



**INVESTMENT NEWS  
JANUARY 2009**

**A**s we start to see and feel the effects of the current economic climate you can soon start to feel that there is no good news around. In fact, despite the drops suffered in the investment market over the last 18 months combined with the incredible falls in interest rates seen by savers, there are still good opportunities for the right investors. As ever it's a question of establishing what your objectives are

and what time horizons you have. Let's look at some of the options you could consider whether you are looking at INCOME or GROWTH.

A key to some of the offers currently available is that professional fund managers know full well that there is great value in the market and in a few years time there is a high probability that we will be looking back to this time as a great opportunity to invest either directly into the market or through structured products where counterparties help manage the risk to your capital.

**INCOME SOLUTIONS IN A DOWNTURN ..**

With falling interest rates very poor returns are being found at local branches of the banks or Building societies. Better rates can be obtained investing via the internet and postal accounts but none of them will get you too excited.

With structured products income levels of between 7 to 8 % are available. Income can be paid annually or monthly. Sounds great but what's the catch? Well, whilst the income is guaranteed throughout the term (usually 5 to 6 years), the capital is at risk if the investment targets that the managers set are not met. However with the market at such low levels these conditions seem pretty achievable.

A current case involves obtaining a monthly income of 0.57% **AER 7.06%** with return of the original capital being returned provided that neither the FTSE100 or the S&P500 have not fallen by more than 50% of their current level when the plan mature in 5 years time.

In another case a provider is offering an income of **7.92%** (0.66% paid monthly) and return of capital if the FTSE 100 does not fall below 50% of its current level during the six year term or if it does during the term it is higher at maturity.

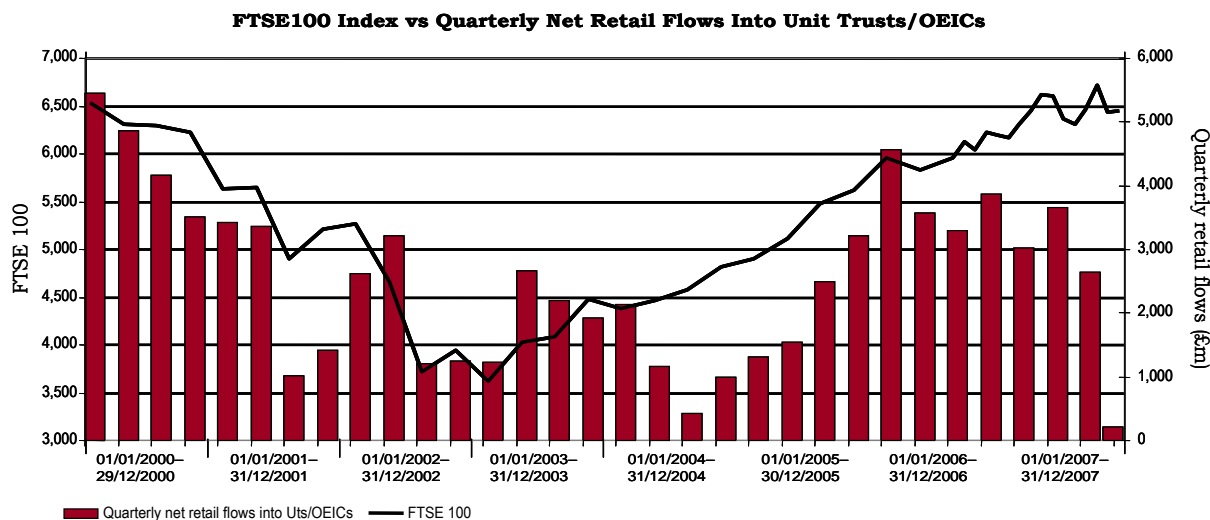
One provider has launched an excellent investment bond which invests in a range of quality fund portfolios. In addition they will also guarantee to pay up to 5% income for the next 20 years or even up to 5% for life. As the funds grow the income levels ratchet up by up to 10% per annum and are locked in .....even if the fund dwindles down to nothing in the future.

So, whatever your income requirements are, there are alternatives to the poor rates you can get down at the local bank or building society. Of course we should not forget about investing in income producing funds where good dividends of up to 6% can be obtained whilst obviously having the potential to deliver capital appreciation over the longer term.

**INVESTING FOR GROWTH ..**

Whilst no one can call the bottom of the market with any degree of certainty the FTSE Index seems to be bouncing along between 4,000 to 4,200, off a low of around 3800. If you are investing for the longer term we will probably look back in a few years time and see what a great opportunity this market presented!

The graph overleaf shows how the level of retail fund sales always follows the state of the market i.e. when the markets are at their highest people buy in their droves.



When the market is low, undoubtedly the best time to buy, most people are too worried to invest and therefore miss the best opportunities. It is true that fortune favours the brave! ... and markets have never failed to recover given time. Remember, patience is a virtue.

**Have you taken out your ISA for 2008/2009 yet?**

### CERTAINTY IN AN UNCERTAIN WORLD ..

For those wanting a more reassuring investment then again a number of structured products are coming to market. These plans usually guarantee or have a level of capital protection with most plans also giving you a guaranteed return. The biggest risk with these products is the counterparty risk i.e. the robustness of those guaranteeing the return. For example:

Guaranteed capital return after 5 years with 200% of the FTSE growth capped at a maximum of 50% return  
OR

Guaranteed capital return plus a minimum of 10% or 100% of the FTSE growth subject to a maximum of 50%

And finally an interesting deal where you could get “kicked out” of a plan if the markets do very well i.e. guaranteed capital return at the end of 5 years with 100% participation but where the kick out occurs at each anniversary if the closing level of the index at each anniversary is higher than the initial level. You would be kicked out with a fixed payment of 10% per annum i.e. 10% at the end of year 1, 20% at the end of year 2 etc.

### ASSET RICH BUT CASH POOR ?

Finally don't forget that if your most valuable asset is your home and you need a cash lump sum or income you could drawdown money from your property. This is not something to consider lightly but could be appropriate in certain circumstances, particularly whilst waiting for the property market to recover. Whilst equity release plans have a chequered history, new procedures are in place to protect consumers and at ECS we only recommend Safe Home Income Plans.

Best wishes for 2009 and if you want to discuss any financial matters then please give me a call. In the meantime I am holding off with the communication entitled “They think it's all over..... IT IS NOW!”

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