



# Investment View

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A Personal Investment View for Thoughtful Investors

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## Cash Under Pressure

As interest rates continue to slide downwards, the sad fact is that savers will be worse off and, possibly, individual inflation will be greater than the yield on cash, hence the expression "**Cash is Trash!**". Most of us have concerned ourselves, over the last six months, not with the yields we are likely to achieve on cash, but in keeping it in places where it is likely not to lose capital value, should the institutions in which it is invested default.



We will continue to be mindful of the need to ensure capital sums are broken down, where appropriate and where desired, in order to give minimal exposure to institutional failure; however, it is within the realms of possibility we will see more institutions either having to make arrangements with their shareholders, or turning to the Government for help. Needless to say, we will remain diligent!

## Are There Alternatives?

We have spent a considerable time investigating alternative investments to re-energise portfolios and, in particular, to kick-start the growth potential. We have identified a number of possible alternative investments of which, at this stage, four have been approved by our Investment Team and will be shortly available for inclusion in portfolios.

The inclusion of these investments does mean a different approach to investment monitoring and a slightly different understanding of risk. We will be forwarding further information on these investments, so they can be included in portfolios.

## The Next Bubble

You may be aware the bubble in Treasury Stocks has recently started to show signs of weakness and has become a sector that many investors are now leaving, with some fairly substantial drops in long dated gilt prices and a corresponding increase in yields.

The next bubble is about to commence and you may have seen lots of comment in the financial and popular press suggesting corporate bonds are the place in which to invest money. Corporate bonds are loan stock issued by a company and although we consider them to be a viable asset class, it must be appreciated these bonds are subject to capital risk and, unlike gilts, where the underlying maturity value is underwritten by the Government, corporate bonds do not have that guarantee. Moreover, some of the exchange-traded funds, particularly the iShares iBoxx Corporate Bond has a high preponderance to financial stocks – an area that will take some years to recover.



### Receiving Investment View

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We have grave reservations over the viability of corporate bonds in the short-term, especially as the bubble shows signs of taking off (purely on the back of the speculation by financial journalists and the like) and feel this is an area where an early retrenchment could take place, if further bad corporate news is forthcoming.

## Individual Savings Accounts (ISAs) for 2008/9

For those clients who have not yet utilised their ISA allowances for the current tax year, we will be making appropriate recommendations in due course.

It is important to point out we have been alerted to the fact that a number of banks and building societies are actively encouraging holders of Cash ISAs to switch monies into corporate bonds, to achieve a higher yield, but are not alerting clients to the possibility of capital loss. Furthermore, to access corporate bonds, a Cash ISA must be switched into a Stocks & Shares ISA, **but monies cannot subsequently be switched back into a Cash ISA at a later date.**

## News Update

### Kaupthing Singer & Friedlander Limited

The Financial Services Compensation Scheme (FSCS) continues to process compensation claims, although they are making slower progress than originally anticipated.

They are unable to provide an accurate timescale of when they will process individual claims; however, we will continue to monitor the FSCS website for updates on their position.

## Changes to Fund/Fund House Names

Please note the following changes have been announced:

Credit Suisse Asset Management has sold part of its asset management to Aberdeen Asset Management.

ABN Amro Energy Fund has been merged into the Fortis LF Equity Energy World Classic fund.

## Good News!

Having recently undergone a compliance assessment by our regulator, the Financial Services Authority, I am very pleased to say we received a glowing report, in which they concluded our clients could be confident they are dealing with a company where the fair treatment of clients is central to its culture. This is excellent news for us and all our clients and we will endeavour to continue providing a professional, high quality service to you all.



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