

how to use indicator

The Indicator provides UK investors with a 12-month stock market outlook from a selection of fund groups linked to Skandia. We provided the fund groups with an index as a benchmark for each sector and asked them how they think the index will perform over the next 12 months.

These views are not fund specific. We have asked the fund groups to provide an outlook for each sector as a whole.

positive currency outlook

If the Indicator shows a positive view for the US\$, Euro or Yen, this represents a view of Sterling depreciating against that currency, which will have a positive impact on the returns from overseas investment.

Example: £1 = YEN 100

You, as an investor, buy Japanese shares costing YEN 100. After buying your shares, Sterling depreciates to £1 = YEN 90, this means you only need YEN 90 to buy back your original £1. You have YEN 100 which, divided by the exchange rate of £1/YEN 90, actually gives you £1.11.

If the fund group view for Japanese equities is positive and their outlook for the £/YEN is positive, then the overall outlook for the UK investor into Japan is positive. This is because the positive currency outlook increases the returns to the investor from the equity investment.

negative currency outlook

If the Indicator shows a negative view for the US\$, Euro or Yen, this represents a view of Sterling appreciating against that currency, which will have a negative impact on the returns from overseas investment.

Example: £1 = YEN 100

You, as an investor, buy Japanese shares costing YEN 100. After buying your shares, Sterling appreciates to £1 = YEN 110, this means you will need YEN 110 to buy back your original £1. You have YEN 100 which, divided by the exchange rate of £1/YEN 110, actually gives you £0.91.

If the fund group view for Japanese equities is positive but their outlook for the £/YEN is negative, then the UK investor would need to exercise a degree of caution when considering the Japanese market. This is because currency movements could adversely affect the positive equity returns.

indicator categories

Equities - The outlook provided by the fund group for equities ignores the effect that currency movements can have on the market. For example, if the fund group believes the US outlook is positive, but believes the strength of Sterling will be a deterrent for UK investors, they will still show a positive outlook for the US market.

Equities - The outlook for each equity market relates to a specific index in Sterling terms.

Bonds - The outlook for each bond market relates to a specific index in Sterling terms.

Currencies - The currency outlook provides an outlook for Sterling-based investors.

outlook guidelines

▲ a positive outlook

the fund group believes the index they are using as a benchmark will rise in excess of 5% over the next 12 months.

□ a neutral outlook

the fund group believes the index they are using as a benchmark will have either a positive or negative movement of between 0% and 5%.

● a negative outlook

the fund group believes the index they are using as a benchmark will fall in excess of 5% over the next 12 months.

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The views are Investment House views, they are not fund specific

| | Equities | | | | | | | | | Bonds | | | Currencies | | |
|-------------------------------|----------|----------------|-------|----------------|--------|-------|------------------|------------------|------------|---------------|--------------|---------------|------------|--------|-------|
| | UK | UK Smaller Cos | US | US Smaller Cos | Europe | Japan | Pacific Ex Japan | Emerging Markets | Technology | UK Government | UK Corporate | International | £/\$ | £/Euro | £/Yen |
| Aberdeen | □ | □ | □ | □ | ▲↑ | ▲ | ▲ | ▲ | □ | ● | ● | □↑ | ▲ | □ | □ |
| Allianz Dresdner | ▲ | □ | ▲ | □ | ▲ | ▲ | ▲ | □↓ | □ | □ | □↑ | □ | □ | □ | □ |
| Baring | □ | □ | ● | ● | ● | ▲ | ▲ | □ | ● | ● | ● | ● | ● | ▲ | ▲ |
| Britannic | ▲↑ | ▲↑ | □ | - | ▲ | ▲↑ | ▲ | □ | ● | □ | □ | □ | ● | □ | □ |
| Credit Suisse | □ | □ | □ | □ | □↓ | ▲ | ●↓ | ▲ | ● | □ | ●↓ | ▲ | □ | ▲↑ | ●↓ |
| DWS | □ | □ | ● | ● | □ | □ | □ | □ | □ | □ | □ | □ | □ | □ | □ |
| Fidelity | ● | - | ● | - | □ | ▲ | □ | □ | - | □ | □ | □ | - | - | - |
| F&C | ● | □ | □↓ | □ | ● | ▲ | □ | ▲↑ | ●↓ | ● | ●↓ | ● | ▲ | □ | ●↓ |
| Framlington | ▲ | ▲ | ▲↑ | ▲ | □ | □ | ▲ | ▲ | ▲ | ● | □ | □ | □ | □ | □ |
| Gartmore | ▲ | ▲ | □↑ | □↑ | ● | □ | ▲ | ▲ | □ | ● | ● | □ | □ | □ | □ |
| Henderson | □ | □ | □ | □ | ▲↑ | ▲ | □↑ | □↑ | ● | ● | ● | ● | □↑ | ●↓ | ●↓ |
| HSBC | □ | □ | ● | ● | □ | □ | ▲ | ▲ | □ | □↑ | □↑ | ● | □↓ | □ | □ |
| INVESCO PERPETUAL | ▲ | □↓ | ▲ | □↓ | ▲ | ● | ●↓ | ●↓ | □ | ● | ● | ● | □ | □ | □ |
| Investec | □ | □ | ●↓ | ●↓ | ▲↑ | ▲↑ | ●↓ | ●↓ | □ | □↑ | □↑ | □↑ | ▲↑ | ●↓ | □ |
| ISIS | □ | □↑ | □ | □ | ▲ | ▲ | ▲ | □ | □ | ● | ●↓ | ● | ▲↑ | □ | □ |
| Jupiter | □ | □ | □ | ●↓ | □ | □↓ | ▲ | ▲ | ● | □ | □ | □ | ● | □ | ▲ |
| JPMorgan Fleming | ● | □ | □↑ | □↓ | ▲ | ▲ | □ | □↑ | □ | □ | ● | □ | ●↓ | □ | ● |
| M&G | ▲ | ▲ | ● | □ | ▲ | ▲ | ▲ | □ | □ | □↓ | ▲ | ▲↑ | □ | □ | □ |
| Merrill Lynch | ▲ | ● | ● | ● | ▲↑ | ▲ | ●↓ | ● | ● | ●↓ | ● | ● | ▲↑ | □ | □↑ |
| Morley | □ | □↑ | ● | ● | □ | ● | ▲↑ | □ | ● | ● | ●↓ | ● | ▲ | ● | ▲ |
| Newton | □↓ | ●↓ | ● | ● | ▲ | □ | ▲ | □ | ● | ▲ | □ | ▲ | □↓ | ● | □ |
| Old Mutual | ▲ | □ | □ | □ | ▲ | ▲ | ▲ | ▲ | □ | ● | ● | ● | ▲ | □ | ● |
| Schroders | ▲↑ | □ | ● | □ | ▲ | ▲ | □ | ▲ | □ | ● | □ | ● | - | - | - |
| SG Asset Management | ▲ | ▲ | □ | □ | ▲↑ | ▲ | ▲ | ▲ | □ | ● | □ | ▲ | ●↓ | ● | ● |
| Threadneedle | □ | □ | □ | □ | ▲ | ▲ | ▲ | ▲ | □ | ● | □ | □↑ | □ | □ | □ |
| Consensus View | □ | □ | □↑ | □ | ▲ | ▲ | ▲ | □ | □ | ● | ●↓ | □↑ | □ | □ | □ |
| Indices Monthly % Performance | -1.52 | -3.01 | -3.56 | -6.97 | -3.89 | -6.21 | -2.34 | -2.31 | -8.07 | 0.48 | 0.15 | 0.27 | -0.26 | -1.30 | -2.35 |

Source: Standard & Poor's Fund Services, 30/6/2004 to 30/7/2004, UK Sterling, bid to bid, gross income reinvested. You should note that past performance is not a guide to future performance. © 2004

benchmarks and market movements

percentage growth

| Equities | 3 Months | 1 Year | 3 Years | 5 Years | 10 Years |
|---|----------|--------|---------|---------|----------|
| UK - FTSE All Share | -1.26 | 11.63 | -6.60 | -9.90 | 106.88 |
| UK Smaller Companies - Hoare Govett Smaller Companies Index | -2.40 | 18.46 | 8.21 | 12.63 | 101.18 |
| US - S&P 500 | -2.56 | 0.04 | -25.17 | -20.58 | 141.44 |
| US Smaller Companies - Russell 2000 | -3.71 | 3.48 | -7.35 | 17.77 | 118.80 |
| Europe - FTSE World Europe Ex UK | -2.31 | 8.56 | -12.74 | -8.66 | 103.50 |
| Japan - FTSE All World Japan | -6.88 | 16.93 | -14.57 | -25.16 | -39.39 |
| Pacific Ex Japan - FTSE World Pacific Ex Japan | -6.40 | 5.56 | 8.36 | 1.02 | -1.23 |
| Emerging Markets - S&P/IFCI Composite | -5.78 | 11.02 | 24.98 | 13.77 | -6.49 |
| Technology - NASDAQ | -4.14 | -3.84 | -27.04 | -36.27 | 120.84 |
| Bonds | | | | | |
| UK - Salomon Bros UK Government Bond Index | 0.69 | 2.14 | 15.12 | 28.86 | 120.56 |
| UK Corporate - S&P UT Fd UK Corporate Bond Sector Average | -0.36 | 0.42 | 14.85 | 29.27 | 111.56 |
| International - Salomon Bros World Government Bond Index | -2.11 | -9.70 | -10.81 | 13.19 | 59.37 |

Source: Standard & Poor's Fund Services, bid to bid, UK Sterling, gross income reinvested to 30/7/2004. You should note that past performance is not a guide to future performance. While Standard & Poor's Fund Services and the Skandia Group have used all reasonable endeavours to ensure the accuracy of the above information, neither accept liability in the respect of the investment decisions of investors nor for any loss arising therefrom.