January **2012**

"The intelligent investor is a realist who sells to optimists and buys from pessimists"
Benjamin Graham

Winner of our 2011 client competition

IT'S TIME TO ANNOUNCE THE WINNER OF OUR ANNUAL client competition. Congratulations to Mr Eric Johnson of Stanley, County Durham who scoops the prize in our Growth & Inflation competition set in January last year. Mr Johnson wins 6 bubbling bottles of Moët Champagne with which to celebrate!

Inflation was in the headlines for much of last year and our competition asked you to predict what would be the price of four items come the end of November 2011. They were a litre of unleaded petrol, an 800gm sliced white loaf, a pint of milk and a pint of bitter.

Item	Price at end of Nov 2010	Price at end of Nov 2011	increase/ decrease
Litre of unleaded petrol	119	134	12.6%
800g sliced white loaf	122	115	-5.7%
Pint of milk	45	46	2.1%
Pint of bitter	261	272	4.2%

Source: Office of National Statistics

■ *The 2012 competition is open to all our readers and we invite everyone to enter.* *Turn to page 7 for details.*

LIVING NORTH LIVE

Lowes headline sponsor at Living North Live 2012

LOWES IS TO BE THE HEADLINE SPONSOR OF Living North Live, a major regional exhibition that runs from 23-25 March at Newcastle Racecourse. This inspirational event hosts around 200 exhibitors, showcasing the very best in interiors, homes, outdoor living, gardens, fashion, food, art, health, lifestyle and personal finance. While held in the North East, Living North Live attracts visitors from around the country.

Lowes will be hosting a programme of short seminars throughout the 3-day event, aimed at answering investment queries and dealing with issues such as long term care and inheritance tax. We will also be holding regular surgery sessions for anyone who wants to discuss personal finance issues with one of our advisers, who are among the best qualified in the country.

■ ***More details of Living North Live can be found at: Lowes.co.uk/LivingNorth***

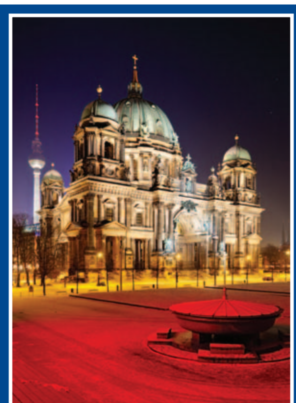
Intern Returns

A MASTERS GRADUATE WHO SERVED A SIX MONTH internship in 2003 has returned to Lowes in a senior role.

Sham Yapa first joined Lowes in July 2003 after completing his Masters Degree in Finance at Liverpool University. With a keen interest in derivatives he was an ideal recruit to help with the research work on structured products for which Lowes is well known in the financial services industry.

After his internship came to an end he went to work for Abbey National (Santander as it is now) and Investec Bank, in their investment divisions in London.

We are now delighted to welcome him back. While he will be primarily based in London, Sham will play an important role for Lowes, liaising with the key companies in the industry and initially focused on developing our position in the market. He will also bring valuable additional experience and know-how to our investment management team.



Our cover shot:
Berlin Cathedral
©istockphoto/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 / Northern Rock	Easy Access Saver	2.85%	Branch and www.northernrock.co.uk*

Sources: Providers' websites, www.thisismoney.co.uk, www.moneyextra.com, www.moneysupermarket.com, www.moneyfacts.co.uk

Measures of inflation

The average change in prices of goods and services over a 12 month period to the end of December 2011

Retail Prices Index (RPI)	Consumer Prices Index (CPI)
4.8%	4.2%

Source: Office for National Statistics

This magazine is not personal advice. If you are unsure as to the suitability of any intended course of action, please contact your usual Lowes Consultant or this office.

Be a savvy cash saver

IN THE CURRENT ALL-TIME-LOW INTEREST RATE environment we are all looking for the best cash savings deal. Banks and building societies know this and heavily promote their new and enticing savings accounts and Cash ISAs to consumers. These accounts are often similar in name to those launched in previous years but as we at Lowes have been warning for many years, the treatment of existing and new customers can be very different.

What people often don't realise is that while the new accounts offer favourable rates of interest, the accounts created in the previous year under similar promotional schemes are being closed to new savers and their rates of interest are being quietly reduced behind the scenes.

Consumer group Which? has recently undertaken research that confirms our views and infers that by calling the new accounts a similar name, holders of the older accounts can be led to believe they are getting the same deal when in fact they are receiving a lower rate than the year before. In addition, as anyone who has tried to do so can testify, it can be very difficult to find out exactly what interest is being paid on those existing accounts.

Financial services research company Defaqto recorded that banks and building societies had launched 142 of these new accounts in the first 10 months of last year (2011) compared to 51 in the same period in 2010. This trend suggests they know they are on to a good thing. A look at the difference between accounts bears this out, as rates recorded at the end of 2011 show one account offering 3.06% (pre tax) for new account savers against just 0.5% for savers in earlier versions of the very same account. In addition, transferring between old and new accounts is often not allowed by the providers.

It pays therefore, to regularly review cash savings and cash ISAs to ensure the rate of interest being paid is still competitive and where it is not, to move your money to a better paying account.

COMMENT

Pay a man to dig a hole…

IMAGINE A FUTURISTIC BRITAIN WHERE TRAVELLING AT OVER 220mph in a super modern transport system is commonplace. I doubt that many people could not see this as being a reality at some point. Such a transition takes long-term investment which, like all long-term investments, should ultimately produce benefits.

Keynesian economics suggests, on a simplistic level, that to drive an economy in the right direction, governments should pay people to dig holes in the ground and others to fill them up again. Obviously, Keynes appreciated that it is better to pay the people to do something more useful but felt it didn't matter what, as long as the government was creating jobs. People in employment stop being a drain on the economy and have disposable income which can itself boost the economy, not least because everyone is taxed in the process.

Leaving aside political, social or environmental arguments for a moment, and viewed in the light of this particular economic theory, there is therefore some logic in the Government's recent announcement that it will indeed be paying people to dig holes in the ground between London and Birmingham as part of the £33bn investment in the next phase of the UK high-speed railway, HS2. Not only might this bring us one step closer to the futuristic Britain but it also provides huge potential economic stimulus in the form of 40,000 jobs and producing up to £2.50 return to the economy for every £1 investment. Obviously there are significant objections to HS2, not least the question of the source of the finance for the project. Nevertheless, my general view is that investing in our future is essential on a personal, corporate and wider economic level.

On a completely separate front, having just read about Barclays Capital's observation of an "unhealthy correlation" between the building of skyscrapers and financial crises, it reminded me that patterns can be found anywhere if you look hard enough.

As such, it occurred to me that the economic situation is like the British winters. Three years ago following the initial shock after the collapse of Lehman Brothers it turned bad, being the coldest for several years. The following year it was the coldest for several decades and in 2010 we had the coldest December for over 100 years. This winter, when many people were finally prepared for the worst, we have seen very little so far. Those who were caught out in previous years but have purchased snow tyres, bags of grit and shovels might find they mis-timed things a little. Like the weather, the economy and the stockmarket are somewhat unpredictable, just when it looks like you can expect the worst, the market can rally and take everyone by surprise.

So far, it's been a mild winter, the Euro hasn't collapsed, the retail figures aren't as poor as they could have been and at the time of writing the UK stockmarket is more than 10% higher than it was on the autumn equinox. However, whether the markets do surprise us with a sudden rally or not, never forget that there will occasionally be storms ahead so ensure you invest wisely via a good Independent Financial Adviser who has your best interests at heart.

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.

The dangers of self-investing

IN CONTRAST TO TWELVE MONTHS ago, when confidence in the economic recovery was distinctly more optimistic, the economic outlook for 2012 does not make for favourable reading if a recent survey conducted among 83 economists, including 11 former members of the Bank of England's Monetary Policy Committee is proved correct. The survey showed that three times more respondents thought the economic outlook would deteriorate than thought it would improve in 2012.

However a word of caution; just as the optimism last year was misplaced the pessimism expressed in the current survey could be equally wide of the mark. This is because history tells us that, all too often when everyone is in agreement, the markets invariably prove them wrong. So, while it is highly likely that the world's stock markets will remain volatile, most certainly while the Eurozone crisis continues to affect economies on a global scale, this does not necessarily mean we will see weaker markets.

What worries us in this scenario is that in order to try to save a few pounds investors can be tempted to put together their own portfolios of investments. The evidence is that all too often what happens then is that people are sucked in to the latest fad or trend in the market, which if it turns sour can end up losing them substantial amounts of their money.

Without doubt, there are strong reasons for investors to look to shares for their returns. Savers in most bank and building society deposit accounts have been suffering badly as the interest paid has failed to match the annual increase in the retail prices index (RPI), 4.8% at time of writing, and so have seen the real value or purchasing power of their money eroded.

At the same time, as pointed out in our Autumn 2011 magazine, some of the big names in the FTSE 100 index such as AstraZeneca, Aviva, BAE Systems, HSBC, National Grid and Vodafone are paying dividends of over 5% net. While interest rates may not be expected to rise in 2012, the Bank of England does expect inflation to begin to fall, which, at these dividend rates, will make income from shares increasingly attractive.

Fund managers suggest this is a stock picker's market, by which they mean this is not a scenario where you can buy companies and generally expect they will go up in value. It is about considerable and careful research to identify the companies that have the potential to improve their business and their stock price or are in industries that could be set to do better than others in the years ahead.

If the experts are warning that picking stocks is becoming increasingly difficult, the danger for self-investors is apparent.

The same applies to selecting investment funds. Statistics show that very few fund managers consistently perform above the average year after year, so staying on top of the market is essential to ensure any investment does not get left behind and the best investment returns are maintained.

Burnt fingers

People who self-invest have a tendency to follow the herd in their choice of investments. The results of which were seen in the number of investors who had their fingers burned when the technology bubble burst in 2000 and similarly, when the property boom collapsed as part of the financial crisis in 2008/2009.

One of the dangers for investors who try to go it alone is that they are drawn to follow a trend, or worse still, they are led down that road by promotional offers on funds that they receive in the post from investment discount houses.

One high profile example of this is Anthony Bolton's China Investment Trust, launched in 2010. Bolton has been the darling of the UK investor for over a quarter of a century. In the 28 years he ran the Fidelity Special Situations fund it achieved annualised growth of 19.5%, compared to 13.5% growth of the stock market. Bolton finally handed the fund over to the new manager in 2008 when he retired. In 2010, Bolton came out of retirement to launch the Fidelity China Special Situations on the basis of the exceptional investment opportunities in China.

Some of the direct investment houses heavily promoted Bolton's China fund in 2010 and 2011 on the back of the manager's reputation and potential prospects for China. In fact, the £465m raised made it the biggest emerging market investment trust launch in 20 years.

However, in December 2011 Bolton took the dramatic step of apologising to investors for the poor performance of the fund. Anyone who had put their shirt on him would have found themselves 30 per cent down on the deal.

Yet, given the success of the man and the hype around China it would have been easy to think it was a 'sure bet'; certainly,

in today's markets

no one would have imagined Bolton could have disappointed so heavily.

In our view, the investment environment always needs a balanced portfolio put together by those who study and research the investment markets on a daily basis. To do anything else is to trust too much to chance and can see investors lose out.

Take a look at the tables on this page. They show the best Investment Management Association (IMA) performing sectors over 10 years and the worst performing sectors over one year. You will see that seven out of 10 of the sectors are the same.

Also, the reason many of these sectors have been high performers is because they are riskier prospects, a fact tangibly demonstrated by the fact that they can as quickly plunge to become the worst performing for investors.

The Lowes approach

If there is one thing we can be certain of it is that even the most experienced investor does not know where the stock markets will be in the short term but given the economics of the markets they have a firm idea where they expect them to be in the medium to long term, or they would not be investing. For this reason, at Lowes we recommend investors having a decent spread of investments across assets, sectors and using different investment vehicles, with a view to reducing the risk in an investment portfolio in the short term, while enhancing long-term performance.

Just how a portfolio should be constructed will depend on individual circumstances. We will build a portfolio that uses investments we have identified as best of breed, and which will deliver reasonable returns in different market conditions. It may include, for example, funds invested in shares and in corporate bonds. It may also include structured products, as these investment vehicles can provide both elements of capital protection and a known return at maturity depending on how stock markets perform.

Importantly, we constantly monitor the portfolio. We select funds that we believe should be held for the long term, with good managers who are experienced in making investment decisions, but where we feel an investment needs to be changed to improve the performance of the portfolio we will advise accordingly.

At all times, our recommendations are based on the work of the Lowes investment team which is constantly researching the market, talking to fund managers and analysing their performance to ensure we have a highly defined investment process aimed at delivering results for investors.

■ ***If you would like to speak to a Lowes Consultant about bringing any external investments inside a Lowes managed portfolio please call 0191 281 8811.***

Best performing IMA sectors over 10 years (Oct 2001-Oct 2011)	%
Global Emerging Markets	312.8
China/Greater China	284
Asia Pacific Excluding Japan	224.7
European Smaller Companies	166.4
Asia Pacific Including Japan	135.8
Sterling High Yield	69.6
Europe Excluding UK	67.6
UK Smaller Companies	109
UK Index Linked Gilts	84.1
Absolute Return - UK	66

Worst performing IMA sectors over one year (Oct 2010-Oct 2011)	%
Global Emerging Markets	-9.4
China/Greater China	-16.6
Asia Pacific Excluding Japan	-6.1
European Smaller Companies	-3.6
Asia Pacific Including Japan	-5.5
Sterling High Yield	-2
Europe Excluding UK	-6.3
Europe Including UK	-5
Protected	-2.4
Active Managed	-0.4

Top Tip

Assigning a bond to save your tax position

IN THE FIRST of our new series of Top Tips in which Lowes Consultants highlight some of the financial issues experienced by clients and how they might be resolved, Robert Newton looks at the tax issues which can arise when encashing in investment bonds, and how this can particularly affect the over 65s.

Robert says: "When an investment bond is encashed in any money made is counted as income. This of course means that it is subject to income tax rules. UK Investment bonds are taxed at lower rate income tax of 20% during the time they are held, but for those paying 40% higher rate or 50% top rate tax, that can mean a hefty chunk of the money gained is paid to the taxman on encashment too.

However, if the bond holder is a higher rate tax payer and their spouse or civil partner is a lower rate tax payer, they can transfer the bond to them by assigning it as a gift. Then, because 20% tax has already been paid, there will be no further tax to pay. This can be for solely or jointly held bonds. However, this has to be a clear cut, no strings attached transfer from one to the other.

This can be useful also for people over 65 who have an income of £24,000 or under and who receive the age-related personal income tax allowance of £9,940. Cashing in a bond could see them taken above the £24,000 threshold, which means they will only receive basic rate tax allowance (£7,475). Assigning the bond can mean they keep the additional age-related allowance."

■ ***If you would like to know more about tax planning like this please contact your Lowes Consultant or call 0191 281 8811.***

Make the most of your ISA allowances

THIS TIME OF YEAR WE REMIND ALL OUR CLIENTS TO MAKE use of their ISA tax allowances. Investing the full amount in these tax efficient vehicles can give you significant tax savings over the years.

- The current limits on the amounts you can invest in an ISA are £5,340 for a Cash ISA and £10,680 for a Stocks & Shares ISA (previously they were £5,100 and £10,200 respectively). Alternatively you can combine the two to an overall limit of £10,680, with the maximum that can be put into the Cash ISA element remaining at £5,340.
- You can transfer money from an existing Cash ISA to a Stocks & Shares ISA without affecting your annual allowance or the tax status of the investment but, once transferred, it is not possible to move these funds back into a Cash ISA.
- The Stocks & Shares component can include UK and foreign shares, UK funds including unit trusts and OEICS, gilts, structured products through to funds investing in emerging markets.
- We recommend having a spread of investments, particularly as your ISA portfolio grows over the years, as this can help keep your investments on track should one or more be affected by the ups and downs of the markets. Similarly, your ISA can be linked to the performance of any underlying index, and be constructed to incorporate protection to insulate against all but the most severe stock market falls.

- The deadline to use your 2011/2012 allowances is 5 April 2012.

■ ***For more information on tax planning, please contact your usual Lowes Consultant, or call us on 0191 281 8811.***

Lowes: Face to Face

AT LOWES WE WANT TO ENSURE WE HAVE OUR FINGER on the pulse of the markets and the views of the top fund management houses, so regularly throughout the year the Lowes Investment team have face-to-face meetings with selected fund managers. One of the fund managers we have respected for some time and who recently visited our offices is Carl Stick (below), manager of the Rathbone Income Fund one of the funds we may use within our portfolio.

Carl's background is an interesting one as before joining the fund management industry he had several non-investment related roles. This included working as a chef to the late King Hussein of Jordan's brother, during which time he cooked up sumptuous dishes for many VIPs, such as Warren Christopher, the former US Secretary of State.

Carl joined the wealth management industry in 1996 and took over the Rathbone Income Fund in January 2000. He is now a Board Director of Rathbone Unit Trust Management.

The Rathbone Income Fund aims to achieve above average and maintainable income but without neglecting capital security and growth.

Carl invests the fund in around 40 to 50 companies of all sizes. What he looks for is companies that are well managed, making a profit and which can pay out cash to investors, as dividends, every year. He concentrates on solid companies he feels have been neglected or over sold by other investors and which have the strong potential to bounce back.

In particular he looks for companies that are increasing their payouts, as this enables the fund to pay a higher income to investors. It has given investors a rising income in 16 of the last 17 years – 2009 was the exception, following the turmoil caused by the financial crisis.

Carl focuses on the risks of investing and his reaction to the fall in the stock markets in the second half of 2011 was to keep the money in the fund as safe as possible, i.e. to preserve the capital. This paid off and over three years the fund has grown by over 46% net income reinvested. For income seekers it is currently paying out an income of 4.42%*.

Carl says he is both negative and positive in his outlook for 2012. He is negative because of the troubles that have been affecting the global economy, which means he is keeping back cash in the fund rather than investing it at the moment, but positive because, as he puts it, "the world does keep on turning and… good businesses will survive, grow and prosper", which will offer up opportunities for him to invest that cash and make a profit for investors.

*Source: Rathbone Unit Trust Management

The Lowes annual client competition

THIS YEAR OUR ANNUAL COMPETITION TURNS THE SPOTLIGHT ON THE PRICE OF gold. Gold has been the commodity highly sought after by investors during and in the wake of the financial crisis and in that time its price has more than doubled.

In consequence, last year as the global economy started to recover there was speculation the price would fall dramatically as highlighted in the autumn edition of this magazine. But the Eurozone crisis increased instability in global markets, enabling gold to continue to maintain its high price.

So our question to you this year is: Where do you think the price of gold will be come the end of December 2012?

Year	Annual High	Annual Low	Year End
2007	$841.1	$608.4	$833.8
2008	$1,011.3	$712.5	$869.8
2009	$1,212.5	$810.0	$1,087.5
2010	$1,421.0	$1,058.0	$1,405.5
2011	$1,895.0	$1,319.0	$1,531.0

Source: World Gold Council

The table, which shows the annual high,low and year end price of gold for the past five years, we hope will be a useful tool in coming to your answer. Complete the tear off form with your name and address and what you believe the price of gold will be on 31 December 2012 and post it to us today. The person closest to the actual figure on the day will receive 6 bottles of Moët Champagne. Deadline for entries is Wednesday 29 February 2012.

The stock market is a pendulum

Melvyn Bell, Lowes Investment Manager, ponders the thoughts of legendary investor Benjamin Graham who said: 'The intelligent investor is a realist who sells to optimists and buys from pessimists'.

AFTER WHAT CAN ONLY BE DESCRIBED as a disappointing 2011 for the global equity markets, the *Financial Times* headline of 3 January 2012 could at first sight be considered somewhat less than reassuring when it stated, "Economics experts foresee a bleak 2012". This was followed by the comment, "The coming year will rival 2009 for economic weakness as output is hit by the continuing debt crisis in the eurozone, according to a large majority of economists polled by the *Financial Times*".

However, economists and so-called investment 'experts' don't always get it right. In fact more often than not they get it wrong, which is why they invariably cover their predictions with caveats allowing them to predict a wide degree of outcomes. We only have to look at the last year to realise their fallibility. When the financial website ThisisMoney.co.uk asked a panel of experts to give their predictions of where the FTSE 100 would finish at the end of 2011, they were all bullish, with every single response believing that it would clamber above 6,000. In fact, one optimistic commentator believed it would be around the 6,700 mark. Of course, the FTSE 100 closed at 5,572.28 on 30 December 2012.

This failure to reflect their optimism is undoubtedly down to the problems emanating from the eurozone and the relentless downgrading of estimates of global growth prospects. This is amply illustrated by the fact that, according to the Office of National Statistics, at the beginning of 2011 the consensus of independent forecasters was for the UK Gross Domestic Product (GDP) to rise by 1.7%. In the event this was decidedly optimistic as, while we are still waiting for official confirmation, it is now widely accepted that growth has been minimal at best, if not negative.

However, a weak economy does not necessarily mean a weak stock market or, for that matter, a rapidly expanding economy a strong stock market. We only have to look at the performance of the so-called BRIC (Brazil, Russia, India, China) economies during 2011 to illustrate this fact. In the twelve months to the end of the third quarter of 2011, the Chinese GDP is estimated to have risen by 9.1, the Indian GDP by 6.9%, the Russian GDP by 4.8% and the Brazilian GDP by 2.1%. In contrast, rebased in pounds sterling, during 2011 the MSCI Chinese index has fallen by 20.57%, the MSCI Indian Index has fallen by 37.09%, the MSCI Russian Index has fallen by 18.09% and the MSCI Brazilian index has fallen by 23.09%.

The point I would make is that it is always dangerous to make investment decisions purely on the basis of anticipated movements in the overall economy without any assessment of whether the stock market is already pricing in those anticipated movements. This is a point that we believe is at the heart of the investment philosophy of two of the most successful investors of the last 100 years, the legendary Warren Buffett and his mentor Benjamin Graham. Graham illustrated the fundamental basis of his and Buffett's investment philosophy when he said: "The market is a pendulum that forever swings between the unsustainable optimism (which makes stocks too expensive) and unjustified pessimism (which makes them too cheap). The intelligent Investor is a realist who sells to optimists and buys from pessimists."

It is therefore no surprise that one of the most successful UK fund managers of the last decade, Invesco Perpetual's Head of Investment Neil Woodford adopts a similar philosophy. As illustrated when he recently said when referring to the ongoing eurozone crisis, "We reiterate our view that this is not new or a surprise for us. We are no more concerned about the macro environment than we were previously, and we remain disciplined patient and long term investors. The stock market sell-off, we believe, provides us with attractive opportunities to invest for the long term in companies which are capable of delivering attractive returns regardless of the economic turmoil."

A view with which we whole-heartedly agree.

A Closer Look at Auto-Call / Kick-out Structured Products

THE POTENTIAL RETURNS OFFERED by structured products can change significantly over time as market conditions vary. The plans available today might provide completely different potential returns to those available a year, or even a month ago. However, the plans on offer at any point in time can also vary significantly from one another and in this brief article we look at four currently available products with similar features but highlighting some fundamental differences.

All four are auto-call structures which, as such, can mature early on specified anniversary dates provided that certain pre-defined market conditions are met on that date. They all have their potential returns linked to the FTSE 100 index and have maximum terms of five or six years but with differing risks.

Plan 1

This is a straight-forward auto-call, offering a potential gain of 11% for each year the plan has been held and will mature on any anniversary that the FTSE 100 Index closes above the level recorded at commencement.

If the plan does not produce a gain, it aims to return investors' original capital in full at the end of six years, unless the FTSE at the end of the term is down by 50% or more. If such a fall does occur, the original capital will be reduced by 1% for every 1% the final index level is below the initial index level. The ultimate counterparty to this investment upon which the return of capital is dependent is rated as having a "very strong" capacity to meet its financial commitments.

Plan 2

The second product also offers a potential gain of 11% for each year held, and will again mature on any anniversary that the FTSE, as measured by the average of the preceding ten closing levels of the index is above the level recorded at commencement. Not only could this ten day averaging prove to be of benefit, in order to reduce the risk of a total loss arising from the default of the plan counterparty, this investment is backed by a total of six financial institutions, with no more than 20% exposed to any one. All the counterparties are rated as either "strong" or "very strong".

The trade-off for this reduced counterparty risk, whilst retaining an 11% potential coupon, is that the "market risk" to capital is increased. The return of capital under this plan is dependent on the index not falling by more than 50% during the term, rather than just at maturity as with Plan 1. So if the plan fails to produce a gain because the FTSE is down on every anniversary, if it closed more than 50% down on any day during the term capital will be reduced by 1% for every 1% the final index level is below the initial index level.

Plan 3

Our third investment offers a lower potential gain of 8.5% for each year held but can only mature from the second anniversary onwards. The lower potential return and the fact that the plan cannot mature on the first anniversary are a trade-off for the plan having the potential to mature even if the FTSE is as much as 10% below its initial level on any relevant anniversary.

In almost every other respect this investment is the same as Plan 1 and so, provided it is held to its ultimate maturity, it will only give rise to a loss if the counterparty fails or the FTSE is more than 10% down on the 2nd, 3rd, 4th and 5th anniversaries and is more than 50% down on the 6th. The counterparty for this investment is a major high street bank rated as having a "strong" capacity to meet its financial commitments.

Plan 4

Being a deposit and available as a Cash ISA, Plan 4 is a lower risk proposition. It has a maximum term of five years and as with Plan 3 it cannot mature until at least the second anniversary and will do so if the average closing level of the index over the five days leading up to the maturity date is above the level recorded at commencement. At 6.25% potential interest for each year held the potential return is lower than the other propositions but this is a function of there being no risk of loss at maturity from stockmarket movements. Furthermore, as a deposit, in the event that the issuing bank fails, eligible individuals may be able to claim up to £85,000 compensation from the Financial Services Compensation Scheme.

If you would like further information on any of these investments please contact your usual Lowes Consultant or this office on 0191 281 8811 or return the card located between pages two and three of this issue indicating which Plans you are interested in.

There are many further variations of structure available with alternative indices, a wide variety of counterparties and different levels of market protection. Again, if you would like further information please do not hesitate to talk to us.

This magazine is not personal advice. If you are unsure as to the suitability of any intended course of action, please contact your usual Lowes' Consultant or this office.