



Client Newsletter – March 2011

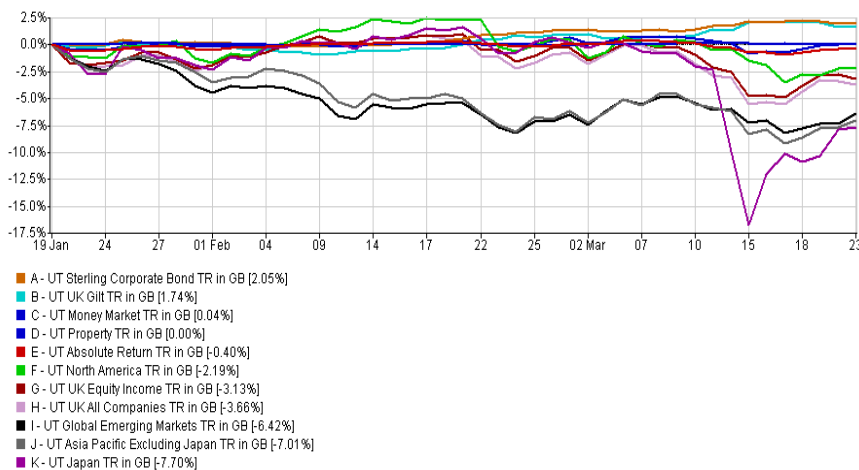
We have decided to create a slightly different feel to our newsletter for this edition. We hope that you find it helpful in its content, easy to read, and pertinent to your own financial issues and situation.

Please do provide us with any feedback you wish to as we always welcome this type of interaction with our clients. We are trying to keep our web-site updated with topical issues as they happen to as this is quite an efficient way of getting information out to our clients on a regular basis.

Regards
Martin & Gary

Investment Returns

The chart below shows the relative performance of each of the main Unit Trust sectors since our last newsletter which was the 19th January. It shows which asset class would have delivered the best return over the **last 2 months** and it is clearly the lower risk Fixed Interest & Money Market (Cash) sector which has performed best over this relatively short period.



19/01/2011 - 23/03/2011 © Financial Express 2011

[If you are not familiar with reading these graphs, the total return is also provided for you against the sector (or fund) name and the funds are then listed in return order from best to worst, Fund A produced the best return and in this case, Fund K produced the worst return.]

It is interesting to note that most commentators for some time have been extolling the virtues of investing in Asia and the Emerging Markets and whilst Japan has clearly had its own distinct and tragic problems, the whole of the higher risk sector has struggled over the last few months. It is also interesting to see North America as a sector has produced the best Equity returns over this period and whilst Equity Income funds have lagged the UK All Companies sector for a few years now, it has just crept ahead in total return over the last 2 months.

These figures of course take account of the very poor run global stock markets have had since the problems in Japan and Libya to name just a couple. Before these events took their toll, markets were performing very well and had the look of stability about them. We don't think that this short term trend will continue throughout this year and we believe that Equities generally are likely to produce much better returns than Fixed Interest over the year ahead, but as ever, we do not advocate throwing away the asset allocation rule-book. We continue to recommend a diverse asset allocation to retain funds that are appropriate to your individual risk profile and objectives.

Budget Summary (our brief thoughts):

For **higher earners** – the new 50% rate is going to hurt. Whilst you can earn £7,475 p.a. now before paying any tax but you will lose this if you earn more than £100,000. At the same time however, you might be able to make a more substantial pension contribution (up to £50,000 p.a. gross and receive highest rate tax relief). In our opinion, pensions have become quite attractive again, despite the ongoing bad press.

We really like the **Junior ISA** concept as this appears to open up the ability for parents and grand-parents to encourage children to both save and invest. We await further details which we understand will come out in the Autumn. Under present rules a child between 16 and 18 can have a Cash ISA but can only access a Stocks & Shares ISA when they are 18 or over.

The **Inheritance Tax** reduction for those who give more than 10% of their Estate to Charity on their death after 5th April 2012 is also innovative and will help to encourage a spirit of philanthropy. If at least 10% of an Estate is given to Charity, the Inheritance Tax rate is reduced from 40% to 36%. In itself of course, the charitable donation escapes IHT too and so there is a real tax benefit here for those with larger estates to make an impact with their asset value after they die and to reduce the amount of IHT paid. Unfortunately, the IHT threshold has been frozen at £325,000 per individual until April 2015. Please be reminded again that Charities' income is reducing from 6th April due to the loss of transitional relief.

Finally, Public sector workers are going to have to pay more for their pensions – a 3% increase will hurt probably, but is it justified?



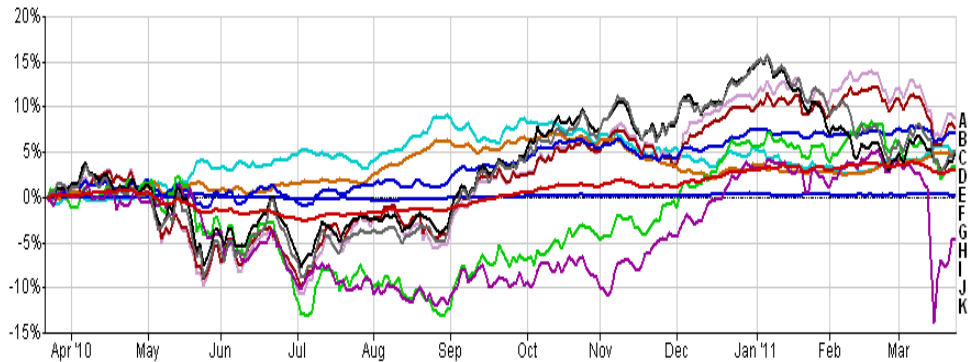


AW Financial Management LLP

Here are the same sectors again over a **one year period**. All funds have produced a positive return (except Japan) with the best return coming from UK All Companies sector.

We are challenged to see that Property returns have managed 3rd place over the last year. Some investment & pension products do make it very difficult to invest in Property funds in our opinion but generally where access is available without too many restrictions and where appropriate, we are recommending again taking up a Property allocation in a portfolio.

The returns from Corporate Bond funds and indeed Gilt funds have been good but we expect these to start to come under some pressure as far as capital values are concerned, as and when interest rates rises start, which inevitably they will, but we don't know when.



- A - UT UK All Companies TR in GB [8.86%]
- B - UT UK Equity Income TR in GB [7.74%]
- C - UT Property TR in GB [7.04%]
- D - UT Asia Pacific Excluding Japan TR in GB [5.27%]
- E - UT UK Gilt TR in GB [5.24%]
- F - UT Global Emerging Markets TR in GB [4.89%]
- G - UT Sterling Corporate Bond TR in GB [4.80%]
- H - UT North America TR in GB [3.39%]
- I - UT Absolute Return TR in GB [3.06%]
- J - UT Money Market TR in GB [0.28%]
- K - UT Japan TR in GB [-4.46%]

23/03/2010 - 23/03/2011 © Financial Express 2011

Other News & Commentary in Brief

Henderson takeover of Gartmore

We promised to keep you apprised of developments with Henderson Global Investors takeover of Gartmore. On the 10th March, we learned more details of the integration of the 2 companies as this starts to get under way. Henderson are proposing to merge away 14 of Gartmore's funds during the course of the summer.

Many of the funds within which our clients are invested, are being retained and there will simply be a name change from "Gartmore XX Fund" to "Henderson XX Fund". Additionally, in all but one instance the current Gartmore manager will continue to run the investment mandate at Henderson and for the most part we are encouraged by this continuity.

We continually review the Fund Management Groups we recommend are held within our portfolios and where clients are presently invested in Gartmore funds, we may write and provide you with an alternative recommendation but this is only likely in the event that we believe a more suitable fund may be available rather than necessarily because of a management or ownership change.

Interest Rates

There has been no change to interest rates now for 2 years but as you know from our previous blogs on the website (if you've seen them there) there has been speculation that rates would rise after 3 members of the Monetary Policy Committee voted for a rise in February.

We are still of the opinion that rates are likely to rise and our perception was that this might happen around May or June, this year. The European Central Bank clearly signalled that it is likely to raise European interest rates as early as next month. However, with the issues of the recent natural disaster in Japan coupled with the political unrest in the Near East, there is a possibility that the Bank of England will still err on the side of caution for a number of months before deciding to move rates upwards.

After the hard winter it does seem that as well as more than normal needs to be spent on property maintenance, that house prices to are continuing to come under pressure. For most people this is a relative insignificance, but for the potential first time buyer this must be good news which may allow them but a glimpse of the possibility of owning their own home, even if that does come with the burden of a huge mortgage weighing down on their shoulders. But just beware the effect of rising interest rates on this delicate market.



"Good will come to him who is generous and lends freely, who conducts his affairs with justice."
Psalm 112 verse 5

