PORTFOLIO SUMMARY: CAUTIOUS INCOME

INTRODUCTION

The main objective of the Cautious Income Portfolio is to generate an annual income of between 6-8% before fees and charges. It is targeted at investors who want an above average income from a low risk portfolio offering a degree of capital protection over the medium to long term. The Investment Manager will invest in Structured Products issued by a range of investment grade banks.

Your capital is at risk; you may not receive back the capital you invested.

COMMON FEATURES

- Managed by James Brearley and Sons, the Investment Manager
- Diversification across Issuers, Underlying Assets and Market Levels with different Maturity and Strike Dates
- Accessible via a James Brearley & Sons administered ISA and certain SIPP providers (please refer to the SIPP Providers section on page 10 of the Managed Portfolio Service Brochure for further details)
- Any income received on assets held outside an ISA or Pension is expected to be subject to income tax
- Gains or losses on assets held outside an ISA or Pension are expected to be taxed as capital gains
- Online valuation facility
- All communication via either email or the Service's secure mail facility
- Six monthly reporting each January and July to include a performance statement, returns being benchmarked against the FTSE WMA Conservative Stockmarket Portfolio Index (for more information about the benchmark visit http://www.ftse.com/products/indices/WMA)
- Regular liquidity; each Structured Product will be fully tradable, allowing the Investment Manager to buy and sell positions on a daily basis

IS THIS MODEL PORTFOLIO RIGHT FOR YOU?

The Cautious Income Portfolio may be right for you if the following apply to you:

- You want to invest with lower risk than investing in the stock market, but you want to target a higher income than you can get from typical fixed income products
- You want to receive a regular income
- You are investing for the medium to long term
- You want to be able to encash your investment whenever you want
- You want a degree of capital protection and do not think that equity markets will fall significantly
- You are prepared to accept some risk to your initial investment

The Cautious Income Portfolio will probably not be suitable for you if the following apply to you:

- You want an investment that offers capital growth
- You want to make money in the very short term
- You cannot accept any risk to your capital
- You do not want to have exposure to any of the Issuers

INDEX EXPOSURE

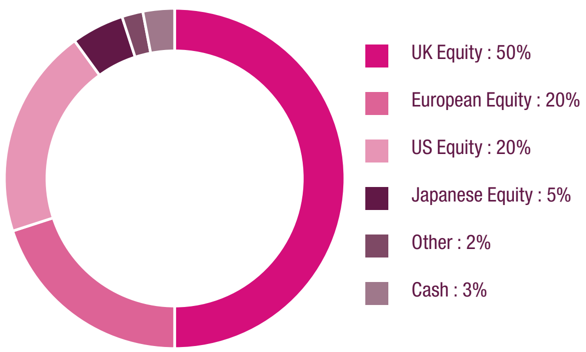
An index is a statistical measure of change in a financial market and can be thought of as an imaginary portfolio of securities representing a particular market. The Investment Manager will select Structured Products linked to the main stock market indices such as the FTSE 100 Index, Eurostoxx 50 Index and S&P 500 Index. The Investment Manager may also invest in Structured Products linked to other stock markets and other assets.

The asset allocation will be managed so that Investors maintain a diversified exposure within the parameters defined below:

ASSET ALLOCATION LIMITS

STOCK MARKET	MINIMUM EXPOSURE	MAXIMUM EXPOSURE
UK	25%	80%
European	0%	50%
US	0%	50%
Japan	0%	25%
Other Assets	0%	10%

TYPICAL INDEX EXPOSURE



CASH

The Cautious Income Portfolio will also typically contain a cash balance which will be used to meet the ongoing costs of the Service. However, the Investment Manager may increase the cash balance in the Cautious Income Portfolio to as much as 50%, for example, in anticipation of new Structured Products being issued or in response to stock market conditions.

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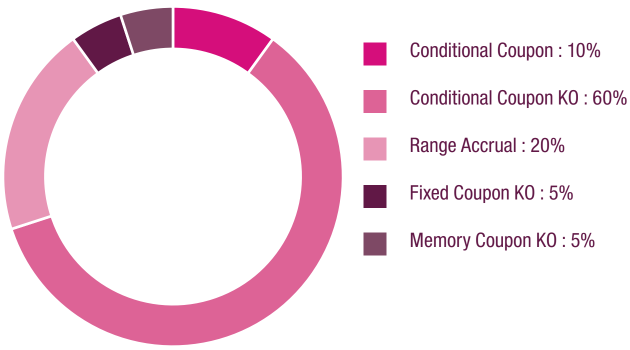
PRODUCT TYPES

The Cautious Income Portfolio aims to achieve an annual income of between 6-8% per annum over the medium to long term by investing in Structured Products that offer the possibility of a regular income and a degree of protection. The Investment Manager can only use Structured Products which are issued by an investment grade rated bank and which are tradable daily. To achieve the targeted returns, the Investment Manager, aided by Cube, will select those Structured Products that offer the best risk/return profile and in keeping within the defined mandate and selection criteria. These Structured Products will have some sensitivity to movements in global stock markets so Investors in the Cautious Income Portfolio will need to accept a degree of risk to their capital.

The Cautious Income Portfolio will only hold institutional Structured Products issued by an investment grade bank. The Investment Manager will aim to select the Structured Products that offer the best risk / return profile from those that satisify the Cautious Income Portfolio mandate and selection criteria.

TYPICAL PRODUCT TYPE EXPOSURE



RISK CONTROLS

When selecting individual Structured Products for inclusion in the Cautious Income Portfolio, the Investment Manager will be mindful to the risk parameters we have set as described below.

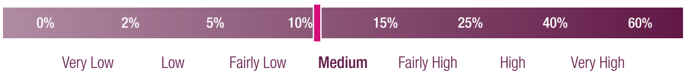
RISK PARAMETERS

RISK MEASURE	LIMIT
Comparable Portfolio	Mixed assets with between 20-60% stock market exposure
Maximum Volatility	Overall Portfolio Volatility less than 10% Individual Product Volatility less than 20%
Attitude to Risk	Fairly Low
Negative Scenario	No worse than a loss of -4% per annum

RISK CATEGORY

The Risk Category is based on Volatility. The Cube Risk Categories range from Very Low to Very High. The manager aims to keep the realized volatility of the portfolio at or below the level described by the risk category. The manager will use Cube's estimate of volatility of each product to estimate the volatility of the portfolio.

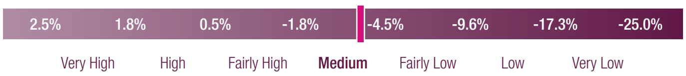
RISK (METRIC: VOLATILITY)



NEGATIVE SCENARIO

The Negative Scenario is based on the average 10% of the worst annualised return. It can be used to match the portfolio against an investors capacity for loss. The portfolio targets a negative scenario return that is better than 4% / 5% per annum. The manager will use Cube's estimate of the Negative Scenario return of each product to estimate the negative Scenario of the portfolio.

AVERAGE WORST 10% ANNUALISED RETURNS



ISSUERS

In their efforts to manage the risk of the potential default of an Issuer, which could ultimately lead to the loss of the capital invested in their Structured Products, the Investment Manager will keep a careful eye on the financial standing of each Issuer held within the Cautious Income Portfolio. They will do this by frequently reviewing each issuing bank's rating by the major credit rating agencies, such as Standard & Poor's (www.standardandpoors.com), along with the monitoring of the bank's credit default swap and Bloomberg one-year chance of default (further details provided below).

To further mitigate this risk, the maximum exposure to any one Issuer is limited to 30%, it being likely that the Cautious Income Portfolio will consist of between five to eight different Issuers.

ISSUER AND CREDIT QUALITY LIMIT

RISK MEASURE	LIMIT
Maximum exposure to any one Issuer	30%
Minimum Credit Rating	S&P; BBB-
Maximum 5-year Credit Default Swap	2%
Maximum Bloomberg one-year chance of default	3%

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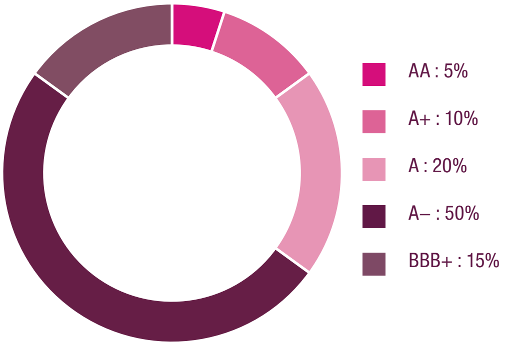
TYPICAL ISSUER EXPOSURE AND CREDIT QUALITY



BLOOMBERG ONE YEAR CHANCE OF DEFAULT

Bloomberg calculates the probability that an Issuer will default within the next year, using current levels of the Issuer's gearing and share price Volatility; it can therefore be calculated, provided the Issuer's equity is traded.

The Issuer's equity share price behaviour, together with its outstanding debt, is used to model the behaviour of the firm's total assets. In this model, default occurs when total assets fall below liabilities at any time in the next year. Bloomberg applies a final transformation to these chance-of-defaults to ensure they reflect historical actual default rates of firms of similar Credit Rating.

CREDIT RATING

A Credit Rating is an assessment of the creditworthiness of the issuing bank usually with respect to a particular debt or financial obligation. Credit assessment and evaluation for large financial institutions is generally done by a specialist rating agency such as Standard & Poor's, Moody's or Fitch.

CREDIT DEFAULT SWAP (CDS)

A Credit Default Swap is in effect insurance against non-payment. The higher the CDS rating, the greater markets view the chance of a potential default and hence the greater the cost of insurance against it.

INCOME

The portfolio distributes income received every quarter. The income is paid out on 15th January, April, July, and October. All income received through the quarter will be distributed to investors unless the investor requests that income is reinvested. Any income received will be held in the client money account up to the distribution date. The fact sheets for each portfolio illustrate the Headline Coupon and the Expected Coupon. The Headline Coupon is the maximum coupon that may be paid. The Expected Coupon reflects Cube's assessment that a coupon may be missed or reduced. Coupons may be missed because the underlying falls below a set level or because a product is expected to mature or kick out.

ON-LINE INFORMATION

For detailed information on the individual notes held in each portfolio advisers can access the "dummy" accounts created for each portfolio on the James Brearley website. This has current pricing of each note and a link to the CUBE site for comprehensive analysis of each product.

Website	www.jbrearley.co.uk
select	Private Client Login
Username	*bre142391*
Password	*SPmodel*
select	"*Client*" from the options on the left
select	the "*Portfolio*" option for each portfolio

TAX WRAPPERS

The portfolios are available directly from James Brearley and Sons who offer a general investment account and ISA. The portfolios are available through most SIPP providers. For a full list of service providers see: www.cubeinvesting.com/products

DEFINITIONS

For a definition of Capitalised Terms please refer to:
www.cubeinvesting.com/Content/Glossary

PORTFOLIO INFORMATION

Investment Manager	James Brearley and Sons
Eligibility	Direct investment, ISA, SIPP
Minimum Investment	£10,000
On-line Valuations	www.jbrearley.co.uk
Trading Frequency	Daily
Investment	Managed Portfolio
Administration and Custody	James Brearley and Sons
Management Fee	1% per annum (subject to a minimum of £200 p.a.)
Coupon Processing Fee	£2.00 per coupon payment
Initial Fee	0.5%
Dealing Fee	No charge

CONTACT DETAILS

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