Rensburg Sheppards

IHT Planner Q3 2008 Report

- Managed funds of £50 million with many clients invested for over two years making their portfolios free from Inheritance Tax.
- Very challenging markets with falling price-earnings (p/e) ratings driving down valuations.
- However, continued largely resilient trading results and underlying balance sheet strength of our Key List stocks.
- Investors should be aware that the value of portfolios could fall as well as rise and therefore there is a possibility of loss of the capital invested. Past performance should not be seen as an indication of future performance.

The UK equity market backdrop

As everyone reading this will be all too aware, global financial markets are in great turmoil. The collapse of Lehman Brothers in the US during September unleashed a chain reaction of fear amongst banks, leading to extreme tension in the wholesale money markets with banks unwilling to lend to each other. Lurking behind this has been the fear of mushrooming bad debts within the financial system, notably attributable to packaged sub-prime loans and complex financial instruments including credit default swaps.

In the UK, this has culminated in the Government's unprecedented rescue package for prominent banks including HBOS and the Royal Bank of Scotland. The difficulties in the financial sector are compounded by falling property prices and over-stretched consumers reining back spending, collectively driving the economy towards recession. Equity markets have plunged around the world in response to the turmoil with the headline FTSE 100 losing 12.9% in the quarter.

Rensburg Sheppards IHT Planner portfolios

Client portfolios are based on a Key List comprising core stocks to which further stocks are added from a wider list for larger portfolios. The Key List is kept under constant review with close monitoring of the stocks and client portfolios reflect the composition and weightings of the Key List at the time of investment. Subsequent changes are limited to those required to maintain the qualifying status of the investments and, where possible, dealing out of under-performing stocks.

Index	5 years to 30 September 2008	12 months to 30 September 2008	3 months to 30 September 2008
IHT Planner clients (Note)	72.0%	-31.2%	-18.7%
FTSE All Share (total return)	44.5%	-22.2%	-12.2%
FTSE AIM All Share (total return)	-13.4%	-43.5%	-35.1%
FTSE Small Cap (total return)	0.5%	-38.4%	-14.9%

Source: Datastream as at 30 September 2008

Note: Returns derived from a representative sample of 10% of the clients and based on the net amount invested after deduction of initial fees, including IFA commission where appropriate. For new clients invested less than three months, returns will be adversely impacted by initial costs.

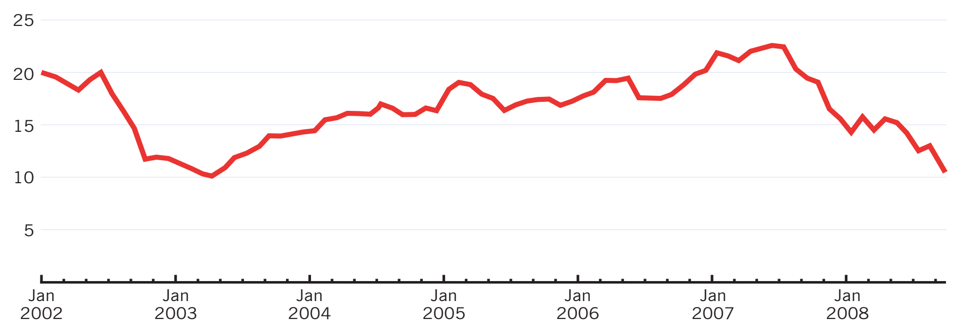
Performance commentary

After the welcome respite in Q2, our IHT planner portfolios experienced significant losses in Q3. The representative sample of client portfolios showed an average fall of 18.7%, versus 12.2% in the FTSE All Share, 14.9% in the FTSE Small Cap index and 35.1% in the AIM All Share. The average 12 months return for IHT Planner portfolios was –31.2%, with an underlying range between –26.0% and –36.5%. Whilst clearly very disappointing, the IHT exemption secured after the two year holding period provides a 40% margin of safety.

For clients invested for the required two years by 30 September 2008, the average loss on their portfolios was 21.3%*. This is an average for the 165 client portfolios concerned ranging from an 82.2% gain to a 33.4% loss, depending on the market timing of investment, the portfolio size and its resulting stock weightings. Whilst the savage market conditions have plunged many portfolios into loss, the earlier investors remain in profit and all are within the margin of safety provided by Business Property Relief.

The chart below tracks the average price-earnings ratio (p/e) for our Key List of IHT Planner stocks since launch of the service in early 2002. It shows the strong rise in p/es from March 2003 reaching a peak of 22.6 in June 2007 then followed by a steep decline with the average p/e closing Q3 2008 at 10.5. This compares with 17.7 for the FTSE Small Cap and 10.6 for the FTSE ALL Share. The fall in the IHT Planner average p/e was 26% in Q3 and 46% over 12 months, both significantly greater than the average fall in the value of portfolios over the period, demonstrating that the primary driver behind loss of value has been p/e contraction.

IHT Planner p/es since launch in January 2002



Source: Datastream as at 30 September 2008

Please note that paragraph 10.8 of the Terms & Conditions in the RSITP brochure has been changed as we now use the FTSE AIM All Share index as our benchmark for performance

* This is the average gain for those clients who have invested in the portfolio for at least two years, and remain invested. Please note that this is an average and not an illustration of any individual portfolio. Your attention is also drawn to the risk warnings overleaf.

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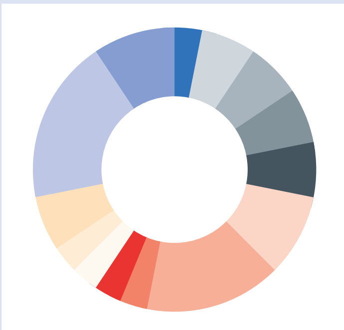
Underlying trading performance of our Key List

The third quarter provides a good update on the trading of companies, with 30 June and 31 December year-end companies releasing their annual and interim trading results respectively. During the period, 21 companies out of the 31 on our Key List reported results with 16 out of the 21 showing growth in normalised earnings per share (eps). The average uplift was 17% and it is this broad strength in the underlying trading of portfolio companies that has helped mitigate the earlier demonstrated severe contraction in p/es. We have to be mindful though that such eps figures are a lagging indicator, particularly when facing the prospect of recession. We thus pay close attention to dividend payments and the outlook comments in the statements which taken together, should be a reasonable barometer of the Directors' confidence in the business. Of the 21 companies, a very encouraging 17 declared an increase in dividend for the period concerned, with the average uplift being 14%. Looking at the outlook statements, 13 were positive in tone, 5 neutral and 3 negative. The latter stocks have been retired from our buying list but liquidity constraints have made it difficult to deal out of the aggregate holdings concerned.

Preparation for the economic downturn

With the UK now almost certain to have entered recession and a wider global economic slowdown led by the retrenchment of the US consumer, there will clearly be an impact on our smaller companies. In preparation for this, we have largely avoided companies with high levels of bank debt except where there is good forward visibility of revenues. Of the 21 companies reporting their results in Q3, over half had net cash reserves in their closing balance sheets and the average level of capital gearing was 32%. We believe that this broad strength in portfolio companies' balance sheets should provide good resilience in the event of a protracted downturn driven in large part by restricted credit. In addition, portfolios are structured to give wide sector diversification within the constraints of portfolio size and the availability of stocks qualifying for Business Property Relief. As the sector split of the present buying Key List below demonstrates, the largest exposure is in business-to-business support services, characterised by reasonable visibility of revenues and cash flows. The next largest concentration is in industrial engineering that will typically have export revenues benefiting from the significant weakening in sterling. There is no direct exposure to property construction and the limited retail exposure is confined to Majestic Wine and Stanley Gibbons, both of which have distinctive offerings and solid cash rich balance sheets. During the quarter, we added Tenon to the Key List. The company is a national firm of accounting practices providing services to small and medium size businesses, including corporate restructuring.

AIM Sector Split



3.12%	AEROSPACE & DEFENCE
6.25%	CONSTRUCTION & MATERIALS
6.25%	FINANCIAL GENERAL
6.25%	FOOD & BEVERAGES
6.25%	HEALTHCARE EQUIPMENT & SERVICES
9.37%	HOUSE, LEISURE & PERSONAL GOODS
15.62%	INDUSTRIAL ENGINEERING
3.13%	INDUSTRIAL GENERAL
3.13%	INSURANCE
3.13%	MEDIA
3.13%	MINING
6.25%	RETAILERS
18.75%	SUPPORT SERVICES
9.37%	TECH – SOFTWARE & SERVICES

Rensburg Sheppards IHT planner rated top again

In September, 'Tax Efficient Review', edited by Martin Churchill, published its latest independent review of the providers of Inheritance Tax Planner AIM portfolio services. The work covered the year from 1 July 2007 to 30 June 2008 and covered 15 such providers, down from 21 the prior year. In addition to the performance of client portfolios, the study also took into account factors such as charges, portfolio risk profile, underlying liquidity of stocks and the experience of the Fund Manager. It is pleasing to be able to note that Rensburg Sheppards came out on top of its peer group of IHT managers of portfolios with a minimum investment of £75,000. This built on a similar success in the previous year and more details are available from www.taxefficientreview.com.