Source: Standard Life - October 2007

Typical Investment Returns

Annualised Growth (gross of annual management charge)

	Launch Date	Size of Fund (£'000)	Bid Price (p)	Over past 1 year % pa	Over past 2 years % pa	Over past 3 years % pa	Over past 4 years % pa	Over past 5 years since launch* % pa	Over past 10 years % pa	Over past 15 years % pa
Managed	29/10/79	3,029,23	1,672.9	11.0	11.5	14.1	13.5	13.4	6.3	8.7
Cautious Managed	17/10/94	277,093	195.4	6.4	8.3	10.5	10.1	9.9	5.3	n/a
UK Equity	29/10/79	394,544	2,808.7	12.0	13.4	15.8	15.5	15.4	6.7	9.7
International	29/10/79	44,794	1,089.5	13.1	11.3	13.9	12.3	12.9	4.8	7.2
North American	09/03/87	43,369	290.7	8.5	6.2	8.1	6.8	8.4	2.8	6.9
European	09/03/87	87,836	457.9	19.1	17.9	19.9	18.3	17.7	7.8	10.1
Far East	09/03/87	15,396	243.0	22.6	14.8	18.5	14.4	14.0	4.6	6.4
Japanese	08/11/95	8,933	89.7	-6.0	-0.8	7.4	5.4	5.4	0.7	n/a
Pacific Basin	08/11/95	23,347	155.2	37.5	22.7	23.9	19.2	19.1	6.0	n/a
Property	29/10/79	2,068,836	999.4	0.4	8.1	10.2	10.7	10.2	9.8	9.1
Fixed Interest	29/10/79	667,757	746.7	-0.6	1.0	3.2	3.3	3.4	5.0	6.4
Index-Linked	15/03/82	238,666	433.0	3.4	4.6	5.7	5.8	5.9	6.4	7.0
Cash	29/10/79	2,945	418.7	4.2	3.8	3.8	3.7	3.6	4.2	4.3
Distribution	16/08/95	1,736,829	117.9	5.4	8.5	10.6	10.2	10.0	6.4	n/a
Sterling	19/08/96	134,792	141.3	4.5	4.0	4.0	3.8	3.7	4.4	n/a
Ethical	10/05/00	75,664	146.9	9.4	14.5	16.4	15.2	16.3	n/a	n/a
Overseas MoM	12/07/05	5,675	109.3	8.0	6.8	n/a	n/a	8.2*	n/a	n/a
Cautious MoM	20/09/04	25,514	122.4	4.7	6.6	8.5	n/a	8.6*	n/a	n/a
Balanced MoM	29/09/04	31,293	135.5	8.8	9.9	12.3	n/a	12.3*	n/a	n/a
UK Equity MoM	29/09/04	7,936	144.4	9.7	12.5	14.6	n/a	14.7*	n/a	n/a

Diversification is Vital

The above table shows the returns from various investments funds that are managed by Standard Life. What you don't see is the makeup of many of the 'managed' funds listed, which have investments spread across many sectors or asset classes. This is known as diversification and is tremendously important in avoiding the negative side of risk, and preserving returns in volatile markets.

A good professional adviser ensures his clients have a diverse spread of investments in several of the major asset classes. This can be achieved by using portfolio planning tools which gather past data and forecasts to balance different asset classes against each other.

Diversification can also be achieved by picking funds such as the Prudential with-profits fund, the Ashburton portfolios or other multi asset class fund offerings. In such funds the manager makes the asset allocation calls and can include more diverse asset classes (such as hedge funds) which might not ordinarily be available to all investors.

Gordon Bennie

Oracle Mortgage Rates

Standard Variable - From 6.19%
Discount Variable - From 5.74%

Tracker Rates
From 6.12%

Fixed Rate
2 Yrs Fixed - From 6.05%
3 Yrs Fixed - From 6.09%
5 Yrs Fixed - From 5.95%
10 Yrs Fixed - From 5.77%
25 Yrs Fixed - From 5.98%

Buy To Let Fixed Rates
Discount Variable - From 6.44%
Tracker Rates - From 6.24%
2 Yrs Fixed - From 6.39%
3 Yrs Fixed - From 6.39%
5 Yrs Fixed - From 6.29%

(correct as of 1st December 2007)

THE ORACLE

Our Knowledge. Your Needs.

Issue No. 6 Winter 2007

The Newsletter of Oracle Financial Services

Directors Update

Seeing as we are now entering the depths of winter, I would like to pass on a warm welcome to our clients to this, our 6th edition of the Oracle newsletter. When I cast my mind back, it amazes me to think that as we approach 2008 we will be coming up to 7 years of Oracle Financial Services being in existence. I have absolutely no idea where the time has gone, and during these years there have certainly been some extremely eventful occurrences, both within our own Industry, and within the Global Market Place as a whole. To list all of these notable events would take more than this 4 page newsletter allows me, however with recent well publicised market events taking place, there is an overriding feeling that we are now yet again approaching a period of uncertainty, in particular with regard to Financial Institutions.

The credit crisis is gripping markets, and has certainly been making headlines over the last 2-3 months. The immediate and future impact of this crisis can not be underestimated. To be fair, the warning signs have been there for a period of 6 months prior to the impact taking place. I think most people have been surprised by just how wide spread the impact has been, affecting the vast majority of Investment Asset Classes from Commercial Property Funds, Equity Funds, both UK & Global, and even extending in some instances to Bond Funds.

As with any period of uncertainty, there are always areas of optimism, and this is no different with regards to Financial Markets. Just as some geographical areas or asset classes will suffer, other sectors will prosper. It is for this reason that Oracle Financial Services have taken a view that asset allocation and diversification are key when investing client funds. As well as establishing conservative core holdings, many clients are now looking to explore investment opportunities in the Far East, particularly China, India and the Asian Markets. There is a widely held belief that provided such opportunities fit in with Investors time horizons, significant long term gains could be made in these Financial Markets.

In order to explore this theory in more detail, we have asked Ashburton Investment Managers to provide an article outlining their investment rationale for these geographical areas. Prudential has also kindly provided an article for the newsletter on their exceptional with profits fund. I think it is fairly safe to say that most individuals will have at some time or other held a with profits investment. Despite suffering some negative publicity in recent years, we are starting to see renewed popularity in this type of core holding, and the Prudential Fund is without doubt the market leader in this area.

On a final note we are rapidly approaching Christmas, so on behalf of all the staff at Oracle, I would like to formally wish all our clients and associates an extremely pleasant Christmas and Happy New Year.

David Steigenberger
Managing Director

New Appointments

Earlier this year Oracle welcomed two new team members, Gordon Bennie and Steve Marsh, who both previously worked with Premier Asset Management and Shepherd Financial Services. Gordon has considerable experience as an Independent Financial Adviser, and has taken on the role of Marketing Director. He is responsible for press articles and increasing the profile of Oracle Financial Services. Steve has a wealth of experience as a financial adviser, having been employed by both Prudential and Britannic in his years before becoming an Independent Financial Adviser. Both advisers have taken over the servicing of Oracle clients, as well as retaining their existing client base.

Gordon Bennie

Steve Marsh

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Safe Haven? Prudential and their market leading With-Profits fund

In the latest WM Life Funds survey of performance over the 10 years to end 2006 the Prudential Fund is the number 1 best performing fund over all quoted time periods - 1, 3, 5 and 10 years.

	Prudential %	Median %	Funds in Survey	Rank
1 year	12.4	10.4	19	**1st**
3 years (annualized)	15.3	12.5	19	**1st**
5 years (annualized)	10.4	7.3	19	**1st**
10 years (annualized)	10.1	8.1	19	**1st**

The large multi asset funds sold by Prudential such as the With Profits fund are managed by the Portfolio Management Group (PMG). This team comprises of 16 investment professionals – strategists, analysts and mathematicians (who are specialists in different investment fields).

Over the last 10 years the PMG has an outstanding record in managing the assets of the With Profits Life Fund (fund size approx £72bn) that is the envy of many and often commented on by independent analysts.

We believe the main driver of returns for this and almost all multi asset funds is asset allocation; it is this skill that we believe is core to Prudential's investment capability. Those investment skills, honed on managing one of the largest sophisticated multi asset funds in the country, are also being applied to a new generation of actively managed diversified Prudential funds launched earlier this year - the new unit linked funds, the Cautious Managed Growth Fund and the Managed Defensive Fund.

The success of the PMG is based on a clear investment philosophy and valuation process, and a high degree of flexibility in implementation. Thus the fund maximises the opportunities presented in volatile markets and minimises delays connected with 'committee culture'. We believe investment opportunities arise because of behavioural or emotional biases in the way investors' price risk, upon which the PMG capitalise with a disciplined approach to valuation and a determined refusal to be seduced by short term market chatter – what we call 'noise'.

This investment philosophy is captured in the With Profits fund and the new unit linked funds by an approach we describe as 'punchy' and 'absolute'. What we mean by this is that the asset allocation moves are larger (though probably less frequent) than would normally be associated with multi asset or balanced funds, in order to properly capture the valuation anomalies we see. Also the approach is not benchmark aware. In other words within broad parameters consistent with the different risk profiles and objectives of the funds, we let the value that we see in markets drive the asset mix rather than worry about preset benchmark mixes or competitor medians – ie what everyone else is doing!

Another key aspect of our approach is to push diversification hard. We are strong believers in the beneficial effect that buying assets that have a low correlation will provide. This enables multi asset funds to deliver more attractive risk adjusted returns than single asset funds. This policy of diversification also increases the opportunity set which enables us to make more relative value observations across different markets, and leads us to put attractive alternative assets in portfolios such as hedge funds, private equity and infrastructure. It is typically difficult for individuals to gain exposure to these asset classes.

This approach has worked well over the last 10 years and the large Prudential funds have benefited from a number of significant medium term market moves, as a good example the move out of equities at the end of the 90's, a move (2000 – 2002) into an average of BBB rated corporate bonds and other new debt instruments.

Investment markets have steadied a little since the volatility of the summer – in fact equities have pushed ahead after significant easing by the Federal Reserve and continued good growth from Asia. This has meant that to an extent given the different risk profiles of the funds we have felt comfortable throughout this period with a bias towards equities.

Commercial property returns have started to turn down and we expect this weakness to continue. We remain of the view that property – particularly UK commercial property where leases tend to be long term and rental agreement upwards only - to be a good strategic diversifier so will remain invested to some extent. However the asset class is expensive and exposures will stay at the lower end of the range

Our belief right now is that the level of growth in the global economy thanks to China, and the firepower of the central banks to bring rates down if things start to go wrong gives cause for comfort - but we're not out of the woods yet and the range of outcomes is pretty wide.

We feel confident that at Prudential we have a successful philosophy and the processes in place to continue to do a good job in actively managing the overall asset mix of all our multi asset funds over the long term.

Martin Brookes,
Director of Portfolio Management Group
November 2007

Investment potential of China & India

ASHBURTON
The Investment Managers

China and India will increasingly become the largest growth market for many goods and services on the globe, according to Craig Farley, a Jersey based investment specialist at investment managers, Ashburton

'Already demand from the two nations, which when viewed together we call Chindia, is having a profound impact on the supply and demand dynamics of a whole host of products ranging from oil to natural gas, nickel to gold, wheat to sugar, mobile handsets to desktop computers to name but a few. The socio-economic changes being wrought both in China and India will reshape the global landscape to something profoundly different than that prevailing in the last 100 years'.

He explained: 'At the heart of this profound change are demographics. Chindia has a classic population pyramid – a large base of young supporting a small ageing population. Indeed, Indian demographics are possibly the best on the globe. It's estimated that more than 250 million people will be added to the working population of Chindia by 2020. The population is getting younger, better educated and increasingly urban with incomes growing strongly.

Ashburton's Asia Pacific specialist Jonathan Schiessl said that, when combined, these two countries would be the second largest economic power in the next 15 years and the opportunities this offers to investors are tremendous.

"China is expected to grow at a rate of 8% to 10% per annum for the foreseeable future, while a growth rate of 8% per year is projected for India. This growth will be primarily driven by demographics as the working population of both countries is expected to increase by a staggering 250 million by 2020. The US and Europe combined are only likely to increase by around 6 million over the next 14 years."

Investors world-wide are responding to this dramatic change in the global financial markets and investment opportunities are proliferating.

Ashburton was one of the first companies in the world to launch a retail Fund devoted primarily to the markets of China and India. When it was launched almost one year ago, it was also the first Fund of its type marketed in the UK and Channel Islands.

Ashburton successfully obtained the all important Foreign Institutional Investor (FII) status in India and established essential links in China that enabled the firm to directly access these exciting markets. Whilst the majority of the Fund is invested in Chinese or Indian companies, it also leverages off other multi-nationals that are operating outside these countries that benefit primarily from the 'Chindia story'.

Craig Farley, who helps run both Ashburton's Chindia Equity and Asia Pacific Equity Funds alongside Jonathan Schiessl, pointed out that good demographics alone did not assure economic growth. 'Positive demographics in China and India in conjunction with economic reforms have led to remarkable economic growth. For example, in the past three years, Chindia's GDP has nearly doubled and expectations going forward indicate that the combined economies will be second only to the US by 2020'.

He conceded that there would be plenty of hurdles along the way, but added that, given that Chindia would become an increasingly important destination for long-term capital, investors who ignore it would do so at their peril.

When Cash can be King

You often hear that cash left on deposit has its value eroded by inflation, that over time better returns should be made from investing in other asset classes and that, in any case, the Comptroller of Income Tax will take his 20% of the interest you receive on cash you hold in bank accounts, or perhaps in the Post Office.

Now, the fact is that all of this is true. However, holding cash has its uses.

Firstly, we suggest that our clients retain a suitable amount of accessible money for unforeseen, short term needs. This is just good common sense and doing so removes a certain amount of stress from life.

Secondly, at times when one might be reconsidering the balance of one's investment, temporarily switching some holdings to a Cash or Deposit fund (they're available within practically all contracts) can prove a wise measure that preserves value until you and your consultant select a longer term approach.

No matter how aggressive the profile of an investor, a little cash is a good thing.

By Clive Richardson