



Inspired, involved, in control

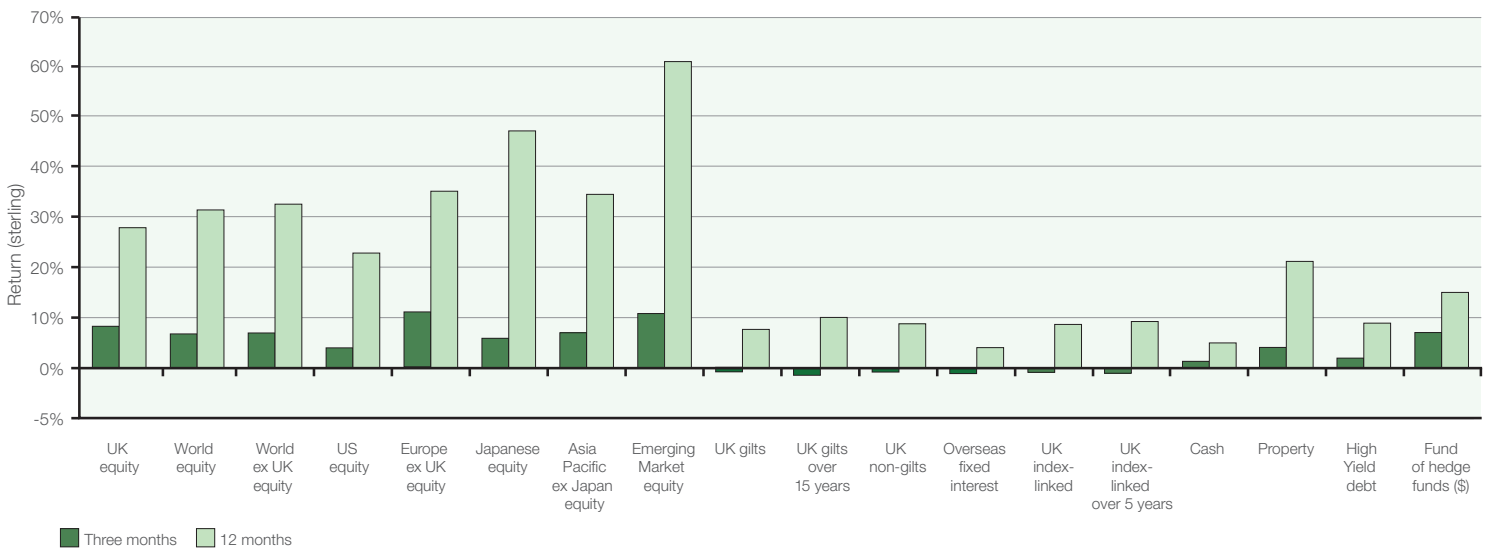
informed

Investment market newsletter

March 2006

Review of investment markets for the 12 months from 1 April 2005 to 31 March 2006

Total returns to 31 March 2006



Both equity (company shares) and bond markets performed strongly in the 12 months between 1 April 2005 and 31 March 2006. Continued rises in commodity prices (metals, oil and so on) have led to concerns about future levels of inflation.

Several countries have raised interest rates to try to control this, possibly holding back future economic growth. In the UK however, interest rates have not changed during this period. In fact, the last change was in August 2005 when they dropped from 4.75% to 4.5%. This was due partly to evidence that consumer spending was dropping at that time, although figures since then have pointed to spending picking up, along with a revival in the housing market.

Equity markets

Worldwide equity markets performed strongly over the last 12 months, with the Japanese and emerging market regions (such as China, India and Brazil which have low to middle incomes compared to the rest of the world) leading the way. All of the major markets showed very strong returns, with the UK increasing by 28% (as measured by the FTSE All-Share index). Europe, Asia Pacific (but not Japan), Japan and emerging markets all returned more than 30%. Relatively speaking, the US equity market continues to lag behind other regions, returning 23% over the 12 month period to 31 March 2006.

Bond markets

The mainstream UK bond classes continued to perform well over the 12 month period, despite negative returns during the first three months of 2006.

UK bond markets, particularly longer-term bonds, performed well over the last 12 months, largely because of high demand from pension fund investors.

Other

British government proposals to relax REIT (Real Estate Investment Trust) rules have boosted share prices in UK property companies. The 12 month return on property has increased compared to figures for the end of December 2005.

