



BLACK SWAN
FINANCIAL MANAGEMENT

MODERATELY ADVENTUROUS PORTFOLIO

Portfolio design & objective

This portfolio aims to achieve returns that are a significantly higher than those available from a high street deposit account, offering potentially strong real returns over the long term.

We expect that in order to achieve their longer term objectives, a client investing in this type of portfolio would hold capital protection as significantly less important than investment return and as a consequence would be unconcerned by capital values moving with market and economic conditions.

Asset diversification here is minimal, with predominant exposure to riskier assets relatively high levels of volatility can be expected, with a broad range of positive and negative monthly returns.

Performance Statistics

| Cumulative returns | Current | Best | Worst |
|---------------------------|---------|-------|-------|
| 1 - month | 1.5% | 9.8% | -6.6% |
| 3 - month | 5.1% | 14.8% | -6.2% |
| 1 - year | -1.7% | 33.2% | -1.7% |
| 3 - year CAGR* | 10.4% | | |
| CAGR* - since inception | 11.7% | | |
| Total return | 43.1% | | |
| 3 - year return | 34.6% | | |
| 3 - year volatility** | 11.0% | | |
| Number of positive months | 61.5% | | |

| Discrete performance | Return | Volatility |
|----------------------|--------|------------|
| 1 year to Jan-2012 | -1.7% | 2.2% |
| 1 year to Jan-2011 | 15.8% | 2.9% |
| 1 year to Jan-2010 | 18.3% | 3.9% |
| 1 year to Jan-2009 | N/A | N/A |
| 1 year to Jan-2008 | N/A | N/A |

* Compound Annualised Growth Rate

** annual/annualised volatility

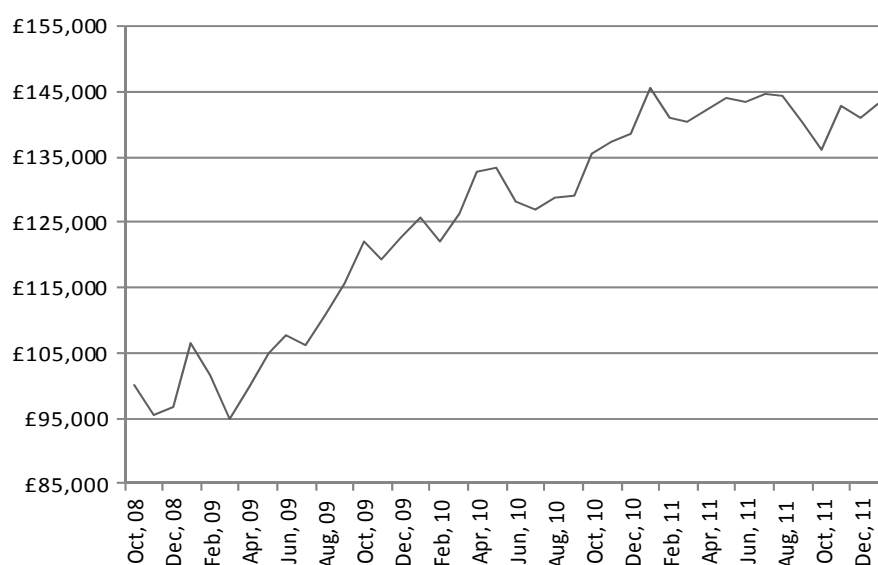
Please note that prices of investments and the income from them can fall as well as rise and you may not get back the amount originally invested. Past performance is not a guide to future returns which may not be repeated; there can be no guarantee that the objectives of the portfolio will be achieved.

PERFORMANCE

Black Swan Financial Management publicises example portfolio returns to demonstrate our investment capability and illustrate how we manage investment risk through diversification.

The following chart illustrates how an investment of £100,000 would have grown since October 2008. The returns are inclusive of all annual costs but exclusive of the initial advice fee.

When creating investment portfolios we will consider our clients investment requirements and prevailing market conditions at the time of investment, as a consequence no two portfolios will be the same.



COMMENTARY

During December the Adventurous Portfolio rose by 1.1% and the Cautious Portfolio rose by 1.0%. This compares to a rise of 0.8% in the FTSE All Share Index and a 1.7% rise in the FTSE All Stocks Index. Over the year as a whole gilt prices rallied (gaining 15.6%) whilst the FTSE All Share Index fell (losing 3.5%). The result of these price movements can be witnessed in our portfolio returns, with the cautious mandate rising 4% and the adventurous mandate losing 10.9%

In April 2010 we wrote that we were concerned with outlook for gilts as an asset class, we felt that with the exception of index linked stock, the prospect of rising inflation allied with increased supply would lead to troubled times. With hindsight our call was obviously early, but with 10 year gilt yields falling from 3.9% in February to below 2% in December, our concerns are now magnified.

The disappointing performance of the Adventurous mandate is predominantly attributable to one of our more characterfull assets. Caught by the cyclical nature of markets and flight to safety, this particular fund lost nearly 30% of its value. Although we have no desire to experience such a loss again, we have maintained our position (this is an exciting asset that offers a truly unique investment approach that will perform well in a rising market) and are seeking a meeting with the manager before deciding our next move.

With no end in sight to the economic mess we find ourselves in, we believe 2012 will be another year of volatility and fully expect asset prices to rise and fall in line with bouts of investor optimism and pessimism. Whilst patience is a prerequisite, long term investors should be rewarded with markets presenting opportunities along the way.

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 are likely to 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.

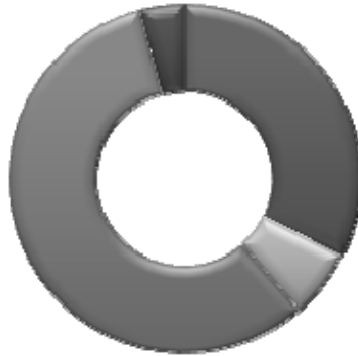
The price at which shares of investment trust companies trade on the stock market is to some extent affected by supply and demand. The price of shares will either be below (trading at a discount) or above (trading at a premium) the underlying asset value for the share – the trust's net asset value. The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

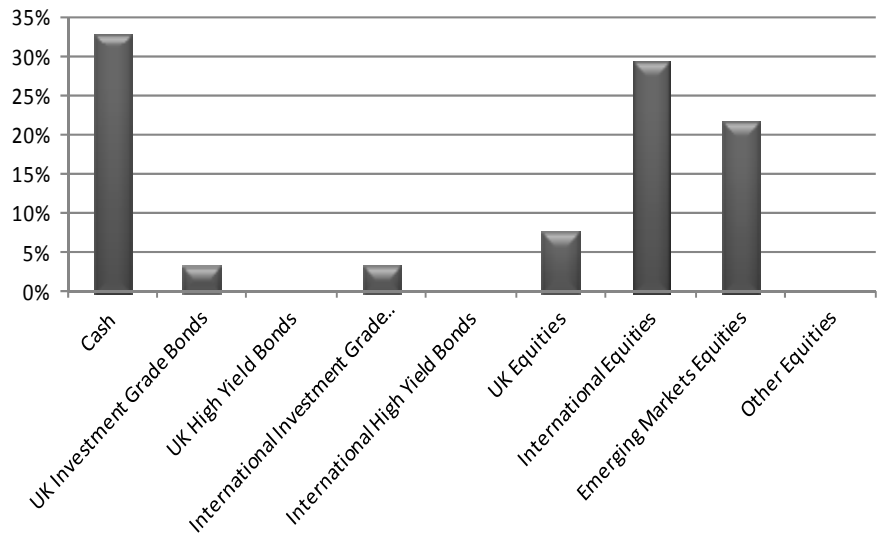
Portfolio Adjustments

During the quarter we reviewed the performance and investment approach of each asset within the portfolio. Resulting from this analysis we introduced exposure to two new funds. The first is from a well established manager who now offers a defined global equity investment process, the second comes as a real departure for us, in that this global equity fund employs a purely automated investment process that aims to hold cash when markets are declining and equities when the market is rising, the theory is sound but we'll need to see if it works in practice...

ASSET ALLOCATION



■ Cash 33.0% ■ Fixed Interest 6.4%
■ Equity 58.6% ■ Other 4.1%



Allocating investment capital across different assets is an important aspect of portfolio management, this is because it dictates the level of volatility and the ultimate returns a portfolio can achieve.

The accompanying charts display the asset allocation position of a typical moderately adventurous portfolio (as at January 2011). The doughnut chart displays the basic asset split and the bar chart provides more detailed information.

The asset allocation of a portfolio will vary on daily basis in accordance with the investment manager's views and as a result of investment returns.

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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