Winter 2004

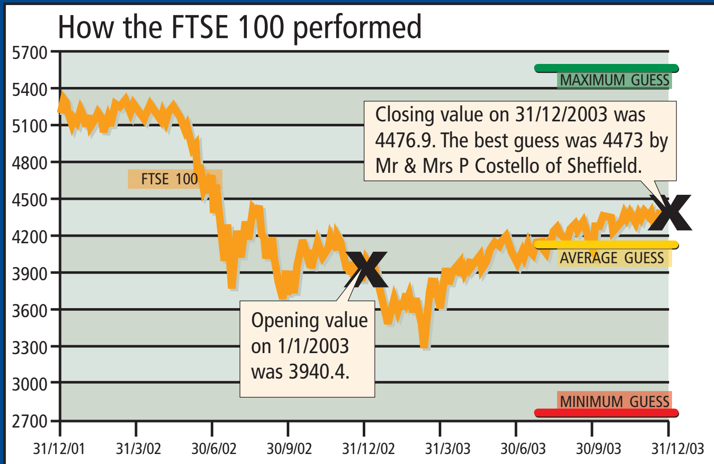
"Opportunities multiply as they are seized"

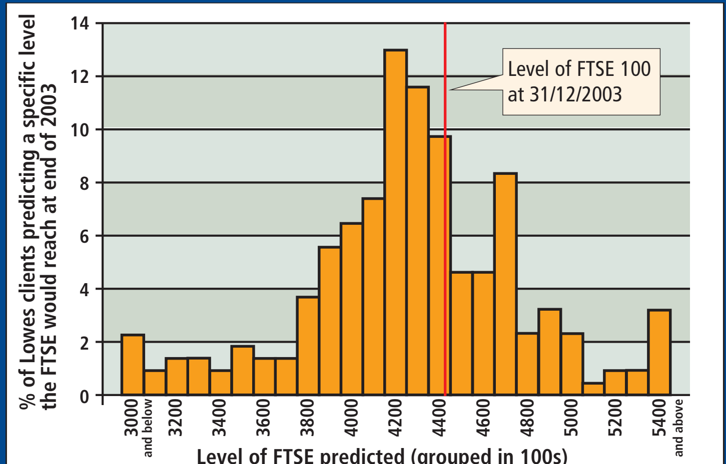
Sun Tzu

INSIDE – Men of letters out to impress … or confuse?

Our FTSE winner!

See page 5 for our 2004 competition!





FINALLY, AFTER 12 LONG MONTHS, WE CAN announce that the winners of our 'Predict the FTSE' competition for 2003 are Mr and Mrs P Costello of Sheffield. Congratulations to both of you!

Mr and Mrs Costello win three litres of champagne for their prediction that the FTSE 100 would reach 4473 by 31 December.

Our chart shows how clients were distributed on the basis of where they predicted the FTSE would end the year. The average prediction was 4220.78 – which looked fairly optimistic at the time but turns out to have been below the actual figure. We're sure you're as relieved as we are that this is the case!

Government moves on home reversion schemes

LOWES IS PLEASED TO HEAR THAT THE TREASURY is considering regulating home reversion schemes, which are popular with older people looking to release equity from their homes.

There are two types of equity release scheme, home reversion and mortgage-backed. The government originally said it would only regulate mortgage-backed schemes from October 2004 when mortgage regulation comes into force, but it has come under increasing pressure to include home reversion plans.

The combined market for equity release products in 2002 was estimated at £852 million, of which a quarter was accounted for by home reversion schemes.

- With a home reversion plan the homeowner agrees to sell all or part of their home to a reversion provider in return for income or a lump sum. They remain in the house until they die or move home, when the home reversion provider is free to sell the property. **These schemes are not favoured by Lowes.**

- With mortgage-backed equity release plans the homeowner takes out a loan secured against their property to provide an income or lump sum payment. The interest rolls up and is repaid with the capital when the property is sold, either on the death of the owner or if they move house.

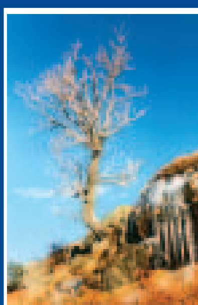
Jargon offenders

THREE QUARTERS OF BRITONS believe that businesses deliberately use jargon to confuse and deceive them. While 56 per cent think jargon is used as a cover by people who don't know what they're talking about, according to new research to support National Plain English Day (2 December).

The worst five offenders are:

1.Lawyers and solicitors (36%)
2.Computer and IT professionals (34%)
3.The government (28%)
4.Banks (25%)
5.Local councils (23%)

We are pleased to note that financial advisers are not in the top five! We, as a company, try to limit the use of jargon wherever possible and have published an extensive financial glossary on our website **www.lowes.co.uk** to help decipher any industry-speak.



The photograph used on this issue's cover is of Borrowdale in Cumbria.

Make your money work

Best bank and building society instant access/no notice accounts

Branch Based

Amount	Provider	Account	Gross Rate	Contact
£1+	**Alliance & Leicester**	**Easy Saver**	**3.25%**	**Branch** (£1 charge on counter withdrawals)

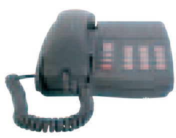
Postal or Telephone

Amount	Provider	Account	Gross Rate	Contact
£1+	**ING Direct**	**Savings Account**	**4.3%**	**0800 376 8844** to request application form and information pack[1]

Internet

Amount	Provider	Account	Gross Rate	Contact
£1+	**ING Direct**	**Savings Account**	**4.3%**	**www.ingdirect.co.uk**[1]

Note 1. Account holders must be aged 18 or over, be a UK resident and hold a UK current account (with a cheque book and Direct Debit facility).
Sources: Branch Based: www.moneysupermarket.com (2/1/2004). Postal or Telephone: www.moneyextra.com (2/1/2004). Internet: www.moneysupermarket.com (2/1/2004).
All accounts subject to terms and conditions



Directory iniquities

AT LOWES WE ALWAYS AIM TO HELP CLIENTS SAVE money and we feel it's likely that the demise of the 192 Directory Enquiries number in September 2003 has created confusion over which of the 24 possible providers offers the best value.

Our table shows the cost of a one minute call for the cheapest, the most popular, and the most expensive services. The most popular number by far is 118 118 – which owes more to the extensive publicity employed using the two runners than to its 58p charge!

If you're on the Internet then the most cost effective answer is to go to **www.bt.com** and click on Directory Enquiries.

The cost of directory enquiries

Company	Number	Cost of a 1 minute call*	Searches per call
Cheapest			
Directory Enquiries UK	118 800	19p* (charged per minute)	unlimited
Most popular			
The Number	118 118	58p* (charged at 9p per minute plus 49p initial connection charge)	unlimited
Most expensive			
ntl – multi search	118 499	74p* (charged per call)	unlimited

Source: www.uswitch.com (approved Ofcom website).
* Based on a 1 minute call

Timeshare fraudsters net £200m

AROUND 440,000 PEOPLE IN THE UK OWN TIMESHARES. If you are one of them, beware! A new series of scams has netted fraudsters hundreds of millions of pounds.

According to the Office of Fair Trading, owners need to be particularly vigilant of 'buy-sell' scams. These work by encouraging timeshare owners to buy a new timeshare property on the understanding that their existing one will be sold. The sale never happens and you are left with two timeshares. Legitimate timeshare resellers will buy your old timeshare before or at the same time as you sign up for your new property.

A variation of the scam is where cold callers claim a buyer is willing to pay top price for the timeshare and demand large administration charges upfront to guarantee the sale. Legitimate resale agents will offer to market your property but will not guarantee to have a buyer.

According to The Timeshare Consumers Association, TCA (Visit: www.timeshare.org.uk, telephone 01909 591100) these frauds have already netted crooks over £200 million. A spokesman for the TCA says: "It starts with a cold call by someone claiming to be able to sell your timeshare – or even claiming to have sold it already. The amount you will receive, they say, is usually five or 10 times more than the true market value!

"They may claim to be resellers or real estate agents but they are fraudsters. To sound credible they may claim to be a registered company and invite you to check with the Spanish Companies House. Or they may invite you to talk to their lawyers. The telephone numbers they give you will be mobile numbers answered by one of their colleagues! They may also fax or post a 'contract' which appears to have the name and a signature of a 'buyer', but it is a fabrication. They will then say that they need you to pay them money – amounts ranging from £300 to £3,000. The reasons for this are totally fictitious – advance legal fees; a Spanish legal requirement; a 'security bond' etc. None are true."

The TCA says another approach crooks use is to invite timeshare owners to visit them, usually in Tenerife or Spain, to collect the money from the buyer. You go to Tenerife/Spain expecting to return with, say, £6,000 in your pocket – but actually return £6,000 the poorer, perhaps with membership of a bogus holiday club and a piece of paper promising large sums will be paid to you in a few years. Such "Cash Back" promises are worthless.

There are variations on the theme, but they all aim to fraudulently part you from your money.

The Timeshare Consumers Association has issued this advice to owners:

- **Never** send any money to any company on the promise of selling your timeshare. And certainly do not give them your credit/debit card number.
- **Never** send an ownership certificate or a copy of one. If you have already paid money – then contact the TCA.
- **Assume** that anyone who 'cold calls' with an offer to sell your timeshare is a fraudster.

The legal situation

Dishonest Resale Brokers in the UK

Any business in the UK which sells you a product or service by telephone must comply with the Distance Selling Regulations. Where a contract is concluded over the phone the consumer has seven working days from that date to cancel. Information about the cancellation right has to be confirmed in writing otherwise the consumer has a further three months to cancel. If the service starts immediately the trader must inform the consumer before the contract is concluded in writing that he/she cannot cancel the contract once service has started.

So any company telephoning from the UK which gets you to agree – usually by you giving them your credit card number – to let them sell your timeshare, must provide you with a seven day cooling off period and must confirm the cooling off period in writing.

If you paid by credit card and have a written statement that the payment will be refunded after, say, 12 months then your credit card company should provide a refund under the Consumer Credit Act 1974.

COMMENT

Cast iron

THE LAST 12 MONTHS WAS CERTAINLY a roller coaster year for many investors. After two previous years of falling markets, the UK stockmarket, as measured by the FTSE 100 Index of leading UK companies, started the year at 3940.4 and subsequently fell almost 17 per cent during the run up to the Iraq War. Since that time we have seen the Index rise steadily and eventually finish the year 13.6 per cent up at 4476.9. The good news is that the vast majority of our investors saw positive growth during the year.

Independent surveys show that investor confidence has gradually improved since April in close correlation with the upturn in the stockmarket. As the market recovers further so will investor confidence and, as a result, more people will buy into the market pushing up prices even further. As we have said many times in the past: "the right time to invest is when it feels like you are taking a big risk". Unfortunately, most people wait until the risk seems minimal and confidence hits a high.

All of this volatility can be good news, of course, as it can lead to exceptional opportunities. You will find one on the back page of this issue which gives you 100 per cent of the growth in the FTSE 100 Index or 100 per cent of your capital back if there is no growth. Stockmarket investment doesn't come much better than that!

May I take this opportunity to wish all of our clients the very best for 2004.

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 **0845 1 484848**, 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

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ISA changes loom

The taxation of ISAs changes on 5 April. How will your investments be affected?

ISAs ARE TAX EFFICIENT investment and savings schemes introduced by the Chancellor of the Exchequer, Gordon Brown, in April 1999 as a replacement for similar Personal Equity Plans or PEPs and Tax Exempt Special Savings Accounts or TESSAs.

ISAs can include a range of cash savings, and investments in stocks and shares and life insurance. You can put up to £7,000 into ISAs in the current tax year and in each of the tax years up to and including 2005-2006. Of this, up to £3,000 can go into cash and £1,000 into life insurance. Individuals who are both resident and ordinarily resident in the UK for tax purposes and are aged 18 or over (16 or over for a cash ISA) can subscribe. Husbands and wives have their own subscription limits.

Currently, returns from ISAs are free of UK capital gains tax and income tax. If the income on an ISA comes in the form of interest from corporate bond funds, then it currently attracts a tax credit of 20 per cent which the ISA manager can reclaim on your behalf. If the income comes from the dividends paid on investments in company shares or equities, then there is a tax credit of 10 per cent which can be reclaimed.

However, the Government is to abolish the dividend tax credit from April 2004 – unless the funds you invest in each have a minimum 60 per cent exposure to fixed interest investments (that is, corporate bonds). No changes are planned in the ability to reclaim the tax credit on corporate bond funds.

What does this mean?

At the moment the dividends on UK company shares are paid net of a 10 per cent tax credit which ISAs can reclaim. This means that for a £100 net dividend, equity ISA investors are given a credit of £11.11, boosting the amount they receive to £111.11. When the tax credit is scrapped, everyone will receive a dividend of £100, whether or not they hold the investment in an ISA.

However, while the tax credit is being abolished on dividends paid within an ISA, people who have an ISA (or PEP) invested in corporate bonds will continue to enjoy a 20 per cent income tax advantage over equity investors.

> *"… the Government is to abolish the dividend tax credit from April 2004 …"*

In practice it means that basic-rate taxpayers will no longer derive an advantage, in terms of income tax, from holding equities or equity-based funds inside an ISA wrapper. However, higher-rate taxpayers will still benefit because they would have to pay 22.5 per cent extra tax if they held a share-based investment outside an ISA.

Brown: Tax changes in April

What should you do?

The effect of abolishing the 10 per cent tax credit on equity-based investments held within an ISA (or PEP) is not clear cut.

With many providers the cost of the ISA wrapper is negligible. In some cases, the choice of an ISA wrapper can actually reduce the charges you pay on your investment. This is because the fund providers have built administration systems to handle ISAs and, because they are keen to maximise their use, offer preferential terms to ISA investors. So, while there may be no clear reasons for not using an ISA, there are some good ones why you should.

In particular, the capital gains tax benefits of ISAs remain intact. Over time this is perhaps the most significant benefit of an ISA, particularly if you are investing for capital growth rather than income. There is also the time saving of not having to calculate the size of any potential gains in the first place.

For more senior people, there are also the age allowance implications to take into account. (See above – Age allowance, ISAs and PEPs).

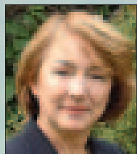
Age allowance, ISAs and PEPs

At age 65 you qualify for income tax age allowance. In the 2003/2004 tax year, if you're between 65 and 74 this is £6,610 a year for an individual and £5,565 each for a married couple. If you're 75 or over this rises to £6,720 a year for an individual and £5,635 each for a married couple.

In the current tax year, age allowance is only available in full if your total gross income – which includes all pension income – is no higher than £18,300. If it's more than this then your age allowance will be progressively cut back.

However, any income produced by PEPs or ISAs, whether from dividends or interest payments, is not taken into account when calculating entitlement to age allowance. So this is another area where ISAs and PEPs continue to offer a significant tax advantage.

Lean and mean but is it green?



Lowes' consultant, Doreen Coyle, takes a look at socially responsible investment …

LAST MONTH, MPs ON THE All-Party Parliamentary Group on Socially Responsible Investment were given research* from the UK Social Investment Forum and Insight Investment Management claiming eight in 10 investors want employers to offer an ethical investment option within company pension schemes. But does it pay to invest with a conscience?

Ethical fund managers argue that, over the long-term, those companies which aim to minimise social, ethical and environmental risk are likely to outperform their peers. The problem is in the definition of ethical investment.

It would seem perfectly straightforward to assume that a company involved in tobacco, arms manufacture or drugs is unethical but a military force can be as effective as a peacekeeper, the tobacco industry employs huge numbers and generates enormous income for national budgets, whilst drug companies' products may have important health implications. So where do we draw the line?

The decision on what is and what is not ethical or socially responsible is subjective and there are four broad strategies that can be used by ethical funds when selecting companies for their portfolios.

These are:

- **Ethical screening.** This comprises either negative screening (unacceptable companies are excluded) and positive screening (suitable companies are included).
- **Thematic investment.** Here, themes are used to identify 'industries of the future' which are trying to improve the world environmentally and socially.
- **Preference.** Companies in the same industry are rated in accordance with social and environmental issues.
- **Positive engagement.** Firms which could be more environmentally and socially responsible are persuaded to improve through dialogue and shareholder pressure.

Generally, the stricter the selection criteria a fund employs (or the darker its shade of green), then the less diversified and more volatile it is likely to be. Therefore, the investment risk can be greater.

Conversely, the less stringent the selection criteria (the lighter the shade of green) can mean that investments are made in companies unacceptable to many investors. The FTSE company, which produces benchmark indexes for fund managers, produces the FTSE4Good Index which is designed to measure the performance of companies meeting globally recognised corporate responsibility standards. But a quick glance at its constituents reveals the likes of 3M Corp, BASF, Chloride Group, ICI, Mitsubishi Chemical Corp., BHP Billiton, Astra Zeneca, Bayer AG, GlaxoSmithKline, Carlsberg, Coca Cola, Intel, National Semiconductor, and BP!

Green can outperform … but is it the best?

Figures show it is possible for the best green funds to outperform the average for their investment sectors.

In general terms, however, given the wide range of selection criteria associated with ethical investing, I would argue that the choice of a fund is less to do with vice or virtue, than with selecting a good fund manager able to spot an opportunity.

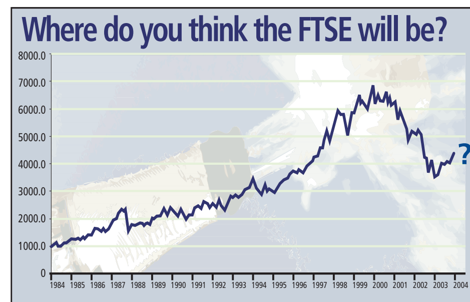
There are many good funds available which, while they may not meet the tough criteria imposed by the darkest of green investors, do place considerable emphasis on well run companies which are more often than not those which take a progressive and forward looking view of their operating environment.

**Research carried out by NMG Research among 674 investors within a fully representative sample of 2,000 UK adults (age 15+) in mid-November 2003.*

COMPETITION

Predict the FTSE in 2004

Win six bottles of Möet Champagne!



AS A RESULT OF THE HIGH INTEREST shown in our 2003 competition, we have decided to repeat the competition this year …

So, where will the FTSE 100 end up on New Year's Eve 2004? Do you feel that we are witnessing another bubble about to burst? Or will the markets continue onwards and upwards recovering more of the losses suffered in the first three years of this century? It's your call!

To enter the competition, add your details and your prediction to the pull-out reply-paid coupon inside this magazine, then return it to us by 14 February. The client whose prediction is nearest to the actual closing price on 31/12/2004 will be our winner. Any tied entries will be placed in a draw.

The prize will be an enormous helping of bubbly – six bottles of Möet Champagne!

To help you, our table shows how the FTSE 100 has finished each year over the last 10 years:

Closing values of the FTSE 100 Index over the last decade

Close of business	Level of FTSE 100 Index
31/12/2003	**4476.9**
31/12/2002	3940.4
31/12/2001	5217.4
29/12/2000	6222.5
31/12/1999	6930.2
31/12/1998	5882.6
31/12/1997	5135.5
31/12/1996	4118.5
29/12/1995	3689.3
30/12/1994	3065.5

Men of Letters

Letters after an adviser's name may look good. But, asks Lowes' Consultant Gary Summers, are you being fooled?

ALL FINANCIAL ADVISERS must achieve at least a basic level of qualification before they are allowed to advise clients.

The basic qualifications are achieved by successfully completing three examinations commonly referred to as the Financial Planning Certificate (FPC). Anyone offering mortgage advice is required to hold a further basic qualification – either the Mortgage Advice Qualification (MAQ) or the Certificate in Mortgage Advice and Practice (CeMAP). Opinion on the academic standard of the basic qualification requirement varies between commentators, but most experts accept that it compares roughly with a challenging GCSE or 'O' level, or perhaps an 'A' level.

Once an adviser has reached the basic entry level, they can further their education and expertise in much the same way as anyone with 'A' levels can go on to obtain a degree, an MA or MSc, and eventually a PhD or DPhil. Whilst many extremely good and talented financial advisers have become so because of their many years' experience in the industry, not because they were forced to obtain qualifications, there is often a correlation between a good adviser and a commitment to learn as much as possible about a particular subject.

This commitment often expresses itself in a willingness to test this learning by means of various exams, which allow those who pass to claim various 'designatory' letters for themselves. There can be little doubt that having extra qualifications also helps reassure clients that their adviser takes professional knowledge and continuing education seriously.

Figure 1: **Key qualifications for a financial adviser**

Examinations	Title	Abbreviation	Designation entitlement with appropriate membership	Lowes consultants & staff who have achieved this level**
The three basic examinations for a financial adviser	Financial Planning Certificate	FPC	FPC* MLIA(Dip)* MIFP*	17
Essential mortgage exam	Mortgage Advice Qualification	MAQ / CeMap	–	9
3 Advanced Financial Planning subjects	Advanced Financial Planning Certificate	AFPC	MSFA ALIA(Dip) AIFP	7
6 Advanced Financial Planning subjects	–	–	ASFA FLIA(Dip)	1
10 Advanced Financial Planning subjects	–	–	FSFA	1

* Lowes does not recognise these designations and therefore they are not used.
** Each entry is included in the box above other than for AFPC where two individuals have not sat the mortgage examination.

The most common method of furthering education is to work towards the Advanced Financial Planning Certificate (AFPC). This requires an individual to pass three advanced exams from a range of options, including Personal Investment Planning, Portfolio Management and a compulsory paper on Tax and Trusts. From here, advisers can choose to sit more advanced examinations to further their knowledge and acquire more credible designations.

However, having letters after your name is no guarantee of intelligence, professional ability or decent service and it may surprise you to learn that an adviser with a string of designations may not have furthered their education and may hold nothing more than the basic entry level requirement.

Apart from the obvious issue that an individual's letters may not relate to financial services, some simply indicate membership to particular trade bodies. An adviser with the minimum basic qualification who is a member of the Life Insurance Association is permitted to use the designation MLIA(Dip); a member of the Society of Financial Advisers can use FPC; and a member of the Institute of Financial Planning can use MIFP. It could be argued that anyone using these designations is doing so with the sole intention of impressing existing and potential clients who may not know that individual has achieved only the minimum required level of qualification.

This argument is stronger for anyone who joins more than one organisation and uses all their initials. So, while 'Joe Smith MLIA(Dip), FPC, MIFP, AIP' might look impressive, don't be fooled! Joe has passed only the minimum required level of financial services qualifications (oh, and has an NVQ 2 in plumbing and has paid subscriptions to the Institute of Plumbing).

Achieving the Advanced Financial Planning Certificate leads to the more credible designations: ALIA(Dip), MSFA or AIFP. A further three advanced exams lead to FLIA(Dip) or ASFA; while a further four advanced exams can lead to FSFA. It should, however, be appreciated that anyone using two or more of these designations hasn't achieved two or three times the qualification level. They are simply a member of more than one body, possibly to facilitate a more impressive alphabet soup after their name!

Other credible designations which do involve additional study and specific advanced qualifications beyond the AFPC level include FIFP (Fellowship of the Institute of Financial Planners) and ACIB (Associateship of the Institute of Financial Services / Chartered Institute of Bankers). There are others but, before being impressed, check them out.

- **A useful guide to financial adviser qualifications is published by IFA Promotion (call 0800 085 3250 for a copy or visit www.unbiased.co.uk).**

The money laundry

You may have known your Lowes' consultant for years. But it doesn't mean that we're not going to ask you to prove who you are …

Why do you need to prove my identity?

Since 1994, when the government introduced the Money Laundering Regulations, financial services firms have been required to have procedures in place to prevent money laundering and help fight financial crime. These involve training and testing our staff so that they are capable of spotting potential money laundering; asking all our clients to prove their identities and addresses; and establishing the source of clients' funds. If money comes from a third party we must establish why.

But you have known me for years!

It sounds like red tape gone mad, but the authorities require us to take all reasonable steps to ensure that you are who you claim to be, or that your identity is not being used by someone else, or that you are not acting on behalf of someone who is attempting to launder money. More importantly for us is that we could be asked at anytime to prove we followed the correct procedures. If we can't do this we could receive a huge fine, even if no cases of money laundering are found!

What kind of identification will you need to see?

We rely on Guidance Notes issued by the Joint Money Laundering Steering Group and these give examples of what identification is best. Usually, to prove your identity you may be asked for your passport; or your driving licence; or your Inland Revenue Tax Notification. To prove your address you may be asked to produce a recent local authority tax bill; a recent utility bill; a bank or building society statement or passbook; a recent original mortgage statement, or a tenancy agreement.

Official documents are preferred because they are more difficult to forge. We must keep copies of sufficient details from the documents to show the authorities on request.

What if you can't verify my identity?

In exceptional circumstances you can obtain a letter from a person in a position of responsibility that confirms they know you and your address. Failing this we cannot continue to provide you with investments or services.

What happens if you ignore the Money Laundering Regulations?

Under the Financial Services and Markets Act 2000 our regulator, the Financial Services Authority, can prosecute us if we fail to follow the procedures. Recently Abbey was fined over £2.3 million for failing to follow procedures – no cases of money laundering were found.

What if you suspect money laundering?

We must report any potential cases to the National Criminal Intelligence Service (NCIS) which deals with financial crime. If we fail to report a suspected case or spot something suspicious we could face heavy fines and imprisonment!

■ For more information contact the FSA Consumer Contact Centre on 0845 606 1234.

What is money laundering?

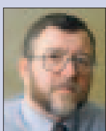
Criminals make huge amounts of money from such criminal activities as drug dealing and illegal arms trading, and they have to find a way of making this dirty money 'clean'. To do this they try to launder it by getting it into the financial system without detection or arousing suspicion.

There are three stages to laundering. The first is 'placement', which involves getting the proceeds of crime into the financial system.

The second stage is 'layering' which is the process of obscuring the money trail by transferring it between different bank accounts or financial products in the UK or abroad, or using it to buy goods and services.

The third stage is 'integration', where the funds are well disguised in the legitimate economy. Once money has been integrated it is often used to fund further crimes, including acts of terrorism.

Criminals won't use their real name or address to buy financial products or services or open a bank account – it would be too easy to trace the money back to them. So they use false identities and addresses. They may even try to buy a product or open an account using your identity. It is for these reasons financial services firms like Lowes must ensure they 'know their customer' before they agree to open an account or allow you to buy their financial products or services.



US the key to market performance

Melvyn Bell, Lowes' Investment Manager, considers the market prospects for 2004 …

United States

The US economy is showing signs of progress, but the fear of deflation makes us think that low interest rates will remain until the recovery is established. We also think that the massive US budget deficit will continue to weaken the Dollar which could dilute potential returns for sterling investors. Nevertheless, we believe investments in the US will continue their recovery.

Europe

European equity markets have rallied in the last six months but we remain cautious for prospects in 2004 – the weak US Dollar may be positive for the US, but is negative for Europe! Even before the fall in the Dollar, eurozone growth was low and unemployment high, so it is hard to see a significant change in the near future. However, while a broad-based rally is unlikely, there may be good opportunities.

UK

The UK has outperformed most of its European neighbours and, assuming the US continues to recover, we believe the UK economy and equity markets will continue their recovery. But flexibility is paramount, and investments restricted to certain areas of the market should be avoided.

Far East

Of all the global regions, this is the one we believe is likely to provide the best returns (and the greatest volatility). But we would qualify this with the caveat 'excluding Japan'. Although Japan has rallied strongly since April, there has been no significant progress to fix the structural problems in the Japanese economy. Consequently, we believe Japan will underperform during 2004. In contrast, the rest of South East Asia should benefit from the emerging economic strength of China and the outside possibility of the South East Asian currencies being re-rated following US pressure.

Emerging Markets

We anticipate the South East Asian Emerging markets could provide the best returns, with a Latin America saddled by debt and currency risks a far less attractive prospect. In the New European markets, events such as the Yukos corruption allegations in Russia increase uncertainty, while other emerging European markets depend on the strength of the eurozone recovery.

Fixed Interest

Recovery in the US and elsewhere has seen Gilt yields rebound strongly while the improved economic situation has reduced the negative outlook for corporate bonds. But if economic conditions improve and inflation stays low, the prospects for capital appreciation in bonds – especially UK bonds – will be limited from current levels.

Attractive low risk investment

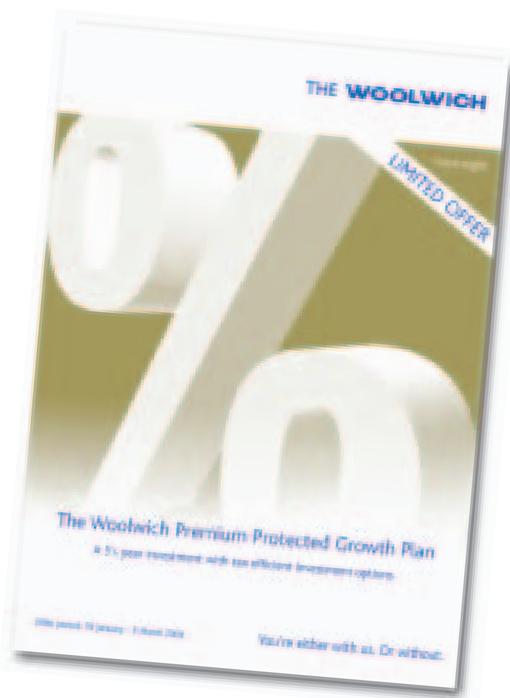
- *100% Capital Protection at Maturity*
- *100% of any Growth in the FTSE 100*

THE WOOLWICH PREMIUM Protected Growth Plan is a 5-year investment that should prove very attractive for those looking for exposure to rises in the equity markets but are not prepared to accept exposure to potential falls.

The investment is linked to the FTSE 100 Index which is the index of the UK's largest quoted companies. The Index has reflected the stock market falls and volatility of recent years; since the end of 1999 we saw it fall a staggering 52.85 per cent. From its low in March last year the Index has subsequently risen over 37 per cent, but a full recovery will mean it rising a further 55 per cent from its current position[1].

The plan presents you with the opportunity to participate in the recovery of the Index without exposing your capital to the risk of loss if such a recovery does not materialise. So, even if the Index fell by, say, 60 per cent over the next five years[2], the Woolwich plan is designed to return your capital; but if the Index rose by, say, 60 per cent[2], the plan is designed to return 160 per cent of your original investment.

The exposure to the FTSE 100 Index will commence on 11 March 2004 and up until one week before this date your investment will earn interest at a rate equivalent to 3 per cent a year gross. The final level of the Index used to determine the extent of any rise will be an average of the closing values over the final 12 months. This averaging will provide a high degree of protection against the Index declining close to the end of the investment term, although it should be appreciated that averaging may also inhibit the return if the Index rises in the final year.



'AA' rated assets

You can gain peace of mind from the fact that the Woolwich Plan is structured with investment assets provided by major financial institutions rated 'AA' or better by leading credit rating agency, Standard & Poors. Only if one of these institutions defaults will your capital be exposed to any risk. Examples of 'AA' rated institutions are HSBC and Barclays.

What about tax?

Whilst you can shelter your investment from tax by investing via an ISA, under current legislation any gains produced by the investment outside an ISA would be subject to Capital Gains Tax rules, which to most investors will prove very favourable. As the investment would qualify for 'Capital Gains Taper Relief', and as every individual has a 'Capital Gains Exemption', an individual investing £7,000 who does not expect to have any other gains in the year of maturity would need to see the Index rise by 135 per cent before they would have any tax to pay!

How to invest

You can invest anything from £3,000 to £500,000 into the Woolwich Premium Protected Growth Plan.

Please take the time to read thoroughly the Woolwich literature accompanying this magazine to establish whether you agree that this is a very worthwhile investment and that you understand the risks.

If you have any doubts about its suitability for you then please do not hesitate to contact your usual Lowes' Consultant or call this office on **0845 1 484848**.

If you wish to proceed then please complete the application form and return it in the envelope provided together with your cheque made payable to 'Woolwich Plan Managers'.

1. The FTSE 100 Index reached a high of 6950.6 on 30/12/99 and fell to 3277.5 on 12/3/03; at the time of writing (31/12/03) it was 4484.
2. The actual level could be more or less than this.

Important Notice: This investment is intended to be held for the full five and a half years. If you need to sell your investment early you may get back less than you invested even if the FTSE 100 Index has risen. Your return is dependent upon the counterparty financial institutions meeting their obligations; these institutions are rated 'AA' (very strong) by leading credit rating agency Standard & Poors. Those investing outside an ISA will be subject to Capital Gains Tax if their gains in the year of maturity after the application of taper relief exceed the personal exemption, which is currently £7,900. Levels and bases of reliefs from taxation are based on our understanding of current tax legislation and are subject to change. Past performance is not necessarily a guide to future performance.