

2012: The Year It Didn't Happen!

Judging by the headlines in the financial press, investors spent much of the past year anxiously awaiting one calamity after another that failed to occur. The plunge off the so-called fiscal cliff was averted. The Euro Zone did not fall apart. China's economy and stock market did not crash. The bond market did not implode. The re-election of President Barack Obama did not derail the US market. The "flash glitch" in early August did not lead to further trading disruptions. Doomsday did not arrive on December 21, as some interpreters of the Mayan calendar suggested it would.

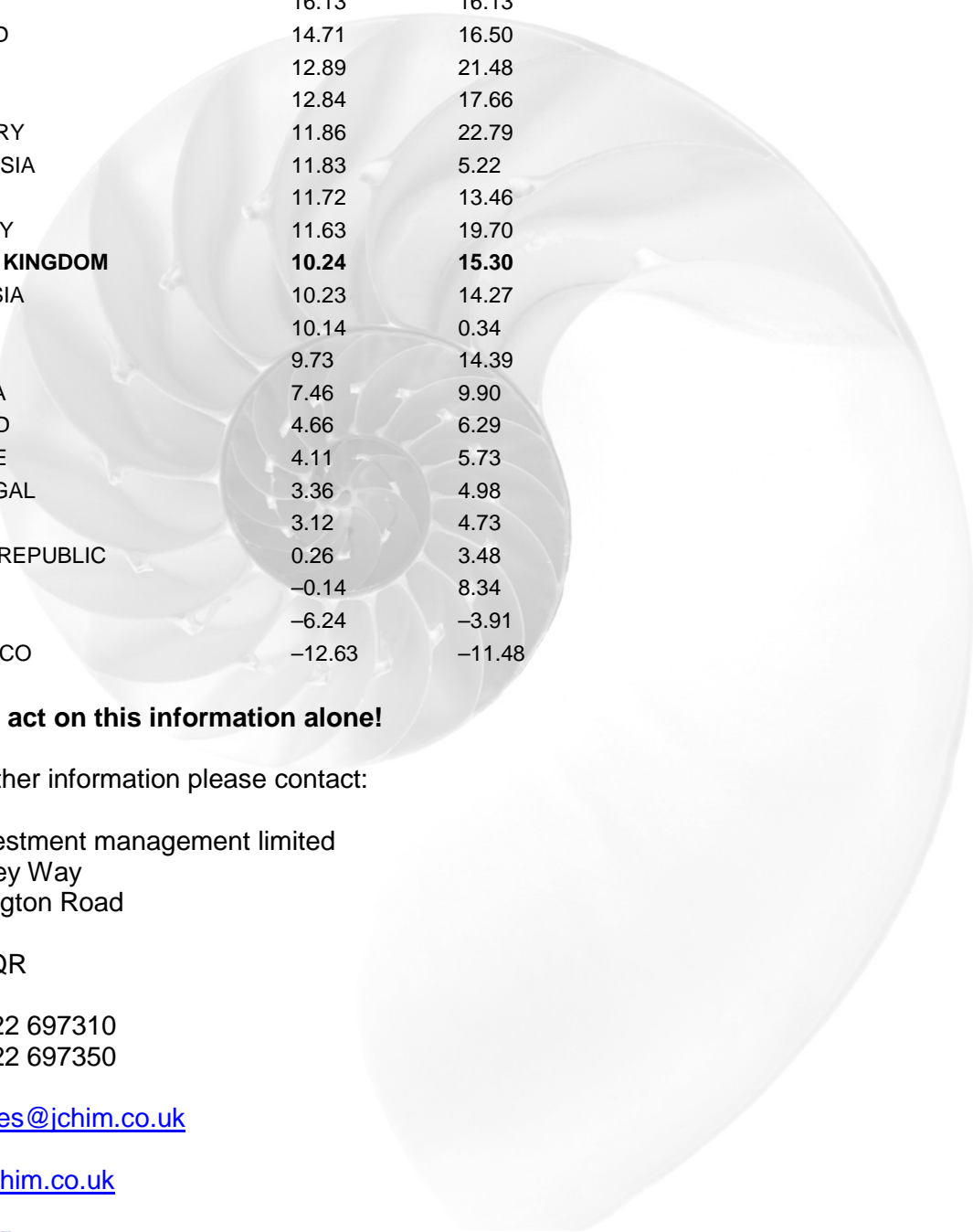
Instead, the belief that owning a share of the world's businesses is a sensible idea appears to be alive and well, despite suggestions from some observers that the "cult of equity" is dead. For the year, total return was 16.42% for the MSCI World Index in local currency, and 16.13% for the S&P 500 Index. Among forty-five global stock markets tracked by MSCI, only three posted negative results in local currency (Chile, Israel, and Morocco), and twelve markets had total returns in excess of 25%, with Turkey leading the pack at 55.8%. Although much of the financial news over the past year highlighted Europe's fragile financial health, most of the region's equity markets outperformed the US, including Austria, Belgium, Denmark, France, Germany, the Netherlands, Sweden, and Switzerland. For US dollar-based investors, results were further enhanced by a modest decline in the US dollar relative to the Euro, the Danish krone, and the Swiss franc.

As is so often the case, earning the rewards offered by the world's capital markets may have required a combination of discipline and detachment that eluded many investors.

2012 Index and Country Performance

Total return (gross dividends) for 12-month period ending December 31, 2012.

| | MSCI Index | Local Currency | USD |
|-----------------------------|------------|----------------|--------|
| WORLD | | 16.42% | 16.54% |
| WORLD ex USA | | 16.73 | 17.02 |
| EAFE | | 17.89 | 17.90 |
| EMERGING MARKETS | | 17.39 | 18.63 |
| EMERGING + FRONTIER MARKETS | | 17.15 | 18.35 |
| TURKEY | | 55.80 | 64.87 |
| EGYPT | | 54.66 | 47.10 |
| BELGIUM | | 38.56 | 40.72 |
| PHILIPPINES | | 38.16 | 47.56 |
| THAILAND | | 30.84 | 34.94 |
| DENMARK | | 30.37 | 31.89 |
| GERMANY | | 30.07 | 32.10 |
| INDIA | | 29.96 | 25.97 |
| HONG KONG | | 28.01 | 28.27 |
| POLAND | | 27.05 | 40.97 |
| AUSTRIA | | 25.07 | 27.02 |
| SOUTH AFRICA | | 25.07 | 19.01 |
| COLOMBIA | | 23.87 | 35.89 |
| SINGAPORE | | 23.54 | 30.99 |
| NEW ZEALAND | | 23.28 | 30.38 |
| CHINA | | 22.85 | 23.10 |



| | | |
|-----------------------|--------------|--------------|
| JAPAN | 21.78 | 8.36 |
| FRANCE | 20.93 | 22.82 |
| AUSTRALIA | 20.77 | 22.30 |
| MEXICO | 20.09 | 29.06 |
| PERU | 19.73 | 20.24 |
| THE NETHERLANDS | 19.35 | 21.21 |
| SWITZERLAND | 18.91 | 21.47 |
| SWEDEN | 17.11 | 23.41 |
| USA | 16.13 | 16.13 |
| FINLAND | 14.71 | 16.50 |
| KOREA | 12.89 | 21.48 |
| TAIWAN | 12.84 | 17.66 |
| HUNGARY | 11.86 | 22.79 |
| INDONESIA | 11.83 | 5.22 |
| ITALY | 11.72 | 13.46 |
| NORWAY | 11.63 | 19.70 |
| UNITED KINGDOM | 10.24 | 15.30 |
| MALAYSIA | 10.23 | 14.27 |
| BRAZIL | 10.14 | 0.34 |
| RUSSIA | 9.73 | 14.39 |
| CANADA | 7.46 | 9.90 |
| IRELAND | 4.66 | 6.29 |
| GREECE | 4.11 | 5.73 |
| PORTUGAL | 3.36 | 4.98 |
| SPAIN | 3.12 | 4.73 |
| CZECH REPUBLIC | 0.26 | 3.48 |
| CHILE | -0.14 | 8.34 |
| ISRAEL | -6.24 | -3.91 |
| MOROCCO | -12.63 | -11.48 |

Do not act on this information alone!

For further information please contact:

jch investment management limited
 1 Henley Way
 Doddington Road
 Lincoln
 LN6 3QR

t. 01522 697310

f. 01522 697350

enquiries@jchim.co.uk

www.jchim.co.uk

jchinvestmentmanagement

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