LOWES

Where personal finances are cared for personally

Autumn 2008

"The world hates change, yet it is the only thing that has brought progress."

– Charles Kettering

FINANCIAL PLANNERS CII CHARTERED

INSIDE: PSYCHOLOGY OF INVESTING

Government backtracks on pensioner tax demand

HM REVENUE & CUSTOMS (HMRC) has backtracked on an earlier decision to force up to 420,000 pensioners on low incomes to pay backdated tax demands for up to £300 each.

Details of the unpaid tax were contained in a report published earlier this year by the National Audit Office on HMRC's accounts for 2006/07. It noted that about 420,000 people with small private pensions had slipped under HMRC's radar since 1983 and that £135 million had gone uncollected every year since then because of mistakes by the Treasury.

HMRC planned to deduct the unpaid tax from their pensions at source, starting in April 2009.

The backtrack follows mounting publicity and persistent lobbying by pensioner action groups who argued it was HMRC's fault the tax was not collected, and that it was unreasonable to expect some of the poorest people in the country to find substantial sums to meet tax liabilities they never knew about.

IHT clampdown targets gifts

HM REVENUE & CUSTOMS has begun a new inheritance tax (IHT) clampdown aimed at identifying where taxpayers may have made gifts prior to death which should be included in their estates for IHT purposes.

The move marks government attempts to compensate for a reduction in its revenues as other taxes shrink.

Many gifts made by taxpayers within seven years of their death are considered to be within their estates for IHT purposes. After seven years gifts are no longer potentially liable for IHT. This rule is to prevent taxpayers getting around IHT by giving away assets while on their deathbeds or in advanced old age.

However, according to an announcement by HMRC in its August 2008 IHT & Trusts

Newsletter, it will begin comparing information provided on IHT returns with information provided to HMRC during the lifetime of the deceased, as well as information about the deceased from other sources. It says: "We will be focussing our attention on estates where this information suggests that the estate does not meet the criteria to be an excepted estate." It adds: "If we uncover systematic failings in the processes agents go through in preparing an application for an excepted estate grant, we may wish to discuss with you where improvements might be made."

Pensioners outnumber under 16s

BRITAIN NOW HAS MORE pensioners than children for the first time in the country's history.

There are 11.58 million pensioners (men over 65 and women over 60) compared to 11.52 million under-16s. Those aged over 80 have almost doubled over the past 30 years to 2.7 million, making this age group the fastest growing due to increasing life expectancy.

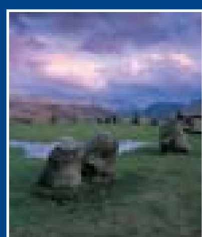
Investing in US life policies proves popular

A FORM OF INVESTMENT THAT benefits from the death of US insurance policyholders is proving to be very popular in the UK.

It is based on investing funds which purchase the insurance policies of people generally aged 65 and over who have a medical condition that may reduce their life expectancy and who want the money either to fund treatment or to spend.

For example, a 65-year-old who has suffered a recent decline in health may sell a $1 million life insurance policy for $500,000. This money can be spent on guaranteeing his comfort and dignity in old age. When the original policyholder dies, the fund which purchases the policy will receive $1 million less any premiums it paid out to keep the policy in force.

This type of investment is offered by a number of funds and can offer a return of between seven and nine per cent a year. However, the returns on these policies could be adversely affected if the insured lives longer than expected, as the fund would pay premiums over a longer term. There is also the ethical issue to consider of whether you could benefit from another's death, although the person who is selling the policy gets the money up front so he can be comfortable in old age up to the point of death.



Our cover shot: Castle Stone Circle, Keswick, Cumbria.

Make your money work – Best bank and building society unrestricted instant access/no notice accounts

Branch Based

Amount	Provider	Account	Gross Rate	Contact
£1+	Co-operative Bank	Smart Saver	4.18%	Branch[1]
£1,000+	Bradford & Bingley	Rate for Life	5.25%	Branch[2]

Postal or Telephone

Amount	Provider	Account	Gross Rate	Contact
£1+	Anglo Irish Bank	Easy Access	6.4%	Call 0845 455 2222

Internet

Amount	Provider	Account	Gross Rate	Contact
£1+	Bradford & Bingley	Internet Saver (Issue 3)	6.51%	www.bradford-bingley.co.uk

Note 1: Cheques can also be deposited at your local Post Office. **Note 2:** Rate guaranteed to remain at least 0.25% above the Bank of England Base Rate for the life of the account.

Sources: www.thisismoney.co.uk, www.moneysupermarket.com, www.moneyfacts.co.uk 13/10/2008. All accounts subject to terms and conditions

Lowes rocks!

Lowes has launched a two pronged strike into the world of rock 'n roll!

RECENTLY, LOUISE FURLONG (below), **WHO works in our technical department, impressed the judges at the auditions for *Idol 2008* with her cover of Alannah Myles' 1990 smash hit *Black Velvet* to make it through to the North East Regional Final. She will now perform the Dusty Springfield classic, *Son of a Preacher Man*, at the Tyne Theatre, Newcastle in October.**

Louise does not have her eyes set on becoming a full time rock star but says she'll consider any opportunity: "I don't play with a band at the moment but I'm on the look out for one to join."

Meanwhile, Lowes' consultant Gary Summers (pictured above, middle)**, who is based in Surrey, moonlights as the bass player of a band which, it has emerged, has a cult following in deepest Mississippi!**

The LoudShirts formed 10 years ago and to date have enjoyed local success for cover versions of famous rock standards. Last year the band headed up Kingston's very own Live Aid-style concert with bands from Kingston and south London coming together to raise money for The Shooting Star Children's Hospice. The gig and sales of a compilation CD by the participating bands raised £2,800 for the charity.

However, Gary's band is now as famous in the deep south of Mississippi as it is in Surrey – thanks to their cover of the blues legend Howlin' Wolf's number, *Killing Floor*. On hearing the song, the local US radio stations *Kissi* and *Cowdog* uncovered the band's album *Get Yer Rocks Off* and added it to their playlists. Gary says coyly: "I've got no idea how they got hold of the song, I've never even been to Mississippi."

Care costs affect inheritance

PARENTS ARE IN FUTURE LESS LIKELY TO BE ABLE TO pass on money to their children because of the rising costs of long term care. According to research by the over-50s group, Saga, residential and nursing homes cost between £25,000 and £30,000 a year and charges are rising faster than inflation. Saga says that 47% of people underestimate the bill by as much as £20,000 a year but that a growing number of children are relying on an inheritance from their parents to finance their own retirement.

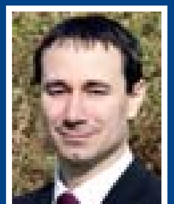
COMMENT

History in the making

TWO THOUSAND AND EIGHT WILL shortly be confined to the history books and not before time! For many decades to come, this year will be referred to in similar context to 1987, 1974 and 1929. Having studied previous stockmarket corrections in depth, I have always found it fascinating to read about how the unforeseen chain of events unfolds over time and the effects and reactions that transpire.

Whilst I appreciate that everything gets confined to history, this year, more than at any other time, I have very much felt that as events have unfolded I have been experiencing history in the making. In years to come, future generations will watch documentaries and read about everything we are experiencing today. I have no doubt that when condensed to a one hour documentary or a short book, it will make for fascinating entertainment, but no matter how well it is written or how good the programme maker is, it will be very difficult to portray exactly what it has been like to experience it.

That said, in the same way that those who have previously studied stockmarket corrections go on to read about the recovery and subsequent stockmarket rise that followed, the same will be true for those future generations studying 2008. History will show that those that sold out crystallised their losses, those that held on recovered and those that had the courage to invest reaped rewards.



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 psychology of inv

Lowes' Consultant, Barry Hopper, examines how emotions can influence financial behaviour …

IN JUST A FEW DAYS IN the second half of September, four of the world's major financial groups – Lehman Brothers, Merrill Lynch, AIG and HBOS – effectively disappeared. Further banking issues have also caused stockmarkets around the globe to tumble.

The headlines have, understandably, led to ordinary people becoming more concerned than ever over their investments, which, pretty much without exception, have been affected by the falls. As much of the market volatility stemmed from unease in the banking sector, it simply served to add concerns that even deposit capital may not be safe.

Yet despite some of the dramatic headlines, it is hard to believe that we are witnessing the end of capitalism. This is as unlikely as earlier media predictions which suggested that house prices would rise indefinitely and, more recently, that the prices of commodities and oil, driven on by growing demand from China and India would be permanently higher than in the past.

What is very important, though, is to think about and understand the potential impact these headlines can have on our investment decisions. In particular, the way they can influence our emotions and lead to what can be reckless decisions driven by fear – or euphoria – which we may subsequently regret.

It is one of the most common assumptions in modern economic and financial thinking that people behave rationally when making investment decisions. In practice though, people can at times be anything other than rational – in particular overly optimistic, or unduly pessimistic. The study of how emotions can overcome reason and influence investment decisions has become known as 'behavioural finance'. Research carried out in this area suggests that poor investment decisions can result from people using rules

Swings from optimism to pessimism

One classic reference point for poor investor behaviour based on optimistic anchors was in 1999 – 2000:

- **Investors were euphoric about the so-called 'new economy'. They forgot all about their carefully constructed long-term investment plans and ploughed money into dot.com and technology stocks which had soared in value.**
- **Their anchor was the peak of 5,048 reached on 10 March 2000 by the Nasdaq Index – which comprised many of these new economy stocks.**
- **So, when the Nasdaq fell to 3,205 by 26 May 2000, they saw this as a buying opportunity and piled in, although since that date it has remained around 50 per cent below the peak and large losses were made.**

An alternative and more logical anchor might have been the Nasdaq's long-term trend – it returned approximately 10 per cent a year from 1971 to 1996 before soaring temporarily to 86 per cent in 1999.

Similarly, many people were until recently attempting to sell their houses anchored to the over optimistic view that house prices would continue rising indefinitely.

In today's marketplace, however, pessimistic anchors have taken hold. People are more inclined to make investment decisions which disregard logically constructed anchors based on long-term thinking in favour of ones influenced by gloomy predictions concerning the state of capitalism, and that the price of oil and commodities will continue to go ever higher.

Such is the swing from optimism to pessimism that it's hard to see the longer-term reality. But it's still there. High prices for any commodity often bring on new supply as well as product substitutions. Very high energy prices could eventually slow global growth, slowing energy demand and reducing prices in the process. The prices of oil and other commodities could easily fall under typical market conditions. It remains to be seen how investors in oil and commodities will react when the current price boom comes to an end, and how investors who have sold their equity porfolios come to regard what could well be the end of the bear market.

vestment

HBOS: victim of the credit crunch

of thumb, educated guesses and intuitive judgements that lead to 'biases' which may have little grounding in fact. Consider this – if the price of cars, holidays or stereo systems fall, then you might buy a better car, a more exotic holiday, or a better quality stereo. However, if the price of shares or other financial investments fall, you might instead sell them – and, conversely, when their prices rise, you might start to buy them. We must recognise that when it comes to our own personal wealth, we are easily driven by the fear that we could lose everything unless we get out, although actions designed to avert losses often lead to substantial losses. Conversely, when prices are rising, it's a fear of losing out on potential profits that leads us to buy – although in practice we may buy when the price has reached a level where there are little or no profits to be made.

Behavioural finance says that such behaviour is based on a tendency for people to 'anchor' their thoughts to a particular piece of information when they make a decision, even if that information is irrelevant or inadequate. Anchors can be based on optimistic and pessimistic thinking (see *'Swings from optimism to pessimism'*, below).

What is especially important is to try and understand the lessons of behavioural finance that in periods of over optimism and exuberance, we should refocus our investment decisions on our long-term goals and objectives and try to ignore current market conditions.

Similarly, in pessimistic periods of declining markets, when loss aversion dominates our thinking, we need to focus on the bigger picture, using appropriate data to explain current recommendations and putting portfolio losses in a historic context. The alternative is behaviour which can derail our long-term savings goals, leave us forever chasing a short term dream or fleeing short term fears, and make us poorer as a result.

The most difficult way to make money is to flit from fad to fad. The easiest way to lose it is to ditch a logically formulated long-term plan of action in the face of panic and fear. Professional investors stick to a long-term, logically worked out plan of action which, on balance, earns more than it loses. That is how the likes of Warren Buffet make their money! For those who are not professional investors, but simply want to grow their hard earned savings, having a long-term plan is far more important.

Returns in sideways and falling markets

Lowes' Consultant Peter Collins looks at a case study of one of his longstanding clients …

Dr Anthea Duckett and her family from Worcestershire have been Lowes' clients for nearly 20 years. One of her main requirements has been to invest for the medium to long-term and central to the advice I've given is the importance of building a portfolio comprising a diversified range of assets.

Dr Anthea Duckett

To demonstrate how returns can be made in sideways or falling markets I will look at the aspect of her portfolio which is designed to obtain exposure to the international blue chip shares.

In June 2001, Dr Duckett invested in the Merrill Lynch Defined Returns Plan, which was linked to the share price of 30 of the world's biggest companies, but with protection that could mean that the investment would make a gain even if the stocks fell in value.

The investment term saw 9/11 and the continued slump leading up to the Gulf War as well as the collapse of Enron, one of the shares in the portfolio.

Over the period up to the Plan's maturity date in July 2004, the Dow Jones Global Titans Index – which measures the performance of the worlds biggest companies – fell by 9.9 per cent. Currency exchange rate movements had a lot to do with the fact that the closest equivalent UK fund, the Merrill Lynch Global Titans Fund, suffered a greater fall of 27.3 per cent. However, the Merrill Lynch Defined Returns Plan that Anthea was invested in matured having generated a tax free gain of 12.4 per cent.

Anthea then reinvested the proceeds into the Woolwich Defined Returns Plan, which was designed by us in conjunction with Woolwich Plan Managers specifically for clients with the Merrill Lynch maturity. This plan was linked to the Global Titans Index and aimed to provide a 40 per cent return if the Index was higher at the end of the four year investment term. A loss due to market movements would only be incurred if the Index was lower and had fallen by more than 40 per cent during the term. The Index did not break the protection level and on maturity at the beginning of September it was approximately 8 per cent higher, meaning Anthea received the full 40 per cent profit, which was again tax free.

Looking at the total term covered by these investments, by reference to the index of the world's biggest companies, the market fell by 1.8 per cent, but Anthea has generated returns of over 50 per cent whilst controlling the risk.

The maturity proceeds have now been rolled into the Barclays Global Titans Defined Returns plan, which again has an investment term of four years and should not produce a loss unless the market falls by 50 per cent and fails to recover – but should produce a 50 per cent gain even if the Global Titans Index rises only moderately.

Dr Duckett said: "I've always found Lowes very helpful and am very satisfied with the service and advice they provide."

Path cleared to greater retirement choice

FROM 1 OCTOBER, PENSION SAVERS with 'protected rights' pension funds were able to take advantage of investing in a Self Invested Personal Pension (SIPP).

Protected rights is the name given to the pension benefits accumulated from effectively investing your National Insurance Contributions. This is known as 'contracting-out' of the State Second Pension (previously known as SERPS), and has been followed by many pension savers aiming to provide better retirement benefits than the State Second Pension. Previously protected rights could only be invested in an 'appropriate personal pension' or via some occupational pension schemes.

Prior to 1 October, the investment choices for protected rights were restricted, usually to the pension company's own funds, because these were historically seen as relatively safe investments compared with the wider investment market. A SIPP, on the other hand, is a special form of personal pension which offers considerable flexibility in the choice of investments. The availability of a SIPP for protected rights means that you are able to take advantage of a wider range of assets and investment products, so you can specifically tailor your investments to your overall pension planning.

Have all restrictions been lifted?

One important restriction remains for protected rights at retirement - the obligation to provide a spouse's benefit on death. This is typically in the form of an annuity that will provide a spouse's pension of 50% of the starting income, and is based on unisex annuity rates. These continued restrictions mean they do not necessarily provide the best retirement income options for everyone. This is likely to be removed in 2012, but until then protected rights funds must continue to be ring-fenced from other pension savings.

The pros and cons of shifting to a SIPP

Advantages	Disadvantages
✓ Greater investment options offering potentially greater returns.	✗ A SIPP may add unnecessary complication to your retirement planning.
✓ Consolidation of pension savings, so reducing costs and simplifying administration.	✗ Not all SIPPs allow the investment of future National Insurance Contributions. Most only accept accrued protected rights.
✓ Features may be offered on a menu basis so that you only pay for the features you need.	✗ SIPP charges may be relatively large in relation to the size of your pension fund.
✓ Potential to borrow against the value of your protected rights.	✗ Some charging structures mean you could pay for more flexibility than you need.

Should I transfer my Protected Rights into a SIPP?

As with all changes concerning pension provision you should consider thoroughly your own personal circumstances to ensure which options serve you best. Product innovation over the last few years has meant there are now a large number of pensions that are branded as SIPPs, but their features and costs vary widely.

For example, many are virtually identical to other personal pension plans, but with a wider choice of funds. Others offer full access to all investments permitted by HMRC, including specialist investments like commercial property and land. These will also allow borrowing funds within your pension. Either of these could suit your pension planning objectives, but if you are considering a SIPP you should find out whether you will be paying for features you will never use, or even whether you could get the same investment choice elsewhere for less cost.

Transferring to a SIPP is not for everyone. It can open new opportunities for investment choice but a thorough review of a current pension plan should be conducted before any decision is made, especially where valuable features such as death benefits or guaranteed annuity rates may be lost.

Of course, you should seek expert advice to determine whether a SIPP will benefit your retirement plans, but the table above outlines the key advantages and disadvantages.

■ *For further information on using a SIPP as part of your retirement planning, contact your usual Lowes' Consultant, or call us on 0191 281 8811.*

Ruling on overdraft charges favours banks

IT APPEARS THE BANKS HAVE LARGELY WON THE latest round of a High Court battle over the fairness of overdraft charges.

The judge's ruling on 9 October followed a three-day hearing in July. It impacts on the thousands of claims for the refund of overdraft charges that were frozen in county courts last year when the Office of Fair Trading and eight banks agreed on a test case to clarify the situation with overdraft charges. After the ruling on 9 October, the claims could remain frozen indefinitely.

The latest ruling focused on whether historic bank terms amounted to unfair penalties under common law, and if customers who had been charged for going overdrawn could challenge them.

The judge decided that customers could not challenge the terms of Barclays, Clydesdale, HSBC and the majority of Abbey's. The same was also true for HBOS, except for its Intelligent Finance arm, where the terms will be subjected to further examination. There will also be more discussion in respect of the terms and conditions of Lloyds TSB's accounts.

Absolute route in uncertain markets

by Lowes' Consultant, Rob Newton

IN UNCERTAIN TIMES IT'S NATURAL FOR cautious investors to seek products that can generate positive returns, but with a lower level of volatility and risk than conventional equity funds.

One product that aims to do this is called the 'absolute return' fund and it is proving highly popular. According to the Investment Managers Association, absolute return was the most popular investment sector for the second month running in July, attracting £232 million.

What exactly are absolute return funds? They actually encompass a range of fund types which employ different investment strategies and below we summarise the two main types. Despite their differences, they share the common aim of producing positive returns in excess of cash, regardless of whether the stockmarkets are rising, falling or stationary. In contrast, more traditional funds aim to provide a return which is 'relative' to an index.

They also have another thing in common – patchy performance. In July, Standard & Poor's, the specialist fund management rating agency, warned investors to take great care and stressed the importance of the skill of the fund managers. It said: "Like other funds, absolute return funds may or may not achieve their objectives consistently, depending on manager skill and the market environment. Investors must take great care that they understand exactly what each fund does and whether the manager has sufficient skill and experience to apply the process effectively."

As such, it is crucial that investors seek expert advice, as while some absolute return funds have performed well, others have completely failed to deliver.

Types of fund

The two main fund types both aim to achieve a similar overall objective but adopt different strategies:

- **Long/short funds.** These do two things. Firstly, they aim to make money on stocks the fund manager likes by holding – going 'long' on – them for the long-term. Secondly, they aim to make profits on stocks which they believe are going out of favour. They do this by borrowing shares from the likes of pension funds, selling them, and then buying them back once their price falls. They then return them to the pension fund and keep the profit they have made. However, following the recent run on the shares of some financial institutions (e.g. HBOS) the UK government has banned short selling of certain financial stocks.
- **Hedged funds** *(as distinct from hedge funds)*. These select stocks just like any stock fund, but they also use financial instruments called 'derivatives' to reduce market risk in line with the portfolio manager's view of the market.

There are other types of absolute return fund but they all target cautious investors seeking low risk funds to form the basis of their portfolios and many accept regular investments from as little as £50 per month.

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

Light at the end of the tunnel?

By Melvyn Bell, Lowes' Investment Manager

GIVEN THE EVENTS OF THE LAST few weeks the headline of this article might seem fanciful. The threat of financial meltdown has savaged global stockmarkets and some of the world's most respected financial groups have either been nationalised, forced into mergers with their more soundly based competitors, or are being liquidated. This culminated in the week of 6 October proving to be the worst seven days for the MSCI global equity index* since its launch in 1970.

So why the headline, given that the next 18 months or so are likely to be extremely difficult for the global economy? The answer is simple – I believe we are close to seeing a resolution to the immediate crisis. I believe the fears that the credit crisis will turn a recession into a depression mean the politicians are finally accepting that they can't leave things to the markets. This is illustrated by the recent measures announced by the government and the Bank of England when they acknowledged that merely creating liquidity in the banking system is not enough, and that the banks must be recapitalised by an element of nationalisation. This approach of partial nationalisation – also being adopted by the US – has not been seen since the 1930s.

Consequently, while it is going to be tough over the coming months, it is important to be aware that the markets have already fallen to levels which assume greater doom and gloom. This is because the selling of recent weeks has been led by forced sellers such as hedge funds, who have borrowed heavily to leverage their portfolios, and institutional investors such as pension funds and insurance companies, who have had to sell to ensure they match their liabilities.

Unfortunately, forced sellers pay little attention to value as they must raise the cash irrespective of the merits of their holdings. It is against this background that UK dividend yields are becoming higher than cash deposit rates and bond yields. In effect, the markets are pricing in no growth in dividend yields for the foreseeable future and, if current indicators are correct, dividends for FTSE 100 stocks in 2011 are going to be a third lower than at the end of 2008. This is very pessimistic when you consider that, even in 1997 when the government changed the dividend rules, the fall was only 14 per cent and that annual falls in the past three decades have never been more than 5 per cent in a year. The signals are similar for other equity markets and, indeed, many sectors of the credit markets.

Obviously, the international measures may not solve all the problems, while their impact will take some time to be felt. Equally, confidence in the success of the measures will be questioned. However, I think the comments of Artemis CEO, Mark Tyndall, are worth considering: "Markets show irrational exuberance at times, and excessive pessimism at others. Unfortunately, this is just one of the latter times, and the secret is simple: stay calm, and keep your nerve."

**Morgan Stanley Capital International, one of the most widely accepted global equity indices.*

Recommend a friend

In the face of the market turbulence, Lowes is seeing a rise in the number of referrals from existing clients …

WHILST WE WOULD RATHER THE ECONOMIC situation was somewhat calmer, we have been delighted to see a significant increase in the number of referrals we're receiving arising from the current turbulent times.

It appears that our existing clients are referring their friends to us who either do not have an adviser and need advice on the current market situation, or where the level of service from existing advisers has effectively left them in the lurch. Lowes Consultant Peter Collins notes: "The increase in referrals dates back to January and seems largely due to the lack of support people are getting from their existing advisers."

As a company, we pride ourselves on what we believe are our two main strengths:

Firstly, whether the times are good, bad or there's nothing happening at all, we meet our clients face to face on an annual basis or more often. ***Secondly***, we offer our clients a long-term approach based on the use of a balanced investment portfolio where the assets are selected with reference to a client's specific requirements and attitude to risk.

> *"In some respects we're as much counsellors as financial advisers."*
>
> PETER COLLINS

Peter Collins says: "I would add that in some respects we're as much counsellors as financial advisers. It's not just about handling tax and investment, we at Lowes care about our clients and have their best interests at heart."

He adds that "Lowes' approach also pays dividends with existing clients; we keep them informed so that they don't panic during turbulent conditions."

If you have a friend you feel would benefit from quality, independent financial advice then why not refer them to us. For 37 years we have provided clients with expert financial planning services tailored to meet their precise needs and enhance their financial wellbeing.

By recommending your friend or colleague to Lowes, you will be introducing them to what we believe is the best financial planning service in the country. So why not pass on the card located between pages 6 and 7 of this issue to someone you think would benefit from our services.

5 YEARS AGO

How did it perform?

– The Schroder UK Mid 250 Fund

PORTFOLIO

Balancing FTSE 100 over exposure

IN OUR ONGOING SERIES EXAMINING THE progress of investment products we featured in Lowes Magazine five years ago, we report on the Schroder Mid 250 Fund, which we promoted in our Autumn 2003 issue.

The product aims to provide an investment to complement existing portfolios by offering a counterbalance to any over-concentration on the FTSE 100 by investing in the 250 next largest companies after the top 100.

As we can see from the table on the right, the Schroder UK Mid 250 Fund has with all dividends reinvested returned 35.29 per cent growth, outperforming the FTSE 100, which showed total return including reinvested dividends of 21.02 per cent.

Index or Fund	% Growth 31/10/2003 to 9/10/2008
FTSE 100 Capital Return	1.84
FTSE 100 Total Return including reinvested dividends	21.02
FTSE 250 Capital Return	25.79
FTSE 250 Total Return including reinvested dividends	43.63
Schroder UK Mid 250 Accumulation (dividends reinvested)	35.29

Source Lipper / Hindsight