

Offshore Income Portfolio

This portfolio is designed for those investors who are non resident for UK tax purposes or who are resident but non domiciled in the UK. The portfolio aims to provide a high immediate income whilst, at the same time, seeking to protect the real value of the capital against inflation over the medium to long term within a moderate risk mandate. Performance will be measured against the FTSE APCIMS Income Portfolio.

Manager's Comment

Equities have suffered relatively modest falls in the past three months but the period has been split into two distinct periods. The first half saw a relief rally, as the fears of major instability in the banking system were allayed by the measures taken to rescue the US investment Bank Bear Stearns and by increased provision of liquidity to the banks by the monetary authorities. The second half saw the earlier gains evaporate, as growing inflation fears undermined the bond markets at the same time as corporate profits were being downgraded in the face of slowing economic growth. Global equity markets collectively fell 1.7% in sterling terms in the three months to the end of June.

Government bond markets have been under pressure, as low yields were seen as offering little protection against rising forecasts for inflation. The turbulence in the money markets, which had seen non-government bonds performing poorly, gave way to more orderly conditions, in which higher grade corporate bonds were able to rally.

The US Federal Reserve [the Fed] and The Bank of England both cut rates by ¼% in April, whilst sending clear signals that further cuts were unlikely and that inflation concerns have overtaken this easing process. The European Central Bank has left rates unchanged, while signalling the likelihood of a rise in July, to send a counter-inflationary signal to markets.

No changes were made to the underlying portfolio.

Looking forward, with inflationary strains starting to manifest themselves in the previously largely unaffected emerging markets, coupled with the ongoing pressures on the developed economies, the world's central banks have been unwilling to cut interest rates further to help stimulate growth. This is expected to continue, until, an oil price correction and/or progress in the rebuilding of the financial sector provides a catalyst for a cut in interest rates. However, whilst we feel that near term equity and bond performance may continue to suffer under these conditions, we now feel that much of the bad news is priced into the market and remain cautiously optimistic over the medium term.

Performance Figures up to 30/06/2008

The MPS figures are the average return from all the portfolios in this model on a total return basis, after all charges. The benchmark figures are supplied by Exshare and are on a total return basis.

	Q2	One Year	Three Years	Five Years
Offshore Income Portfolio	-2.2%	-7.5%	2.2%	22.4%
Benchmark	-2.1%	-4.9%	14.6%	42.0%

Please remember that past performance is not a reliable guide to the future and that previous periods of favourable performance will not necessarily be repeated in the future.

Portfolio Holdings

	%
INVESCO GT Sterling Bond Fund	15.0
Fidelity Sterling Bond Fund	15.0
Thames River Global Bond Fund GBP	10.0
ING UK Real Estate IT	8.0
Henderson Horizon Strategic Yld Fund	7.5
Jupiter (Jsy Fdr) Income Fund	7.0
Zenith European Income Fund	7.0
BlackRock US Flexible Equity Fund	5.0
Middlefield Canadian Income Trust IT	5.0
Babcock & Brown PP	5.0
Templeton Emerging Markets Fund	4.0
Invista European Real Estate IT	4.0
Schroder Oriental Income IT	3.0
Polar Capital Funds Japan	2.0
Cash	2.5
	<u>100.0</u>

Estimated Gross Yield 5.4%

Sector Breakdown

	Offshore Income Portfolio	APCIMS Income Portfolio	APCIMS Representative Index
UK Equities	6.5%	45.0%	FTSE All-Share
International Equities	26.0%	10.0%	FTSE World Ex-UK Index calculated in Sterling
Bonds	45.6%	35.0%	FTSE Gilts All Stocks Index
Cash	4.9%	5.0%	7 Day LIBOR -1% (London Interbank Offer Rate)
Commercial Property	12.0%	5.0%	FTSE UK Commercial Property Index
Hedge Funds	0.0%	0.0%	FTSE Hedge
Alternative Assets	5.0%	0.0%	N/A

Source: Rensburg Sheppards/APCIMS July 2008

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 Authorised and regulated by the Financial Services Authority.
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Babcock & Brown Public Partnership Ltd

B & B Public Partnership Ltd. offer shareholders an exposure to investment in infrastructure assets, particularly those with a public or social character such as those developed by public bodies under private finance initiatives or public private partnership procurements. A high yield is offered, with some prospect for income growth and capital growth in the longer term.

BlackRock (Lux) US Flexible Equity Fund

The manager seeks to maximise the fund's total return expressed in US dollars by investing primarily in companies domiciled or exercising the predominant part of their economic activity in the US. It will invest in securities that the fund manager believes exhibit either growth or value investment characteristics, as appropriate to the market outlook.

Fidelity (Lux) Sterling Bond Fund

This quality bond portfolio is run by Ian Spreadbury with, typically, around 75% of the fund invested in UK Gilts or investment grade rated corporate stock.

Henderson Horizon Strategic Yield Fund

Long term total returns, consisting of interest and capital appreciation are the aims of this fund. The managers invest in high yield, fixed interest and European bonds, at least two thirds of the fund is exposed to non-investment grade bonds.

ING UK Real Estate Investment Trust

This fund delivers a competitive yield amongst it's peer group, from a portfolio of pure commercial property.

INVESCO (Ire) GT Sterling Bond Fund

This fund aims to achieve a good medium to long term overall investment return in Pounds Sterling. The fund will invest primarily in investment grade bonds, though it could hold between 0% and 50% of its assets in emerging markets and/or non-investment grade securities.

Invista European Real Estate Investment Trust

This Trust aims to provide shareholders with an attractive level of income return together with a potential for income and capital growth through investing in diversified commercial real estate in Continental Europe.

Jupiter (Jsy) UK Growth Fund

Jupiter has made it's Income Fund UK Unit Trust available to UK non-domiciled and overseas investors via this Jersey based wrapper. The manager aims to produce a high and growing level of income from a well diversified list of (multi-cap) UK equities.

Middlefield Canadian Income Investment Trust

The fund's objective is to produce a high income return whilst also seeking to preserve shareholder capital through efficient currency-hedged economic exposure to the Canadian income trust market. The fund expects to pay a gross dividend totalling not less than 7%.

Polar Capital (Ire) Japan

Lead manager, James Salter, has built a solid record in managing Japanese equity portfolios. His stock picking style aims to achieve long term capital growth from investment in Japanese quoted securities.

Schroder Oriental Income Investment Trust

This fund aims to deliver a target yield of 4.25%-4.5% from a focused portfolio of around 40 companies from across the Asia Pacific regions and may include Australia, India, Hong Kong and Japan.

Templeton Emerging Markets Fund

Mark Mobius, who heads this large team, is world renowned in this area of less established investment markets (such as those in Latin America, South Africa and Asia). This New York quoted fund is smaller than others that Templeton run and relies on meticulous individual company research.

Thames River (Ire) Global Bond Fund

The fund was launched in October 2003 for the highly experienced ex-Baring team of Paul Thursby and Peter Geikke-Cobb. It invests on a total return basis in the highest quality bonds issued by the core OECD countries.

Zenith European Income Fund

This sub-fund of the Zenith Investment Fund Plc objective is to achieve long-term growth through capital growth and income. The investment manager will usually invest (but not exclusively) in companies with a market capitalisation of £1.5billion or more. The portfolio may also include bonds, debentures and preference shares.

Risk Warning

You should remember that the value of investments and the income from them can fall as well as rise. Before proceeding to invest on the basis of this factsheet, you should obtain specific advice on the suitability of the investment in the light of your personal circumstances. We would also refer you, particularly, to the Risk Statement set out on page 6 of the main Master Portfolio Service brochure.