Rensburg Sheppards

INVESTMENT LED WEALTH MANAGEMENT

IHT Planner Q2 2009 Report

- Managed funds of £42 million with many clients invested for over two years making their portfolios free from Inheritance Tax.
- Some recovery in price-earnings (p/e) ratings, although they are still low by historical standards.
- Continued largely resilient trading results and underlying balance sheet strength of our Key List stocks.
- 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 second quarter of 2009 saw some very welcome respite in equity markets. The unprecedented actions taken by Governments and Central Banks around the world look to have greatly reduced the risk of a systemic collapse of the financial system and as a result, have begun to restore market confidence. In short, the rip-chord looks to have worked. After plummeting to a nadir of 3,512 on 3 March, the headline FTSE 100 Index entered Q2 at 3,926 and closed the period up a further 8.2% at 4,249, albeit retrenching from a peak of 4,506 at the beginning of June. However, it would be foolish to suggest that we are now safely back on terra firma with both Government debt and consumer debt being profound structural problems to overcome. That said, recent reports from both the OECD and IMF provide some grounds for optimism with each forecasting resumption of growth in the global economy in 2010, albeit Asian led. Hopefully, sterling's relative decline should help UK exporters to benefit from global recovery.

Rensburg Sheppards IHT Planner portfolios

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	5 years to 30 June 2009	12 months to 30 June 2009	3 months to 30 June 2009
IHT Planner clients (note)	5.4%	-32.9%	21.5%
FTSE All Share (total return)	16.3%	-20.5%	10.9%
FTSE AIM All Share (total return)	-37.1%	-43.9%	29.2%
FTSE Small Cap (total return)	-16.5%	-21.0%	32.7%

Source: Datastream as at 30 June 2009

Note: Returns are based on the net investment after the initial fees, including IFA commission where appropriate. For new clients invested less than three months, their returns will be adversely impacted by these initial costs.

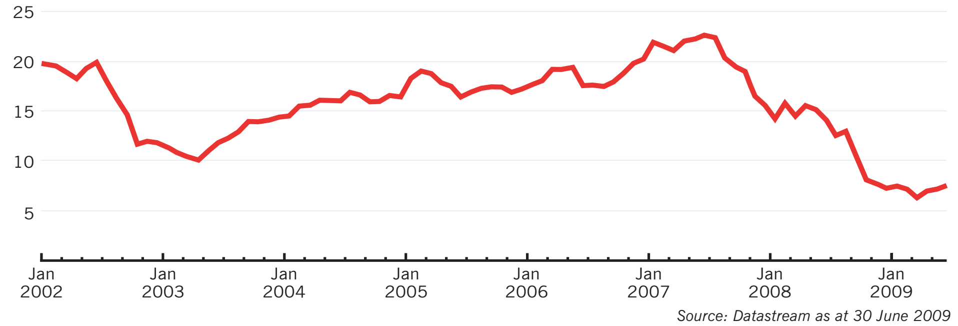
Performance commentary

It is good to report that Q2 09 was a much better one for investors. Our IHT Planner portfolios showed an average gain of 21.5%, versus 10.9% in the FTSE All Share, 32.7% in the FTSE Small Cap Index and a 29.2% gain in the AIM All Share Index. The average rolling 12 months return for IHT Planner portfolios was -32.9%, with an underlying range between -21.0% and -46.8%. Business Property Relief restrictions do though make the FTSE AIM All Share Index a very imperfect benchmark and this is considered in more detail overleaf.

For clients invested for the required two years by 30 June 2009, the average loss on their portfolios was 30.2%*. This is an average for the 244 client portfolios concerned ranging from a 51.2% gain to a 62.5% loss, depending on the market timing of investment, the portfolio size and its resulting stock weightings. Whilst the savage market conditions have plunged most portfolios into loss, early investors remain in profit and the remainder either have their loss covered by the 40% Business Property Relief, or substantially mitigated by it.

Our regular chart below tracks the average price-earnings ratio (p/e) for our Key List of IHT Planner stocks list since the launch of the service in early 2002. It shows the strong rise in p/es from March 2003 reaching a peak of 22.6 in June 2007 followed by a long steep decline to an all time low of 6.3x at the end of Q1 09, a daunting peak to trough fall of 72%. During Q2 09, it edged back to 7.6x representing a 20.6% increase from its low point which was the prime cause of the bounce in valuations during the quarter. The fall in the average p/e over the 12 months to 30 June was still though 46% compared to the average decline in portfolio values of 33%, again demonstrating the crucial impact of market sentiment as expressed through p/es.

IHT Planner p/es since launch in January 2002



Source: Datastream as at 30 June 2009

Please note that paragraph 10.8 of the Terms & Conditions in the RSITP brochure has been changed as we now use the FTSE AIM All Share Index as our benchmark for performance.

* This is the average loss 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

E-mail info.leeds@rsim.co.uk
Web www.rensburgsheppards.co.uk

Group Offices

Belfast Cheltenham Edinburgh Farnham Glasgow
Leeds Liverpool London Manchester Reigate Sheffield

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Authorised and regulated by the Financial Services Authority.
Rensburg Sheppards Investment Management Limited is registered in England. Registered No. 2122340.

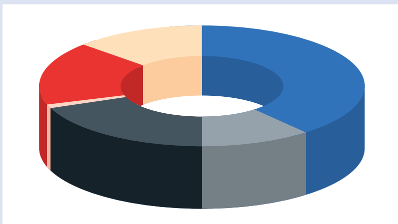
Underlying trading of Key List companies

Whilst the earlier p/es commentary demonstrates that market sentiment is crucial to valuations, companies' corresponding earnings performance is clearly equally important. During Q2 09, 9 companies out of the 28 on our present Key List reported trading results to 31 March 2009 with every company continuing to declare profits. Whilst we are inevitably seeing the impact of the recession spilling over into a number of portfolio businesses, we have very limited exposure to the property and retail sectors. Of the 9 companies reporting results in the latest quarter, 5 showed growth in normalised earnings per share although on average there was a 6.6% decline. That said, the average historic normalised pre-tax profit for all the companies on our Key List as at the close of Q2 was a very healthy £10.3m with the lowest being £0.4m, and the highest £36.7m. We pay close attention to dividend declarations and the outlook comments in the trading statement which taken together, should be a reasonable barometer of the Directors' confidence in the future. It was encouraging to see that 5 out of the 9 companies declared an increase in their dividend with the average overall uplift being 7.4%. Looking at the outlook statements, 4 were confident in tone, 3 cautious and 2 referred to challenging trading conditions. Where we become concerned about a company, we retire the stock from our buying list and continue to closely monitor the stock with a view to either restoring it to the list when appropriate, or dealing out. Severe liquidity constraints have often though made it difficult to deal out where we would otherwise liked to have done so.

Focus on Balance Sheets

As regular readers of these reports will be aware, our response to the credit crunch has been to apply as conservative as possible stock selection criteria within the constraints of Business Property Relief. In particular, we have avoided companies with high levels of bank debt except where there is good visibility of revenues. Taking into account the Q2 09 trading results, the average level of balance sheet gearing across the Key List stocks is 21% with 19 out of the 28 companies showing no bank debt and free cash reserves. We believe this provides a strong first line of defence during the present recession. The pie-chart below shows the various outcomes for the 72 companies that have been on our Key List since the launch of the IHT planner in early 2002. Whilst it shows the marked polarisation of outcomes that you would expect from investing in higher risk smaller quoted companies, there is also a notable absence of outright company failures. It is of course acknowledged that we are sitting on many depressed stock valuations, but we remain largely confident in the resilience of the companies concerned.

Rensburg Sheppards IHT Planner Key List Stock Outcomes
as at 30 June 2009 since launch in January 2002



39%	COMPANIES STILL ON THE KEY LIST
11%	GRADUATED TO THE FULL LIST
19%	ACQUIRED BY ANOTHER COMPANY
1%	DEALT OUT WITH PROFIT
17%	DEALT OUT WITH A CONTAINED LOSS
13%	DEALT OUT WITH MORE THAN 40% LOSS
0%	COMPANY RECEIVERSHIP OR ADMINISTRATION

Our Performance Benchmarks

We always show our performance in relation to the FTSE All Share Index, the FTSE AIM All Share and the FTSE Small Cap, excluding Investment Trusts. On the face of it, one would think that the FTSE AIM All Share would be a straightforward comparator, but this is not the case. The difficulty lies in the restrictions imposed by Business Property Relief ('BPR') which is clearly an essential prerequisite for IHT portfolios. BPR is not generally available for mining, investment and property companies or for businesses that do not have their main presence in the UK. Such excluded companies represent well over half of the current market capitalisation of AIM and as at 30 June 2009, 41 of the largest 50 companies on AIM look to be ineligible for BPR. The larger mining companies in particular can also cause marked volatility in the AIM indices. As a result, the AIM All Share Index is a very imperfect benchmark which is why we juxtapose the more demanding FTSE All Share and Small Cap indices. It should be added that we have been lobbying for some time for a separate AIM Index specific to BPR companies.