Est. 1971

LOWES

# January **2013**

*"An investment in knowledge always pays the best interest"*
**Benjamin Franklin**

FINANCIAL PLANNERS CII CHARTERED

# Champagne prize for the winner of our 2012 client competition

**CONGRATULATIONS TO MR KEVIN SHEPPARD, THE WINNER OF THE Lowes annual client competition 2012. In our January 2012 issue we posed the question: Where do you think the spot price of gold will be come the end of the year?**

Mr Sheppard's response was the closest to the correct figure and scoops the prize of 6 fantastic bottles of Moët Champagne.

Over the last year, gold has been a topical discussion point because of its perceived stability and non correlation to other investments. However, it has also seen its ups and downs in 2012 and while the last months of 2012 saw its price rise, a drop before the year end produced a spot price of $1,673.61 on 31 December*.

(*Source: London Bullion Markets Association)

**Turn to page 7 to see details of our 2013 Client Competition.**

## Speedway sponsorship leads to success

**2012 SAW LOWES SPONSORS STEVE JONES, a North East-based speedway rider who races for the Long Eaton Invaders.**

Steve has been racing since 1997 but had to drop out of the sport on a couple of occasions due to lack of proper sponsorship. With with the backing of Lowes as main sponsor throughout 2012, Steve revived his career and won several speedway races including being crowned the Scunthorpe Summer Series champion.

We wish him every success in the 2013 speedway season.

## Living North Live

**FOR THE SECOND YEAR RUNNING Lowes will be the headline sponsor at the Living North Live Spring Fair.**

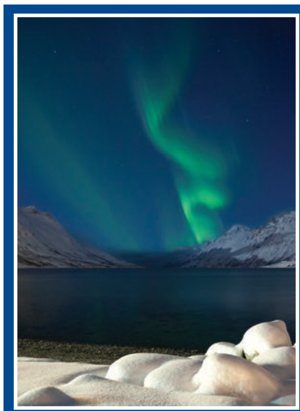
This major regional exhibition runs from 8 March to 10 March at Newcastle Racecourse. The event attracts some 200 stands exhibiting the best in food, art, interiors, homes and gardens, fashion, health, lifestyle and personal finance. Last year more than 15,000 people attended the four-day event. More details of Living North Live can be found at http://spring.livingnorthfair.co.uk

## Lowes shortlisted for awards

**THIS YEAR LOWES HAS BEEN SHORTLISTED FOR no less than four prestigious financial services industry awards.**

Lowes is already the winner of several industry awards including the Moneyfacts Good Advice Awards for Best Tax and Estate Planner 2009, Best Investment Adviser 2010 and Best Retirement Adviser 2011. We are one of the finalists for the following awards:

*Professional Adviser 'Best Retirement Planner'*
*Professional Adviser 'Best Investment Adviser'*
*Money Marketing 'Best Investment Adviser'*
*Money Marketing 'IFA of the Year'*



**Our cover shot:**
Dancing Aurora over Lapland
© istock/Lowes

### Make your money work
Best bank & building society unrestricted instant access accounts

| Type | Amount | Provider | Account | Gross Rate | Contact |
|---|---|---|---|---|---|
| Branch, internet & post based | £1+ | Virgin Money | Easy Access Saver | 2.00% | Branch and uk.virginmoney.com |

Sources: Providers' websites, www.thisismoney.co.uk, www.moneyextra.com, www.moneysupermarket.com, www.moneyfacts.co.uk 16 January 2013.
All accounts subject to terms and conditions

### Measures of inflation
The average change in prices of goods and services over a 12 month period to December 2012

| Retail Prices Index (RPI) | Consumer Prices Index (CPI) |
|---|---|
| 3.1% | 2.7% |

Source: Office for National Statistics

WINNER Moneyfacts Good Advice Awards 2011 Best Retirement Adviser
WINNER Moneyfacts Good Advice Awards 2010 Best Investment Adviser
WINNER Moneyfacts Good Advice Awards 2009 Best Tax and Estate Planner
Professional Adviser awards 2010 Winner Best IFA website
Professional Adviser awards 2010 Highly Commended Education

# Survey shows advised investors are better off

**A NATIONWIDE SURVEY OF 2,250 PEOPLE BY LIFE INSURER Standard Life and the website unbiased.co.uk has shown that consumers who have sought financial advice are often financially better off compared to consumers who haven't sought help from a financial adviser.**

In an age when we need to be saving more, particularly for retirement, their survey shows the value of seeking Independent Financial Advice. Those taking advice had

- ***contributed more to their pension each month (average = £167 v £108)***
- ***contributed to their pension for longer (average = 17.9yrs v 13.1yrs)***
- ***put more into their investments each month (average = £174 v £130)***

Saving more and for longer means that savers can gain greater benefit from accumulated growth on their capital and interest, which could see them end up with a far larger pension or savings pot when they need it.

But Independent Financial Advice doesn't just pay with regard to the amount of money saved, it also leaves consumers more confident and better engaged with their finances. The survey showed that 43% who sought advice said they do not feel worried about short-term stockmarket movements, as their focus is on the longer term.

When it comes to retirement savings, 51% of the consumers surveyed who hadn't sought advice said they didn't know how much was currently in their retirement fund. This number fell significantly for those who had sought advice, to just over a quarter (27%).

Navigating a way through the financial services markets can be a daunting prospect but as these figures show, an Independent Financial Adviser can considerably help a person's financial wellbeing.

## Insurance trade body acts to improve annuity rate transparency

**THE ASSOCIATION OF BRITISH INSURERS (ABI) HAS launched a consultation on the transparency of annuity rates to ensure consumers approaching retirement get the best deal.**

The consultation followed the publication of the ABI's code of conduct on retirement choices, which requires its members to provide clear and consistent communications to their customers in the run-up to their retirement.

We welcome this action by the ABI as buying an annuity is one of the most important financial decisions people make. It provides an income for life and once bought cannot be changed. Therefore, shopping around via an Independent Financial Adviser for the right one can make a significant difference to retirement income.

***Your Lowes Consultant can help you find the right annuity for your individual circumstances. Call this office on 0191 281 8811.***

# COMMENT

## Buyer beware

**SO MANY OF US HAVE DONE IT - SNAPPED UP SOMETHING that in its packaging or promotion seems alluring and because we're told it's at a discounted price we think it's a bargain to boot, but which eventually turns out to be quite the opposite.**

A friend of mine recently ordered some 'facial radiance capsules' over the internet. She thought from the way they were promoted that they were supplements that if taken regularly would make her face glow! Alas, when she received her package through the post, she realised that the capsules were not supplements but tiny pods of moisturising cream. The fact that she was enticed to buy them from the website because they were on sale and were endorsed by customer comments - which in hindsight did read like a marketing department's brainstorm - made her feel somewhat vindicated but either way, she now feels she was sucked in. At full price, this moisturiser works out at a staggering 53 pence per application!

For years, the financial services sector has been littered with its equivalents of 'facial radiance capsules'. Products and investments that masquerade as something special when in reality they are mediocre at best and misleading at worst. The sector has just undergone its biggest regulatory shake-up in 25 years but products and investments that an experienced Independent Financial Adviser would know to avoid will continue to be peddled with all the glitz and gloss needed to make the sale.

The number of websites offering financial products to the general public is growing. However, the internet is a difficult place to do business. The lengths to which websites will go to attract consumer attention – I'm thinking meerkats dressed as country gents and opera singers here – show just how competitive the general market is. Often it is a volume of numbers game based on low prices and low margins, with marketeers vying to attract business to their websites and the products they promote.

As it becomes increasingly easy to buy investments online, although UK regulated financial services products distributed over the internet are covered by the same consumer protection rules as for other marketing mediums, the old saying *caveat emptor* – buyer beware – is one that should be heeded.

The internet may offer a route to lower cost through special offers, but it is important that when we buy, no matter what it is and from whatever industry, we do so with our eyes wide open. While my friend could put a few pounds spent on facial cream down to experience, financial products are invariably long-term buys and require research, discernment and preferably, purchase from a trusted source.

Certainly, if investors are in any doubt about the suitability of a product then there is no substitute for obtaining professional advice, the cost of which could be saved many times over through ensuring the products we buy are the right ones for our needs.

Ian H Lowes,
Managing Director

If you would like to receive further information on any of the subjects featured in this issue of **LOWES** please call: **0191 281 8811**, fax: **0191 281 8365**, e-mail: **client@lowes.co.uk**, or write to us at: **Lowes Group PLC**, FREEPOST NT197, Holmwood House, Clayton Road, Newcastle upon Tyne NE2 1BR. Lowes® Financial Management Limited. Registered in England No: 1115681. Authorised and Regulated by the Financial Services Authority.

# Taking the long term view of investments

*Where will the stockmarkets be in a year's time? The pundits may take a guess at it but the fact is no one really knows. Which is why we take a broader, non-speculative approach to running our client portfolios.*

Melvyn Bell

Doug Millward

**WHEN IT COMES TO INVESTING IN the stockmarkets, if there is one thing we do know it's that we don't know where any index will be in one, three, or five years' time.**

That unknown is the given with which we have to work as Independent Financial Advisers and it is fundamental to the way in which we approach the construction of investment portfolios for you as clients.

Every New Year the pundits make calculated assessments (and for that read guesses) of where the FTSE 100 and other indices will be in a year's time.

Invariably they get it wrong but the nature of the markets is such that they can usually blame it on the vagaries of investing. On the other hand, anyone close to getting it right can then live off the plaudit for the next year. It's a win-win situation for them.

But when it comes to investing other people's hard earned cash there is no room for this kind of speculation, which is why at Lowes we take a different approach to investing. This includes making sure portfolios are properly balanced and diversified to take advantage of any upside the stockmarkets offer but also mitigate against the downside; also, that they are designed to take the long-term view, not chase the markets up and down.

We believe there is little point in trying to time the markets. A few investors may get it right but the history of investment is littered with those who have got it wrong and seen their portfolios suffer as a result.

## Invaluable experience

The head of our in-house investment research team, Melvyn Bell, recently retired after close to 30 years with the firm. In his time with Lowes he has seen many of the investment cycles that have occurred as well as the crashes and recessions – 1987, 1991-1992, 1998, 1999-2001, and 2008 and its aftermath. His breadth and depth of long-term experience has been invaluable in the way we invest for our clients.

The investment market is huge with very many funds from which to choose. Many adviser firms will look at the one year, three year and five year performance of a fund and make buy or sell decision based on that information. But our experience tells us that isn't good enough. The five-year performance can be massively affected by the one-year performance or the one year figure may be lifted or undermined by shorter-term performance.

> *"Spreading the risk by diversifying an investment portfolio makes sense"*

So around 12 years ago, Melvyn, his right-hand man Doug Millward and the Lowes senior management team – who also have considerable experience of the markets and many years with the firm – developed a computer software to analyse the investments in the market. In particular, we wanted to plot the one characteristic that we believe is important in any managed investment fund – consistency of performance.

What we look for is consistency of performance over discrete periods, the last six months, the six months previous to that, the previous 12 months and the previous two years. This gives us four years of valuable quantitative raw data to start working on.

This screening system doesn't tell us which funds to buy or sell, it purely identifies which ones we should be concentrating on. We then have to dig down further. We look at how the individual funds are achieving their returns, why they have been successful over the period concerned, their potential to continue being successful and whether their performance makes them better investments than the ones we are currently using. This often more qualitative work gives us the additional, and equally as important, information we need to make the investment decisions.

## Track record

In general, we would rather invest in fund managers with developed track records of delivering long-term consistent performance against their peers by holding firm to their convictions than a fund manager who may be shooting the lights out for a year but then trails his or her particular investment sector for the next one or two years, as can often happen.

No fund manager can get it right all of the time. Neil Woodford, who manages Invesco Perpetual's highly popular income funds, is a much sought after fund manager but even he has off years. So did Anthony Bolton, Fidelity's renowned Special Situations fund manager in his 28-year tenure running the company's flagship fund, in which time the fund achieved annualised growth of 19.5%. Bolton later turned his hand to running the Fidelity China Special Situations fund and a lot of people followed him hoping he could pull off a similar performance in China which was considered the next boom investment destination. However, Bolton has had less success there - at time of writing £1,000 invested when his China Special Situations trust launched in 2010 is worth under £800*.

All investment carries risk to a varying degree, which is why the UK regulator, the Financial Services Authority (FSA), insists that all investment literature warns that past performance is no guarantee of future results.

Therefore, spreading the risk by diversifying an investment portfolio makes sense. Just how a portfolio is constructed will depend on the individual investor's attitude to risk, their time horizon and their particular goals. A typical portfolio might be invested in different investment sectors and across several fund managers within each sector. This helps spread the risk should one sector not perform as well as the others and it also spreads the risk between fund managers because, as mentioned above, even the most sought after managers do not perform well all the time.

We also believe that an investment portfolio should not necessarily solely be restricted to mutual funds, which is why we have been researching and recommending structured products for over 15 years. Structured products can offer a defined return on a set date, given pre-determined market conditions. As investments with defined outcomes they can be blended in a portfolio with other types of investment, such as mutual funds that depend on a fund manager's investment ability, to create a well diversified and balanced portfolio.

## What changes?

With Melvyn now enjoying a well earned retirement, will our investment style change? The answer is a resounding No. Melvyn has been succeeded by Doug who was brought in to Lowes over 12 years ago to help construct our analytical software system and he has not only been instrumental in the development of the Lowes investment research but a key Investment Team member ever since.

So you can be sure, our conviction that investing in consistency and spreading risk through diversification is core to any successful investment portfolio will not change and we will continue to manage our clients' money in accordance with it.

(* Figures from Fidelity)

**FTSE 100 - Jan-Dec 2012**


# TOP TIP

**CONTINUING OUR SERIES OF TOP TIPS in which Lowes Consultants highlight some of the financial issues experienced by clients and how they might be resolved, Consultant Chris Milsom looks at how Business Property Relief (BPR) may be used in inheritance tax planning.**

Business Property Relief (BPR) provides business owners with the opportunity to transfer a business or an interest in a business and receive up to 100% inheritance tax relief (IHT) on that transfer.

However, you don't have to be a business owner or directly connected with the running of a company to benefit from BPR. Investors can qualify for BPR if invested in unquoted companies that meet the BPR criteria, for example, being a 'trading' company within the meaning of the relevant legislation. Shareholders would become eligible for BPR only once they had held the shares for at least two years.

One way for investors to access BPR is through pooled investments that invest in unquoted companies, such as Enterprise Investment Schemes (EIS). As well as offering some generous income tax and CGT reliefs - immediate income tax relief (at a rate of 30%) on the amount invested, any capital gain when the investment is realised is tax free and it can even be used to defer CGT on gains made from other investments. EIS shares will normally qualify for 100% BPR for IHT purposes once they have been held for two years, with maximum overall relief currently set at £300,000.

However, Enterprise Investment Schemes are not for everyone. It is important to note that these are high risk investments as they invest in smaller companies not all of which succeed - hence the tax breaks are so attractive. Any tax relief must be carefully assessed against the investment prospects and anyone considering investing in these schemes needs to take experienced and Independent Financial Advice.

■ ***For more information contact your usual Lowes Consultant or call this office on 0191 281 2811.***

INSIGHT

# The Autumn Statement's effect on tax-free cash

**IN HIS AUTUMN STATEMENT THE CHANCELLOR OF THE Exchequer George Osborne made several announcements that will affect the tax reliefs and exemptions available to savers and investors. Here is a summary.**

**Income tax:** The amount that can be earned by those under 65 before tax is due will rise from £8,105 this tax year to £9,440 from April 2013. This is an increase on the rise to £9,205 that the Chancellor had already announced and puts the tax-free allowance on track to rise to £10,000 (a Coalition pledge) from April 2015.

The allowances for those currently aged 65 or more will not increase. They remain at £10,500 for those born between 6 April 1938 and 5 April 1948 and £10,660 for people born before 6 April 1938. These allowances have now been frozen so will not increase in future years and people born on 6 April 1948 or later will not get a higher tax allowance when they reach 65.

More people will pay higher rate tax in 2013/14 as the level at which the 40% tax starts will fall from £42,475 this year to £41,450. However, the higher rate threshold will be increased by 1% a year thereafter, so it will be £41,865 for 2014-15, and £42,285 for 2015-16.

**Inheritance Tax:** The threshold for Inheritance Tax will remain fixed at £325,000 until 2015 but from 6 April 2015 it will rise to £329,000.

**Pensions:** The maximum annual tax relief allowance is reducing again, to £40,000, as from April 2014. As previously announced, the highest rate of income tax also reduces then from 50% to 45%. But the meantime the highest contribution allowable for tax relief remains at £50,000. The maximum 'lifetime allowance' has been reduced from £1.5m to £1.25m from April 2014, with transitional arrangements for those negatively affected.

**Pension drawdown:** The maximum income paid from drawdown will be increasing by 20%, which reverses the 20% reduction implemented in April 2011. As yet it has not been stated from when the new level will apply, or if there are any transitional arrangements for those already using income drawdown.

**Capital Gains:** This will be increased by 1% in 2014-15 and 2015-16. This means that the annual exemption will be £11,000 for 2014-15 and £11,100 for 2015-16.

**Finally, a reminder:** The ISA year ends in April – which will be upon us sooner than we think – so anyone who has yet to use their annual ISA allowance, this is £11,280 for stock and shares and £5,640 for cash ISAs, or £11,280 for a combination of both with a maximum in cash of £5,640, should consider doing so sooner rather than later.

■ ***Your usual Lowes Consultant can help you with any questions on tax relief. Call this office on 0191 281 8811.***

# Face to Face

**THIS ISSUE WE PROFILE PAUL CAUSER AND PAUL READ, Co-heads of Fixed Income at Invesco Perpetual.**

Based in Invesco Perpetual's Henley-on-Thames offices, Paul Causer and Paul Read run the company's range of fixed income funds. These are funds primarily invested in bonds issued by companies, and government bonds, such as UK Gilts.

They are supported by a team of three fund managers dedicated to researching the fixed income market. In one fund, the Monthly Income Plus fund, they also invest part of the portfolio in stocks and shares that offer income through dividends. For this part of the fund they work closely with Neil Woodford, the company's highly regarded equity income asset manager.

Together Causer and Read have a total of 57 years in the investment industry and they have worked together at Invesco Perpetual for the past 17 years. This means that not only have they seen several investment cycles but they have experienced some of the major stockmarket crashes and economic recessions that have affected investors' portfolios and, period by period, the two managers have consistently outperformed their peer group.

We asked the managers to give us their view on the market. They said that while 2012 was "a positive year" for government debt and a "very good year" for corporate bonds, 2013 offers "fewer obvious risks than we saw a year ago" a fact they expect to be reflected in lower returns from individual bonds, because lower risk usually translates into lower returns.

Paul Read (Left) Paul Causer (right)

The sector they favour is financials, notably banks. While banks remain under the spotlight following the financial crisis, they have been forced by regulation to keep more capital to better balance their loan books and generally to make sure their balance sheets are stronger. This Causer and Read believe makes them "attractive" compared to other corporate bonds.

The financial sector featured highly in the managers' funds in 2012 and, as an example, this focus helped their Invesco Perpetual Corporate Bond fund beat the average of its peer group by 6.77% to deliver 20.46% over the year (to 30 November 2012).

With over 40 years in the market ourselves we believe there is no substitute for experience, which is why the Lowes Investment Team uses selected funds from the Invesco Perpetual fixed income fund range managed by Paul Causer and Paul Read.

# The Lowes Annual Client Competition 2013

*For our annual client competition this year we are turning to the stockmarket – and in particular 6 well-known companies within the FTSE 100 index.*

**THE FTSE 100 HAS HAD SOMETHING OF A ROLLER COASTER ride over the past year starting off at 5572.28 and ending it at 5897.8 – up 5.84%. However, in that 12 month period it dipped as low as 5260.2 and rose to 5965.6 - a difference from trough to peak of 13.4%. The performance of individual companies affects the overall performance of the index, which shows just how volatile stocks and shares prices can be. Which is why we recommend leaving stock picking to the experts.**

However, just for fun we've selected 6 companies from different sectors within the blue chip index and what we ask you to do is tell us which ones you think will have a higher price at 31 December 2013, and which will have a lower price.

The 6 companies

| Sector | Company/stock | Price* | % rise or fall in 2012 |
|---|---|---|---|
| Financial | Barclays | 275.6 | +47.8% |
| Oil and Gas | BP | 431.3 | -8.4% |
| Tobacco | British American Tobacco | 3091.0 | +0.4% |
| Retail | Tesco | 342.75 | -16.6% |
| Energy | National Grid | 706.5 | +11.88% |
| Telecoms | Vodaphone | 157.45 | -12.89% |

(* at 2 January 2013)

**Our tie breaker is:** Which of the companies do you think will have gained the most in price over the 12 months?

**DEADLINE** for entries is Thursday 28 February 2013.
**THE PRIZE:** The person closest to the correct answer will receive a Kindle Fire HD or equivalent electrical tablet device.

INVESTMENT

# Doug's digest

**IN THE DAYS OF UNIT TRUSTS, THINGS were quite simple. If you were an ordinary investor you bought retail units in a fund, and if you were classed as an institutional investor, such as a pension fund, then you bought institutional units in a fund. They both invested in an identical underlying basket of shares and/or property etc, but the institutional investors benefited from lower charges due to both no commission being paid to them and also economies of scale - an institutional unit typically had a minimum investment of £1million.**

As times moved on, and the majority of unit trusts became Open Ended Investment Companies (OEICs), things became a little more complicated. For one thing, investors were now buying shares instead of units, which meant the investment houses could create different shares (or share classes) for different types of investors. So for example, a fund could have an "I" class share for an institutional investor, and an "R" class share for an ordinary investor. Of course, with a multitude of investment houses there was never going to be a standard agreement and with a lot of funds, the share class for retail investors is "A", not "R", as they decided simply to start at the beginning of the alphabet.

The new flexibility also allowed for a variety of charging structures to be introduced. Most of the M&G fund range, for example, have an "X" class of share, which has no upfront charge to an investor, but there is a charge when they encash their investment.

When the Retail Distribution Review (RDR) came into effect on 31 December 2012, it did away with commission payments on new investments – but not for ones already in place. So some companies have reduced the minimum investment levels for their institutional share classes, which never paid commission, while others have created new share classes – 'B' and 'C' - adding to the already confusing collection since, once again, there is no standard.

Others firms took the opportunity to close their investment business to direct investments, insisting that in future all investments are made via a platform such as Cofunds or Fidelity FundsNetwork, and consequently created a "P" share class.

So what does this mean for the ordinary investor? First, they need to be very careful when wading through the alphabet soup to the most appropriate share class, as each has slightly different charges. One company, for example, has a 'P' share class, with a flat 1% annual management charge, as well as a 'PP' share class that has a slightly lower annual management charge, but applies an additional performance fee if it manages to outperform its benchmark.

Second, the removal of all charges other than those levied by the investment house is intended to make it easier to compare different funds on a cost basis, but investors need to avoid the trap of investing in a fund just because "it is cheap". What is really important is investing in funds that can deliver consistently good long-term performance after all charges have been taken into account.

Looking beyond the headline statistics and fully understanding the charging structure of an investment is something we have always been mindful of here at Lowes, and is one of many things we take into consideration when making sure our recommendations are best suited to our clients.

spwrap.com
a clear perspective

# FTSE 100 up 5% - you get 45%

*With interest rates remaining low, and inflation as measured by the Retail Prices Index hovering around 3%, ensuring that your investments gain value in real terms can be difficult.*


**THE LATEST MORGAN STANLEY FTSE ACCELERATOR BONUS Plan 4 is a maximum six-year investment which can mature early after three, four or five years if the FTSE 100 Index is 5% or more above its Initial Level – i.e. the closing level of the FTSE 100 recorded on 22 March 2013. If these criteria are met on the third, fourth or fifth anniversaries, your invested capital will be returned in full together with a gain of 45% and the investment finishes.**

If the investment does not mature early as on the previous three anniversary dates the index was not at least 5% above the Initial Level, and so reaches its final maturity date, the return will be dependent on the level of the FTSE 100 on 22 March 2019. If it is above the Initial Level, the percentage increase will be calculated and multiplied by ten, subject to a maximum possible gain of 45% (which will be achieved if the index is 5% or more higher).

If however the index is less than 5% above the Initial Level, your invested capital should still be returned in full, unless the index closed 50% or more below the Initial Level during the investment term. If such a fall does occur, and the index is below the Initial Level at maturity, your capital would be reduced by 1% for every 1% the index has fallen. For example, if the index fell by 50% or more during the term and closed 20% below the Initial Level at maturity, you would lose 20% of your invested capital.

The counterparty to this investment is Morgan Stanley. Founded in 1935, this household name has 600 offices around the world and a credit rating of 'A-' from leading credit rating agency Standard & Poor's, indicating a strong capacity to meet its obligations. However, if the bank fails before the investment matures you could lose all your invested capital.

Therefore, under the terms of this investment, for there to be a reduction to the original capital at maturity, Morgan Stanley would have to default, or the investment would need to fail to mature early because the FTSE 100 was less than 5% above the Initial Level on the 3rd, 4th and 5th anniversaries, and close at a level more than 50% below the Initial Level on any day during the investment term and be below the Initial Index level at the end of the six-year term. In the latter event, the loss to the original capital would be at the same level as the fall in the index.

Accordingly, this is an investment that is not appropriate for those who do not want to put their capital at risk. However, for those who are prepared to accept the risks we believe it offers a potentially attractive return for part of an investment portfolio.

Under current legislation, where the investment is held outside a tax shelter such as an ISA, any gains would be subject to Capital Gains Tax. This could prove to be favourable, as total gains achieved by an individual in a tax year of less than the annual Capital Gains Tax allowance (currently £10,600) are tax free and any excess is currently taxed at only 18% for basic rate tax payers and 28% for higher rate tax payer.

This investment will be facilitated via the new service, SPwrap.com, which we introduced via the last issue of this magazine. Once you proceed, any other existing structured investments that were arranged by Lowes will be noted on SPwrap.com so you can obtain a better overview of your portfolio and keep track of your investments. An initial wrap fee of 0.65% is charged for the use of SPwrap.com.

If you would like to consider this investment for your portfolio, please complete the "Provisional Application to Invest" form enclosed within this magazine and return it to us in the pre-paid envelope. We will then send you the relevant documentation, including our client fee agreement where this has not already been signed and terms and conditions together with pre-populated application forms.

The investment is, of course, not right for everyone and this promotion should not be construed as personal advice. If you have any doubts about the suitability of this, or any investment for you, please contact this office on 0191 281 8811 or your usual Lowes Consultant.