

May 2011

	Fund			S&P500		
	<i>MTD</i>	<i>YTD</i>	<i>Inception to date</i>	<i>MTD</i>	<i>YTD</i>	<i>Inception to date</i>
Dec 2005		+14.01%	+14.01%		+4.78%	+4.78%
Dec 2006		+16.91%	+33.29%		+13.62%	+19.05%
Dec 2007		+4.06%	+38.70%		+3.53%	+23.25%
Dec 2008		-47.99%	-27.86%		-38.49%	-24.18%
Dec 2009		+42.74%	+2.97%		+23.45%	-6.40%
Dec 2010		+24.94%	+28.65%		+12.78%	+5.57%
Jan 2011	+1.84%	+1.84%	+31.02%	+2.26%	+2.26%	+7.96%
Feb 2011	+3.93%	+5.85%	+36.17%	+3.20%	+5.53%	+11.41%
Mar 2011	+6.77%	+13.01%	+45.38%	-0.10%	+5.42%	+11.29%
Apr 2011	+1.11%	+14.26%	+46.99%	+2.85%	+8.43%	+14.46%
May 2011	-1.47%	+12.58%	+44.83%	-1.35%	+6.96%	+12.92%

In May, the Fund was down 1.47% while the S&P500 was down 1.35%. In a continuation from the previous month, small stocks and cyclicals underperformed as risk continued to be avoided. We continued to suffer profit-taking in our industrial stocks which had been helping us in the previous six months. Will this continue as worldwide slowdown comes in or should we persevere as we are well positioned longer term for the endemic dollar weakness that seems unavoidable?

Since the end of April, we have been in a corrective phase and yet it seems hard to believe that once again sell in May and go away should be correct, even in this, the third year of a Presidential cycle when normally expansive policies aimed at re-election have a correlation with being good for equities. Far from an over stimulated economy, however, it is once again the fear of slowdown that is making people risk-averse as we see the US long bond go below 3%, the Swiss Franc go to record highs and all the other signs of hiding in cash again.

The root cause of the deep financial crisis was the US housing market and in May a dip in the Case-Shiller Home Price Index to a new low, breaking the 2009 low, has been a catalyst for the latest nervousness. The housing market now looks like this: prices 33% below a high made in 2006, one in four with negative equity, rents higher than equivalent mortgages for the first time since records began in 1981 and investment groups coordinated to Hoover up repossessions at auctions. Further, with the dollar weak, international house price comparisons emphasise the low price of US property

and so surely we can't be too worried about further price weakness from here but just need to consider the ongoing debilitating effect on American enthusiasm.

The financial crisis of 2008 was deep, as it continues to have repercussions for longer than people remember of past crashes and so comparisons are made with the other long-lasting financial downturns of history. My preferred analogy is that we are currently in a similar period to 1975 – 1980 which was also a response to a lot of money disappearing from the system. In that time there were regular collapses of confidence and high volatility but there was thematically a better class of stocks to remain invested in, and this seems to be the case now.

As it remains a policy goal to avert any retracement into recession, stocks servicing worldwide excess demand should continue to outperform. It seems unfeasible to sell everything and wait for Hallowe'en just because we're a bit ahead. We've sold a little of stocks with strong profits where the balance sheets are weaker and are looking to redeploy into growth stocks if they get hit.

Risk Warnings and other important information

This document is issued by Phoenix Fund Services (UK) Ltd, registered in England No. 6252939, authorised and regulated by the Financial Services Authority. The registered office of Phoenix Fund Services (UK) Ltd is Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW. The America Fund's investment manager, WH Ireland Ltd is authorised and regulated by the Financial Services Authority. The Fund qualifies as an undertaking for collective Investment in transferable securities (UCITSIII).

This document should not be construed as investment advice or an offer to invest in the fund. Nor should its content be interpreted as investment or tax advice for which you should consult your independent financial adviser and or accountant. The information and opinion it contains have been compiled or arrived at from sources believed to be reliable at the time and are given in good faith, but no representation is made as to their accuracy, completeness or correctness. Any opinion expressed in this document represents the views of WH Ireland at the time of preparation, but is subject to change. **The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Past performance should not be viewed as a guide to future performance. Please read the Prospectus before making an investment.**