

	PAPER NO: CF.08(12)	
Board/Committee:	Charitable Funds Committee	
Date:	6 December 2012	
Paper title:	Sarasin Investment Report to 30 September 2012	
Author:	Sarasin and Partners	
Recommendation:	That the committee note the report	
Matter previously considered by:	N/A	N/A
Further approval required?	N/A	N/A
Communications – who should be made aware of the decision?	N/A	

Executive Summary

The committee is asked to note the Sarasin Investment report to 30 September 2012.

Following discussion at the February 2012 Charitable Funds Committee meeting the committee requested the income target to be revised following the investment of additional cash in the fund and inflation. The revised target for Sarasin is £23,250 and was circulated to committee members in March 2012. The committee is asked to formally note the revised income target for Sarasin.

Attachments:

- Sarasin Investment report to 30 September 2012
- Sarasin letter (dated 24 February 2012) with revised income target



SARASIN
& PARTNERS

London South Bank University Charitable Funds

Investment Report
As at 30th September 2012

(Copy for: M Broadway Esq)

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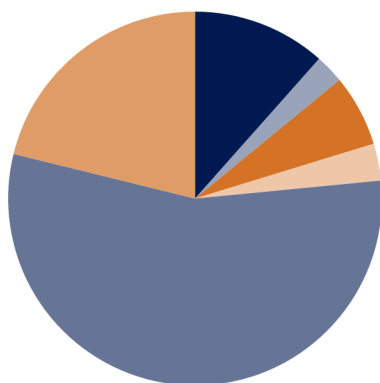
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Portfolio Value as at 30th September 2012: £624,271

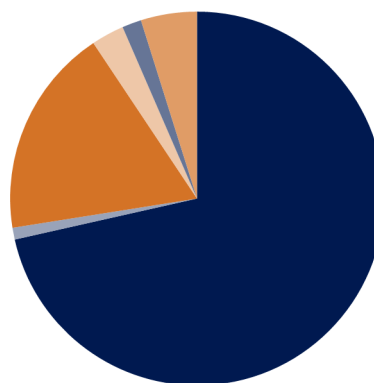
Asset Allocation	Capital		Estimated Income	
	£	%	£	%
Fixed Interest	155,179	24.9		
UK Equities	171,201	27.4		
Global Equities	221,140	35.4		
Property	34,083	5.5		
Alternative Assets	28,740	4.6		
Liquid Assets	13,928	2.2		
Total	624,271	100.0	23,818	3.8

Geographic Allocation



Europe 11.6%	Other 6.2%	UK 55.4%	US 21.2%
Japan 2.5%	Pacific 3.2%		

Currency Allocation



Sterling 71.5%	US Dollar 18.1%	Japanese Yen 1.7%
Euro 1.0%	Swiss Franc 2.8%	Other 4.9%

Investment Performance

	Portfolio	Benchmark	Relative
Quarter to 30 September 2012	4.3%	3.2%	1.1%
Calendar Year to 30 September 2012	8.4%	7.4%	0.9%
Calendar Year 2011	-4.5%	1.5%	-6.0%
Calendar Year 2010	13.9%	12.6%	1.4%
1 July 2009 to 31 December 2009	20.6%	16.9%	3.6%

Portfolio benchmark: EPRA/NAREIT Total Return (GBP) (Global) (2.80%), FTSE All-Share 5% capped (Total Return) (UK) (26.00%), FTSE Gilts All Stocks (Total Return) (22.00%), FTSE World Ex-UK (Total Return) (2.00%), IPD Monthly (UK) (3.20%), JP Morgan World Bonds Ex-UK (7.00%), MSCI World ex UK (Local Currency) (GBP) (16.00%), MSCI World ex-UK (Net Total Return) (16.00%), UK cash LIBOR 1 Month (Total Return) (5.00%).

Performance is calculated 'net' of Sarasin's investment management fees and custody costs that have been directly debited from your portfolio, using Bid prices. This takes into account receipts to and withdrawals from the portfolio during the period, and their dates. Prices are sourced from Bloomberg.

The report 'looks-through' to the underlying investments within the Sarasin funds in order to show the portfolio's overall allocation.

Where a portfolio holds Sarasin Unit Trusts or OEIC Funds, we use a close of business unit price to enable more accurate performance comparison with the portfolio benchmark.

London South Bank University

The Charity has wide investment powers.

The Trustees seek:

Annual income of £20,000 (2009) was increased in Q1 2012 to £23,250 to reflect cash added to the portfolio and inflation for 2010 and 2011.

Capital growth should exceed the WM Charity Survey by 1% per annum

The Trustees have agreed to invest via the Alpha Common Investment Funds, Alpha CIF for Endowments and Alpha CIF for Income and Reserves.

Alpha Common Investment Fund for Endowments

The investment objective of the Fund is to achieve levels of income in excess of that available from the FTSE All Share Index and long term capital and income growth. This is achieved with a diversified global portfolio covering the world's principal stock, bond and currency markets, together with investments in "alternative" assets such as property and hedge funds.

The equity content will be diversified both by geography and by major investment themes. The Fund may hold cash deposits from time to time where it would be in the interests of efficient management of the Fund's assets.

Alpha Common Investment Fund for Income and Reserve

The investment objective of the Fund is to achieve a consistently attractive level of income coupled with the potential for long term capital appreciation, whilst aiming to preserve the value of capital over the shorter term. The portfolio will be fixed interest orientated with the remainder in a mix of global equities, convertible bonds and cash.

Ethical Policy

The Alpha Common Investment Funds will avoid investment in companies with more than 10% of their turnover in:

- Alcohol Manufacture
- Armaments
- Gambling
- Pornography

The Alpha Common Investment Funds will not invest in companies manufacturing tobacco related products.

Index Returns

	Quarter to 30-Sep-12	Calendar Year to 30-Sep-12	Calendar Year 2011	Calendar Year 2010	Since Launch	A.G.R	Volatility	
	%	%	%	%	% Change			
Sarasin Funds								
¹ Alpha CIF for Endowments	4.4	8.4	-6.2	15.2	(28-Sep-93)	206.2	6.1	2.8
¹ Alpha CIF for Income & Reserves	4.4	8.3	3.2	9.0	(03-Aug-05)	43.1	5.1	1.3
Bonds								
Citigroup World govt. bonds all mats	0.0	-0.5	7.1	8.5	-	-	-	2.3
Citigroup US govt. bonds all mats	-2.3	-1.8	10.4	9.1	-	-	-	3.1
Citigroup UK govt. bonds all mats	1.1	3.2	16.9	7.3	-	-	-	1.7
Citigroup EU govt. bonds all mats	1.5	1.5	3.1	-1.5	-	-	-	2.4
Merrill Lynch Sterling Corporate	6.4	12.3	7.0	9.4	-	-	-	1.6
Merrill Lynch Sterling Broad Market Index	2.6	5.6	13.5	7.9	-	-	-	1.4
Merrill Lynch Global Corporate Index	1.8	4.9	5.2	9.3	-	-	-	1.6
Equities								
MSCI World (Net Total Return)	3.6	8.8	-4.8	15.3	-	-	-	3.8
MSCI World (Local Currency) (GBP)	5.6	12.4	-5.5	10.0	-	-	-	4.1
MSCI All Countries World Daily (Net Total Return)	3.8	8.6	-6.7	16.2	-	-	-	3.9
MSCI AC World (Local Currency) (GBP)	5.6	12.2	-6.5	10.5	-	-	-	4.1
S&P 500 (Total Return) (US)	3.3	12.1	2.9	18.7	-	-	-	3.8
FTSE All-Share (Total Return) (UK)	4.7	8.2	-3.5	14.5	-	-	-	4.0
FTSE All-Share 5% capped (Total Return) (UK)	4.9	9.0	-3.9	16.1	-	-	-	4.0
MSCI Europe (Net Total Return)	5.6	7.1	-10.4	7.1	-	-	-	4.9
Nikkei 225 (Japan)	-1.9	-0.2	-12.2	14.8	-	-	-	3.9
MSCI Pacific ex-Japan (Net Total Return)	7.8	13.0	-12.1	20.6	-	-	-	5.3
S&P/IFCI Composite Investable (Total Return) (Emerging)	4.8	8.5	-18.4	24.4	-	-	-	5.1
Property								
S&P/Citigroup BMI World Property (Total Return)	2.7	17.1	-4.8	25.3	-	-	-	4.0
IPD Monthly (UK)	0.5	2.1	8.5	17.6	-	-	-	0.8
Alternative Assets								
Gold (per Ounce)	7.9	11.6	9.7	33.3	-	-	-	5.7
HFRX Global Hedge Fund GBP Index	1.3	2.5	-8.4	5.2	-	-	-	1.4
Reuters/Jefferies CRB	5.7	-2.5	-7.6	21.1	-	-	-	3.9
Other								
UK Retail Prices Index	0.2	1.9	5.2	4.7	-	-	-	0.4
UK cash LIBOR 3 Month (Total Return)	0.2	0.7	0.8	0.7	-	-	-	0.0

All index returns are total returns. The performance figures quoted are shown in the base currency of the portfolio.

Source: Sarasin & Partners and Bloomberg

¹ In GBP, NAV basis with gross income reinvested.

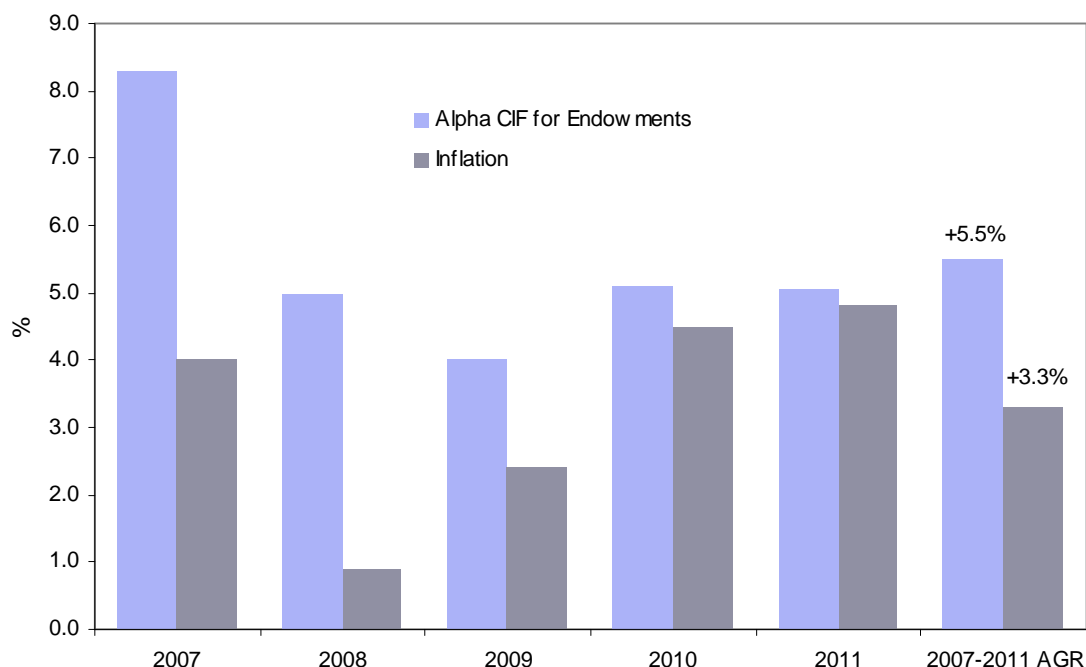
Index prices are as at 30/09/2012, unless such prices are not available, in which case the most recent price will be used.

All volatility figures measure the standard deviation of the monthly returns over a rolling 36 month period. This is not the only method of calculating volatility and other methods may produce different results.

The following chart and table show annual income growth compared to inflation and asset class performance of the Alpha CIF for Endowments

Income Growth – Alpha and Inflation

Calendar Years and 2007 - 2011



Performance by Asset Class

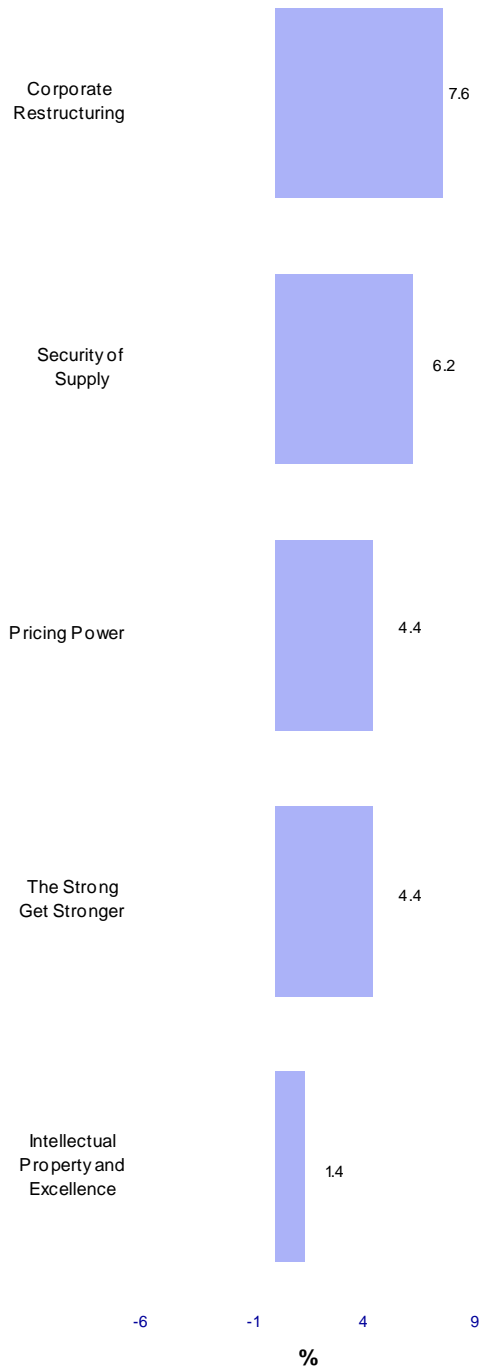
30-Jun-12 to 30-Sept-12, Year to date and Rolling 3 Years

Asset Types	Quarter		Year to date		Rolling 3 Years	
	Alpha %	Index %	Alpha %	Index %	Alpha %	Index %
Fixed Interest	4.6	0.7	9.4	2.0	31.3	22.0
<i>Sterling Government Bonds</i>	1.5	1.1	4.3	3.1	32.5	25.2
<i>Sterling Corporate Bonds</i>	7.5	6.4	14.0	12.3	33.9	32.7
<i>Inflation Linked Bonds</i>	-3.6	-2.6	-2.9	-3.5	39.8	28.1
<i>Overseas Bonds</i>	1.3	-0.3	5.3	-1.0	17.1	13.6
UK Equities	6.4	4.9	9.2	9.0	32.6	28.4
Overseas Equities	3.8	3.6	9.3	9.0	21.6	22.8
Property	2.2	1.4	7.9	9.1	22.4	41.3
Hedge Funds	1.1	1.3	3.5	2.5	3.3	1.0
Private Equity	2.5	4.7	4.8	8.2	28.2	26.1
Commodities	-	5.7	-	-2.5	-	18.1
Guaranteed Products	-	0.1	-	0.5	-	1.8
Liquid Assets	n/a	0.1	n/a	0.5	n/a	1.8

The following charts show the equity performance of the Alpha CIF for Endowments

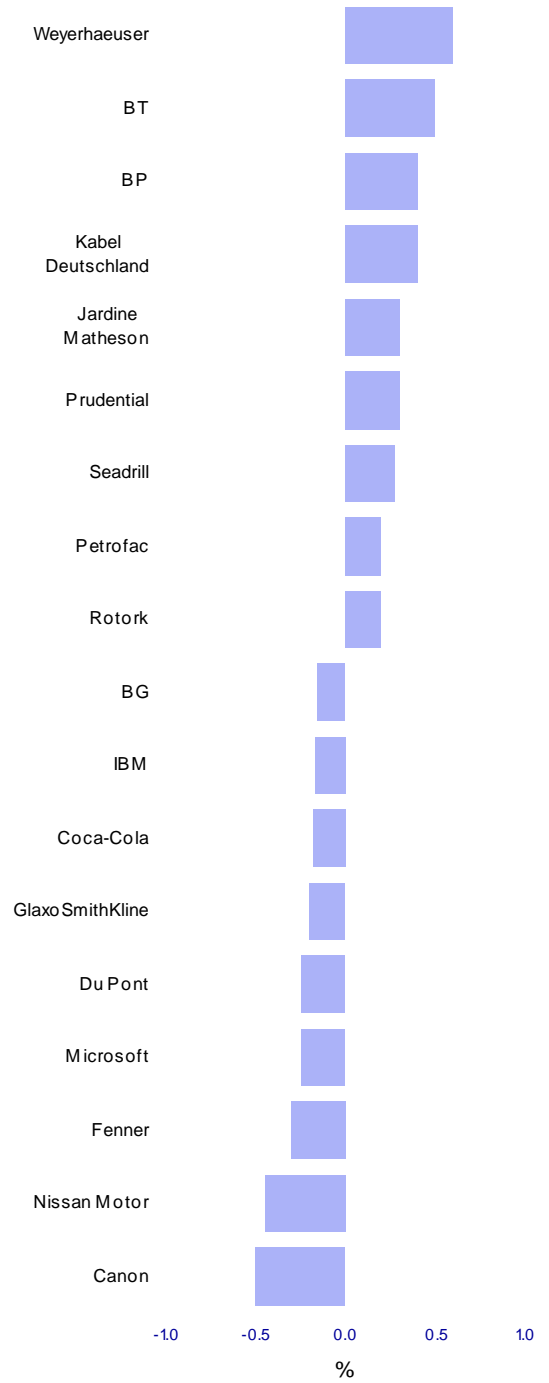
Performance by Theme

30-Jun-12 to 30-Sept-12



Largest Contributors to Overall Performance

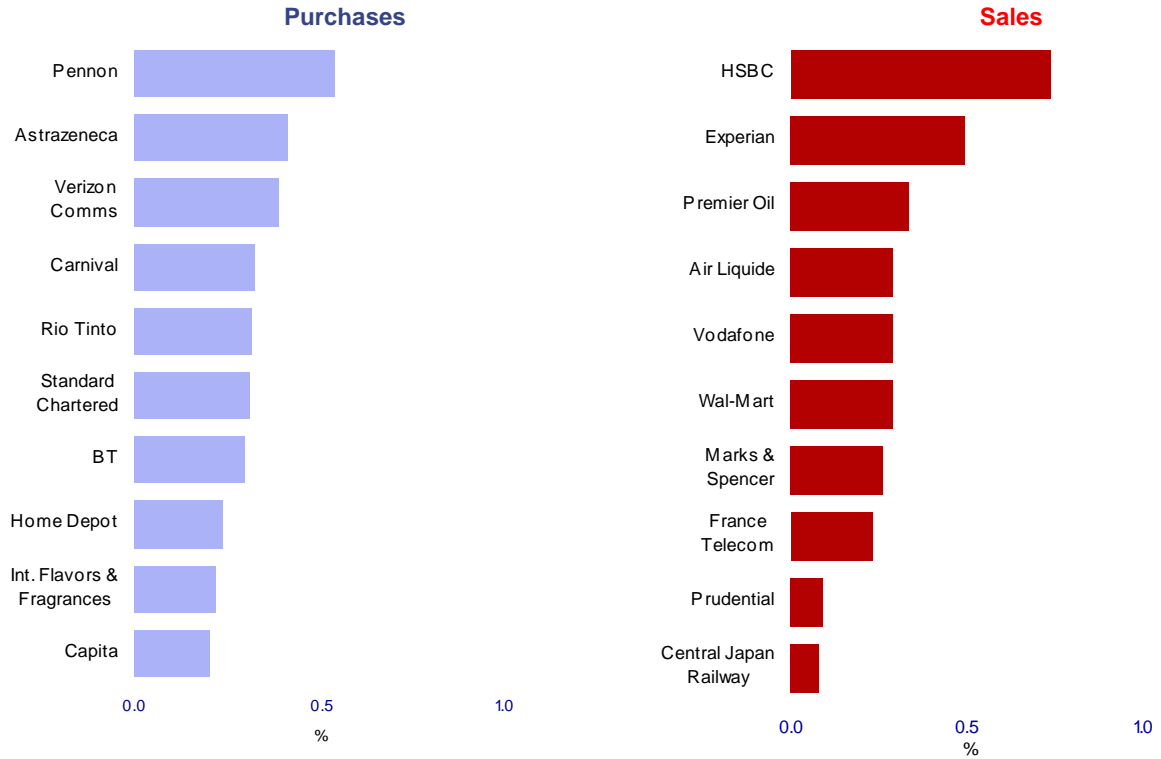
30-Jun-12 to 30-Sept-12



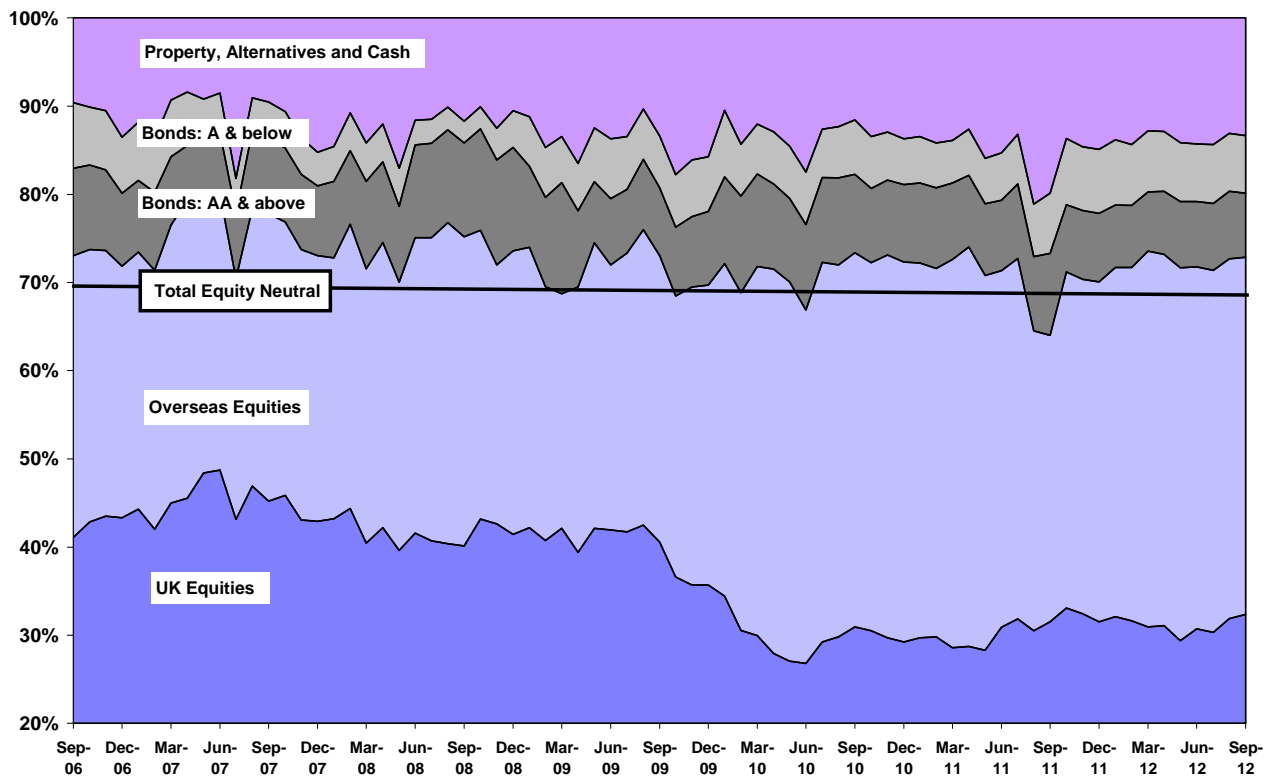
The following charts show the largest equity transactions (excluding segregated bonds) within the Alpha CIF for Endowments and this is followed by the long term asset allocation

Largest Transactions (%)

30-Jun-12 to 30-Sept-12



Asset Allocation



Company	Date	Resolution	How we voted for you	Result
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SINGAPORE AIRPORT TERMINAL SERVICES (SATS) Ltd

July	Approve issuance of shares and / or Grant of Awards under the SATS Performance Share Plan	Against	Accepted
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Rationale: We voted against the resolution, in line with our voting policy, as the proposed plan cannot be considered sufficiently well structured to justify a potential dilution of 15%. The plan did not contain challenging performance criteria and meaningful vesting periods. Moreover the potential dilution of 15% is high given that SATS is a relatively mature company.

Result: SATS reported the outcome of the votes at the AGM but did not provide details on the number of votes "For" and "Against". Detailed disclosure is required in developed markets such as the UK and US. This relative lack of transparency, compared to developed markets such as the UK and US, indicates how corporate governance standards in some markets are still developing.

BT GROUP PLC

July	Reappoint Pricewaterhouse Coopers LLP as Auditors	Against	Accepted
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Rationale: In line with our voting policy we voted against the reappointment of the auditors as they have been in their position for more than 6 years, potentially compromising their independence.

The relationship between auditors and the companies they audit is increasingly receiving investor attention. The risk of lack of auditor independence is highlighted by the failure of auditors to highlight risks at banks and insurance companies prior to the financial crisis: according to the FT "none of the banks which were given debt aid or injections of capital, received a qualified audit report prior to the catastrophic meltdown." Audit reform is currently being considered by the European Parliament and, in the US, by the Public Company Accounting Oversight Board. The European Parliament committee reviewing audit reform is considering easing a proposed mandatory auditor rotation every 25 years. Though concerning, even a 25 year rotation would be an improvement: PWC have been the auditors at Bank of America for over 80 years and the audit report was apparently identical before, during and after the financial crisis.

The European Commission is currently considering reforms to the regulation of auditors. We are supporting a collective engagement, together with some of the largest European institutional investors, to ensure that the interests of long-term investors are represented as the reforms are debated.

Result: Accepted (99.3% for, 0.7% against)

H.J. HEINZ COMPANY

August	Advisory Vote to Ratify Named Executive Officers' Compensation	Abstain	Accepted
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Rationale: There was a range of concerns about the proposed remuneration arrangements. We therefore had detailed discussions with the CFO, a Board Director and other senior executives to understand the company's approach to remuneration. These highlighted that much of the disagreement between ISS, which undertakes research into company resolutions on our behalf, and the company centred on differences of perspective on the appropriate peer group for the company. The construction of peer groups is so fundamental to assessing company compensation and performance that, when the company undertook to raise with the board our concerns over some aspects of the compensation and to hold a discussion with ISS and us to seek to find common ground in peer group construction, we decided to abstain. We rarely abstain on resolutions and this was not the outcome formally indicated by our voting guidelines but in this instance it was in our judgement appropriate to register our concerns with the some aspects of the compensation while recognising the company's intent to engage constructively with us to refine their approach to compensation.

Result: Accepted (76.9% for, 20.9% against, 2.2% abstain)

Bonds

Bond Fundamentals

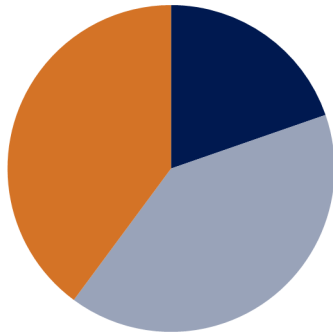
Coupon:	5.83%
Yield to Maturity:	3.30%
Maturity(Years)	12.1
Adjusted Duration (years):	
Total:	8.3
Excluding FRNs:	8.3
Spread to Government (bp)	
Total:	+195
Excluding Governments:	+324
Rating:	AA-

Indexed-linked bonds are excluded from the fundamentals

Bond Type

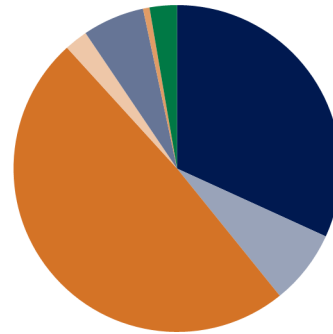
Government, Treasuries	31.8%
Govt Agency, Gtd & Supra	7.4%
Corporate	49.0%
Other Fixed Interest	2.3%
Asset Backed	6.1%
FRN	0.6%
Inflation Linked	2.7%
Total	100.0%

Maturity



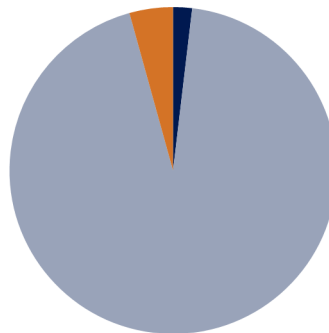
■ Up to 5 Years 19.7%	■ Over 10 Years 39.9%
■ 5 to 10 Years 40.5%	

Type



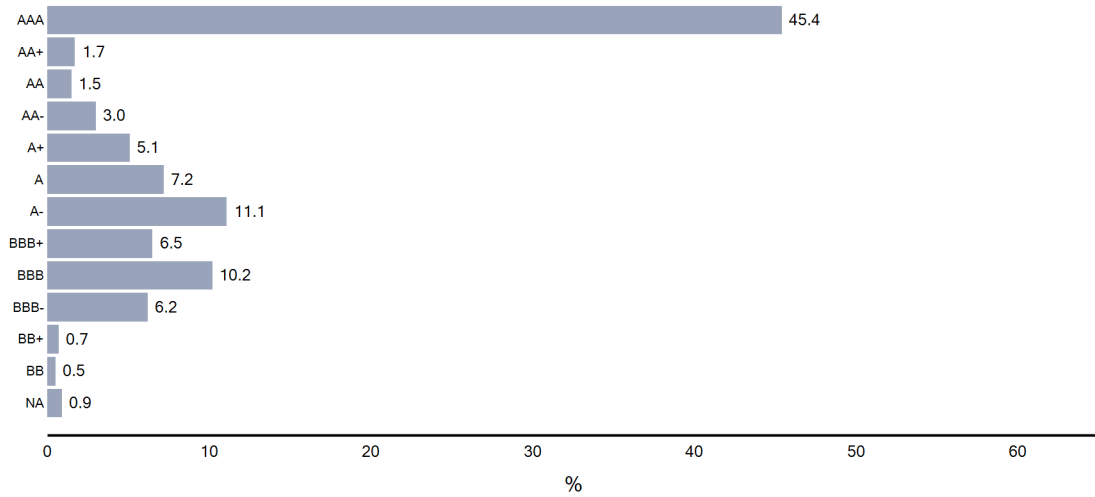
■ Government, Treasuries 31.8%	■ Other Fixed Interest 2.3%
■ Govt Agency, Gtd & Supra 7.4%	■ Asset Backed 6.1%
■ Corporate 49.0%	■ FRN 0.6%
	■ Inflation Linked 2.7%

Currency Allocation

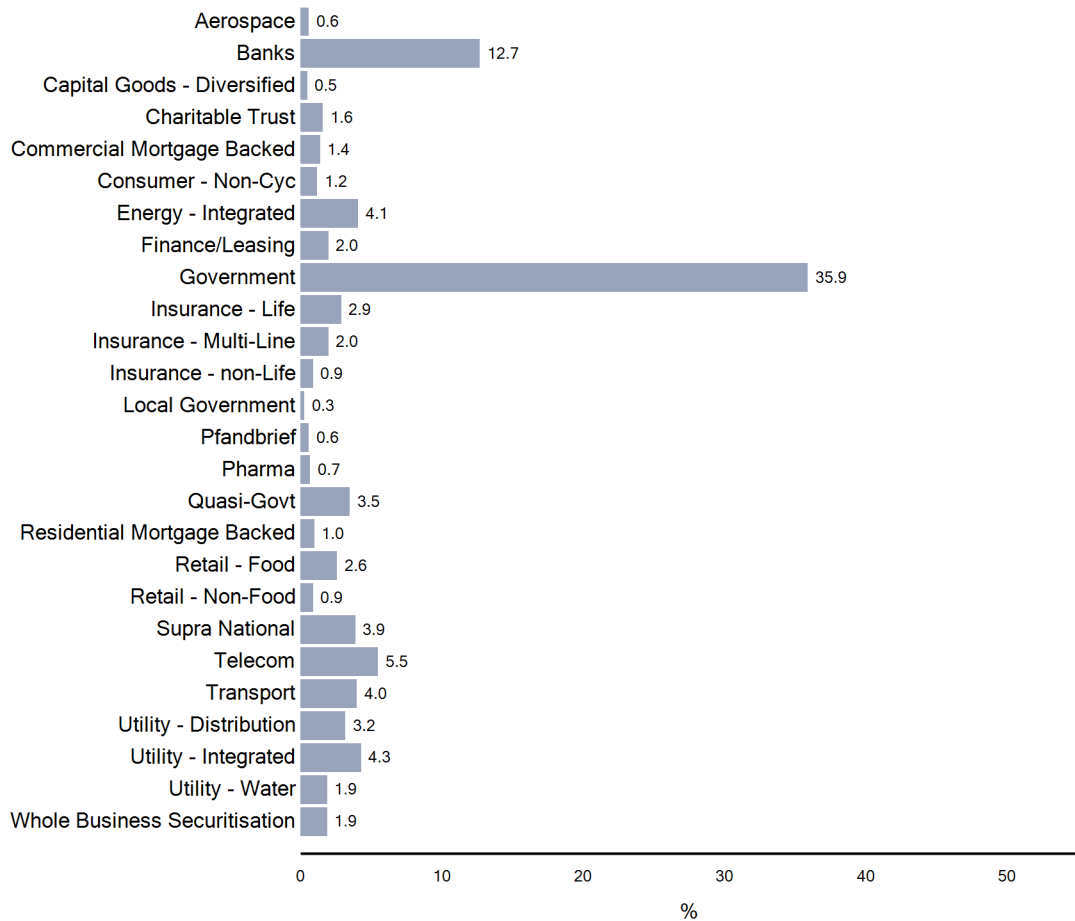


■ Canadian Dollar 1.9%	■ Sterling 93.8%	■ US Dollar 4.3%
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Credit Rating Allocation



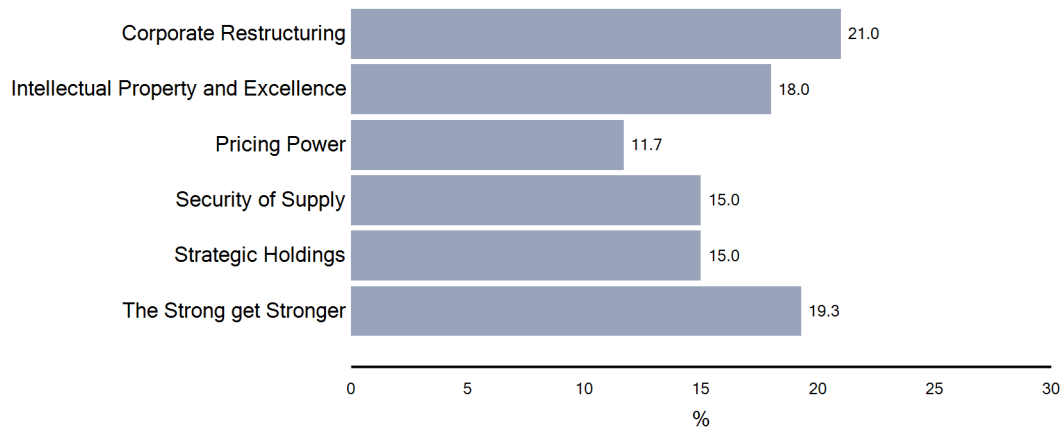
Industrial Sector Allocation



Bonds

	% of Bonds	Currency	Duration (Years)	Yield to Maturity %	Spread to Govt (bp)
Sarasin & Partners Funds					
ALPHA CIF FOR ENDOWMENTS (INCOME UNITS)	45.0				
ALPHA CIF FOR INCOME AND RESERVES (INCOME UNITS)	55.0				
Total	100				

Thematic Allocation as at 30-Sep-12



Corporate Restructuring

%

BP PLC	2.3
BT GROUP PLC	1.9
PFIZER INC	1.7
HOME DEPOT INC	1.6
PNC FINANCIAL SERVICES GROUP	1.6

Intellectual Property and Excellence

%

ASTRAZENECA PLC	2.0
GENERAL ELECTRIC CO (USD)	1.7
NOVARTIS AG-REG	1.5
DU PONT (E.I.) DE NEMOURS	1.3
INTL BUSINESS MACHINES CORP	1.2

Pricing Power

%

BHP BILLITON PLC (GBP)	1.7
SWISS RE AG	1.6
ADMIRAL GROUP PLC	1.1
KABEL DEUTSCHLAND HOLDING AG (GR)	1.1
PRUDENTIAL PLC	1.0

Security of Supply

%

BG GROUP PLC	1.5
PETROFAC LTD	1.3
SEADRILL LTD	1.2
TIME WARNER INC	1.2
TOTAL SA	1.1

Strategic Holdings

%

SARASIN IE REAL ESTATE EQUITY - GLOBAL (GBP) - I INC	1.9
SALAR FUND PLC-C1GBP DIST INC	1.7
THE PROPERTY INCOME TRUST FOR CHARITIES	1.5
INTERNATIONAL PUBLIC PARTNERSHIP LTD	1.3
OLD MUTUAL UK SEL SMALL-C-INC	1.2

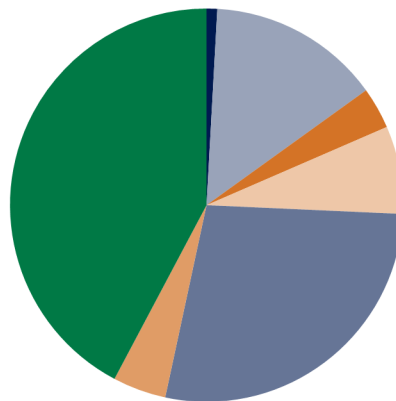
The Strong get Stronger	%
COCA-COLA CO/THE	1.5
HJ HEINZ CO	1.2
BANK OF NOVA SCOTIA	1.1
PEARSON PLC	1.1
UNITED OVERSEAS BANK LTD	1.1

	Portfolio %	Index %	Relative Difference %
Greater than 10% divergence from Index			
NORTH AMERICA	27.7	59.1	-31.4
UNITED KINGDOM	42.2	9.5	+32.7
Between 5% - 10% divergence from Index			
MULTI-REGIONAL	7.2	-	+7.2
Less than 5% divergence from Index			
EMERGING MARKETS	0.9	-	+0.9
EUROPE EX. UK	14.2	17.4	-3.2
JAPAN	3.4	8.2	-4.8
PACIFIC EX. JAPAN	4.4	5.8	-1.4

Source: Sarasin & Partners and Bloomberg

Index: MSCI World (Gross Total Return)
 Weights as at: 28-Sep-12
 Currency: US Dollar
 Portfolio: Weights as at 30-Sep-12

Geographical Allocation



Emerging Markets 0.9%	Multi-Regional 7.2%	Pacific ex. Japan 4.4%
Europe ex. UK 14.2%	North America 27.7%	United Kingdom 42.2%
Japan 3.4%		

	Portfolio %	Index %	Relative Difference %
Greater than 10% divergence from Index			
MISCELLANEOUS	15.1	-	+15.1
Between 5% - 10% divergence from Index			
CONSUMER STAPLES	5.9	10.9	-5.0
INFORMATION TECH	5.2	12.6	-7.4
Less than 5% divergence from Index			
CONSUMER DISCR	9.8	10.7	-0.9
ENERGY	10.2	10.8	-0.6
FINANCIALS	21.5	19.1	+2.4
HEALTH CARE	7.2	10.7	-3.5
INDUSTRIALS	11.5	10.7	+0.8
MATERIALS	6.9	6.9	0.0
TELECOM SVC	3.8	4.1	-0.3
UTILITIES	3.1	3.5	-0.4

Source: Sarasin & Partners and Bloomberg

Index: MSCI World (Gross Total Return)

Weights as at: 28-Sep-12

Currency: US Dollar

Portfolio: Weights as at 30-Sep-12

Overview

Mario Draghi is quite a showman - he knows the tricks of managing confidence. Like Danny Boyle's opening ceremony at the Olympics, the audience needs to be surprised and delighted by the actors, building up enthusiasm and applause. His 'whatever it takes' magic tricks with the ECB balance sheet were a great start, quickly followed by Ben Bernanke's Buzz Lightyear impression, 'to infinity and beyond!'. We expect the team from the US Congress to produce some spectacular fiscal cliff-diving during Q4 and the Chinese contingent are teasing the audience with confusing messages ahead of the eagerly anticipated performance from their new politburo team.

But is a good show enough to get the party going? The world economy is still suffering an appalling hangover from the last party thrown by central bankers – 'the irrational exuberance binge'. Starting the new party with an unlimited round of cut-price drinks doesn't seem to be enticing sore-headed partygoers – hence the need for the tricks and entertainment. The one act that apparently would get the party going is a performance from Angela's Euro-unification Band, but there are persistent rumours that the band is splitting up...

Strategy

So for everyday investors in the real world, confusion reigns. Outside the US, little real progress is being made in tackling the debt mountain and it continues to smother the global economy. The economic flames have been sufficiently feeble to prompt central banks to pour more petrol on the fire whilst overhead dark geopolitical clouds have been looming. Yet stock markets have been rising recently: the MSCI World Index rose by 2.6% over the third quarter and is up 8.8% for the year.

MSCI World Index GBP



Source: Reuters EcoWin

As the chart shows, the recent rise is a rebound from the lows reached in May and stock market indices have yet to push above their 2011 highs. However, there does appear to be an increasing conviction that there is a floor under equity prices and, despite the poor news flow, the yield on equities is sufficiently attractive to prompt investors to move out of low yield bonds and no-return deposits.

Mario Draghi's 'whatever it takes to save the Euro' performance appeared to have helped this swing in asset preferences – at least for a time it routed the bond vigilantes who were driving up the yields on Spanish and Italian bonds and stemmed fears of an imminent currency catastrophe. As a consequence, investors began to hope that they may be able to take a slightly less short-term view. Although European politicians seem to have since muddied the waters, over the last quarter Europe has taken a small step in the right direction.

But tempering any improvement in investor risk tolerance is a deterioration in global economic news flow and in the prospects for job creation and corporate profitability. In launching its unlimited Quantitative Easing in September (QE3 or QE infinity as some have called it) the US Federal Reserve expressed disappointment in the recent growth of employment and business investment and concern that future economic growth may not be enough to create jobs or to stop inflation from falling below its 2% target. Data on business confidence, jobs and economic growth in Europe and Japan have been very weak and China has led the downgrading of growth expectations across emerging markets.

One palliative for most economies would be a fall in energy costs but the sharp rise in geopolitical tensions has pushed the oil price up 15% in the last three months to \$112 per barrel (Brent). The potential threats to supplies from Israel's sabre-rattling over Iran's nuclear weapons programme, the unfolding tragedy in Syria and the protests against the US over an anti-Islamic film, prompted Saudi Arabia to boost oil production with the aim of reducing the benchmark price closer to OPEC's 'ideal' target of \$100 per barrel.

Against this background, for longer-term investors we continue to see the best strategy as holding high quality equities with the thematic attributes to provide real growth prospects. Most government bonds do not provide a sufficient yield, at current extraordinary low levels, to meet the needs of the majority of long-term investors. With the US election campaign and the change in Chinese leadership finally drawing towards a close, some further looming uncertainties may be removed and provide additional scope for more investors to return to taking a longer-term view.

Macroeconomic Outlook

The ECB's plan for Outright Monetary Transactions (OMTs) to buy up the debt of troubled Euro governments is aimed at "safeguarding monetary policy transmission across the Euro area". However, together with plans for a banking union agreed between governments on 29th June, it amounts to a declaration that the ECB will act as lender

of last resort to troubled countries like Spain. The resulting imposition of financial burden-sharing has stirred up considerable resentment in Germany (where the president of the Bundesbank, Jens Weidmann, has likened it to a Faustian pact) and in Spain where Catalonia has threatened to seek independence (it has a population of 9m people and an economy the size of Austria).

Since the summer Germany and others seem to have reversed their 29th June agreement to a comprehensive banking union, undermining Spain's hopes for off-loading much of its banking problem onto the ESM. Critically this also undermines the value of the ECB 'put option' that investors were beginning to take comfort from. Spain will have to accept some harsh medicine and give up economic sovereignty to receive its ECB bailout and the bond market appears to be losing patience with the delays. The reinvigorated bond vigilantes may then turn their searchlight back onto Italy, which is a much bigger economy with debt at 120% of GDP and where recent economic news has been deteriorating. The technocrat government of Mario Monti has been sustaining credibility through austerity measures and steps to improve government efficiency but he is due to leave office in the next 6 months and the possible political replacements do not inspire confidence.

With Greece still struggling to meet the terms for its bailout and German elections looming in March, it seems likely that the Euro soap opera will not be having a break any time soon. The macro-economic situation will remain marked by a deep recession both in the periphery and increasingly in the core, as seen by the most recent figures from France and Italy.

November will see both the end of the US presidential race and hopefully the beginning of the end of uncertainty over the Federal Budget, the so called 'fiscal cliff'. It is expected that by Christmas the parties will agree a new debt ceiling as well as changes to the 2010 Tax Relief Act and to the Budget Control Act 2011. Without modification these laws would lead to tax rises and spending cuts that would cause a sharp slowdown in US economic growth in 2013. The key question is the balance that will be struck between growth and tackling the debt burden. By moving to implement further QE now, the Fed is not in the mood to risk slower growth. The objective seems to be to create a benign cycle by boosting the real estate and stock markets, increasing household wealth which will increase consumer confidence, stimulate spending, increase business confidence, raise employment and make people feel better off etc. If the economy starts to improve, the Fed has pledged to keep policy very relaxed, even as inflation builds. The old rule 'don't fight the Fed' now also seems to apply to the US stock market.

It is clear that the slowdown in China is not just a function of reduced central government spending on large capital projects but is also due to the sharp fall in global demand for manufactured goods. This has struck hard at the coastal regions where manufacturing is concentrated although conversely the central regions appear to be still buoyant with a boom in new business creation. The slowdown may well have been exaggerated in the short-term by a reduction in inventories, in which case some rebound might be expected towards the end of the year. The political business cycle is also picking up with new local government officials recently installed and beginning to implement some delayed local infrastructure projects. Average wage growth is still strong and recent pension reforms will also help take some of the pressure off savings and encourage consumption. However, it is arithmetically challenging to maintain fast GDP growth as the proportion of investment in the economy drops from an unsustainable 48%. The result is that Chinese growth seems likely to continue to moderate.

Global Equities

The global economic slowdown has fed through to companies in the form of sluggish sales growth and reduced profits expectations. This emphasises the need to continue to focus investment on companies with more dependable earnings potential. In the Push-me-Pull-you world in which equity prices are hampered by slow growth, deleveraging and Euro uncertainty but stimulated by central bank financial engineering, our stock selection has stuck to high quality and the long-term dependability characteristics defined by our themes.

We have several major groupings of thematic opportunity sets: One group focuses on the need to improve returns through productivity, or "getting more from less". This includes companies that help consumers and governments to seek value for money by trading down, optimising inputs or using technology (the Smarter Planet and Data Obesity). Another group of opportunity sets considers demographic consequences, both from younger emerging consumers and the increasingly large elderly population. This encompasses dietary change (restaurants, proteins, packaged foods and obesity), EM Financial Services and the consequences of ageing, including Healthcare, Leisure, Pets and Cosmetics. A third group considers resource issues and considers opportunities such as stores of value, energy security, energy taxation, the changing energy mix and the promise of new energy sources.

The key is to use our opportunity sets and core themes to find companies with a robust business outlook that have the potential to deliver long-term earnings growth for shareholders. In the shorter-term this strategy is frustrated somewhat by the 'risk-on, risk-off' performance of the

stock markets and the guessing game over the future of the Euro. With such uncertainty we remain sceptical of investments too exposed to the fortunes of the European currency and banking system. We have also been cautious about the slowdown in China and profits downgrades from weaker global growth. We expect a renewed round of corporate restructuring and suspect that this must have some impact on employment and consumer confidence. It is also challenging some long-held taboos, as seen in the proposed merger of EADS and British Aerospace. We expect more restructuring-led M&A activity to emerge over the months ahead.

Bond Outlook

The flamenco-like twists of the Spanish bond market have called the tune for other bonds recently as risk tolerance focused on progress with the Spanish government debt situation. German and UK government bonds were regarded as safe havens, so benefitted when investor fears were most acute. The additional stimulus from QE in the US and UK and the ECB's OMT plan had remarkably little impact on yields which ended barely changed over the quarter. In gilts, the shorter-dated maturities saw yields 10-15bp lower, whilst long-dated issues were less than 10bp higher.

Index-linked gilts underperformed UK conventional gilts as the government floated proposals to change the process of index-linking to reduce the difference with the more commonly used CPI inflation measure. Arguably, the current RPI measure overstates inflation and so adjustment might lower returns. Some modest change has already been discounted in market pricing and this leaves the asset class relatively cheap.

Corporate bonds were yet again strong performers. The confidence engendered by the ECB's promise of action was the major catalyst for a tightening of spreads in the major Spanish and Italian utilities (e.g. Iberdola, Telecom Italia) as well as the principal banks. Corporate treasurers took advantage of the low prevailing yields to conduct a heavy issuance programme in September but this was easily absorbed by the market which remains very income hungry.

Alternative Investments

Hedge funds continue to struggle to add value – the HFRI Hedge Fund Index is up only 2% this year. Property is also struggling with rents outside London under pressure and voids creeping up. Over the last two months overseas property, in the form of global REITS, has begun to lose some of its previous positive momentum. On the other hand, infrastructure investments with the prospect of an inflation-linked yield continue to perform well.

Conclusion

Despite recent attempts by some European politicians to devalue the ECB 'put option' on sovereign bond yields, Mr Draghi's initiatives are positive steps to lessen the systemic risks in the Euro zone. And some comfort can be taken from the underlying strength in the US housing market, especially as it is now the key conduit for Fed stimulus. Improved clarity on fiscal policy once US and Chinese leadership issues are out of the way in November should also help sentiment. But the overall lack of global growth momentum is restraining company profits growth which may well lead to a renewed round of corporate restructuring and redundancies.

The investment choices remain broadly the same: bonds and cash are (deliberately) unappealing investment homes while equities offer a better underlying yield plus some interesting pockets of growth.

Valuation and Accounting Statements

Valuation

Holding	Book Cost £	Price	Value as at 30-Sep-12 £	Profit/ Loss £	% of Portfolio %	Est Gross Income £	Gross Yield %
GLOBAL BALANCED							
United Kingdom							
656,938.73 ALPHA CIF FOR ENDOWMENTS (INCOME UNITS)	393,156	GBP 0.77	505,449	112,292	81.0	18,737	3.7
114,472.20 ALPHA CIF FOR INCOME AND RESERVES (INCOME UNITS)	98,207	GBP 1.04	118,822	20,615	19.0	5,081	4.3
Sub-Total (United Kingdom)	491,364		624,271	132,907	100.0	23,818	3.8
Total for GLOBAL BALANCED	491,364		624,271	132,907	100.0	23,818	3.8
Portfolio Totals	491,364		624,271	132,907	100.00	23,818	3.8

Prices are supplied by Bloomberg and are based on the Bid price as at the close of business on the valuation date. For securities not priced by Bloomberg, other sources may be used. Exchange rates are obtained from Bloomberg.

Consolidated Portfolio Valuation

The data below shows your overall exposure to individual securities including those held within Sarasin funds.

Security	% of Portfolio %	Value as at 30-Sep-12 £	Gross Yield %
<u>GOVERNMENT TREASURIES</u>			
United Kingdom			
TREASURY 3.7500% 07/09/21 GBP	0.57	3,567	3.2
TREASURY 4.0000% 07/03/22 GBP	0.81	5,085	3.3
TREASURY 4.0000% 07/09/16 GBP	0.97	6,062	3.5
TREASURY 4.2500% 07/03/36 GBP	0.79	4,945	3.5
TREASURY 4.2500% 07/12/27 GBP	0.87	5,430	3.4
TREASURY 4.2500% 07/12/40 GBP	0.21	1,297	3.5
TREASURY 4.5000% 07/09/34 GBP	0.78	4,856	3.5
TREASURY 4.5000% 07/12/42 GBP	0.87	5,436	3.5
TREASURY 8.0000% 07/06/21 GBP	1.29	8,028	5.2
United States			
US TREASURY N/B 5.2500% 15/11/28 USD	0.30	1,871	3.8
Canada			
CANADA-GOV'T 4.5000% 01/06/15 CAD	0.45	2,797	4.1
Sub-Total	7.9	49,373	
<u>GOVT AGENCY, GTD & SUPRA</u>			
United Kingdom			
BK NED GEMEENTEN 5.2000% 07/12/28 GBP	0.11	665	4.3
BK NED GEMEENTEN 5.7500% 18/01/19 GBP	0.31	1,961	4.7
EUROPEAN INVT BK 3.8750% 08/06/37 GBP	0.10	638	3.7
EUROPEAN INVT BK 4.2500% 07/12/21 GBP	0.10	623	3.7
EUROPEAN INVT BK 8.7500% 25/08/17 GBP	0.67	4,194	6.5
NEW S WALES TREA 5.0000% 25/02/39 GBP	0.07	436	4.0
RESEAU FERRE FRA 5.5000% 01/12/21 GBP	0.35	2,156	4.6
United States			
COUNCIL OF EUROP 1.5000% 22/02/17 USD	0.05	332	1.5
TEMASEK FINL I 2.3750% 23/01/23 USD	0.07	446	2.4
Sub-Total	1.8	11,450	
<u>CORPORATE BONDS</u>			
United Kingdom			
AMERICA MOVIL SA 5.7500% 28/06/30 GBP	0.18	1,115	4.6
AT&T INC 7.0000% 30/04/40 GBP	0.34	2,142	4.9
AVIVA 5.9021% 27/07/20 PERP	0.08	486	7.8
AVIVA PLC 6.6250% 03/06/21 - 41 GBP	0.26	1,654	7.1
BAA FUNDING LTD 6.0000% 20/03/20 GBP	0.17	1,083	5.5
BANK OF AMER CRP 6.1250% 15/09/21 GBP	0.17	1,062	5.3
BANK OF SCOTLAND 9.3750% 15/05/21 GBP	0.36	2,266	8.1

Consolidated Portfolio Valuation

Security	% of Portfolio %	Value as at 30-Sep-12 £	Gross Yield %
BARCLAYS BANK PLC 14.0000% 15/06/19 - PERP GBP	0.32	1,968	11.2
BG ENERGY CAP 5.1250% 07/12/17 GBP	0.29	1,807	4.4
BNP PARIBAS 3.5000% 07/12/16 GBP	0.09	566	3.3
BP CAPITAL PLC 4.3250% 10/12/18 GBP	0.10	609	3.8
CENTRICA PLC 7.0000% 19/09/18 GBP	0.22	1,363	5.6
CREDIT AGRICOLE 5.5000% 17/12/21 GBP	0.32	1,970	5.1
CREDIT AGRICOLE 8.125% 26/10/19 - PERP GBP	0.17	1,035	9.3
DERBYSHIRE BUILD 6.000% 15/12/16 - PERP GBP	0.06	405	7.4
DEUTSCHE BAHN FIN 2.7500% 20/06/22 GBP	0.10	623	2.7
DONG A/S 4.8750% 12/01/32 GBP	0.13	806	4.4
EASTERN POWER NETWORKS 8.5000% 31/03/25 GBP	0.27	1,708	5.8
ENEL FIN INTL NV 5.7500% 14/09/40 GBP	0.07	448	6.8
GE CAPITAL UK 6.7500% 06/08/18 GBP	0.31	1,935	5.6
GO-AHEAD GROUP 5.3750% 29/09/17 GBP	0.21	1,280	4.9
GREAT ROLLING STOCK 6.8750% 27/07/13-35 GBP	0.25	1,552	5.6
IBERDROLA FIN SA 6.0000% 01/07/22 GBP	0.09	537	6.0
ING BANK NV 3.8750% 23/12/16 GBP	0.21	1,331	3.7
INTESA SANPAOLO 5.2500% 28/01/22 GBP	0.07	456	5.8
INTESA SANPAOLO 6.3750% 12/11/12-17 GBP	0.13	806	6.6
IPIC GMTN LTD 6.8750% 14/03/26 GBP	0.14	903	5.7
JOHN LEWIS PLC 8.3750% 08/04/19 GBP	0.21	1,291	6.4
JPMORGAN CHASE 4.2500% 25/01/17 GBP	0.13	791	3.9
LEGAL & GENL GRP 6.3850% 02/05/17- PERP GBP	0.12	779	7.1
LLOYDS TSB BANK 6.5000% 17/09/40 GBP	0.10	626	5.5
LLOYDS TSB BANK 7.5000% 15/04/24 GBP	0.18	1,124	5.8
MORRISON(WM) SUP 4.6250% 08/12/23 GBP	0.18	1,115	4.0
MOTABILITY OPER 6.6250% 10/12/19 GBP	0.17	1,090	5.2
MUNICH RE 6.6250% 26/05/22 - 42 GBP	0.13	822	6.0
NATIONWIDE BLDG 5.6250% 09/09/19 GBP	0.09	554	4.8
NATL GRID ELECT 4.0000% 08/06/27 GBP	0.27	1,686	3.9
OLD MUTUAL PLC 8.0000% 03/06/21 GBP	0.32	2,028	7.3
PFIZER INC 6.5000% 03/06/38 GBP	0.17	1,031	4.6
PORTERBROOK RAIL FIN LTD 6.5000% 20/10/2020 GBP	0.12	744	5.4
PORTERBROOK RAIL FIN LTD 7.1250% 20/10/2026 GBP	0.11	705	5.4
PORTMAN BLDG SOC 5.2500% 23/11/15-20 GBP	0.25	1,587	5.4
PRUDENTIAL CORP 6.8750% 20/01/23 GBP	0.06	357	5.2
PRUDENTIAL PLC 11.375% 29/5/19 - 39 GBP	0.18	1,153	8.5
ROLLS-ROYCE PLC 6.7500% 30/04/19 GBP	0.15	933	5.3
ROYAL BK SCOTLND 7.5000% 29/04/24 GBP	0.18	1,111	5.8
ROYAL LONDON (RL FINANCE) 6.1250% 15/12/15 - Perp GBP	0.13	798	7.9
RWE FINANCE BV 5.5000% 06/07/22 GBP	0.13	793	4.6
SCOTTISH & SOUTH 5.0000% 01/10/18 GBP	0.40	2,472	4.3
SIEMENS FINAN 2.7500% 10/09/25 GBP	0.11	710	2.8
SOUTH E POWER 5.6250% 30/09/30 GBP	0.09	585	4.8

Consolidated Portfolio Valuation

Security	% of Portfolio %	Value as at 30-Sep-12 £	Gross Yield %
SPI AUSTRALIA AS 5.1250% 11/02/21 GBP	0.13	842	4.5
STATOILHYDRO ASA 6.8750% 11/03/31 GBP	0.13	783	4.7
SWISS RE 6.3024% 25/05/19 Perp GBP	0.09	560	6.7
TELECOM ITALIA 6.3750% 24/06/19 GBP	0.25	1,580	6.2
TELEFONICA EMIS 5.5970% 12/03/20 GBP	0.28	1,769	5.7
THAMES WATER UTC 4.3750% 03/07/34 GBP	0.17	1,080	4.1
THAMES WATER UTC 5.3750% 21/07/17-25 GBP	0.09	577	4.9
THAMES WATER UTC 5.7500% 13/09/22-30 GBP	0.11	673	5.2
TOTAL CAPITAL 4.2500% 08/12/17 GBP	0.18	1,120	3.8
UNILEVER PLC 4.7500% 16/06/17 GBP	0.29	1,804	4.1
WAL-MART STORES 5.6250% 27/03/34 GBP	0.09	543	4.4
WELLCOME TRUST FI 4.6250% 25/07/36 GBP	0.39	2,426	4.1
YORKS WATER BRAD 6.0000% 24/04/25 GBP	0.09	546	5.4
United States			
BPCE 12.5000% - VAR 29/06/49 USD	0.12	759	11.2
DOLPHIN ENERGY 5.8880% 15/06/19 USD	0.15	967	5.2
HUTCH WHA INT 12 6.0000% 07/05/17 - 49 PERP USD	0.25	1,565	5.8
STANDARD CHART 3.8500% 27/04/15 USD	0.08	475	3.7
Europe			
HARBOURVEST SENIOR LOANS EUR	0.20	1,245	4.0
Sub-Total	12.2	76,111	
<u>FIXED INTEREST</u>			
Europe			
MUZINICH ENHANCED YIELD SHORT DURATION FUND GBP HEDGED INST INC	0.57	3,578	5.1
Sub-Total	0.6	3,578	
<u>ASSET BACKED BONDS</u>			
United Kingdom			
CPUK FINANCE 4.8110% 28/02/17 GBP	0.10	637	4.6
CPUK FINANCE 7.2390% 28/02/24 GBP	0.10	600	6.4
DIGNITY FINANCE 8.1510% 31/12/30 GBP	0.25	1,563	5.8
F&C COMMERCIAL 5.2300% 30/06/15 - 17 GBP	0.33	2,057	5.0
LLOYDS TSB BANK 4.8750% 30/03/27 GBP	0.14	852	4.2
SUNDERLAND FINANCE 6.3800% 31/03/22-42 GBP	0.14	846	4.9
TESCO PROPERTY 5.8006% 13/10/11 - 40 GBP	0.36	2,261	5.3
THFC FUNDING 2 6.3500% 08/07/39 GBP	0.11	659	5.2
Sub-Total	1.5	9,475	

Consolidated Portfolio Valuation

Security	% of Portfolio %	Value as at 30-Sep-12 £	Gross Yield %
<u>FLOATING RATE NOTES</u>			
Europe			
ALCENTRA EUROPEAN FLOATING RATE INCOME FUND	0.16	1,003	5.2
Sub-Total	0.2	1,003	
<u>INFLATION LINKED BONDS</u>			
United Kingdom			
UK TSY I/L GILT 0.1250% 22/03/29 GBP	0.30	1,843	0.1
UK TSY I/L GILT 0.1250% 22/03/44 GBP	0.25	1,555	0.1
UK TSY I/L GILT 1.2500% 22/11/27 GBP	0.13	791	1.0
Sub-Total	0.7	4,189	
<u>EQUITIES</u>			
United Kingdom			
3I GROUP PLC	0.29	1,810	4.0
ADMIRAL GROUP PLC	0.84	5,228	4.1
AGGREKO PLC	0.54	3,386	1.1
ASTRAZENECA PLC	1.47	9,202	6.8
BARCLAYS PLC	0.74	4,606	3.1
BG GROUP PLC	1.06	6,625	1.4
BHP BILLITON PLC (GBP)	1.21	7,580	4.1
BP PLC	1.69	10,553	5.0
BT GROUP PLC	1.42	8,860	4.0
CAIRN ENERGY PLC	0.12	775	0.0
CAPITA PLC	0.50	3,111	3.2
CARNIVAL PLC	0.46	2,862	3.1
CENTRICA PLC	0.71	4,440	5.3
CERES POWER HOLDINGS PLC	0.01	46	0.0
DRAX GROUP PLC	0.77	4,811	5.7
F&C ASSET MANAGEMENT PLC	0.24	1,487	3.4
FENNER PLC	0.50	3,110	2.5
FIRSTGROUP PLC	0.35	2,154	11.0
GLAXOSMITHKLINE PLC	0.80	4,983	5.6
HSBC HOLDINGS PLC	0.45	2,793	5.1
ICAP PLC	0.28	1,739	7.6
IMI PLC	0.41	2,536	3.8
INMARSAT PLC	0.36	2,249	4.8
JUPITER FUND MANAGEMENT PLC	0.31	1,912	3.6
LANCASHIRE HOLDINGS LTD	0.32	2,017	1.1
LEGAL & GENERAL GROUP PLC	0.44	2,778	5.6
LLOYDS BANKING GROUP PLC	0.70	4,382	0.0
LONMIN PLC (GBP)	0.20	1,268	2.0
MARKS & SPENCER GROUP PLC	0.28	1,775	5.3
OLD MUTUAL UK SEL SMALL-C-INC	0.85	5,296	0.0

Consolidated Portfolio Valuation

Security	% of Portfolio %	Value as at 30-Sep-12 £	Gross Yield %
PEARSON PLC	0.81	5,053	3.9
PENNON GROUP PLC	0.75	4,706	4.1
PETROFAC LTD	0.92	5,770	2.3
PRUDENTIAL PLC	0.73	4,571	3.6
RIO TINTO PLC	0.23	1,457	4.0
ROTORK PLC	0.43	2,665	2.5
ROYAL DUTCH SHELL PLC-B SHS	0.73	4,555	5.0
ST JAMES'S PLACE PLC	0.37	2,325	2.7
STANDARD CHARTERED PLC	0.53	3,284	4.0
UK CONSUMER NOTE MAY 23 2014 (UBS)	0.73	4,582	2.1
UNILEVER PLC	0.84	5,256	3.8
VODAFONE GROUP PLC	0.59	3,682	6.0
XSTRATA PLC	0.70	4,342	2.7
United States			
AUTOMATIC DATA PROCESSING	0.63	3,956	2.7
CITIGROUP INC	0.51	3,163	0.1
COCA-COLA CO/THE	1.09	6,812	2.6
DU PONT (E.I.) DE NEMOURS	0.94	5,879	3.3
EMERSON ELECTRIC CO	0.86	5,345	3.3
GENERAL ELECTRIC CO (USD)	1.25	7,808	3.0
HARTFORD FINANCIAL SVCS GRP	0.38	2,368	2.1
HJ HEINZ CO	0.89	5,573	3.6
HOME DEPOT INC	1.20	7,501	1.9
INTL BUSINESS MACHINES CORP	0.91	5,665	1.5
INTL FLAVORS AND FRAGRANCES	0.65	4,042	2.1
MICROSOFT CORP	0.80	4,970	2.7
OCCIDENTAL PETROLEUM CORP	0.69	4,300	2.4
PFIZER INC	1.24	7,754	3.5
PNC FINANCIAL SERVICES GROUP	1.16	7,211	2.4
SEADRILL LTD	0.88	5,466	8.2
TIME WARNER INC	0.85	5,306	2.2
VERIZON COMMUNICATIONS INC	0.38	2,370	4.4
VIRGIN MEDIA INC	0.48	2,994	0.5
WAL-MART STORES INC	0.68	4,241	2.1
WASTE MANAGEMENT INC	0.62	3,894	4.4
WEYERHAEUSER CO	1.08	6,769	2.3
YUM BRANDS INC	0.72	4,517	1.7
Belgium			
UMICORE	0.47	2,932	2.7
Denmark			
AP MOELLER-MAERSK A/S-B	0.75	4,690	2.4
NOVOZYMES A/S-B SHARES	0.26	1,599	1.2

Consolidated Portfolio Valuation

Security	% of Portfolio %	Value as at 30-Sep-12 £	Gross Yield %
France			
AIR LIQUIDE SA	0.40	2,509	2.4
DANONE	0.77	4,788	2.9
SANOFI	0.04	253	4.0
TOTAL SA	0.77	4,816	5.9
Germany			
FRESENIUS MEDICAL CARE AG & CO	0.59	3,674	1.2
KABEL DEUTSCHLAND HOLDING AG (GR)	0.79	4,906	2.7
Italy			
SAIPEM SPA	0.28	1,750	1.9
Netherlands			
ASML HOLDING NV	0.39	2,431	1.1
BOSKALIS WESTMINSTER	0.63	3,926	4.4
Switzerland			
NOVARTIS AG-REG	1.12	6,965	3.9
SWISS RE AG	1.17	7,300	5.0
UBS AG-REG	0.49	3,082	0.0
Japan			
CANON INC	0.67	4,204	4.8
MAKITA CORP	0.63	3,922	2.4
NISSAN MOTOR CO LTD	0.82	5,106	1.5
Pacific			
JARDINE MATHESON HLDGS LTD	0.91	5,708	2.3
Singapore			
SINGAPORE AIRPORT TERMINAL SERVICES	0.73	4,539	4.1
UNITED OVERSEAS BANK LTD	0.78	4,887	3.1
Korea, Republic of			
SAMSUNG ELECTR-GDR REG S	0.38	2,361	0.4
Russian Federation			
GAZPROM OAO-SPON ADR	0.26	1,623	5.6
Canada			
BANK OF NOVA SCOTIA	0.81	5,082	4.1

Consolidated Portfolio Valuation

Security	% of Portfolio %	Value as at 30-Sep-12 £	Gross Yield %
Global			
SARASIN AGRISAR - IP INC	0.45	2,811	1.3
Sub-Total	60.9	380,384	
<u>DIRECT PROPERTY</u>			
United Kingdom			
SCHRODER UK PROPERTY FUND SPF	0.20	1,232	4.4
SWIP PROPERTY TRUST-B INC	0.49	3,066	3.6
THE CHARITIES PROPERTY FUND	0.63	3,907	5.6
THE PROPERTY INCOME TRUST FOR CHARITIES	1.08	6,752	7.1
THREADNEEDLE PROPERTY UT-INC	0.51	3,211	5.9
THREADNEEDLE UK PROP TR-I-I	0.06	391	5.3
Sub-Total	3.0	18,558	
<u>QUOTED PROPERTY</u>			
United Kingdom			
BRITISH LAND CO PLC	0.78	4,887	5.0
LONDON & STAMFORD PROPERTY PLC	0.26	1,629	6.8
METRIC PROPERTY INVESTMENT PLC	0.14	854	4.5
France			
UNIBAIL-RODAMCO SE	0.41	2,588	5.2
Netherlands			
EUROCOMMERCIAL PROPRTIE-CV	0.34	2,092	6.4
Japan			
MITSUBISHI ESTATE CO LTD	0.38	2,341	0.8
Australia			
CFS RETAIL PROPERTY TRUST GR	0.37	2,305	6.7
Hong Kong			
SUN HUNG KAI PROPERTIES	0.41	2,540	3.0
Global			
SARASIN IE REAL ESTATE EQUITY - GLOBAL (GBP) - I INC	1.38	8,645	2.3
Sub-Total	4.5	27,881	

Consolidated Portfolio Valuation

Security	% of Portfolio %	Value as at 30-Sep-12 £	Gross Yield %
ALTERNATIVE INVESTMENTS			
United States			
NB DISTRESSED DEBT FUND LTD	0.47	2,940	0.0
Jersey			
3I INFRASTRUCTURE PLC	0.70	4,381	4.7
Global			
BLUECREST ALLBLUE FUND LTD	0.75	4,701	0.0
BREV HOW 2 MAC FX-ED GBP HED	0.48	3,020	0.0
INTERNATIONAL PUBLIC PARTNERSHIP LTD	0.94	5,865	4.9
SALAR FUND PLC-C1GBP DIST INC	1.25	7,833	4.0
Sub-Total	4.6	28,740	
OPTIONS			
United Kingdom			
BHP BILLITON PLC (GBP) GBP1900.00 PUT OPTIONS NOV 16 2012 (LN - LIFFE)	(0.01)	(67)	0.0
PRUDENTIAL PLC GBP720.00 PUT OPTIONS OCT 19 2012 (LN - LIFFE)	0.00	(4)	0.0
RECKITT BENCKISER GROUP PLC GBP3500.00 PUT OPTIONS OCT 19 2012 (BCLEAR FLEX)	0.00	(16)	0.0
RIO TINTO PLC GBP3000.00 PUT OPTIONS NOV 16 2012 (LN - LIFFE)	(0.03)	(194)	0.0
STANDARD CHARTERED PLC GBP1200.00 PUT OPTIONS DEC 21 2012 (LN - LIFFE)	0.00	(24)	0.0
United States			
CITIGROUP INC USD27.00 PUT OPTIONS OCT 20 2012 (US - NYSE)	0.00	(3)	0.0
WEYERHAEUSER CO USD25.00 PUT OPTIONS OCT 20 2012 (US - NYSE AMEX)	0.00	(13)	0.0
Denmark			
NOVOZYMES A/S-B SHARES DKK150.00 PUT OPTIONS OCT 19 2012 (DC)	0.00	(5)	0.0
France			
AIR LIQUIDE SA EUR100.00 CALL OPTIONS OCT 19 2012 (FP - LIFFE)	0.00	(15)	0.0
AIR LIQUIDE SA EUR90.00 PUT OPTIONS OCT 19 2012 (FP - LIFFE)	0.00	(7)	0.0
UNIBAIL-RODAMCO SE EUR150.00 PUT OPTIONS DEC 21 2012 (FP - LIFFE)	(0.01)	(44)	0.0

Consolidated Portfolio Valuation

Security	% of Portfolio %	Value as at 30-Sep-12 £	Gross Yield %
Italy			
SAIPEM SPA EUR35.00 PUT OPTIONS OCT 19 2012 (IM - MILAN)	0.00	(7)	0.0
Sub-Total	(0.1)	(399)	
<u>LIQUID ASSETS</u>			
Liquid Assets			
CASH	2.23	13,928	0.0
Sub-Total	2.2	13,928	
Portfolio Totals		624,271	

Cash Reconciliation

	£	£	£
Total cash brought forward as at 01-Jul-12			0.00
Add:			
Investment income	7,573.47		
Interest	0.00		
Tax reclaims	0.00		
Capital additions	0.00		
Miscellaneous items	0.00		
		7,573.47	
Subtract:			
Money paid away	(7,573.47)		
Management fee	0.00		
Custodian charges	0.00		
Miscellaneous items	0.00		
		(7,573.47)	
Net cash available for investment			0.00
Investment:			
Purchase and call payments	0.00		
Sales and redemptions	0.00		
Derivatives	0.00		
Net investment/disinvestment			0.00
Effect of exchange rate movement			0.00
Total cash carried forward as at 30-Sep-12			0.00

Cash Transactions

Cash Transactions between 01-Jul-12 and 30-Sep-12

Investment Income Received

Date	Description	Amount	£
Sterling Income Account			
31-Aug-12	INCOME 114472.1950 ALPHA CIF FOR INCOME AND RESERVES (INCOME UNITS)		1,266.86
31-Aug-12	INCOME 656938.7320 ALPHA CIF FOR ENDOWMENTS (INCOME UNITS)		6,306.61
		Total	7,573.47

Money Paid Away

Date	Description	Amount	£
Sterling Income Account			
04-Sep-12	ACCUMULATED INCOME		(7,573.47)
		Total	(7,573.47)

Transactions between 01-Jul-12 and 30-Sep-12

There were no transactions undertaken for this portfolio during the period.

Security Transaction Detail

There are no transactions for the reporting period

Custody Holdings as at 30-Sep-12

<u>Holding</u>	<u>Security</u>	<u>Holding</u>	<u>Security</u>
656,938.73	ALPHA CIF FOR ENDOWMENTS (INCOME UNITS)	114,472.20	ALPHA CIF FOR INCOME AND RESERVES (INCOME UNITS)

We confirm that the investments listed above were held on your behalf to the order of Sarasin & Partners LLP Clients' Account by the London Branch of The Bank of New York Mellon, either in the name of their nominee company or in safe custody or to their order by their overseas agents. This statement has been prepared on a trade date basis and therefore includes transactions which were effected but remain unsettled at the date of this report.

Charges and Remuneration Schedule

We have disclosed below the charges levied by us or other members of the Sarasin group within the reporting period.

	01-Jul-12 to 30-Sep-12 £
Investment Management Fees (excl. VAT)	0.00
Commissions	0.00
Initial charges paid on in-house fund purchases	0.00
Cash Management	0.00
Total Remuneration	0.00

Sarasin & Partners receives interest at market rates on your client money balances which are held in client money accounts in a fiduciary capacity. Interest is credited to your account at rates in accordance with your management agreement as previously disclosed to you.

In addition to the 'Total Remuneration', the manager or its associates earn an annual management fee for the following funds held in the portfolio:

ALPHA CIF FOR ENDOWMENTS (INCOME UNITS)	0.75%
ALPHA CIF FOR INCOME AND RESERVES (INCOME UNITS)	0.75%

MANAGER'S POLICIES, PROCEDURES AND CONTROL PROCESSES

Reporting Period to Which Disclosure Relates: 2012/2013

These notes explain Sarasin & Partners' policies and procedures for the management and monitoring of all transaction costs, focusing on the commission levels paid to brokers and the execution and research services met from this expenditure. We also set out our execution policy, which summarises the steps that we take to obtain the best results for our clients in making investment transactions on their behalf. These notes follow a code of practice drawn up by the joint working party of members of the Investment Management Association (IMA) and the National Association of Pension Funds (NAPF) and is accepted by the FSA as an appropriate standard of disclosure. The objective of the code is to promote accountability of investment managers to their clients, and in particular to provide an analysis of transactions and the way in which broking commissions pay for execution and research services. This document is formally reviewed annually.

Although designed to promote better understanding, the details supplied in the policies necessarily use some jargon and if you would like further explanation of the code, the policies or the commission table shown on the charges page, please do not hesitate to contact your account director.

Execution policy:

As your investment manager we will be exercising full discretion in the way in which we transact trades on your portfolio. Best execution is of overriding importance when we buy or sell securities on your behalf. This does not just refer to the price paid but a number of other factors such as liquidity, speed of execution, size of trade and counterparty risk relating to execution and settlement. Under certain circumstances if you give us specific instructions limiting our discretion, this may prevent us from obtaining the best possible result for you. Our commitment to provide you with "best execution" does not mean that we owe you any fiduciary responsibilities over and above the specific regulatory obligations placed on us.

We set out below how we execute transactions in different asset classes.

Dealing venues and methods of trading:

- Equities

For all equity securities Sarasin & Partners deals through authorised brokers on an agency basis. It is the broker's responsibility to ensure that the terms of the transaction are the best available in the market at that time, in that size ("best execution"). A broker is selected with reference to the nature of the trade, the likelihood of dealing within a reasonable time ("timely execution"), the ability to settle a bargain satisfactorily and at a reasonable dealing cost. Some brokers provide us with research as well as execution services.

Sarasin & Partners normally pays commission to brokers on equity transactions. Commission rates can vary between markets and according to the size of a transaction. On occasion, programme trades are undertaken to increase efficiency and reduce the cost to the client. Crossing of equity trades between client portfolios is also undertaken where practical. This is always done through a broker to ensure full market transparency.

The quality of execution is monitored by our dealing team and through regular analysis of all equity transactions compared with prevailing market prices and similar trades by other market participants. This post-trade analysis is provided to Sarasin & Partners by an appointed external consultant on a semi-annual basis. The analysis is reviewed by the head of dealing to monitor execution quality, control costs and bring greater efficiencies to our trading operations.

- Collective Investment Schemes

Transactions in unit trusts and OEICs are conducted through the management company of each fund.

- Bonds

There is no central market place for bonds so they are generally traded directly with market makers on a net basis and no commission is paid. Occasionally we will trade via a broker and in these instances commission is paid although it is included in the price. We will only do this if the overall cost is less.

When trading in bonds there are two primary options:

Electronic dealing platforms. We mainly use Bloomberg which has a "request for quote" function that electronically recreates an auction process. It has an added benefit of an automatically generated audit

trail. Alternative platforms that we occasionally use are TradeWeb and MarketAxess. Together with Bloomberg these are the main three multi-dealer platforms used in fixed income markets.

Voice/ telephone auction. Several counterparties will be canvassed to obtain quotes and the best price applied, should we wish to execute a trade, and the quotes are recorded on our dealing system. If only one counterparty offers a quote we will make a judgement on whether the price is fair. Factors we would consider would include comparison to the pricing of bonds of similar maturity, credit quality, size of issue, normal liquidity, urgency of completing the trade.

The choice of venue is largely dependent on the order size and timeframe. Trades will normally be executed electronically but the larger trades beyond the indicated size on screen will usually be done directly with a market maker.

The main counterparties that we use for bonds are: Barclays Capital, BNP Paribas, Citigroup, Deutsche Bank, HSBC, JP Morgan, Merrill Lynch, Morgan Stanley, RBC Europe, RBS and UBS. A full list of the counterparties that we use is available from your account director.

- Derivatives and structured products

Derivatives and structured products are used to protect portfolios as well as generate Alpha or premium income. Alpha is the generation of investment returns from active positions in securities. The use of derivatives can allow fund managers to structure portfolios in a manner which reflects their views more effectively. Derivatives may also be used to reduce the volatility of funds.

Exchange traded derivatives are centrally cleared and provide considerable flexibility when seeking best execution and liquidity. Currently a large number of derivative trades are placed with brokers using an electronic "request for quote" system known as TradeWeb, as well as messaging systems and over the phone. TradeWeb can be used to request quotes from up to five counterparties and provides Sarasin & Partners with a useful audit trail. Exchange Traded Derivatives may be traded on exchange through brokers at prevailing market prices if liquidity permits. Exchange traded and other centrally cleared Derivative trades are dealt through a number of Derivatives brokers, including Deutsche Bank, Bank of America Merrill Lynch, BNP Paribas, Goldman Sachs, JP Morgan, Morgan Stanley and UBS. Exchange traded and other centrally cleared derivative trades are generally given-up to our main futures and options clearer Goldman Sachs.

Over-the-counter (OTC) derivative relationships vary depending on client mandates and requirements. However, the main OTC counterparties are Merrill Lynch, Morgan Stanley and UBS. Trades in OTC derivatives involves incrementally greater counterparty risk than centrally cleared derivatives. At the point of execution, OTC prices are often compared with proxy prices or third parties to ensure best execution.

Securitized structured products generally comprise securities which embed one or more derivatives. The products Sarasin & Partners consider and invest in are issued primarily but not exclusively by investment banks and their subsidiaries. Investment in structured products often involves greater counterparty risk exposure and greater attention is paid to the choice of counterparty as a result. The pricing of structured products is generally subject to competitive review and we often secure the services of an independent structuring house to ensure best execution.

The performance and fee structures of all our derivative counterparties is subject to periodic review at the Financial Instruments Group which generally convenes on a monthly basis.

Counterparty Risk exposure is monitored on a daily basis by the Risk Office.

Any investment in derivatives and structured products by the Sarasin funds will be made in accordance with the applicable FSA rules, and any exposure to counterparty risk is similarly subject to compliance with the FSA rules.

Broker selection and review:

All the brokers we use are contracted to provide us with 'best execution' when acting on an agency basis (dealing for you). They are reviewed semi annually and an assessment of suitability is maintained. The assessment takes into account creditworthiness as well as effectiveness in execution and settlement. The dealing team regularly reviews the business transacted with each broker, trading patterns and execution commission payments. They are also reviewed on a trade by trade basis and through our outsourced TCA (Transaction Cost Analysis) Consultant semi-annually.

'Full Service' commission rates are negotiated at the outset of a relationship and reviewed at least annually. The reviews take into account prevailing market rates, cost of execution and services provided. All elements of commission can be negotiated for individual trades if appropriate or dependent

on market conditions, size of order and method of execution (electronic or program). Our dealing team reviews business transacted with each broker, trading patterns and execution commission payments.

Variations in rates of commission:

Commission rates can and do vary across asset type, region and liquidity. Additionally execution only trades pay a lower rate than the fully bundled rate which includes an allocation to research. The rates normally paid on equity transactions fall within the following ranges:

UK and European Equities 5 – 15 bp
North American Equities 5-18 bp
Asia and Emerging Markets 6-25 bp
Program Trading 2-4 bp

Full details of commission rates paid are available to clients on request

Commission recapture / Directed commissions:

Sarasin & Partners LLP does not engage in commission recapture or directed commission programs.

Dealing efficiency monitoring:

The brokers we use are contractually obliged to provide 'best execution' when dealing on an agency basis and our dealers routinely monitor the bid / offer spread and prices achieved. As a mid sized fund manager market impact costs are typically low when compared with large fund management companies.

The annual review of dealing effectiveness is conducted internally utilising trade analysis data provided by third party cost analysis specialists.

Conflicts of interest:

It is Sarasin's policy that before any order is executed within the market, stock must have been pre-allocated to individual clients. In the rare instance that an order cannot be executed as intended, re-allocation will be made in strict accordance with procedures designed to ensure fair treatment of clients. Fund managers are individually accountable for every transaction and are required to provide a written explanation of any reallocation of stock. This process is monitored by Compliance.

Sarasin does not believe it is subject to any conflicts of interest with regard to dealing through associates. Transactions with associated companies form a very small proportion of the total and associates are treated in the same way as any other counterparty.

There is a blanket ban for all US Clients including ERISA Clients of Sarasin Asset Management Limited (SAM) from dealing or engaging in a transaction with a group company. SAM may not therefore sell, lend or otherwise transfer any plan assets for its own benefit or account or for the benefit or account of parties to which it is related or in which it has interest.

It is company policy that any gift or entertainment accepted from a counterparty must be disclosed and recorded in the firm's compliance records. Any gift or hospitality estimated at £250 or more cannot be accepted without a Partner's approval.

Purchase of research:

Sarasin & Partners believes strongly in the value of external research and utilises external research from a wide variety of sources in the management of client portfolios.

The usefulness of external research is monitored constantly and the level of commission to counterparties for the provision of research is formally assessed on a regular basis. Qualitative judgment of research is made by the fund management team and considered at the quarterly reviews.

Research is purchased from those sources considered most useful by our fund managers, analysts, economists and strategists. By the nature of the information, preference for ideas is subject to frequent change and it is not possible to make rigid price allocations to specific items of research. The purchase process therefore considers the nature of each research service over a period, as described above.

We believe that independent external research and research services that will assist in the management of client portfolios are an important element of the fund management service we provide. To the extent that research helps form investment opinions it is linked to transactions. Therefore we may execute trades through counterparties that provide independent research or that will pay away a part of the transaction commission for the purchase of qualifying research or execution services. Any such arrangement will not impair compliance with Sarasin & Partners duty to act in our clients' best interests and provide best execution.

Within your valuation reporting pack you will find a commission table which provides a detailed numerical breakdown of your transactions, showing the split between execution and research costs.

Derivatives:

Derivatives are only used if specifically sanctioned in a clients' Investment Management Agreement. When and where appropriate they are used for efficient portfolio management and to express a variety of investment views.

Use of Dealing Commissions:

The goods and services that are paid for out of broker commissions may only relate to execution services and research services which meet the criteria laid down by the FSA. We also have a regulatory duty to advise our clients about our dealing arrangements where we use broker commissions to pay for these goods and services. These are displayed in the Charges and Remuneration Schedule contained within Client reports.

Access to and allocation of Initial Public Offerings and sub-Underwriting:

The desire to secure allocations to new share issues or Initial Public Offerings (IPOs) does not influence our trading patterns. Where we participate in IPOs on a discretionary basis the decision to apply is made with the objective of holding the specific stock in the portfolio in the normal course of investment, ie it must satisfy the normal criteria for investment. Secondly the commitment must not exceed the normal unit of investment. Unless applying for a portfolio which permits gearing or an overdraft, the value of an IPO application should not exceed the total value of the cash within the client's portfolio. This is to ensure that there will be sufficient funds within the portfolio to cover the purchase and that a portfolio is not geared up.

It is Sarasin & Partners' policy to allocate transactions before the deal is executed. In the case of an IPO the intended basis of allocation between each client and fund is recorded.

Custody Services:

Where clients use Sarasin & Partners custody service, which is outsourced to a sub-custodian, or where we recommend a custodian to a client, we will have conducted an appropriate risk assessment due-diligence on that custodian, and an annual due-diligence review. The review will cover expertise and market reputation, performance, arrangements for safekeeping, current industry standard reports, whether and by whom the custodian is regulated and the financial resources and credit rating of the custodian.

Management of cash:

Sarasin operates a cash management scheme for clients who use its pooled custody service which pays a variable rate of interest on cash amounts. Each client agreement sets out the applicable interest rates which are paid on cash balances in your portfolio. Different rates may apply to different currencies in which your cash is held. The interest rate received by Sarasin & Partners LLP from placing cash on deposit may exceed or be lower than the applicable currency's base rate or that applied to the cash balances held in your portfolio. For Sterling balances, the interest rate applied on the cash balance in your portfolio will be as set out in the client agreement. For all other currencies, the interest rate will be the interest rate applied by our sub-custodian, Bank of New York Mellon (London Branch), which is calculated daily and paid on a quarterly basis which is pro-rated. We will write to inform you if the basis on which interest rates are applied changes from that set out in the Client Agreement.

We will also place cash deposits with a minimum of four counterparties from a list approved by our Risk Committee. No more than 30% of total cash deposits will be held by a single counterparty, unless precluded by market conditions, in which case deposits will be held by as many approved counterparties as possible and in accordance with such limits as approved by our CEO Committee and Compliance department which they consider reasonable in those circumstances. Money brokers and our direct relationships with the approved counterparty are used to ensure that interest rates are competitive.

Foreign exchange transactions:

Foreign exchange transactions in settlement of non-sterling security bargains are dealt and settled through clients' custodial banks. Forward foreign exchange transactions conducted as currency hedges are made with approved, regulated banks with which the Firm has lines of credit. These include, but are not limited to, clients' custodial banks. Except where clients' assets are held by Bank Sarasin, associate companies are not normally used. Where possible we net off purchases and sales for trades with the same settlement timeframes thereby reducing overall risk.

Description

General

Acronyms

AGR - Annualised Growth Rate
 bp - Basis Point (100th of a Percent)
 ISA - Individual Savings Account
 FRN - Floating Rate Note
 MSCI - Morgan Stanley Capital International Inc
 LIBOR - London Inter Bank Offered Rate
 P/L - Profit/Loss
 S & P - Standard and Poor's
 YTD - Year to Date

Bloomberg

A source of investment and statistical data, supplied to us electronically.

Summary

The summary shows the portfolio's key statistics. The asset allocation breaks the portfolio down by value into the major asset classes. This is followed by the estimated annual income from each category together with the yield. This is the income that the current portfolio would have produced over the last twelve months and it does not take into account any changes to the asset allocation or the level of dividends. The right hand chart shows the portfolio's allocation to each of the major currencies or geographical regions. The performance is summarised at the bottom, using selected time periods, and this is followed by the portfolio's benchmark return.

Look-through Reporting

Where appropriate, we "look-through" the investments that you have in Sarasin funds and consolidate these holdings with the portfolio's direct holdings. The result is shown in the Consolidated Valuation, within the Valuation and Accounting Statements section, and all of the analysis throughout the report uses this consolidated position.

Investment Mandate

Shows your investment objectives and latest instructions to us, together with any restrictions.

Index Returns

Shows the performance over several periods of any Sarasin funds that you hold. This is followed by the comparable performance for the major asset classes. On the right hand side, the volatility of the fund/index is also reported.

Volatility

The standard deviation of the monthly returns over a rolling 3-year period.

Alpha

Shows your absolute performance by major geographic region, sector and theme together with the equity benchmark return, for selected periods. The fourth chart shows the equity holdings that made the biggest contributions to overall performance.

Bonds

This section reports various weighted average financial indicators and categorisations of all bonds that are held in your portfolio. Inflation-linked bonds are excluded from the quantitative calculations, however they are included in the credit quality. External fund holdings, where held, are excluded from the calculations. All indicators are supplied by Bloomberg.

Coupon

The interest rate at issue (or current interest rate of floating rate notes FRN's).

Yield to Maturity

The yield of a bond calculated to maturity, based on the Bid price.

Maturity (years)

The number of years till the bond redeems (or is expected to redeem).

Adjusted Duration

The Adjusted Duration is a measure of bond price sensitivity to changes in yield based on the bid price.

Spread to Government

The difference between the yield of the bond and its benchmark government security, using market convention.

Rating

The weighted average credit rating of all bond holdings.

Percentage of Bonds

The value of the holding expressed as a percentage of your bond holdings.

Government, Treasuries	Refers to sovereign debt issues within a country's local currency only.
Govt Agency, Gtd & Supra	Includes debt issued by government agencies, local governments, quasi-government organisations, plus bond issues with a government guarantee, sovereign issues in non-domestic currencies and debt of supranational bodies.

Thematic Equity Allocation

A breakdown of your portfolio's equity content according to Sarasin & Partners' selected themes. The chart shows the percentage invested in each theme and this is followed by the largest investments in each theme, shown as a percentage of the portfolio's equities.

Geographical Analysis

Compares the Geographic Allocation of your portfolio against a world index. The difference demonstrates by how much your portfolio's exposure to each geographic area varies from that of the index.

Industrial Analysis

Compares the Global Industrial Allocation of your portfolio against a world index. The difference demonstrates by how much your portfolio's exposure to each industrial sector varies from that of the index.

Valuation

This section contains the valuation by holding and separates, where applicable, holdings held in the various tax wrappers such as PEP and ISA. The holdings are expressed by book cost, price, value, the notional profit or loss and projected income in the base currency and yield.

Alternative assets can include structured products, some of which have been structured to provide an economic exposure that may use derivatives. The investment will primarily target an investment theme using traditional assets such as equities, commodities or fixed income, but may also provide exposure to non traditional asset classes such as volatility and correlation. These investments are normally structured as debentures however they may also take the form of preference shares and or warrants. These investments can be subject to illiquidity as perceptions of credit quality adversely change during turbulent market conditions.

Accrued Interest Interest earned but not yet due and payable.

Book Cost The total cost of the holding includes brokerage, taxation and any other charges. If a holding has been reduced, the residual book cost reflects the average cost of all previous purchases.

Profit/(Loss) The difference between the sale proceeds and the book cost (see above). Please note that where the holding being sold has been accumulated through two or more separate purchases, the profit or loss shown here may not be an accurate figure for tax purposes.

% of Portfolio The value of the holding expressed as a percentage of the entire portfolio.

Estimated Gross Income This is the gross income that the holding would have produced over the last twelve months. It does not take into account any changes to the asset allocation or the level of dividends.

Consolidated Portfolio Valuation

Provides a consolidated list of all the securities held in your portfolio both directly and via the Sarasin Funds. This provides a complete picture of the portfolio's exposure to individual securities.

The Liquid Assets figure may differ from that shown on the Portfolio Summary and Valuation as some Sarasin Funds are not included in the "look through" on the Consolidated Portfolio Valuation.

Cash Reconciliation

This section reconciles the movements through the portfolio's cash account(s). A summary statement is followed by detailed listings of transactions for Investment Income, Interest, Tax Reclaims, Capital Movements and any miscellaneous items. Deducted from this are any monies paid away including management fees and custodian charges, where applicable.

Effect of exchange rate movement

The cash reconciliation shows the movement in your total cash balances exchanged into the base currency of your portfolio. Our system will exchange your transactions and cash balances at the rate used at the beginning of the quarter and compare this with the rate used at the end of the period.

Cash Transactions

Shows all of the portfolio's cash transactions, in date order, for income and capital cash.

Schedule of Transactions

Movements within the portfolio for the period including; purchases, sales, capital events and transfers. The profit or loss is the difference between the notional book cost of the securities sold and the proceeds.

Capital Events

Lists the holdings that under-went a change of capital structure during the period.

Transaction Summary

Summarises all of the transactions and cash movements, including capital events.

Custody Statement

Lists the holdings that are held on your behalf to the order of Sarasin & Partners Clients' Account by the London Branch of The Bank of New York Mellon.



This document has been issued and approved by Sarasin & Partners LLP of Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU, a limited liability partnership registered in England and Wales with registered number OC329859 which is authorised and regulated by the UK Financial Services Authority with firm reference number 475111. It has been prepared solely for information purposes and is not a solicitation, or an offer to buy or sell any security. The information on which the document is based has been obtained from sources that we believe to be reliable, and in good faith, but we have not independently verified such information and no representation or warranty, express or implied, is made as to their accuracy. All expressions of opinion are subject to change without notice.

Please note that the prices of shares and the income from them can fall as well as rise and you may not get back the amount originally invested. This can be as a result of market movements and also of variations in the exchange rates between currencies. Past performance is not a guide to future returns and may not be repeated.

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SARASIN
& PARTNERS

J D Stevenson Esq
London South Bank University
103 Borough Road
London
SE1 0AA

24 February 2012

Dear James

London South Bank University

We discussed the portfolio's income target at yesterday's Trustees' meeting and it was agreed that I would write to you with a revised target reflecting the cash added to the fund in 2011 (£35,130) and to take account of inflation in 2010 (4.7%) and 2011 (5.2%). I calculate that the new income target should be £23,250 and I will work on this basis unless I hear to the contrary.

Yours sincerely,

Robert Boddington
Partner, Chief Client Officer