

2011 SUMMARY AND OUTLOOK FOR 2012

Summary

2011 started positively with good returns from most equity markets and the corporate bond markets, but darkened considerably over the summer months and into the Autumn as the European debt crisis worsened. Losses were particularly steep in Europe, but Asian Markets and Emerging Markets also came under pressure – the World Index closed the year down 7.3% and the Emerging Markets Index closed down 21%.

Towards the very end of the year there was some better news on the US economy, however the rebound was heavily muted and pure “safe haven” markets like UK gilts and US Treasury bonds rose strongly.

In fact UK Gilts were broadly speaking the best performing asset of 2011, followed by Gold and some high yield defensive equities ended positive for the year.

In September we took the view that there would be no quick resolution to the Euro issues and that economic growth and returns from growth assets would be subdued in 2012. We also wanted to managed the downside as part of our “safety first” approach. To that end we

- sold growth equities and boosted our corporate bond positions to create significantly higher income yields for 2012 which will underpin returns and to reduce our reliance on equity markets generally.
- added allocations to our Global Navigator absolute return fund as an anchor to all the portfolios. Targeted to generate 6-8% per year after fees the fund is already doing its job.

More information on the Global Navigator fund can be found at: <http://www.tidewayinvestment.co.uk/funds.html> .

2012 Outlook

For 2012 our portfolios are constructed around two key themes:

- Corporate bonds are offering very attractive “asymmetric” returns, particularly in the insurance sector where we see strong balance sheets. That is to say in a sideways market we can make income of 7-8%, in a recovery we can make 14-15% as capital values increase and keep pace with equities at least in the early phase. In a sell off, returns are strongly underpinned by the income so losses would be diminished.
- By contrast, risks for high growth equity markets remain elevated and we don’t see any compelling arguments for a sustained bull market.

The changes made in 2011 to reflect these views mean the portfolios have yields of 5%-6% for 2012 to underpin returns, along with capital upside in the bonds held of around 10% of each portfolios overall value assuming they recover back to forecast redemption values in due course.

We have kept our toe in the water of equity markets through a small holding of UK blue chips with particular exposure to energy and we continue to believe in our Gold holding for capital growth for both its defensive qualities and as an inflation hedge.

Peter Doherty
Partner & Tideway CIO

PORTFOLIOS

HIGH INCOME

Asset Name	Weight	Yield
Absolute Return Fund	40%	
NAVIGATOR FUND	40.0%	
Individual Corporate Bonds	40%	
OLD MUTUAL PLC	8.0%	8.4%
AVIVA PLC	8.0%	9.1%
BUPA FINANCE PLC	8.0%	8.4%
CO-OPERATIVE BANK PLC	5.0%	8.3%
RSA INSURANCE GROUP PLC	6.0%	8.6%
AXA SA	5.0%	7.6%
Individual Equities	20%	
ROYAL DUTCH SHELL PLC-B SHS	3.5%	4.2%
VODAFONE GROUP PLC	5.5%	7.3%
GLAXOSMITHKLINE PLC	5.5%	4.8%
CENTRICA PLC	5.5%	5.1%
	100%	4.5%

HIGH GROWTH

Asset Name	Weight	Yield
Absolute Return Fund	40%	
NAVIGATOR FUND	40.0%	
Individual Corporate Bonds	30%	
OLD MUTUAL PLC	7.5%	8.4%
AVIVA PLC	7.5%	9.1%
BUPA FINANCE PLC	7.5%	8.4%
CO-OPERATIVE BANK PLC	7.5%	8.3%
Individual Equities	20%	
STATOIL ASA	5.0%	4.1%
ROYAL DUTCH SHELL PLC-B SHS	5.0%	4.2%
VODAFONE GROUP PLC	5.0%	7.3%
GLAXOSMITHKLINE PLC	5.0%	4.8%
Other	10%	
GOLD BULLION SECS 0% UND NTS USD (GBS)	9.0%	
Cash	1.0%	
Summary	100%	3.6%

Notes:

The yield quoted on the Global Navigator fund is based on the funds core bond holdings and is reinvested within the fund on a tax free basis.

Tideway's **BALANCED GROWTH** portfolio is a 50/50 blend of the above portfolios.

TYPICAL PORTFOLIO EXPENSES

Tideway Annual Management Fee	0.75%
Nominee and Custodian Fees	£35p.a.
Global Navigator Management Fee	1.95%
Trading Costs	£10 per trade
Typical Average Total Portfolio Expenses	1.6%

Portfolio Team: Peter Doherty, Manager; Guillaume Diard, Research & Trade Execution

GLOBAL NAVIGATOR FUND PROGRESS

3 month performance at the time of print

Cumulative performance - 18-Jan-2012



Source Trustnet

NOTES AND DISCLAIMERS

The above performance figures are based on a combination of actual portfolio average returns after costs and data from Morningstar and Bloomberg to the 31st December 2011.

Individual segregated accounts may vary from the model portfolio returns.

This factsheet should not be construed as investment advice nor as an endorsement to invest in any of the investments shown. Always consult an adviser before investing.

Past performance is not a guide to future performance and the value and income produced by investments can fall as well as rise - you might not get back all of your initial investment.

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This fact sheet has been issued and approved for distribution by Tideway Investment Partners LLP.