

MONTHLY FUND UPDATE

ABSOLUTE INSIGHT UK EQUITY MARKET NEUTRAL FUND

Fund performance as at end April 2012

	1 month return (%)	YTD return (%)	1 year return (%)	3 year return (% p.a.)	Since inception return (% p.a.) ¹
UK Equity Market Neutral Fund	-0.07	0.21	0.72	1.89	3.52
Benchmark: 3 month Libid	0.07	0.31	0.84	0.71	2.55

¹ The inception date for the Fund is 28 February 2007.

All figures sourced from Insight and Bloomberg. Returns are sterling, share class B1p and net of 1% annual management charge and 10% performance fee.

Past performance is not a guide to the future.

MARKET BACKDROP

Equity markets weakened over the month, with the FTSE 100 falling 0.5% and mid-cap stocks fairsing worse, falling by 1.1%. Fears over Spain in particular dominated market headlines, with the country's equity market falling 12.5% as measured by the IBEX 35 index and 10-year Spanish bond yields rising to 5.8%, having spiked through 6% at one point. As a result, volatility in markets and correlations between stocks have picked up, although perhaps less than might have been expected with market reactions in the US and UK remaining relatively muted.

PERFORMANCE AND ACTIVITY

Against this background, Fund performance was broadly flat over the month and remains positive for the year. In the portfolio we have been working with the theme of increasing broadband network capacity and smartphone usage for a while and continue to believe that the internet will be a major differentiator affecting all industries. Moneysupermarket.com reported strong results again during the month as price comparison websites continue to dominate traffic and customer recruitment in the insurance and banking sectors.

The outlook for semiconductors is positive at present with both capacity and pricing rising rapidly. This is good news for AZ Electronics who supply the chemicals that coat circuit boards so we have begun building exposure to the stock although are mindful of the strong run it has had. Another interesting situation is Enteq Upstream, an oil field services company which is looking to acquire small owner-managed businesses in the oil drilling sector. As drilling has become more complex, well-logging has had to adapt to provide real-time information to help steer the drilling process. Enteq's management have a strong track record in this area and we used a recent fundraising to build exposure to the stock, hedging the position with FTSE 250 swaps.

While the market environment continues to be tricky in the short term with the noise surrounding elections likely to drive sentiment, broadly speaking we remain constructive on the opportunities in markets. As such we continue to develop the Fund's gross investment level which is currently around 80% and have flexibility to react to opportunities as and when they arrive.

OUTLOOK

A more contagious reaction may well develop from the eurozone but at the moment the credit impact has been confined to specific banks, and even then is not indicative of a collapse in sentiment. Sovereign debt markets in Spain have been weak due to poor macro data, but the long-term refinancing operation in Europe has prevented this escalating into another crisis and appears to have been successful in ring-fencing banks. Overall, the economic picture continues to be characterised by weak conditions in Europe, including the UK, but better data from the US.

Please note the value of investments and any income from them will fluctuate and is not guaranteed (this may be partly due to exchange rate fluctuations). Investors may not get back the full amount invested.

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