

September 2008

I have pleasure in sending you our autumn 2008 **Investment Report**. Do have a look at the website www.ArmstrongDavis.com should you wish to view previous reports as well as our work in the national media.

Who's advising on wealth management?

Everyone, it seems, has an IFA, a stockbroker or an accountant or all three. At Armstrong Davis, we ask 'So, who's advising them on their wealth management?' We ask this for the following reasons:

- ❖ The stock market is down c 20% from the October 2007 highs. We are in a significant bear market yet investors – including pension, life assurance bond and ISA holders – remain in stocks. Indeed, the stock market is back to levels seen **10 years ago**. Yet, many IFAs and stockbrokers still say 'stay in stocks for the long term and you can't go wrong!' How long is long term?
- ❖ These so-called independent 'financial advisers' (often calling themselves financial planners, these days) also recommended property during the last few years as a 'sure thing'. Do you ever read the finances of the celebrities (selling their new project – film, book, TV series etc) in the Money section of the Sunday Times? Have you noticed how so few of them save to a pension yet all of them invested heavily in property? Now let's get something straight: pensions do NOT go up and down. A pension is merely a savings vehicle which saves you income tax, gives you tax free growth (practically) and gives you tax efficient money at the end. Yet, so few of these well-paid celebrities invested into pensions. Go figure. What goes up and down is what is inside the pension and the trick is not to let it go down much when it is attacked and have it grow when it can.
- ❖ But they did save hugely to property – taking out massive loans on massively overpriced stock. There is not a single commentator now who will say property is a sure thing which is what they all used to say. (There were very few of us, these last couple of years, who could be heard forecasting a big downturn – see www.ArmstrongDavis.com in the Media section for our forecasts **before** it all happened.) Residential and commercial property are down around 15% from the autumn 2007 highs and have a further 20-30%, *at least*, to go over the next few years.

So, if everyone has an IFA (or financial planner), a stockbroker or an accountant, who's advising them on managing their wealth?

As Sir Terry Wogan oft asks (in a high-pitched, quizzical and confused tone): 'Is it me?'

Who's not advising on wealth management?

We read, in Citywire Funds Insider (August 2008) that 'Private Banks shed lower net worth clients'. The private banks and stockbroker arms of **HSBC and UBS** are changing:- huge players who advise many thousands of families on their wealth management – or used to! Apparently, UBS are ditching something like 7,000 (!) accounts. HSBC is closing its stockbroking business. The bank is said to be shedding clients who use the firm on an advisory basis and who have assets under management of less than £1m. It is also believed they will simply close the accounts of those with less than £300,000 managed.

The clients are being 'advised' to go to other smaller stockbroking firms. Great! Stocks' indices grow not at all during the last 10 years, the big firm then gets rid of you, and you stay in stocks at a smaller firm.

We can offer ex-HSBC Private Bank clients and ex-UBS clients one of two investment services:

- ❖ An advisory service where we create for you a bespoke investment portfolio. We review this together on at least an annual basis to ensure that it remains appropriate to meet your investment objectives.
- ❖ A discretionary service, in partnership with your discretionary manager, where we work with you to challenge their recommendations and ongoing service. We help you with your initial selection of a discretionary fund manager and then attend review meetings with you.

Armstrong Davis will happily receive enquiries from these 'orphaned' investors.

We're advising on wealth management

We stated, in our June report, that our "short term forecast for house prices [... was...], by autumn 2008, that the indices will show house prices back to 2006 levels. By early next year, they will be back to 2005 levels."

Sure enough, already by July, prices – according to the Halifax and Nationwide – were back to summer 2006 levels. The early 2009 forecast will surely be met. It also seems increasingly likely that our longer term forecast of a drop to 2002/03 prices by c 2011 is accurate. Having said that, we're starting to believe it may have been too optimistic.

Our favourite TV appearance recently was on Channel 4 News (8 July 2008). In April, as the Halifax announced a whopping 2.5% drop in prices (for one month!), we debated with an economist and an estate agent what would happen to prices going forward. We said 'Don't touch property with a barge pole!' Three months later, the Halifax announced yet another big fall (2% for June and over 6% for the last three months) and Channel 4 News asked us all back. Armstrong Davis' forecast had been spot on and the others clearly had significantly altered their forecasts to catch up with ours. If you would like to watch this, it's in the Media section on our site, as is the original April broadcast.

We spoke to many private client solicitors, accountants and prospective clients in the last couple of years and told them of our views. We generally advised against property (since c 2006) and shares (since early 2007) and sometimes we were perceived as being 'so out of touch with financial realities...' We were entirely in touch! The thing is: we're in this for the long term. We seek to build long term relationships with clients and their professional advisers. So, we give our view even if it contradicts with conventional wisdom. Thus, we don't follow hype. We aim to gain your trust that we will preserve capital when it is attacked and grow it when we can. No doubt most other 'financial advisers' (!) helped the clients and professional advisers who decided not to work with us. The 'advisers' often did not advise – they sold. Hence, the wealth of many of those families is now less than it was a couple of years ago.

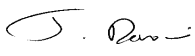
We hope you enjoy the rest of this quarterly report.

As the economy turns down sharply, as we forecasted it would, can your friends and family be sure they have planned appropriately? If you are a professional adviser, such as a private client lawyer or an accountant, can you be sure that your clients are well looked after by their financial and investment advisers?

Ask us about how we could help them.

Compare Armstrong Davis Ltd to any other independent financial adviser or stockbroker.

What can you lose?



Jonathan Davis BA MBA FCII AIFP FPFS
Chartered Financial Planner
Managing Director

✉ jdavis@ArmstrongDavis.com

Please remember investments can fall as well as rise. And they will!



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What can you lose?

- ❖ Private investors – Your hard-earned funds.
- ❖ Solicitors –
 - Trustee clients: Who are unhappy with the performance of the stockbrokers you recommended.
 - Clients: Who have significant wealth which may be depleted by Inheritance tax.
- ❖ Accountants – Clients: Who are unhappy with the investment advice from the ‘advisers’ you recommended.

Financial advisers are often expert in products such as pensions and life assurance bonds. They are also quite expert at certain aspects of taxation. However, ask them generally what will happen to what you put in your investment vehicles (pensions, bonds, ISAs etc) such as shares or property or commodities and they often turn into obfuscating, quivering wrecks. Generally, their response is ‘You can’t tell what’s going to happen’. Well, excuse me, but what are they advising that investors can’t buy themselves from online services? If ‘advisers’ don’t advise on the underlying investments, what do they bring to the party? Investors can buy pensions, for example, online. Why do they need an IFA who doesn’t know what to put in the pension?

At **Armstrong Davis**, we are highly qualified **independent and impartial financial advisers**. Just as IFAs, generally, we are expert too in products and tax. However, on top, we are also **expert in markets and macroeconomics**. So we advise not only on the product but also on what should be inside the investment vehicle. These are just a couple of the modus operandi that differentiate Armstrong Davis from IFAs and financial planners. We *will* tell you what we think is going to happen in the stockmarket. We have done so. Again, see the website for previous accurate forecasts.

**Armstrong Davis takes away your worries and gives you peace of mind knowing
that your money / your clients’ money is well looked after.**

Armstrong Davis : Leading the Management of Wealth

At Armstrong Davis we provide impartial, quality advice. Advice that works.

- ❖ We regularly appear on national TV, radio and press discussing financial issues such as pensions and investments, stock market and the economy. See www.ArmstrongDavis.com for details.
 - ❖ We are holding seminars and having meetings with professional advisers (solicitors and accountants) and potential investors who seek quality advice, in London and in the Northern Home Counties. If you would like to speak to us, on a no-obligation basis, we should be very pleased to hear from you.
 - ❖ We advise families on how to look after their wealth and we help to grow it. We know how to make sure **you don’t lose it**. Do what Sir Alan Sugar would do – buy low and sell high! It works.
 - ❖ We advise trustees. We will take away the **legal advisers’ and trustees’ concerns** of, for example, whether they are invested in the right areas to fulfil their responsibilities to the beneficiaries?
 - ❖ We also advise high earners on tax planning and efficient saving of surplus income.
 - ❖ Some of our clients have 7-figure investment accounts. We’re looking for our first 8-figure client.
 - ❖ We merge our expertise of markets and macroeconomics with financial planning tools to provide excellent financial advice to high net worth families.
- **Contact us to find out more about obtaining market-leading investment advice for you or for your clients**
- ✓ **Telephone: Jonathan Davis BA MBA FCII AIFP FPFS on 0845 862 2919 or 020 7073 2919**
 - ✓ **Or email: jdavis@ArmstrongDavis.com**

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