



BLACK SWAN
FINANCIAL MANAGEMENT

CAUTIOUS PORTFOLIO

Portfolio design & objective

This portfolio aims to achieve returns that are at least as good as those available from a high street deposit account, whilst offering some potential for real returns over the long term.

We expect that a client investing in a cautious portfolio would regard capital preservation as much more important than investment return, but to achieve their longer term objectives would tolerate potential fluctuations in capital values that reflect changing market and economic conditions.

With broad diversification and only a small amount of exposure to riskier assets, the portfolio should exhibit low levels of volatility, positive and negative monthly returns should fall within a narrow range.

Performance Statistics

Cumulative returns	Current	Best	Worst
1 - month	2.6%	6.4%	-3.1%
3 - month	4.0%	7.7%	-2.7%
1 - year	17.8%	17.8%	10.2%
3 - year CAGR*	N/A		
CAGR* - since inception	12.5%		
Total return	19.3%		
3 - year return	N/A		
3 - year volatility**	N/A		
Number of positive months	77.8%		

Discrete performance	Return	Volatility
1 year to Apr-2010	17.8%	1.1%
1 year to Apr-2009	N/A	N/A
1 year to Apr-2008	N/A	N/A
1 year to Apr-2007	N/A	N/A
1 year to Apr-2006	N/A	N/A

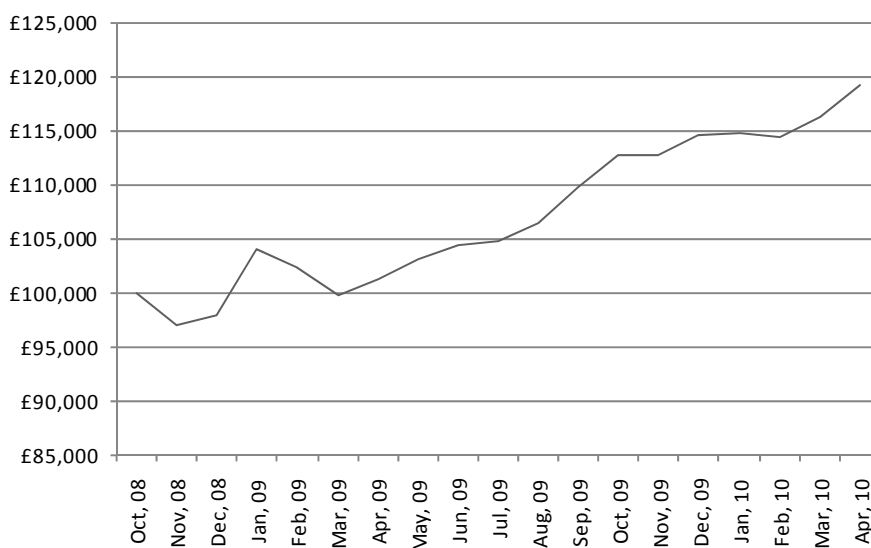
* Compound Annualised Growth Rate

** all volatility figures are annualised

Please note that prices of investments and the income from them can fall as well as rise and you may not get back the amount originally invested. Past performance is not a guide to future returns which may not be repeated; there can be no guarantee that the objectives of the portfolio will be achieved.

PERFORMANCE

This chart illustrates how an investment of £100,000 would have grown since October 2008. The returns are inclusive of all dealing charges and all costs associated with running an investment portfolio, including a 0.5% portfolio fee, but excluding the initial advice fee.



COMENTARY

During March all portfolios produced positive returns; the Adventurous Portfolio rose by 6.8% and the Cautious Portfolio rose by 2.6%. This compares to a rise of 6.8% in the FTSE All Share Index and a rise of 0.8% in the FTSE All Stocks Index.

Since producing our January factsheets the policy of quantitative easing has been paused and for now, economic growth remains firm across the established world. This has come as a surprise to us but long may it continue.

In terms of investment outlook, our main concern lies with the prospects for gilts (government bonds). The assertion that gilts represent a safe and steady investment has held true for many years, however with the risk of rising inflation allied with increased supply, we believe that with the exception of index linked stock, this asset class could well offer disappointing returns over the medium term.

Intuition tells us that inflation is bad for fixed interest assets and our hunch is that inflation will return during the next parliament; however of more immediate concern is the question of supply and demand, because when supply exponentially outstrips demand, prices collapse.

In numbers, over the coming year the current Government plans to spend £704bn of which £163bn will need to be financed by new government bonds. We fear that the bond market will be unable to absorb this level of government debt issuance. Tellingly the value of Sterling indicates how the rest of the world views the UK's debt problem and economic prospects.

To end in a more positive tone however I noted in this weekend's financial pages a report that measured the UK as the sixth largest manufacturing nation in the world and sterling's weakness should continue to support this part of the economy.

The value of past performance

When creating investment portfolios Black Swan Financial Management will consider its clients investment requirements and the prevailing market conditions at the time of investment, as a consequence no two portfolios will be the same.

The reason we publicise example portfolio returns is to illustrate how we manage investment risk through diversification and to demonstrate our investment capability for the benefit of prospective clients.

Specific risks that may affect this portfolio

Investments may use derivative contracts to employ Efficient Portfolio Management (EPM) practices, avail the investment manager with investment flexibility and improve prospective returns. Derivative contracts have a cost and can have a positive or negative effect on performance. (EPM restricts the use of derivatives for the reduction of risk, cost or the generation of additional capital or income with no or acceptable low level of risk).

Investments held in overseas companies will fall and rise directly as a result of exchange rate fluctuations.

Fixed interest securities are particularly affected by trends in interest rates and inflation, this may affect the capital value of the portfolio.

Investments in smaller companies may be less liquid than larger companies and may have more volatile share prices.

High cash holdings will affect performance. If cash is held in a rising market, returns would be less than if the portfolio were fully invested.

Investments may include exposure to emerging markets, which tend to be less well regulated and more volatile than established stock markets.

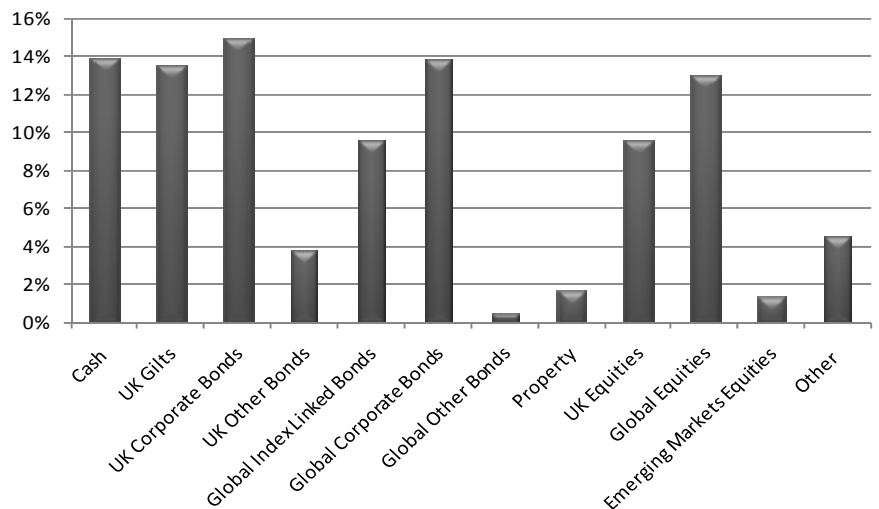
Investments in fixed interest securities with a low credit rating will carry more risk than investment grade fixed interest.

The price at which shares of investment trust companies trade on the stock market is to some extent affected by supply and demand. The price of shares will either be below (trading at a discount) or above (trading at a premium) the underlying asset value for the share – the trust's net asset value. The amount of premium or discount can fluctuate significantly.

Investment trust companies can borrow in order to gear investment return. Gearing can either significantly enhance or reduce returns.

ASSET ALLOCATION

The following chart displays the asset allocation of this typical cautious portfolio (as at January 2010); allocating investment capital across different assets is an important aspect of investment management as it dictates the type of returns that a portfolio will achieve. The asset split within a portfolio will vary on daily basis in accordance with the investment manager's views and as a result of investment returns.



PORTFOLIO ADJUSTMENTS

None this quarter.

IMPORTANT INFORMATION

This document has been issued by Black Swan Financial Management, which is authorised and regulated by the Financial Services Authority (466128). It has been prepared solely for information purposes and is not a solicitation or recommendation. The performance statistics are drawn from pension investments that offer tax efficient investment returns. Returns from investments held outside a similar tax shelter would be lower.

The information on which the document is based has been obtained from sources that we believe to be reliable and taken in good faith, but we have not independently verified such information and no representation or warranty, express or implied, is made to their accuracy. The investments within the portfolio were made during October 2008 and subsequent data is drawn on the close of business from the first of each month from 01 October 2008.

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