



We all knew the credit crisis, the latest facet of which is the eurozone crisis would inevitably bring about a new normality. Shifts in global economic activity, and consequentially patterns of behaviour, are becoming ever clearer as the geographic summaries set out below demonstrate.

It is the anticipation and tracking of these changes that will enable appropriate investment strategies to be developed. All our clients have received, or will shortly be receiving, a report specific to their portfolios based on a reassessment of risk, and we continue to seek well located property for our syndicated property investment initiative.

Our structured products have proved invaluable in providing resilience in the difficult conditions faced in recent years, and we are increasingly confident that these will continue to provide attractive returns.

Foreword by Bob Woods
Chairman

Set out below is an update on some of the current salient issues:

Greece

With the backdrop of riots, social unrest and a three-year recession a second bail-out programme has been agreed for Greece. The accord will force Greece to implement severe economic policies including a reduction in wages, pension provision and jobs, but it will allow them to avoid a potentially hazardous default on their debt in the near-term.

The lending criteria is strict: the loans can only be used for debt restructuring and repayments as well as liquidity for Greece's fragile banking industry; next to nothing will go directly to help the Greek economy. In return, Greece must reduce its debt to 120% of GDP by 2020 and ensure a change to its constitution to ensure debt repayments are given the highest priority. This deal will allow Greece short-term relief, but the threat of a precarious decade for Greece remains.

UK

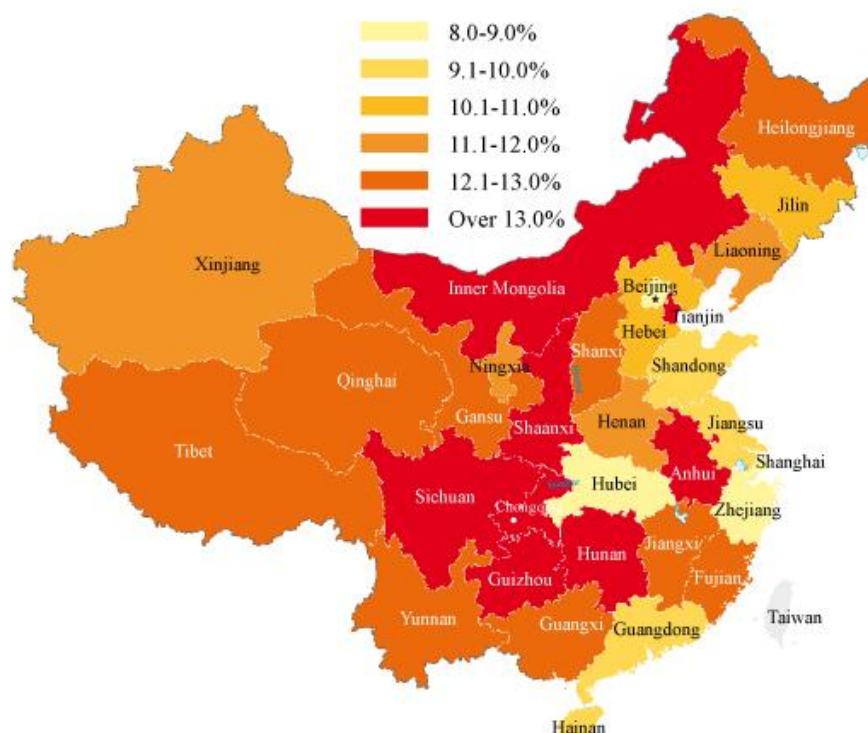
UK unemployment increased by 48,000 to 2.67 million (8.4%) in the three months to December 2011 (the highest since November 1995) despite the number of people in work increasing by 60,000 to 29.13 million (70.3%). The reason for the paradox is the increase in part-time workers and that there are more people classified as economically active. There are now a record number of part-time workers in the UK rising 83,000 on the quarter to 1.35 million. The Consumer Price Index (CPI) measure of inflation fell to 3.6% in January 2012, from 4.2% in December 2011. The potential for CPI to fall below the 2% target has resulted in the Bank of England increasing the quantitative easing programme by a further £50 billion bringing the total to £325 billion.



Asia/China

Provisional results show that the Chinese economy grew by 9.2% to \$7.26 trillion in 2011 (2010: 10.2%). Although the annual growth rate has slowed from 2010, it is 1.2% higher than the Government target growth rate of 8%. Set out below is the provincial growth for China. The highest growth is concentrated in the mid-west region, away from Guangdong, Jiangsu and Shandong – the three largest provinces within the country which, on their own, would register in the top 20 economies in the world. By way of comparison, and perspective, there are ten provinces larger than the Greek economy with four of them more than double the size of the Greek economy.

Provincial GDP Statistics



Source: china-briefing.com

US

Yields on investment grade corporate bonds have fallen to 3.34% as demand for high-quality company debt has grown as investors turn to alternatives to US Treasuries given their current historic low yields. This has allowed large corporations to borrow billions of dollars on the cheap; for example: Disney recently raised \$1 billion from selling five-year bonds at 1.125% per annum.

This could partly explain the recent upturn in the employment market as companies are re-investing the proceeds and acquiring more staff - the US jobless claims fell this week by 13,000 to a near four-year low of 348,000.

US congressional leaders have agreed an extension to the payroll tax cut to see it through until December. This is a major coup for the Obama administration leading into the presidential election in November. It is likely to help 160 million Americans with a projected extra \$1,000 into the pockets of the average American working family.



Equity indices

	10 Feb	16 Feb	% week	% YTD
FTSE 100	5,895.47	5,885.38	-0.17	3.25
S&P 500	1,351.95	1,358.04	0.45	6.34
Nikkei	9,002.24	9,238.10	2.62	7.92
DJ Euro Stoxx 50	2,522.34	2,489.35	-1.31	4.16
Hang Seng	21,010.01	21,277.28	1.27	12.71

% is in local currency. Latest figures are opening levels

Bond yields

	10 Feb	16 Feb	% week	% YTD
Gilt	2.25	2.12	-5.78	4.95
US Treasury	2.05	1.99	-2.93	1.53
German Bund	2.03	1.89	-6.90	-1.05
UK Corporate	5.41	5.37	-0.74	-3.07

All government bond yields are 10yr. Corporate bond yield is weighted average. % change is change in yield, not price

Currency rates

	10 Feb	16 Feb	% week	% YTD
GBP/USD	1.582	1.584	-0.57	0.76
GBP/EUR	1.201	1.191	1.39	0.79
GBP/JPY	120.500	122.500	1.36	3.47
USD/EUR	0.7590	0.752	1.97	0.10

Ben Wattam
Investment Manager

Investment update**Structured products**

The Global Equity Income and Global Equity Kick-Out plans are open for investment until Thursday 8 March. The structure of the plans tends to work well in volatile markets as they do not need high levels of growth to benefit from the attractive 10% income and 8% kick-out annual returns. For full information on these or future investments please refer to your consultant at the earliest opportunity, or alternatively please [click here](#).

The Investec FTSE 100 Kick-Out Deposit Plan 10 (option 1) has its first observation point on 22 March. The plan will kick-out with the return of capital plus a 13% return if the average of the FTSE 100 is above 5644.54 over the last five working days up to 22 March. We will be writing to clients who invested in the plan shortly to advise them of the potential early maturity.

Ben Wattam
Investment Manager



Property

Custodian Capital, which is part of the Mattioli Woods plc group of companies, has recently completed the funding of its latest property partnership at 105-115 Brighton Road, Redhill, Surrey. Investors raised over £1.7 million in denominations of between £10,000 and £50,000 to fund this car showroom investment, let to Honda Motor Europe Limited. The property occupies a prominent location on Brighton Road (A23), a short distance from Redhill railway station and the town centre. Nearby occupiers include Mercedes Benz, Ford, Halfords, Pets at Home, Brewers and Majestic Wine Warehouse. In addition there are a number of new residential developments benefiting from this highly accessible location. The property offers secure medium-term income and long-term redevelopment opportunities.

The partnership was structured as an income partnership with forecast income distributions of over 6.65% per annum, subject to the settlement of an outstanding rent review, from year two onwards.

The partnership was launched in late December and was fully subscribed by the end of January, demonstrating the strong demand for syndicated commercial property. The high income returns and long, secure and predictable income derived from commercial property remains popular in context of the low returns and volatility of the wider economy.

Custodian Capital is currently raising funds for a new property opportunity in Macclesfield, Cheshire. The property comprises two retail warehouse units let to Travis Perkins (Properties) Limited t/a Tile Giant and Dreams plc for ten and nine years respectively in this affluent Cheshire town. The retail warehouse sector of the commercial property market has been a perennially strong performer and in recent years rents have been much more resilient to the economic turmoil than on the high street. Custodian Capital has a pipeline of opportunities with tenants such as Royal Mail Group Limited, Premier Inn Hotels Limited, Prezzo plc and an NHS Trust. For full information on these or future investments please refer to your consultant at the earliest opportunity, or alternatively please [click here](#).

Richard Shepherd-Cross
Managing Director, Custodian Capital

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