

Model Portfolio Update

January 2012

Portfolio Commentary

Overall the volatility and downside risk of all our portfolios are well under their respective benchmarks (except the Defensive portfolio, which is benchmarked against cash). Performance of the portfolios generally has been good against their relevant benchmarks and following the recent Q4 committee meeting, changes have been made ensure the performance of the portfolios remains as expected.

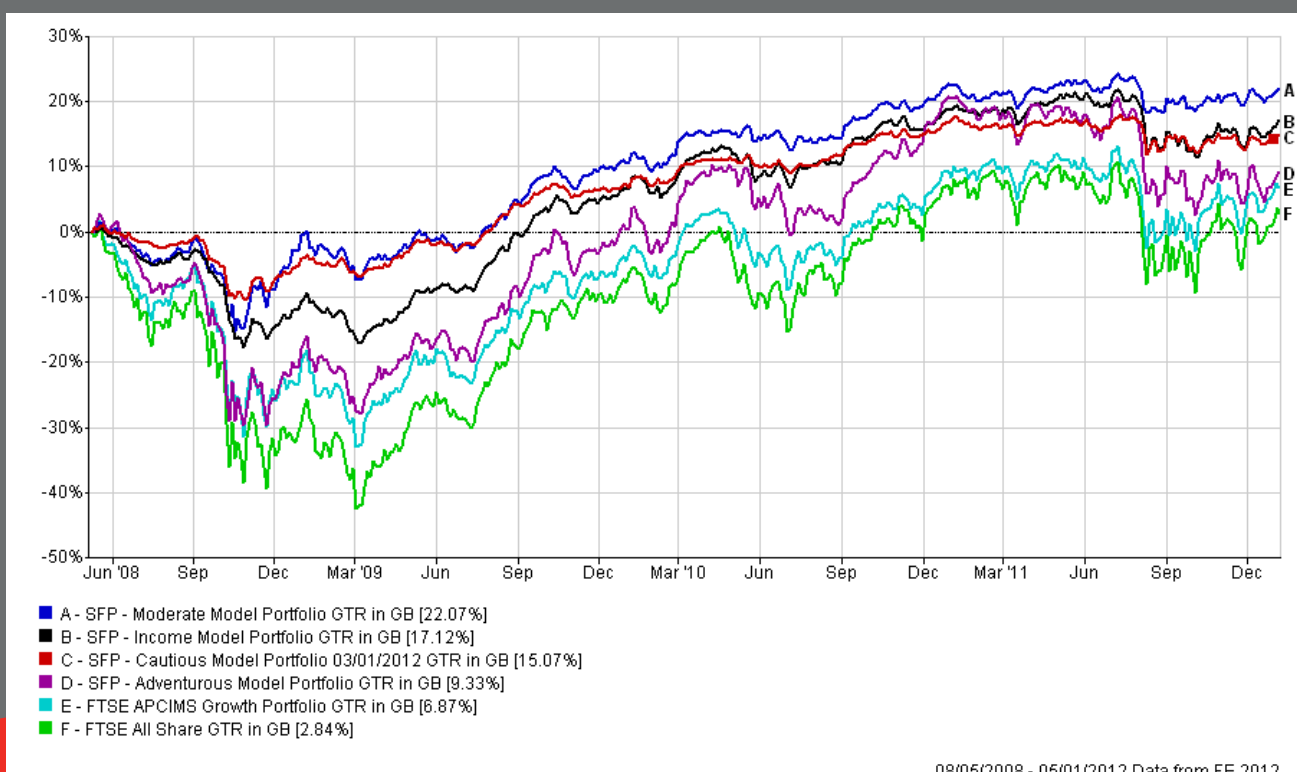
Both the Cautious and Cautious to Moderate portfolios now appear stronger and have benefited from the defensive elements, these have protected well over the last four to five months. The Income portfolio has retained a reasonable yield at 4.85%.

It seems that the uncertainty over the Euro and volatility in global markets is likely to continue through 2012. We believe that by selecting Multi-Asset fund managers with experience of navigating such choppy conditions, it will put our portfolios in a good position to achieve their objectives during 2012.

Performance Analysis

Discrete annual performance (%) year ending	31/12/2011	31/12/2010	31/12/2009	31/12/2008	31/12/2007
FTSE All Share	-3.46	14.52	30.12	-29.93	5.32
APCIMS Growth	-2.32	13.43	19.76	-21.22	5.99
Cautious Model Portfolio	-2.36	9.40	11.51		
Income Model Portfolio	-2.24	11.26	19.49	-12.49	
Moderate Model Portfolio	-0.75	10.63	11.21	-0.32	10.32
Adventurous Model Portfolio	-10.49	20.04	22.57	-19.38	

Performance since inception month end* (%)



08/05/2008 - 05/01/2012 Data from FE 2012

*Performance since data started for the Cautious portfolio (08/05/2008).

Source for all performance data: FE Analytics. Basis: Bid to Bid, net income reinvested and net of all fees in UK sterling terms.



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FINANCIAL PLANNING

Investors happy to see the back of 2011

December rounded off an exceptionally challenging year for investors. Various factors – political turmoil and civil unrest in the Middle East, Japan's devastating earthquake and tsunami, a lack of political accord in the US over the country's deficit and, perhaps above all, the eurozone's sovereign debt crisis – undermined investor sentiment and overshadowed individual corporate fundamentals.

In the UK, the FTSE 100 index fell 5.6% over 2011 as a whole, although the blue-chip index did recoup some losses as the year drew to a close, rising by 1.2% during December. In France, the CAC 40 index rose 0.2% during December, but fell 14.7% over 2011. In Germany, the DAX index fell 3.1% in December and 17% over the year. Elsewhere, in Greece, which was the centre of attention for much of 2011 amid fears of a default, the Athens Composite index fell 0.3% during December, but dropped a massive 51.9% in 2011.

Deepening concerns over the eurozone's debt crisis led ratings agency Standard & Poor's to place 15 countries within the region under review, warning: "Systemic stress in the eurozone has risen in recent weeks (to) such a level that a review of all eurozone sovereign ratings is warranted." For its part, the Investment Management Association warned that the eurozone's future remains a "major concern" for the investment management industry, pointing out that many of the trade body's members manage European investments and have significant operations in European countries.

In Japan, the quarterly Tankan survey of business sentiment pointed towards an increasingly pessimistic mood among companies while sentiment among large manufacturers has shifted from positive to negative. The Nikkei 225 index rose by 0.2% during December, but fell by 7.3% over the year as a whole.

US consumer confidence rose for another month in December and provided a boost for share prices. The S&P 500 index rose by 0.9% during December, but remained flat over the year as a whole – however, this apparent lack of movement does nothing to suggest the underlying volatility that characterised the year. For its part, the Dow Jones Industrial Average index rose 1.4% during December and 5.5% over the year.

Looking to the future, International Monetary Fund President Christine Lagarde warned that no region of the world is immune to current risks and cautioned that, unless decisive action is taken, the world economy could be "swept into a downward spiral of collapsing confidence, weaker growth and fewer jobs".

Important information

Past performance is not a guide to future returns and the value of investments and income from them may go down as well as up and an investor may not get back the amount invested.

No responsibility can be accepted for any action taken as a result of information contained in this brochure. We therefore strongly recommend that no action should be taken before obtaining detailed professional advice.

For more information about our services, please contact us on **0845 643 4564**

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