LOWES

Where personal finances are cared for personally

April 2003

"Better to light a candle than curse the darkness."

Confucius

INSIDE – House prices and inheritance planning

Small businesses are the new pensions

BRITAIN'S SMALL COMPANY bosses are planning to use their business as a pension when they retire, according to a survey of 452 firms carried out by MORI for Abbey National.

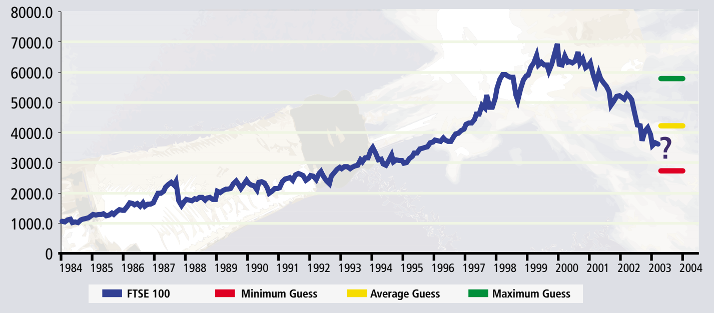
Instead of passing the business down to the next generation, nearly a third of today's owners are building up successful businesses to sell to the highest bidder when they retire. Only 15 per cent said they want to keep it in the family but six per cent said they would sell it to their staff.

Gary Hockey-Morley, Director of Abbey National Business, says: "It's a far cry from the days when everyone in the family used to work in the traditional small business and it was simply passed down from generation to generation. Today's small business bosses want to enjoy their retirement and with pensions falling short they are looking to their business to fill the gap."

With people living longer and having more expensive lifestyles than in the past, a third of small business bosses envisage staying at the helm until they are 62. Only two per cent feel they'll be in a position to retire between the ages of 50 and 54, while three per cent believe they'll still be working past age 75.

Predict the FTSE

Where you think the FTSE will be



MANY THANKS TO ALL those clients who entered our 'Predict the FTSE 100' competition.

Just as a brief reminder, we asked clients to use their crystal balls to predict what they thought the value of the FTSE 100 Index of leading UK companies will be at the close of business on 31 December 2003. The client who comes closest to the correct figure will receive a monster Jeroboam of champagne containing three litres of bubbly!

The accompanying chart shows just how your predictions were distributed. The vast majority of those who entered by the closing date of 14 February opted for a figure between 3750 and 5250 and the average prediction was 4220.78. The most optimistic estimate was 5781.3 whilst one client felt the FTSE would fall as low as 2740.6. Let's hope that we end the year on the more optimistic note!

Recommend a friend

THANK YOU TO ALL THOSE clients who used the coupon in the January issue of LOWES Magazine to recommend us to a friend or relative.

Recommendations of this nature are by far the greatest compliment to our organisation that we could ask for. Once again, our sincerest thanks.

The

EXACTLY TWO YEARS AGO, LOWES Magazine highlighted the impact on people's financial wellbeing of the demise of the door to door life insurance salesman.

Our conclusion was that the disappearance of the door to door salesman may lead to the demise of the savings habit. Now, not only is the amount people are setting aside for their future in decline, but so are sales of products designed to protect a family's income should the breadwinner die or be unable to work.

Things get worse

You've probably heard of the "savings gap" – the difference between what people are saving for retirement and the amount they'll actually need to sustain a reasonable standard of living in retirement. According to recent research by Oliver, Wyman & Company for the Association of British Insurers (ABI), this "gap" has now grown into a £27 billion "black hole".

Oliver, Wyman's research shows that the largest single chunk of the savings gap – over £8 billion – is with middle income groups – people earning between £25,000 and £35,000 a year. For higher earners, the gap is still a significant £2.2 billion. In terms of age, those between ages 25 and 45 account for over £14 billion of the gap with the 45s to 60s accounting for £8.7 billion.

This situation is being exacerbated by a number of trends. One is the virtual disappearance of the insurance salesman who

The photograph used on this issue's cover is of Souter Lighthouse, Sunderland

Make your money work

Best bank and building society instant access/no notice accounts

Branch Based

Amount	Provider	Account	Gross Rate	Contact
£1-£4,999	Alliance & Leicester	Easy Saver Card	3.3%	Branch
£5,000+	Bank of Scotland	Instant Access Savings Account	3.5%	0500 804 804

Postal or Telephone

Amount	Provider	Account	Gross Rate	Contact
£1-£499	Legal & General	Easy Access Tracker Account	3.18%	0845 609 0705
£500-£999	Cheltenham & Gloucester*	Tracker Account	3.5%	0800 22 63 41
£1,000+	Birmingham Midshires	Telephone Plus	4.1%**	0845 602 2828

Internet

Amount	Provider	Account	Gross Rate	Contact
£1-£4,999	Halifax Plc***	Web Saver	4%	www.halifax.co.uk
£5,000+	Citibank****	e-saver	4.07%	www.citibank.co.uk

Notes: *Minimum investment balance £100. ** Rate shown includes the first year bonus of 0.5%.***No cash card, for cash card a lower rate will apply at least 0.05% above base rate. ****No interest if account falls below £500. Account management entirely through Citibank Internet banking only.
Source: Information published on company websites (3/4/2003). All accounts subject to terms and conditions.

yawning gap

■ Home service: a thing of the past

brought savings products to many doors. Another is the decline of company final salary pension schemes *(see page 6)* and their replacement with pensions linked directly to the stockmarket which are not proving popular during this protracted period of political and economic uncertainty. And of course there is complacency – the view that things will work out in the end.

The protection gap yawns

The savings gap is not the only chasm in the UK personal financial landscape. Attention is now turning to the "protection gap" – that is, the situation where most of the population has inadequate insurance cover to cope with the financial consequences of death, ill health or unemployment.

According to Swiss Re Life & Health, the amount of protection insurance held by UK consumers needs to at least double if they are to be able to pay outstanding debts and replace lost income.

> *"The amount of protection insurance … needs to at least double"*

Swiss Re says that a typical couple aged 30 with two young children, one parent earning £25,000 a year and the other not in employment, could need life insurance cover worth £330,000. If both were non-smokers, then cover for both up to age 50 would cost around £6 a week. However, the average term life assurance policy taken out in 2001 provided cover of just £82,835, Swiss Re says.

The demise of the insurance salesman aside, one explanation for the huge protection gap is increased life expectancy. Whereas men and women born in 1911 had an average life expectancy of 56 and 63 respectively, this had risen to 76 and 81 for those born in 1991.With figures like these it's easy to dismiss thoughts of protection insurance. However, average life expectancy is just that – an average. Aside from those who suffer debilitating illnesses which prevent them from working, during 2001 9,700 men and 5,360 women died between the ages of 25 and 44.

Of course, loss of income may occur not just because of death or disability. In these uncertain times, many people's jobs may be at risk, and research carried out by MORI for Scottish Provident paints a familiar picture of underinsurance, with nearly half those interviewed saying they do not have enough insurance cover or savings if the main wage earner lost their job.

Readers whose children have their own families should consider asking them if they have enough insurance to cover eventualities. To help them find out how much life insurance costs, a full illustration facility for different types of cover is available on our website at www.lowes.co.uk. Just click 'Life Assurance' in the left hand navigation bar.

COMMENT

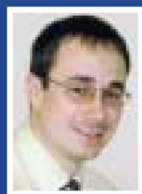
The least risk

RISK IS A PERPLEXING THING! Consider the perceived occupational risk to a soldier who joins the army today compared with one who joined three years ago. To the latter, who commenced his military career when our forces were not involved in any conflict, the risk will have seemed low, but to today's recruit it may seem high. In reality, by the time today's recruit is trained, the war in Iraq should be over and it could (hopefully) be many years before our troops are involved in another conflict. So who faced the most risk?

As I write, the radio indicates a degree of optimism that the war may be moving into its final stage; American troops are reportedly well established within Baghdad and British troops were welcomed as they finally entered Basra. Whilst the war has, to date, been far from the decisive action many had predicted, the scenes in Basra now meet with the original expectations; albeit two weeks later than anticipated.

Whilst I hope we will soon see an end to the Iraq conflict I expect that the ramifications of the war will continue for some time. Likewise, whilst I believe that the stock market decline that commenced at the beginning of the new century is now complete, volatility may remain high for some time.

Volatility is accepted as a measure of risk, but is the stock market any riskier now than at the end of 1999? The market, as measured by the FTSE 100 Index, has retraced over half its value and arguably the chances of large losses from this point are lower than in 1999. But such is the effect of the fear of loss that it takes an event to drive it home. With this in mind you should ask yourself: Is the risk in the markets greater or less than it was? The most logical conclusion is that it is less.



Ian H Lowes,
Managing Director

LOWES

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The great propert

House price inflation could have a big impact on your IHT planning, says Lowes' Senior Technician, Neil Mclachlan…

■ Mclachlan: many readers will be familiar with tools of inheritance planning

MANY READERS OF this magazine may have already made plans to minimise the potential impact of inheritance tax on their estates.

However, even allowing for the fall in the stockmarkets, the dramatic rise in property prices which has taken place since the mid-1980s means that these plans may now be in need of a radical overhaul. The fact is that the value of your house alone may easily exceed what in the language of inheritance tax planning is called the 'nil-rate band'.

Put simply, if your estate is worth more than the nil-rate band – £250,000 at the time of writing – then every additional penny may be liable to tax at the rate of 40 per cent.

Just take a look at Figure 1 (below) to see how big a problem property-related inheritance tax could be for you. It shows the average value of a detached house in the top 20 property hot spots in England and Wales and illustrates precisely how little you need in savings and other assets before you break through the nil-rate band.

Careful plans

According to the trade body for independent financial advisers, IFA Promotion, an extra £1.3 billion was paid in tax last year to Gordon Brown because people failed to plan their inheritance. Any failure to take account of property price inflation could see this figure rise dramatically over the next few years.

As clients of Lowes, many readers will be familiar with the tools of estate planning, such as a valid will, tax free gifts, potentially exempt transfers or PETs, trusts and Whole of Life insurance arrangements (see right).

However, even after taking into account the reduced value of stockmarket investments, the need to accommodate the dramatic rise in the value of residential property may require some innovative financial thinking. It may also entail some additional and possibly unwelcome costs, although the reduction in any potential IHT liability can, over time, dwarf this expense.

How the problem can fund the solution

One of the best established and arguably most effective methods of meeting an IHT liability is a Whole of Life arrangement which aims to provide enough capital on death to meet the tax bill.

The only problem is that the older you get the more expensive such an arrangement becomes. However, there is

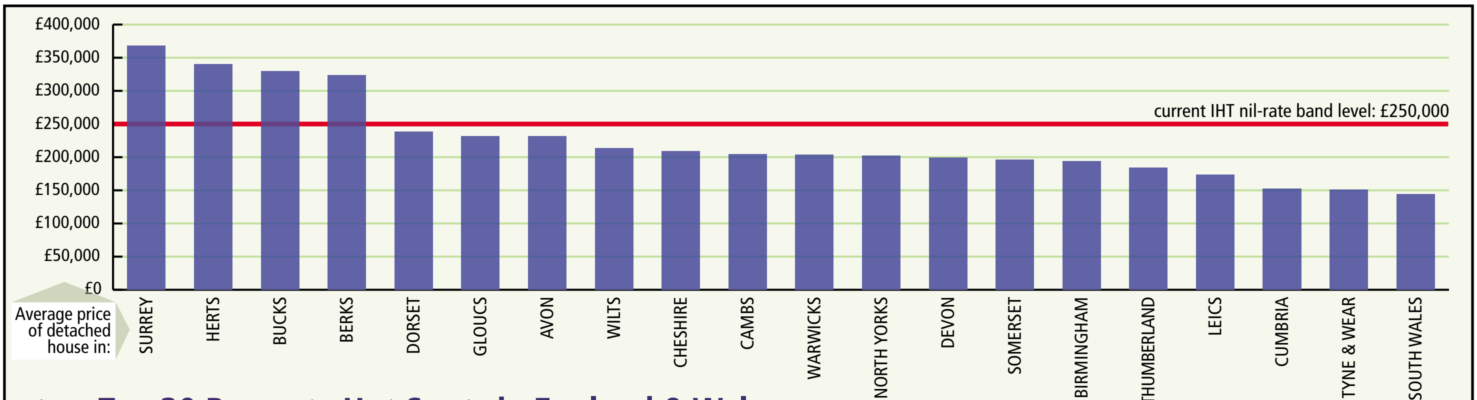


Figure 1: **Top 20 Property Hot Spots in England & Wales**

Source: Hometrack, 14 March 2003

y trap

a novel way of meeting this cost and it rests on using the problem – the high value of your house – as the means of funding the solution.

Put simply, this approach entails releasing sufficient equity each year from your property to fund the Whole of Life arrangement. Not only does it avoid the need to dip into your retirement savings, but it also has the advantage of taking money out of your estate, reducing your overall tax bill in the process. However, such schemes need to be carefully tailored to your individual circumstances.

Figure 2: **The cost of a Whole of Life arrangement**

Non-smoking couple aged:	60	65	70
Cost of **£100,000** WoL cover	£1,476.22	£1,883.04	£2,416.48

Note: All quotes are based on joint life second death and have been obtained using the Skandia Protect Whole of Life. Figures quoted are the annual premium.
Source: Lowes, 14 March 2003.

The tools of inheritance planning

Whole of Life plan

This is an arrangement which pays out a cash lump sum on your death to cover an IHT bill. The arrangement is written in trust which means that the lump sum falls outside your estate so is not liable to tax.

IHT nil-rate bands

Transfers of assets between husband and wife are free of IHT. However, when the second spouse dies there will be an IHT charge on the estate. To minimise the impact of this the first spouse could use their nil-rate band which, at the time of writing, allows £250,000 to be transferred free of tax out of the estate to other people (e.g. children). However, this deprives the surviving spouse of this capital plus any income from it, so is only suitable in its simple form for very wealthy couples.

A valid will

This is a fundamental inheritance planning tool. It can ensure that your assets are distributed tax efficiently and in accordance with your wishes.
The Lowes website features a free will writing service which offers a quick way of writing a simple will online. Visit www.lowes.co.uk and click 'Will Writer' in the left hand navigation bar.

Potentially Exempt Transfers (PETs)

These are outright gifts of any value on which IHT will not be payable unless you die within seven years of making the gift. If you do die within seven years of having made PETs which exceed the nil-rate band, then your estate could benefit from reduced IHT liability on a sliding scale (see below).

IHT payable on PETs

Years between gift and death	% of the full IHT owed
0 to 3	100
3 to 4	80
4 to 5	60
5 to 6	40
6 to 7	20
7 plus	0

Gifts

There are a number of tax exempt transfers or lifetime gifts you can make which over time can significantly reduce the size of your estate.
The main ones are:

Type of gift	Maximum amount
Gift to spouse	Normally no limit
Normal expenditure out of income	Must be habitual and regular and not affect the donor's standard of living
Small gifts	Any number up to £250 each
Annual £3,000 exemption	If full £3,000 not used in any one year the balance can be carried forward to the next
Gifts in consideration of marriage from:	
• Each parent	£5,000
• Each grandparent (or great grandparent)	£2,500
• The bride or groom	£2,500
• Others	£1,000
Gifts to charities	No limit to UK charities
Gifts to political parties	No limit subject to conditions

Trusts

Trusts can be an important IHT planning tool. Essentially, they allow you to remove assets from your estate by making lifetime gifts whilst retaining some degree of control over how the gifted assets are used.
There are a number of trusts which can be used and their suitability depends on your precise requirements, but typical reasons for establishing a trust include:

- Avoid or reduce IHT, Capital Gains Tax and Income Tax.
- Allow you to gift assets whilst retaining some control.
- Provide for the needs of children who are too young to take legal responsibility for the gift.
- Provide a flexible environment for the future.

A key issue with trusts is that such arrangements could be challenged in the future with the result that they don't lead to an IHT saving. Consequently, their use requires expert advice.

Will Gordon be your fourth heir?

WHEN IT COMES TO INHERITANCE everyone is a higher rate taxpayer and the key is to prevent the Chancellor of the Exchequer getting his hands on your hard earned assets when you die. But that's precisely what will happen if you neglect inheritance planning.

Just take this example. Imagine that your wife inherits all your assets when you die giving her an estate worth £666,666. Furthermore, assume you have three children and that she intends on her death to split these assets equally between them. Now, let's take a look at what happens in the absence of any inheritance planning.

Allowing for the wife's nil-rate band of £250,000 at the time of writing, the amount liable to IHT is £416,666 of which 40 per cent or £166,666 goes to the Chancellor.

This leaves £500,000 for your three children, which is £166,666 each. In other words, the Chancellor is getting as much of your estate as are each of your three children!

Last orders for final salary pensions

MANY OF OUR CLIENTS MAY BE lucky enough to be members of a company final salary pension scheme.

If so, they are – or should be at some point in the future – benefiting from a guaranteed inflation proof pension linked to their final salary.

Sadly, they are probably destined to be among the last to benefit from what will probably be remembered as one of the best company perks ever. Thanks to a potent cocktail of factors – ranging from the Pensions Act 1995 (the official response to the shenanigans of the late 'Captain' Bob Maxwell), falling stockmarkets, and the current Government's decision to stop pension funds reclaiming advance corporation tax on share dividends – final salary schemes have collectively racked up deficits estimated to exceed £70 billion.

Faced with this, employers are forced to increase their contributions. According to the Association of Consulting Actuaries, which represents the mathematicians who help run these schemes, average employer contributions rose by 14 per cent in 2001/02 and may have to rise by even more in the coming years.

Because this money must come from company profits, it is no surprise that companies are either closing their final salary schemes to new members or, in some cases, altogether. In their place employees are being offered what are called 'money purchase' schemes, where the benefits are not guaranteed by the employer.

Rise of the public sector

Looking ahead, it's likely that the only employers offering final salary pensions will be in the public sector – where the schemes are paid for by you, the taxpayer, and the likes of doctors, nurses, teachers, firemen, civil servants and, of course, MPs, are the beneficiaries.

MPs get the best public sector pension scheme of all

PHOTO: PA

The upshot is that while the public sector was once the poor relation to its private sector cousin when it came to pay and benefits, it's now become far more attractive.

Research carried out by the BBC last December showed that, for the first time, public sector employees are at the top of the pay and benefits ladder. When pensions are taken into account, the Beeb says, the average public sector worker is £203 a year better off.

> *"... companies are either closing their final salary schemes to new members or, in some cases, altogether"*

Not surprisingly, the public sector is using the final salary pension as a recruitment 'carrot'. Last year, job advertisements by the NHS – which runs the largest public sector scheme with around a million members – stressed the benefits of a final salary pension which offers benefits worth about 20 per cent of pay at a cost to members of just 3.5 per cent.

According to the National Association of Pension Funds, the trade body of employer pension schemes, there are 331 public sector pension schemes in the UK compared to 110,000 in the private sector. However, membership of public sector schemes accounts for 5 million people, or half the number currently in employer schemes. But of all the public sector schemes, the best of all is reserved for MPs.

Whereas the typical final salary scheme offers a pension worth a sixtieth or an eightieth of final salary for every year of service, the gold plated MP's scheme offers a fiftieth of final salary – or it did until it was changed to a fortieth last year!

For a backbencher on a standard salary of £52,000 a year retiring at age 60, this translates into an inflation-proofed pension of about £28,000 a year after 20 years in the House. Given current rates of interest, to buy an annuity offering this much pension you'd need a lump sum worth well in excess of £500,000.

In contrast, an employee on the same salary in a sixtieth scheme could, after 20 years service, expect an annual pension of around £18,000.

The name's Bond … Premium Bond

DURING JANUARY, SALES OF Premium Bonds reached a record £580 million, bringing the total number in issue to 18 billion £1 Bonds held by 23 million people.

But are Premium Bonds a good deal compared to the equally safe haven of the building society?

Given average luck, National Savings & Investments (NS&I) say you will receive a minimum return on your Premium Bonds equivalent to 2.4 per cent tax free. This is known as the Prize Fund Rate[†] and is linked to the Bank of England base rate. It equates to interest on a deposit account of 3 per cent gross to a basic rate taxpayer. So, if your money's in such a deposit account, the returns should approximate to those on Premium Bonds. Except the latter offers a chance to win up to £1 million.

But what alternatives exist which offer the potential to win big without risking your capital? The most common regular prize draw is the National Lottery. What if, rather than investing in Premium Bonds, you put your capital into a building society account and used the interest to buy National Lottery tickets?

To give you an idea of how Premium Bonds stack up against the Lottery, we've compared 2,500 £1 Premium Bonds with a situation where you use the interest earned on £2,500 in the deposit account paying 3% gross interest to a basic rate taxpayer (2.4% net interest) – which is equal to £5 a month – to buy five £1 Lottery tickets every month.

Our conclusion, given average luck, is that while you stand to win £60 a year tax free with Premium Bonds the return from the Lottery is just £27. The odds of winning a prize each month are roughly the same at 11.4 to 1 for Premium Bonds and 10.8 to 1 for the Lottery, although the minimum Premium Bond prize, at £50, is five times that of the Lottery's £10.

But when it comes to the top prize, the Lottery is the winner. Whilst you have a 7.5 million to 1 chance of winning the top Premium Bond prize of £1 million, the odds of winning the top Lottery prize (which average about £2 million for every draw since 1994) are 2.8 million to 1.

Note: [†]This is due to fall to 2.25 per cent on 1 June 2003

	Option 1 **Premium Bonds**	Option 2 **National Lottery**
Investment	**£2,500**	**£2,500**
Where invested	**Premium Bonds**	**Building society** producing £5 per month net income which buys five National Lottery tickets in one draw each month*
Capital risk	None	None
Average prize expectation per annum	**£60** (equivalent to 2.4% tax free a year)	**£27** (equivalent to 1.08% tax free a year)
Odds of winning any prize in a monthly draw	**11.4 : 1**	**10.8 : 1**
Lowest prize	**£50**	**£10**
Jackpot	**£1,000,000**	**£2,062,308****
Odds of winning jackpot	**Approx 7,500,000 : 1**	**Approx 2,800,000 : 1**
Expect to win the jackpot once every:	**625,000 years**	**233,333 years**

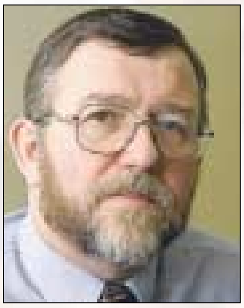
* Assumes gross interest of 3% to a basic rate taxpayer

** Average top prize won in all lottery draws since 1994

Source: NS&I for Premium Bond figures based on February 2003. Camelot for National Lottery figures since 1994.

China opportunities

FUTURES



■ Melvyn Bell

THE CHINESE ECONOMY HAS grown at a remarkable rate over the last decade, says Lowes' Investment Manager, Melvyn Bell…

According to the World Bank, between 1991 and 2001 Chinese exports rose 416 per cent from US$72 billion to US$299 billion, while imports climbed from US$65 billion to US$271 billion. Over this time, the economy trebled in size while inflation was almost static.

The world's major manufacturers have established partnerships and bases within China, introducing the latest production techniques to a readily available labour force with average annual earnings of just US$840 per head.

As a member of the World Trade Organisation, China is an integral part of the global economy and growing numbers of Chinese citizens are reaping the benefits of economic expansion. But, like their counterparts in Europe in the 19th century, they are becoming consumers as well as producers, boosting demand and further expanding the labour force.

Yet despite this dramatic progress, China is still an immature market. There will be periods of volatility when the country's economy and stock markets overextend themselves, which can mean a rocky ride for investors.

But in the medium to long-term, the dynamics of the Chinese economy have been set in motion. The combination of an entrepreneurial culture and rapid economic growth can only be a catalyst for future development.

Investment opportunities

Whilst there are a number of funds which can invest in China, the exposure of most tends to be limited.

There are currently only three UK authorised investment funds which offer a substantial exposure to this market:

- Gartmore China Opportunities.
- Invesco Perpetual Hong Kong & China fund.
- Investec Hong Kong & China.

All invest the majority of their assets via Hong Kong's Hang Seng Index. This will change in the future but at present the Hong Kong market is considered to be the safest and most efficient way to invest in China.

Of these funds the Invesco Perpetual Hong Kong & China fund is my fund of choice. It is the largest of the three, although with just over £32 million it cannot be called big, but with 43 holdings it is reasonably diversified. The Investec fund has 29 holdings and the Gartmore 45.

In terms of performance the Invesco Perpetual fund has performed well relative to its two competitors. Its fund manager, Billy Chan, has been running the fund for just over six years, whereas the other two funds are in the process of introducing new fund managers.

The Equity Recovery Portfolio

THE CURRENT GLOBAL BEAR MARKET is one of the deepest and longest corrections in living memory. Whilst no one can accurately predict the bottom of any market fall, we are confident that hindsight will show that the present has proven to be an excellent time to invest in the market.

The key is to select the right investments and, with this in mind, we have analysed the vast universe of unit trusts and OEICs to identify the components for a portfolio that should be very well placed to benefit from the recovery.

The one thing that is rapidly becoming apparent is that this recovery will not be evenly spread across all areas of the global economy. This suggests that a diversified and actively managed investment portfolio will offer the greatest potential to benefit from the recovery.

It is on this basis that we have constructed our Equity Recovery Portfolio. It comprises five funds which offer a very high degree of diversification and have demonstrated in previous rising markets their ability to provide above average returns.

Three of these funds are what are commonly called "Fund of Funds". This essentially means they are managed portfolios which are invested in a selection of individual OEICS and unit trusts rather than in individual shares. Two of them are managed by two of the most successful fund managers in the world – Fidelity Investment Services and Threadneedle Investments – and they invest solely in their own wide range of funds which cover most of the world's equity markets. The third "Fund of Funds" is managed by Jupiter. It is not restricted to Jupiter's own funds but comprises funds its managers believe are the best of their type, irrespective of who manages them.

What all three of these have in common are portfolios of actively managed funds which will be constantly modified as the recovery unfolds.

The fourth fund in our Equity Recovery Portfolio invests directly in shares and is managed on an active basis by Newton Fund Managers Limited.

Equity Recovery Portfolio

	Portfolio Split	Risk Rating	Manager's Normal Initial Charge	Lowes' Agreed Discount	S&P Fund Research	Old Broad St. Research
Newton Managed	20%	medium	4%	0.5%	AA	AAA
Jupiter Merlin Growth Portfolio	20%	medium	5.25%	1.25%	A	Not reviewed
Fidelity Wealthbuilder	20%	medium	5.25%*	0%	AAA	AA
Threadneedle Global Equity	20%	medium	3.75%	0.25%	AA	AA
Gartmore UK Focus	20%	medium**	5%	1.75%	Not reviewed	AA

*3.25% for ISAs.
** Insufficient track record to determine risk rating, sector rating substituted.

Geographic Allocation

- UK Equities
- US Equities
- Europe Equities
- Japan Equities
- Far East (Excluding Japan) Equities
- Other Equities
- UK Bonds and Conv
- Global Bonds
- Cash

The final fund we have chosen is the Gartmore UK Focus Fund, a new type of fund known as a "focus fund". This means that its fund managers adopt an extremely active management style and would typically invest in only 25 to 30 holdings. In isolation this fund may be subject to greater investment volatility but, as a component in our overall portfolio, we believe it offers the potential for enhanced returns without increasing the overall portfolio risk beyond a medium rating.

It is our belief that by combining these funds, which individually are leaders in their particular peer groups, the overall portfolio will achieve our objective of providing above average returns from an equity market recovery whilst managing risk through diversification.

In the past, investing in a portfolio of this nature would have involved submitting separate applications for each fund, resulting in five lots of ongoing paperwork. However, modern "fund supermarkets" provide a one stop shop for many different fund managers. Of the various "supermarkets" available, our preferred is Cofunds, which is an independent company backed by the UK's leading fund administrator and four of its leading fund managers.

By using Cofunds you can invest in this portfolio within a single account, making it easier to monitor your investment on an ongoing basis and significantly reducing the amount of paperwork you have to deal with. What may come as a surprise is that the extra benefits that Cofunds provides come at no extra cost to you.

■ **To invest in this portfolio with Cofunds, either directly or through an ISA, you should read the accompanying Key Features documents and then complete and return the relevant application together with your cheque payable to "Cofunds".**

If you have any questions about this investment or its suitability for you, or if you require an additional ISA application for your spouse or partner, then please contact your consultant or our office on 0845 1 484848.

Important Notice: Past Performance is not necessarily a guide to future performance. Capital is not guaranteed and you may not get back the full value of your original investment. The value of units may go down as well as up. Levels and bases of taxation are based on our understanding of current legislation and are subject to change. For details of the remuneration that Lowes will receive for placing this investment please refer to the product literature. Risk rating methodology is available on request.