FEB February 2008

the View

A **Thesis Asset Management** view of the market

TheView

Clearly different. Uniquely rewarding.

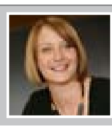
thesis

FEB February 2008

the View

A **Thesis Asset Management** view of the market

Introduction



Naomi Morgan-Tolworthy

Welcome to the first edition of The View.

Each month we will take you through what's happening in the market place and let you know our view on what you can expect in the coming month. We also take a more in depth look at some of the principal asset classes and review the performance of our own funds within our Optima Investment Portfolio service.

This month in 'Our View' Michael Lally takes a look at the highly topical situation with the world central banks and what we can expect in the markets over the next month or so.

In the 'News' section Giles Marriage examines January's market performance particularly within the property, retailers and oil sectors.

And finally, turn to page 14 for Steven Richards' summary of the performance of our range of Optima funds.

We hope you like the publication and that its ongoing production and information will prove valuable to you. If you have any comments or suggestions for future editions please email info@thesis-plc.com.

Contents

Naomi Morgan-Tolworthy **Tel: 01293 575155 Email: Naomi.Morgan-Tolworthy@thesis-plc.com**

OurView

Michael Lally

There's an old stockmarket adage that says when America sneezes Britain catches a cold. The last month in particular has, on this basis, been the equivalent of a severe viral infection. As we all know, no amount of expensive pills and potions will accelerate the cure of a virus, although they may temporarily serve to alleviate the symptoms. And so it is with the world's central banks, generally monetarists to a man, who are trying to tackle a severe credit squeeze with a combination of interest rate cuts and injections (sic) of cash. This seems like the right thing to do but, so far, has failed to convince the sceptics and fully restore market confidence.

Desperate times call for desperate measures. Nearly a decade ago, when the technology boom was bursting, the Fed cut rates from 6.5% to 1%. Therefore, despite having already reduced rates from 5.25% last Autumn to 3% in January, we still expect further cuts, to at least 2.5%, in the coming months. The Bank of England has been far more reticent, but we believe economic pressures will eventually force them to cut rates more aggressively as the year progresses, probably to as low as 4.5% by the end of the year.

Markets are not always rational, driven traditionally by fear and greed, and in the current climate we can expect the influence of hedge funds and use of derivative instruments to continue to fuel the fire of volatility. Although 2008 will undoubtedly witness a slowdown in economic activity, the question now is whether current stockmarket valuations now discount this. Based upon both recent and longer term historic valuation criteria, equity markets are undoubtedly good value at current levels. Analysts are forecasting global earnings growth of around 13% this year, whereas markets themselves are discounting no growth. Somewhere in the middle is reality.

In our domestic market, having shunned highly geared, cyclical and financials stocks since last summer, investors are now looking to these areas as the catalyst for a more broadly based recovery. In the banking sector, for example, we have discounted a drop in profits averaging around one third this year, but this still leaves most stocks on modest valuations and with high dividend yields (currently over 6%), which we do not expect to be cut. Big is beautiful this year, and 'blue chip' companies, particularly those with strong overseas earnings (notably in Emerging and Pacific economies) should be more resilient and predictable.

In the US, apart from the appalling data on the housing market and mega-billion losses reported by the investment banks, latest data is still showing the rest of the economy to be fairly resilient, albeit clearly slowing down. It is far more sensitive to small shifts in consumer sentiment, hence the more aggressive stance taken by the Fed and central government. Having been bearish last year, and maintained a significantly underweight exposure in portfolios, we are now looking for an appropriate opportunity to increase exposure, possibly later this year, subject to the level of the dollar and overall market valuation relative to their Western counterparts.

On the back of last year's outperformance (and a less than accommodating stance by the European Central Bank on interest rates) we are reducing our overweight position in European equity markets. One area where inflation has not been a problem is Japan, as reflected in their very low interest rates and bond yields. The economic recovery is painfully slow, but forecast GDP growth of 1½%–2% this year is now looking respectable in relation to their Western counterparts. Asian and Emerging markets should outperform again, although as with the Chinese economy, growth will be slower than last year – albeit still two to three times that of the developed markets.

Michael Lally Tel: 01243 753409 Email: michael.lally@thesis-plc.com

NewsFebruary2008

Giles Marriage

Markets

Indices	Value as at 31/01/08	% change on month	% change 2008 year to date	% change on 12 months
FTSE 100 Share	5879.78	-8.94%	-8.94%	-5.21%
FTSE All Share	3000.10	-8.72%	-8.72%	-6.59%
Dow Jones	12650.36	-4.63%	-4.63%	0.23%
DJ Euro Stoxx 50 €	3792.80	-13.79%	-13.79%	-9.23%
Nikkei 225	13592.47	-11.21%	-11.21%	-21.81%
FTSE A British Government All Stocks	150.25	0.31%	0.31%	1.77%

A bad January does not necessarily mean a bad year, despite the old tale to the contrary, but it is nonetheless a disappointing start to 2008. The ongoing credit crunch has caused a significant increase in market volatility, which is most dramatically highlighted in the divergence of sector performances.

On a more positive note, the current level of 10 year bond yields is a key indicator that equities now look cheap (the yield gap/risk premium is the widest since 1980), and the level of director share buying in the last quarter of 2007 was eight times higher than those selling shares.

Banks

The banking sector has been the most talked about tale in town, with real differences of opinion emerging from the City. The big concern is the potential for writedowns of assets and bad debts, impacting the ability of banks to pay their dividends and still remain adequately capitalised.

The last ten years have been an excellent time for banks, with cheap credit fuelling growth in product demand and profits. But the party now appears to be over, given the lower demands for credit and the outlook for the housing market over the next few years. Although the Bank of England may still come to the rescue by lowering interest rates, lending growth is likely to remain, at best, sluggish.

Interestingly, even if **Royal Bank of Scotland** and **Barclays** have to cut their dividends by a third, they would yield 5.2% and 4.4% respectively, which is hardly bad and certainly in-line with long term averages. **Lloyds TSB**, which has been less impacted from the credit crunch, now yields 7.7%, whilst its best e-savings deposit account rate currently offers 5.6%! However, until we know for sure what time bombs are lurking on their balance sheets the sector is likely to remain volatile.

Housebuilders and Property

With some economists forecasting house price falls of 5% in 2008, 8% in 2009 and suggesting overvaluations in the region of 25%, the housebuilders have unsurprisingly bounced around during January. **Taylor Wimpey** and **Bovis Homes Group** both said their order books had dropped by 19%, while forward housing sales at **Persimmon** dropped 13%. Completions also fell across the board.

Elsewhere, the credit squeeze and fears of a downturn have hit the UK real estate market hard, pushing up yields for prime office and retail space and undermining valuations across the sector. Some observers reckon yields could harden by another 25 basis points in the final quarter of 2007-08. A recent property survey from the Royal Institution of Chartered Surveyors also painted a gloomy picture of the state of the UK's commercial real estate market, with tenant demand falling to 2003 levels.

British Land and others are currently witnessing markdowns to their Net Asset Values (NAVs), but the market is split about how long this trend will continue and share prices potentially look like they've over reacted on the downside.

Giles Marriage Tel: 01590 613583 Email: giles.marriage@thesis-plc.com

News February 2008

Giles Marriage

Retailers

Tesco, Britain's biggest retailer, reported UK sales growth for the Christmas period which was below market forecasts, reflecting intensifying competition in the grocery sector and the declining consumer environment. Shares in the supermarket chain were lower after the news, but rivals **Sainsbury** and **Morrison's** rose as analysts suggested they had gained at Tesco's expense.

Marks & Spencer also reported a worse than expected Christmas trading performance and said it expects conditions to remain tough throughout 2008, sending its shares crashing 17% on the day of the announcement and causing a bloodbath across the rest of the sector.

The retail sector is now at 40% valuation discount versus the defensive tobacco and utility sectors, which would appear to be an attractive sign, particularly if interest rate cuts help shore up consumer confidence.

Oils and Resources

In terms of positive news, full year earnings for **Royal Dutch Shell** were $27.6 billion compared to $25.4 billion in 2006. This was a UK 'profit' record and caused some commentators to suggest a windfall tax is inevitable. The strong oil price continues to drive corporate profitability and despite a recent fall in price, is still likely to remain well above its long term average, even if the global economy does slow.

Shares in **Rio Tinto** have surged again recently after Shining Prospect, a Singapore-based vehicle owned by China's **Chinalco** (in which **Alcoa** has committed $1.2bn by way of a convertible instrument), acquired a 12% stake. Chinalco and Alcoa say that they do not currently intend to make an offer for Rio Tinto but reserve the right to do so within the next six months.

The Chinese are also rumoured to have approached Glencore with regards its significant shareholding in **Xstrata**, where takeover talk also continues. With an ever increasing need for raw materials it appears that the Chinese are very keen to have more control over their suppliers!

Other News

Vodafone has made a push to generate more revenue from its mobile Internet services by slashing prices in the UK, one of its core European markets. Vodafone's UK business is cutting the monthly tariff for wireless data cards to £15 from £30, which puts it on par with mobile operator '3', the price leader. The move came as Vodafone indicated it should generate £2bn of revenue from mobile data services in 2007-08, which would be an increase of about 40% on the year. The groups emerging markets operations are also said to be doing well.

The valuation premium of the **FTSE Mid 250** over the **FTSE 100** appears to have finally reversed following the recent falls in the market. The larger Blue Chips are definitely being seen as better and more diversified places to be during any economic slowdown, whilst the level of takeovers in the lower ranks looks to have calmed down for the time being. Like the Mid 250, the **FTSE Small Cap** index has also been sold off more aggressively than the large caps.

In February, we await the banks reporting season with interest...

Giles Marriage **Tel: 01590 613583 Email: giles.marriage@thesis-plc.com**

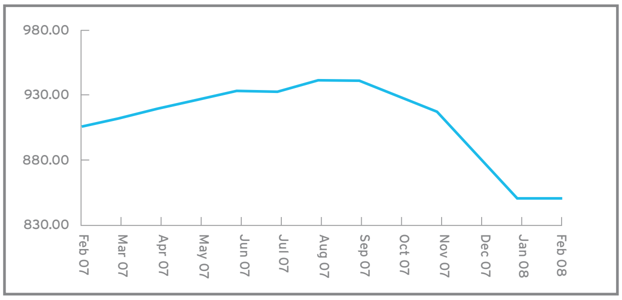
Market Outlook
Commercial Properties

Giles Hedley-Dent

Negative sentiment continues to be the dominant force in UK commercial property, with valuations having fallen as the market slows from the excellent returns seen over the last five years. Although initially this was partly due to rising interest rates, the continued weakness is now largely a reflection of investors' fears that the market has become overinflated and is set for a cyclical downturn. Whilst there are still a limited number of areas that are still expected to outperform over the next year or so, we have recently taken the view that it should be possible to achieve better returns for our clients by re-investing capital currently allocated to UK commercial property elsewhere. Consequently, all of our investment models have moved to a zero weighting in this asset class. It is currently anticipated that we will stay out of UK commercial property for at least a year but will continue to closely monitor the situation.

On an international basis, we remain more optimistic about commercial property as an asset class and have maintained our exposure to this area. We feel that several overseas markets offer an arbitrage between property yields and interest rates that can no longer be exploited in the UK. In addition, the prospect of strong rental growth in recovering Continental Europe and economic growth in Asian markets that should lead to greater demand for property assets. In essence, we believe that the economic backdrop for commercial property markets globally remains reasonably encouraging, with Japan, Germany, Hong Kong and Singapore seen as countries that exhibit strong or improving growth.

IPD Index



Assumptions: Positive

- Offers a secure and stable income stream
- Defensive attributes
- Low correlation with returns from equities and bonds

What can go wrong?

- Could be volatile in adverse conditions
- Valuations are a matter of opinion
- Interest rates rise by more than anticipated
- Inflation affects income in real terms

	Current	2001	2002	2003	2004	2005	2006	2007
IPD	852.6e	410.94	439.96	485.94	540.55	642.68	763.67	852.6e

Giles Hedley-Dent **Tel: 01293 575152. Email: giles.hedley@thesis-plc.com**

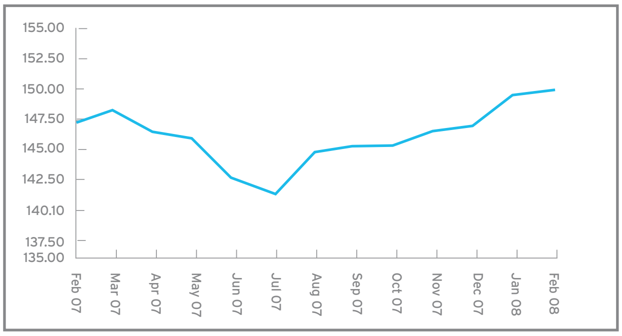
Market Outlook
UK Fixed Interest

Michael Lally

The general flight to safety has clearly benefitted sovereign debt (ie. Gilts in the UK), but at the expense of corporate bonds. Lack of interest combined with credit concerns is impacting heavily on the corporate sector, particularly lower rated issues and financials, regardless of quality. For this reason, and despite the indiscriminate sell-off in the corporate sector, we remain cautious short term. Yields generally, and in particular on higher risk bonds, were already trading at historically and unsustainably low levels and it is therefore likely that the painful process of revaluation will drag on for some time. Institutional investors have been selectively buying a decreasing number of new issues, but low demand in the secondary markets is making dealing conditions frustratingly uneconomic. High interest rates combined with banks' tighter lending criteria mean that for companies raising money, in either bond or money markets, both lenders and investors will demand a much higher risk premium. For this reason we have no plans currently to invest directly in higher risk bonds.

One of the consequences of the current credit squeeze is that the Bank of England's Monetary Policy Committee has been forced to make a sharp U-turn in policy whereby, despite stubbornly high inflation figures, it will probably be pressured into making a series of interest rate cuts over the next 12-18 months. Economists are forecasting the prospect of a period of stagflation, an unusual combination of very low economic growth with relatively high inflation, hence the strong growth in index-linked gilts where returns are linked to the Retail Prices Index. Interest rates could end this year well below 5% but, unlike previous cycles, this is unlikely to benefit bonds generally, being largely discounted in the gilt market whilst corporate bonds will be more influenced by default rates, ratings downgrades and balance sheet security.

FTSE Gilts All - Stocks Index



Assumptions: Positive

- Inflation eases down to 2% (CPI) by the year end
- Consumer debt moderates

What can go wrong?

- Input costs do not abate pushing inflation higher
- Run on lower grade debt markets
- Default rates accelerate above forecast
- Credit squeeze forces yields higher

	Current	2002	2003	2004	2005	2006	2007	2008e
FTSE Gilts Allstocks	150.25	157.16	151.62	152.88	156.58	149.85	149.78	157.00

12 Month Volatility 3.7%

	Current	2002	2003	2004	2005	2006	2007	2008e
Short Rate	5.50%	4.00%	3.75%	4.75%	4.50%	5.00%	5.25%	4.50%
Bonds (10yr)	4.53%	4.40%	4.80%	4.50%	4.30%	4.74%	5.00%	4.00%
Currency $/£	1.99	1.50	1.63	1.83	1.82	1.97	1.98	1.85

Michael Lally Tel: 01243 753409 Email: michael.lally@thesis-plc.com

Market Outlook
UK Equities

Steven Richards

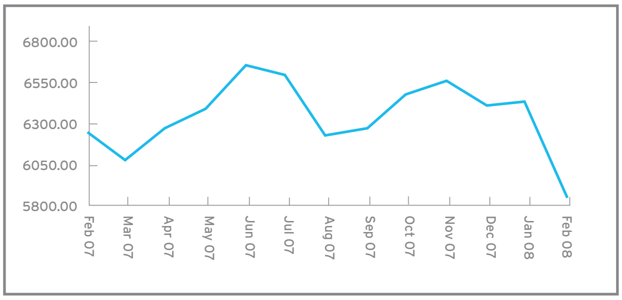
Growing concerns over the outlook for the economy have started to take their toll on equity markets. Output and industrial indictors revealed that the slowdown in economic activity in Q4 was as a direct result of the credit crunch. Evidence is growing that the economy is slowing. GDP rose at a quarterly rate of 0.6% in Q4, down from 0.7% in Q3 and 1.0% a year earlier. The economy still grew by 3.1% last year, slightly faster than the trend rate of around 2.8%, but is likely to fall short of this in 2008. The slowdown in Q4 was driven by an easing in growth in the services sector and more specifically, reflects a slowdown in activity in the financial and business services sector, presumably due to the credit crunch.

January's NOP consumer confidence figures also revealed subdued household sentiment. Last year consumer confidence held up well throughout the summer's equity price falls, but back then the housing slowdown was not showing through and consumers did not have the utility price hikes announced since the start of this year to contend with. These cost increases, along with stubbornly high petrol prices, suggests that consumer confidence is unlikely to get better anytime soon. Indeed, January was the third month in a row that the Nationwide House Price Index posted a monthly fall and looking ahead, we think that buyer uncertainty and a restricted supply of mortgage credit will keep housing market activity subdued. Against this though, the Bank of England is unlikely to aggressively cut interest rates as the US has done as they are still maintaining a watchful eye on inflation data, which will probably mean only a gradual reduction in UK base rates in reaction to the slowing economy.

The trade balance suggests that net trade may have made a positive contribution to GDP growth in Q4, but the outlook for the external sector remains depressing. Further falls in the UK manufacturing Purchasing Managers Index suggest that this sector will be hard hit by the global slowdown and the main hope seems to be the weakening Pound, against which manufacturers are still trying to push through price increases. Labour market data shows that employment is actually still rising but this, as we know, is not a leading indicator.

The recent decline in the UK market therefore represents an overdue catch-up with economic realities. Looking forward, this provides some reasons for optimism. For a start, as long as the economic outlook does not deteriorate any further than anticipated, equity prices should at least consolidate and subsequently recover as the worst fears are not realised. Equities also look reasonably valued or even cheap on conventional measures such as P/E ratios and yield relative to bonds. We therefore expect equities to recover a little ground as the year progresses.

FTSE 100 Index



Assumptions: Positive

- Robust corporate profitability
- Scope for the BoE to cut rates
- Global Growth remains supported by Far East
- Housing market/ Consumer remain stable

What can go wrong?

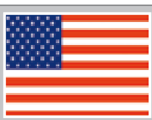
- Significant earnings slowdown
- Inflationary pressures too strong
- Chinese economic slowdown
- Bad debts/higher credit costs

	Current	2002	2003	2004	2005	2006	2007	2008e
FTSE 100	5879.80	3940.00	4477.00	4750.00	5520.0	6221.00	6456.90	6250.00

12 Month Volatility 17.62%

	Current	2002	2003	2004	2005	2006	2007	2008e
Short Rate	5.50%	4.00%	3.75%	4.75%	4.50%	5.00%	5.25%	4.50%
Bonds (10yr)	4.53%	4.40%	4.80%	4.50%	4.30%	4.74%	5.00%	4.00%
Currency $/£	1.99	1.50	1.63	1.83	1.82	1.97	1.98	1.85

Steven Richards **Tel: 01483 406108 Email: steven.richards@thesis-plc.com**



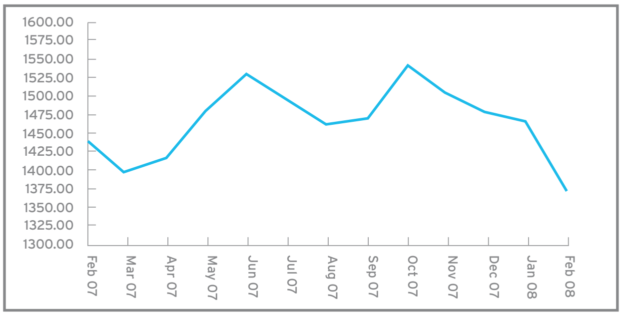
Market Outlook
US Equities

Michael Lally

Following a surprisingly robust first three quarters of last year, data now emanating for the final quarter is confirming the material slowdown in the economy. The collapsing US housing market is now widely acknowledged as the greatest risk to the US economy with an unprecedented 1.8m sub-prime mortgages due for review in the next 2 years. As the US consumer contributes around three quarters of US GDP there is the possibility of instability spreading to other areas, eg prime mortgages, credit cards, leveraged loans and corporate bonds. Analysts were too optimistic last year on corporate earnings but are catching up, estimates for Q4 earnings are now for an 11.5% fall as opposed to a 6% rise last summer! Estimates for the first two quarters of this year have already been halved but with the market still selling on around 16 times average earnings (the UK is on around 11 times) a lot of faith is being placed on a second half recovery.

On a positive note the weak dollar is benefitting multinationals with significant overseas earnings, bid and merger activity is still buoyant and company balance sheets are generally much healthier than ahead of previous recessions. Purchases of their own shares by senior executives in January totalled $683m and historically this has signalled a sharp rise in the market over the ensuing 12 months. In addition, the relationship between the earnings yield on equities and the 10yr Treasury bond is at its widest for 20 years, making equities appear good value relative to bonds as well as in absolute terms.

S&P 500 Index



Assumptions: Positive

- Financial sector stabilises in Q2
- Economy expands in H2
- More Merger & Acquisition activity
- Further interest rate cuts/tax rebates stimulate consumption

What can go wrong?

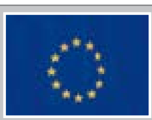
- Unemployment increases - extended recession
- Breakdown of US market premium assumptions
- Oil price remains high
- Dollar weakens further
- House prices fall heavily

	Current	2002	2003	2004	2005	2006	2007	2008e
S&P 500	1378.55	935.00	1070.00	1200.00	1270.00	1418.00	1468.36	1400.00

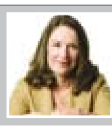
12 Month Volatility 3.7%

	Current	2002	2003	2004	2005	2006	2007	2008e
Short Rate	3.00%	1.25%	1.00%	2.25%	4.25%	5.25%	4.25%	3.00%
Bonds (10yr)	3.64%	4.20%	4.40%	4.20%	4.50%	4.60%	4.50%	4.50%
Currency $/£	1.99	1.61	1.79	1.95	1.77	1.96	1.98	1.85

Michael Lally **Tel: 01243 753409 Email: michael.lally@thesis-plc.com**



Market Outlook
European Equities



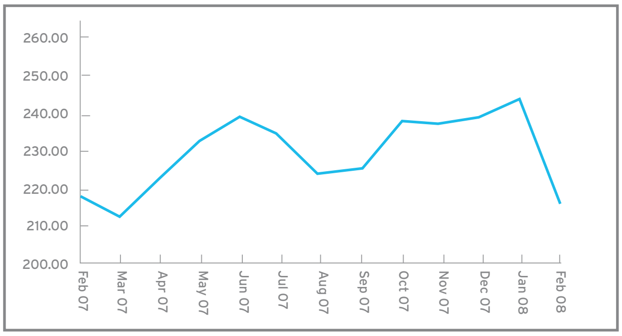
Kate Nathoo

In January European stockmarkets posted their worst monthly decline since September 2002. However, the markets have risen in early February on the back of a new wave of bid activity which has enlivened the corporate sector. In particular, mining and metal stocks were lifted, and even in the beleaguered financial sector there were bid talks surrounding the Societe Generale Bank in the wake of its rogue trading scandal.

This month's main event will be the European Central Bank (ECB) interest rate announcement, where there seems little doubt that interest rates will remain on hold for the eighth consecutive month, in sharp contrast to the recent swingeing cuts that we have seen in North America. The latest money supply and inflation data will continue to fuel the ECB's concerns about the upside risks to the inflation outlook.

However, providing that the growth of the money supply begins to slow, and core inflation does not take off, we expect to see the ECB's stance gradually soften over the coming months with interest rates possibly heading for 3% by the end of this financial year. Any reduction in interest rates should prove a stimulus to the equity market, where it is not yet discounted.

FTSE - All-World Index Series (Europe Ex-UK) Index



Assumptions: Positive

- Merger & Acquisition activity continues
- Corporate European profitability
- Attractive equity valuations

What can go wrong?

- European Central Bank unresponsive
- Earnings disappointments
- Slowing global economic growth
- Strong Euro

	Current	2002	2003	2004	2005	2006	2007	2008e
FTSE AW Euro ex	240.10	106.37	135.95	152.01	185.89	216.47	245.22	-

12 Month Volatility 13.90%

	Current	2002	2003	2004	2005	2006	2007	2008e
Short Rate	4.00%	3.25%	2.00%	2.00%	2.25%	3.50%	4.25%	3.50%
Bonds (10yr)	3.95%	4.50%	4.40%	3.60%	3.40%	4.00%	4.50%	3.80%
Currency $/£	1.40	0.98	1.17	1.35	1.20	1.32	1.47	1.50

Kate Nathoo **Tel: 01483 406104 Email: kate.nathoo@thesis-plc.com**

Market Outlook
Japanese Equities

Tony Gammon

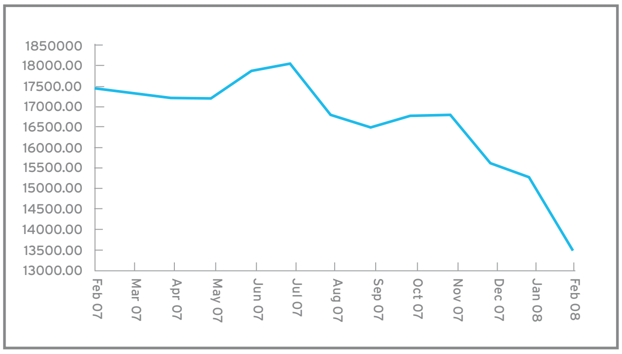
The recently announced 3rd Quarter GDP figures (released in early December) were comforting in one respect as they confirmed that the Japanese economy grew at an annualised rate of 1.9%, towards the high end of most estimates of Japan's sustainable growth rate which is usually calculated at being between 1.5%-2.0%. However, this hides the fact that growth has fallen back over the past two quarters and, in fact, is being sustained by Government spending and the export trade. Technically the domestic market has been in recession during the 2nd and 3rd quarters.

We do feel there is a good chance that although the whole economy has not endured a recession, Japan will be one of the first major economies to enjoy a rebound in 2008 and beyond. One of the difficulties in recent months was the problematical launch of a new building code which cut construction activity markedly. The rules have now been relaxed again and therefore the pickup in this area is now being confirmed with building starts improving over the last three months. This construction boom could add as much as 0.5% to GDP during 2008.

The recent Tankan survey of business conditions also gave some cause for optimism and the corporate sector remains in good shape to weather a potential US led global slowdown, especially if commodity prices have peaked. It is also worth noting that Japan's external trade balances are very strong, currently the surplus is equivalent to around 5% of GDP. One area of the market that has previously bypassed Japan is corporate activity, but recent developments have included a pickup in share buybacks and purchases by companies of the shares of listed subsidiaries not already owned.

Turning to the stockmarket the Nikkei was the worst performer among major equity markets in 2007, but it could be argued that this just reversed the out-performance of Japanese stocks from late 2005 through to the middle of last year. Japanese equities, particularly small-caps, now look attractively priced on most of the usual valuation measures. It is also true that an unusually high 81% of Japanese equity market participants surveyed anticipated foreign investors as major buyers of the market this year.

Nikkei 225 Index



Assumptions: Positive

- Corporate profits recovery
- Reduced cross-holdings/ restructuring
- Focus on Return on Equity (RoE)
- High savings ratio
- Continued economic strength

What can go wrong?

- Corporate or political scandal
- The lack of Merger & Acquisition activity compared to other markets
- Negative effects of high oil price
- Political inertia following recent election

	Current	2002	2003	2004	2005	2006	2007	2008e
Nikkei	13592.47	9174.00	10403.00	11000.00	15460.00	17255.00	13592.00	15500.00
12 Month Volatility 3.7%								
Short Rate	0.50%	0.00%	0.00%	0.00%	0.00%	0.25%	1.00%	2.00%
Bonds (10yr)	1.70%	1.00%	1.40%	1.40%	1.50%	1.90%	2.50%	-
Currency Yen/$	106	123	111	103	118	118	112	100

Tony Gammon **Tel: 01273 322436 Email:tony.gammon@thesis-plc.com**

Optima Portfolio Service
performance of our funds

Steven Richards

Available for investments of £10,000 upwards, our Optima Investment Portfolio service offers a range of unit trust funds designed to meet different investment objectives. Our Optima service provides the investor or their adviser with a portfolio account within which to invest these funds.

Optima funds are invested in different asset classes in varying proportions with different levels of risk. This is coupled with a choice of styles, including relative and absolute return approaches to investments, as well as multi-manager and direct investment.

The information below shows the past performance of each of the funds within our Optima service. Past performance of the model portfolios within our more bespoke Personal Investment Portfolio service is available on request.

Thesis Optima Growth Fund

Actual performance to date

Rolling Performance					Fund Technicals	
	3 Month	6 Month	1 Year	To Date	Sharpe Ratio	0.18
Optima	-7.17	-2.74	-1.93	12.88	Sortino Ratio	0.17
Benchmark	-9.29	-4.73	-1.33	13.68	Max Gain	6.02

Discrete Performance													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr
2008	-5.35	x	x	x	x	x	x	x	x	x	x	x	**x**
2007	-0.18	1.66	1.94	2.08	1.15	-0.88	-3.54	-0.92	3.15	2.52	-3.67	1.82	**3.42**
2006	2.34	2.60	1.73	0.64	-5.82	-0.39	1.28	0.98	0.58	1.84	0.00	2.94	**8.77**

Thesis Optima Balanced Fund

Actual performance to date

Rolling Performance					Fund Technicals	
	3 Month	6 Month	1 Year	To Date	Sharpe Ratio	0.21
Optima	-5.55	-2.56	-1.72	12.81	Sortino Ratio	0.25
Benchmark	-5.67	-1.67	0.60	11.42	Max Gain	4.54

Discrete Performance													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr
2008	-4.27	x	x	x	x	x	x	x	x	x	x	x	**x**
2007	0.05	1.49	1.20	1.51	0.81	-0.80	-2.27	-0.74	2.32	1.57	-2.59	1.28	**2.71**
2006	2.07	1.79	1.37	-0.05	-3.09	-0.37	1.82	0.79	0.78	1.69	0.48	2.18	**9.74**

Steven Richards **Tel: 01483 406108 Email: steven.richards@thesis-plc.com**

Optima Portfolio Service
performance of our models

Steven Richards

Thesis Optima Income Fund

Actual performance to date

	Rolling Performance				Fund Technicals	
	3 Month	6 Month	1 Year	To Date	Sharpe Ratio	0.06
Optima	-2.71	-1.44	-1.19	1.12	Sortino Ratio	0.06
Benchmark	3.86	6.34	7.13	7.90	Max Gain	1.78

	Discrete Performance												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr
2008	-2.36	x	x	x	x	x	x	x	x	x	x	x	**x**
2007	-1.04	1.35	0.20	0.57	0.16	-1.24	-0.54	-0.35	0.65	1.01	-1.22	0.87	**0.15**
2006	0.52	0.80	-0.31	-0.95	-0.67	-0.98	0.84	0.87	0.75	-0.06	0.45	0.37	**1.60**

Thesis Optima Bond Fund

***James Grayson**, Fund Manager*
01243 753410 james.grayson@thesis-plc.com

Actual performance to date

	Rolling Performance										Fund Technicals	
	3 Month (Qtl)		6 Month (Qtl)		1 Year (Qtl)		3 Year (Qtl)		5 Year (Qtl)		Sharpe Ratio	-0.02
Optima	-0.47	1	2.06	1	2.90	1	12.17	1	31.83	1	Sortino Ration	-0.02
Benchmark	-0.50	-	0.99	-	-0.02	-	7.92	-	23.70	-	Max Gain	2.27

	Discrete Performance												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr
2008	-0.93	x	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**x**
2007	-0.48	0.99	-0.26	0.50	-0.27	-0.49	0.36	0.59	0.52	1.42	0.43	0.04	**3.36**
2006	0.08	0.03	-0.30	0.14	0.49	-0.47	0.70	0.51	0.66	0.73	0.41	-0.41	**2.59**

Steven Richards ***Tel: 01483 406108 Email: steven.richards@thesis-plc.com***

Optima Portfolio Service
performance of our models

Steven Richards

Thesis Optima Cash Fund

Actual performance to date

Rolling Performance					Fund Technicals	
	3 Month	6 Month	1 Year	To Date	Sharpe Ratio	0.05
Optima	1.16	2.63	5.33	8.45	Sortino Ratio	0.05
Benchmark	0.91	2.35	5.04	9.18	Max Gain	0.75

Discrete Performance													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr
2008	0.38	x	x	x	x	x	x	x	x	x	x	x	**x**
2007	0.29	0.31	0.30	0.61	0.40	0.39	0.49	0.39	0.29	0.76	0.39	0.39	**5.23**
2006	x	x	x	x	0.36	0.27	0.27	0.41	0.22	0.49	0.30	0.31	**x**

Thesis Optima Absolute Return Fund

Actual performance to date

Rolling Performance					Fund Technicals	
	3 Month	6 Month	1 Year	To Date	Sharpe Ratio	0.02
Optima	-1.04	0.34	1.16	5.10	Sortino Ratio	0.02

Discrete Performance													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr
2008	-0.19%	x	x	x	x	x	x	x	x	x	x	x	**-0.20%**
2007	0.19%	1.45%	-0.09%	0.81%	0.38%	-0.75%	-0.95%	-0.38%	1.73%	0.05%	-1.51%	0.67%	**1.60%**
2006	x	x	x	x	x	x	0.90%	0.05%	0.89%	0.69%	0.58%	0.39%	**3.50%**

Steven Richards **Tel: 01483 406108 Email: steven.richards@thesis-plc.com**

Optima Portfolio Service
summary of performance

Steven Richards

Thesis Optima Growth Fund

Although the Fund's return was disappointing on an absolute basis during January, its first quartile performance relative to the other Fund of Fund offerings in its IMA Balanced Managed peer group was strong enough to also propel it to the first quartile since launch. The largest holding in the Fund is now the Blackrock UK Absolute Alpha Fund which posted a 1.1% return in January versus the FTSE-All-Share's 9% decline. Other less dramatic out performances came from positions such as the JOHCM UK Opportunities and SocGen Japan Core Alpha funds, both first quartile in their respective IMA sectors during the month. At the asset allocation level our Fund also benefitted from its meaningful Hedge Fund exposure where the share price of Goldman Sachs Dynamic Opportunities fund gained 1.8% whilst Thames River's Multi-Hedge Plus Fund at least stood still.

Thesis Optima Balanced Fund

After a First Quartile performance during 2007 our Balanced Fund has had a difficult start to 2008 but remains first quartile amongst its Fund of Fund peers in the IMA Cautious Managed Sector since launch in November 2005. The weakest performance during the month came from our European exposure with JPMorgan's European Dynamic Fund down almost 14% and Newton European Higher Income fund down 11%. After selling Credit Suisse European Frontiers in Decembers though, we have been underweight and have only just reinvested these proceeds into JPMorgan's New Europe Fund, avoiding some of the falls seen in these markets. Other decisions adding value were our exposure to Blackrock's UK Absolute Alpha Fund (which posted a 1.1% gain over the month), and increased exposure to Hedge Funds. Performances from these innovative areas have rewarded our faith and provided strong diversification benefits.

Thesis Optima Income Fund

Despite talk of further interest rate cuts during 2008 and the help this gave to the Fund's Gilt fund holdings, which account for about 35% of exposure, weakness amongst the corporate credit funds and a 15% exposure to equity markets saw the Fund's worst month performance since launch. To help with yield, Equity Income funds are the preferred exposure to share markets however these typically performed worse than the broader indices due to typical sector bets such as being overweight in financials. Meanwhile, in the credit arena despite a narrowing in LIBOR corporate debt continued to underperform sovereign issues due to the overhang of the credit crisis and newer concerns about the mono line insurers. As yet however we have not seen any dividend or coupon cuts and therefore whilst capital prices will fluctuate, the main reason investors invest in this Fund - its income return - remains intact.

Thesis Optima Absolute Return Fund

The Fund has started 2008 robustly only seeing a -0.2% decrease in price during January against the background of equity markets which saw their worst ever start to a year in history. Returns from the Fund's commodity investments, with Lyxor Gold +11.3% and ETFS Silver +14.5%, were the buffer to the set back in equity exposure. Even here though holdings such as Blackrock Absolute Alpha +1.1% bucked the trend as did Private Equity funds Candover and HG. Pure Beta plays though, such as the FTSE100 ishares, traded 8.6% lower where we added to this position.

The Fund is proving itself in these difficult market conditions and has continued to deliver positive only returns over any rolling 365 day period. We believe 2007's weak 2nd half performance - which is seeing the Fund's running return lag gross cash - can be recovered without unduly increasing risk. The Fund sits well within its IMA Cautious Managed sector over all time periods.

Steven Richards Tel: 01483 406108 Email: steven.richards@thesis-plc.com

Contact us

Head Office
Exchange Building
St John's Street
Chichester
West Sussex
PO19 1UP

T. 01243 531234
F. 01243 539094

Office director:
Michael Lally

Brighton
3 Frederick Terrace
Frederick Place
Brighton
East Sussex
BN1 1AX

T. 01273 728188
F. 01273 724236

Office director:
Tony Gammon

Gatwick
Belmont House
Station Way
Crawley
West Sussex
RH10 1JA

T. 01293 575150
F. 01293 575151

Office director:
Giles Hedley-Dent

Guildford
98/110 High Street
Guildford
Surrey
GU1 3HE

T. 01483 304183
F. 01483 304185

Office director:
Kate Nathoo

London
75/76 Shoe Lane
London
EC4A 3JB

T. 020 7842 3969
F. 020 7842 3968

Office director:
Kate Nathoo

Lymington
48 High Street
Lymington
Hampshire
SO41 9ZQ

T. 01590 625841
F. 01590 677346

Office director:
Giles Marriage

Visit our website

www.thesis-plc.com

Designed by The Upper Room. T. 020 8406 1010