Rensburg Sheppards

IHT Planner Q3 2007 Report

- Managed funds now over £61 million with many clients invested for over two years making their portfolios free from Inheritance Tax.
- Downward rating of small cap and AIM stocks due to turbulent market conditions.
- Continued underlying strength in the trading results of our key list stocks
- Uplifted IHT allowance and pending changes to Capital Gains Tax.
- 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 third quarter of 2007 was a volatile one in stock markets worldwide as problems with sub-prime lending in the US rippled around the world. The FTSE 100 index recorded a low of 5,859 in mid-August, compared with 6,608 at the outset of Q3. This 11% fall reflected concerns over liquidity in the financial sector evidenced by a significant increase in the three month London inter-bank lending rate which peaked at just over 6.75%. This had significant knock-on effects, including increased borrowing costs for indebted corporates. The run on Northern Rock was emblematic and prompted government action to calm nerves. Subsequently, the FTSE 100 index recovered much of its lost ground closing Q3 at 6,467 representing a fall of only 2.1% during the quarter. However, small cap stocks suffered a downward rating versus large caps on both sides of the Atlantic driving their relative valuations lower.

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 September 2007	3 months to 30 September 2007
IHT Planner clients (Note)	148.00%	16.29%	-8.31%
FTSE All Share (total return)	58.78%	12.19%	-1.76%
FTSE AIM All Share (total return)	30.79%	11.02%	-7.90%
FTSE Small Cap (total return)	57.58%	4.48%	-8.22%

Source: Datastream as at 30 September 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.

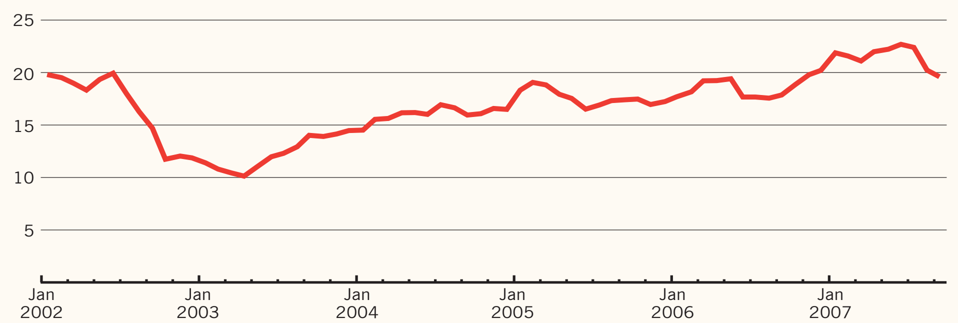
Performance commentary

As shown above, the performance of IHT Planner portfolios during the quarter was not immune from the wider market turmoil and consequent flight from perceived 'small cap' risk. During Q3, the representative sample of client portfolios showed an average loss of 8.3% versus falls of 8.2% in the FTSE Small Cap, 7.9% in the FTSE AIM All Share and 1.8% in the less volatile and broader based FTSE All Share. The average rolling 12 months return for IHT Planner portfolios was 16.3% with an underlying range between 1.9% and 26.1%.

For clients invested for the required two years by 30 September 2007, the average gain on their portfolios was 68%*. This is an average for the 97 client portfolios concerned ranging from 18% to 155%, 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 sound commercial return along the way.

The chart below shows the continuing movement 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 multiple then reaching a peak of 22.6 at the end of Q2 this year. Since then and reflecting the factors outlined above, it fell to 19.5 as at 30 September this year representing a fall of 13% during Q3. This fall compares with a more pronounced 16% drop in the FTSE Small Cap p/e closing Q3 at 21.4, but a more muted fall of 4% for the FTSE All Share p/e which closed the period at 12.6.

IHT Planner p/es since launch in January 2002



Source: Datastream as at 30 September 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.

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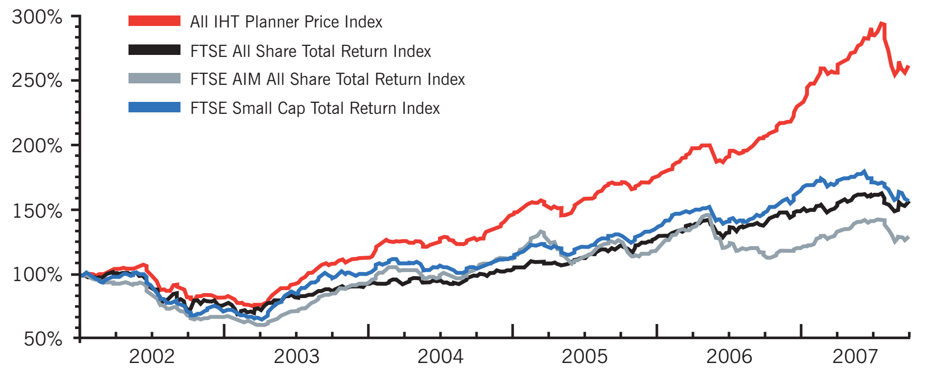
Underlying performance of the key list stocks

As investors will be aware, the two key drivers behind stock valuations are earnings per share (eps) and the price earnings multiple, or p/e, with the product of the two being the share price. The former is a good measure of the company's profitability adjusted to take into account the number of shares in issue and the latter is a measure of the market's demand for the stock concerned. As indicated earlier, there was a significant retreat in the p/e ratios for our key list during Q3 with the average falling by just over 13%. This reflects the 'flight from risk' over the summer with investors reducing exposure to equities and compounded in the case of small caps by the swing in favour of perceived lower risk larger capitalisation stocks. The crunch in the wholesale debt markets has also made leveraged takeovers harder to finance, in turn deflating the share prices of perceived potential target companies. Underlying these macro-drivers though, trading results released by our key list companies were very largely positive with 21 out of 24 either interim or final accounts released during the period showing growth in eps. It was this continuing 'largely sound' underlying trading performance of key list companies that mitigated the 13% fall in the average p/e, thus reducing the negative valuations impact to the 8.3% shown overleaf. Looking forward, the investment policy of only investing in companies with sound balance sheets gives added comfort.

IHT Planner full key list of stocks



Source: Datastream as at 2 October 2007

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

Impact of the Chancellor's Pre-Budget Report

Readers will undoubtedly have seen the tax changes in the recent Pre-Budget statement by the Chancellor and may be unsure of the impact on their IHT Planner portfolio. There were two specific measures with direct impact being the immediate doubling of the inheritance tax threshold for married couples to £600,000 and the removal of CGT taper relief, as from 6 April 2008. Given that we would only expect clients to be investing a small proportion of their taxable estate in our IHT Planner on asset diversification grounds, clients should still have estates well in excess of the newly raised threshold. It should also be noted that with appropriate planning, the hitherto aggregate allowance for living spouses was effectively £600,000 anyway, so there is no real change. The proposed withdrawal of CGT taper relief is of more concern, particularly given clients' profits that have been made where companies have been acquired or graduated to the Official List. Until the end of this tax year, CGT continues to be payable at 10% on such gains where qualifying AIM shares have been held for over two years, 20% where the holding period is between one and two years and 40% if the holding period is less than a year. As from 6 April next year, there is to be a proposed uniform CGT rate of 18%. This will therefore be disadvantageous where gains are made on shares that have been held for over two years but beneficial where the holding period is less than this, as has often been the case.