Autumn 2010

"To succeed, we must first believe that we can."

Michael Korda

INSIDE: DEFINED RISK INVESTMENTS

Good Advice Awards 2010
Investment Life & Pensions Moneyfacts
WINNER
Best Investment Adviser

Lowes: 'Best Investment Adviser'

FOR THE SECOND YEAR running Lowes Financial Management has won at the prestigious Moneyfacts Good Advice Awards. This year we are delighted to have been named 'Best Investment Adviser' following last year's success when we were named 'Best Tax and Estate Planner'.

The award was announced on 17 September at a ceremony in London, having been judged by a select panel of industry experts looking to reward Independent Financial Advisers that provide excellent financial advice to their clients across a range of financial planning areas.

The judges were particularly impressed with Lowes commitment to achieving the highest professional qualifications and the company's level of experience and investment expertise. Other areas highlighted and praised were the company's focus on customer satisfaction, the quality of its client magazine, its position as a renowned expert in the use of structured products and its educational seminars, where over 99 per cent of seminar attendees who have completed a seminar appraisal form since 2005 rated their attendance as time well spent; a clear demonstration of client satisfaction.

Commenting on the award, Lowes' Managing Director Ian Lowes said: "We're absolutely delighted to have won this award, which owes much to the commitment and expertise of the whole team at Lowes. Our sensible and discerning approach to selecting appropriate investments has served our clients well, as has the emphasis we place on achieving the highest level of professional qualifications. As far as we're concerned, this award has to be the key one and to have been voted the winner is excellent news."

Pensions shake up for MPs

MPs FACE A BIG SHAKE UP OF THEIR PENSION arrangements, including having to retire three years later, under proposals put forward by the Senior Salaries Review Board that oversees public sector pay.

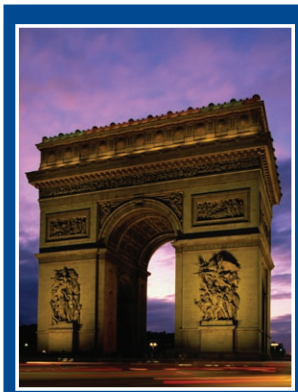
The proposals could mean significant savings for the taxpayer, but they will not be implemented immediately by the coalition government and must await the wider review of public sector pensions by former Labour cabinet minister, John Hutton, which is due in time for the 2011 Budget.

The current annual salary for an MP is £65,738 plus allowances and an MP with 15 years' service can currently retire on an annual pension of £24,000.

Annuity rates at all time low

RESEARCH BY INVESTMENT LIFE & PENSIONS Moneyfacts shows annuity rates have fallen over the summer as providers have re-priced their products.

The average rate for a male aged 65 purchasing a level annuity with no guaranteed period with a £10,000 pension fund has decreased by 6.3 per cent over the past year, and the equivalent female annuity has seen a 5.6 per cent fall. Moneyfacts says this means the average male annuity rate has declined 45.5 per cent over the last 15 years, and female rates by 41.8 per cent. Moneyfacts restate it is essential to use the Open Market Option which allows people to shop around and buy the annuity offering the best level of income.



Our cover shot: Arc de Triomphe, Paris,
Glen Allison/Photodisc Collection/ Getty Images.

Make your money work

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

Amount	Provider	Account	Gross Rate	Contact
Branch Based				
£1+	Northern Rock	Branch Saver	1.9%	Branch
Postal or Telephone				
£1+	National Savings & Investments	Direct Saver	1.75%	0845 971 5401
£10,000+	Skipton Building Society	Telephone Saver Account	2%	0845 850 1722[1]
Internet				
£1+	Northern Rock	E-Saver 3	2.5%	www.northernrock.co.uk
£1+	Barnsley Building Society	Online Saver	2.5%	www.barnsley-bs.co.uk[2]

Note 1: 2.25% gross/AER available on amounts over £25,000.
Note 2: Yorkshire Building Society is the underlying deposit taker for this account.
Sources: Providers' websites, www.thisismoney.co.uk, www.moneyextra.com, www.moneysupermarket.com, www.moneyfacts.co.uk (15/10/2010). All accounts subject to terms and conditions.

Good Advice Awards 2010 Investment Life & Pensions Moneyfacts WINNER Best Investment Adviser

Good Advice Awards 2009 Investment Life & Pensions Moneyfacts WINNER Best Tax and Estate Planner

Professional Adviser awards 2010 Winner Best IFA website

Professional Adviser awards 2010 Highly Commended Education

Stepping up to a better deal?

LOW INTEREST RATES HAVE prompted a number of banks to launch what are called 'step-up' and 'tracker' savings bonds in a bid to attract savers' money. In some cases returns of up to 5.5 per cent or more are offered. In contrast, if your savings are in a bank or building society variable rate account, you could be getting just 0.1 per cent or less a year.

However, it is essential to understand exactly what these products offer as they may be less rewarding than they first appear.

Two examples are Nationwide's four-year stepped rate bond, which offers 5.5 per cent in its final year, and Natwest's three-year stepped rate bond, which offers 6 per cent in its final year. However, the average return on both is 4 per cent a year and they both deduct up to 270 days' interest for early withdrawal.

To some extent, these products address the key risk of fixed-rate bonds – that returns will become uncompetitive as base rates rise.

However, the reality is that they are essentially fixed rate bonds where the returns have been tweaked so that rates paid in the later years are higher than early on. While they are likely to outperform variable rate accounts over the short term, variable interest rates will inevitably rise and, potentially, make these fixed rates less attractive towards the end of the term.

Another product type, so-called 'tracker' accounts, aim to address this issue. For example, the Santander Loyalty Tracker Bond offers returns of 2.5 per cent above Bank of England base rate – giving 3 per cent currently. This runs to September 2011 and is available to the bank's current account, mortgage and investment customers (a version for others offers 0.2 per cent less). Early withdrawals are not allowed.

■ ***For more information on the best savings products currently on the market, contact your Lowes' Consultant, or call us on 0191 281 8811.***

A third of new debt lacks life cover

A REPORT BY INDEPENDENT financial research company Defaqto has found that almost one-third of new debts do not have life cover associated with them.

In 2009, the Association of British Insurers recorded 636,973 new mortgage-related life assurance policies written, but the Council of Mortgage Lenders recorded 925,000 new mortgage advances.

Ben Heffer, author of the report and Defaqto's Insight Analyst for Protection, said: "The protection gap does not just apply to life cover, but is also a real problem when you look at income replacement products, with so little income protection being sold."

He added: "On the back of rising unemployment, this is a key time for consumers to consider making their own provisions against sickness, critical illness, medical expenses and loss of income."

Balancing the risk of not making appropriate provisions in the event of any loss is often a difficult task, and we would therefore always recommend you seek professional advice to help prioritise and address any needs you may have.

COMMENT

Not all the same

"The banks have always offered a lower quality of advice than independent advisers. If you want advice about investment or pensions then always go to an Independent Financial Adviser."

We were absolutely delighted to hear the above from Which? principle policy adviser, Dominic Lindley, on BBC Radio 4's Money Box on 4 September. Of course, as one of the country's few Chartered Financial Planners and one of the longest established IFAs, we couldn't agree more, having waited nearly 40 years for such an endorsement from Which?

However, not all Independent Financial Advisers are the same, not least because some are, in fact, banks and building societies. The quality of advice can vary from firm to firm, as is all too clearly being revealed as events unfold in relation to Norwich & Peterborough Building Society and their extensive use of a particular investment recommended to thousands of their customers. When the investment in question was launched, at first glance it looked like the panacea for income seeking investors, offering a high headline income and a bold statement of 'no stockmarket exposure'. However, after analysis, we felt unable to recommend it. Whilst there was no stockmarket exposure, there were risks which we felt were unquantifiable and immeasurable and, if there was any ultimate loss, it would be almost impossible to justify a recommendation.

In the product review (still published on our website) we said: "We hope that the investment 'does exactly what it says on the tin', but for the above reasons we feel unable to endorse the proposition." Unfortunately, Norwich & Peterborough's view differed and their customers face an uncertain future as the investment's income has ceased and the return of capital is in serious doubt.

No investment adviser can be expected to get it right every time, but what is unforgivable is that the building society allegedly recommended this investment, and very little else, to a huge number of clients for huge portions of their portfolios. What is even more disturbing is that the society's CEO says he has no regrets about the advice. Over the last 40 years we have strived to ensure clients' interests are paramount. On the rare occasions that things don't go as planned then, unlike the aforementioned CEO, we certainly would have regrets.

Ian H Lowes,
Managing Director

Investments with a defined r

Ian Lowes explains why structured products often form part of our clients' diversified portfolios…

IN 2009 £13.9BN WAS INVESTED IN STRUCTURED products, which, for the right reasons, remained a popular choice for many investors and their advisers. However, they are not all good.

Structured products take many guises and, as with any investment solution, a good adviser, or an investor with access to the requisite information, should be able to sort the wheat from the chaff. Whilst they come in a variety of shapes and sizes, structured products usually have the following features:

- Income or growth, not usually both.
- Defined returns and defined risks.
- Linked to a defined measurement, such as the FTSE 100.
- A defined term, typically of up to 6 years.

All such investments are designed to be held until their ultimate maturity date and are dependent upon the issuing institution or counterparty being able to repay the proceeds at maturity. Whilst there are many counterparties, a significant number of these investments are backed by the likes of HSBC, Barclays, RBS, Lloyds and the less well known, and probably stronger Dutch bank, Rabobank.

Three main categories

Essentially, structured products fall into three categories:

1. Structured Deposits

These are typically sold by banks and building societies, are designed to return at least the original capital in full at maturity and potentially benefit from the Financial Services Compensation Scheme (FSCS) protection of up to £50,000 in the event that the issuer goes bust.

2. Capital 'Protected' Structured Products

Like structured deposits, these plans are designed to return the original capital, regardless of how badly the stockmarket or underlying measure performs but, unlike deposits, they will not benefit from FSCS protection if the counterparty defaults.

2. Capital at Risk Structured Products

These investments will give rise to a loss at maturity if the underlying index performs poorly over the investment term, but they typically incorporate a 'barrier' which protects the capital other than in the event that the stockmarket falls by, say, 50 per cent. By putting the capital at risk these products, conversely, usually have the potential to produce much higher returns than capital protected or deposit-based plans.

As Chartered Financial Planners, Lowes often utilises the capital at risk variety alongside a portfolio of conventional funds to potentially enhance or protect the overall returns of the portfolio in both rising and falling market conditions. Whilst less common, we may also use capital protected and deposit-based plans to lower the risk of the portfolio, or attempt to achieve returns greater than those available on deposit.

Some were dreadful

But they're not all good! When these plans became popular in the early part of the last decade, some were so dreadful and risky that we felt we had to warn our clients away from them. As it happened, this particular breed gave rise to horrendous and unforeseen losses for those who didn't understand the investment risk. Such contracts have now been effectively outlawed.

Other structures that seem like a much safer option have typically been promoted by bank and building society branches to some customers as an alternative to deposit accounts, but these have often been very disappointing, producing low returns. This is, of course, partly a function of the lower the potential risk, the lower the potential return, but it could also be a result of the profit margin of the distributor being too high. Occasionally, however, there is a good one so don't dismiss structured deposits out of hand. They may, in particular, be attractive for those funds that you wish to retain Cash ISA status.

isk and return

Capital at risk and 'protected' products are, like most investments, only suitable for those who are prepared to expose their capital to a degree of risk and accept the consequences of the risks resulting in the worst outcome. Such investments are now numerous and, because they are promoted through Independent Financial Advisers, they have to be more competitive. The risks and returns for these investments are very definable and, as such, often represent a good complement to an investment portfolio.

For example, if in September 2004 you had invested in one of our preferred 6 year capital at risk structured products alongside the average cautious managed unit trust, the unit trust would have been exposed to the movements of the stockmarket over the period and produced a gain of approximately 31 per cent including reinvested dividends. The terms of the structured product provided for a return of 3.5 times any rise in the FTSE 100 index, subject to a maximum return of 63 per cent. Over the 6 year term the FTSE rose by just under 20 per cent and so it produced a maximum gain of 63 per cent, having protected the original capital from all but the default of Barclays Bank, or the FTSE falling below 2295 points (last seen in September 1992).

Now, a good adviser is unlikely to have constructed such a simple portfolio. So, instead of a single cautious managed fund, they may have used a portfolio of funds alongside a few different structures, but I'm sure you get the point.

Of course, in an ideal world we would have consistent markets and managed funds would provide the perfect solution for most investors. However, markets are anything but consistent and fund performance depends upon the managers' ability to time the markets and select appropriate investments and, as we know, sometimes even the best ideas aren't good enough.

What about the charges?

Whilst capital at risk and 'protected' structured products have similar initial charges and initial commission/adviser fees as unit trusts and open ended investment companies (OEICS), the fees in the structured products are taken into account in the defined terms. So, for example, an investment of £10,000 in a capital 'protected' product will provide for adviser remuneration and, in even the most adverse stockmarket conditions, return a minimum of the original investment of £10,000 at the maturity date. Of course, the caveat is that should the counterparty behind the product go bust then the investor will get nothing and so the investor or adviser has to consider and accept this risk.

5 YEARS AGO

How did it perform?

– The Dawnay Day Quantum Protected Commodities Plans

IN OUR ONGOING SERIES examining progress of investment products we featured in Lowes Magazine five years ago, we report on the Dawnay Day Quantum Protected Commodities Plans featured in the Autumn 2005 issue.

The commodities investment not only provided access to a diversified basket of commodities, it did so with limited downside risk and accelerated upside. This investment provided exposure to an equally weighted portfolio, comprised of, Platinum, Copper, Aluminium, Nickel, Lead, Crude Oil, Natural Gas and Heating Oil.

The Protected Commodities Turbo Plan was designed to provide 180 per cent of the increase in price of the portfolio of commodities and 90 per cent capital protection at maturity.

The investment has a 5 year term and we will not know the final maturity value until early December but, based on the commodity values at the time of going to print, we are expecting the plan to mature for a gain in excess of 70 per cent.

Unlike most managed funds, however, structured products do not provide ongoing or 'trail' commission and some advisers may therefore levy annual portfolio fees. At Lowes we do **not** do this. What's more, where no advice has been sought or given, investments purchased via our website will qualify for either an uplift or a commission cash-back of up to 1.5 per cent of the amount invested. The offer of cash-back should not, however, deter you from seeking advice if you have any doubts as to the suitability of an investment for you.

Investment times are changing and the evolution of the structured product as a mainstream retail investment solution is testament to this.

The key point though is that they're not all the same, but the best can be very good additions to a diversified portfolio and, if you are an investor and do not give them due consideration, you won't know what you're missing. With this in mind, take a look at the structured product section of our website at ***www.Lowes.co.uk*** where you can see what the market has to offer and establish whether any of them appeal to you.

■ ***If you would like to find out more about structured products and their suitability for your needs, then please contact your usual Lowes' consultant, or call 0191 281 8811.***

Building portfolios

Melvyn Bell, Lowes' Investment Manager, explains the process used to build your investment portfolios…

ALL OUR CLIENTS HAVE DIFFERENT NEEDS AND ASPIRATIONS and, as a result, our investment recommendations for each of them are unique. But underlying this advice we adopt a standard process which enables us to ensure consistency and quality in the choice of the investment funds forming your portfolios.

Initial screening

The initial fund screening determines those funds and managers we believe offer the prospect of above average long-term consistency. However, because no manager gets it right all of the time and no asset class rises consistently, it is vital to diversify both asset distribution and managers, because it is extremely difficult to time moving between managers and asset classes experiencing periods of underperformance.

Another factor in fund selection is that no one fund or fund portfolio suits all investors. Investors with shorter time horizons need to focus on portfolios comprising less volatile funds (e.g. fixed interest securities like gilts and corporate bonds). This implies lower returns, but reduces the possibility of short-term underperformance. Investors with longer time horizons can afford to invest in portfolios where the short-term volatility is less important (providing the funds are well managed), as the longer time horizon gives managers and markets time to rebound from periods of weakness.

Investment fund analysis

The next step involves detailed analysis of possible investment funds. Using data from fund performance monitoring specialists (e.g. Reuters Hindsight) we identify funds with consistent above average long-term performance compared to other funds in their sectors.

To avoid distortions created by significant recent over or underperformance, the data is broken down into four discrete periods – the last six months; the preceding six months, 12 months and, if applicable, 24 months. These periods are then assessed as to the funds' ranking in terms of performance and risk relative to return and this helps to avoid favouring funds appearing to be 'good performers' because of short-term surge, or negatively rating funds suffering a shortlived setback.

On rare occasions we may recommend a fund that would not normally be selected by the initial screening (e.g. one that differs significantly from funds selected for a particular sector which we feel is worthy of recommendation; or a fund with less than four years of relevant performance data, where we assess the likely consistency of performance after a thorough evaluation of available data).

Like a fine drink, funds need to be properly blended.

Next, we assess how fund managers have achieved their performance and this takes into consideration:

The management group: Are they well established with a history of retaining the services of successful managers?

The managers: What is their investment approach – e.g. value or growth? Are they short-term traders, constantly following the latest investment trend, or are they longer-term, contrarian investors looking for companies offering long-term growth and share price recovery? How long have managers been managing funds? Have they managed other funds and how successfully?

The funds: Are they what they purport to be, i.e. is a UK 'blue chip' fund in reality a higher risk smaller companies or technology fund? Has the fund grown significantly over the analysis period and has this influenced performance? And, while not essential, do the ratings of external fund analysis companies confirm our analysis?

Finally, we blend the various funds to build a diversified portfolio meeting the requirements of individual investors. This isn't just about blending asset classes as, no matter how consistently a fund manager has achieved above average returns, there will inevitably be periods when they underperform. Experience tells us that attempts to avoid these periods of underperformance invariably lead to selling after the event and only buying back after a manager has returned to form. Consequently, we select a range of managers and management strategies for each asset class to reduce the impact of the occasional period of underperformance by individual fund managers, whilst benefitting from their collective longer-term outperformance.

The result is a portfolio diversified across a range of managers, management styles and assets such as fixed interest securities, equities, an element of commercial property, plus alternative investments such as structured products, which offer defined protection against potential market weakness and the prospect of defined returns over a fixed term.

Our strategy has been honed over nearly 40 years and, whilst our primarily cautious approach is unlikely to create headline grabbing returns, over the medium to long-term it should continue to produce consistent, above average performance.

Imagine you're a Pig Farmer

USING THE ALLEGORY OF A PIG FARMER, LOWES' MD Ian Lowes examines the foundations of the financial system…

Imagine you're a pig farmer and each year you breed 100 pigs. You sell the pigs to the butcher in the village who makes them into pork pies to sell to the catering firm down the road. The catering firm agrees to be loyal to the butcher if he'll keep his prices much the same. The butcher agrees to this and in return agrees with you the price at which he'll buy your pigs off you each year. We now have a futures market for which we will ultimately need regulators and lawyers.

Now imagine that you want to semi-retire and to do so you sell a stake in your company by floating it. We now have a share issuance which requires more lawyers, regulators a stock exchange and brokers.

Your shares trade comfortably, they have some ups and downs depending on the price of pig food, but all's well. A few people start speculating on the price of your shares and make agreements to sell their shares or buy more if they fall by too much, or once they've made enough profit. We now have a derivatives market which requires more lawyers and regulators.

Some people get good at helping investors make decisions as to whether they should buy or sell shares in your farm and so investment adviser and manager communities grow, creating a requirement for more regulators, etc.

The price of pig food starts to fluctuate wildly and other people start to speculate on whether you'll go bust. We now have the development of the credit default swap market. Then, in turn, people start speculating on the continued solvency of the butcher, the catering firm, the pig feed supplier and the other speculators, so we ultimately need more and more lawyers and regulation.

So, now we have all these lawyers, regulators, stockbrokers and advisers, all their ancillary support staff and businesses, together with the inevitable banking, accountancy, training, journalism, health and safety, and animal welfare personnel, etc., all gainfully employed, paying taxes and, you know what? You've still only got 100 pigs!

Our economic and financial systems have evolved over centuries and will keep evolving. They will occasionally need to be kept in check as new lessons are learned and old ones are remembered but, as long as there is either confidence in it or ignorance of it together with appropriate regulation, the system will continue to work.

As we've seen over the last few years, there's too much invested in capitalism to allow it to fail. Let's hope so because I guess I'm right when I suggest that you don't, in fact, have 100 pigs.

Double dip or no double dip

"SELL IN MAY, GO AWAY AND STAY AWAY UNTIL ST. LEGER DAY" is a common adage in investment folklore, says Melvyn Bell. It states the belief that equity markets tend to rise between November and April and fall back or stagnate in summer.

This year it was close to the mark, except that the fall began shortly before the end of April, while the recovery started slightly earlier than predicted. In the UK, at the close of business on 15 April the FTSE 100 was 5,825 and by 1 July it had fallen 17.5 per cent to 4,805.8. Since then it has recovered, slowly at first then more rapidly after August.

Behind the correction was the belief that Greece would default on its massive debt, leading to the collapse of the Euro and, eventually, a 'Double Dip' in the global economy. The logic was that Greece was not recovering from recession and buyers of Greek sovereign debt would demand higher interest rates. Unfortunately, this happened when Greece had to raise capital to repay borrowings maturing in the coming months. As opinion polls showed, German popular sentiment was against assisting Greece and it was believed this might break up the Eurozone.

Those predicting this said those lenders most at risk of default were the major European banks, with over half the $236bn Greek debt owed to German and French banks.

More worrying was that other Eurozone economies – notably Ireland, Italy, Portugal and Spain – had higher levels of borrowing.

In the event, the International Monetary Fund (IMF), European Central Bank, and all EU members participated in a rescue plan to stabilise Greece's problems. Given the recovery since the start of July, it appears the markets believe measures taken to give Greece and, by association, the other countries time to get their houses in order have been successful. Certainly, the IMF believes this and has stated: "… our view is that markets are significantly overstating the risk of default."

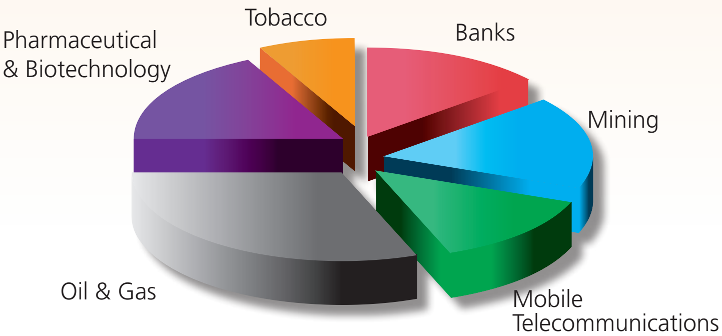
No one knows whether there will be a 'Double Dip' and I have no doubt if the economy recovers slowly over the next year market bears will claim the global economy is set to fall back into recession. However, I draw comfort from recent statements from two highly respected investors. On 13 September, Warren Buffett said of the US: "I am a huge bull on this country. We will not have a double recession at all, I see our businesses coming back almost across the board." Days later, Fidelity's Anthony Bolton stated: "We are returning to a low growth world in the west and not a double dip. I am not expecting economies to go back into reverse."

Meteor Top Ten Kick-Out Plan 3

THE METEOR TOP TEN PLAN 3 IS LINKED TO THE 10 TOP FTSE 100 stocks which on 11 October 2010 were HSBC, Vodafone, BP, Royal Dutch Shell, GlaxoSmithKline, BHP Billiton, Rio Tinto, British American Tobacco, Standard Chartered and AstraZeneca.

These are global giants active around the world across six sectors. Collectively, they represent approximately 48% of the FTSE 100 and 41% of the FTSE All Share Index by market capitalisation.

Sector Weightings of the Ten Shares



The Meteor investment does not participate in the performance of these shares, but offers a defined return in defined circumstances.

Whilst there are two options, we favour Option 2 which offers potential returns of a defined 11% gain for each year held, payable on the first anniversary that seven of the 10 shares are at or above the closing levels recorded on 26 November 2010 (the Initial Levels).

For example, if at the end of year one, only six of the shares are above their Initial Levels but, at the end of year two, seven or more are higher, the plan will mature, returning your original capital together with a 22% gain.

The investment will continue until the first anniversary that seven of the 10 shares are up, adding a further 11% to the potential gain for each year, subject to a maximum investment term of seven years. We particularly like the fact that this plan could continue for up to seven years, rather than the more common five or six year terms of this type of investment as, in adverse market conditions, the extra year or two could reduce the potential for the plan to mature unfavourably.

If the plan does run for the maximum seven years, because on the preceding six anniversaries at least four of the shares were lower than their 26 November 2010 levels, the return will depend on the values of the 10 shares on the seventh anniversary.

If, on the last anniversary, at least seven of the stocks are higher, the investment will mature returning your capital plus a 77% gain. If not, you will receive all your original capital back, unless four of the shares close on the last day of the investment more than 50% below their Initial Levels. If this is the case, your original capital will be reduced by 1% for every 1% the fourth worst performing share is below its 26 November 2010 level. For example, if the performance over the term of the four worst performing shares is -70%, -60%, -55% and -45%, you would receive your original capital back but, if instead of being down 45% the fourth worst performing share has lost 51%, you would lose 51% of your capital.

The counterparty to this investment offers diversification away from the UK banks as it is the French bank BNP Paribas, one of the world's top 10 banks and a European leader in banking and financial services. In April 2010, BNP Paribas was identified in the Forbes Global 2000 as the largest listed company in the world and the 11th most powerful. The leading rating agencies, Standard & Poor's, Moody's and Fitch all rate the company highly (AA) indicating a very strong capacity to meet financial commitments. However, no matter how strong an institution may seem, we believe no bank could survive a 'run' and should BNP Paribas be unable to meet its obligations, investors could lose some or all of their capital, regardless of the performance of the 10 shares.

If seven of the 10 shares do not rise, the investment may run for as long as seven years and, whilst you can access your capital at any time via an early withdrawal, you may get back less than your original investment.

You will note from the brochure with this issue of Lowes that Option 1 of the Meteor Plan offers a much higher potential gain of 18.5% for each year held but, to achieve this, eight of the 10 shares must be higher on an anniversary. Whilst it is possible that both options mature in the same year, it must be appreciated that the higher potential gain under Option 1 is a function of the greater risk that it may not produce any gain at all and, in extreme investment conditions, it could give rise to a greater loss than Option 2.

This investment may prove to be a valuable addition to a portfolio, or as an alternative to deposits but, like most investments, it is only suitable for those prepared to take a degree of risk with their capital and accept the consequences that this could result in the worst outcome.

How to invest

The minimum investment is £10,000 and investments may be made directly, via an ISA or ISA transfer, or through a SIPP/SASS for a pension fund.

It is important that you read the investment literature carefully. It gives full details of the contract and the risks – to which you should pay particular attention. If you have any doubts about the suitability of any investment for you, please contact this office or your usual Lowes' Consultant. We are required to point out that we cannot be held liable if the investment is applied for in the absence of a personal written recommendation and you subsequently decide that it was not suitable for you.

■ ***If you are happy to proceed without advice, please complete the application form and return it to our office in the reply paid envelope. If you have any questions, please contact us on 0191 281 8811.***