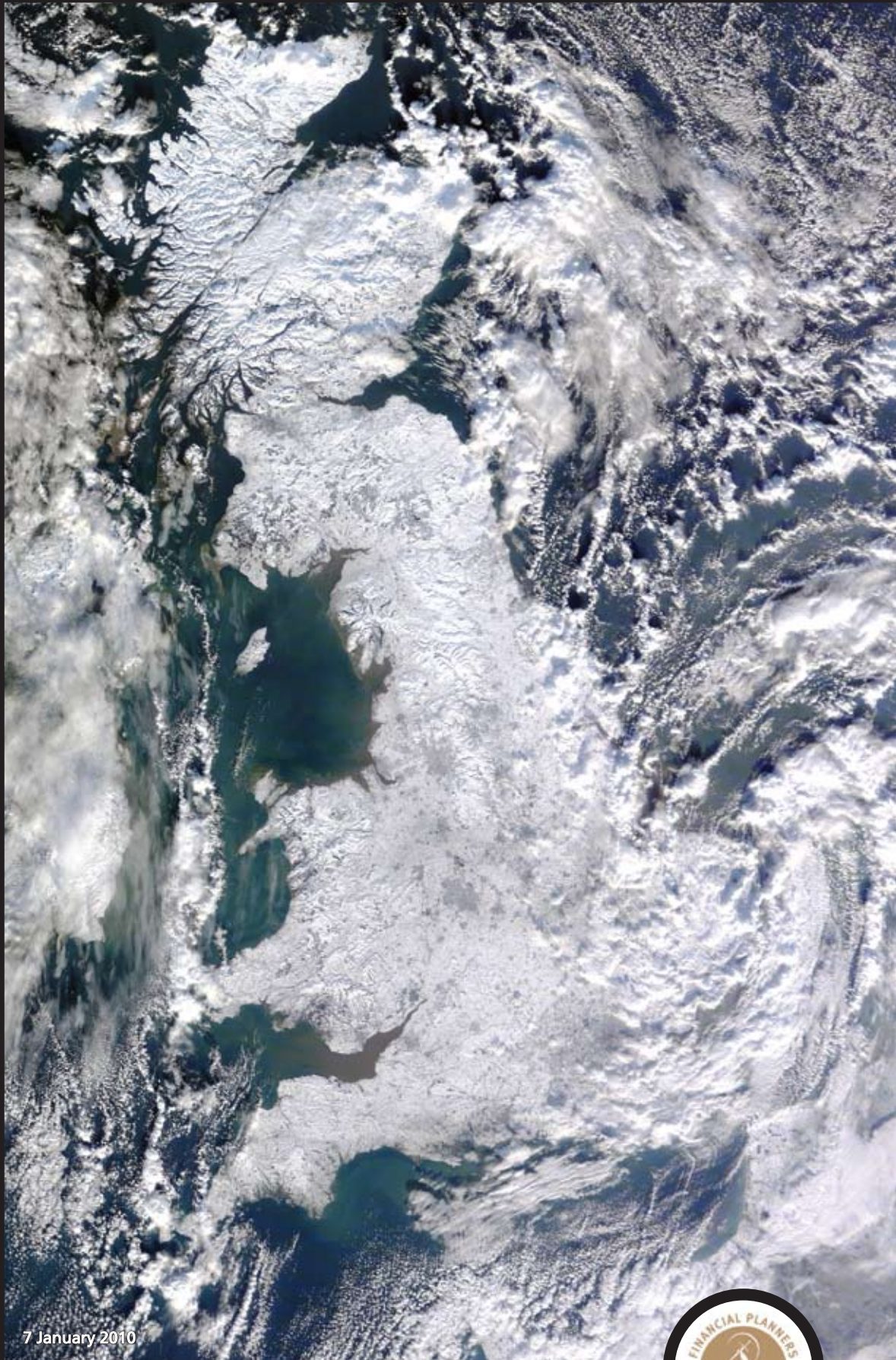




January 2010



**"It is easy to see,
hard to foresee."**

Benjamin Franklin

7 January 2010

INSIDE: END OF THE OIL ERA?



Who won the 2009 FTSE competition?



CONGRATULATIONS TO MR SAMUEL GILLESPIE from Bangor, Belfast. After a turbulent and nailbiting 12 months, which saw the FTSE 100 tumble to the year's low of 3460.7 on 9 March before rebounding, Mr Gillespie is the winner of our 2009 'Predict the FTSE 100' competition and receives six bottles of Moët Champagne!

Last January we asked you to predict what you thought the level of the FTSE 100 would be at the close of business on 31 December, 2009. Mr Gillespie predicted that it would reach 5445 – which compares to the actual level of 5412.9.

This year we're inviting our clients to enter our new 2010 competition – Predict the Region. For full details, see page 7.

HMRC tax amnesty passes

THE DEADLINE IMPOSED BY THE UK TAX AUTHORITY, HMRC, for UK citizens living overseas to register under the New Disclosure Opportunity (NDO) all previously undeclared income and gains expired on 4 January. HMRC said around 10,000 people have registered for the NDO, which includes a "couple of hundred" who registered for the Liechtenstein Disclosure Facility.

These people must now make a full paper disclosure and repay the tax owed plus a fixed fine of 10 per cent of tax owed by 31 January 2010, while complete disclosures done online must be made and paid by 12 March. Those who have failed to register could face fines up to 200 per cent of tax owed plus, in more serious cases, naming and shaming and prison sentences. HMRC says it expects to recover £500 million in unpaid taxes.

HMRC announced its next target on 11 January when middle class medical professionals were given a three month amnesty to disclose undeclared earnings from their private work. If successful, it is believed HMRC may then target other professions such as solicitors and bankers.

House prices up in 2010

HOUSE PRICES ARE ON THE RISE AGAIN ACCORDING TO data from the Halifax and the Nationwide. The seasonally adjusted Halifax House Price Index published on 7 January shows house prices rose 1 per cent in December whilst data from the Nationwide puts the monthly change for December at 0.4 per cent.

Year on year data from the Halifax shows a 1.1 per cent rise for the 12 months to December, while the Nationwide data shows a 5.9 per cent rise over the same period.

Looking ahead to 2010 both major lenders say that the prospects for future house prices depend on the supply of houses for sale, house price affordability, interest rates and unemployment, but predict that there are unlikely to be significant changes in house prices either up or down.



The annual Halifax First Time Buyer Review, which tracks housing affordability across the UK, says that home affordability for potential first-time buyers improved significantly in 2009.

Meanwhile, the stamp duty holiday announced in September 2008 by Chancellor, Alistair Darling, on houses costing less than £175,000 ended on 31 December and the threshold at which 1 per cent stamp duty is paid has been reduced back down to £125,000.



Our cover shot: Snow across Britain taken by the Earth observation satellite, Terra on 7 January. Picture credit: NASA/GSFC, MODIS Rapid Response.

Make your money work

Best bank and building society unrestricted instant access/no notice accounts

Branch Based

Amount	Provider	Account	Gross Rate	Contact
£1+	Northern Rock	Branch Saver	1.9%	Branch

Postal or Telephone

£1+	Sainsbury's Bank	Easy Saver	2.5%	Call 0500 40 50 60 ¹
£1,000+	Stroud & Swindon Building Society	Postal Account	2.25%	www.stoudandswindon.co.uk ²

Internet

£1+	Barnsley Building Society	Online Saver	2.5%	www.barnsley-bs.co.uk ³
£10+	Saffron Building Society	Goal Saver Account	2.85%	www.saffronbs.co.uk ⁴

Note 1: Bonus applied for 12 months. After 12 months the rate will revert to the standard Easy Saver interest rate, which is currently 0.50%. Maximum of 5 withdrawals permitted each year.

Note 2: Minimum deposit/withdrawal £100. Rate guaranteed to be at least 0.25% above the Bank of England base rate until 30 September 2010.

Note 3: Yorkshire Building Society is the underlying deposit taker for this account.

Note 4: Rate guaranteed to be 2.35% above the Bank of England base rate until 31 August 2010.

Sources: Providers' websites, www.thisismoney.co.uk, www.moneyextra.com, www.moneysupermarket.com, www.moneyfacts.co.uk 14/01/2010.

All accounts subject to terms and conditions

Pre-Budget Report has stale taste

THE 2009 PRE-BUDGET REPORT WAS the last one before the General Election and it understandably bore all the hallmarks of a government unable to offer anything significant in the way of pre-election sweeteners thanks to the current state of the UK's finances.

Of course, things could change in the March Budget or if a new government is elected to office, but key points of note include:



Inheritance Tax (IHT): The IHT threshold is frozen at the current level of £325,000 after 6 April 2010, and at £650,000 for married couples and civil partners (they were to have been increased to £350,000 and £700,000 respectively).

Tax rates and thresholds: For the tax year 2010/11 all tax allowances and thresholds will be frozen at the same as for the current year. For the tax year 2012/13, the higher rate threshold will be frozen at the 2011-12 amount. The personal allowance will be increased and the basic rate limit will be reduced by the same amount.

National Insurance Contribution (NIC) rates and thresholds: For the tax year 2010/11, with just 2 small exceptions, all NIC rates and thresholds are unchanged from the current year. For the tax year 2011/12, in addition to the 0.5 per cent increases to rates already announced in the 2008 Pre-Budget report, the Chancellor said there will be a further 0.5 per cent rise in those rates, making a 1 per cent increase in total from 6 April 2011.

Working Tax Credits for the Over 65s: From 6 April 2011, people aged 65 and over will qualify for Working Tax Credits if they work at least 16 hours a week.

News shorts ...

Boost for Premium Bond prizes

The Premium Bond prize fund rate was increased from 1 to 1.5 per cent from the October 2009 prize draw. The prize fund rate was reduced from 2.85 to 1.8 per cent in December 2008 and then cut again to 1 per cent in March 2009

The rate increase to 1.5 per cent improves the odds of winning a prize from 36,000 to 1 to 24,000 to 1, and NS&I estimates it will create an extra 500,000 Premium Bond prizes a month, bringing the monthly total of tax-free prizes to more than 1.7 million.

NS&I says that Premium Bond holders with the maximum amount invested of £30,000 and average luck could win 15 tax-free prizes per year with the new odds, which compares to 10 with the previous odds.

Tax back on Spanish homes

As a result of a recent ruling by the European Court of Justice, an estimated 90,000 Britons may be able to claim a 20 per cent tax refund from the Spanish government on the sale of their Spanish homes.

The European Court of Justice has ruled that the Spanish government was breaking the law when it charged 35 per cent Capital Gains Tax on the sale of property by non-residents between 1997 and 2006. The rate charged to non-residents was 20 per cent above the charge for Spanish citizens selling their homes and contravened European Community rules.

Higher-rate taxpayers missing out on charitable tax relief

The Charities Aid Foundation estimates that higher-rate taxpayers are missing out on over £250m of tax relief on their charitable donations.

In 2008/09 higher-rate taxpayers claimed £280m in tax relief on donations but the Foundation says its research found that around half of all higher-rate taxpayers were unaware they could reclaim 20 per cent personal tax relief on their charitable donations in their self assessment tax return, suggesting that half of this tax relief is lost each year. The difference between 20 and 40 per cent tax paid on donations can either be given to a charity, or claimed back by the donor. If the relief is given to charity, for every £100 donated the charity will receive £160.20 in total.

In the Beginning

ACCORDING TO SOME AT THE BEGINNING of 2009, it was the end of capitalism and the beginning of austerity for all. But here we are a year later and, although it hasn't been much fun for those who have lost their jobs, at least unemployment is nothing close to what the doomsayers suggested and the capitalist system is still with us.

Maybe they were a year out and it is this year that the sky falls. Then again, maybe not.

Predicting the economic future is easy, getting it right is the hardest thing of all, and trying to take advantage of future predictions is like juggling with smoke. Lowes as a company celebrates its 40th birthday next year. This means that we have been through various stock market crashes, recessions, and changes of government. The most important lesson we have learned is that the future happens; it can't be changed and it certainly can't be predicted, at least not with any certainty.

Who would have predicted this time last year that the markets would crash and recover in a period of nine months? Even if we had been really astute and told every client to get out of the markets before the crash, would we have been equally as clever at recognising the bottom and telling you to get back in again? I doubt it.

During the eighties and early nineties we tried doing just such an exercise. The company spent heavily on research and the investment team worked long into the night only to find, in the end, that trying to avoid the falls in the market often meant losing out on the rises. So a low risk strategy could actually result in a high risk of making low returns.

BUT... if you are not in the market you cannot make a profit and if you are, you cannot avoid the occasional falls. With interest rates at historic lows and inflation just around the corner, I am more convinced than ever that stockmarket-related investments are the only true way to protect your financial health.

So, my job in the next 12 months is to keep our clients informed, reassured, and aware of opportunities. Nothing has changed in the last 39 years other than we have more experience and the lessons of history as our guide.

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.

When the oil runs out



Oil reserves may have peaked and prices are rising. But, as Lowes' Consultant Peter Collins reports, this could signal a new era of investment opportunity ...

IN DECEMBER AT THE Copenhagen climate summit, the chief economist of the International Energy Agency (IEA), Fatih Birol, stated: "The era of cheap oil is over." The last time the IEA claimed this was in 2008 when oil hit US\$147 a barrel, its highest price ever. During 2008 it plummeted to US\$30 per barrel, but now the price is up again at around US\$80.

We'll no doubt see huge fluctuations in the price in the coming years, but there is nothing to indicate that the price trend is on the way down. Just the opposite.

From the point of view of investment, high oil prices can have big impacts on the markets. The IEA suggests they played a key role in sparking the current financial crisis. So does Jeremy Rifkin, president of the Foundation on Economic Trends and an influential adviser to many governments including France, Germany and the US. Like the IEA, Rifkin believes high oil prices were instrumental in the financial turmoil of the past 18 months.

The reason, says Rifkin, is because the business model underpinning the global market economy needs cheap oil to provide cheap energy – be it to move car components around the world to take advantage of cheap labour costs; to grow food and flowers in developing countries and then fly them



Lanchester Library, Coventry University: Passive ventilation systems can create large energy savings. Now the NHS is looking to retrofit hospitals with this technology.

to the supermarkets of the developed countries; or to ship iron ore mined in Australia to India and China to make the goods consumed by the US and Europe. However, when oil hits US\$80 a barrel, Rifkin says this business model starts to unwind.

On the future price of oil, Rifkin says that despite hopes of new oil discoveries beneath the arctic and elsewhere, none of this potential has yet materialised and, even if it does, the cost of extraction will be enormous. Currently, known oil reserves are being used more quickly than they are being replaced.

Then there is the issue of CO₂ emissions and climate change. While some doubt the impact of people on the climate, many governments are acting to reduce their dependence on fossil fuels and their carbon footprint.

Although the global use of oil and other fossil fuels will increase for many years yet, large investments are going into the alternatives. It might surprise you to learn that China – criticised for its dirty coal fired power plants – is investing massively in clean energy. Commentators suggest that if China is to become a global superpower, then it must lead in at least one key technology area. Having missed out on the IT and communications revolutions, it seems China is determined not to miss out in the area of clean technology. Chinese companies dominate the manufacture of photovoltaic solar power systems and the government appears determined to transform the economy into one based on clean energy technology. Although fossil fuels still dominate, targets to generate 1.8GW of solar energy and 20GW of wind

energy by 2020 have already been reached and have been revised up to 20GW and 150GW respectively. China is also subsidising electric vehicles and there are plans to manufacture 500,000 of them a year by 2012.

Worldwide, it's estimated that renewable energy has already created around 2 million jobs. However, there are other new technologies – available now or in the pipeline – that can improve energy efficiency in many key areas and regardless of how energy is generated. Examples include smart energy distribution and transmission technologies; integrated water and waste management systems; combined heat and power; and electric transportation.

The major users of fossil fuel-based energy are the world's cities, and city authorities everywhere face

increasing pressures to cut their carbon footprints. Consequently, the use of energy saving and energy efficient technologies is growing – in new urban developments and in the retrofitting of the existing

buildings which dominate the built environment.

Below we highlight a few areas where there are investment opportunities which either increase the efficiency of fossil fuel use, or offer a substitute.

These are in addition to investment in non-fossil fuel energy generation systems, such as nuclear plants or wind farms.

■ See page 8 for details of a related investment opportunity.

New era of investment opportunity

1. The built environment: Buildings are major users of energy and among the most inefficient. As such, retrofitting existing commercial and residential buildings to make them more energy efficient, not to mention the construction of new energy efficient buildings, offers major investment opportunities.

Example: The NHS has recently launched a pilot programme to assess the feasibility of retrofitting hospitals with passive ventilation systems. These are based on the principles of fluid dynamics and the natural movement of hot and cold air and are highly energy efficient. Passive ventilation was a common feature of the theatres of the Victorian era and the technique is increasingly being used in new buildings.

2. Energy management technologies: Irrespective of how energy is generated, major efficiencies are possible with the use of smart grid and transmission systems.

Example: The Government of Victoria in Australia is implementing a state-wide network of smart meters to better manage energy use and broaden the community's ability to respond to climate change. They are also a key step in the development of smart electricity grids which will better manage energy flows as intermittent and geographically dispersed renewable energy systems come on stream.

3. Water and waste management systems: Much energy is required to process sewage and other waste and to purify water. However, an integrated system can create useful by-products whilst saving energy.

Example: French company Veolia is working with the London Borough of Southwark to develop such a system to recycle good quality water and convert sewage into high quality fertiliser, so reducing the need for conventional fertilisers which require large energy inputs to produce.

4. Electric transportation: Electric transportation is ideally suited to the urban environment.

Example: Daimler and RWE, Germany's 2nd largest power company, have a project in Berlin to establish recharging points for electric Smart and Mercedes cars around the city. In France and elsewhere, Toyota has joined with EDF, France's largest utility company, to build charging points for its electric cars.

5. Distributed power technologies: The traditional way of producing electrical power is to have large centralised generating plants. However, by its nature, sources of renewable energy are widely distributed and this makes possible a distributed or 'decentralised' energy generation system which incorporates small generators (e.g. residential developments and office buildings with their own wind turbine and solar power systems) as well as large facilities like wind farms, solar-thermal and nuclear power stations, and hydro-electric facilities.

Example: The European Commission has established a European Smart Grid Technology Platform and in 2006 published a strategy document for reconfiguring the power transmission grids across Europe to make them intelligent, distributed and interactive.

6. Buildings as power plants: High efficiency photovoltaic solar cells can be printed directly onto thin film which can be used on buildings that can then generate more power than they can use.

Example: The Walqa Technology Park in Huesca, Spain, produces its own renewable energy on site to power its operations. There are currently 12 office buildings with 40 more scheduled for construction. The park houses some leading high tech companies including Microsoft.

5 YEARS AGO

How did it perform?

– The Woolwich Cherry Picker Plan



IN OUR ONGOING SERIES examining progress of investment products we featured in *Lowes Magazine* five years ago, we report on the Woolwich Cherry Picker Plan which we promoted in the January 2005 issue.

This product was a five year contract designed to provide a return linked to the performance of three leading stockmarket indices – the FTSE 100, the Dow Jones EuroStoxx 50 and the Standard & Poor's 500.

The best performing market contributes 50 per cent of the final return, the second best 30 per cent, and the worst just 20 per cent.

At the time of writing both the Standard & Poor's 500 and Dow Jones EuroStoxx 50 are in negative territory and, as a result of the financial turmoil in the world, have suffered over the last 18 months.

However, regardless of the position of the final index values at maturity, the Cherry Picker Plan was designed to return at least the original investment.

POWER OF ATTORNEY

Power to stay in control of your finances

MOST PEOPLE UNDERSTAND THE importance of an up to date Will to ensure that on death their estate is distributed as they wish. However, relatively few people have taken steps to manage their financial affairs should they become mentally incapacitated.

A Lasting Power of Attorney (LPA) enables you to do this by allowing you to nominate an attorney you trust to make decisions on your behalf should you become unable to do so.

In the absence of an LPA specifying who can look after your affairs, then matters must go through the Court of Protection which was set up by the 2005 Mental Capacity Act to protect the assets of vulnerable people. However, problems and arguments involving family members who disagree with the Court's rulings are not uncommon. In a recent example publicised

on BBC TV's One Show, a viewer had to battle to control the family finances after an accident left her husband in a coma for three years. They both had Wills but had made no power of attorney, so the Court took control of her husband's assets and she had great difficulty gaining much needed access to his bank accounts, causing further distress in what was already an extremely traumatic period in her life.

The government is keen to promote the use of LPAs to avoid such issues. The process of using an LPA to grant power of attorney to handle your financial affairs should it become necessary is straightforward but does require some advice. It's important to note that according to your wishes, you can place limits on the decisions an attorney can take, e.g. they may not be able to sell your house, or sell assets such as shares above a certain value.

In addition, LPAs have built in safeguards. Notably, they must be registered with the Office of the Public Guardian (OPG) before use (a central register there of all LPAs and attorneys makes it is easy to check an LPA's validity); and an LPA needs to be certified to confirm that when it was drawn up, the person was aware of what they were doing and no undue pressure was placed on them.

Any decision that you are mentally incapacitated and unable to make decisions yourself is a medical one and must be made by a doctor. However, you can cancel an LPA at any time providing you are able.

■ For more information on the use of Lasting Power of Attorney in your financial planning, please contact your usual Lowes' Consultant, call us on 0191 281 8811, or return the card located between pages 2 and 3.

RETIREMENT

Annuity buyers suffer income loss

PEOPLE BUYING RETIREMENT annuities are losing out on substantial income, according to annuity provider, MGM Advantage.

The problem is that people are buying the annuity offered to them by their pension company rather than exercising the Open Market Option (OMO) which allows people to buy their pension annuity on the open market and achieve a higher annuity rate.

MGM says that someone buying one of the worst annuities with a £50,000 pension fund could lose £3,000 of income in the first five years of retirement. Yet it estimates that 60 per cent of annuity buyers use their existing pension provider.

Anyone contemplating annuity purchase should first consider the following points:

- You can take up to 25 per cent of your pension fund as tax free cash – the pension income from the annuity will be taxed at your marginal rate of Income Tax.
- If you have more than one pension fund you might consider consolidating them into a single fund rather than buy separate annuities. Larger funds can benefit from higher annuity rates.

- If the value of your total pension rights is below a certain level, you may be able to exchange them for a cash sum. For the tax year 2009/10, this equates to £17,500. Twenty five per cent of this will be tax free, with the remainder taxed at your marginal rate of Income Tax.

Once these points have been taken into account, it is important to understand that there are several different types of traditional pension annuity. The key ones are Index-linked, where income rises over time to compensate for inflation, and joint-life, where your spouse receives at least part of your pension if you die.

There are several other variations you should be aware of, notably impaired life or enhanced annuities, and postcode annuities. If you have health problems which could reduce your life expectancy (e.g. heart disease, cancer, or stroke), then some providers offer impaired life annuities which may provide a higher income. These may actually be available if you are overweight, or smoke regularly, and some companies also offer higher rates to people who have worked in certain occupations.



With postcode annuities, the income offered is based on where the customer lives. e.g. Kilbernie in Scotland is rated by actuaries as the place where retirees have the shortest life-span, and residents there may receive annuity payments up to 10 per cent higher than paid to people in other areas.

There are more flexible alternatives to traditional pension annuities, but these normally involve extra costs and investment risks. However, while they may not be suitable for everyone, particularly people with a small pension fund, or with no other assets or income, they can in the right circumstances offer important advantages.

■ To find out more about your pension income options, please contact your usual Lowes' Consultant, call us on 0191 281 8811, or return the card located between pages 2 and 3.

Which region will grow the fastest in 2010?

THIS YEAR, OUR COMPETITION is about which country or global geographic region will be the top performer, by reference to their respective main stock market index.

We would like you to take a look at the attached competition card and rank from 1 to 4 how you think these regions will have performed relative to each other over the period 1 January to 31 December 2010. To help you, Figure 1 illustrates their relative performance over five years.

We'd also like you to complete a tie breaker. Simply enter on the card the percentage figure that you think your selected region will have risen by over the year from 1 January to 31 December 2010.

Just tear off the competition card (between pages 6 and 7) complete it and then return it to us. The winner will receive six bubbling bottles of Moët Champagne! Waste no time! Make sure your entries are at our offices by 5pm on Friday 26 February.

Figure 1	Regional stockmarket performance			
	UK: FTSE 100	Europe: Dow Jones EuroStoxx 50	China: FTSE China	US: S&P 500
31/12/08 to 31/12/09	22.07	11.37	49.68	9.92
31/12/07 to 31/12/08	-31.33	-26.77	-34.96	-14.83
29/12/06 to 31/12/07	3.8	16.42	58.62	1.79
30/12/05 to 29/12/06	10.71	12.88	70.09	-0.34
31/12/04 to 30/12/05	16.71	17.7	25.14	15.19

Source: Lipper Hindsight 5. All figures translated to UK currency.



MARKET COMMENT

Goodbye 2009, hello 2010

By Melvyn Bell, Lowes' Investment Manager



ONE OF THE TERMS frequently used by investment analysts when describing the final collapse in a bear market is 'capitulation'.

This term describes the point where investors lose faith in the ability of their investments to recover and consequently they sell at whatever price they can get just before the market turns.

With hindsight, March 2009 appears to be such a point. Although the markets fell over 20 per cent to the 3 March, few investors – with the exception of the legendary duo, Anthony Bolton and Warren Buffett – were predicting the markets were at a turning point. In fact, I seriously doubt that even they believed markets were about to stage one of the most rapid recoveries ever from a bear market.

In the event, between the 3 March and the 31 December the FTSE 100 rose 54.1 per cent (22.07 per cent up in 2009), the US Dow Jones Industrials rose by 55 per cent, (18.8 per cent up in 2009), while the Dow EuroStoxx 50 index rose 59.1 per cent (21.2 per cent up in 2009).

But can the recovery in the Western economies be sustained in 2010, especially if Anthony Bolton is correct when he says: "In getting us out of the financial

crisis we have just been through, many Western governments have effectively mortgaged the future. The combination of governments having to repair their balance sheets, consumers rebuilding saving ratios and constraints on credit growth due to the weak state of the banking sector, will result in slower growth than before the crisis, particularly in the US, UK and Europe. This will become apparent sometime in 2010. Because of this, the faster growth being seen in economies like China's will appear relatively even more attractive and I believe a lot of money will continue to flow into the region from investors in the developed world."

I believe the recovery can be sustained, albeit more slowly. In the UK, while the markets recovered strongly, the FTSE 100 closed on the 31 December at 5412.88, just below the 5416.73 level on the Friday before Lehman Brothers went bankrupt in September 2008. So the markets have only returned to the levels before the crisis came to a head and just as the global economy was heading into recession. It is also worth noting that many companies (e.g. pharmaceuticals, tobacco, utilities and telecoms) with durable earnings and secure and rising dividends have not participated in the recovery.

These companies do not rely solely on the UK for their earnings and growth, but their business spans a number of geographic

regions. BP gets 57 per cent of its business in emerging markets, 22 per cent in the US and only 17 per cent in the UK. National Grid, the UK energy infrastructure business, gets 55 per cent of revenues from the US. I believe that as 2010 progresses we could see investors switch from the cyclical growth stocks that led the market over the last 10 months to stocks like these with globally diversified earnings that offer more security. Consequently, I expect traditional income funds to come to the fore as the year progresses.

For the more growth oriented part of an investment portfolio in 2010, I believe that the Chinese economy in particular, and emerging markets in general, will continue to assume an ever greater role in the global economy. Although with the Chinese Shenzhen B index rising by 108.5 per cent and the Brazilian Bovespa Index rising by 88.1 per cent between the 3 March and the 31 December, a period when the markets pause for breath or experience a correction is to be expected.

However when a fund manager of the status of Anthony Bolton announces he is to come out of retirement and manage a fund of Chinese equities we should pay more than a little attention to his statement: "For an investor like me the opportunity is simply too great to pass up. My retirement can wait a little while yet."

Opportunity knocks for longer-term investors

The New Opportunities Portfolio



THE BEGINNING OF A NEW YEAR TRADITIONALLY SEES A steady succession of 'investment experts' dusting off their crystal balls and giving their expectations for the year ahead.

We have no doubt that this year will be no different. In fact, in the Markets piece on page 7 of this edition of Lowes Magazine, we offer our own insight into what we believe will influence the prospects for global markets in the coming year.

However, we believe that trying to anticipate short-term market movements is a highly unpredictable occupation and is more akin to speculation than investment. True investors invest for the long-term by seeking longer-term themes and trends which will provide growth, for years not for weeks.

Having said that, it is our belief that the period we are now living in is a time when fundamental changes are taking place – changes which we believe could provide some highly profitable opportunities for those longer-term investors who take advantage of what we believe are a series of interconnected themes that in the future will be seen as every bit as important as the industrial revolution was in the eighteenth century.

Those themes are:

- **Global warming and climate change**
- **A global population which is predicted to rise by a third in the next 40 years.**
- **The dominance of the G6 western economies coming to an end and the emergence of the economies of China, India and Latin America.**
- **A steadily shrinking workforce in the developed economies due to falling fertility rates which will result in fewer births and increased life expectancy.**
- **The continuing growth in importance of cities which are now home to more than 50 per cent of the world's population, a figure which by 2025 is predicted to reach 60 per cent.**

We have arrived at this conclusion because of the following reasons.

- *The action taken to attempt to counter global warming, whether futile or not, will involve a switch from carbon intensive power generation to renewable energy and new technologies which can produce energy from existing sources more cleanly and this will inevitably result in massive investment and see the creation of new innovative companies.*

- *The rapid and continuing growth of the world's cities will create enormous demand for the skills, products and services able to renew their infrastructure, make the existing built environment more energy efficient, and to develop large numbers of affordable homes to accommodate the growing numbers who live in them.*
- *The predicted rise in global population from around 6.5 billion today to over 9 billion by 2050 will inevitably lead to increased demand for finite natural resources including agricultural products and clean drinking water.*
- *The increasing affluence of the two most populous nations in the world, China and India, whose economies by 2025, when combined with Russia and Brazil, are predicted to be larger in US Dollar terms than the economies of the present G6 economic superpowers (US, UK, Germany, Japan, France and Italy) has already seen a switch to more western tastes including both a high protein diet and increased demand for manufactured goods.*

Finally, because of a declining working population the developed economies will need to introduce new technologies to increase productivity to at least maintain the national income at a level sufficient to meet the needs of the rapidly rising population of retirees.

It is our belief that these themes will see new innovative companies coming to the fore, just as companies like Microsoft, Apple, Google and Intel emerged following the introduction of personal computers and the internet towards the end of the last century.

We therefore believe that investors willing to take the long view should consider investing a proportion of their assets in a diversified portfolio of investment funds which will be the likely beneficiaries of these themes. In particular, funds focusing on agriculture and natural resources; technology funds; those focusing on conventional and renewable energy production and energy efficiency and, last but by no means least, funds which focus on the emergence of truly global companies from the newly emerging economies of Asia and Latin America. Our New Opportunities Portfolio gives balanced exposure to these areas and it is our firm conviction that it could provide significant returns over the longer-term. The portfolio contains funds that are at the leading edge of a new era and will almost certainly have their periods of consolidation and, for this reason, it should be considered as a long-term investment

■ For those of you interested in discussing this further please contact your usual Lowes' Consultant, call us on 0191 281 8811 or return the card located between pages 2 and 3.