



## LAWRENCE HOUSE FUND MANAGERS

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| <b>Date of Launch</b><br>20/12/2004                                   | <b>Investment Advisers</b><br>Lawrence House Fund Managers<br>Lawrence House Summer Hill Harbledown Canterbury Kent CT2 8GT<br>T: 01227 819820<br>E: info@lhfm.co.uk<br>W: www.lhfm.co.uk |
| <b>Fund Managers</b><br>Mike Sargeant<br>Alan Stokes                  |   |
| <b>Fund Size</b><br>£1,146,016  |   |
| <b>Benchmark</b><br>FTSE All Share Index                              |   |
| <b>NAV Price</b><br>A Class £1.00<br>B Class £1.072                   | <b>Authorised Corporate Director</b><br>Elite Fund Administration<br>Cedar House Cobham Road Wimbourne Dorset BH21 7SB<br>T: 01202 855850   |
| <b>Latest Yield</b><br>A Class 2.52%<br>B Class 2.52%                 | <b>Sedol No</b><br>A Class B054QH5<br>B Class B054QK8   |
| <b>Dividend Dates</b><br>A Class 31.07, 31.01<br>B Class 31.07, 31.01 | <b>ISIN No</b><br>A Class GB00B054QH55<br>B Class GB00B054QK84  |
| <b>Minimum Investment</b><br>A Class £50,000.00<br>B Class £2,500.00  |   |
| <b>Initial Charge</b><br>A Class 1.0%<br>B Class 5.0%                 |   |
| <b>Annual Management Charge</b><br>A Class 1.0%<br>B Class 1.5%       |   |

All data as at 30/09/2005

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# Lawrence House UK Equity Fund

October 2005

## Fund Objective

The UK Equity Fund aims to provide a combination of income and capital growth through investment in a diversified portfolio of collective investment schemes investing in UK Equities. The fund's benchmark is the FTSE All Share Index.

## Investment Comment

The markets made good headway this month with the FTSE 100 reaching a 4-year high on the 29th September, driven higher by companies benefiting from the continuing strength of oil and commodities.

The Bank of England's Monetary Policy Committee voted unanimously to hold interest rates at 4.50% in the face of rising inflation. The possibility of future cuts is slim based on the inflation data, although the figures released by the British Bankers Association, which showed a fall in credit card spending again in August provided some optimism.

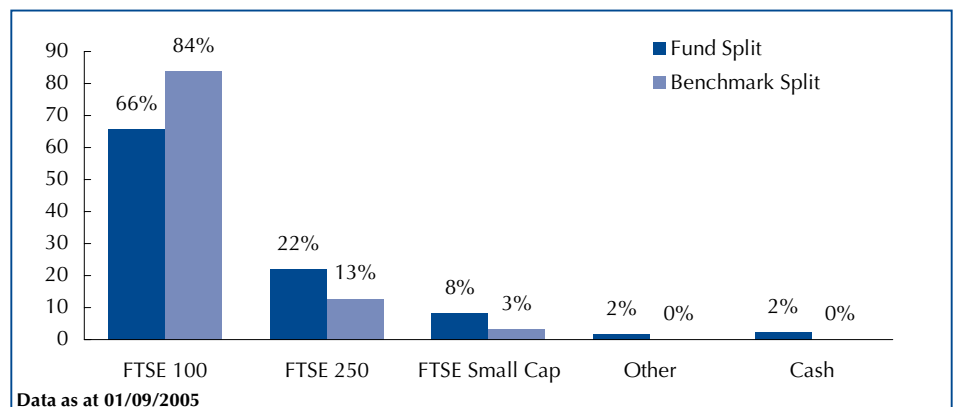
After the disappointing Public Sector Net Borrowing figures released last month, the Chancellor Gordon Brown received some comfort in September, as the August figures were the lowest total for that month in three years. However, the borrowing in this fiscal year so far is still higher than last, posing a threat to his full year forecasts and may lead to an upwards revision of his borrowing requirements in the autumn pre-budget report.

Another positive for the Chancellor came in the form of a sharply narrowing trade gap. September saw the figures for June released which showed that the difference between exported and imported goods narrowed to £4.27 billion year below the £4.90 many analysts had expected.

On a more disappointing note, the revised GDP figures showed that they grew at a rate of just 1.50% in the second quarter of 2005. This was an unexpected revision and meant that UK growth was at its weakest since 1993. In response, Gordon Brown accepted for the first time that his forecast of 3.00-3.50% was unlikely to be met.

This month we have been moving the portfolio to a slightly more defensive income orientated position. This is due to the strong returns seen in the UK stock markets this year and the continuing signs of an economic slowdown. Therefore we have sold our holdings in the Gartmore UK Focus, Lazard UK Alpha and Merrill Lynch UK Dynamic funds and taken positions in the Allianz UK Equity Income, JO Hambro UK Equity Income and Merrill Lynch UK Income funds.

## Asset Allocation



## Fund Performance

|                               | 1 Mth Return | 2 Mths Return | 3 Mths Return | 4 Mths Return | 5 Mths Return | 6 Mths Return | Since Launch |
|-------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Lawrence House UK Equity Fund | 2.19%        | 3.08%         | 6.35%         | 9.41%         | 11.99%        | 8.99%         | 7.20%        |

Source: Micropal 01.10.05, Lump, % Chg, Init £100, B/B, Basic Rate Tax

## Portfolio Composition

|                                |      |                            |            |
|--------------------------------|------|----------------------------|------------|
| Allianz UK Equity Income       | 9.37 | New Star Higher Income     | 8.82       |
| Axa UK Equity Income           | 9.22 | Framlington Monthly Income | 8.80       |
| Baring Equity Income           | 9.20 | JO Hambro UK Equity Income | 8.70       |
| Norwich Union UK Equity Income | 9.18 | Artemis Capital            | 7.29       |
| Royal London Equity Income     | 9.15 | Cash                       | 2.33       |
| Rathbone Income & Growth       | 9.11 | <b>TOTAL</b>               | <b>100</b> |
| Merrill Lynch UK Income        | 8.83 |                            |            |