

# Personal Retirement Plan Investors Report as at 31 March 2010

The Society's Personal Retirement Plan currently offers two investment funds

- Deposit Fund
- Managed Fund

The Investors Report for each of these funds is set out below.

## Pensions Deposit Fund

### Objective

The Deposit Fund aims to generate steady growth with minimal risk. It invests in a cash account so, unlike shares, this means that the value won't go up and down each day. Although returns are likely to be modest while interest rates are low, the fund does offer a reasonable level of security.

### Market Update

Interest rates on UK cash accounts remained low throughout the last year as the Bank of England continued to use interest rates to help the economy out of recession. Having dropped to 0.5% on 5 March 2009 it has remained at the same level throughout the period this report covers.

### Performance

Whilst this continued focus on maintaining low interest rates is generally believed to be in the best interests of the overall economy it clearly reduces the amount of interest savers can expect. In the year to 31 March 2010 the Deposit Fund returned 0.5%. Please remember that the overall returns on this fund include both the interest earned and our charges for managing it.

## Pensions Managed Fund

### Objective

The Pensions Managed Fund invests in the UBS Global Allocation Fund (UK) and its aim is to achieve long-term capital growth through active management of a diversified portfolio. It does this by investing mainly in UK and international shares and bonds and in units in UK and overseas 'collective investment schemes' (e.g. unit trusts or investment trusts).

### Market Update

The period under review (the 12 months to 31 March 2010) witnessed one of the most impressive rallies in risk assets (e.g. stocks and shares, property and corporate bonds) in living memory. As it became clear that the increasingly coordinated actions of policy makers around the world had helped prevent a financial system implosion and a depression-like scenario, markets began to rally sharply and credit spreads (the difference in price between Government and Corporate Bonds) narrowed, suggesting greater investor confidence in businesses.

While the initial rally in risk assets was largely due to investors' relief at having avoided the worst potential scenario, investors started to become increasingly confident that the various unprecedented monetary and fiscal stimulus measures applied by policy makers were beginning to have a positive impact. This was evidenced by stronger than expected economic data and companies generating significantly better than expected earnings figures in the second and third quarters of 2009, and helped the rally to continue past the initial 'relief' stage.

Investor sentiment was also helped by several large economies, such as Germany and France, posting positive GDP growth. The US housing market (which was widely seen as the genesis of the credit crisis) also appeared to be stabilising. The fourth quarter of 2009 saw more muted growth in risk assets as investors were reminded that problems still remained in the world economy with the downgrading of Greece and the announcement from a Dubai state-backed corporation that it was unable to meet its interest payments.

Concerns over Greece re-surfaced in the first quarter of 2010, leading to a fairly sharp sell-off in risk assets. However, the offer of assistance by the European Union and further positive economic data helped to fuel yet another sharp rally from early February.

The improvement in economic conditions and greater normalisation in inflation expectations led government bond yields to rise sharply at the beginning of the period. However, those yields have remained relatively stable for the remainder of the period.

### Performance

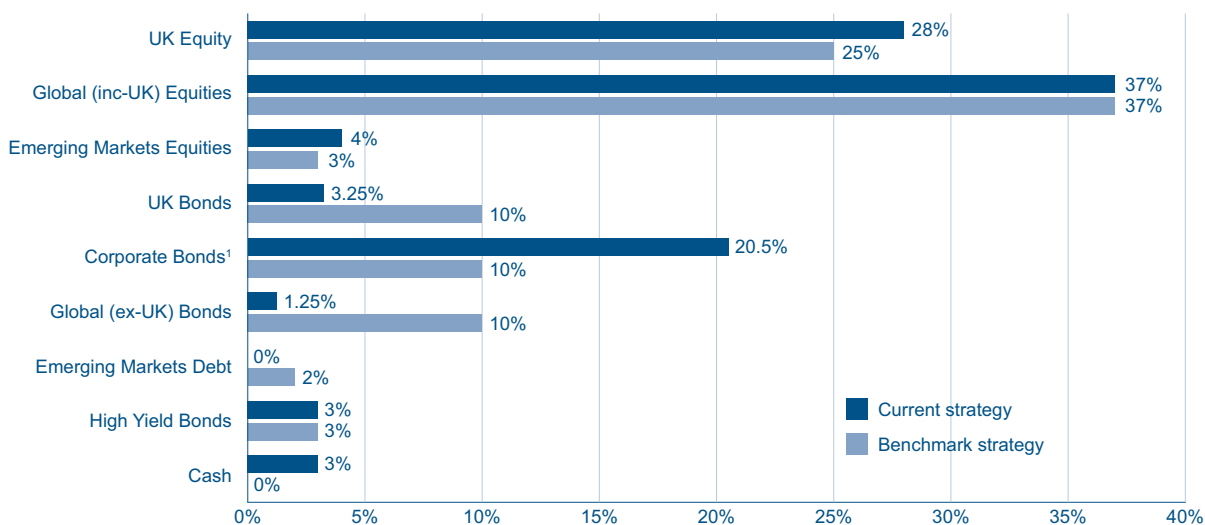
Over the 12 months to end March 2010, the Fund performed extremely well in both absolute and relative terms, returning 49.5% versus its benchmark return of 35.6%. The Fund benefited in a large part from its asset allocation strategy with its overweight to risk assets, such as stocks and shares and corporate bonds, and underweight to government bonds.

Stock selection was also a big driver of performance over the year with the outperformance of the global equity and UK equity components of most significance.

The Fund had a relatively low risk currency strategy for most of the year, before taking larger views in the fourth quarter of 2009. The currency strategy added to performance over the period under review, with the Fund's overweight US dollar and underweight euro positioning benefiting the Fund as concerns over the Eurozone began to mount in the fourth quarter of 2009.

### Fund Holdings

The asset allocation strategy for the UBS Global Allocation Fund (UK) as at 31 March 2010 is shown below.



Source: UBS Global Asset Management

1. The corporate bond component includes an allocation to a UK corporate bond fund and a global corporate bond fund  
The net strategy exposures in the above chart reflect holdings of physical assets and futures

Although valuations across risk assets remain attractive, UBS believe that markets are now back to levels much closer to fair value and so non-valuation drivers, such as investor sentiment, have become increasingly important and have started to play a greater role in their investment decision making. This is evidenced by recent strategy changes, such as a reduction in equity exposure earlier in the first quarter of 2010.

Nevertheless UBS do still expect risk assets to advance over the course of the year, albeit with heightened levels of volatility, as investors turn their attention to the normalisation of monetary policy and the ongoing withdrawal of other exceptional stimulatory measures (such as QE or quantitative easing) in the major economies. As a result the Fund maintains a moderate overweight to equities, a pronounced overweight to corporate bonds and an underweight to government bonds. The Fund also has a slight overweight to cash, an underweight position in emerging market debt and a neutral stance to high yield debt.

The Children's Mutual, PO Box 2090, Gloucester GL4 3WR

Tel: 0845 609 0085 Fax: 0845 609 0073 Email: mail@thechildrensmutual.co.uk Website: thechildrensmutual.co.uk

The Children's Mutual is a trading name of the Tunbridge Wells Equitable Group, which includes Tunbridge Wells Equitable Friendly Society Limited, incorporated in the United Kingdom under the Friendly Societies Act 1992, registered no. 190F, FSA registered no. 109990. Authorised and regulated by the Financial Services Authority and members of the Financial Ombudsman Service. Registered Office: Brockbourne House, 77 Mount Ephraim, Tunbridge Wells, Kent TN4 8GN. You can check the details of our authorisation on the FSA's register by visiting the FSA's website [www.fsa.gov.uk/register/home.do](http://www.fsa.gov.uk/register/home.do) or by contacting the FSA on 0845 606 1234.

HSE-RE-0041-0410