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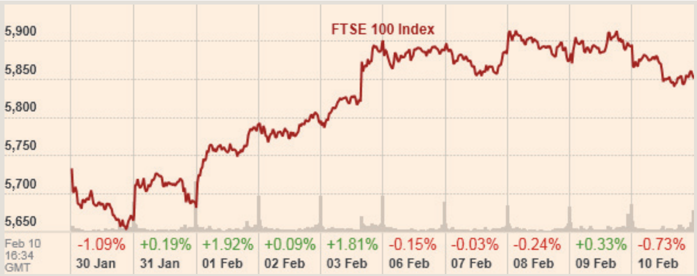
MARKET BULLETIN 10 FEBRUARY 2012

This Market Bulletin has been produced in association with Henderson Global Investors. It's intended to provide you with a look back at the events that have affected the performance of global equity markets in the last fortnight. This is a general market update and should not be considered a comprehensive or sufficient basis for making decisions.



Weekly Statistics (source: FT)
Key performance indicators (as at Friday 10 February 16:34 GMT)

	CURRENT VALUE	WEEKLY % CHANGE
FTSE 100	5,852	+ 2.1%
Dow Jones	12,771	+ 0.9%
Nikkei 225	8,947	+ 1.21%

Day-by-day analysis of FTSE 100 Index

Despite the Greek government remaining in protracted talks with creditors, markets preferred to focus on positive news and continued to respond well to the European Central Bank's (ECB) longer term refinancing operations (LTROs). Over €489bn was borrowed by European banks at 1% for three years in December and another unlimited LTRO tranche is due on 29 February. This support should materially reduce the systemic risk of a European bank funding crisis.

Although fourth quarter corporate earnings posted during the period provided a mixed bag of results, US recession fears continued to dissipate in response to stronger-than-expected economic news. Non-farm payrolls data from the US beat analysts' expectations, revealing net job creation of 243,000 in January and a fall in the unemployment rate to 8.3%. There was even a hint of old times with the filing of the initial public offering of Facebook, the social networking giant, and Glencore's merger with Xstrata to create a major new mining corporation, reinvigorating the merger and acquisition rumour mill and lifting banking stocks in anticipation of fees. The stronger risk appetite led to yields rising on core government bonds, although Italian bond yields moved lower as 'euro crisis' fears diminished. A number of equity indices pulled back the losses of last autumn, notably the S&P 500, which hit its highest level since early 2008.

Official manufacturing purchasing manager index (PMI) results for China showed the highest new orders reading since October 2011, which could be interpreted as supporting a more upbeat outlook. The 'big picture' appears to be that China was in danger of a crash landing last summer but a subsequent easing of monetary conditions seems to have stabilised growth at a slightly below-trend pace. Such a scenario is promising for markets, implying that China continues to contribute significantly to global economic expansion.

The US Federal Reserve, which downgraded US growth from 'moderate' to 'modest' shared its future direction of US interest rates, pledging low rates till 2014 and formally setting a 2% target rate. Data revealed the US economy expanded by 2.8% annualised in Q4 2011, marginally below the forecasted 3%. With the rise in value of the yen weighing on the competitiveness of domestic firms Japan announced its first trade deficit since 1980, giving rise to concerns that it will struggle to maintain trade surpluses that have been vital to economic growth. South Korea also revealed gross domestic product (GDP) growth of just 0.4% for Q4 2011, the slowest rate in two years. At home, data released showed the UK is heading closer to a recession following a 0.2% GDP contraction in Q4 2011. This prompted the Bank of England to expand its gilt purchase programme by a further £50 billion. The economic health disparity across the Eurozone was highlighted by Germany revealing record export growth in 2011, topping a trillion euros, at a time when Spain's unemployment rate climbed to 22.8% for December 2011, the highest in almost 17 years. Meanwhile, credit rating agency Fitch downgraded the sovereign debt of Italy, Spain, Belgium Cyprus, Slovenia and Ireland.

On the upside, a raft of PMI surveys came in better than expected. China's manufacturing PMI edged up to 50.5, from 50.3, whilst India's reading of 57.5 was the highest in eight months. Less encouraging was South Korea, where the PMI stayed in contractionary territory at 49.2 and exports fell 6.6% year-on-year in January as the Eurozone crisis affected global trade. In the UK, both the services and manufacturing PMI figures strengthened, whilst in the US the Institute for Supply Management reported its manufacturing activity index rose to 54.1.