Newscape CAPITAL GROUP

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Platform based Model Portfolios

Managed by Newscape Capital Group Ltd

Newscape Defensive

December 2011

Investment Objective

The investment objective for the Defensive Portfolio is to outperform Cash returns in the region of 3% p.a. over the longer term with minimal volatility.

Risk Profile

The Defensive Portfolio aims to provide investors with capital preservation along with a lower level of risk and more stable returns.

Portfolio Information

As at 31 December 2011

Model Launch Date
01 Sep 2009

Succession Launch Date
18 Apr 2011

Investment Management Fee^
0.35%

Dealing Frequency
Daily

Pricing Frequency
Daily

Base Currency
£ GBP (underlying holding currency may vary)

Investment Manager
Newscape Capital Group Ltd
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^Exclusive of VAT

Investment Approach

The Defensive Portfolio is constructed utilising lower volatility investments that seek to give priority to capital preservation while generating positive absolute returns. In addition to the use of open end funds and closed end funds where appropriate, Exchange-Traded Funds (ETFs) are used to enhance the range of available investment and risk management options. The strategy invests predominantly in fixed income and low volatility alternatives, as well as incorporating an allocation to high quality overseas nominal and inflation-linked government bonds.

Portfolio Review

In another volatile month the Defensive portfolio gained 0.50% during December. Europe continued to dominate headlines with another summit and an agreement by the European Central Bank to provide special funding loans to European banks. The biggest contributor to positive performance was once again our Short Euro Long USD ETF (up 5.2%) with contributions coming from most other investments. The exception was Gold which lost 9% during the month but finished the year still 10% higher than where it started. During the month we redeemed the Twenty Four Monument Fund and will be reallocating the capital into an enhanced yield fund during January.

Performance (%)

	1mth	3mth	6mth	YTD	1yr	S/I*
Newscape Defensive	0.50	1.56	0.19	0.92	0.92	13.49

*Since inception (S/I) dates 01 Sep 2009 to 31 December 2011.

Performance - since inception*

Disclaimer: The performance information shown represents performance derived from model portfolios run by Newscape since September 2009. This portfolio, however, has only been made available to Succession Advisory Services Limited ("Succession") from April 2011. The Portfolio returns have not been audited and are gross returns not inclusive of platform, advisor or investment management fees and charges. Client accounts linked to this model portfolio will not be exactly replicated as the platform provider is responsible for applying the model at their discretion resulting in differences in trading times and prices. The Model Portfolio is not suitable for all types of investor and investor accounts on the Succession Investment Platform may only be linked to it by the instruction of a professional Financial Adviser.

Portfolio Characteristics

	Return	Volatility	Maximum Drawdown
Target (annualised)	3 to 4.5	2 to 4.75	-3 to -5
Actual (annualised)*	5.52%	2.35%	-1.92

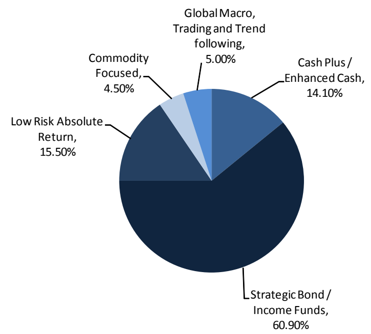
*Since inception (S/I) dates 01 Sep 2009 to 31 December 2011.

Asset Allocation (%)

Strategic Bond / Income Funds	60.90
Low Risk Absolute Return	15.50
Cash Plus / Enhanced Cash	14.10
Global Macro, Trading and Trend Following	5.00
Commodity Focused	4.50

Data as at 31 December 2011.

Portfolio Structure



Data as at 31 November 2011.

Top 5 Holdings (%)

CF Ruffer Total Return Fund	15.50
Newscape Strategic Bond Fund	15.00
Franklin Templeton Global Bond Fund	13.00
Thames River Global Bond Sterling Fund	12.90
M&G Strategic Corporate Bond Fund	10.00

Data as at 31 December 2011.

Please read the disclaimer on page 3

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In terms of performance the final quarter of 2011 was strong. Whether built more on hope than reality the equity markets returned much of the ground lost during the summer finishing the year in much ruder health than many commentators had expected. In detail the FTSE 100 total return jumped 9.4% during the quarter finishing the year down just 2.2%; the US S&P 500 total return, boosted by improving economic numbers managed quarter returns of 11.8% and ended up 2.1% for 2011. Despite increasingly short cycles in the Eurozone that swung between optimism to doom in a matter of days the overall direction for Europe, at least for this quarter was also up. The German Dax and the broader Euro Stoxx 50 gained 7.4% and 6.8% respectively but still finished the year down some 14.7% and 14.1%. Emerging markets Equities told a very different story as investors lost confidence that they would be able to offset the growing austerity in the developed markets. The Chinese and Indian markets fell 6.8% and 3.4% respectively for the quarter and finished the year 21.7% and 17.6% lower than where they started. The Indian loss was exasperated for sterling investors as the Rupee fell over 10%. Overall the MSCI World Equity Total Return Index in sterling terms gained 7.6% for the quarter but ended a very testing year down over 9.6%.

In fixed income markets the escalating yields in Italy and Spain dominated headlines but it was another strong quarter for the 'safe' havens of the UK and the US. Gilts gained a further 5.3% as yields on 10 year bonds dropped below 2% for the first time. US Treasuries saw similar gains and non-European falling yields benefited Global Corporate Indices (Up 3.3%), Global High Yield (up 5.8%) and Emerging Market Bonds (up 4.2%) for the quarter.

Strong US Dollar strength, particularly against the falling Euro, put further pressure on non-energy commodities which had fallen sharply since highs in April. As the dollar gained value confidence in the continued rise of Gold diminished and in commodities the final quarter saw non-energy commodities fall further with the general Dow Jones UBS Commodity index.

Index Returns as of 31 December 2011 (%)

	1mth	3mth	YTD	12mth	2yr	3yr	5yr
ANCHORS							
UK CPI	0.4	1.2	4.4	4.4	7.8	10.2	16.8
Cash	0.1	0.3	0.9	0.9	1.6	2.8	14.9
Short Duration UK Bonds	0.4	0.6	2.5	2.5	5.8	10.0	25.1
FTSE All Stocks UK Gilt Index	1.7	4.3	11.0	11.0	14.1	7.9	15.8
Global Aggregate Bonds Hedged	1.6	1.0	5.8	5.8	10.9	16.8	32.9
ENHANCERS							
Global Corporate Unhedged	2.6	3.3	6.5	6.5	15.9	33.0	20.2
Global High Yield (GBP Hedged)	2.6	5.8	3.4	3.4	19.6	88.2	40.8
Emerging Market Bonds Unhedged	2.2	4.2	6.6	6.6	21.9	47.2	77.8
FTSE 100 Total Return	1.3	9.4	-2.2	-2.2	10.2	40.3	7.9
FTSE ALL Share Total Return Index	0.8	8.4	-3.5	-3.5	10.6	43.8	6.2
Global Equity (GBP)	-0.5	6.6	-10.0	-10.0	0.9	34.9	
European Equity (Local)	-0.5	6.8	-14.1	-14.1	-16.5	4.9	-33.8
US Equity (Local)	0.9	11.2	0.0	0.0	12.8	39.2	-11.3
Japan Equity (Local)	0.1	-4.2	-17.0	-17.0	-16.2	-9.8	-52.4
Pacific Ex Japan Equity (USD)	-0.9	6.0	-12.7	-12.7	2.2	76.9	16.4
Emerging Market Equity (USD)	-1.2	4.4	-18.2	-18.2	-2.5	74.6	14.3
Chinese Equity (Local)	-5.7	-6.8	-21.7	-12.7	-32.9	20.8	-17.8
Indian Equity (Local)	-9.3	-3.4	-17.6	-17.6	-4.0	75.4	22.2
DIVERSIFIERS							
Commodity Index (GSCI)	-0.8	9.9	-0.7	-0.7	12.2	14.9	9.5
Commodity Index (DJUBS)	-3.8	0.1	-14.0	-14.0	-0.2	16.4	-20.0
Gold (GBP)	-8.5	-2.4	11.6	11.6	49.4	69.5	212.7
Gold (USD)	-10.5	-3.7	10.1	10.1	42.5	77.3	145.6
Silver (GBP)	-14.0	-6.1	-9.5	-9.5	71.8	129.7	172.2
Nationwide House Price Index	-0.2	0.6	1.0	1.0	1.1	7.2	-5.3
Halifax House Price Index	-0.9	-0.8	-2.2	-2.2	-4.8	0.0	-13.6

Source: Bloomberg

Market Outlook

With a strong final quarter to 2011 hopes are that 2012 maybe offer investors more clarity and opportunity than many commentators had been predicting. With plenty of capital clearly waiting on the sidelines and with better than expected economic numbers coming from the United States it has been a difficult time to remain as cautiously positioned as we have. Having said that Europe's credit crisis continues unabated and we remain concerned that this will, more than anything else define general market direction this year. As our extended market outlook for 2012 explained we believe that the challenges that dominated 2011 will continue. (http://newscapegroup.com/sites/default/files/protected/Market%20Outlook%202012.pdf).

Overall our underweight position to equities is likely to continue for the first quarter. Economic indicators in the US have been positive and a reasonably bad recession in Europe has already been priced into many local indices but we believe the risk of sharp downward shocks remains too high. Valuations would have to improve to justify the downside exposure that remains. In the US where equities managed a positive return in 2011, we believe corporate earnings expectations remain too optimistic. The inability of President Obama to pass further stimulus through the Republican led Congress, as well as the impact of slowing growth in Europe and China, is likely to negatively impact US Corporate earnings more than many analysts expect during January. Having said that corporate profits are likely to remain high and we plan to add US Corporate and High Yield credit exposure to our portfolios during the first quarter.

With the return available on Gilts at near historic lows we believe the opportunity for another strong year of performance is very limited. Given the UK's biggest trading partner remains continental Europe and the likely difficulty in maintaining positive growth in the face of government austerity we believe the interest rate demanded by the market for Gilts is likely to rise significantly. While this remains unlikely in the first quarter with Quantitative Easing likely to continue we will be seeking to tactically trade this by adding an ETF position sometime this year. The UK appears to be benefiting from investor fear regarding the Eurozone more so than confidence that its credit worthiness. Indicative of this opportunity is that the cost of insurance on UK default has risen considerably in the last few months.

The Short Euro Long USD position we have retained since the summer 2011 has added value across our portfolios. While we expect the Euro crisis to push valuation of the Euro down further are likely to be reducing this exposure as the value differential decreases. We believe the opportunity of benefiting from currency volatility is likely to be sustained and will be seeking to switch capital from this position to managers with a proven track record in the FX area over the next quarter.

Other opportunities are likely to arise in what we believe will be a challenging environment and we will continue to communicate all changes we make to the portfolios as required.

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