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Dear Client,

We are now firmly ensconced into 2009 and, as we predicted, the markets continue to be volatile and very tricky to advise on. We are still confident that the precipice situation we all feared was a possibility in September/October last year has been avoided but overall market confidence is still fragile. Indeed, the reason for this report being published later than we would like has been due to the fact that our hypothesis as to what is happening keeps changing.

A few weeks ago saw new lows in the FTSE and Dow Jones, which may have made the delay in our timing a prudent move. Basically, we are trying to re-construct our portfolio holdings to be in a position to catch any upswing in the markets as well as timing the bottom as best as possible. There is no doubt that any significant recovery is a long way away as we see the Bank of England having dropped interest rates to 0.5% and the G20 summit looming with more trepidation than positivity. That said, for the vast majority of our clients who have fairly long-term mandates and are in our balanced to adventurous portfolios, we are acutely aware that we are being paid to grow your money and therefore, as you will understand, some calculated risk has to be taken. We are therefore in the process of trying to work out how to lower the bond and gilt exposure in favour of other asset classes as this year progresses. However, asset allocation and market timing are, as always, crucial.

There is also no doubt as you can see from the performance figures for all our portfolios at the back of this report, that the defensive moves we made at our last quarterly review made a big impact in reducing the losses being incurred within our portfolios from the global meltdown occurring. Therefore we don't want to rush into exiting these positions.

It is worth noting here that we performed significantly better than most of the investment banks not to mention the FTSE All Share as an index which you can see within the performance statistics. More in-depth analysis will be included within our sector commentary.

Lastly, we are proposing to consolidate our portfolios down to three from the current five. Client demand has shown overwhelmingly that we only require three portfolios and they will be the cautious, balanced and adventurous. You can see the asset allocation and fund selection of these again, at the back of this report. We are also looking to add a satellite portfolio containing individual selections of slightly more esoteric investments for those with the appetite and available capital.

I hope you find this report interesting and useful and as always, appreciate any feedback.

I look forward to speaking with you soon.

Danny McFarlane

Director.

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Bonds/Fixed Interest

Corporate bonds are very attractive relative to government bonds and, for now, are attractive in absolute terms, but we will keep this area under review. Of course, it is likely that as equity markets recover, this area will suffer however, that scenario would appear to be a way off yet. We have added 2 new bonds funds to the portfolio to reflect our sentiment in this area.

Hedge

2008 was the worst year in recent history for Funds of Hedge Funds. However, the fact that many hedge funds strategies showed flat, or positive, performance in recent months shows they can continue to prove their worth. Certainly the leveraging aspect of Hedge arbitrage is only one of many strategies a good hedge fund manager can employ. There is still much mileage in cleverly thought out and managed long/shorting of stocks and indices. Experienced hedge fund managers who can manage risk properly are the ones who will survive, and thrive.

Property

The property sector was, of course, the first sector to feel the heat of the oncoming recession and really started to slide a good 8-10 months before the rest of the world gave way. So, in theory it should be the first sector to reach the bottom and begin its recovery. However, the thinking is still that there is a way to go for the rest of 2009. Certainly the feeling is that residential property could come off another 10% as could commercial property as we see tenants becoming scarcer and rents come tumbling. There are obviously always pockets of hope in every gloomy landscape, for example Manchester, where 2008 saw a 17% increase in the take up of new office space according to Knight Frank.

We feel that while there are almost certainly going to be very interesting opportunities arising in this sector we will continue to monitor the situation closely before jumping in. Areas such as vulture funds focussing on distressed developers are of particular interest but trying to find the good ones that have entry levels affordable to the majority of our clients is another thing. Also the increasingly popular REITs are looking like becoming attractive as market conditions change. We are also looking at new student accommodation funds and Ground Rent funds.

Alternative

We believe that gold will be a good inflation hedge and store of value once global economic stimulus brings inflation back into focus. Gold can provide diversification without the added complication of complex structures and with the added benefit of a centuries' worth of history. It is a hard asset that carries no default risk. One of its primary roles is that of an insurance policy, providing protection during times of widespread weakness in other asset prices. Investment demand for gold rose dramatically during 2008 as investors sought a safe haven amidst falling equity values.

With regard to commodities, we are expecting a higher spend on infrastructure globally which obviously has an impact on raw materials. We believe the Chinese Government will take the

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necessary steps to ensure positive GDP and consequently there will be an emphasis on infrastructure there. We are watching this position closely.

We are looking closely at investing in Oil, as we believe there is some way to go for oil price rises. Certainly the highs of \$147 per barrel last year were ludicrous as was confirmed when the commodities bubble burst. However, the current price of approximately \$50 is also, in our view, too low and that prices of at least \$65 are likely in the near future, This is meant to be a short term play so have made a straight swap with the all commodities ETF we have previously been carrying.

UK Equity

We feel markets will be volatile this year, and that investors will behave irrationally, which causes concern for equity exposure in the UK, however, there are some gains to be made by some fund managers, depending on market timing.

We feel more confident than a few months ago that we are through the worst in terms of falls in the UK equity market.

Europe

Europe's problems continue to worsen as its main players Germany and France have received bad news affecting their economies heavily reliant on manufacturing. Not forgetting the role of the UK in their problems, the weakness of the pound has meant that demand from Britain has slumped adding to the decline in European exports.

To make matters worse, smaller EU countries such as Greece and Spain are suffering even more having their sovereign debt downgraded to levels unheard of in western economies.

However, the European Central Bank has reduced official borrowing costs for the Eurozone by a half percentage point to 1.5 per cent, its lowest rate since the euro was launched in 1999 so we can be rest assured that the Eurozone is taking decisive action to stem the global downturn. So being the region with the largest GDP in the world we are confident that this economy will recover, yielding great results.

North America

North America has cut the interest rates to almost 0% which means that the Federal Reserve is running out of ammunition in what they can throw at the economy to get it started again. Also, with the new quantitative easing policy only just started we will need more time to see if America can lead the world out of recession.

The US, however, does account for a third of the world's GDP so if she can get started again it is likely to lead the world out of the recession which is a good reason to continue to back the world's largest economy. This is one of the reasons we have decided to increase our US exposure by 5%.

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Far East (excl Japan)

Weak growth data from across the Far East region has provided fresh evidence of the deepening impact of the global recession on developing Asia. The figures are likely to put pressure on authorities to take much more forceful fiscal and monetary interventionism to counter the downward spiral.

However stocks have started to rally on speculation that China would broaden efforts to boost growth. Perhaps China has reached a turning point?

This is good news for the Far East sector as a whole as China is still very much the important growth engine in the region. The Chinese economy remains - by the standards of the US or the UK - exceptionally strong. For 2009 as a whole, many are forecasting GDP growth of between 6 and 7% - which is only a little less than China's official forecast of 8%.

Other countries in the Far East such as Singapore, South Korea and Taiwan are also showing signs of recovery. Although inflation in these frontier economies remains high they will certainly benefit from a recovery in China and will significantly add to the performance of the Far East Sector. We are still however very cautious here and will not be increasing our exposure at this time.

Emerging Markets

The BRIC countries are continuing to struggle in the face of the global recession however many experts agree that potential for economic growth is very much with these countries and that they may help pull the world out of a recession.

Brazil, whose economy is heavily reliant on commodities, has initially suffered vast drops in its GDP. However, we are confident that with commodity prices being so low, that it is only a matter of time until the rest of world starts buying again and the economy of Brazil should receive the boost it needs to start producing.

Russia's foreign currency reserves, the world's third largest, have increased \$2.4 billion to \$384.3 billion, stemming the 36 percent drain since August when Bank Rossii sold foreign currency to mitigate the rouble's 29 percent slide against the dollar. With the oil price tipped to increase and better sentiment returning things may not be quite as bleak for Russia.

India, being one of the largest of the emerging market economies, had its Central Statistical Organization forecast growth of 7.1 per cent for the full financial year, which ends in March 2009. But the sharp deceleration at the end of 2008 raises serious doubts about whether India's economy, which had averaged growth of 9 per cent annually for the past three years, can meet such high expectations. We think India still has mileage though as the world's largest and educated middle class are still attracting foreign investment.

China, on the other hand, is regaining its appetite for acquisitions in Africa as asset prices on the continent tumble, according to Standard Bank, Africa's largest lender that is partially owned by China's biggest bank. This is good news for Africa as well as investors who have the appetite for pickings in this region.

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Again, we see no reason to increase or decrease our exposure to this sector and will retain the same funds in our portfolio.

Summary

My colleagues and I have been enjoying the ever-changing challenge that the current economic conditions have thrown up for us. I feel that far too many IFAs have been picking up accolades for many years when it was hard not to pick something that would go up in value. It is times like these that we really earn our spurs and whilst we never like showing losses at any time for any reason, we are delighted to have outperformed most of our peers and certainly the various indices and benchmarks associated with wealth management.

We greatly appreciate the patience and understanding that you, our clients, have shown over the last 6-8 months and for continuing to keep faith with our ability to guide you through the most worrying economic times likely to be seen in any of our lifetimes.

There are definitely signs of light however dim, from, for example, the property market, where slowly but surely more mortgage products and coming into the market and houses are actually being sold. This was always going to be the pre-cursor to any economic recovery but a larger more widespread recovery is still a way off yet. That said, we are starting to build conviction that we will soon be hoping to exploit some good opportunities for growth and repair the damage done in 2008.

Turning then to the salient points then from this most recent adjustment of our portfolios; we have begun a play on the oil price which is fitting with our overall attitude towards commodities. For ISAs we have increased our bond holdings with 2 new funds and we have increased our exposure in the US.

We hope that you have enjoyed reading this report and, as always, welcome feedback (positive or negative!).

Disclaimer

The views held in this report are based on information available to date and are subject to change. Please be aware that past performance is not indicator of future performance. You must take independent financial advice before making investment decisions. The comments on fund selection are not intended as personal advice and that it is vital that your full financial circumstances and objectives are taken into account before investment decisions are made.

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New Portfolios and Asset Allocation

Cautious Portfolio

Cash – 5%

Property – 20%

Bond – 30%

Alternative – 27%

UK Equity – 15%

Cautious ISA Portfolio

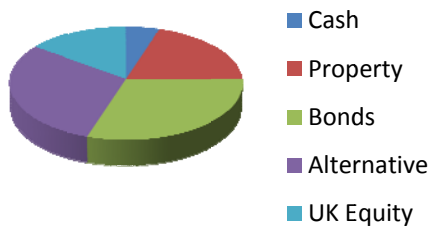
Cash – 5%

Bond – 51%

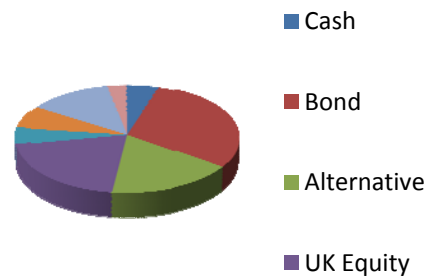
Alternative – 27%

UK Equity – 15%

Asset Allocation



Asset Allocation



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Balanced Portfolio

Cash 5%

Property – 10%

Bond – 20%

Alternative – 17%

UK Equity – 20%

European Equity – 5%

Far East (ex Japan) – 7%

US Equity – 13%

Emerging Markets – 3%

Asset Allocation



Balanced ISA Portfolio

Cash – 5%

Bond – 30%

Alternative – 17%

UK Equity – 20%

European Equity - 5%

Far East (ex Japan) – 7%

US Equity – 13%

Emerging Markets – 3%

Asset Allocation



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Adventurous Portfolio

Cash – 5%

Property – 10%

Bond – 10%

Alternative – 15%

UK Equity- 25%

European Equity - 5%

Far East (ex Japan) –10%

US Equity – 13%

Emerging Markets – 7%

Adventurous ISA portfolio

Cash – 5%

Bond – 20%

Alternative – 15%

UK Equity – 25%

European Equity - 5%

Far East (ex Japan) – 10%

US Equity – 13%

Emerging Markets – 7%

Asset Allocation



- Cash
- Property
- Bond
- Alternative
- UK Equity
- Europe
- Far East (ex Japan)
- US Equity
- Emerging Markets

Asset Allocation



- Cash
- Bond
- Alternative
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