Q4 2014

Portfolio Update Report

Your guide to investment performance from Lonsdale Financial Consulting Limited
Covering the period 1 October 2014 – 31 December 2014

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Investments may go down in value as well as up. The future performance of investments will depend on market fluctuations and historical performance is not indicative of future values. You may not recover from an equity linked investment the whole of the sum originally invested. Please note that the performance shown is based purely on investment performance and does not take into account any specific policy charges. Figures stated are calculated on single monthly periods, therefore small discrepancies may occur due to natural month re-weighing due to differing constituent fund growth during the quarter analysed. Figures should therefore be seen as a guide to performance only and should not be relied upon solely when making financial decisions. A unit statement from Skandia can be provided giving accurate valuations for your policies at any time. Please note that the figures shown may be rounded and consequently, small rounding discrepancies may occur.

Portfolio Summary & Recommendations

Lonsdale Very Low Risk/Very Cautious Portfolio

1

Growth In Last 3 Months: **1.78%↑** Growth In Last 6 Months: **2.48%↑** Growth In Last 12 Months: **5.61%↑**

RECOMMENDATION:
Rebalance portfolio to keep the portfolio asset allocation in line with the original recommended portfolio

Lonsdale Lower Risk/Cautious Portfolio

2

Growth In Last 3 Months: **2.35%↑** Growth In Last 6 Months: **3.49%↑** Growth In Last 12 Months: **6.92%↑**

RECOMMENDATION:
Rebalance portfolio to keep the portfolio asset allocation in line with the original recommended portfolio

Lonsdale Medium Risk/Moderate Portfolio

3

Growth In Last 3 Months: **3.12%↑** Growth In Last 6 Months: **4.44%↑** Growth In Last 12 Months: **7.49%↑**

RECOMMENDATION:
Rebalance portfolio to keep the portfolio asset allocation in line with the original recommended portfolio

Lonsdale Higher Risk/Aggressive Portfolio

4

Growth In Last 3 Months: **3.79%↑** Growth In Last 6 Months: **5.50%↑** Growth In Last 12 Months: **8.19%↑**

RECOMMENDATION:
Rebalance portfolio to keep the portfolio asset allocation in line with the original recommended portfolio

Lonsdale Very High Risk/Speculative Portfolio

5

Growth In Last 3 Months: **3.93%↑** Growth In Last 6 Months: **5.67%↑** Growth In Last 12 Months: **8.60%↑**

RECOMMENDATION:
Rebalance portfolio to keep the portfolio asset allocation in line with the original recommended portfolio
Fund Switch from **Lazard Emerging Markets Fund** to Old Mutual Global Emerging Markets **Fund**. The Lazard fund has failed our investment selection criteria and the new fund has been selected as the best suitable match, showing consistent performance, objectives and ratings.

Lonsdale Very Low Risk/Very Cautious Portfolio

1

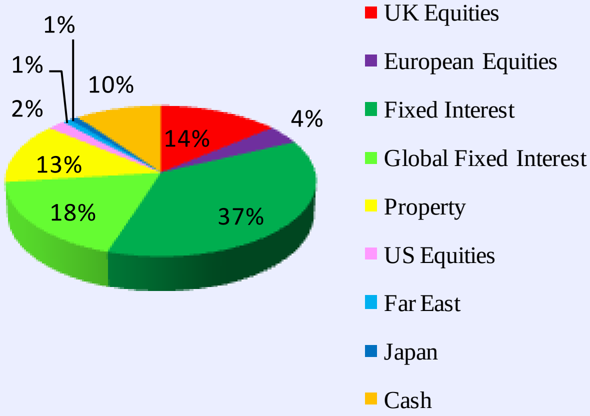
Fund Aim

The Lonsdale Very Low Risk/Very Cautious Portfolio aims to achieve capital growth over the medium to long term through a highly diverse selection of holdings providing growth in excess of its benchmark over this period.

You require high security and are willing to accept significantly limited upside potential. Preferred asset classes are cash deposits and bonds, most of which have low historic levels of price volatility and are anticipated to have limited exposure to capital loss. Risk aspects include general stock market risk, currency risk and an additional risk of insolvency of the provider where return of capital may be limited to compensation scheme limits. Your time horizon for investment is more than 5 years; however you should note that portfolios with this level of risk aversion are unlikely to keep pace with living costs over the long term.

Benchmark: Defensive Managed Sector Average

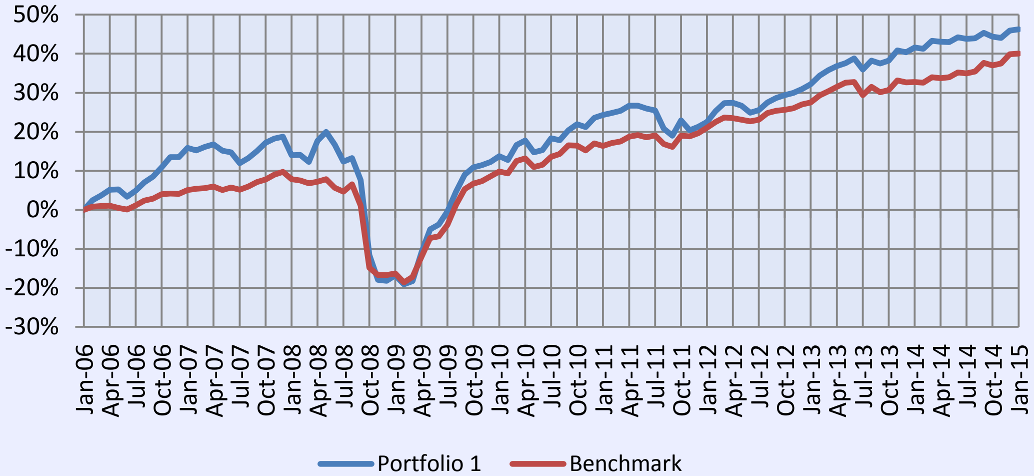
Asset Allocation



Portfolio Constituents

Portfolio Constituents	% holding	3 months	12 months
AXA Framlington UK Select Opportunities	14.00%	1.95% ↑	0.33% ↑
Fidelity American Special Situations	2.00%	12.25% ↑	27.68% ↑
Henderson European Select Opportunities	4.00%	1.18% ↑	3.88% ↑
Old Mutual Schroder Tokyo	1.00%	1.85% ↑	5.33% ↑
Newton Asian Income Fund	1.00%	3.47% ↑	11.17% ↑
Old Mutual Threadneedle High Yield Bond	18.00%	0.81% ↑	5.83% ↑
Invesco Perpetual Monthly Income Plus	19.00%	0.97% ↑	5.42% ↑
Baring Global Bond	18.00%	3.54% ↑	7.50% ↑
Ignis UK Property Feeder	13.00%	1.71% ↑	11.77% ↑
Blackrock Cash	10.00%	0.10% ↑	0.10% ↑
Portfolio Performance	**100%**	**1.78%** ↑	**5.61%** ↑
Benchmark		*3.11%* ↑	*7.58%* ↑
Relative Performance		***-1.33%*** ↓	***-1.97%*** ↓

Performance to 31 December 2014



Lonsdale Lower Risk/Cautious Portfolio

2

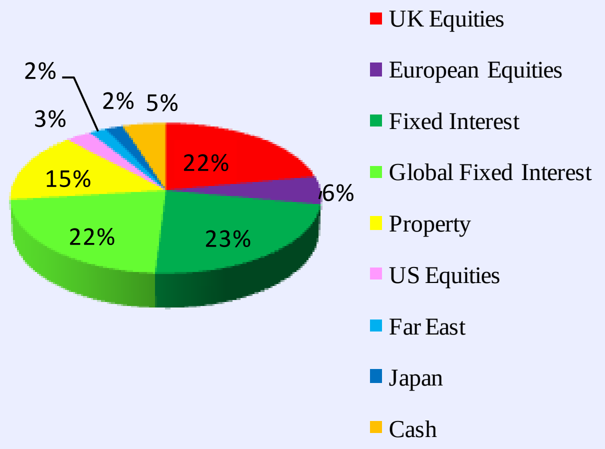
Fund Aim

The Lonsdale Lower Risk/Cautious Portfolio aims to achieve capital growth over the medium to long term through a highly diverse selection of holdings providing growth in excess of its benchmark over this period.

You require relatively high security and are willing to accept limited upside potential. Your time horizon for investment is more than 5 years; therefore significant investments are cash deposits, property-backed investments and fixed interest holdings. The remainder of the portfolio will usually comprise equity-backed investments, mostly UK-based. The composition of the portfolio will be anticipated to have limited exposure to capital loss. Risk aspects include general stockmarket risk, currency risk and an additional risk of insolvency of the provider where return of capital may be limited to compensation scheme limits.

Benchmark: Cautious Managed Sector Average

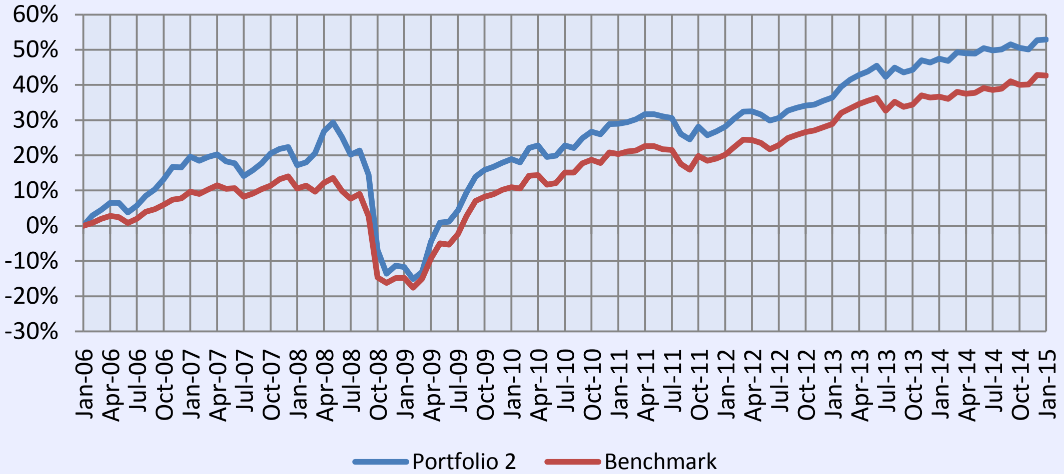
Asset Allocation



Portfolio Constituents

Portfolio Constituents	% holding	3 months	12 months
AXA Framlington UK Select Opportunities	11.00%	1.95% ↑	0.33% ↑
Invesco Perpetual High Income	11.00%	3.01% ↑	10.24% ↑
Fidelity American Special Situations	3.00%	12.25% ↑	27.68% ↑
Henderson European Select Opportunities	6.00%	1.18% ↑	3.88% ↑
Old Mutual Schroder Tokyo	2.00%	1.85% ↑	5.33% ↑
Newton Asian Income Fund	2.00%	3.47% ↑	11.17% ↑
Invesco Perpetual Monthly Income Plus	23.00%	0.97% ↑	5.42% ↑
Baring Global Bond	22.00%	3.54% ↑	7.50% ↑
Ignis UK Property Feeder	15.00%	1.71% ↑	11.77% ↑
Blackrock Cash	5.00%	0.10% ↑	0.10% ↑
Portfolio Performance	**100%**	**2.35%** ↑	**6.92%** ↑
Benchmark		*2.64%* ↑	*5.96%* ↑
Relative Performance		***-0.29%*** ↓	***0.96%*** ↑

Performance to 31 December 2014



Lonsdale Medium Risk/Moderate Portfolio

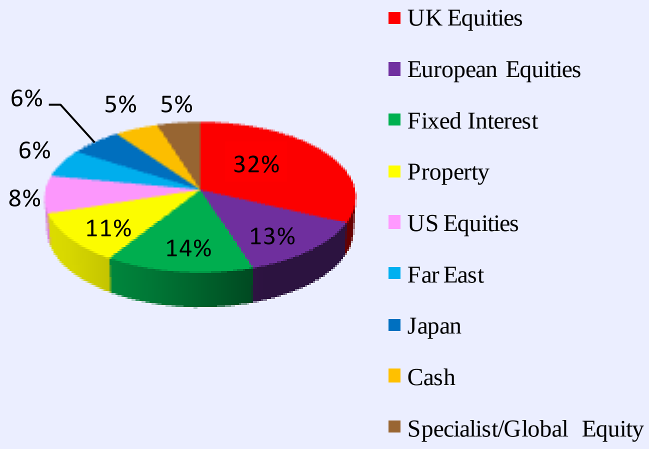
Fund Aim

The Lonsdale Medium Risk/Moderate Portfolio aims to achieve capital growth over the medium to long term through a highly diverse selection of holdings providing growth in excess of its benchmark over this period.

You require some short term security and are willing to balance this with the upside potential of the portfoilio. Your time horizon for investment is more than 5 years; therefore the majority asset class exposure will typically be to equities, which will normally account for over half of the portfolio. There will typically also be a minority exposure to alternative assets via specialist funds, including cash deposits, property-backed investments and fixed interest holdings. Risk aspects include general stockmarket risk, currency risk and an additional risk of insolvency of the provider where return of capital may be limited to compensation scheme limits.

Benchmark: Balanced Managed Sector Average

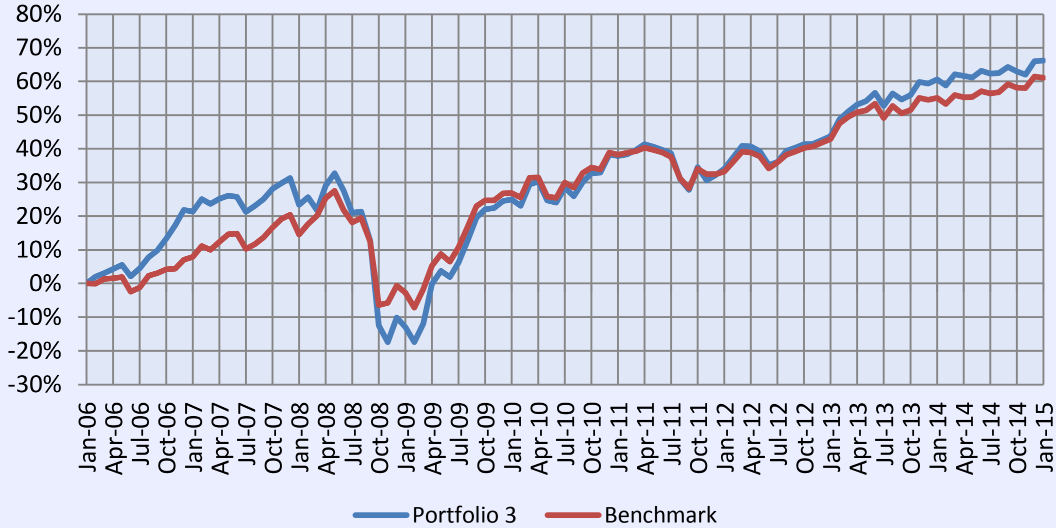
Asset Allocation



Portfolio Constituents

	% holding	3 months	12 months
AXA Framlington UK Select Opportunities	16.00%	1.95% ↑	0.33% ↑
Invesco Perpetual High Income	16.00%	3.01% ↑	10.24% ↑
Fidelity American Special Situations	8.00%	12.25% ↑	27.68% ↑
Henderson European Select Opportunities	13.00%	1.18% ↑	3.88% ↑
Old Mutual Schroder Tokyo	6.00%	1.85% ↑	5.33% ↑
Newton Asian Income	6.00%	3.47% ↑	11.17% ↑
Invesco Perpetual Monthly Income Plus	14.00%	0.97% ↑	5.42% ↑
Ignis UK Property Feeder	11.00%	1.71% ↑	11.77% ↑
Blackrock Cash	5.00%	0.10% ↑	0.10% ↑
Invesco Perpetual Global Opportunities	5.00%	6.72% ↑	3.63% ↑
Portfolio Performance	**100%**	**3.12%** ↑	**7.49%** ↑
Benchmark		*2.81%* ↑	*5.66%* ↑
Relative Performance		***0.31%*** ↑	***1.83%*** ↑

Performance to 31 December 2014



Lonsdale Higher Risk/Aggressive Portfolio

4

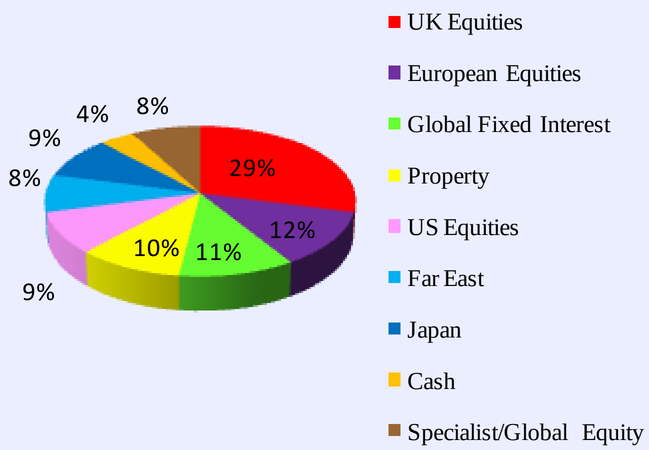
Fund Aim

The Lonsdale Higher Risk/Aggressive Portfolio aims to achieve capital growth over the medium to long term through a highly diverse selection of holdings providing growth in excess of its benchmark over this period.

You require relatively low short term security and significant upside potential. Your time horizon for investment is more than 5 years; therefore the majority asset class exposure will be in equities, which may also include an allocation to riskier areas such as private equity, emerging markets, young companies and/or high growth industries. Allocation may include alternative assets, and a potentially higher risk mix of such assets, with correspondingly reduced liquidity. Cash, property and fixed interest funds may be included as minority asset classes to reduce volatility. Risk aspects include general stockmarket risk, currency risk and an additional risk of insolvency of the provider where return of capital may be limited to compensation scheme limits.

Benchmark: Stockmarket Managed Sector Average

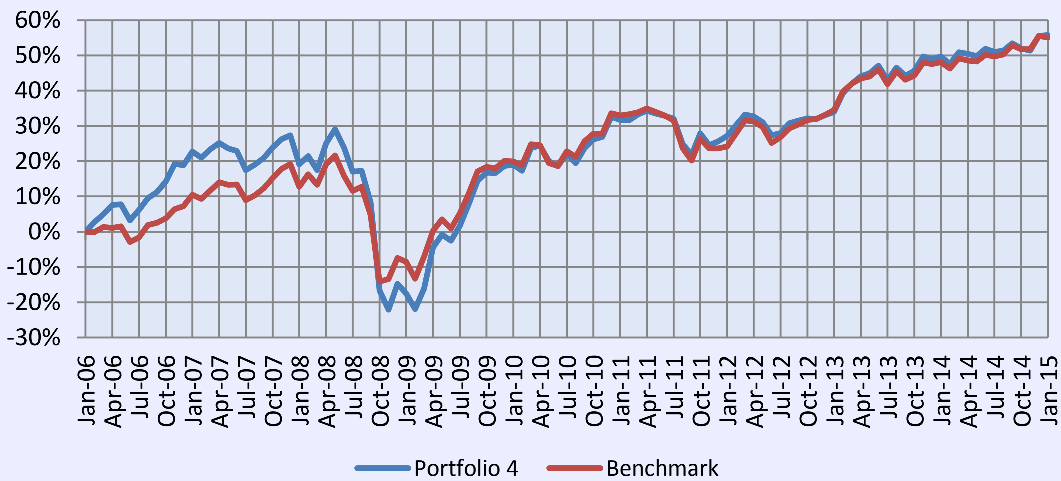
Asset Allocation



Portfolio Constituents

Portfolio Constituents	% holding	3 months	12 months
AXA Framlington UK Select Opportunities	14.00%	1.95%	0.33%
Invesco Perpetual High Income	15.00%	3.01%	10.24%
Fidelity American Special Situations	9.00%	12.25%	27.68%
Henderson European Select Opportunities	12.00%	1.18%	3.88%
Old Mutual Schroder Tokyo	9.00%	1.85%	5.33%
Newton Asian Income	8.00%	3.47%	11.17%
Baring Global Bond	11.00%	3.54%	7.50%
Ignis UK Property Feeder	10.00%	1.71%	11.77%
Blackrock Cash	4.00%	0.10%	0.10%
Invesco Perpetual Global Opportunities	8.00%	6.72%	3.63%
Portfolio Performance	**100%**	**3.79%**	**8.19%**
Benchmark		3.40%	*6.71%*
Relative Performance		***0.39%***	***1.48%***

Performance to 31 December 2014



Lonsdale Very High Risk/Speculative Portfolio

5

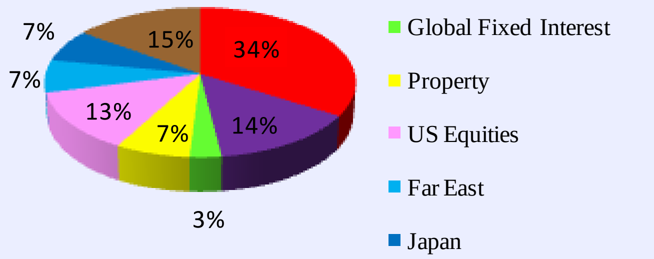
Fund Aim

The Lonsdale Very High Risk/Speculative Portfolio aims to achieve capital growth over the medium to long term through a highly diverse selection of holdings providing growth in excess of its benchmark over this period.

You require very limited short term security and high upside potential. Your time horizon for investment is more than 5 years; therefore the majority asset class exposure will be in UK and global equities. The remainder will usually comprise of fixed interest and property funds. You have a clear preference for a higher risk portfolio, and the allocation to equities may include allocation to riskier areas such as private equity, emerging markets, young companies and/or high growth industries. Alternative assets might be included, but overall portfolio diversification would be limited. Risk aspects include general stockmarket risk, currency risk and an additional risk of insolvency of the provider where return of capital may be limited to compensation scheme limits.

Benchmark: Stockmarket Managed Sector Average

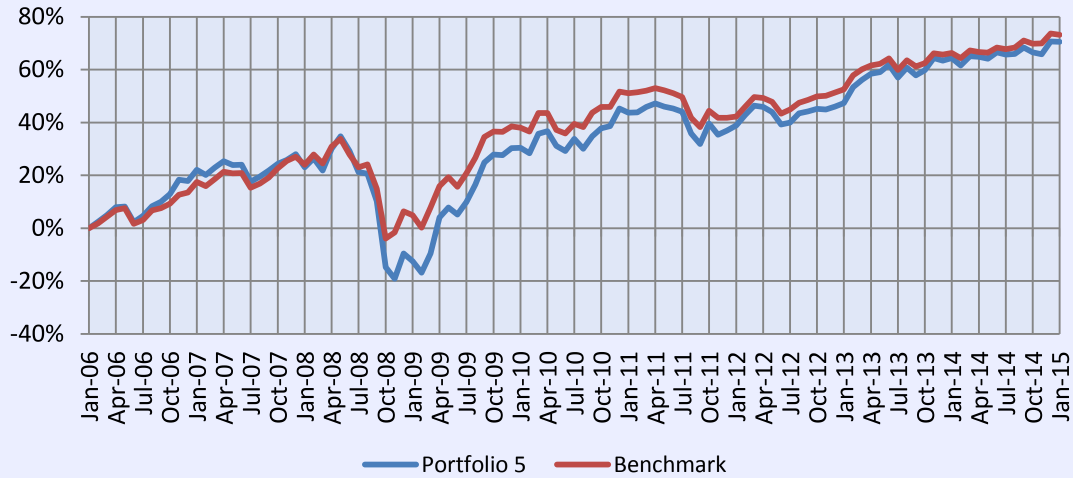
Asset Allocation



Portfolio Constituents

Portfolio Constituents	% holding	3 month	12 months
AXA Framlington UK Select Opportunities	17.00%	1.95% ↑	0.33% ↑
Invesco Perpetual High Income	17.00%	3.01% ↑	10.24% ↑
Fidelity American Special Situations	13.00%	12.25% ↑	27.68% ↑
Henderson European Select Opportunities	14.00%	1.18% ↑	3.88% ↑
Old Mutual Schroder Tokyo	7.00%	1.85% ↑	5.33% ↑
Newton Asian Income	7.00%	3.47% ↑	11.17% ↑
Baring Global Bond	3.00%	3.54% ↑	7.50% ↑
Ignis UK Property Feeder	7.00%	1.71% ↑	11.77% ↑
Invesco Perpetual Global Opportunities	10.00%	6.72% ↑	3.63% ↑
Lazard Emerging Markets	5.00%	-2.84% ↓	1.41% ↑
Portfolio Performance	**100%**	**3.93%** ↑	**8.60%** ↑
Benchmark		*3.40%* ↑	*6.71%* ↑
Relative Performance		***0.53%*** ↑	***1.89%*** ↑

Performance to 31 December 2014



Investment Commentary

So for New Year I've come to Polzeath in Cornwall for some end of year surfing and of course a party to say goodbye to 2014 and hello to 2015. Whilst I'm here in my Airstream I'm penning this quarter's commentary desperately trying to find some inspiration and enthusiasm to write something positive about the outlook for the global economy.

Like the quality of the surf so far this last week, global markets have recently been very choppy. There have been no defined parallel and ordered sets on which to carve confidently on the crest of the wave, just a jumbled mass of white water bubbling and boiling into the shore catching out the unsuspecting investor if they are not careful.

Due to a nasty rip current, Britain's top equity index, the FTSE 100, ended the year lower than it began as commodity stocks surrendered early gains and fell sharply during December after a retreat in oil and metals prices. For the first time since 2011, the FTSE 100 ended the year lower at 6566, 200 points off of its January 2014 starting index.

Considering the FTSE flirted with the 6900 level on several occasions over the year, predictions of a year end 7000 level certainly did not look too outrageous.

This year saw the end of US quantitative easing, something that many had worried over but markets took in their stride. The legalities of Russia's annexation of Crimea will be debated for years to come, a timeline similar to the sanctions the West has imposed on Russia.

The economic picture materialising out of China has seen a continuing cooling of its economy, not down to levels of Western nations but sufficiently low to see commodity stocks do some serious rescaling of their future expectations.

The oil price in the last six months has also collapsed by 50 per cent, as Saudi and OPEC nations play hardball over market share. Early expectations of a showdown between the US and UK in raising rates in 2014 has ended with an unspectacular flat sea and absolutely no moves.

As we look into 2015, the water is muddied by Greek elections that threaten to reignite the Eurozone crisis, while there's no end in sight to the rout in oil prices. The FTSE lagged its peers for most of 2014 and with conditions as they are it will struggle to catch even a two footer in the year ahead.

So is there any good cheer for the New Year? Well, of course there is, like the sea, the global economy ebbs and flows as the wind and tides change and whilst some shores have poor conditions, others have perfect 12 foot rollers on which to ride.

Inflation remains very low due to energy prices and this helps the consumer in the developed World, therefore the UK and US economies are likely to continue to grow, something very evident in property values that have been increasing steadily all year with only December showing a slight slowdown.

With oil prices lower, developing and emerging economies now have a real opportunity to prosper and can take advantage of the sluggish behemoths as they slowly sink under the weight of debt and falling demand, a note of caution here though, this position could be short lived and for some will end in a total wipeout.

The largest economy of all though, will still lead the way as US economic growth is predicted to be a full percentage more than in 2014. The continued recovery in the US means the country's central bank, the Federal Reserve, will probably raise its main interest rate, which has been close to zero for six years.

Stronger economic growth and increasing spending can lead to higher inflation, which can be contained by higher interest rates which would make American markets more attractive to investors, so funds could be pulled out of other countries.

The danger here is, that it might happen in a disruptive way that leads to sharp currency declines, higher inflation and rising borrowing costs for governments and business in developing countries, however the Federal Reserve has said that many emerging economies appear better equipped to handle the Fed's move than they were in past.

So, there is some cheer out there and we should look forward to a positive 2015. It might not be the set that sees us all surfing through the perfect barrel, there will surely be some sackings that lead to a washing machine ride or two, but it's likely to be a reasonable year of growth and progress.