

- Managed funds now over £58 million with many clients invested for over two years making their portfolios free from Inheritance Tax.
- Continued sound progress in the underlying value of client portfolios.
- Price earnings multiples though pushing a new high with an average across the full key list of 22.6 times.
- Investors should be aware that the value of portfolios could fall as well as rise and therefore there is a possibility of loss of the capital invested. Past performance should not be seen as an indication of future performance.

### The UK equity market backdrop

The FTSE 100 added 300 points during the quarter closing at 6,608 showing an uplift of 4.8% during the period. The positive drivers continue to be corporate M&A activity, including private equity bids, global demand for commodities and high levels of corporate profitability. Set against this though, is the negative impact of rising interest rates feeding through to consumer stocks, notably the multiple

retailers. As may be seen from the table below, the FTSE All Share tracked this movement being up 4.5% over the quarter and the AIM All Share outperformed showing 6.5% growth being disproportionately helped by advances in mining and mineral stocks. The FTSE Small Cap index lagged behind with less than 1% advance during the period underscoring concerns that their valuations have become stretched.

### IHT Planner portfolio performance

As existing investors will be aware, client portfolios are based on a key list comprising core stocks to which further stocks are added from a wider list for larger portfolios. The key list is kept under constant review with close monitoring of the stocks. Client portfolios reflect the composition

and weightings of the key list at the time of investment with subsequent changes limited to those required to maintain the qualifying status of the investments and, where possible, dealing out of under-performing stocks.

Index	Since launch January 2002	12 months to 30 June 2007	3 months to 30 June 2007
IHT Planner clients (Note)	191.50%	41.05%	8.48%
FTSE All Share (total return)	61.63%	18.37%	4.54%
FTSE AIM All Share (total return)	42.02%	13.65%	6.49%
FTSE Small Cap (total return)	77.14%	20.96%	0.89%

Source: Datastream as at 30 June 2007

**Note:** Returns derived from a representative sample of 10% of the clients and based on the net amount invested after deduction of initial fees, including IFA commission where appropriate. For new clients invested less than three months, returns will be adversely impacted by initial costs.

### Performance commentary

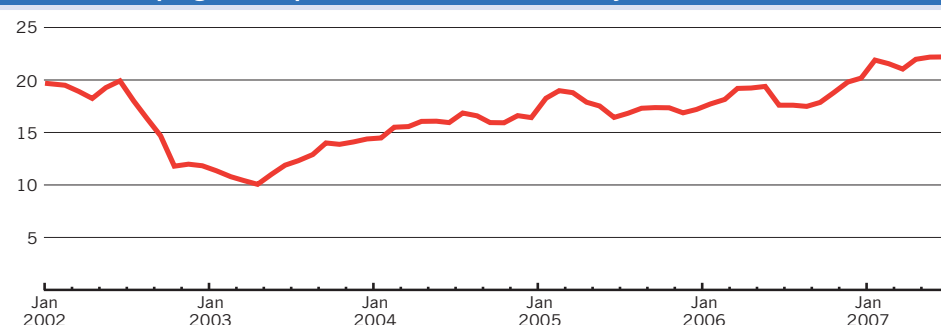
As shown above, the performance of IHT Planner portfolios during the quarter continues to be encouraging. During Q2, the representative sample of client portfolios showed an average gain of 8.5% which was ahead of the FTSE All Share return of 4.5%, FTSE AIM All Share 6.5% and the FTSE Small Cap 0.9%. The average rolling 12 months return for IHT Planner portfolios was 41.0% with an underlying range between 27.3% and 50.3%.

For clients invested for the required two years by 30 June 2007, the average gain on their portfolios was 90%\*. This is an average for the 85 client portfolios concerned ranging from 35% to 191%, depending on the market timing of investment,

portfolio size and resulting stock weightings. These holdings are now outside of client estates for IHT purposes having made a very sound commercial return along the way.

The chart below shows the continued trend in the average price earnings ratio (p/e) for our full key list of IHT Planner stocks list since launch of the service in early 2002. It demonstrates the strong rise in p/es since the market bottom in March 2003 with the multiples having more than doubled since then, certainly being impacted to some degree by growing 'IHT demand'. The average p/e across our full key list as at 30 June 2007 was 22.6, compared with 24.8 for the FTSE Small Cap and 13.6 for the FTSE All Share.

### IHT Planner progressive p/es since launch in January 2002



Source: Datastream as at 30 June 2007

\* This is the average gain for those clients who have invested in the portfolio for at least two years, and remain invested. Please note that this is an average and not an illustration of any individual portfolio. Your attention is also drawn to the risk warnings overleaf.

#### Registered Office

Quayside House Canal Wharf Leeds LS11 5PU  
Telephone +44 (0)113 245 4488  
Facsimile +44 (0)113 245 1188  
Email [info.leeds@rensburgsheppards.co.uk](mailto:info.leeds@rensburgsheppards.co.uk)  
Web [www.rensburgsheppards.co.uk](http://www.rensburgsheppards.co.uk)

#### Group Offices

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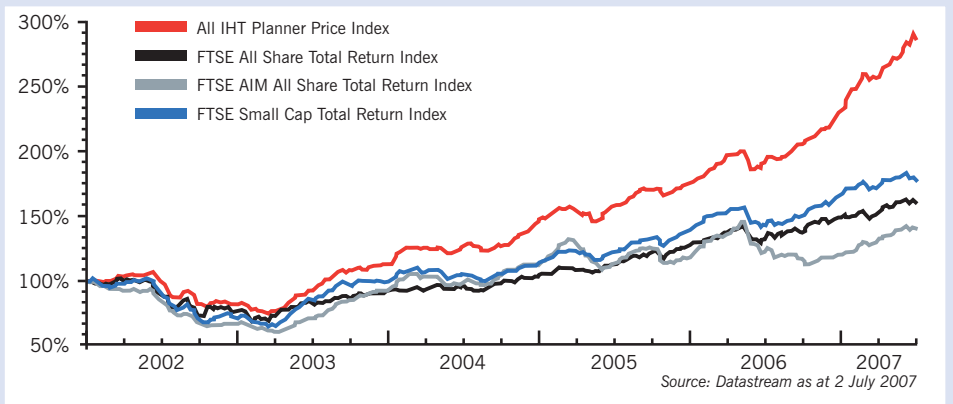
### Underlying performance of the key list stocks

As was the case in Q1, the second quarter was notable for the strength of the trading results released by portfolio companies. Eleven companies reported either full year or interim trading results during the quarter and once again, in each instance there was growth in both profits and earnings per share. We had suggested that the 'twenty out of twenty' profit progression in Q1 was unprecedented but Q2 has matched this, albeit with less companies reporting. Whilst excellent news in itself, p/e ratings have clearly risen to meet the high expectations and any companies misfiring can expect savage falls in their share price. An example of this after the quarter end was Huveaux which issued a trading update saying that 2006/07 profits will not

now exceed those in 2005/06: the shares have fallen 35% as a result and we are monitoring the stock closely.

As clients may have seen from the press, Tesco has made a cash offer of 1,500 pence per share for Dobbies Garden Centres that looks likely to be successful, although may be leveraged by competing interest from another party. Manchester based NCC announced its intention to graduate to the Full List in July with client holdings now having been sold and the proceeds reinvested in replacement qualifying stocks. In order to maintain diversification options for larger portfolios, May Gurney has been added to the key list.

### IHT Planner full key list of stocks



Please note that individual client portfolios will reflect the composition of the core and wider lists of key list stocks at the time of investment with weightings appropriate to the size of the portfolio concerned.

### AIM – the continued flow of new companies

With the recent growth in company takeovers and the increasing trend for large AIM companies to look at graduating to the Full List, it is right to consider the impact on IHT investors. Firstly, the number of companies involved has to be put in perspective. Over the past twelve months, four key list companies have been taken over, one is subject to an outstanding offer and one more has indicated bid interest. In addition, Connaught graduated to the Full List with two more such moves pending, NCC and Genus. This means that the total stocks lost, or likely to be so, is 9 out of 39 on the key list, including 5 where we have already dealt out and invested in replacement

stocks for the clients concerned. The second salient point is the continued flow of new companies joining AIM enlarging the pool of potential replacement stocks. During the second quarter, 55 new UK based companies joined AIM taking the total number of UK companies to over 1,300\*. This constant flow of new companies gives us plenty of scope to search for ongoing replacement stocks, bearing in mind our stringent selection criteria. These criteria include the need for a company to have been on AIM for at least 12 months to demonstrate resilience in the quoted arena and sound governance.

\* Source: London Stock Exchange

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