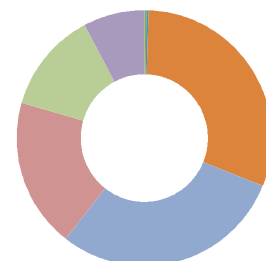
Sector Allocation

- France 20%
- Netherlands 20%
- US 13%
- UK 10%
- Germany 8%
- Italy 7%
- Spain 4%
- Ireland 2%
- Switzerland 2%
- Others 14%



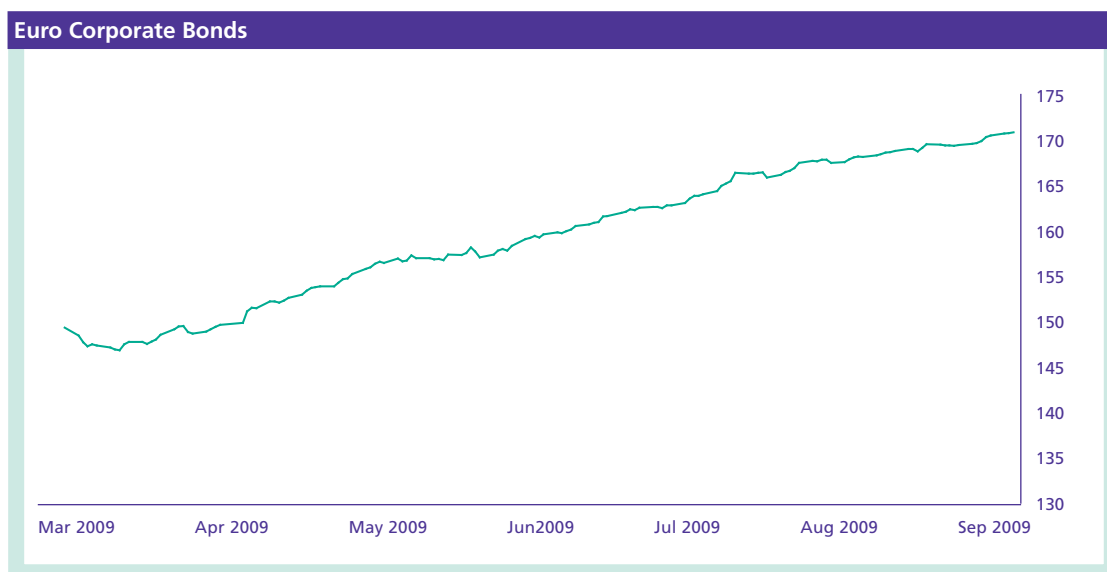
Credit Rating

- AAA 6%
- AA1 1%
- AA2 8%
- AA3 9%
- A1 17%
- A2 18%
- A3 17%
- BBB1 11%
- BBB2 8%
- Others 5%



Underlying Index Information

Index Name Barclays Capital Euro Corporate Bond



Top Five Fund Constituents

SFEFN 2.375% 10-Mar-12		Domicile of Issuer France	
Issue Date	10-Mar-09	Weighting in Fund	2.1%
Rating (average)	AAA	Yield	2.0%
Issue Amount	€6,000m	Modified Duration	2.44
KFW 4.125% 04-Jul-17		Domicile of Issuer Germany	
Issue Date	30-Jan-07	Weighting in Fund	1.3%
Rating (average)	AAA	Yield	3.5%
Issue Amount	€5,000m	Modified Duration	6.64
Rabobank 4.375% 05-May-16		Domicile of Issuer Netherlands	
Issue Date	5-May-09	Weighting in Fund	0.9%
Rating (average)	AAA	Yield	4.0%
Issue Amount	€2,000m	Modified Duration	5.67
Deutsche Bank 5.125% 31-Aug-17		Domicile of Issuer Germany	
Issue Date	31-Aug-07	Weighting in Fund	0.8%
Rating (average)	A1	Yield	4.2%
Issue Amount	€3,250m	Modified Duration	6.26
Intesa Sanpaolo 5% 28-Apr-11		Domicile of Issuer Italy	
Issue Date	28-Apr-08	Weighting in Fund	0.8%
Rating (average)	AA3	Yield	2.3%
Issue Amount	€3,000m	Modified Duration	1.61

Inflation-linked Government Bonds

Investment Case for Asset Class

Like conventional government bonds, inflation-linked government bonds are short, medium or long dated fixed term loans to central governments who guarantee to pay holders a stream of interest income during the life of the bond and to repay the capital when the bond falls due to be redeemed. The difference is that the amount of the interest payments and the sum of capital repaid at redemption are linked to the rate of retail price inflation in the intervening period. This means that the investor's income and capital are protected against inflation. This is very valuable protection. Although the bonds are guaranteed to be repaid in full at the end of their term, they are listed on the stock market so their prices fluctuate and can move around quite a lot between issue and eventual repayment, typically in response to changes in the level of interest rates and inflation.

Risks of Asset Class

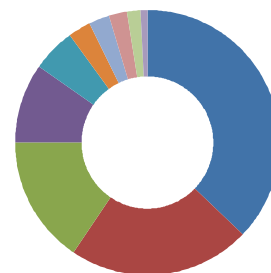
In many ways UK inflation-linked government bonds are the definitive low risk, long-term defensive investment asset. Their main risk is that they fluctuate in price and the guaranteed protection against inflation only applies over the whole term of each bond. Furthermore, they could fall in value in the event of deflation as investors would not wish to pay so much for inflation insurance. Their main disadvantage is that they offer lower returns than those offered by conventional government bonds except in those circumstances in which inflation rises unexpectedly. This opportunity cost can be viewed as an insurance premium that investors pay for the insurance that these bonds provide against inflation. Investment in overseas inflation-linked government bonds also introduces an element of currency risk.

It should be noted that UK inflation-linked government bonds are tax efficient since much of their return comes in the form of long-term capital gain arising from the link to inflation - capital gains on all UK government stocks are tax free but this is a much more valuable concession in the case of inflation-linked stocks than conventional stocks whose returns are primarily income. This tax advantage is only available for direct investments in UK government bonds so taxed investors will often find it better to invest directly rather than through ETFs - if in doubt, professional advice should be sought.

Illustrative Global Inflation-Linked ETF	
iShares Global Inflation-Linked Bond	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	\$23.4m
Base Currency	\$
Index	Barclays World Government Inflation-Linked Bond
Country of Risk	Global
Dividend Frequency	n/a
Total Expense Ratio	0.25%
Modified Duration	9.26%
Maturity	11.12 years
Moody's rating	Aaa1
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	01/08/2008
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Frankfurt Stock Exchange, Euronext Paris
Method of Index Replication	Optimised
Distributor Status	No
Annualised Tracking Difference Since Inception	n/a
Flat Yield	1.86%
Yield to Inflation	1.49%
Index Rebalancing	Monthly
Number of Holdings in Fund	54
ISA/SIPP eligibility	Yes

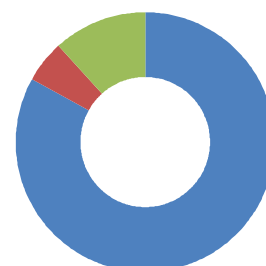
Sector Allocation

- US 37%
- UK 22%
- France 15%
- Italy 10%
- Japan 5%
- Canada 3%
- Germany 3%
- Sweden 2%
- Greece 2%
- Others 1%



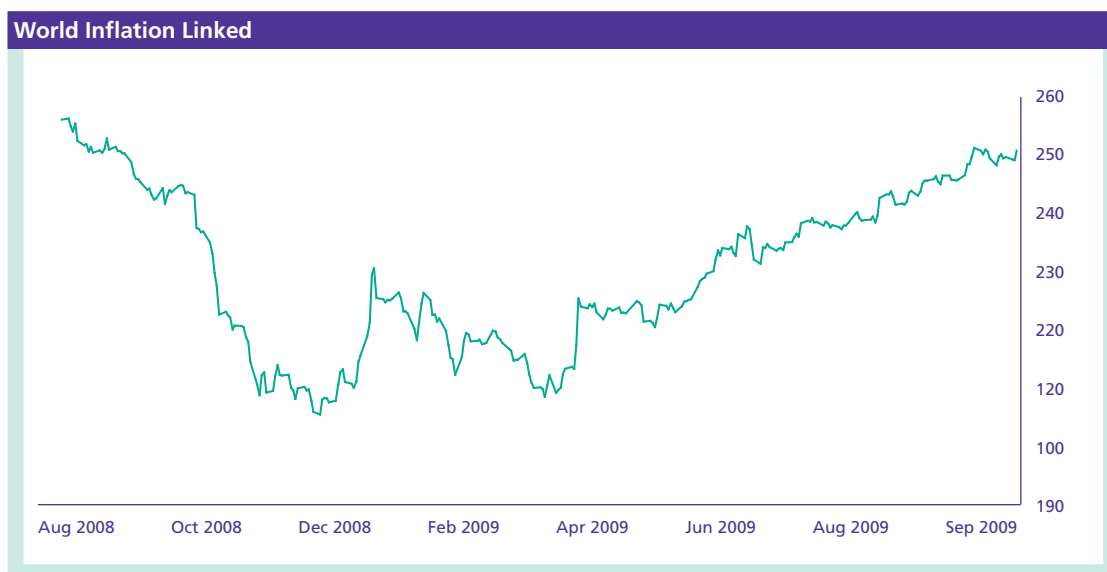
Credit Rating

- AAA 83%
- AA 5%
- A 12%



Underlying Index Information

Index Name Barclays World Government Inflation-Linked Bond



Top Five Fund Constituents

US Treasury I/L 1.875% 15-Jul-13		Domicile of Issuer US	
Issue Date	15-Jul-03	Weighting in Fund	6.1%
Rating (average)	AAA	Yield	1.5%
Issue Amount	\$20,008m	Modified Duration	3.75
France O.A.T I/L 3% 25-Jul-12		Domicile of Issuer France	
Issue Date	31-Oct-01	Weighting in Fund	5.0%
Rating (average)	AAA	Yield	0.6%
Issue Amount	€14,494m	Modified Duration	2.83
UK Treasury I/L 2.5% 26-Jul-16		Domicile of Issuer UK	
Issue Date	19-Jan-83	Weighting in Fund	4.4%
Rating (average)	AAA	Yield	1.1%
Issue Amount	£7,982m	Modified Duration	7.77
BTPS I/L 2.15% 15-Sep-14		Domicile of Issuer Italy	
Issue Date	18-Feb-04	Weighting in Fund	3.8%
Rating (average)	A1	Yield	1.5%
Issue Amount	€14,500m	Modified Duration	4.72
US Treasury I/L 2.375% 15-Apr-11		Domicile of Issuer US	
Issue Date	28-Apr-06	Weighting in Fund	3.8%
Rating (average)	AAA	Yield	0.9%
Issue Amount	\$20,180m	Modified Duration	1.61

Global Equities

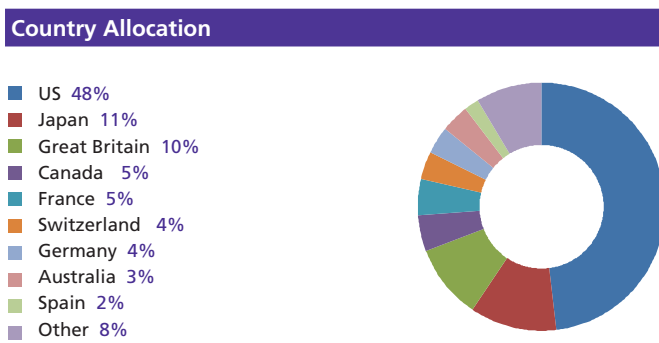
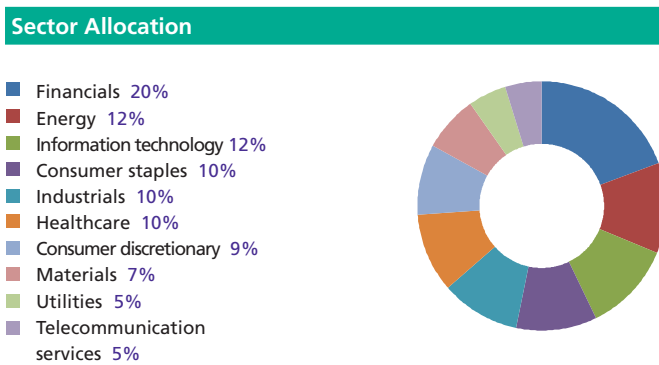
Investment Case for Asset Class

Equities are shares in companies. Equity investors provide the core capital of a company and own its profits and assets. Assuming that the company prospers, they are rewarded by a growing income stream in the form of rising dividend payments paid out of the profits and by capital growth as the value of the business increases and its share price rises. The case for equity investment rests on the proposition that equities are real assets that should hold their value against inflation over the years and provide the investor with a stake in the long-term growth of the economy. Over the long-term equities have beaten inflation and provided substantially higher returns than monetary assets such as cash and bonds. The case for global equity investment is that it offers the most diverse way of investing in equities, allowing the investor to participate in global economic growth which may be faster than domestic growth and to participate in the broadest possible spread of industries, not all of which may be present in the domestic economy. In the major developed economies, equity markets are well established and liquid and the political, legal and corporate governance environments are generally supportive to secure equity investment - however this is much less the case amongst emerging markets.

Risks of Asset Class

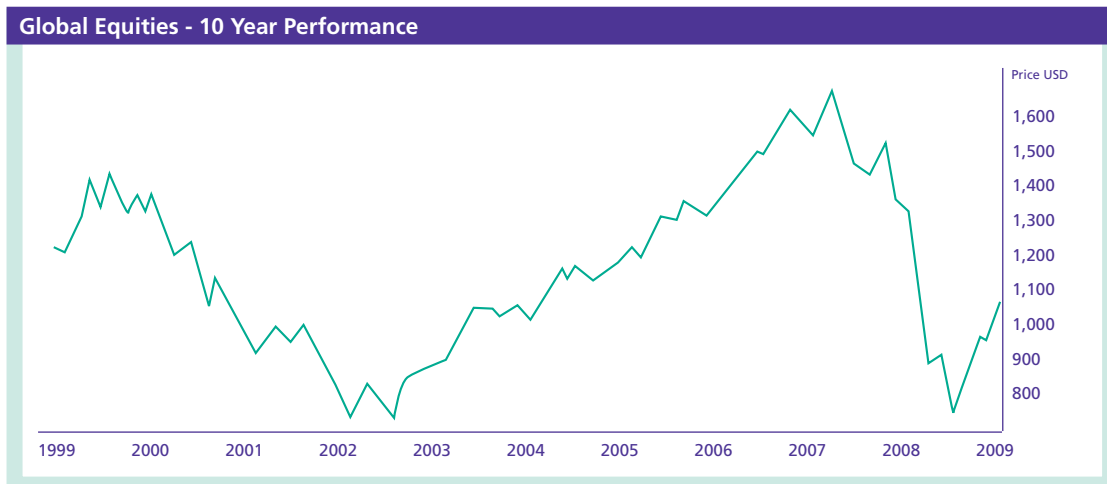
Equities are risk capital. If a company struggles it may well reduce its dividend payments or abandon them completely. If a company fails, the equity investors' capital may be lost completely. Diversification can be used to protect against these risks but, despite their attractive long-term returns, it is in the nature of equity investment that shares inevitably experience considerable volatility and sharp temporary falls in value from time to time. Therefore, equity investors must be prepared to endure considerable volatility in the worth of their capital.

Illustrative Global Equity ETF	
db x-trackers MSCI World TRN Index ETF	
Sponsor	Deutsche Bank AG
Auditors	Ernst & Young
Size of Fund	\$1.3bn
Base Currency of Index	\$
Index	MSCI World
Country of Risk	Global
Dividend Frequency	n/a
Total Expense Ratio	0.45%
Legal Structure	Luxembourg SICAV
Custodian	State Street Bank
Inception Date	19/12/2006
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Deutsche Borse, Borsa Italiana, Euronext Paris, Swiss Exchange
Method of Index Replication	Synthetic
Distributor Status	Yes
Annualised Tracking Difference Since Inception	-0.08%
Index Rebalancing	Quarterly
Number of Holdings in the Underlying Index	1,700
ISA/SIPP Eligibility	Yes



Underlying Index Information

Index Name MSCI World



Top Five Index Constituents

Exxon Mobil Country of Incorporation: **US**

Engaged in the exploration for and production of crude oil and natural gas, manufacture of petroleum products and commodity petrochemicals. It also has interests in electric power generation.

Market Capitalisation	\$350,802m	Weighting in Fund	2.0%
Return on Equity	40.0%	Net Profit Margin	9.8%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	8.3	Current Yield	2.3%
Last Year's EPS Growth	16%	Consensus Forecast EPS Growth	-50%

Microsoft Country of Incorporation: **US**

Develops, manufactures, licenses and supports a range of software products for computing devices. The company has 5 segments: Client, Server and Tools, Online Services Business (MSN portal, Multimap), Business Division and Entertainment & Devices Division (Xbox).

Market Capitalisation	\$208,698m	Weighting in Fund	1.1%
Return on Equity	48.7%	Net Profit Margin	29.3%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	14.3	Current Yield	2.3%
Last Year's EPS Growth	-9%	Consensus Forecast EPS Growth	0%

Johnson & Johnson Country of Incorporation: **US**

Engaged in the research and development, manufacture and sale of a range of products in the healthcare field and has more than 250 operating companies.

Market Capitalisation	\$169,495m	Weighting in Fund	0.9%
Return on Equity	30.5%	Net Profit Margin	20.3%
Total Liabilities/Equity	20%	Long Term Debt/Equity	0%
Current PE	13.5	Current Yield	3.2%
Last Year's EPS Growth	10%	Consensus Forecast EPS Growth	-1%

Procter and Gamble Country of Incorporation: **US**

Provides branded consumer goods products, marketing them in more than 180 countries. The company is organised into 3 global business units: Beauty & Health, Household Care and Gillette GBU.

Market Capitalisation	\$162,582m	Weighting in Fund	0.9%
Return on Equity	17.7%	Net Profit Margin	14.5%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	-	Current Yield	-
Last Year's EPS Growth	15%	Consensus Forecast EPS Growth	18%

BP Country of Incorporation: **UK**

The company has 3 business segments: Exploration & Production (oil and natural gas), Refining & Marketing (crude oil, petroleum, chemicals) and Alternative Energy (low-carbon power generation).

Market Capitalisation	\$160,410m	Weighting in Fund	0.8%
Return on Equity	23.2%	Net Profit Margin	5.9%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	8.4	Current Yield	7.9%
Last Year's EPS Growth	51%	Consensus Forecast EPS Growth	-53%

US Equities

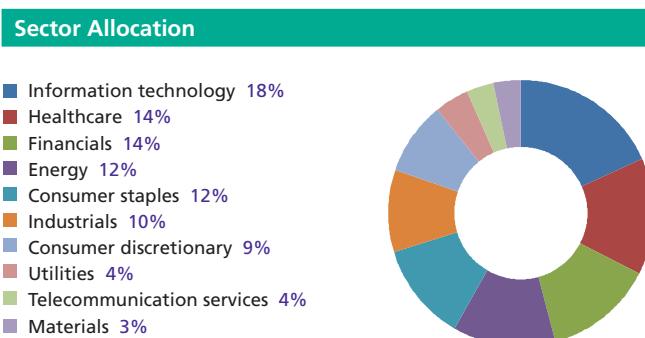
Investment Case for Asset Class

The US is much the largest economy, accounting for around 25% of world output. US equities have been a successful asset class in protecting the investor's capital against inflation and providing participation in the fruits of the long-term growth in the US economy. Many big US companies are multinationals so investment in US equities provides a high level of participation in the global economy too. The US economy is powerful, innovative and adaptable and the US leads the world in many areas of technology. Alongside the broadly-based Standard & Poor's 500 Index is the technology-heavy NASDAQ 100 index. Like the UK the 10 years to March 2009 was not a good period for US shares. Technology shares have fared particularly badly this decade following the bursting of the bubble in 2000.

Risks of Asset Class

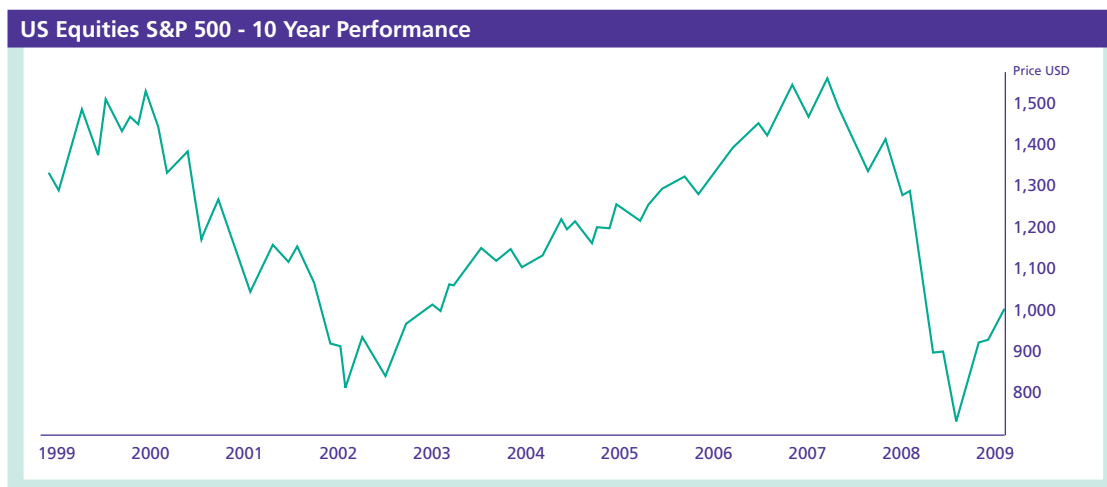
Despite their attractive long-term returns, it is in the nature of equity investment that US equities have experienced considerable volatility. The US has high levels of personal debt and large trade and budget deficits that threaten some combination of lower growth and higher inflation in due course. The dollar has fallen sharply in recent years and remains vulnerable.

Illustrative US Equity ETF	
iShares S&P 500	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	\$5bn
Base Currency of Index	\$
Index	S & P 500
Country of Risk	US
Dividend Frequency	Quarterly
Total Expense Ratio	0.40%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	15/03/2002
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Borsa Mexicana de Valores, Borsa Italiana, Frankfurt Stock Exchange, Euronext Amsterdam, Euronext Paris, SIX Swiss Exchange
Method of Index Replication	Replicated
Distributor Status	Yes
Annualised Tracking Difference Since Inception	-0.05%
Index Rebalancing	Quarterly
Number of Holdings in Fund	500
ISA/SIPP Eligibility	Yes



Underlying Index Information

Index Name S&P 500



Top Five Fund Constituents

Exxon Mobil Country of Incorporation: **US**

Engaged in the exploration for and production of crude oil and natural gas, manufacture of petroleum products and commodity petrochemicals. It also has interests in electric power generation.

Market Capitalisation	\$350,802m	Weighting in Fund	4.3%
Return on Equity	40.0%	Net Profit Margin	9.8%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	8.3	Current Yield	2.3%
Last Year's EPS Growth	16%	Consensus Forecast EPS Growth	-50%

Microsoft Country of Incorporation: **US**

Develops, manufactures, licenses and supports a range of software products for computing devices. The company has 5 segments: Client, Server and Tools, Online Services Business (MSN portal, Multimap), Business Division and Entertainment & Devices Division (Xbox).

Market Capitalisation	\$208,698m	Weighting in Fund	2.3%
Return on Equity	48.7%	Net Profit Margin	29.3%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	14.3	Current Yield	2.3%
Last Year's EPS Growth	-9%	Consensus Forecast EPS Growth	0%

Johnson & Johnson Country of Incorporation: **US**

Engaged in the research and development, manufacture and sale of a range of products in the healthcare field and has more than 250 operating companies.

Market Capitalisation	\$169,494m	Weighting in Fund	1.9%
Return on Equity	30.5%	Net Profit Margin	20.3%
Total Liabilities/Equity	20%	Long Term Debt/Equity	0%
Current PE	13.5	Current Yield	3.2%
Last Year's EPS Growth	10%	Consensus Forecast EPS Growth	-1%

Procter and Gamble Country of Incorporation: **US**

Provides branded consumer goods products, marketing them in more than 180 countries. The company is organised into 3 global business units: Beauty & Health, Household Care and Gillette GBU.

Market Capitalisation	\$162,582m	Weighting in Fund	1.9%
Return on Equity	17.7%	Net Profit Margin	14.5%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	-	Current Yield	-
Last Year's EPS Growth	15%	Consensus Forecast EPS Growth	18%

A T & T Country of Incorporation: **US**

Provider of telecom services and products in the US and worldwide. Including wireless communications, local exchange, long-distance, data/broadband and internet, video services, telecoms equipment, managed networking, wholesale services and directory advertising & publishing.

Market Capitalisation	\$150,568m	Weighting in Fund	1.8%
Return on Equity	13.4%	Net Profit Margin	11.6%
Total Liabilities/Equity	2%	Long Term Debt/Equity	1%
Current PE	12.6	Current Yield	6.4%
Last Year's EPS Growth	2%	Consensus Forecast EPS Growth	-27%

US Equities (Nasdaq)

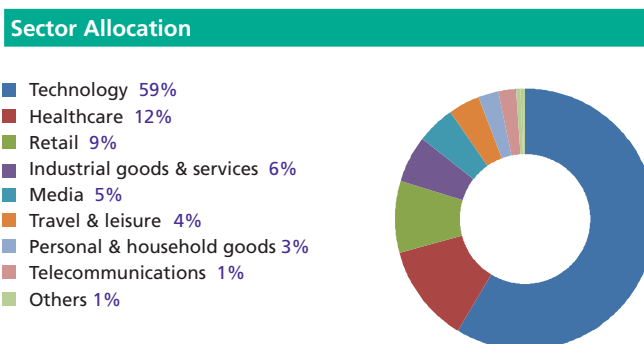
Investment Case for Asset Class

The US is often the world leader in developing and exploiting new technology. The US has been the home of the digital revolution, and US companies have pioneered the internet, digital communications, and faster and more effective computing. Some think that investing in the industries which are powering the communications and computer revolution will enable them to participate in the fast growth of this sector, and may yield above average investment returns.

Risks of Asset Class

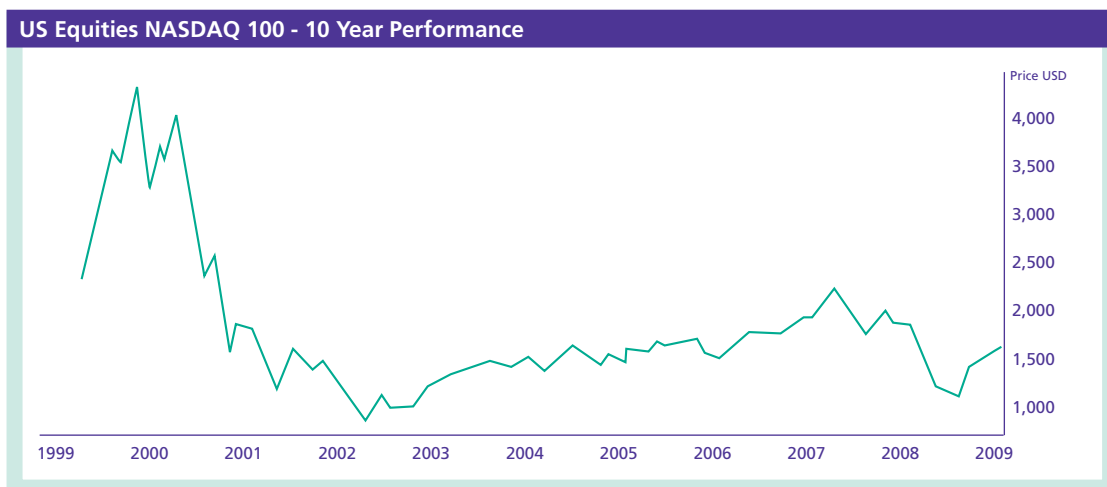
The US technology index soared at the end of the last century, when expectations of riches from the world of the web became inflated. The high tech bubble burst in 2000-2001, bringing Nasdaq down to earth with a bump. The future may not see the index reach old highs quickly, as there is more and more competition eroding prices and some difficulty in generating profit and cash from some of the business models on offer.

Illustrative US Equity ETF	
Lyxor ETF Nasdaq 100	
Sponsor	Société Générale
Auditors	PriceWaterhouseCoopers
Size of Fund	€123.4m
Base Currency of Index	\$
Index	Nasdaq 100
Country of Risk	US
Dividend Frequency	Annually
Total Expense Ratio	0.30%
Legal Structure	French FCP - Mutual Fund
Custodian	Société Générale
Inception Date	13/12/2001
Tradeable in which Currencies?	\$, €
Listed on Exchanges	Euronext Paris, Deutsche Borse, Borsa Italiana, Bolsa de Madrid, Hong Kong Stock Exchange, Singapore Exchange
Method of Index Replication	Synthetic
Distributor Status	No
Annualised Tracking Difference Since Inception (since March 2007)	-0.03%
Index Rebalancing	Quarterly
Number of Holdings in Fund	100
ISA/SIPP Eligibility	Yes



Underlying Index Information

Index Name NASDAQ 100



Top Five Index Constituents

Apple		Country of Incorporation: US	
Designs, manufactures, and markets personal computers, portable digital music players (iPod), and mobile communication devices (iPhone) and sells a variety of related software, services, peripherals, and networking solutions.			
Market Capitalisation	\$147,559m	Weighting in Fund	10.6%
Return on Equity	23.0%	Net Profit Margin	14.9%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	28.8	Current Yield	-
Last Year's EPS Growth	36%	Consensus Forecast EPS Growth	8%
Microsoft		Country of Incorporation: US	
Develops, manufactures, licenses and supports a range of software products for computing devices. The company has 5 segments: Client, Server and Tools, Online Services Business (MSN portal, Multimap), Business Division and Entertainment & Devices Division (Xbox).			
Market Capitalisation	\$208,698m	Weighting in Fund	5.4%
Return on Equity	48.7%	Net Profit Margin	29.3%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	14.3	Current Yield	2.3%
Last Year's EPS Growth	-9%	Consensus Forecast EPS Growth	0%
Qualcomm		Country of Incorporation: US	
Designs, manufactures and markets digital wireless telecommunications products and services based on its code division multiple access (CDMA) technology. The Company operates through four segments: CDMA Technologies, Technology Licensing, Wireless & Internet and Strategic Initiatives.			
Market Capitalisation	\$75,469m	Weighting in Fund	4.9%
Return on Equity	17.6%	Net Profit Margin	28.4%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Current PE	45.7	Current Yield	1.5%
Last Year's EPS Growth	12%	Consensus Forecast EPS Growth	-24%
Google		Country of Incorporation: US	
The company maintains an index of Websites and other online content, and makes this information freely available through its search engine to anyone with an Internet connection.			
Market Capitalisation	\$144,550m	Weighting in Fund	4.6%
Return on Equity	15.0%	Net Profit Margin	19.4%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Current PE	31.7	Current Yield	-
Last Year's EPS Growth	25%	Consensus Forecast EPS Growth	12%
Cisco Systems		Country of Incorporation: US	
Designs, manufactures and sells Internet protocol based networking and other products related to the communications and information technology industry, and provides services associated with these products and their use.			
Market Capitalisation	\$124,817m	Weighting in Fund	4.1%
Return on Equity	23.4%	Net Profit Margin	20.4%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	20.8	Current Yield	-
Last Year's EPS Growth	-13%	Consensus Forecast EPS Growth	-4%

European Equities

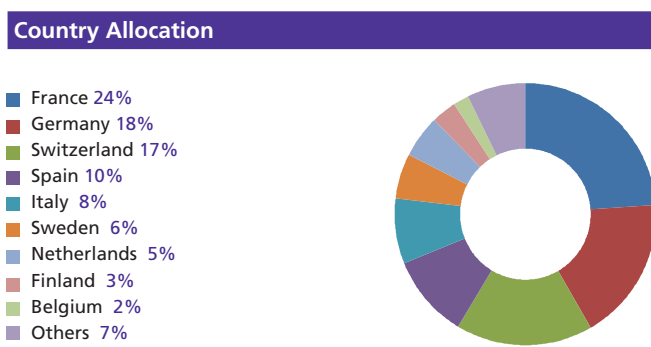
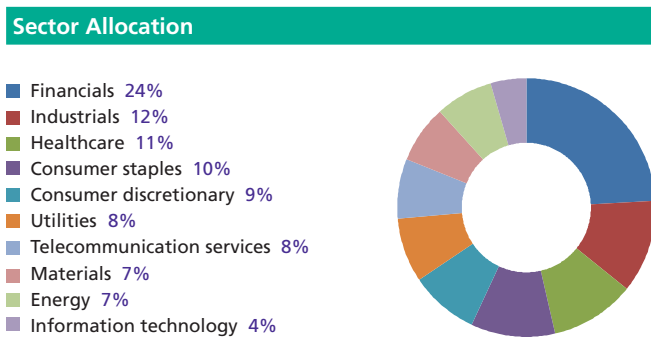
Investment Case for Asset Class

European equities have been a successful asset class in protecting the investor's capital against inflation and providing participation in the fruits of the long-term growth in the region's economies. The creation of the Single European Market has opened up many new opportunities for improved efficiency and economies of scale. Many big European companies are now multinationals so investment in European equities provides a high level of participation in the global economy too. Like the US and UK, the 10 years to March 2009 were not profitable for European equity holders. The EU economies tend to be slower growing than other leading economies.

Risks of Asset Class

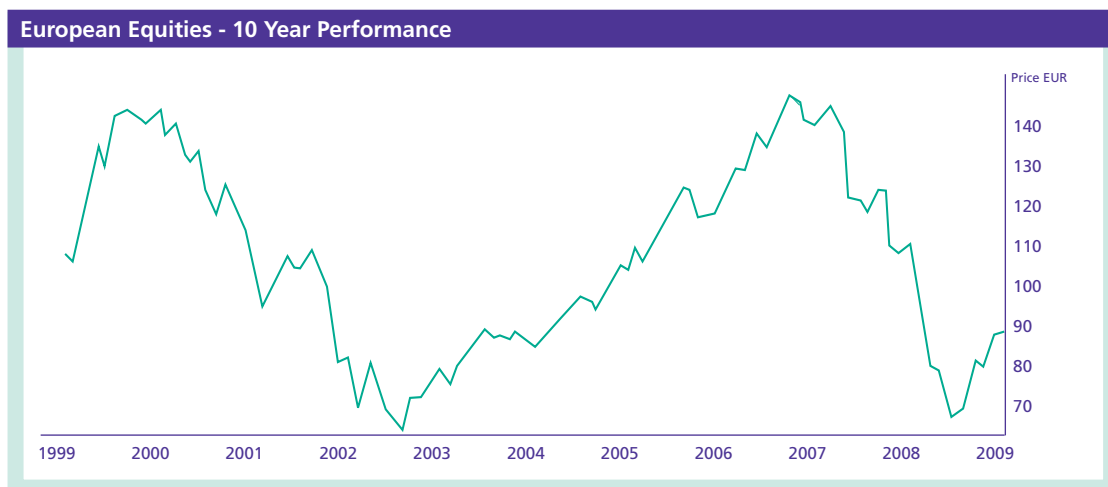
Despite their attractive long-term returns, it is in the nature of equity investment that European equities have experienced considerable volatility. Europe is a collection of mostly mature economies, often with expensive welfare structures and ageing populations that pose a threat to long-term growth and competitiveness. The experiment of European integration risks generating damaging economic and social tensions. Taken in conjunction with the European Central Bank's particular determination to keep inflation under control, these issues may result in markedly slower economic growth in due course.

Illustrative European Equity ETF	
iShares MSCI Europe ex-UK	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	€387.1m
Base Currency of Index	€
Index	MSCI Europe ex UK
Country of Risk	Europe
Dividend Frequency	Quarterly
Total Expense Ratio	0.40%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	05/06/2006
Tradeable in which Currencies?	£, €
Listed on Exchanges	London Stock Exchange, Borsa Italiana, Frankfurt Stock Exchange, Euronext Amsterdam, Euronext Paris, SIX Swiss Exchange
Method of Index Replication	Optimised
Distributor Status	Yes
Annualised Tracking Difference Since Inception	+0.09%
Index Rebalancing	Quarterly
Number of Holdings in Fund	358
ISA/SIPP Eligibility	Yes



Underlying Index Information

Index Name MSCI Europe ex UK



Top Five Fund Constituents

Nestlé		Country of Incorporation: Switzerland	
The Company's products are divided into nine categories: Prepared dishes and cooking aids, Beverages, Confectionery, Ice cream, Water, PetCare, Milk products, Nutrition and Pharmaceuticals.			
Market Capitalisation	\$145,741m	Weighting in Fund	3.8%
Return on Equity	35.5%	Net Profit Margin	16.4%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	8.8	Current Yield	3.3%
Last Year's EPS Growth	-1%	Consensus Forecast EPS Growth	2%
Total		Country of Incorporation: France	
An integrated international oil and gas company operating through three business segments: Upstream, Downstream and Chemicals. It also has interests in the coal mining and power generation sectors, and a financial interest in Sanofi-Aventis.			
Market Capitalisation	\$135,378m	Weighting in Fund	3.2%
Return on Equity	21.6%	Net Profit Margin	6.6%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	9.7	Current Yield	5.7%
Last Year's EPS Growth	15%	Consensus Forecast EPS Growth	-41%
Banco Santander		Country of Incorporation: Spain	
The company offers a range of financial products in Continental Europe, the UK and Latin America. The Bank's operating units are segmented into Retail Banking, Asset Management and Insurance, and Global Wholesale Banking.			
Market Capitalisation	\$110,845m	Weighting in Fund	2.7%
Return on Equity	15.4%	Net Profit Margin	47.4%
Total Liabilities/Equity	17%	Long Term Debt/Equity	-
Current PE	8.3	Current Yield	6.7%
Last Year's EPS Growth	5%	Consensus Forecast EPS Growth	-21%
Roche Holding		Country of Incorporation: Switzerland	
A pharmaceuticals (Roche Pharmaceuticals, Genentech and Chugai) and diagnostics (Applied Science, Diabetes Care, Molecular Diagnostics and Professional Diagnostics) company covering every stage of the healthcare process.			
Market Capitalisation	\$130,761m	Weighting in Fund	2.7%
Return on Equity	20.2%	Net Profit Margin	19.7%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	18.2	Current Yield	3.1%
Last Year's EPS Growth	-9%	Consensus Forecast EPS Growth	13%
Telefonica		Country of Incorporation: Spain	
The company operates in the telecommunications, media and contact centre industries. The company is also involved in the media and contract centre activities through the investments in Telefonica de Contenidos and Atento.			
Market Capitalisation	\$113,862m	Weighting in Fund	2.6%
Return on Equity	44.1%	Net Profit Margin	13.1%
Total Liabilities/Equity	5%	Long Term Debt/Equity	3%
Current PE	10.2	Current Yield	5.9%
Last Year's EPS Growth	-14%	Consensus Forecast EPS Growth	0%

Far East (ex Japan) Equities

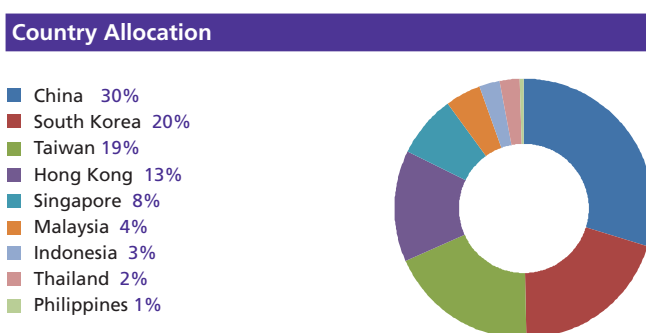
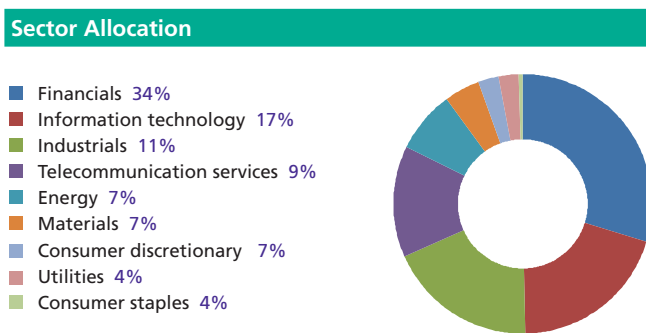
Investment Case for Asset Class

Far Eastern equities have been a successful asset class in protecting the investor's capital against inflation and providing participation in the fruits of the long-term growth in the region's economies. The Far East has some of the world's most vibrant, competitive and fast growing economies. Populations are young and growing, underpinning long-term economic growth. The original emphasis on low cost, low value added manufacturing for export has steadily given way to exports of higher value added goods and consumer spending is an increasingly important component of economic growth. Overall economic progress is becoming less dependent on the traditional engine of exports to the US and increasingly self-sustaining. Many local currencies are linked to the US dollar but these links are becoming strained as the dollar weakens. An era of Far East currency appreciation is in prospect, potentially adding to returns for the UK-based investor.

Risks of Asset Class

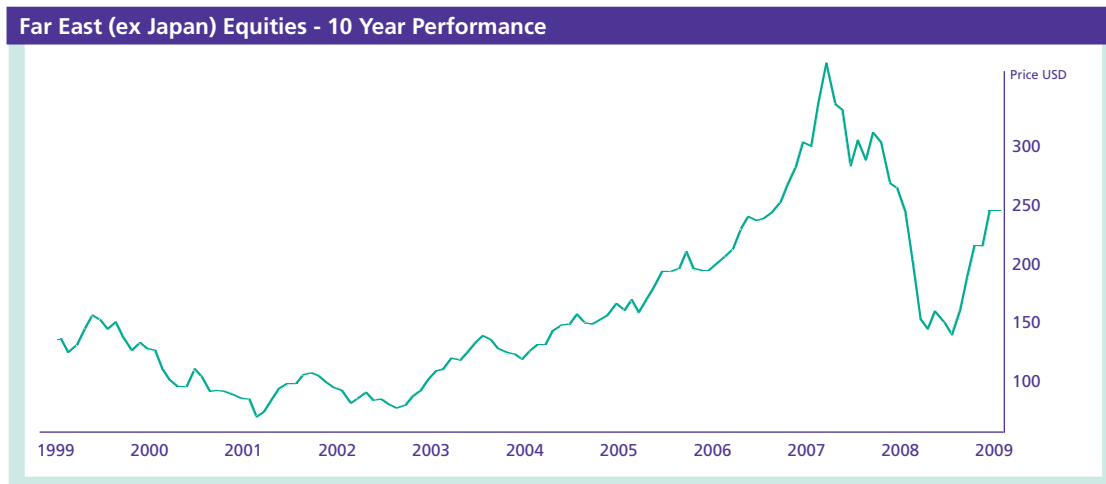
Despite their attractive long-term returns, it is in the nature of equity investment that Far Eastern equities have experienced considerable volatility. Rapid growth and the sometimes inappropriate interest rates associated with maintaining currency linkages with the US dollar are resulting in sharply higher inflation and signs of over-heating. Far Eastern economies were hurt by the recession in the US which has been their key export market and engine of growth in the past. Far Eastern equity markets are sometimes less well developed than those in the major investment territories and the political, legal and corporate governance environment is less supportive to secure equity investment. The potential returns are well above average but so are the risks.

Illustrative Far Eastern Equity ETF	
iShares MSCI AC Far East ex-Japan	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	\$1.3bn
Base Currency of Index	\$
Index	MSCI AC Far East ex Japan
Country of Risk	Far East
Dividend Frequency	Quarterly
Total Expense Ratio	0.74%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	27/10/2005
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Borsa Italiana, Frankfurt Stock Exchange, Euronext Amsterdam, Euronext Paris, SIX Swiss Exchange
Method of Index Replication	Optimised
Distributor Status	Yes
Annualised Tracking Difference Since Inception	-0.28%
Index Rebalancing	Quarterly
Number of Holdings in Fund	398
ISA/SIPP Eligibility	Yes



Underlying Index Information

Index Name MSCI AC Far East ex-Japan



Top Five Fund Constituents

China Mobile Country of Incorporation: **Hong Kong**

Provides mobile telecoms and related services in mainland China and Hong Kong. As at May 31, 2009, it had a mobile telecoms subscriber base of over 488.1m. Its GSM global roaming services cover 219 countries and regions and its GPRS roaming services cover 138 countries and regions.

Market Capitalisation	\$199,540m	Weighting in Fund	4.1%
Return on Equity	25.5%	Net Profit Margin	27.4%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Current PE	12.1	Current Yield	3.6%
Last Year's EPS Growth	29%	Consensus Forecast EPS Growth	4%

Samsung Electronics Co Country of Incorporation: **South Korea**

The company has four major business units: Semiconductors (memory chips, hard disc drives), LCDs, Information and communication, & Digital Media (TVs, audio/video products, PCs and computer peripherals).

Market Capitalisation	\$89,194m	Weighting in Fund	3.6%
Return on Equity	9.5%	Net Profit Margin	7.6%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Current PE	25.4	Current Yield	0.8%
Last Year's EPS Growth	-24%	Consensus Forecast EPS Growth	20%

Taiwan Semiconductor Manufacturing Country of Incorporation: **Taiwan**

The company has the world's largest dedicated integrated circuit foundry making it the world's largest supplier of made-to-order semi-conductor chips. The total installed annual capacity of TSMC and its affiliates amounted to 3.9m 8-inch equivalent wafers by the end of 2002.

Market Capitalisation	\$44,995m	Weighting in Fund	2.4%
Return on Equity	22.4%	Net Profit Margin	33.8%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Current PE	20.4	Current Yield	5.2%
Last Year's EPS Growth	-7%	Consensus Forecast EPS Growth	-38%

China Construction Bank Country of Incorporation: **Hong Kong**

The company provides corporate and personal banking services, conducts treasury and other banking business and provides asset management & trustee services. Operating principally in mainland China, it also has branch operations in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo and Seoul.

Market Capitalisation	\$185,153m	Weighting in Fund	1.9%
Return on Equity	19.9%	Net Profit Margin	41.2%
Total Liabilities/Equity	15%	Long Term Debt/Equity	-
Current PE	16.4	Current Yield	3.2%
Last Year's EPS Growth	38%	Consensus Forecast EPS Growth	3%

Industrial and Commercial Bank of China Country of Incorporation: **China**

A commercial bank offering a range of banking and financial services including deposits, loans and settlements. There are four business segments: Corporate Banking, Personal Banking, E-Banking and Bank Card. It has 7 major subsidiaries (4 outside China) and has 16,997 domestic branch offices.

Market Capitalisation	\$249,760m	Weighting in Fund	1.9%
Return on Equity	18.4%	Net Profit Margin	42.1%
Total Liabilities/Equity	15%	Long Term Debt/Equity	-
Current PE	15.5	Current Yield	3.2%
Last Year's EPS Growth	37%	Consensus Forecast EPS Growth	10%

Chinese Equities

Investment Case for Asset Class

China is a comparatively new investment territory for global equity investors, who participate by investing in so-called H-shares and so called Red Chip shares. H-shares are securities of companies incorporated in the People's Republic of China and nominated by the Chinese Government for listing and trading on the Hong Kong Stock Exchange, quoted and traded in Hong Kong Dollars. Red Chip shares are securities of Hong Kong incorporated companies that trade on the Hong Kong Stock Exchange, quoted in Hong Kong Dollars. The constituents are substantially owned directly or indirectly by the Chinese Government. Domestic investors in China are not allowed to deal in H-shares or Red shares but there are no restrictions on international investors.

Chinese equities have provided very high returns in recent years consistent with China's explosive emergence onto the world economic stage since joining the World Trade Organisation in 2001. With a population of 1.3 billion and economic growth averaging over 10% per annum in recent years, China is now the world's fourth largest economy. The main engines of growth have been exports and the associated process of industrialisation and infrastructure spending. Although a communist country, economic liberalisation began in the early 1980s and only a third of the economy is now under direct state control. The renminbi is linked to the US dollar but has been allowed to appreciate recently and further appreciation is in prospect, potentially adding to returns for the UK-based investor.

Risks of Asset Class

Despite their highly attractive returns, it is in the nature of equity investment that Chinese equities have sometimes experienced considerable volatility. Rapid growth and the pressures associated with maintaining the link between the renminbi and the US dollar cause problems. The next year or two will also be an important test of the extent to which China's economy can withstand the US recession which is its key export market and primary engine of growth in the past. China's stock market is not yet well established and the political, legal and corporate governance environment is not supportive to secure equity investment in the manner found in the major investment territories. China needs foreign know-how more than it needs foreign capital. The potential returns for foreign investors are substantially above average but so are the risks.

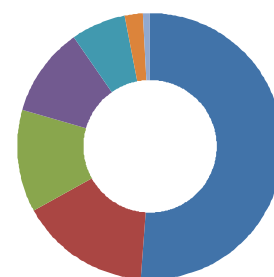
Illustrative China Equity ETF

db x-trackers FTSE/XINHUA China 25 ETF

Sponsor	Deutsche Bank AG
Auditors	Ernst & Young
Size of Fund	\$288.3m
Base Currency of Index	\$
Index	FTSE/Xinhua China 25
Country of Risk	China
Dividend Frequency	n/a
Total Expense Ratio	0.60%
Legal Structure	Luxembourg SICAV
Custodian	State Street Bank
Inception Date	19/06/2007
Tradeable in which Currencies?	£, \$, €, HK\$
Listed on Exchanges	London Stock Exchange, Deutsche Borse, Borsa Italiana, SIX Swiss Exchange, Singapore Exchange, Hong Kong Stock Exchange
Method of Index Replication	Synthetic
Distributor Status	Yes
Annualised Tracking Difference Since Inception	-0.45%
Index Rebalancing	Quarterly
Number of Holdings in the Underlying Index	25
ISA/SIPP Eligibility	Yes

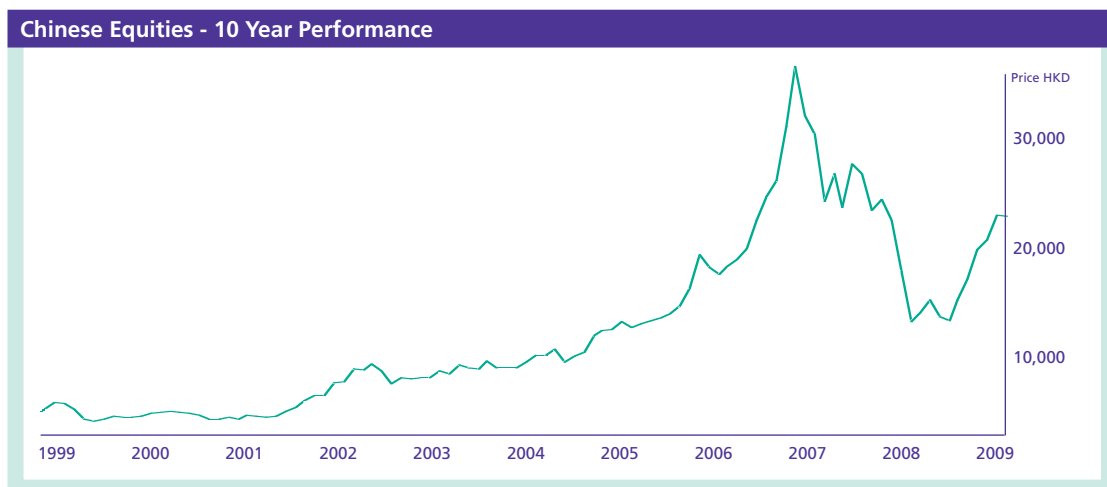
Sector Allocation

- Financials 51%
- Telecommunications 16%
- Oil & gas 13%
- Basic materials 11%
- Industrials 6%
- Utilities 2%
- Consumer services 1%



Underlying Index Information

Index Name FTSE/Xinhua China 25



Top Five Index Constituents

China Construction Bank		Country of Incorporation: Hong Kong	
The company provides corporate and personal banking services, conducts treasury and other banking business and provides asset management & trustee services. Operating principally in mainland China, it also has branch operations in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo & Seoul.			
Market Capitalisation	\$185,153m	Weighting in Fund	9.4%
Return on Equity	19.9%	Net Profit Margin	41.2%
Total Liabilities/Equity	15%	Long Term Debt/Equity	-
Current PE	16.4	Current Yield	3.2%
Last Year's EPS Growth	38%	Consensus Forecast EPS Growth	3%
China Mobile		Country of Incorporation: Hong Kong	
Provides mobile telecoms and related services in mainland China and Hong Kong. As at May 31, 2009, it had a mobile telecoms subscriber base of over 488.1m. Its GSM global roaming services cover 219 countries and regions and its GPRS roaming services cover 138 countries and regions.			
Market Capitalisation	\$199,540m	Weighting in Fund	8.4%
Return on Equity	25.5%	Net Profit Margin	27.4%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Current PE	12.1	Current Yield	3.6%
Last Year's EPS Growth	29%	Consensus Forecast EPS Growth	4%
Industrial and Commercial Bank of China		Country of Incorporation: China	
A commercial bank offering a range of banking and financial services including deposits, loans and settlements. There are four business segments: Corporate Banking, Personal Banking, E-Banking and Bank Card. It has 7 major subsidiaries (4 outside China) and has 16,997 domestic branch offices.			
Market Capitalisation	\$249,761m	Weighting in Fund	7.8%
Return on Equity	18.4%	Net Profit Margin	42.1%
Total Liabilities/Equity	15%	Long Term Debt/Equity	-
Current PE	15.5	Current Yield	3.2%
Last Year's EPS Growth	37%	Consensus Forecast EPS Growth	10%
China Life Insurance		Country of Incorporation: Hong Kong	
An insurance company in China with businesses including individual life insurance (term-life, whole-life, endowment and annuity services), group life insurance and short term insurance (accident and health).			
Market Capitalisation	\$137,140m	Weighting in Fund	7.4%
Return on Equity	11.8%	Net Profit Margin	-
Total Liabilities/Equity	5%	Long Term Debt/Equity	-
Current PE	80.2	Current Yield	0.7%
Last Year's EPS Growth	-64%	Consensus Forecast EPS Growth	105%
Bank of China		Country of Incorporation: China	
Is engaged in the provision of a range of banking and related financial services, including commercial banking, investment banking and insurance business. It operates through six segments: corporate banking, personal banking, treasury operations, investment banking, insurance and other operations.			
Market Capitalisation	\$158,811m	Weighting in Fund	7.2%
Return on Equity	13.9%	Net Profit Margin	39.5%
Total Liabilities/Equity	14%	Long Term Debt/Equity	-
Current PE	18.9	Current Yield	2.9%
Last Year's EPS Growth	17%	Consensus Forecast EPS Growth	8%

Indian Equities

Investment Case for Asset Class

Indian equities have provided very high returns in recent years consistent with India's rapidly growing role in the world economy. With a population of 1.1 billion and economic growth averaging over 8% per annum in recent years, India is now the world's tenth largest economy. Alongside rapid industrialisation, services have played an important role in India's economic leap forward with particular strength in information technology and related services. Domestic consumption also plays an important role and India's economy is less dependent on exports than many other developing economies.

Risks of Asset Class

Despite their highly attractive returns, it is in the nature of equity investment that Indian equities have sometimes experienced considerable volatility. India is still a less vibrant economy than some, with a substantial backlog of infrastructure spending and its coalition politics which hamper the pace of reform. India came through the recession of 2008-09 better than most, but at the expense of overheating and higher inflation. The potential returns for foreign investors are substantially above average but so are the risks.

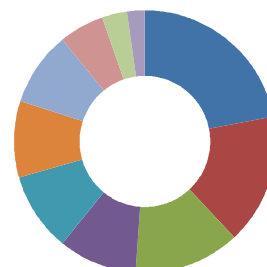
Illustrative Indian Equity ETF

db x-trackers S & P CNX NIFTY (India) ETF

Sponsor	Deutsche Bank AG
Auditors	Ernst & Young
Size of Fund	\$119.4m
Base Currency of Index	\$
Index	S&P CNX NIFTY
Country of Risk	India
Dividend Frequency	n/a
Total Expense Ratio	0.85%
Legal Structure	Luxembourg SICAV
Custodian	State Street Bank
Inception Date	05/07/2007
Tradeable in which Currencies?	£, \$, €, HK\$
Listed on Exchanges	London Stock Exchange, Deutsche Borse, Borsa Italiana, SIX Swiss Exchange, Singapore Exchange, Hong Kong Stock Exchange
Method of Index Replication	Synthetic
Distributor Status	Yes
Annualised Tracking Difference Since Inception	-0.43%
Index Rebalancing	Quarterly
Number of Holdings in the Underlying Index	50
ISA/SIPP Eligibility	Yes

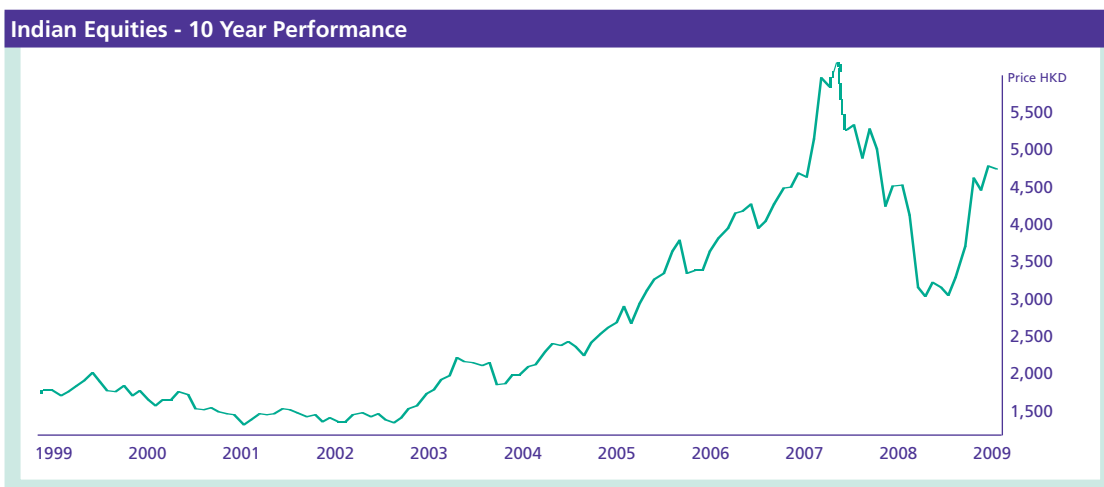
Sector Allocation

- Energy 22%
- Financials 16%
- Utilities 13%
- Industrials 10%
- Materials 10%
- Information technology 9%
- Telecommunication services 9%
- Consumer staples 6%
- Consumer discretionary 3%
- Healthcare 2%



Underlying Index Information

Index Name S&P CNX Nifty



Top Five Index Constituents

Reliance Industries		Country of Incorporation: India	
The Company is organised into three business segments: petrochemicals (production and marketing of petrochemical products), refining (production and marketing petroleum refinery) and others (oil, gas and textile business).			
Market Capitalisation	\$65,754m	Weighting in Fund	11.3%
Return on Equity	18.3%	Net Profit Margin	10.5%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	20.3	Current Yield	0.7%
Last Year's EPS Growth	-	Consensus Forecast EPS Growth	-
Oil & Natural Gas Corp		Country of Incorporation: India	
The company is mainly engaged in the oil exploration and production activities. It has 26 projects in 15 countries.			
Market Capitalisation	\$49,975m	Weighting in Fund	8.5%
Return on Equity	22.6%	Net Profit Margin	25.7%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	16.9	Current Yield	2.8%
Last Year's EPS Growth	-1%	Consensus Forecast EPS Growth	1%
NTPC Limited		Country of Incorporation: India	
Generation and sale of bulk power to state electricity boards / state utilities. It operates in two business segments: generation and others (consultancy, project management and supervision, oil and gas exploration, and coal mining).			
Market Capitalisation	\$36,070m	Weighting in Fund	6.3%
Return on Equity	14.9%	Net Profit Margin	21.6%
Total Liabilities/Equity	1%	Long Term Debt/Equity	1%
Current PE	21.5	Current Yield	1.7%
Last Year's EPS Growth	11%	Consensus Forecast EPS Growth	8%
Bharti Airtel		Country of Incorporation: India	
An Indian telecom services provider. The Company has three business units: Mobile Services, Broadband & Telephone Services (B&T) and Enterprise Services.			
Market Capitalisation	\$32,729m	Weighting in Fund	5.9%
Return on Equity	30.8%	Net Profit Margin	24.2%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	18.8	Current Yield	0.2%
Last Year's EPS Growth	27%	Consensus Forecast EPS Growth	59%
State Bank of India		Country of Incorporation: India	
A public sector bank providing banking, financial and leasing services. It is also involved in mutual funds and capital market activities through its subsidiaries.			
Market Capitalisation	\$22,372m	Weighting in Fund	3.9%
Return on Equity	15.7%	Net Profit Margin	43.4%
Total Liabilities/Equity	16%	Long Term Debt/Equity	-
Current PE	9.8	Current Yield	1.7%
Last Year's EPS Growth	14%	Consensus Forecast EPS Growth	5%

Emerging Market Equities

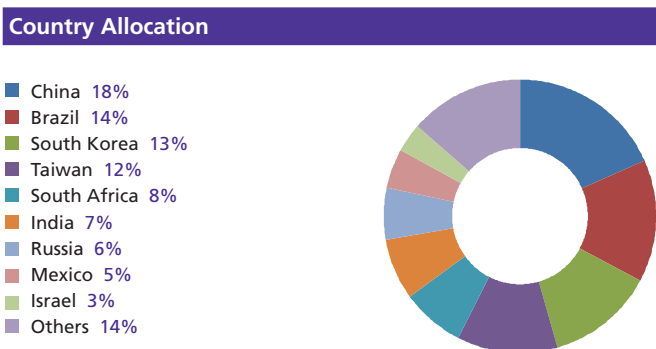
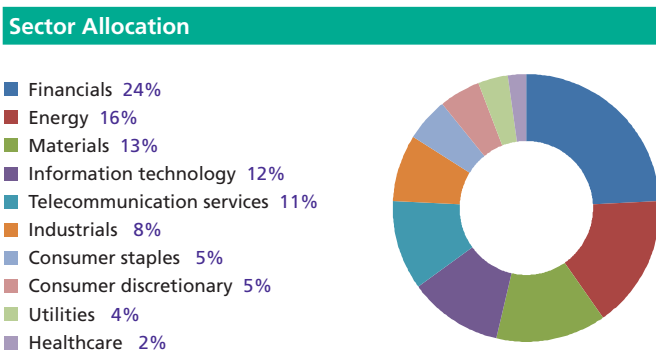
Investment Case for Asset Class

Emerging market equities have provided high returns in recent years, with many more countries adopting economic liberalisation and pro business policies, achieving much improved growth and inflation rates and opening their capital markets up to international investors. Emerging markets investment offers participation in some of the world's most vibrant, competitive, resource-rich and fast growing economies. Populations are often young and growing, underpinning long-term economic growth. Often economic progress is becoming less dependent on the traditional engine of exports to the US and increasingly self-sustaining as domestic consumption grows. Many currencies are linked to the US dollar - in some cases these links are becoming strained as the dollar weakens and currency gains are in prospect, potentially adding to returns for the UK-based investor. Omnibus investment in emerging markets provides diversification and waters down the risks that are present in particular countries.

Risks of Asset Class

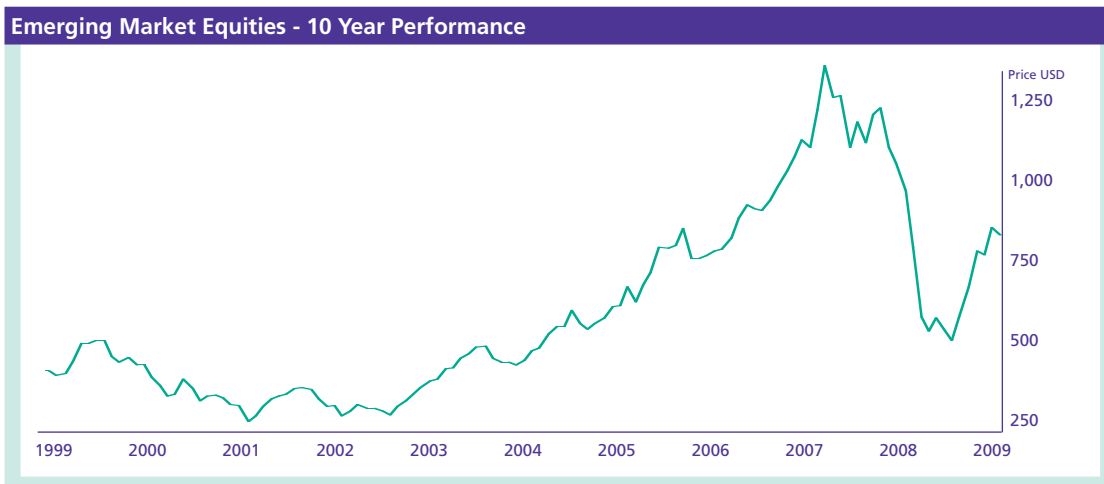
Despite their attractive long-term returns, it is in the nature of equity investment that emerging market equities have experienced considerable volatility. Rapid growth and the sometimes inappropriate interest rates associated with maintaining currency linkages with the US dollar are resulting in sharply higher inflation and signs of over-heating in some emerging economies. Some emerging economies were badly hurt by the US recession which has been their key export market and engine of growth in the past. Emerging equity markets are sometimes only moderately well developed and liquid and in general the political, legal and corporate governance environment is less supportive to secure equity investment than in the major investment territories. The potential returns are well above average but so are the risks.

Illustrative Emerging Markets Equity ETF	
iShares MSCI Emerging Markets	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	\$1.9bn
Base Currency of Index	\$
Index	MSCI Emerging Markets
Country of Risk	Emerging Markets
Dividend Frequency	Quarterly
Total Expense Ratio	0.75%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	17/11/2005
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Borsa Italiana, Frankfurt Stock Exchange, Euronext Amsterdam, Euronext Paris, SIX Swiss Exchange
Method of Index Replication	Optimised
Distributor Status	Yes
Annualised Tracking Difference Since Inception	+0.25%
Index Rebalancing	Quarterly
Number of Holdings in Fund	320
ISA/SIPP Eligibility	Yes



Underlying Index Information

Index Name MSCI Emerging Markets



Top Five Fund Constituents

Petroleo Brasileiro Petrobras Country of Incorporation: **Brazil**

The company is engaged in the exploration, production, refinement and distribution of oil and gas. There are four business areas: Exploration and Production, Downstream, Gas & Energy and International.

Market Capitalisation	\$170,932m	Weighting in Fund	4.7%
Return on Equity	24.8%	Net Profit Margin	16.0%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	11.1	Current Yield	0.8%
Last Year's EPS Growth	58%	Consensus Forecast EPS Growth	-36%

China Mobile Country of Incorporation: **Hong Kong**

Provides mobile telecoms and related services in mainland China and Hong Kong. As at 31 May, 2009 it had a mobile telecoms subscriber base of over 488.1m. Its GSM global roaming services cover 219 countries and regions and its GPRS roaming services cover 138 countries and regions.

Market Capitalisation	\$199,540m	Weighting in Fund	2.4%
Return on Equity	25.5%	Net Profit Margin	27.4%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Current PE	12.1	Current Yield	3.6%
Last Year's EPS Growth	29%	Consensus Forecast EPS Growth	4%

Samsung Electronics Co Country of Incorporation: **Korea**

The company has four major business divisions: Semiconductors (memory chips, hard disc drives), LCDs, Information and Communication & Digital Media (TVs, audio/video products, PCs and computer peripherals).

Market Capitalisation	\$89,194m	Weighting in Fund	2.3%
Return on Equity	9.5%	Net Profit Margin	7.6%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Current PE	25.4	Current Yield	0.8%
Last Year's EPS Growth	-24%	Consensus Forecast EPS Growth	20%

Gazprom Country of Incorporation: **Russia**

Activities include exploration and production of gas; transportation of gas; domestic and export sale of gas; production of crude oil and gas condensate, and processing of oil, gas condensate and other hydrocarbons and sales of refined products.

Market Capitalisation	\$124,065m	Weighting in Fund	2.1%
Return on Equity	16.1%	Net Profit Margin	21.1%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Current PE	5.1	Current Yield	0.2%
Last Year's EPS Growth	10%	Consensus Forecast EPS Growth	-14%

Teva Pharmaceutical Ind Country of Incorporation: **Israel**

A global pharmaceutical company that develops, produces and markets generic drugs covering all treatment categories. Its global operations are conducted in North America, Europe, Latin America, Asia and Israel.

Market Capitalisation	\$47,080m	Weighting in Fund	1.8%
Return on Equity	14.2%	Net Profit Margin	20.8%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	-	Current Yield	1.1%
Last Year's EPS Growth	20%	Consensus Forecast EPS Growth	9%

This publication is a description of an investment methodology rather than a research publication. It is provided for information and discussion purposes only. It does not constitute professional advice and does not constitute an offer to sell or a solicitation of an offer to purchase any security or any other investment or product. It does not contain any investment recommendations. Attention is drawn to the important information and risk warnings at the end of the publication.

Global Property

Investment Case for Asset Class

Property is a real asset which can hold its value in the face of inflation and generate a rising income as economic growth translates into rising tenant demand and therefore rising rents.

Property investment provides a flow of rental income and provides capital gains that arise from the general increase in property values or from specific factors including rental increases. The investor may also benefit from the refurbishment, expansion or redevelopment of buildings. UK property returns have been supported by the shortage of property due to planning constraints. Overseas property is a comparatively new asset class for UK investors that offers diversification and in some cases participation in property opportunities in faster growing economies.

Property investors in the UK and overseas participate either by investing in physical property and physical property funds or by investing in the listed shares of property companies that own a broad spread of physical property, typically tax efficient real estate investment trusts (REITs). Property ETFs invest in the latter.

Omnibus investment in property companies through ETFs provides diversification and waters down the risks that are present when investing in individual property companies. It also provides liquidity which is not readily available to investors in physical property and is sometimes not available to investors in physical property funds either.

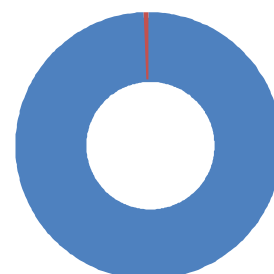
Risks of Asset Class

Despite their attractive long-term returns, it is in the nature of property investment that property has experienced sharp falls in value from time to time. This volatility is magnified in the case of property company shares which, as stock market listed securities, are more volatile than the value of physical properties. Physical property is illiquid and can prove difficult to sell. Property companies often use borrowings to help boost returns. In the more difficult economic environment of the next year or two, tenant demand and rents may fall in some locations and some property companies may struggle to avoid defaulting on their debts.

Representative Global Property ETF	
iShares FTSE EPRA/NAREIT Developed Markets Property Yield Fund	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	\$67m
Base Currency of Index	\$
Index	FTSE EPRA/NAREIT Developed Dividend +
Country of Risk	Global
Dividend Frequency	Quarterly
Total Expense Ratio	0.59%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	23/10/2006
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Borsa Italiana, Frankfurt Stock Exchange, Euronext Amsterdam, Euronext Paris, SIX Swiss Exchange
Method of Index Replication	Optimised
Distributor Status	No
Annualised Tracking Difference Since Inception	-0.94%
Index Rebalancing	Quarterly
Number of Holdings in Fund	183
ISA/SIPP Eligibility	Yes

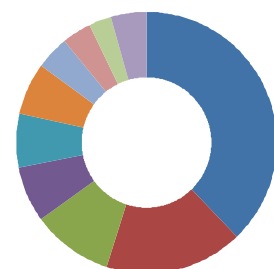
Sector Allocation

- Financials 99%
- Consumer services 1%



Country Allocation

- US 38%
- Hong Kong 17%
- Australia 10%
- France 7%
- UK 7%
- Japan 6%
- Canada 4%
- Singapore 4%
- Netherlands 3%
- Others 4%



Underlying Index Information

Index Name FTSE EPRA/NAREIT Developed Dividend +



Top Five Fund Constituents

Sun Hung Kai Properties

Country of Incorporation: **Hong Kong**

The Company specialises in residential and commercial projects for sale and investment. It also has complementary operations in the property-related fields of hotels, financial services, insurance and property management.

Market Capitalisation	\$37,359m	Weighting in Fund	6.3%
Return on Equity	12.6%	Net Profit Margin	112.8%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Premium/Discount to NAV	+33%	Current Yield	2.2%
Last Year's EPS Growth	4%	Consensus Forecast EPS Growth	-8%

Westfield Group

Country of Incorporation: **Australia**

A shopping centre and retail property group with retail space in Australia, New Zealand, the United States and the United Kingdom.

Market Capitalisation	\$20,889m	Weighting in Fund	5.5%
Return on Equity	-8.9%	Net Profit Margin	-50.5%
Total Liabilities/Equity	1%	Long Term Debt/Equity	1%
Premium/Discount to NAV	+0%	Current Yield	9.5%
Last Year's EPS Growth	23%	Consensus Forecast EPS Growth	-10%

Simon Property Group

Country of Incorporation: **US**

A real estate investment trust operating from five retail real estate platforms: regional malls, Premium Outlet Centres, The Mills, community/lifestyle centres and international properties.

Market Capitalisation	\$15,085m	Weighting in Fund	3.8%
Return on Equity	18.1%	Net Profit Margin	12.9%
Total Liabilities/Equity	8%	Long Term Debt/Equity	7%
Premium/Discount to NAV	+11%	Current Yield	4.5%
Last Year's EPS Growth	9%	Consensus Forecast EPS Growth	-8%

Unibail-Rodamco

Country of Incorporation: **France**

A commercial property investment company engaged in three business sectors: offices (Paris), shopping centres, and exhibition and convention complexes.

Market Capitalisation	\$14,112m	Weighting in Fund	3.2%
Return on Equity	-8.7%	Net Profit Margin	-78.4%
Total Liabilities/Equity	1%	Long Term Debt/Equity	1%
Premium/Discount to NAV	-7%	Current Yield	4.7%
Last Year's EPS Growth	8%	Consensus Forecast EPS Growth	6%

Public Storage

Country of Incorporation: **US**

Activities include the acquisition, development, ownership and operation of self-storage facilities, which offer storage spaces for lease. These facilities are located in the US (Public Storage) and in seven Western European countries (Shurgard Storage Centres).

Market Capitalisation	\$11,817m	Weighting in Fund	2.2%
Return on Equity	17.7%	Net Profit Margin	54.7%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Premium/Discount to NAV	+40%	Current Yield	3.2%
Last Year's EPS Growth	1%	Consensus Forecast EPS Growth	2%

UK Property

Investment Case for Asset Class

UK commercial property has traditionally been a good asset class for investors. It has often produced good total returns allied to less price volatility than shares. The supply of new property has been limited by tight planning laws. Demand in recent years in London has been high, as the city has expanded. London has attracted a large number of foreign property investors and entrepreneurs.

The slump of 2008/09 is changing some of this. Property has proved both volatile and illiquid. In the immediate future more space will become available from building projects, whilst new tenant demand is constrained by the recession.

Risks of Asset Class

Despite their attractive long-term returns, it is in the nature of property investment that property has experienced sharp falls in value from time to time. This volatility is magnified in the case of property company shares which, as stock market listed securities, are more volatile than the value of physical properties. Physical property is illiquid and can prove difficult to sell. Property companies often use borrowings to help boost returns. In the more difficult economic environment of the next year or two, tenant demand and rents may fall in some locations and some property companies may struggle to avoid defaulting on their debts.

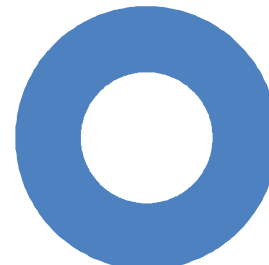
Representative UK Property ETF

iShares FTSE EPRA/NAREIT UK Property Fund

Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	£47.3m
Base Currency of Index	£
Index	FTSE EPRA/NAREIT UK
Country of Risk	UK
Dividend Frequency	Quarterly
Total Expense Ratio	0.40%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	20/03/2007
Tradeable in which Currencies?	£, €
Listed on Exchanges	London Stock Exchange, Borsa Italiana, SIX Swiss Exchange
Method of Index Replication	Replicated
Distributor Status	Yes
Annualised Tracking Difference Since Inception	+0.06%
Index Rebalancing	Quarterly
Number of Holdings in Fund	28
ISA/SIPP Eligibility	Yes

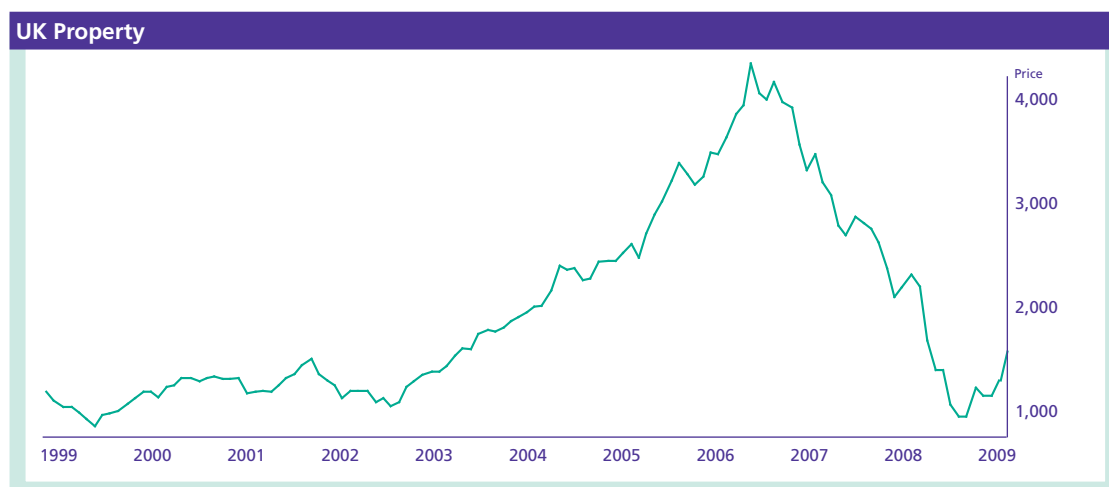
Sector Allocation

■ Financials 100%



Underlying Index Information

Index Name FTSE EPRA/NAREIT UK Property



Top Five Fund Constituents

Land Securities

 Country of Incorporation: **UK**

A real estate investment trust operating through two divisions: Retail Portfolio (shopping centres, retail warehouses, shops) and London Portfolio (London offices and retail).

Market Capitalisation	£3,697m	Weighting in Fund	20.1%
Return on Equity	-107.6%	Net Profit Margin	-632.2%
Total Liabilities/Equity	1%	Long Term Debt/Equity	1%
Premium/Discount to NAV	+6%	Current Yield	9.3%
Last Year's EPS Growth	-15%	Consensus Forecast EPS Growth	-38%

British Land

 Country of Incorporation: **UK**

Property investment and development, finance and investment company with a portfolio including superstores, shopping centres, department stores, high street shops and supermarkets.

Market Capitalisation	£3,560m	Weighting in Fund	18.4%
Return on Equity	-120.9%	Net Profit Margin	-700.5%
Total Liabilities/Equity	1%	Long Term Debt/Equity	1%
Premium/Discount to NAV	+23%	Current Yield	7.4%
Last Year's EPS Growth	-7%	Consensus Forecast EPS Growth	-31%

Liberty International

 Country of Incorporation: **UK**

A real estate investment trust focused on two operating businesses: Capital Shopping Centres (regional shopping centres) and Capital & Counties (commercial and retail property in UK and US).

Market Capitalisation	£2,465m	Weighting in Fund	12.7%
Return on Equity	-125.2%	Net Profit Margin	-403.6%
Total Liabilities/Equity	3%	Long Term Debt/Equity	2%
Premium/Discount to NAV	-25%	Current Yield	3.6%
Last Year's EPS Growth	-20%	Consensus Forecast EPS Growth	-22%

Hammerson

 Country of Incorporation: **UK**

A real estate investment trust which invests in and develops shopping centres (15), retail parks (19) and prime offices principally in the UK and France.

Market Capitalisation	£2,344m	Weighting in Fund	12.1%
Return on Equity	-55.8%	Net Profit Margin	-456.9%
Total Liabilities/Equity	1%	Long Term Debt/Equity	1%
Premium/Discount to NAV	-41%	Current Yield	5.9%
Last Year's EPS Growth	-5%	Consensus Forecast EPS Growth	-22%

Segro

 Country of Incorporation: **UK**

A property investment company which owns and manages business space. It develops and acquires property throughout Europe and operates through two strategic business units: UK and Continental Europe.

Market Capitalisation	£1,463m	Weighting in Fund	7.7%
Return on Equity	-46.7%	Net Profit Margin	-292.6%
Total Liabilities/Equity	2%	Long Term Debt/Equity	1%
Premium/Discount to NAV	-58%	Current Yield	39.0%
Last Year's EPS Growth	-1%	Consensus Forecast EPS Growth	-63%

US Property

Investment Case for Asset Class

US property was at the eye of the storm when the Credit Crunch hit. The overextension of mortgage loans to individuals buying residential property started the crunch. There was soon the need for declines in commercial property prices as recession developed.

At some point the US property market will pass a low point and investors will look forward again to increased tenant demand and rising rents.

Risks of Asset Class

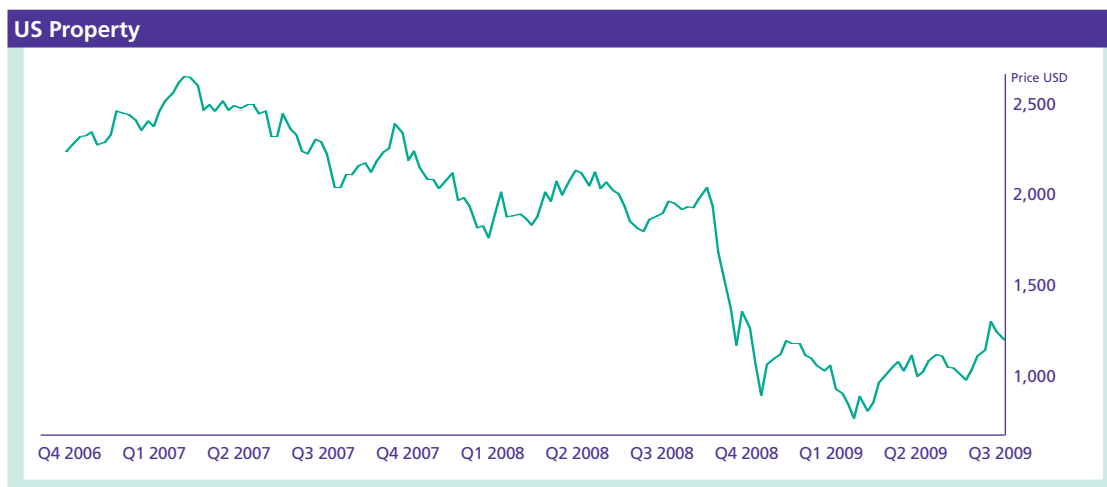
Despite their attractive long-term returns, it is in the nature of property investment that property has experienced sharp falls in value from time to time. This volatility is magnified in the case of property company shares which, as stock market listed securities, are more volatile than the value of physical properties. Physical property is illiquid and can prove difficult to sell. Property companies often use borrowings to help boost returns. In the more difficult economic environment of the next year or two, tenant demand and rents may fall in some locations and some property companies may struggle to avoid defaulting on their debts.

Representative US Property ETF	
iShares FTSE EPRA/NAREIT US Property Yield Fund	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	\$89.3m
Base Currency of Index	\$
Index	FTSE EPRA/NAREIT United States Dividend+
Country of Risk	US
Dividend Frequency	Quarterly
Total Expense Ratio	0.40%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	03/11/2006
Tradeable in which Currencies?	\$, £, €
Listed on Exchanges	London Stock Exchange, Borsa Italiana, Frankfurt Stock Exchange, Euronext Amsterdam, Euronext Paris, SIX Swiss Exchange
Method of Index Replication	Optimised
Distributor Status	No
Annualised Tracking Difference Since Inception	-0.84%
Index Rebalancing	Quarterly
Number of Holdings in Fund	90
ISA/SIPP Eligibility	Yes



Underlying Index Information

Index Name FTSE EPRA/NAREIT United States Dividend +



Top Five Fund Constituents

Simon Property Group		Country of Incorporation: US	
A real estate investment trust operating from five retail real estate platforms: regional malls, Premium Outlet Centres, The Mills, community/lifestyle centres and international properties.			
Market Capitalisation	\$15,085m	Weighting in Fund	9.8%
Return on Equity	18.1%	Net Profit Margin	12.9%
Total Liabilities/Equity	8%	Long Term Debt/Equity	7%
Premium/Discount to NAV	+11%	Current Yield	4.5%
Last Year's EPS Growth	9%	Consensus Forecast EPS Growth	-8%
Public Storage		Country of Incorporation: US	
Activities include the acquisition, development, ownership and operation of self-storage facilities, which offer storage spaces for lease. These facilities are located in the US (Public Storage) and in seven Western European countries (Shurgard Storage Centres).			
Market Capitalisation	\$1,1817m	Weighting in Fund	5.6%
Return on Equity	17.7%	Net Profit Margin	54.7%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Premium/Discount to NAV	+40%	Current Yield	3.2%
Last Year's EPS Growth	1%	Consensus Forecast EPS Growth	2%
Vornado Realty Trust		Country of Incorporation: US	
An integrated real estate investment trust with operating segments including New York Office Properties, Washington, DC Office Properties, Retail Properties, Merchandise Mart Properties and Toys "R" Us (Toys).			
Market Capitalisation	\$8,793m	Weighting in Fund	5.4%
Return on Equity	9.1%	Net Profit Margin	17.1%
Total Liabilities/Equity	3%	Long Term Debt/Equity	3%
Premium/Discount to NAV	+3%	Current Yield	3.0%
Last Year's EPS Growth	-13%	Consensus Forecast EPS Growth	-14%
Boston Properties Inc		Country of Incorporation: US	
Owner and developer of office properties in the United States. The Company's properties are concentrated in five markets: Boston, Washington, D.C, midtown Manhattan, San Francisco and Princeton, New Jersey.			
Market Capitalisation	\$7,254m	Weighting in Fund	4.4%
Return on Equity	3.6%	Net Profit Margin	8.5%
Total Liabilities/Equity	2%	Long Term Debt/Equity	2%
Premium/Discount to NAV	-11%	Current Yield	3.8%
Last Year's EPS Growth	4%	Consensus Forecast EPS Growth	-4%
Equity Residential		Country of Incorporation: US	
Equity Residential is focused on the acquisition, development and management of apartment properties in the United States markets.			
Market Capitalisation	\$5,931m	Weighting in Fund	4.1%
Return on Equity	8.8%	Net Profit Margin	20.0%
Total Liabilities/Equity	2%	Long Term Debt/Equity	2%
Premium/Discount to NAV	+5%	Current Yield	9.1%
Last Year's EPS Growth	-9%	Consensus Forecast EPS Growth	-2%

Continental European Property

Investment Case for Asset Class

Continental European property shares the characteristics of world property, but has the added drawback of serving expensive regulated markets with falling working age populations.

As the long term prospects of property rent on economic growth, the prospective sharp declines in the number of people of working age in countries like Italy, Germany and Spain is worrying.

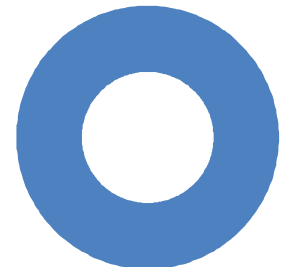
Risks of Asset Class

Despite their attractive long-term returns, it is in the nature of property investment that property has experienced sharp falls in value from time to time. This volatility is magnified in the case of property company shares which, as stock market listed securities, are more volatile than the value of physical properties. Physical property is illiquid and can prove difficult to sell. Property companies often use borrowings to help boost returns. In the more difficult economic environment of the next year or two, tenant demand and rents may fall in some locations and some property companies may struggle to avoid defaulting on their debts.

Representative European Property ETF	
iShares FTSE EPRA NAREIT European Property Fund	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	€217.5m
Base Currency of Index	€
Index	FTSE EPRA/NAREIT Developed Europe ex UK Dividend +
Country of Risk	Europe
Dividend Frequency	Quarterly
Total Expense Ratio	0.40%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	04/11/2005
Tradeable in which Currencies?	£, €
Listed on Exchanges	London Stock Exchange, Borsa Italiana, Frankfurt Stock Exchange, Euronext Amsterdam, Euronext Paris, SIX Swiss Exchange
Method of Index Replication	Replicated
Distributor Status	No
Annualised Tracking Difference Since Inception	-0.21%
Index Rebalancing	Quarterly
Number of Holdings in Fund	47
ISA/SIPP Eligibility	Yes

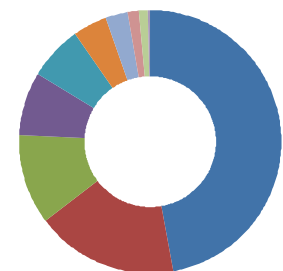
Sector Allocation

Financials 100%



Country Allocation

- France 47%
- Netherlands 17%
- Switzerland 11%
- Sweden 8%
- Belgium 7%
- Germany 4%
- Finland 3%
- Austria 1%
- Italy 1%
- Norway 1%



Underlying Index Information

Index Name FTSE EPRA/NAREIT Developed Europe ex UK Dividend +


Top Five Fund Constituents

Unibail-Rodamco		Country of Incorporation: France	
A commercial property investment company engaged in three business sectors: offices (Paris), shopping centres, and exhibition and convention complexes.			
Market Capitalisation	\$14,112m	Weighting in Fund	26.1%
Return on Equity	-8.7%	Net Profit Margin	-78.4%
Total Liabilities/Equity	1%	Long Term Debt/Equity	1%
Premium/Discount to NAV	-7%	Current Yield	4.7%
Last Year's EPS Growth	8%	Consensus Forecast EPS Growth	6%
Corio		Country of Incorporation: Netherlands	
The company is engaged in the investment, leasing and management of residential and commercial properties, such as shopping and leisure centres, offices and parking lots.			
Market Capitalisation	\$3,988m	Weighting in Fund	7.8%
Return on Equity	-6.9%	Net Profit Margin	-65.7%
Total Liabilities/Equity	1%	Long Term Debt/Equity	1%
Premium/Discount to NAV	-22%	Current Yield	7.2%
Last Year's EPS Growth	0%	Consensus Forecast EPS Growth	4%
Fonciere Des Region		Country of Incorporation: France	
The company has a diversified portfolio of real assets, 68% of which is comprised of office premises in France and Italy. The company is also present in Italy, Germany, Belgium and Portugal.			
Market Capitalisation	\$3,998m	Weighting in Fund	5.0%
Return on Equity	-16.2%	Net Profit Margin	-50.9%
Total Liabilities/Equity	3%	Long Term Debt/Equity	3%
Premium/Discount to NAV	-9%	Current Yield	8.8%
Last Year's EPS Growth	1%	Consensus Forecast EPS Growth	-1%
PSP Swiss Property		Country of Incorporation: Switzerland	
The company has three business units: real estate investment, real estate management and holding (corporate functions). It owns office and commercial properties, plus six development sites throughout Switzerland.			
Market Capitalisation	\$2,386m	Weighting in Fund	4.8%
Return on Equity	8.7%	Net Profit Margin	57.2%
Total Liabilities/Equity	1%	Long Term Debt/Equity	1%
Premium/Discount to NAV	-3%	Current Yield	0.0%
Last Year's EPS Growth	12%	Consensus Forecast EPS Growth	3%
Klepierre		Country of Incorporation: France	
The company is focused on the commercial property market, including shopping centres, retail properties and office properties. It owns, leases and manages real estate assets located in continental Europe.			
Market Capitalisation	\$5,108m	Weighting in Fund	4.6%
Return on Equity	9.3%	Net Profit Margin	25.2%
Total Liabilities/Equity	4%	Long Term Debt/Equity	3%
Premium/Discount to NAV	-20%	Current Yield	6.3%
Last Year's EPS Growth	1%	Consensus Forecast EPS Growth	69%

Asian Property

Investment Case for Asset Class

Far Eastern property serves the growing markets of Asia, both through the high value established centres like Hong Kong, Singapore and Sydney, and the emerging large centres like Shanghai.

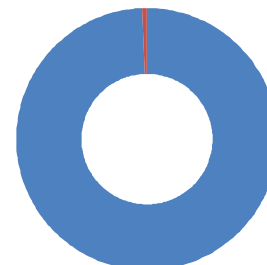
Risks of Asset Class

Despite their attractive long-term returns, it is in the nature of property investment that property has experienced sharp falls in value from time to time. This volatility is magnified in the case of property company shares which, as stock market listed securities, are more volatile than the value of physical properties. Physical property is illiquid and can prove difficult to sell. Property companies often use borrowings to help boost returns. In the more difficult economic environment of the next year or two, tenant demand and rents may fall in some locations and some property companies may struggle to avoid defaulting on their debts.

Representative Asian Property ETF	
iShares FTSE EPRA NAREIT Asia Property Yield Fund	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	\$125.4m
Base Currency of Index	\$
Index	FTSE EPRA/NAREIT
Developed Asia Dividend +	
Country of Risk	Asia
Dividend Frequency	Quarterly
Total Expense Ratio	0.59%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	20/10/2006
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Borsa Italiana, Frankfurt Stock Exchange, Euronext Amsterdam, Euronext Paris, SIX Swiss Exchange
Method of Index Replication	Replicated
Distributor Status	No
Annualised Tracking Difference Since Inception	-0.59%
Index Rebalancing	Quarterly
Number of Holdings in Fund	53
ISA/SIPP Eligibility	Yes

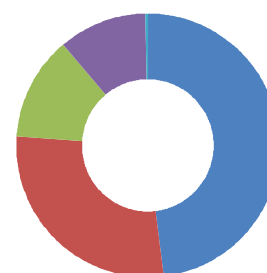
Sector Allocation

- Financials 99%
- Consumer services 1%



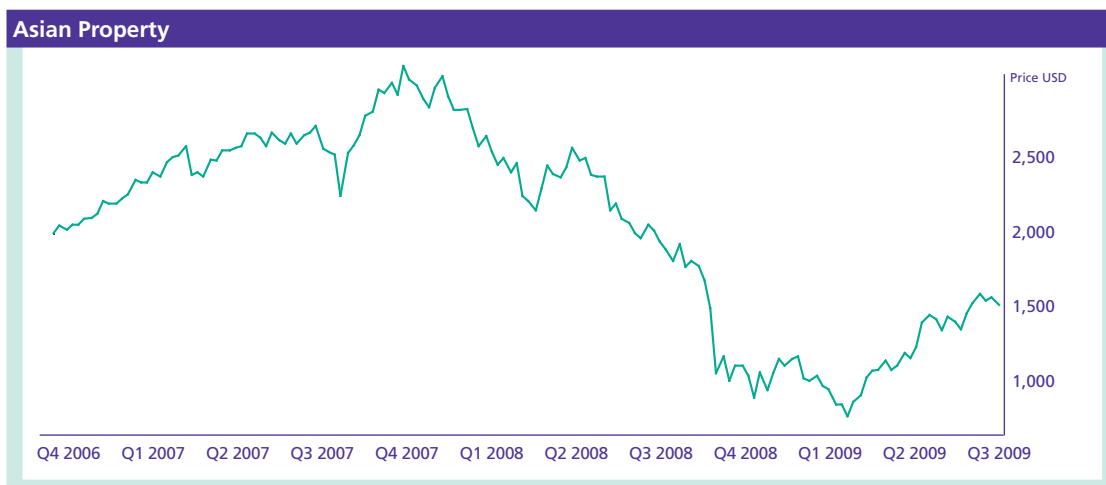
Country Allocation

- Hong Kong 48%
- Australia 28%
- Japan 13%
- Singapore 10%
- New Zealand 1%



Underlying Index Information

Index Name FTSE EPRA/NAREIT Developed Asia Dividend +


Top Five Fund Constituents

Sun Hung Kai Properties		Country of Incorporation: Hong Kong	
The Company specialises in residential and commercial projects for sale and investment. It also has complementary operations in the property-related fields of hotels, financial services, insurance and property management.			
Market Capitalisation	\$37,359m	Weighting in Fund	15.9%
Return on Equity	12.6%	Net Profit Margin	112.8%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Premium/Discount to NAV	+33%	Current Yield	2.2%
Last Year's EPS Growth	4%	Consensus Forecast EPS Growth	-8%
Westfield Group		Country of Incorporation: Australia	
A shopping centre and retail property group with retail space in Australia, New Zealand, the United States and the United Kingdom.			
Market Capitalisation	\$20,889m	Weighting in Fund	13.9%
Return on Equity	-8.9%	Net Profit Margin	-50.5%
Total Liabilities/Equity	1%	Long Term Debt/Equity	1%
Premium/Discount to NAV	+0%	Current Yield	9.5%
Last Year's EPS Growth	23%	Consensus Forecast EPS Growth	-10%
CapitaLand		Country of Incorporation: Singapore	
An investment holding company with its core businesses in real estate, hospitality and real estate financial services which are focused in Asia Pacific, Europe and the Gulf Cooperation Council countries.			
Market Capitalisation	\$11,619m	Weighting in Fund	5.4%
Return on Equity	11.8%	Net Profit Margin	46%
Total Liabilities/Equity	1%	Long Term Debt/Equity	1%
Premium/Discount to NAV	+31%	Current Yield	1.4%
Last Year's EPS Growth	-52%	Consensus Forecast EPS Growth	-17%
Hang Lung Properties Limited		Country of Incorporation: Hong Kong	
A diversified property development company with a portfolio of commercial and retail, office, residential, serviced apartments, industrial/office and car park properties.			
Market Capitalisation	\$14,417m	Weighting in Fund	4.5%
Return on Equity	19.8%	Net Profit Margin	130.6%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Premium/Discount to NAV	+66%	Current Yield	2.5%
Last Year's EPS Growth	142%	Consensus Forecast EPS Growth	-52%
Stockland		Country of Incorporation: Australia	
Engaged in investment in retail, commercial, industrial and office park properties; development of retail, commercial, industrial and office park properties; residential property development; retirement living, development and investment; property trust management; and property management.			
Market Capitalisation	\$6,245m	Weighting in Fund	4.1%
Return on Equity	8.3%	Net Profit Margin	33.9%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Premium/Discount to NAV	+4%	Current Yield	10.5%
Last Year's EPS Growth	5%	Consensus Forecast EPS Growth	-13%

Private Equity

Investment Case for Asset Class

Private Equity revolves around buying controlling stakes in unlisted companies, working with the company management to improve the profitability of the business and then selling it on, often employing heavy borrowings along the way with a view to increasing shareholder returns. Investors participate either by investing in pooled private equity funds which hold a spread of private equity investments or by investing in the listed shares of the specialist private equity management companies that manage these funds and receive a fee and a share of the profits made. Private equity ETFs invest in the latter. Private equity is a comparatively new asset class - its returns are not always transparent but they are generally recognised to have been significantly higher than the returns from ordinary equity investment, helped by the benefits of employing high borrowings and a supportive economic environment. Omnibus investment in private equity management companies through ETFs provides diversification and waters down the high risks that can be present in individual private equity funds. It also provides liquidity which is not available to investors in individual private equity funds.

Risks of Asset Class

Despite their long-term attractions, it is in the nature of equity investment that shares in private equity management companies have experienced considerable volatility. The private equity investments in the funds that they manage are of above average risk as a result of the high borrowings employed and they are illiquid. The more difficult economic environment of the next year or two will be an important test of the extent to which private equity adds real value to businesses as opposed to simply benefitting from gearing up with borrowings. A number of the investments in private equity funds may struggle to avoid defaulting on their debts. The potential returns are well above average but so are the risks.

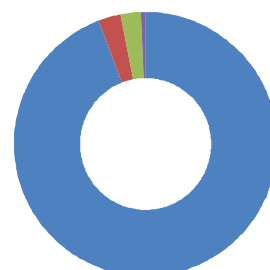
Illustrative Private Equity ETF

iShares S&P Listed Private Equity

Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	\$46.5m
Base Currency of Index	\$
Index	S & P Listed Private Equity
Country of Risk	Global
Dividend Frequency	Semi-Annually
Total Expense Ratio	0.75%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	20/03/2007
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Borsa Italiana, Frankfurt Stock Exchange, Euronext Amsterdam, Euronext Paris, SIX Swiss Exchange
Method of Index Replication	Replicated
Distributor Status	No
Annualised Tracking Difference Since Inception	+2.26%
Index Rebalancing	Semi-Annually
Number of Holdings in Fund	30
ISA/SIPP Eligibility	Yes

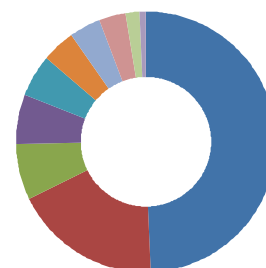
Sector Allocation

- Financials 94%
- Information technology 3%
- Industrials 2%
- Consumer staples 1%



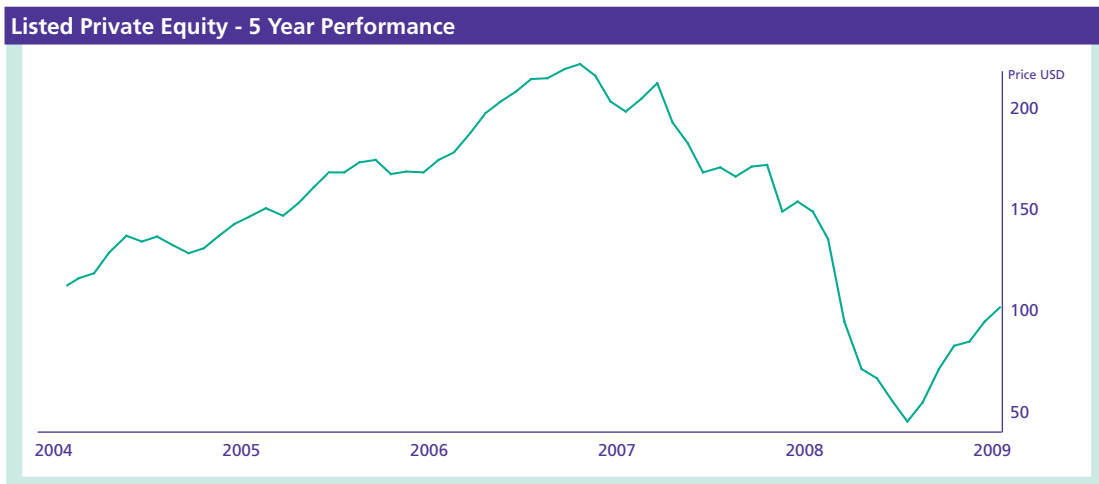
Country Allocation

- US 49%
- UK 19%
- France 7%
- Sweden 6%
- Switzerland 5%
- Japan 4%
- Canada 4%
- Netherlands 4%
- Belgium 1%
- Australia 1%



Underlying Index Information

Index Name S&P Listed Private Equity



Top Five Fund Constituents

Blackstone Group		Country of Incorporation: US	
A global alternative asset manager and provider of financial advisory services operating in four business segments: Corporate Private Equity, Real Estate, Marketable Alternative Asset Management and Financial Advisory.			
Market Capitalisation	\$2,904m	Weighting in Fund	9.0%
Return on Equity	-33.1%	Net Profit Margin	-507.8%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	-	Current Yield	11.0%
Last Year's EPS Growth	-164%	Consensus Forecast EPS Growth	130%
3i Group		Country of Incorporation: UK	
The company operates in the private equity and venture capital business across Europe, the United States and Asia. It focuses on five types of investment: Buyouts, Growth Capital, Venture Capital, Infrastructure investing and smaller quoted companies.			
Market Capitalisation	£2,454m	Weighting in Fund	8.2%
Return on Equity	-104.6%	Net Profit Margin	88.3%
Total Liabilities/Equity	2%	Long Term Debt/Equity	1%
Current PE	-	Current Yield	1.7%
Last Year's EPS Growth	-401%	Consensus Forecast EPS Growth	87%
Fortress Investment		Country of Incorporation: US	
A global alternative asset manager that raises, invests and manages private equity funds and hedge funds. The Company manages alternative assets in two core businesses: private equity funds and hedge funds.			
Market Capitalisation	\$1,484m	Weighting in Fund	7.0%
Return on Equity	-390.4%	Net Profit Margin	-49.6%
Total Liabilities/Equity	17%	Long Term Debt/Equity	9%
Current PE	-	Current Yield	-
Last Year's EPS Growth	-132%	Consensus Forecast EPS Growth	142%
SVB Financial		Country of Incorporation: US	
A diversified financial services company. It offers a range of banking and financial products and services as well as non-banking products and services, such as funds management, private equity investment and equity valuation services.			
Market Capitalisation	\$1,154m	Weighting in Fund	6.4%
Return on Equity	10.2%	Net Profit Margin	21.1%
Total Liabilities/Equity	11%	Long Term Debt/Equity	-
Current PE	48.6	Current Yield	-
Last Year's EPS Growth	-35%	Consensus Forecast EPS Growth	-82%
American Capital		Country of Incorporation: US	
An equity firm and global asset manager. It operates in two segments: investment portfolio and alternative asset management business.			
Market Capitalisation	\$714m	Weighting in Fund	4.8%
Return on Equity	-98.7%	Net Profit Margin	-296.4%
Total Liabilities/Equity	2%	Long Term Debt/Equity	1%
Current PE	-	Current Yield	-
Last Year's EPS Growth	-28%	Consensus Forecast EPS Growth	-65%

Commodities

Investment Case for Asset Class

Commodities are real assets that, in principle, are capable of holding their value against inflation over the years. Some are crops that are regularly replenished but many are finite resources whose prices, other things being equal, should rise over time as they become depleted.

Commodity prices were particularly buoyant in recent years until the autumn of 2008 as demand surged as a result of accelerated industrialisation in the developing world, notably in China. This has extended to agricultural commodities too since meat consumption is increasing in line with rising prosperity, leading to increased demand for cereal-based animal feeds. A number of commodities, such as oil, are also subject to fears over security of supplies and gold has been benefitting from concerns about inflation. Some argue that we are witnessing a commodities "super cycle" that will see prices rising for many years to come.

Commodities are a relatively recent portfolio investment asset class. Investors do not generally want to take physical possession of commodities so until recently they have participated mainly by investing in commodity futures. However, a broad range of single and multiple commodity Exchange Traded Commodities (ETCs) and ETFs have now become available and are proving increasingly popular for their simplicity. ETCs usually invest in physical commodities or specially issued structured notes that are designed to track the commodity futures index in question - unless stated, they do not gear up so most of the money stays on deposit generating an interest return to complement the underlying commodity price return.

Omnibus investment in the broad commodity indices or sub categories through ETCs and ETFs provides diversification and waters down the risks that are present when investing in individual commodities. The collapse of commodity prices during the most intense phase of the Credit Crunch presented an opportunity to buy at cheaper prices.

Risks of Asset Class

Commodities are very volatile in price and have experienced sharp falls in value from time to time. Despite their theoretical attractions as an inflation hedge, most commodity prices were subdued for many years in the 1980s and 1990s reflecting such factors as over-investment in new supply, substitution by cheaper man-made materials and more efficient usage. However compelling the long-term arguments, commodity investment should be regarded as being of above average risk. It should also be noted that Exchange Traded Commodities (ETCs) differ from ETFs in a number of ways. They can involve additional counterparty and other risks and are intended for professional or institutional investors only, or high net worth individuals who are aware of the risks.

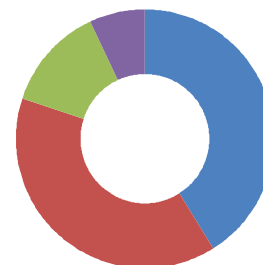
Illustrative Commodities ETF

Lyxor ETF Commodities CRB

Sponsor	Société Générale
Auditors	Ernst & Young
Size of Fund	£44m
Base Currency of Index	\$
Index	Reuters/Jefferies CRB
Country of Risk	Global
Dividend Frequency	n/a
Total Expense Ratio	0.35%
Legal Structure	French SICAV
Custodian	Société Générale
Inception Date	28/06/2007
Tradeable in which Currencies?	£ \$
Listed on Exchanges	London Stock Exchange
Method of Index Replication	Synthetic
Distributor Status	Yes
Annualised Tracking Difference Since Inception	-0.11%
Index Rebalancing	Monthly
Number of Holdings in Fund	19
ISA/SIPP Eligibility	Yes

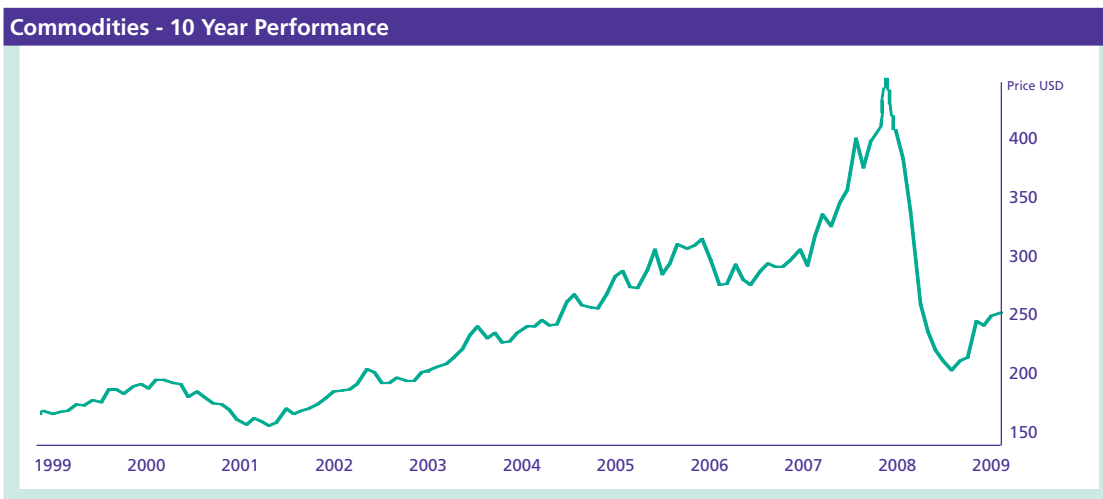
Sector Allocation

- Soft commodities 41%
- Energy 39%
- Basic metals 13%
- Precious metals 7%



Underlying Index Information

Index Name Reuters/Jefferies CRB



Infrastructure

Investment Case for Asset Class

Infrastructure encompasses a broad range of businesses providing essential services such as transport, energy and other utilities. Industrialisation in the developing world and the rapid growth of urban populations is boosting infrastructure spending as is the need for replacement cycle spending in a number of more mature economies. Governments seeking to reflate their economies often spend more on new infrastructure. Infrastructure ETFs invest globally in listed companies that are toll road and bridge operators, airport and port operators, utility companies and gas or petroleum transport companies. Often these are long-life assets with monopoly characteristics that potentially bring a degree of dependability to their returns.

Risks of Asset Class

Despite their long-term attractions, it is in the nature of equity investment that shares in infrastructure companies have experienced considerable volatility. Infrastructure is often a government-regulated business. It is often also environmentally sensitive. The strategic importance and political sensitivity of infrastructure is capable, in the extreme case, of compromising commercial considerations. Many infrastructure businesses are capital intensive so infrastructure companies often have high levels of borrowings.

Illustrative Infrastructure ETF	
iShares S&P Emerging Markets Infrastructure	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	\$23.1m
Base Currency of Index	\$
Index	S & P Emerging Markets Infrastructure
Country of Risk	Global
Dividend Frequency	Semi-Annually
Total Expense Ratio	0.74%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	14/02/2008
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Borsa Italiana, Frankfurt Stock Exchange, Euronext Amsterdam
Method of Index Replication	Replicated
Distributor Status	Yes
Annualised Tracking Difference Since Inception	+0.01%
Index Rebalancing	Semi-Annually
Number of Holdings in Fund	31
ISA/SIPP Eligibility	Yes

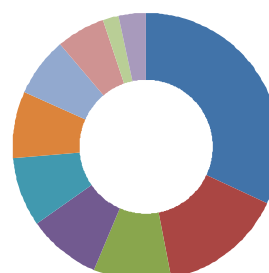
Sector Allocation

- Industrials 41%
- Utilities 37%
- Energy 22%



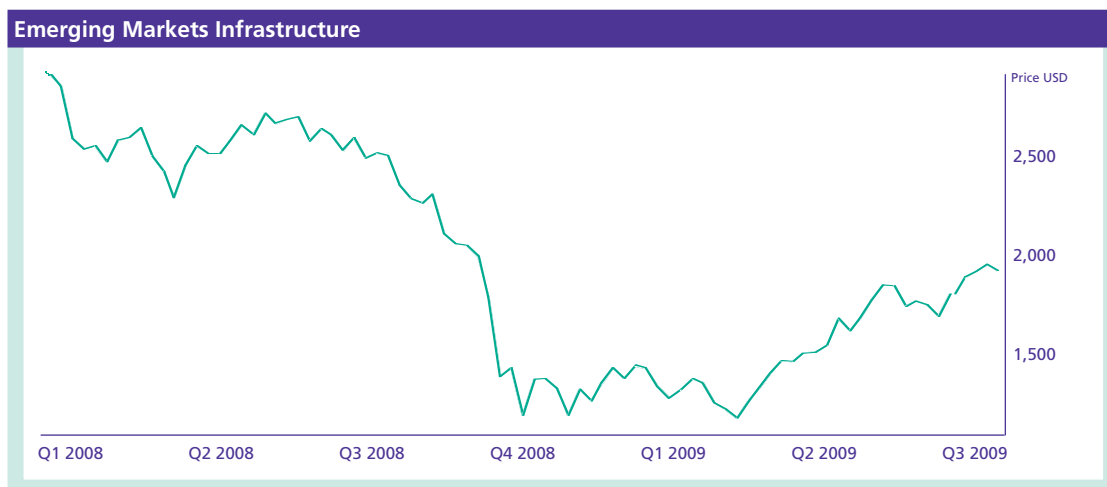
Country Allocation

- Hong Kong 32%
- Brazil 15%
- Argentina 10%
- Malaysia 9%
- SouthKorea 8%
- Chile 8%
- Czech Republic 7%
- Mexico 6%
- UK 2%
- Others 3%



Underlying Index Information

Index Name S&P Emerging Markets Infrastructure



Top Five Fund Constituents

Tenaris		Country of Incorporation: Luxembourg	
Global manufacturer and supplier of tubular products and services used in the drilling, completion and production of oil and gas, and a supplier of tubular products and services used in process and power plants, and in specialized industrial and automotive applications.			
Market Capitalisation	\$21,020m	Weighting in Fund	9.6%
Return on Equity	26.0%	Net Profit Margin	17.5%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	14.7	Current Yield	-
Last Year's EPS Growth	37%	Consensus Forecast EPS Growth	-54%
China Merchants Holdings Intl		Country of Incorporation: Hong Kong	
Engaged in ports and ports-related operations, which include container terminal operation, bulk and general cargo terminal operation, ports transportation, and paint and container manufacturing. It is also involved in toll road operation and property development & investment.			
Market Capitalisation	\$8,054m	Weighting in Fund	9.2%
Return on Equity	12.2%	Net Profit Margin	89.6%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	18.3	Current Yield	2.5%
Last Year's EPS Growth	3%	Consensus Forecast EPS Growth	-19%
Cez AS		Country of Incorporation: Czech Republic	
The company sells electricity, generated in its own facilities, and provides power system ancillary services. It operates 2 nuclear power plants, 19 coal power plants, 35 hydropower plants, 2 sites with wind power plants and one photovoltaic power plant.			
Market Capitalisation	\$28767.83m	Weighting in Fund	7.3%
Return on Equity	26.9%	Net Profit Margin	25.6%
Total Liabilities/Equity	2%	Long Term Debt/Equity	0%
Current PE	9.9	Current Yield	5.4%
Last Year's EPS Growth	23%	Consensus Forecast EPS Growth	9%
China Oilfield Services		Country of Incorporation: China	
A solution provider of integrated oilfield services in China. The company provides four categories of services: drilling services, well services, marine support and transportation services.			
Market Capitalisation	\$7,376m	Weighting in Fund	6.2%
Return on Equity	16%	Net Profit Margin	25.7%
Total Liabilities/Equity	2%	Long Term Debt/Equity	1%
Current PE	11.0	Current Yield	2.2%
Last Year's EPS Growth	9%	Consensus Forecast EPS Growth	-9%
Cia De Concessors Rodoviaria		Country of Incorporation: Brazil	
A holding company, whose principal activity is to operate highways concessions in Latin America.			
Market Capitalisation	\$6,897m	Weighting in Fund	5.4%
Return on Equity	45.2%	Net Profit Margin	26.1%
Total Liabilities/Equity	3%	Long Term Debt/Equity	1%
Current PE	16.4	Current Yield	3.8%
Last Year's EPS Growth	22%	Consensus Forecast EPS Growth	4%

Water

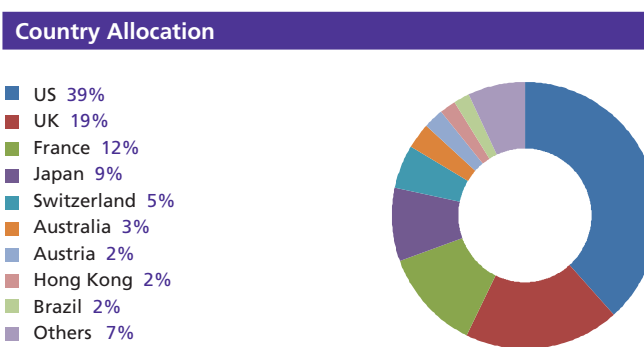
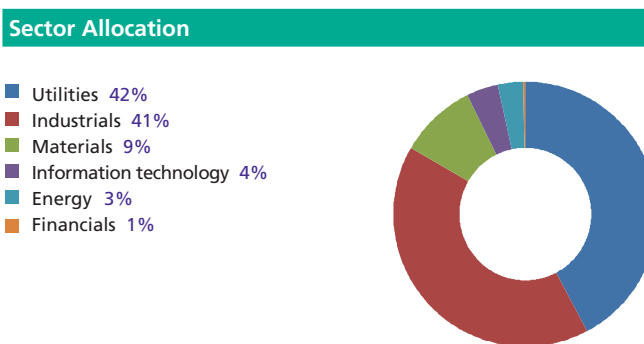
Investment Case for Asset Class

Water is a basic necessity and an increasingly politically sensitive resource. Industrialisation in the developing world and the rapid growth of urban populations is boosting demand for clean water supplies around the world, leading to higher capital spending on water supply and increased investment opportunities. Water ETFs invest globally in listed companies that are water utilities and water infrastructure companies or suppliers of water equipment and materials.

Risks of Asset Class

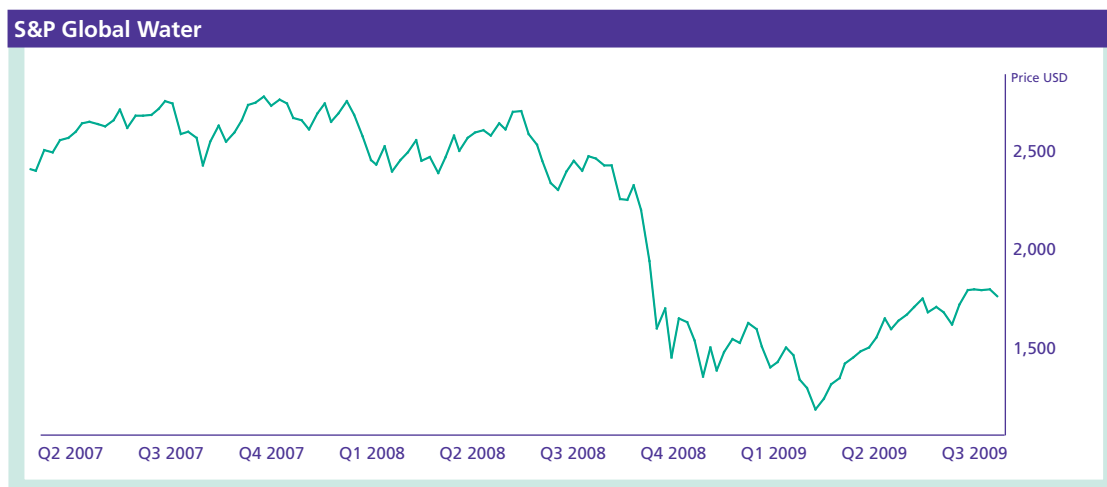
Despite their long-term attractions, it is in the nature of equity investment that shares in water related companies have experienced considerable volatility. Water supply is generally a government-regulated business. It is also environmentally sensitive. The strategic importance and political sensitivity of securing water supplies is capable, in the extreme case, of compromising commercial considerations. Many water businesses are capital intensive so water companies often have high levels of borrowings.

Illustrative Global Water ETF	
iShares S&P Global Water	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	\$133.2m
Base Currency of Index	\$
Index	S & P Global Water
Country of Risk	Global
Dividend Frequency	Semi-Annually
Total Expense Ratio	0.65%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	20/03/2007
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Borsa Italiana, Frankfurt Stock Exchange, Euronext Amsterdam, Euronext Paris, SIX Swiss Exchange
Method of Index Replication	Replicated
Distributor Status	Yes
Annualised Tracking Difference Since Inception	+0.17%
Index Rebalancing	Semi-Annually
Number of Holdings in Fund	50
ISA/SIPP Eligibility	Yes



Underlying Index Information

Index Name S&P Global Water



Top Five Fund Constituents

Veolia Environment		Country of Incorporation: France	
An environmental services company involved in the processing of waste, water distribution and related services, network operation and passenger transport and energy services (heat distribution, thermal services and public lighting).			
Market Capitalisation	\$16,433m	Weighting in Fund	9.4%
Return on Equity	5.8%	Net Profit Margin	1.1%
Total Liabilities/Equity	6%	Long Term Debt/Equity	2%
Current PE	26.8	Current Yield	5.1%
Last Year's EPS Growth	-34%	Consensus Forecast EPS Growth	4%
Kurita Water Industries		Country of Incorporation: Japan	
A comprehensive manufacturer of water treatment equipment. Business developing into pure-water manufacturing systems, environmental facilities and oil purification systems.			
Market Capitalisation	\$4,355m	Weighting in Fund	7.3%
Return on Equity	9.2%	Net Profit Margin	8.2%
Total Liabilities/Equity	0%	Long Term Debt/Equity	-
Current PE	24.5	Current Yield	1.1%
Last Year's EPS Growth	-11%	Consensus Forecast EPS Growth	-5%
United Utilities		Country of Incorporation: UK	
Operates water and waste water systems mainly in the United Kingdom and also manages other infrastructure assets. It provides waste water services in Australia, Bulgaria, Estonia, the Philippines and Poland.			
Market Capitalisation	£3,166m	Weighting in Fund	6.8%
Return on Equity	12.4%	Net Profit Margin	7.4%
Total Liabilities/Equity	6%	Long Term Debt/Equity	4%
Current PE	17.7	Current Yield	7.8%
Last Year's EPS Growth	23%	Consensus Forecast EPS Growth	0%
Nalco Holding Co		Country of Incorporation: US	
A provider of integrated water treatment applications to prevent corrosion, contamination and the build up of harmful deposits. The company operates in three business segments: industrial and institutional services, energy services and paper services.			
Market Capitalisation	\$2,430m	Weighting in Fund	5.6%
Return on Equity	-87.1%	Net Profit Margin	-8.1%
Total Liabilities/Equity	12%	Long Term Debt/Equity	8%
Current PE	-	Current Yield	0.8%
Last Year's EPS Growth	6%	Consensus Forecast EPS Growth	-29%
Severn Trent		Country of Incorporation: UK	
Engaged in the supply of water and the treatment and disposal of sewage. The company is organised into two segments: Severn Trust, providing water and sewerage to domestic and commercial customers in England and Wales; and Severn Trust Services, providing services and products associated with water.			
Market Capitalisation	\$2,303m	Weighting in Fund	5.4%
Return on Equity	-6.1%	Net Profit Margin	-3.5%
Total Liabilities/Equity	7%	Long Term Debt/Equity	5%
Current PE	-	Current Yield	7.5%
Last Year's EPS Growth	-5%	Consensus Forecast EPS Growth	9%

This publication is a description of an investment methodology rather than a research publication. It is provided for information and discussion purposes only. It does not constitute professional advice and does not constitute an offer to sell or a solicitation of an offer to purchase any security or any other investment or product. It does not contain any investment recommendations. Attention is drawn to the important information and risk warnings at the end of the publication.

Clean Energy

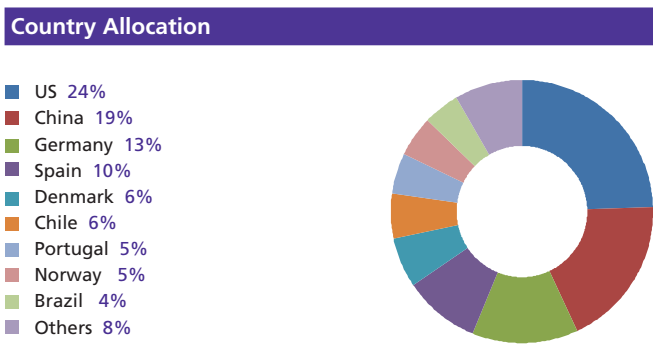
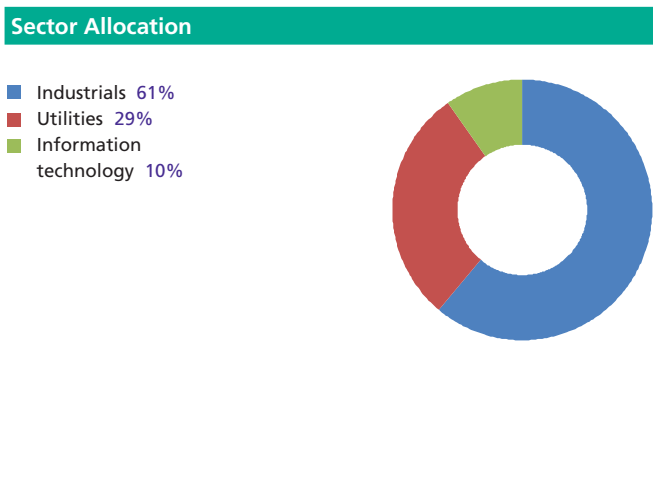
Investment Case for Asset Class

Clean energy ETFs and funds buy shares in companies specialising in green energy – in the makers of windmills, tidal power and heat recycling for example. Most of the world’s governments think global warming is a serious threat, and are following policies to encourage more green energy generation. They offer substantial subsidies to companies in this field. Published figures imply substantial increases in green energy capacity in the years ahead.

Risks of Asset Class

In the end these are just company shares like any others, and they will be mainly affected by the movements of the underlying stock markets. It is easy to pay too much for these shares, as there is great deal of hype surrounding this area of work. The payment of government subsidy does not necessarily mean large and profitable companies will emerge in this area to a greater extent than in other business activities.

Illustrative Global Clean Energy ETF	
iShares S & P Global Clean Energy	
Sponsor	Barclays Global Investors Ltd
Auditors	PricewaterhouseCoopers
Size of Fund	\$127m
Base Currency of Index	\$
Index	S & P Global Clean Energy
Country of Risk	Global
Dividend Frequency	Semi-Annually
Total Expense Ratio	0.65%
Legal Structure	Dublin OEIC
Custodian	Bank of Ireland
Inception Date	06/07/2007
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Borsa Italiana, Frankfurt Stock Exchange, Euronext Amsterdam, Euronext Paris, SIX Swiss Exchange
Method of Index Replication	Replicated
Distributor Status	Yes
Annualised Tracking Difference Since Inception	+0.51%
Index Rebalancing	Semi-Annually
Number of Holdings in Fund	31
ISA/SIPP Eligibility	Yes



Underlying Index Information

Index Name S & P Global Clean Energy


Top Five Fund Constituents

Vestas Wind Systems		Country of Incorporation: Denmark	
The company is primarily in the development, manufacturing, marketing, and maintenance of wind power systems that utilise wind energy to generate electricity.			
Market Capitalisation	\$13,156m	Weighting in Fund	6.0%
Return on Equity	26.14%	Net Profit Margin	8.5%
Total Liabilities/Equity	2%	Long Term Debt/Equity	0%
Current PE	15.9	Current Yield	-
Last Year's EPS Growth	76%	Consensus Forecast EPS Growth	-10%
Empresa Nacional de Electricidad		Country of Incorporation: Chile	
An electric generation company with operations in Chile, Argentina, Colombia and Peru, and an equity interest in Brazil. The company also participates in the engineering services industry and has a tunnel concession.			
Market Capitalisation	\$13,438m	Weighting in Fund	5.5%
Return on Equity	18.7%	Net Profit Margin	17.8%
Total Liabilities/Equity	2%	Long Term Debt/Equity	1%
Current PE	13.5	Current Yield	2.4%
Last Year's EPS Growth	135%	Consensus Forecast EPS Growth	-48%
EDP Renovaveis		Country of Incorporation: Spain	
The company specialises in the production of energy from renewable sources. The company is structured in three business divisions: Renewables North America, Renewables Europe and Renewables Other Regions.			
Market Capitalisation	\$8,793m	Weighting in Fund	5.2%
Return on Equity	2.0%	Net Profit Margin	19.6%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	51.9	Current Yield	-
Last Year's EPS Growth	0%	Consensus Forecast EPS Growth	37%
Gamesa Corp Tecnologica		Country of Incorporation: Spain	
Primarily engaged in the generation and distribution of renewable energy. Activities include the promotion, construction and sale of solar and wind farms, as well as the engineering, design, manufacture and sale of wind turbines.			
Market Capitalisation	\$5,171m	Weighting in Fund	5.1%
Return on Equity	21.3%	Net Profit Margin	8.8%
Total Liabilities/Equity	2%	Long Term Debt/Equity	0%
Current PE	19.4	Current Yield	1.3%
Last Year's EPS Growth	-29%	Consensus Forecast EPS Growth	-5%
Suntech Power Holdings		Country of Incorporation: China	
A solar energy company that designs, develops, manufactures and markets a variety of photovoltaic cells and modules. It also provides PV system integration services in China.			
Market Capitalisation	\$2,910m	Weighting in Fund	5.1%
Return on Equity	8.2%	Net Profit Margin	4.6%
Total Liabilities/Equity	2%	Long Term Debt/Equity	1%
Current PE	-	Current Yield	-
Last Year's EPS Growth	2%	Consensus Forecast EPS Growth	7%

Money Markets

Investment Case for Asset Class

Cash is a better asset class than many assume, provided that real interest rates continue to be available by virtue of being used by policy-makers as a primary tool in containing inflation. However the sharp move down in interest rates on both sides of the Atlantic makes cash currently much less attractive despite its safe haven status.

Risks of Asset Class

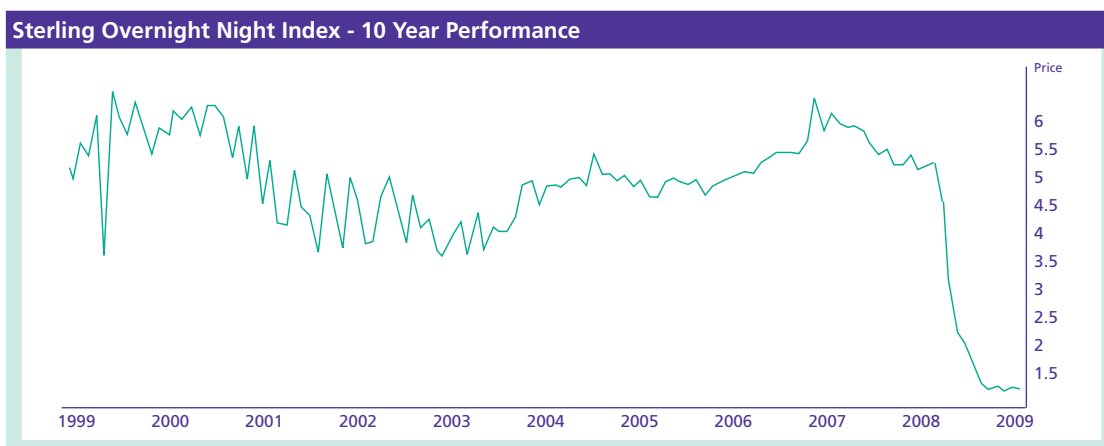
Holding cash in a currency other than your base currency exposes an investor to fluctuations in exchange rates. Many countries would like their own currency to be lower to help rebalance trade deficits even though they will not all be able to achieve this.

Illustrative Money Market ETF

db x-trackers Sterling Money Market ETF	
Sponsor	Deutsche Bank AG
Auditors	Ernst & Young
Size of Fund	£31.5m
Base Currency of Index	£
Index	SONIA Total Return
Country of Risk	UK
Dividend Frequency	n/a
Total Expense Ratio	0.15%
Legal Structure	Luxembourg SICAV
Custodian	State Street Bank
Inception Date	09/04/2008
Tradeable in which Currencies?	£
Listed on Exchanges	London Stock Exchange
Method of Index Replication	Synthetic
Distributor Status	No
Annualised Tracking Difference Since Inception	-0.15%
Index Rebalancing	n/a
Number of Holdings in the Underlying Index	n/a
ISA/SIPP Eligibility	Cash Only ISA / SIPP Yes

Underlying Index Information

Index Name SONIA Total Return Index



Hedge Fund

Investment Case for Asset Class

Those who believe that active managers can beat indices may well favour hedge funds. In these funds well paid specialists pit their wits against the markets, using leverage, concentration and quick movements of positions to try to generate good returns.

Risks of Asset Class

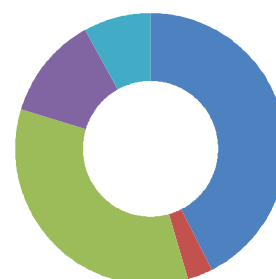
As 2008 demonstrated, it is easy for hedge funds to get their bets wrong and to lose serious money. The funds typically charge 2% per annum and take one fifth of the gains above a threshold, so they need to be very good to allow clients to win regularly. We do not think this model can work, given the high fees and charges.

Illustrative Hedge Fund ETF

db x-trackers Hedge Fund Index ETF	
Sponsor	Deutsche Bank AG
Auditors	Ernst & Young
Size of Fund	€163m (all share classes)
Base Currency of Index	£
Index	db HEDGE FUND INDEX (GBP Hedged)
Country of Risk	Global
Dividend Frequency	n/a
Total Expense Ratio	0.90%
Legal Structure	Luxembourg SICAV
Custodian	State Street Bank
Inception Date	01/07/2009
Tradeable in which Currencies?	GBP
Listed on Exchanges	London Stock Exchange, Frankfurt Stock Exchange (EUR Hedged)
Method of Index Replication	Synthetic
Distributor Status	Will be applied for
Annualised Tracking Difference Since Inception	-0.90%
Index Rebalancing	Quarterly
Number of Holdings in the Underlying Index	~40
ISA/SIPP Eligibility	Yes

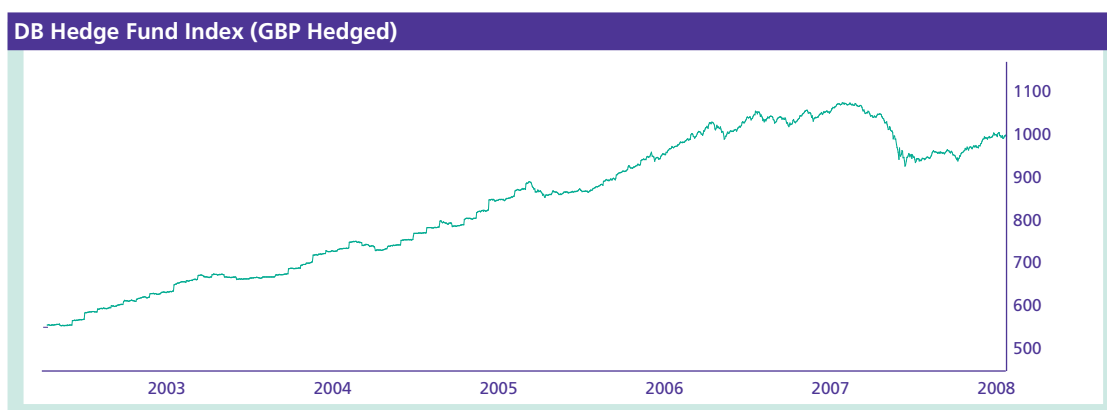
Components of the db Hedge Fund Index

- Equity hedge 42%
- Event driven 34%
- Systematic macro 12%
- Credit & convertible arbitrage 8%
- Market neutral 3%



Underlying Index Information

Index Name db HEDGE FUND INDEX (GBP Hedged)



Other Tracking Products

Although this publication focuses on Exchange Traded Funds there are other index tracking funds and exchange traded products available which investors can use to implement an investment policy.

These are designed to track their respective indices and have some features similar to Exchange Traded Funds but they are structured differently.

The final part of this section includes some of these index tracking products for illustrative purposes.

Agriculture

Investment Case for Asset Class

The case for buying soft commodities is similar to the case for oil. The rapid development of India, China and other emerging market economies will generate a lot more demand for food. The world population is expanding, and the population of people able to afford a decent diet is expanding. As people grow richer they wish to eat more meat, which in turn requires growing more grains to feed the animals. Investment can be undertaken through futures and options to avoid delivery and storage problems. Drought, poor weather, storms and hurricanes destroy or weaken crops creating shortages.

Risks of Asset Class

As food prices rise the available area for agriculture can be expanded. New technology may help deal with possible scarcity. Prolonged periods of good growing weather can lower prices.

Illustrative Exchange Traded Commodity

ETFs Agriculture DJ-UBSCI	
Sponsor	ETFs Commodity Securities Limited
Auditors	Ernst & Young
Trustee	The Law Debenture Trust Corporation
Size of Fund	\$853.4m
Base Currency of Index	\$
Index	DJ-UBS Agriculture Sub-Index
Country of Risk	n/a
Dividend Frequency	n/a
Total Expense Ratio	0.49%
Legal Structure	Secured (100% collateralised, undated, debt security)
Custodian	BNY Mellon (Collateral Manager)
Inception Date	09/2006
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Deutsche Borse, NYSE Euronext, Borsa Italiana
Method of Index Replication	Futures
Distributor Status	n/a
Annualised Tracking Difference Since Inception	-0.99%
Index Rebalancing	Yearly
Number of Holdings in Fund	n/a
ISA/SIPP Eligibility	Yes

THIS IS AN EXCHANGE TRADED COMMODITY NOT AN ETF

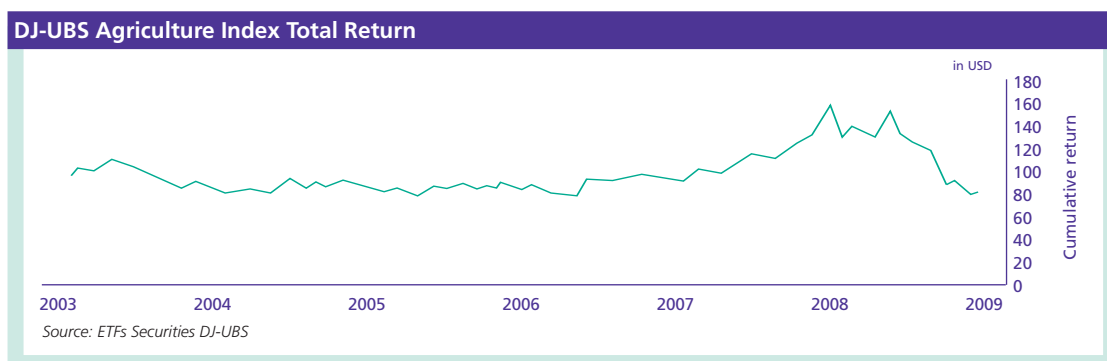
Sector Allocation

- Soybeans 27%
- Corn 18%
- Wheat 16%
- Cotton 8%
- Sugar 10%
- Coffee 11%
- Soybean oil 10%



Underlying Index Information

Index Name DJ-UBS Agriculture Sub-Index



UK Equities

Investment Case for Asset Class

UK equities have been a successful asset class in protecting the investor's capital against inflation and providing participation in the fruits of the long-term growth in the economy over the long term. Most big UK companies are now multinationals so investment in UK equities provides a high level of participation in the global economy too. The last ten years have been disappointing, with sharp price falls up to March 2009.

Risks of Asset Class

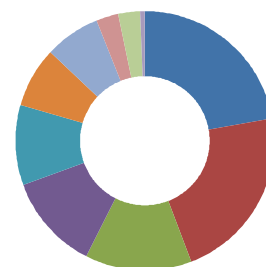
Despite their attractive long-term returns, it is in the nature of equity investment that UK equities have experienced considerable volatility. Furthermore, the UK is a mature economy with an ageing population, high levels of personal debt and large trade and budget deficits. This threatens some combination of lower growth and higher inflation in due course. It should also be noted that the UK equity market is unusually highly concentrated in financial and natural resource stocks.

Illustrative UK Equity Index Fund	
Vanguard UK Equity Index Fund	
Company	Vanguard Investments Funds ICVC
Authorised Corporate Director	Vanguard Investments UK, Limited
Auditors	PricewaterhouseCoopers LLP
Size of Fund	not available
Base Currency of Index	£
Index	FTSE All-Share
Country of Risk	UK
Dividend Frequency	Income and Accumulation shares
Total Expense Ratio	0.15%
Purchase Fee	0.5% SDRT
Redemption Fee	n/a
Legal Structure	OEIC
Custodian	State Street Bank & Trust Company
Inception Date	23/06/2009
Tradeable in which Currencies?	£
Listed on Exchanges	n/a
Method of Index Replication	Replicated
Distributor Status	n/a
Annualised Tracking Difference Since Inception	n/a
Index Rebalancing	Quarterly
Number of Holdings in the Underlying Index	622

THIS IS AN INDEX FUND NOT AN ETF

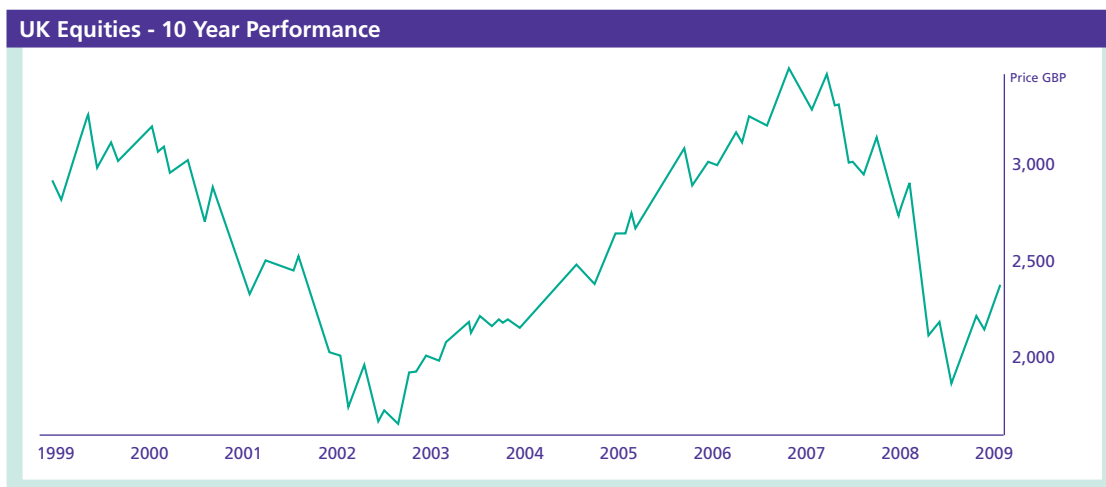
Sector Allocation

- Financials 22%
- Oil & gas 22%
- Consumer goods 13%
- Basic materials 12%
- Healthcare 10%
- Consumer services 7%
- Telecommunications 7%
- Industrials 3%
- Utilities 3%
- Technology 1%



Underlying Index Information

Index Name FTSE All-Share



Top Five Index Constituents

HSBC		Country of Incorporation: UK	
Banking and financial services organisation operating in 80 countries. The business is managed through two customer groups: Personal Financial Services and Commercial Banking, and two global businesses Global Banking & Markets and Private Banking.			
Market Capitalisation	£113,206m	Weighting in Index	7.6%
Return on Equity	6.1%	Net Profit Margin	13.5%
Total Liabilities/Equity	26%	Long Term Debt/Equity	-
Current PE	203.9	Current Yield	3.8%
Last Year's EPS Growth	-12%	Consensus Forecast EPS Growth	-68%
BP		Country of Incorporation: UK	
The company has 3 business segments: Exploration & Production (oil and natural gas), Refining & Marketing (crude oil, petroleum, chemicals) and Gas, Power and Renewables (LNG, natural gas liquids, low-carbon power generation through alternative energy business).			
Market Capitalisation	£97,277m	Weighting in Index	6.9%
Return on Equity	23.2%	Net Profit Margin	5.9%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	8.4	Current Yield	7.9%
Last Year's EPS Growth	51%	Consensus Forecast EPS Growth	-53%
Vodafone		Country of Incorporation: UK	
Provider of voice and data communications services for both consumer and enterprise customers. This includes voice, text messages, picture messages and other data services provided through both prepaid and contract tariff arrangements.			
Market Capitalisation	£67,949m	Weighting in Index	4.9%
Return on Equity	3.6%	Net Profit Margin	7.5%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	22.1	Current Yield	6.7%
Last Year's EPS Growth	38%	Consensus Forecast EPS Growth	-16%
GlaxoSmithKline		Country of Incorporation: UK	
Global healthcare group engaged in the creation, discovery, development, manufacture and marketing of pharmaceutical and consumer health-related products. Operates in two segments: Pharmaceuticals, and Consumer Healthcare (including oral care and nutritional healthcare).			
Market Capitalisation	£60,653m	Weighting in Index	4.2%
Return on Equity	58.0%	Net Profit Margin	18.90%
Total Liabilities/Equity	4%	Long Term Debt/Equity	2%
Current PE	13.2	Current Yield	5.5%
Last Year's EPS Growth	6%	Consensus Forecast EPS Growth	13%
Royal Dutch Shell		Country of Incorporation: UK	
The company is engaged globally in all aspects of the oil and natural gas industry including interests in chemicals, power generation and renewable energy. The business segments are Exploration & Production, Gas & Power, Oil Sands, Oil Products and Chemicals.			
Market Capitalisation	£99,202m	Weighting in Index	4.1%
Return on Equity	20.6%	Net Profit Margin	5.7%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	6.0	Current Yield	7.7%
Last Year's EPS Growth	14%	Consensus Forecast EPS Growth	-45%

Japanese Equities

Investment Case for Asset Class

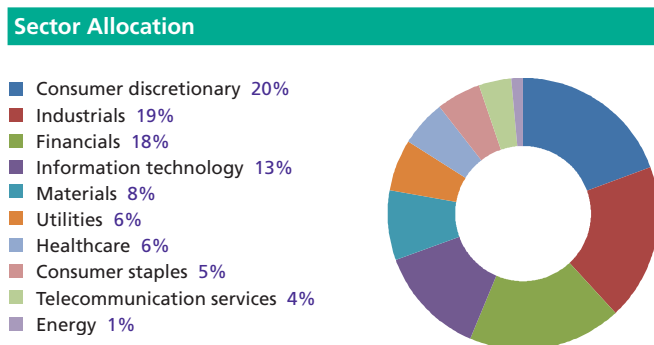
Japan is the world's second biggest economy with a particularly strong export sector. Many big Japanese companies are now multinationals so investment in Japanese equities provides a high level of participation in the global economy too. Japanese shares were a good investment for three decades to 1990. Since then there has been a big decline followed by trading ranges well below previous peaks.

Risks of Asset Class

Despite their attractive long-term returns, it is in the nature of equity investment that Japanese equities have experienced considerable volatility. Furthermore, their returns have lagged other equity markets considerably and their attractive long-term return was all earned in the 1980s - returns since 1990 have been poor. The problem is that Japan is still recovering from the aftermath of its extraordinary 1980s bubble whose bursting ushered in an era of deflation, asset price collapses, shattered consumer confidence and negligible growth. Japan also suffers from an ageing population which poses a long-term threat to growth and competitiveness. Despite the stimulus of strong export markets and the buoyancy of neighbouring Asian economies, Japan's problems have acquired an intractable air - there is considerable scope for recovery but there have been many false dawns. Also, the Japanese corporate governance environment is less supportive to secure equity investment than in some other major investment territories.

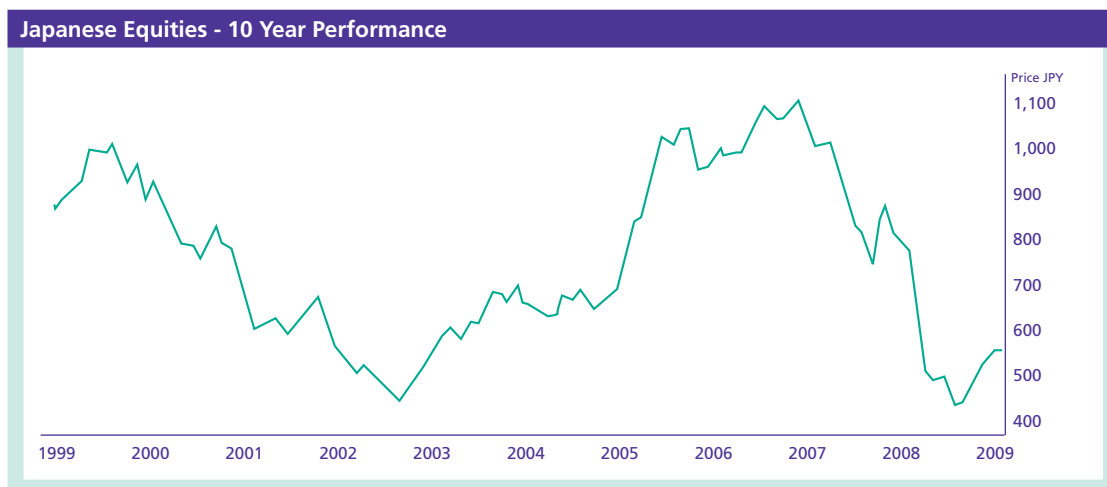
Illustrative Japanese Equity Index Fund	
Vanguard Japan Stock Index Fund	
Company	Vanguard Group (Ireland) Limited
Investment Managers	The Vanguard Group
Auditors	PricewaterhouseCoopers LLP
Size of Fund	n/a
Base Currency of Index	\$
Index	MSCI Japan
Country of Risk	Japan
Dividend Frequency	Income and Accumulation shares
Total Expense Ratio	0.30%
Purchase Fee	n/a
Redemption Fee	n/a
Legal Structure	OEIC
Custodian	J.P. Morgan Bank (Ireland) plc
Inception Date	23/06/2009
Tradeable in which Currencies?	£, €, \$, ¥
Listed on Exchanges	n/a
Method of Index Replication	Replicated
Distributor Status	Applying For
Annualised Tracking Difference Since Inception	n/a
Index Rebalancing	Quarterly
Number of Holdings in the Underlying Index	382

THIS IS AN INDEX FUND NOT AN ETF



Underlying Index Information

Index Name MSCI Japan



Top Five Index Constituents

Toyota Motor		Country of Incorporation: Japan	
Designs, manufactures, assembles and sells passenger cars, minivans and trucks. It also has a financial services business which provides financing to dealers and their customers for the purchase or lease of Toyota vehicles.			
Market Capitalisation	\$147,438m	Weighting in Index	4.1%
Return on Equity	-4.3%	Net Profit Margin	-2.1%
Total Liabilities/Equity	2%	Long Term Debt/Equity	1%
Current PE	-	Current Yield	2.5%
Last Year's EPS Growth	-126%	Consensus Forecast EPS Growth	63%
Mitsubishi UFJ Financial Group		Country of Incorporation: Japan	
A commercial and trust bank formed through the merger of MTFG and UFJ Holdings. It provides a range of domestic, international banking and trust services to meet the financing and investment needs of clients in Japan and worldwide.			
Market Capitalisation	\$73,110m	Weighting in Index	2.6%
Return on Equity	-3.8%	Net Profit Margin	-13.0%
Total Liabilities/Equity	28%	Long Term Debt/Equity	-
Current PE	-	Current Yield	2.0%
Last Year's EPS Growth	-141%	Consensus Forecast EPS Growth	205%
Honda		Country of Incorporation: Japan	
The company is involved in the development, production and sale of various motor products (vehicles and personal watercrafts). It operates through four segments: Two-Wheel, Four-Wheel, Financial and General-purpose & Others.			
Market Capitalisation	\$58,455m	Weighting in Index	2.0%
Return on Equity	-3.6%	Net Profit Margin	5.0%
Total Liabilities/Equity	1%	Long Term Debt/Equity	0%
Current PE	-	Current Yield	1.6%
Last Year's EPS Growth	-77%	Consensus Forecast EPS Growth	-27%
Canon		Country of Incorporation: Japan	
A manufacturer of digital multifunction devices, plain paper copying machines, laser beam printers, inkjet printers, cameras, scanners, broadcasting equipment and medical equipment.			
Market Capitalisation	\$47,433m	Weighting in Index	1.7%
Return on Equity	11.6%	Net Profit Margin	7.6%
Total Liabilities/Equity	0%	Long Term Debt/Equity	0%
Current PE	32.8	Current Yield	3.3%
Last Year's EPS Growth	-35%	Consensus Forecast EPS Growth	-62%
Sumitomo Mitsui Financial Group		Country of Incorporation: Japan	
A Japanese financial group, the third largest bank in Japan. It holds assets of around US \$1.3 trillion and is one of the largest companies of the Sumitomo Group.			
Market Capitalisation	\$42,979m	Weighting in Index	1.6%
Return on Equity	-15.1%	Net Profit Margin	-27.9%
Total Liabilities/Equity	47%	Long Term Debt/Equity	-
Current PE	-	Current Yield	2.3%
Last Year's EPS Growth	-184%	Consensus Forecast EPS Growth	146%

Crude Oil

Investment Case for Asset Class

There is a supply and a demand argument for buying and holding oil. The easiest and cheapest reserves in the world have been well worked over, and it is proving difficult and expensive to find replacements. Meanwhile India, China and the other emerging economies will need ever larger quantities of oil and oil based products to fuel their economic growth and their higher living standards.

Investors can buy into oil through futures and options, so they do not need to own and store the black liquid themselves. The investment funds that do this keep cash on deposit as security for the futures contracts they have bought with a portion of their money.

Risks of Asset Class

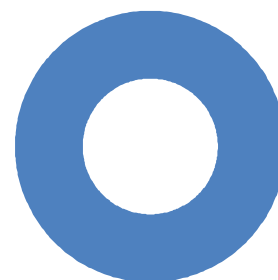
There is often substantial speculative money in oil futures, which can disappear as rapidly as it came. The oil price fell sharply from over \$140 a barrel to under \$40 a barrel last year. As oil prices rise so more marginal fields become worthwhile and areas like the Tar sands in Canada can become exploitable.

Illustrative Exchange Traded Commodity	
ETFS Crude Oil	
Sponsor	ETFS Commodity Securities Limited
Auditors	Ernst & Young
Trustee	The Law Debenture Trust Corporation
Size of Fund	\$423.6m
Base Currency of Index	\$
Index	DJ-UBS Crude Oil Sub-Index
Country of Risk	n/a
Dividend Frequency	n/a
Total Expense Ratio	0.49%
Legal Structure	Secured, (100% Collateralised) undated, debt security
Custodian	BNY Mellon
Inception Date	09/2006
Tradeable in which Currencies?	£, \$, €
Listed on Exchanges	London Stock Exchange, Deutsche Borse, NYSE Euronext, Borsa Italiana
Method of Index Replication	Futures
Distributor Status	n/a
Annualised Tracking Difference Since Inception	-0.99%
Index Rebalancing	n/a
Number of Holdings in Fund	n/a
ISA/SIPP Eligibility	Yes

THIS IS AN EXCHANGE TRADED COMMODITY NOT AN ETF

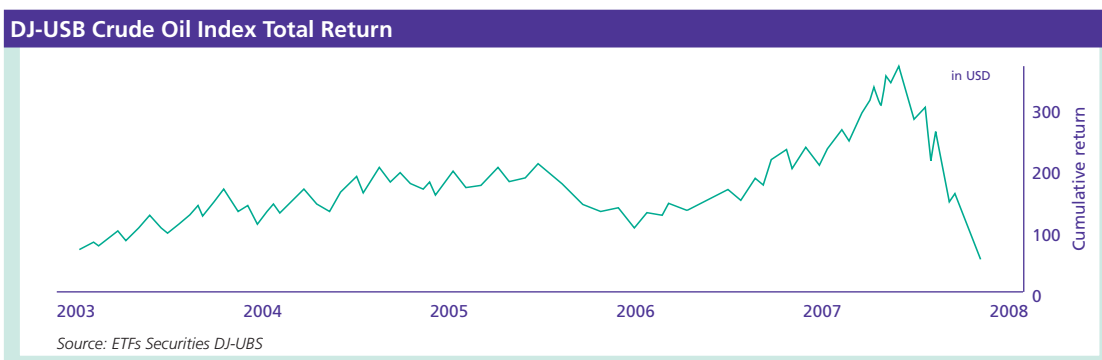
Allocation

■ Crude oil 100%



Underlying Index Information

Index Name DJ-UBS Crude Oil Sub-Index



Important Notices and Risk Warnings

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ETFs generally do not enjoy the protection provided by the UK regulatory system and compensation will not be available under the UK Financial Services Compensation Scheme in the event of their default.

This publication was written in July and August 2009 and the data used was collected during July and August 2009. The source of the index charts and company information contained in Part Three is Reuters and the various ETF/ETC providers.

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About Evercore Pan-Asset

We are an independent firm that specialises in private client and charity investment.

Our investment methodology is based on five propositions:

- Successful asset allocation is the key to achieving good investment performance.
- Most stock picking is a costly failure – index tracking is much more effective.
- Investment should be approached on a global basis and recognise that relative economic progress is moving us from an Atlantic-centric world to a more Pacific-centric world.
- Real Assets, such as equities and property, represent a stake in economic progress and thereby provide a rising income stream. Over time, they will provide significantly higher returns to the long term investor than monetary assets such as bonds and cash which are at the mercy of inflation.
- Alternative investments have an important role to play.

Our aim is to earn attractive investment returns for our clients primarily by getting their asset allocation right. We use index tracking funds, principally through Exchange Traded Funds throughout the process as our portfolio building blocks.



John Redwood held senior investment roles at Robert Fleming and NM Rothschild in the 1970s and 1980s. Since, he has been a Pension trustee, Investment Committee member for an Oxford College, Chairman of an investment company and a non-executive Director of a hedge fund and an Investment Trust. An early advocate of tracker funds, he has written extensively on economics and investment.



Christopher Aldous has been involved in wealth management since joining Cazenove in 1981. He has since been a Director of Barclays de Zoete Wedd, an Executive Director of UBS and a Managing Director of Robertson Stephens, the US technology investment bank. He co-founded Absolute Fund Management in 2001, where he managed a fund of hedge funds and was Chief Executive Officer until 2007.



Guy Davies was until recently Head of Charities at Barclays Wealth in London. After a commission in the Army he began his career in investment management at Barclays Private Bank in 1994, followed by roles as private client and charities Director at UBS Warburg, Lazard and Barings. He is a Trustee and Investment Committee member of the Army Benevolent Fund and Army Central Fund.



Jane Bransgrove worked as an investment manager at Sarasin Chiswell (formerly Cantrade) for over 13 years with responsibility for private clients, charities and investment strategy implementation. She is an Associate member of the CFA Society of the UK and holds a degree in Accounting and Financial Management from Loughborough University.

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