

INDEX RESULTS

COST OF LONDON LIVING FOR HIGH NET WORTH FAMILIES FALLS BY NEARLY 4% OVER LAST 12 MONTHS

London, 16 June 2009: The Stonehage Group, a leading wealth manager advising Ultra High Net Worth (UHNW) individuals and international Family Offices, today announced that prices of luxury goods and services in London decreased by an average of 3.7% in the 12 months to the end of April 2009, marking the end of a period of steep inflation in the luxury goods sector.

The fall, measured by the London edition of Stonehage's Affluent Luxury Living Index (SALLI®) compares to an average inflation rate of 2.3% measured by the UK Consumer Price Index (CPI) over the same period. The deflationary trend is expected to become more apparent in the coming months, as the recession continues to feed through to the costs of high-end goods and services.

Last year's SALLI® correctly foresaw the dramatic slowing in inflation of the price of luxury goods and services, as these began to be affected by the downward trend in spending amongst High Net Worth individuals. Its findings have been substantially validated by this year's results.

Key findings include:

- Inflation in luxury goods and services is more volatile than the standard rate of inflation as measured by CPI, tending to exceed standard inflation in good times, and significantly fall short of it in times of downturn.
- The London index items showing a substantial decline over the last 12 months include residential rental accommodation, fine wine, fine art and cultural and entertainment events.
- On the other hand, the significant fall in the value of Sterling against the Euro and US Dollar over the last 12 months has served to underpin the prices of imported luxury goods and luxury services outside the UK. If it was not for this, then SALLI® deflation would be even greater.
- While these declines are in line with expectations, Stonehage believes that this year's measured fall is potentially understated, given that the index uses recommended retail prices. Anecdotal evidence of many of the basket items suggests that pricing has become more flexible with, for

example, 30%+ discounts available on many travel and hotel bookings as a result of specific deals or effective pre-visit bartering.

- Prices in the 'Housing and Family' category were down 13.5%, primarily reflecting heavy falls in the rental pricing of high-end properties, which fell by approximately 17% in Central London.
- The decrease in VAT from 17.5% to 15% announced in late 2008 has had a small impact across the majority of goods and services in the index.
- SALLI® remains an important reference point for UHNW individuals and their advisers working to maintain real purchasing power in the long term. Inflation is likely to return and the evidence points to this being more prevalent in relation to luxury goods and services.

Anton Sternberg, Executive Director of Stonehage, said: "The decline in this year's SALLI® measure of luxury inflation is in line with what we expected after such a turbulent year for the markets and the economy, which has impacted the Ultra High Net Worth community in many areas. Many luxury prices have been adjusted to reflect increased competition and more cautious spending. We expect this adjustment to continue in the short term."

Stonehage Affluent Luxury Living Index (SALLI®) London, a proxy for price inflation experienced by London-based HNW and UHNW families, was first published in 2007 in order to track the prices of a basket of luxury goods and services regularly purchased by UHNW clients. The basket forms the basis of the index, and consists of approximately 50 goods and services on a 'per use' weighted average basis. The basket includes items such as private education, central London rental costs for a family property, a day's grouse shooting and fine wine and cigars, based on Stonehage's knowledge and experience of the spending patterns of London-based UHNW families. Prices in the index are the recommended retail prices (incl. VAT) and SALLI® accounts for the frequency of purchase of each item over one year. Prices were recorded between 2002 and 2009.



EXECUTIVE SUMMARY

The Stonehage Affluent Luxury Living Index (SALLI) was launched in 2007 in order to measure the inflation experienced by High Net Worth (HNW) and Ultra High Net Worth (UHNW) individuals and families. We believe that it is the first Sterling-based index of its kind.

SALLI is an index comprising a basket of luxury goods and services determined by the Stonehage Group, based on our knowledge and experience of the spending patterns of HNW and UHNW families. Prices in the index are the recommended retail prices (including VAT) and SALLI accounts for the frequency of purchase of each item over one year. Prices were compared between 2002, 2006, 2007, 2008 and 2009¹. For the purpose of this study we have assumed that the basket comprises items purchased by an UHNW family of two adults and two children.

Wealth managers have traditionally used the Consumer Price Index (CPI) as a measure of inflation when wealth planning for their clients. CPI, the UK Government's official inflation measure, does not focus on luxury goods and services and therefore may not reflect the real inflation experienced by London based HNW and UHNW families. SALLI, however, provides a more realistic measure of inflation since the basket of goods and services is more relevant to HNW and UHNW families. The index methodology was originally developed by Professor Geoffrey Wood of the Cass Business School and the same methodology has been used each year. The basket of items has been updated to ensure it remains accurate and relevant.

¹ Prices for SALLI London were collected in April of each year.

Year	SALLI	CPI
2002 - 2008 (total increase)	17.4	12.9
2002 - 2008 (annualised)	2.7	2.0

Source of CPI figures: Bloomberg (Dates used: 4/02, 4/06, 4/07, 4/08); figures rounded to one decimal place.

Year	SALLI	CPI
2002 - 2009 (total increase)	13.1	15.5
2002 - 2009 (annualised)	1.8	2.1

Source of CPI figures: Bloomberg (Dates used: 4/02, 4/06, 4/07, 4/08, 4/09); figures rounded to one decimal place.

Year	SALLI	CPI
2002 - 2006	7.2	6.7
2006 - 2007	6.0	2.8
2007 - 2008	3.3	3.0
2008 - 2009	-3.7	2.3

Source of CPI figures: Bloomberg (Dates used: 4/02, 4/06, 4/07, 4/08, 4/09); figures rounded to one decimal place.

Price increase or decrease per spending category

Category	Price increase or decrease between 2008 - 2009 (%)
Consumables	-8.2
Investments of Passion	2.0
Culture & Entertainment	-20.5
Sports & Recreation	2.1
Housing & Family	-13.5
Travel	11.7
All Items	-3.7

ABOUT STONEHAGE

OVERVIEW

The Stonehage Group provides international families with family office, wealth management and fiduciary services. Stonehage is an independent multi-family office, owned by its management and staff with ten offices around the world. The Group advises clients on protecting, managing and administering family wealth including family governance and arrangements for inter-generational wealth transfer. Stonehage uses its wide range of expertise to manage the governance and legal structures that are required in order to best meet our clients' investment, tax and wealth transfer objectives, in addition to providing advice on philanthropic arrangements.

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COMPONENT ITEMS OF THE SALLI INDEX

1. CONSUMABLES

Food	Beluga Caviar
	Foie Gras
Smoking	Cohiba Siglo V Cigars
Drink	Liv-ex 100 Fine Wine Index
	Liv-ex 25 Champagne Index
Restaurants	Nobu (19 Old Park Lane)
	The Ivy (1-5 West Street)
	Gordon Ramsay (68 Royal Hospital Road)
	Hakkasan (8 Hanway Place)
	Le Caprice (Arlington Street)
	Tamarind (20 Queen Street)

2. INVESTMENTS OF PASSION

Cars	Top of the range Range Rover
	Top of the range Aston Martin
Watches	Patek Philippe men's Calatrava, white gold
Jewellery	Boodles Raindance platinum ring
	Boodles Raindance platinum necklace
Clothing	Burberry woman's trench coat
	Ede & Ravenscroft dinner suit
	Turnbull & Asser two-fold 200 shirts
Perfume	Clive Christian "X" perfume
Toys	Hamleys 1920's classic Steiff bear

3. CULTURE & ENTERTAINMENT

Memberships	Soho House annual membership
	Quintessentially 24-hour global concierge service
	The Walbrook annual membership
Culture	Royal Opera House grand tier box
	Lion King theatre tickets
Art	Artprice Global Index

4. SPORTS & RECREATION

Sports	Wentworth Golf Club annual membership
	Queen's Tennis Club annual membership
	Executive box hire at a London Football Club
	Purdey shotgun
	Claridge's Beauty & Fitness annual membership
	Wimbledon men's singles final debenture tickets
	Grouse shooting
	Pheasant shooting
	Polo Club annual membership
Boating	Yacht Charter

5. HOUSING & FAMILY

Housing	Rental of a family house in Kensington and Chelsea
Health	Breast enhancement surgery
	Botox treatments
	GP consultation
	Dental check-up
School	Westminster School fees
Flowers	Roses from Amanda Austin Flowers
Household Staff	Full time housekeeper from Beauchamp
Hairdresser	Woman's hair appointment at Michaeljohn

6. TRAVEL

Transport	Business premier Eurostar return tickets to Paris
	Virgin Atlantic upper class return flights to New York
Accommodation	Four Seasons Hotel, George V, Paris for a weekend in a duplex suite
	Hotel Plaza Athenee, New York for a weekend in a deluxe suite
	Hotel Byblos, St Tropez, France for a week in a duplex suite
	Chalet Les Quatre Freres, Verbier, Switzerland for one week
	The Tides Zihuatanejo, Mexico for a fortnight in the Tides Suite
Private Transport	Netjets 25-hour private jet card valid for a Light Jet
	Brunel first class chauffeur service

DISCLAIMER: This publication is intended to provide only general information and to highlight points of interest. It is not intended to be comprehensive or sufficient for making decisions and should not be relied upon. Specific professional advice should be sought on the facts of any matter before action is taken.