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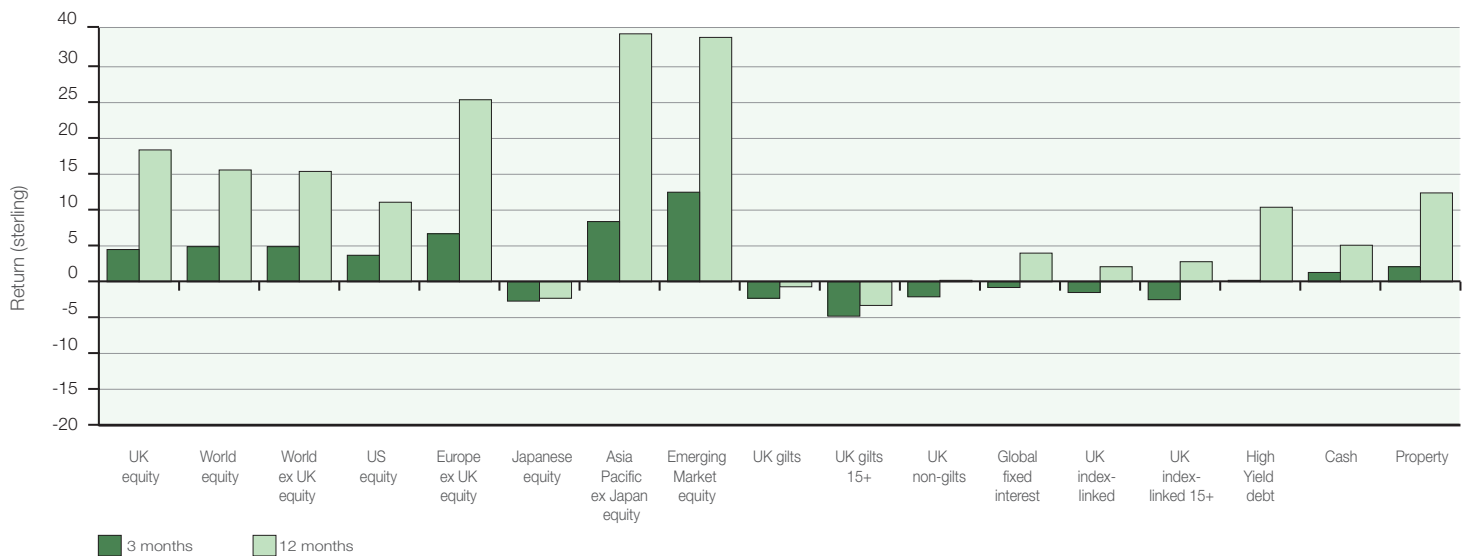
informed

Investment market newsletter

August 2007

Review of investment markets for 1 April 2007 to 30 June 2007

Total returns to 30 June 2007



Investment markets around the world generally performed strongly over the second quarter of 2007 (1 April 2007 to 30 June 2007), with only Japan (of the developed markets) reporting a negative return.

Countries that performed particularly well include Canada (returns of 13.2%), China (returns of 23.7%) and Portugal (returns of 14.3%).

On 30 June 2007, the UK market was almost 4.5% higher, mainly because of the profits of the largest companies.

The fixed-interest bond markets generally reported negative returns for the second quarter. During the second quarter, the Bank of England raised interest rates once to 5.5%. They did this to help the UK economy keep inflation under 2%.

Stock markets

Stock markets finished 5.2% higher over the second quarter as a result of an increase in companies' earnings. This rise was despite the continued strength of sterling, which has significantly affected the performance of overseas funds exposed to the rise and fall in currency exchange rates, and is reflected by the comparatively poor performance of the US and Japanese markets.

Bond markets

Fixed-interest bond markets around the world had a turbulent second quarter.

Within the UK, corporate bonds, government bonds and index-linked bonds fell by 2.1%, 2.3% and 1.5%.

Other

The high level of mergers and takeovers of companies was maintained over the second quarter, despite concerns about debts caused by the US mortgage-based lending market almost collapsing.

