



Investment Diversification 2,000 years on!

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**Cash
has been
dethroned!**



Bond Markets - bubble, bubble, toil & trouble!



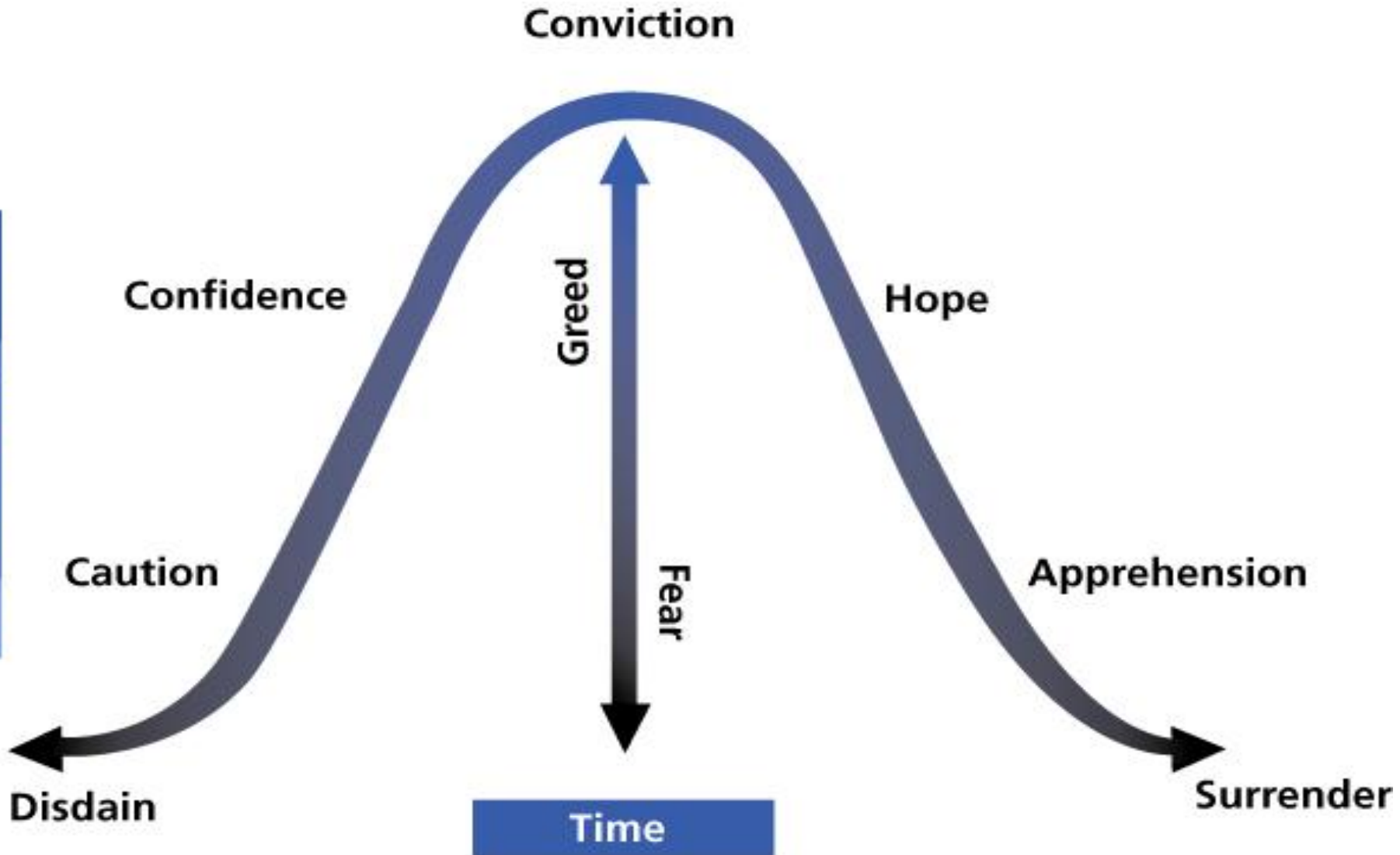
Japanese 10 year bond yields



The Bulls are in town again!

S&P 500 Bull Markets by Length				
Cycle	Start	Finish	% Gain	Days
Bull	12/4/87	3/24/00	582.1%	4,494
Bull	6/13/49	8/2/56	267.1%	2,607
Bull	10/3/74	11/28/80	125.6%	2,248
Bull	7/23/02	10/9/07	96.2%	1,904
Bull	8/12/82	8/25/87	228.8%	1,839
Bull	10/22/57	12/12/61	86.4%	1,512
Bull	3/9/09	4/23/13	133.8%	1,506
Bull	4/28/42	5/29/46	157.7%	1,492
Bull	6/26/62	2/9/66	79.8%	1,324
Bull	5/26/70	1/11/73	73.5%	961
Bull	10/7/66	11/29/68	48.0%	784
Bull	3/14/35	3/10/37	131.6%	727
Bull	12/30/27	9/16/29	80.4%	626
Bull	5/19/47	6/15/48	23.9%	393
Bull	3/31/38	11/9/38	62.2%	223
Bull	4/11/39	10/25/39	26.8%	197
Bull	6/10/40	11/7/40	26.7%	150
Bull	11/13/29	4/10/30	46.8%	148
Bull	2/27/33	7/18/33	120.6%	141
Bull	10/19/33	2/6/34	37.3%	110
Bull	9/21/01	1/4/02	21.4%	105
Bull	6/1/32	9/7/32	111.6%	98
Bull	12/16/30	2/24/31	25.8%	70
Bull	11/20/08	1/6/09	24.2%	47
Bull	10/5/31	11/9/31	30.6%	35
Bull	6/2/31	6/26/31	25.8%	24





Diversification has Value



Asset Class Returns (Local Currency)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Q4 2012	Ten-yr Ann.
MSCI EM	46.7%	REITS 30.4%	MSCI EM 35.8%	REITS 34.4%	MSCI EM 33.5%	Govt bonds 10.2%	MSCI EM 62.8%	REITS 27.6%	REITS 7.3%	REITS 20.1%	MSCI EM 5.4%	MSCI EM 15.3%
REITS	38.5%	MSCI EM 16.4%	All Share 22.0%	MSCI EM 28.9%	Cmdty 16.2%	Cash 6.9%	HY bonds 59.4%	Cmdty 16.8%	EMD 7.0%	HY bonds 19.6%	HY bonds 4.6%	HY bonds 11.6%
HY bonds	32.4%	HY bonds 13.2%	Cmdty 21.4%	All Share 16.8%	Govt bonds 10.6%	IG bonds -8.6%	EMD 34.2%	HY bonds 14.8%	Govt bonds 6.3%	EMD 17.9%	All Share 3.8%	EMD 11.6%
EMD	26.9%	All Share 12.8%	Wrld ex UK 15.9%	Wrld ex UK 16.3%	Portfolio 9.5%	EMD -14.7%	Portfolio 31.3%	All Share 14.5%	IG bonds 4.3%	MSCI EM 17.4%	EMD 3.3%	REITS 11.0%
Wrld ex UK	26.4%	Portfolio 12.8%	Portfolio 12.9%	Portfolio 15.0%	IG bonds 6.7%	Portfolio -23.8%	All Share 30.1%	MSCI EM 14.4%	HY bonds 3.1%	Wrld ex UK 17.1%	Wrld ex UK 3.0%	Portfolio 9.6%
Portfolio	25.3%	EMD 11.9%	EMD 12.3%	HY bonds 13.7%	Cash 6.1%	HY bonds -26.9%	REITS 27.4%	EMD 12.8%	Cash 1.2%	Portfolio 12.5%	Portfolio 2.4%	All Share 8.8%
Cmdty	23.9%	Wrld ex UK 11.9%	REITS 8.3%	EMD 10.0%	All Share 5.3%	All Share -29.9%	Wrld ex UK 26.4%	Portfolio 12.0%	Portfolio -1.4%	All Share 12.3%	REITS 2.2%	Wrld ex UK 6.5%
All Share	20.9%	Govt bonds 10.3%	Cash 4.9%	IG bonds 7.2%	EMD 5.2%	Cmdty -35.6%	IG bonds 19.2%	Wrld ex UK 10.4%	All Share -3.5%	IG bonds 11.2%	IG bonds 1.9%	IG bonds 6.3%
Govt bonds	14.8%	IG bonds 9.5%	HY bonds 3.6%	Govt bonds 6.4%	Wrld ex UK 5.0%	REITS -37.3%	Cmdty 18.9%	Govt bonds 5.9%	Wrld ex UK -5.3%	Govt bonds 1.8%	Cash 0.2%	Govt bonds 6.1%
IG bonds	14.3%	Cmdty 9.1%	IG bonds -3.6%	Cash 4.8%	HY bonds 3.2%	Wrld ex UK -39.3%	Govt bonds 2.6%	IG bonds 5.8%	MSCI EM -12.5%	Cash 1.4%	Govt bonds -1.8%	Cmdty 4.1%
Cash	3.8%	Cash 4.7%	Govt bonds -6.7%	Cmdty 2.1%	REITS -17.8%	MSCI EM -45.7%	Cash 2.2%	Cash 1.0%	Cmdty -13.3%	Cmdty -1.1%	Cmdty -6.3%	Cash 3.7%

Other Assets and Investor Behaviour

Note: Annualised period covers 2003 to 2012. Govt bonds is Barclays Global Aggregate Government Treasuries, HY bonds is Barclays Global High Yield Index, EMD is Barclays Emerging Markets (USD) Index, IG bonds is Barclays Global Aggregate – Corporates, Cmdty is the DJ UBS Commodity Index, REITS is FTSE NAREIT All REITS Index, World ex UK is the MSCI World ex UK index, All share is the FTSE All Share Index, and cash is the JP Morgan Cash Index United Kingdom (3M). The asset allocation portfolio assumes the following weights; 20% in the All share, 10% in government bonds, 15% in IG bonds, 15% in EM equities, 10% in World ex UK equities, 10% in HY bonds, 5% in EMD, 5% commodities, 5% in cash and 5% in REITS. Source: FTSE, MSCI, Barclays, DJ/UBS, FactSet, J.P. Morgan Asset Management.

Different Measures of Risk



Volatility

Maximum drawdown

Sharpe ratio

Calmar ratio

Sortino ratio

MAR ratio

Treynor ratio

Var (value at risk)



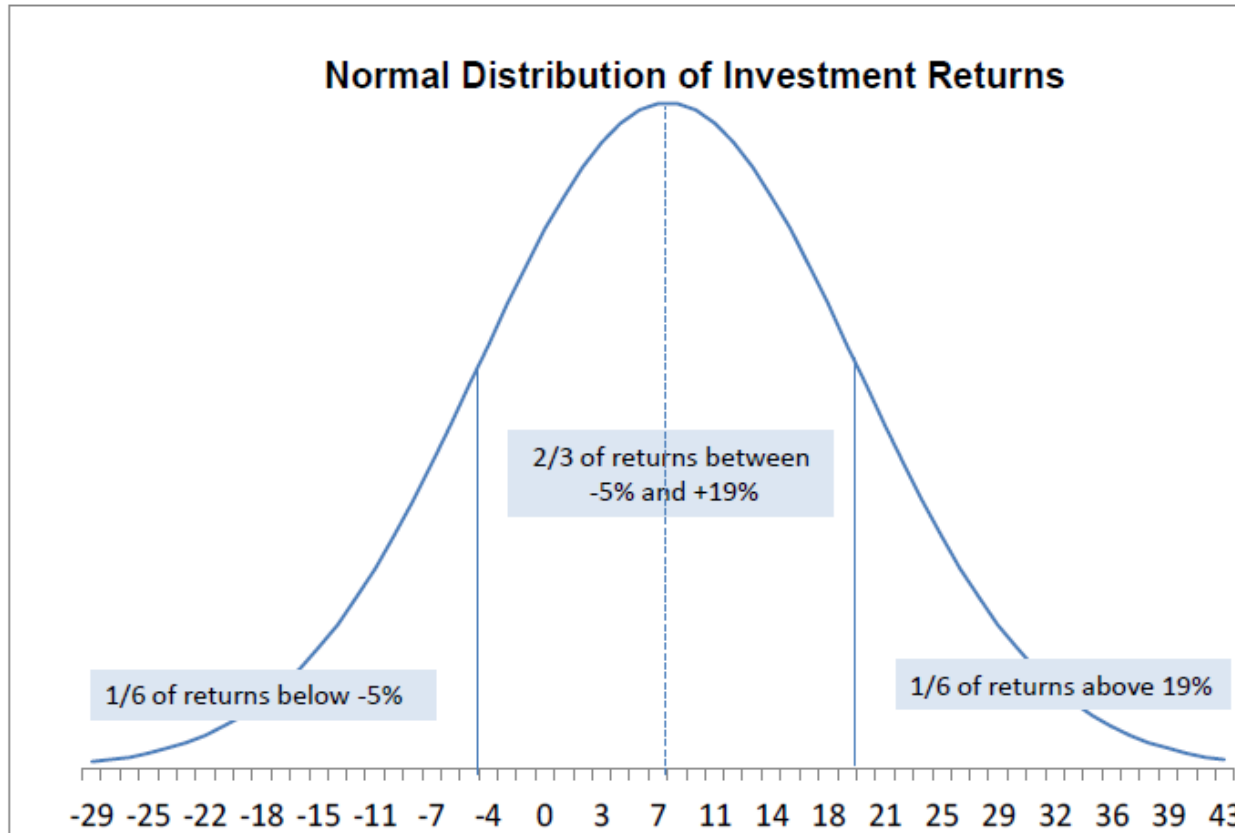
Volatility: A friend as well as a foe

Risk Profile	Volatility Range	
	From	To
1	0%	<0.5%
2	0.5%	<2%
3	2%	<5%
4	5%	<10%
5	10%	<15%
6	15%	<25%
7	25% +	

Volatility Example

Average Return : 7%

Volatility : 12%



.....Normally, the higher the volatility,
the riskier the fund

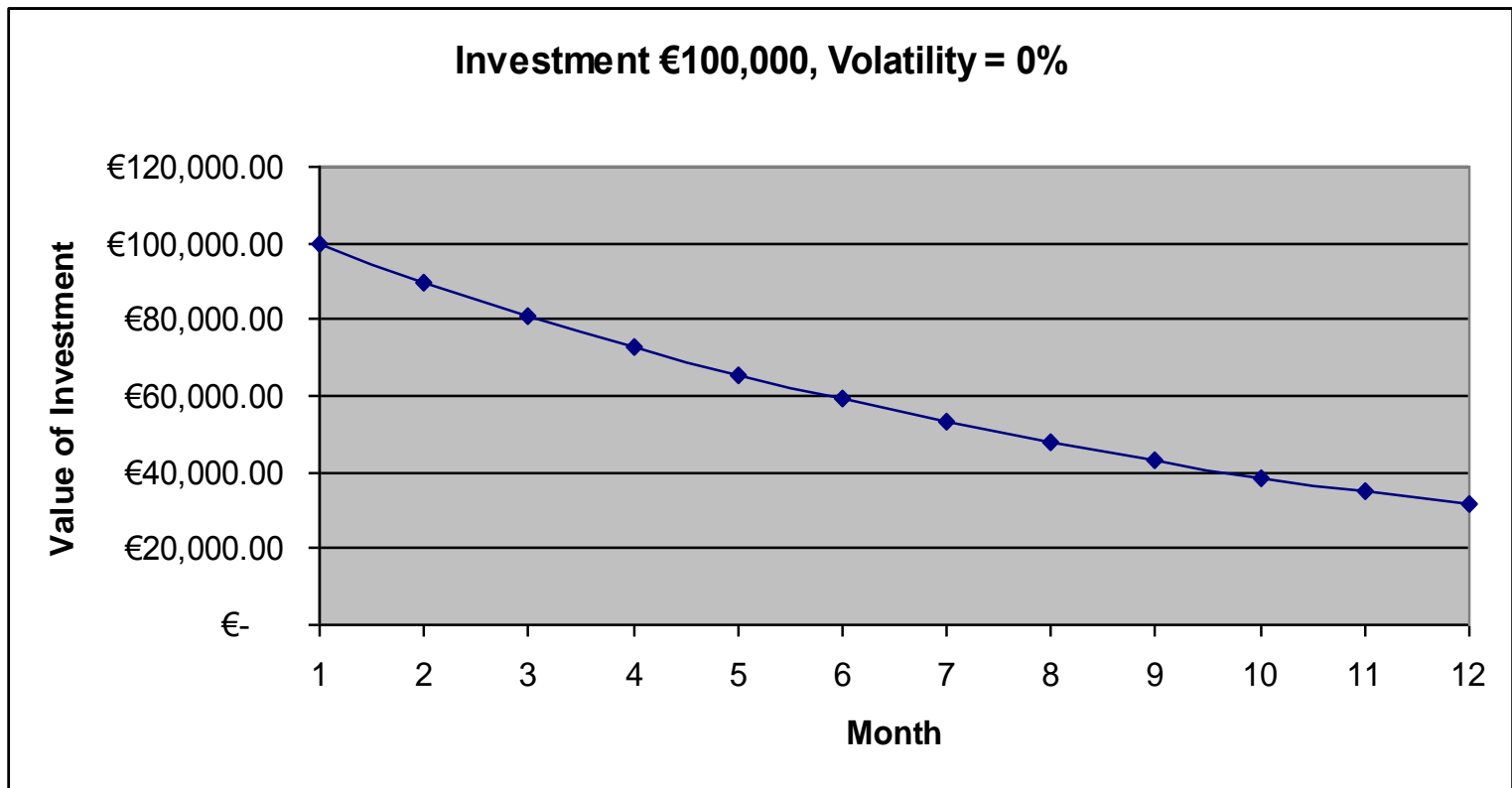


Funds	Volatility
India Equity	37.2%
BlackRock Europe ex-UK Index	23.4%
International Equity	19.2%
Dynamic Fund	17.4%
Balanced Fund	13.9%
Secure	0.2%



Need more information than just volatility!

- Volatility 0%, a safe investment?



Diversified portfolios can reduce risk



	Portfolio Weighting	Fund Volatility	Risk Class
5 star 5 Americas	25%	20.9%	6
Global Commodities	40%	23.7%	6
Gold	35%	19.2%	6
Portfolio	100%	14.8%	5



Warning: The value of your investment may go down as well as up. Quoted returns are based on an investment in the funds and do not represent the returns achieved by individual policies linked to the funds. Benefits may be affected by changes in currency exchange rates. Past performance is not a reliable guide to future performance.

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Thank you