Economic dashboard

Our Economic Dashboard is designed to help investors understand the true state of the economy.

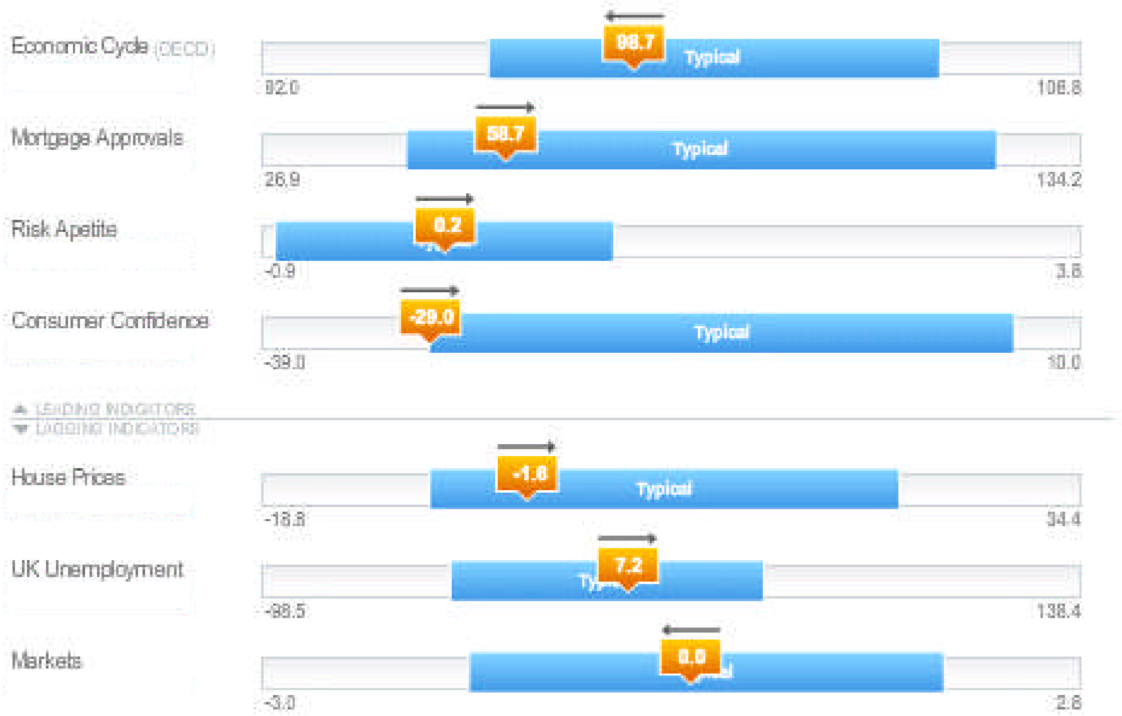
We've chosen seven key indicators of economic strength (Four leading indicators and 3 lagging indicators) which are intended to give a true impression about the state of the economy. We hope that this will help you during discussions with your adviser.

It is not meant to serve as a direct prediction regarding the future performance of any economic or financial market and it is not intended to predict or guarantee future investment performance.

Leading indicators are indicators that usually change before the economy as a whole changes. They are therefore useful as short-term predictors of the economy. If the leading indicators are improving, this could be signalling a return to health of the UK Economy.

Lagging indicators are indicators that usually change after the economy as a whole does. The lagging indicators often follow the trend of the leading indicators by a number of months or quarters. The importance of lagging indicators are their ability to confirm that a pattern is occurring or is about to occur.

Summary of current state as at 27 April 2012



Source: FactSet & Bloomberg.

LEGEND

represents the typical range for this indicator. 90% of the historical values for the indicator fall in this range.

shows the most recent value - the closer the marker is to the blue bar, the closer it is to historically typical conditions.

shows the range of more extreme conditions.

shows the most recent three-month trend indicating if it is moving toward or away from the typical range.

Leading – The OECD (Organization for Economic Cooperation and Development) leading indicator for February confirmed January's upturn with a further rise, underlining the possibility that the economy is at a turning point. Despite this, other leading indicators were disappointing this month. Mortgage approvals dipped to an eight-month low, while consumer confidence remained deep in negative territory, close to where it has been for the past nine months.

Lagging – In contrast, the lagging indicators were more supportive of positive move in the OECD's leading indicator. House prices sustained the smallest fall in prices since October 2010, while UK jobless claims fell for the first time in 12 months, while the ILO unemployment rate fell back from last month's 16-year high.

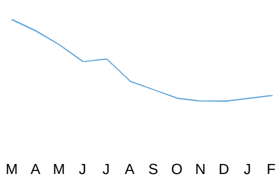
Economic Cycle (OECD Composite Leading Indicator)

LEADING INDICATOR

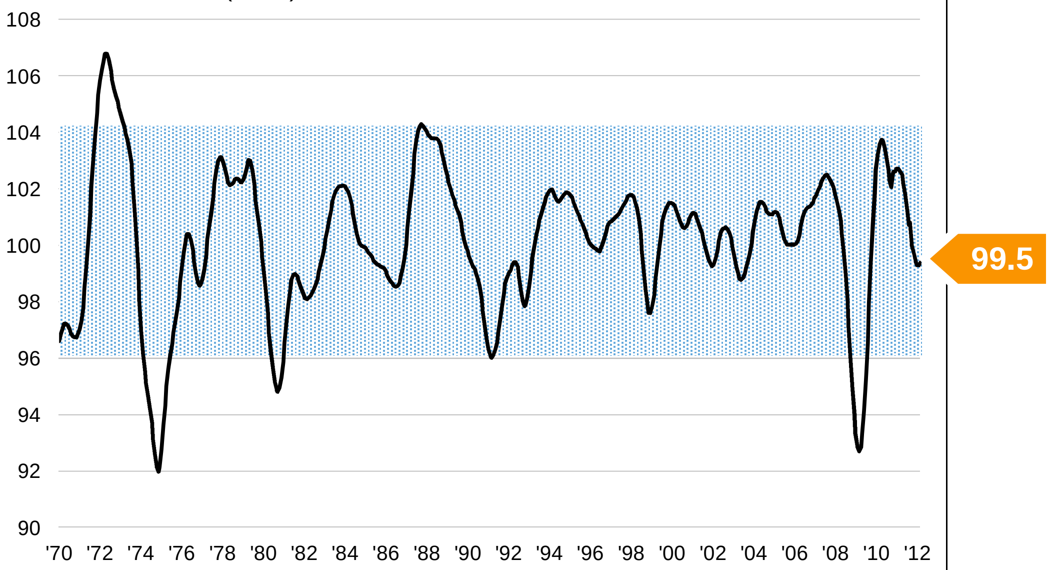
The OECD leading indicator is designed to provide early signals of turning points (peaks and troughs) between expansions and slowdowns of economic activity.

CURRENT	SEPT'08	12 MO.
99.5	95.0	↓3.0

12-MO TREND



OECD Composite Leading Indicator (UK)
MONTHLY VALUES (index): JAN '70 – FEB '12



Source: Bloomberg, Russell, OECD.

CURRENT 90% OF INDICATOR VALUES FALL WITHIN THIS RANGE

What is it?
The Organisation for Economic Co-operation and Development (OECD) system of Composite Leading Indicators is designed to provide early signals of turning points in business cycles - fluctuation in the output gap, i.e. fluctuation of the economic activity around its long term potential level. This approach, focusing on turning points (peaks and troughs), results in CLIs that provide qualitative rather than quantitative information on short-term economic movements. The phases and patterns in CLIs are likely to be followed by the business cycle.
Shown here is the amplitude adjusted series which is published with two months delay. The series contains: FTSE A/S, new car registrations, raw material stocks, prime bank bills (3M), business surveys: business climate, prospects for exports, finished goods stock level, production trends, order books demand level.

Why is it important?
It is a well regarded measure to gauge a country's fundamental economic prospects.

How do we interpret it?
An economic expansion is associated with a value above 100 and rising
An economic downturn is associated with a value below 100 and decreasing
A slowdown is associated with a value above 100 and decreasing
A recovery is associated with a value below 100 and increasing.

Current reading and trend
The OECD composite leading indicator (CLI) rose again this month, from 98.9 in January to 99.5 in February. This positive change in momentum was noted by the OECD itself, which declared that the UK was at a "potential turning point", though it noted that the two-month rise in the CLI was fragile as this month's gain was smaller than last month's. The OECD reading does remain below the 100 threshold that divides economic growth from contraction, so the growth outlook remains weak.

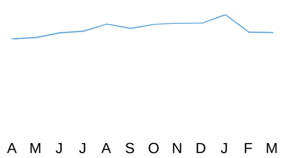
UK Mortgage approvals (Bank of England)

LEADING INDICATOR

The number of mortgage approvals secured on dwellings indicates the turnover in the housing markets and availability of credit.

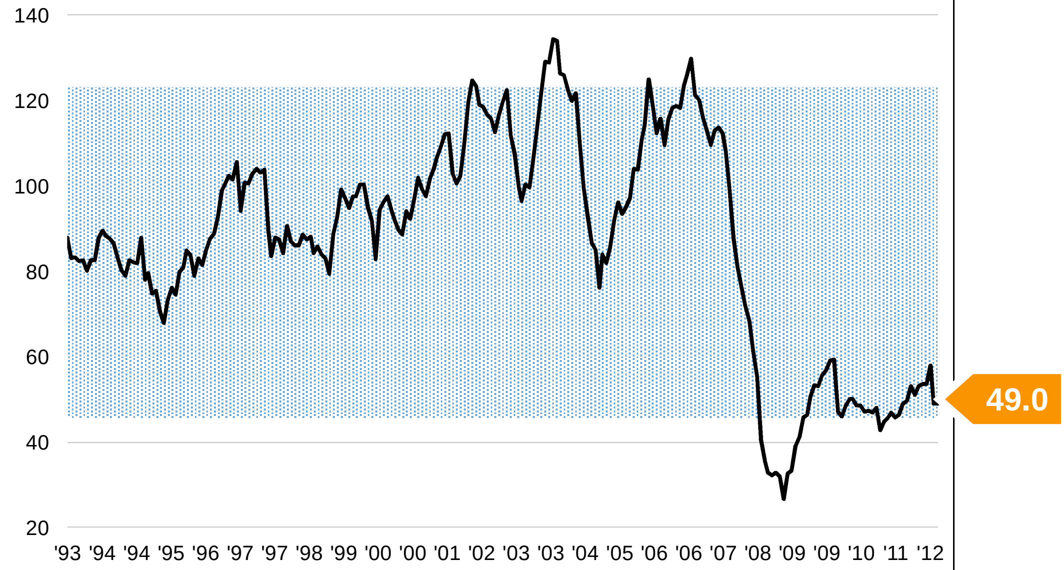
CURRENT	SEPT'08	12 MO.
49.0	32.8	↓2.0

12-MO TREND



UK Mortgage Approvals

MONTHLY VALUES ('000): APR '93 – MAR '12



Source: Bloomberg, Russell, Bank of England.

CURRENT 90% OF INDICATOR VALUES FALL WITHIN THIS RANGE

What is it?

The number (not value) of mortgage approvals (less the number of mortgage cancellations) secured on dwellings as reported by the Bank of England.

Why is it important?

Mortgage approvals are an important housing market statistic published by the Bank of England. The number of mortgages approved in a month is used as an indicator of turnover in the housing market. A solid housing market and a secure income stream through mortgages would also help to restore stability in the banking sector.

How do we interpret it?

Rising levels of mortgage approvals indicate a higher demand for houses and consumer purchasing power while low levels indicate poorer economic conditions for households and related negative implications for retail businesses.

Current reading and trend

UK mortgage approvals fell to an eight-month low in February. Lenders granted 48,986 loans to buy homes, compared with a revised 57,899 in January and an average over the past six months of 53,777. This drop bucks the recent trend of four consecutive monthly rises in a period when first-time buyers tried to take advantage of a stamp duty holiday that expired on 24 March. The end of the stamp duty holiday is expected to add up £2,500 to the cost of buying a new home for some buyers, so it will be interesting to see how the end of the holiday affects the housing market. On a more-positive note, a separate Bank of England survey revealed that banks expect demand for mortgages to increase in the second quarter of 2012. On a longer-term view, while mortgage approvals have recovered from their lows following the financial crisis, they remain less than half that seen at the height of the property boom in 2007.

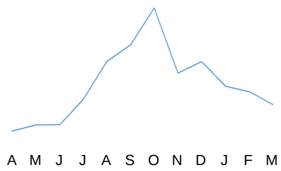
Investment risk appetite (Russell Risk Index)

LEADING INDICATOR

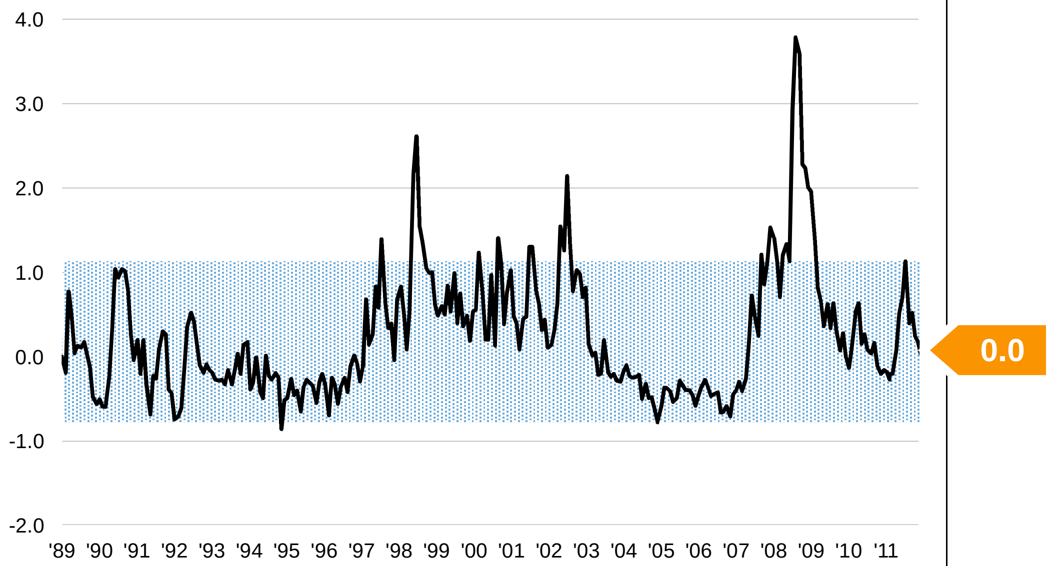
The Russell Risk Index measures the willingness of investors to buy risky assets.

CURRENT	SEPT'08	12 MO.
0.0	2.9	↑0.2

12-MO TREND



Russell Risk Index
MONTHLY VALUES: MAY '89 – MAR '12



Source: Russell.

CURRENT 90% OF INDICATOR VALUES FALL WITHIN THIS RANGE

What is it?
An index, developed by Russell Investments, that measures the willingness of investors to buy risky assets.

Why is it important?
A climate in which investors are willing to take on risk (buying risky assets, making loans, investing in new business projects, etc,) is necessary for a robust recovery in financial markets.

How do we interpret it?
Low readings (below zero) of this Index indicate that investors maybe increasing their exposure to risky assets. High readings (above zero) signal the presence of “fear” in the financial marketplace.

Current reading and trend
Our risk indicator dipped from 0.2 in February to 0.0 in March. The measure of risk appetite reflected a more muted performance in equity markets as the unremittingly positive news from January and February turned mixed in March. Investors were unsettled as Chinese policymakers cut their economy’s expected rate of growth from 8% to 7.5%, while economic news from the US was not as positive as we have come to expect in recent months. More positively, the Greek government managed to secure the support of most private sector bondholders in accepting the terms of the haircut on the value of Greek bonds.

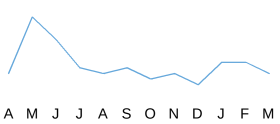
Consumer Confidence (GfK NOP Consumer survey)

LEADING INDICATOR

The survey by GfK NOP records consumers' own economic situation today compared with 12 months ago and the expected situation in 12 months time.

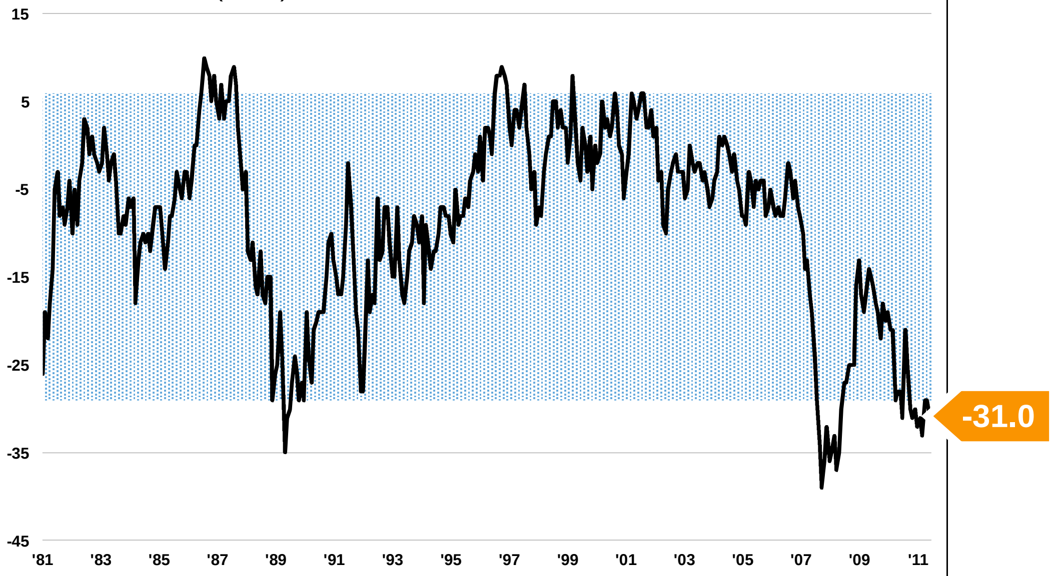
CURRENT	SEPT'08	12 MO.
-31.0	-32.0	↓3.0

12-MO TREND



UK Consumer Confidence

MONTHLY VALUE (index): NOV '81 – MAR '12



Source: Bloomberg, Russell, GfK NOP.

CURRENT 90% INDICATOR VALUES FALL WITHIN THIS RANGE

What is it?

The survey records assessments of UK consumers' own economic situation today compared with 12 months ago and the expected situation in 12 months time. It is published by GfK NOP, a private market research agency. Questions address the conditions of the following: personal finance, general economic climate, climate for major purchases and savings.

(Survey conducted amongst a representative sample of >2,000 individuals aged 16+ on behalf of the European Commission)

Why is it important?

Consumer confidence and willingness to make major purchases can have a significant impact on the development of the economy. Consumer spending accounts for more than 60% of total economic activity in the UK.

How do we interpret it?

High consumer confidence indicates a good economic environment or good prospects.

Current reading and trend

Having risen slightly in January and February, GfK NOP's consumer confidence index dipped again in March to a reading of -31. This survey has remained within a couple of points for the past nine months. Taking a closer look at the components of the survey, the climate for major purchases dropped by four points to -31 and personal financial situation over the next year also dropped by four points. While inflation has fallen sharply in the past six months, unemployment has been rising and this continues to play on the minds of consumers. This environment is concerning for the retail sector, in a month when Game Group was the latest retailer to fall into administration.

House prices (Halifax House Price Index)

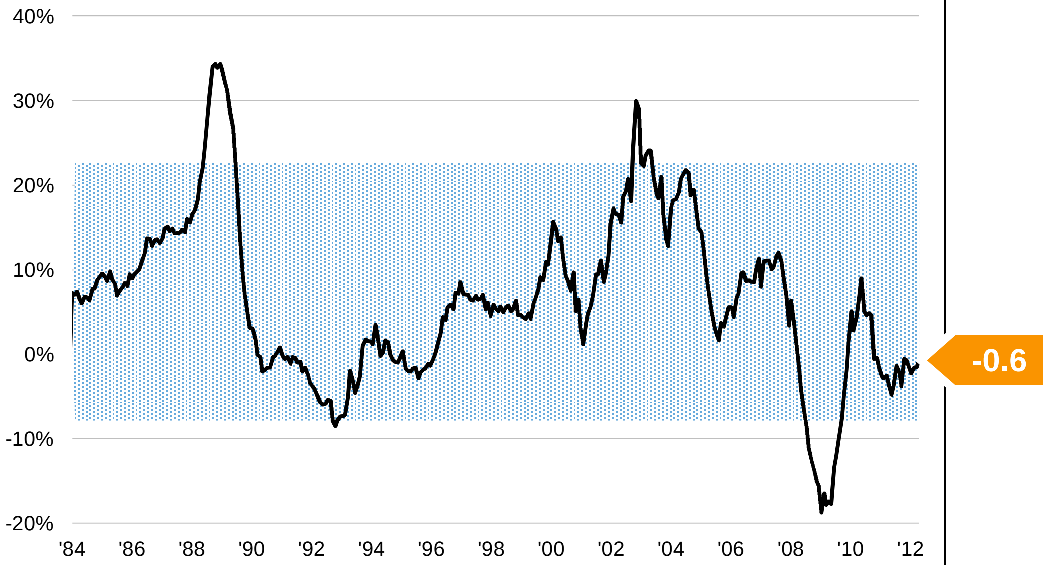
LAGGING INDICATOR

The Halifax House Price Index tracks changes in house prices across the UK and is reported as the percentage change over 12 months.

CURRENT	SEPT'08	12 MO.
-0.6	-13.4	↓0.6

12-MO TREND

Halifax House Price Index
YEARLY CHANGE (%): FEB '84 – MAR '12



Source: Bloomberg, Russell, HBOS/Lloyds-TSB.

CURRENT 90% OF INDICATOR VALUES FALL WITHIN THIS RANGE

What is it?
The Halifax House Price Index is the UK's longest running monthly house price series covering the whole country since January 1983. The UK Index is derived from the mortgage data of the country's largest mortgage lender, which provides a robust and representative sample of the entire UK market.

Why is it important?
Property is an important component of investment in the UK and often acts as a significant share of people's funds for retirement. A solid housing market and a secure income stream through mortgages would also help to restore stability in the banking sector.

How do we interpret it?
Falling house prices indicate lower demand and are associated with a weak economic climate. Conversely, rising house prices are associated with a stronger economic climate.

Current reading and trend
House prices fell again in March, but the 12-month change of -0.6% was the smallest fall in prices since October 2010. The average UK house price of £163,803 is now at the same level as in July 2011. Halifax believes that the underlying trend in house prices is now broadly stable when considered on a quarterly view, which is less volatile than the monthly figures. Efforts by first time buyers to beat the stamp duty holiday in March may have underpinned prices. Given the anaemic economic environment in the UK, however, there seems little impetus for significant house price movements in 2012.

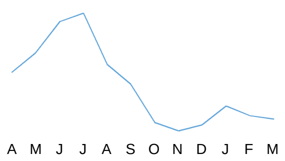
Unemployment claims (Office of National Statistics)

LAGGING INDICATOR

The change in monthly UK unemployment claimants, as reported by the Office for National Statistics, is an indicator of future levels of economic activity.

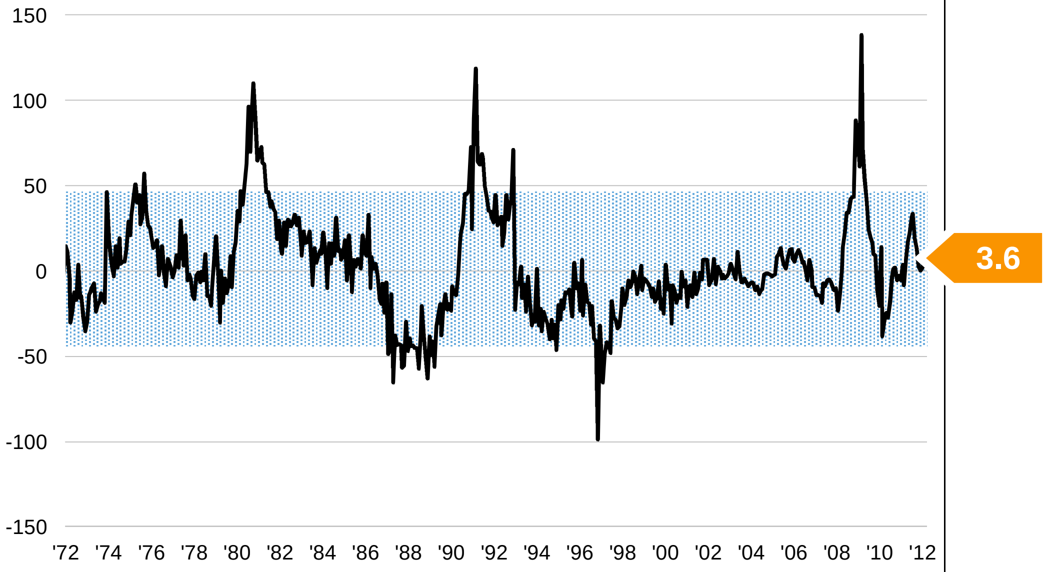
CURRENT	SEPT'08	12 MO.
3.6	43.7	↓2.8

12-MO TREND



Change in monthly UK unemployment claimants

MONTHLY CHANGE (absolute, '000): FEB '72 – MAR '12



Source: Bloomberg, Russell, Office for National Statistics.

CURRENT 90% INDICATOR VALUES FALL WITHIN THIS RANGE

What is it?

Changes in monthly UK unemployment claimants (seasonally adjusted), as reported by the Office for National Statistics. A positive figure indicates that unemployment is rising; a negative figure indicates falling unemployment

Why is it important?

Employment rates help determine the current state of the economy and predict future levels of economic activity. Whilst unemployment rates are rising, consumers feel uncertain about future economic prospects and may be reluctant to spend.

How do we interpret it?

Among other things, an increase in employment may fuel purchases of goods and services, which is a positive factor for overall economic growth. A decrease in employment suggests the opposite.

Current reading and trend

After twelve straight months of increases, UK jobless claims fell from 7,200 in February to just 3,600 in March, which was much better than expected. At the same time, the ILO unemployment rate fell to 8.3% in March from a 16-year high of 8.4%. As a lagging indicator, these measures provide some additional confirmation of the improving health of the UK economy, which has shown signs of recovery in recent weeks. Although the public and banking sectors continue to reduce their headcounts, the private sector is picking up some of the slack; in recent weeks we have seen announcements from Nissan, Jaguar Land Rover and Glaxosmithkline that will pave the way for thousands of new jobs to be created.

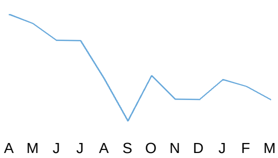
Stock market valuations (Russell Valuation Index)

LAGGING INDICATOR

The Russell UK Valuation Index measures the valuation of UK equity relative to historic valuations.

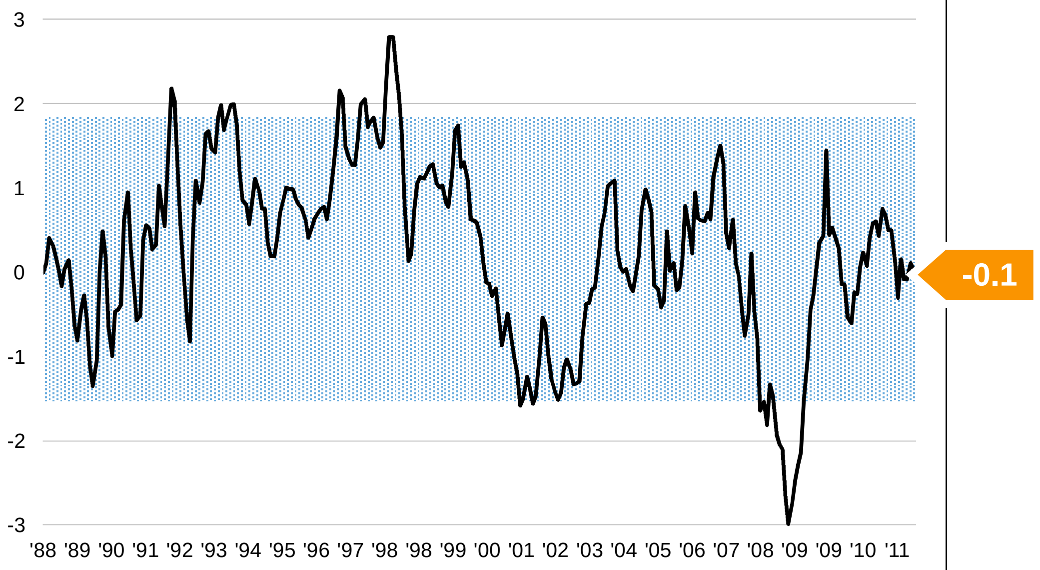
CURRENT	SEPT'08	12 MO.
-0.1	-2.6	↓0.5

12-MO TREND



UK Russell Valuation Index

MONTHLY VALUES: NOV '88 – MAR '12



Source: Russell.

CURRENT 90% OF INDICATOR VALUES FALL WITHIN THIS RANGE

What is it?
An index, developed by Russell Investments, that measures the valuation of a basket of UK equities relative to its own history. It indicates if the market is trading at a discount or a premium.

Why is it important?
Equity market valuations measure the “cheapness” or “expensiveness” of markets.

How do we interpret it?
Should the market be trading “cheaply” it suggests that investors are shunning it, however it also suggests that prices might have fallen low enough to induce investors to eventually begin buying shares again, setting the stage for future positive market performance.

Current reading and trend
Russell’s UK Valuation Indicator dipped slightly from 0.0 in February to -0.1 in March. This measure indicates that UK shares are fairly valued; the fall reflects the good returns from equity markets in the first quarter.

Questions and Answers

Q. What does the dashboard tell me?

A. The dashboard monitors and reports on the movement of a number of key factors that provide an indication of the current state of the UK economy. We've chosen seven key indicators that we think reflect the state of the economy across a number of different areas. The dashboard provides a regular update on the current measurement of these indicators relative to their long-term trends and signals if the trend is towards or away from their typical values.

Q. Can I use the dashboard as a forecasting tool?

A. No, the dashboard is not intended as a predictive or market timing tool. The dashboard is purely intended as a tool to set context and perspective when evaluating the current state of the economy and to help provide a focus for discussions with your adviser.

It is not intended to predict future prospects for the economy or to guarantee future investment performance.

Q. What defines the typical range?

A. The dashboard definition of "typical range" is the range in which 90% of historical observations are most tightly clustered. For each indicator, this range is calculated annually at the end of March using the latest data available.

Q. How should I interpret the chart?

A. In simple terms, the chart shows the movement of a number of different economic variables in relation to their long term trends.

- The entire range of historical values is represented by the grey bar with the lowest recorded value shown on the left side and the highest recorded value on the right.
- The "typical range" (representing 90% of historical values) is represented by the blue bar. Readings outside of the typical range are seen as extreme and not representative of normal conditions.
- The most recent reading for each indicator is shown in the orange lozenge (this is the latest datum available for each source when the report is published).
- The arrow on the current value shows the direction of the three-month trend (i.e. moving towards or away from the centre of the typical range) and provides a suggestion of whether things are improving or getting worse.

Q. Why are these indicators important?

A. We chose these particular indicators because they represent a broad picture of the UK Economy.

Q. How often is the dashboard updated?

A. The dashboard is updated every month with the latest data available from each of the data suppliers.

While some of the indicators may be measured daily, we choose to use only the monthly numbers, as they are better indicators of the overall economic trend.

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