

February 2008

I have pleasure in sending you our Spring 2008 **Investment Report**. I hope you find this interesting and useful. If there are any subjects you would like us to write about we are very open to your suggestions.

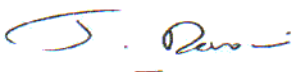
Do have a look at the website www.ArmstrongDavis.com should you wish to view previous reports as well as our work for and in the national media.

News from Armstrong Davis

We have successfully applied for 'Permission' to advise clients throughout Europe. The FSA has given authorisation to Armstrong Davis Ltd to work with clients across the continent. Thus, wherever clients reside, in Europe, we have the authorisation, and capability, to advise them. We are one of the first companies to be so authorised in the UK.

Our new Office Manager, Mark Pocock, joined us on 18 February. Mark has extensive experience of account management and administration within large financial institutions in The City. Any queries can be directed either to me or to Mark. Email: mpocock@ArmstrongDavis.com

We hope 2008 will be prosperous for you.
Yours sincerely,



Jonathan Davis BA MBA FCII AIFP FPFS
Chartered Financial Planner
Managing Director
jdavis@ArmstrongDavis.com

Encs

Please note, the address for correspondence is:
5 Lakes Court, St Margaretsbury, Stanstead Abbots, Herts SG12 8ES
Tel 01920 871667

We still have the City office.

We are no longer in Roydon, as shown (we are trying to save the planet by not just throwing away perfectly good printed paper)
The new Reg Office is The Granary, Bell St, Sawbridgeworth, Herts CM21 9AR

Armstrong Davis
Leading the Management of Wealth

Armstrong Davis Ltd's Forecasts Prove Accurate Yet Again

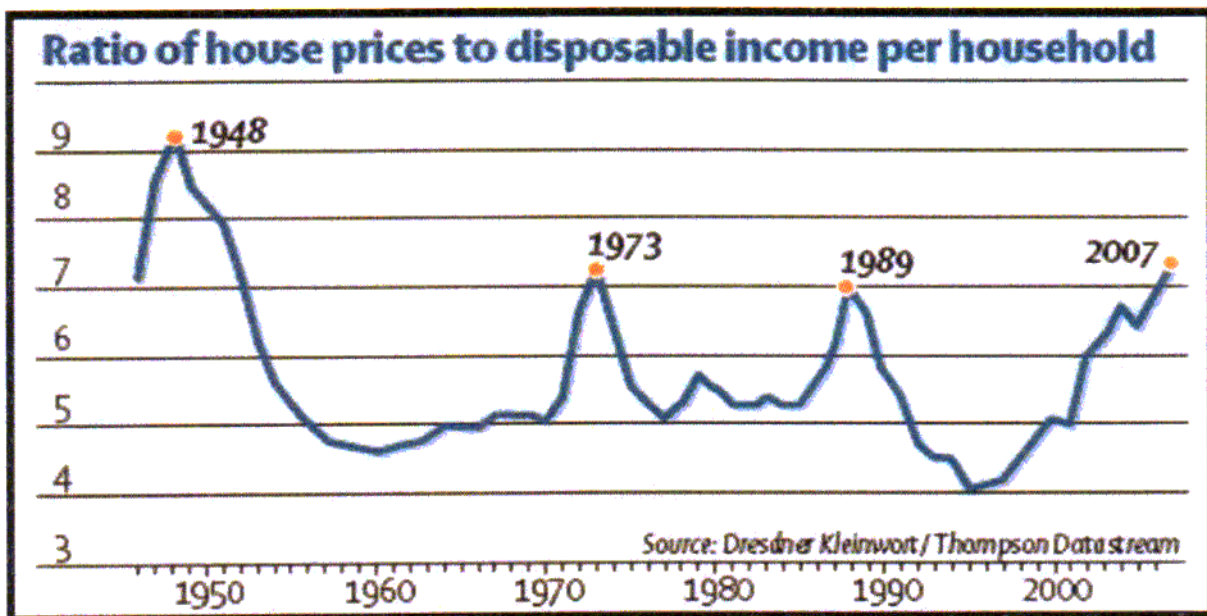
For this Spring 2008 edition of our quarterly investment reports we thought we'd review our performance during 2007. The headline gives you an indication of our own appraisal of ourselves(!).

In our July 2007 Investment Report, Armstrong Davis stated the following: "GLOBAL SHARES: IT IS ... LIKELY ... THAT WE [WILL] SEE A SHARP SELL OFF THIS YEAR..." Did we get it right? Er, we were out by 3 weeks! As you will know the markets started selling off in October and had fallen c. 25% by 22 January 2008. The FTSE went back to levels seen in early 2006!

Curiously, the 22nd Jan was also when Mervyn King, Governor of The Bank of England, said this to the CBI: "WE ARE PROBABLY FACING A PERIOD OF ABOVE TARGET INFLATION AND A MARKED SLOWING IN GROWTH... THE NEXT YEAR WILL POSE ECONOMIC CHALLENGES FOR ALL OF US – MORE SO THAN AT ANY TIME SINCE THE BANK OF ENGLAND WAS GIVEN ITS INDEPENDENCE IN 1997."

That's interesting because we wrote, in March 2007: "IF ANYONE BELIEVES THAT WHEN THE US SNEEZES WE WILL NOT 'CATCH A COLD' THEY ARE LIVING ON ANOTHER PLANET." The US was about to enter a recession which it is probably in right now and this is likely to be confirmed in the near future.

Also, in our March 2007 Investment Report, Armstrong Davis forecast the following for house prices in the UK: "WE PREDICT 25%+ FALL OVER 4-6 YEARS". How has that forecast fared? Well, for example, The Nationwide Building Society has told the nation that prices are down for the 4th month in a row (29 February 2008) and mortgage approval numbers are down 40% on last year. Look at the chart, below. Have we stuck to our forecast? No. In the light of worsening economic conditions we have **INCREASED** the forecast fall to 30-40% over 4 or 5 years, and at least as bad in London and the South East. The advice we have given will save our clients from huge financial losses.



THERE'S GOLD IN THEM THAR HILLS!

We have also been writing since March last year about the investment opportunities from commodities, such as gold. Since last year the price of gold has indeed risen from c \$650 per oz (February 2007) to c \$970 per oz (February 2008). **A c. 50% rise! Read more in the Bulletin attached. This of course compares with a big fall, year on year, for shares.** As well as big falls in Property Unit Trusts – the most sold sector of the last couple of years. (Sold more than bought!) As well as the losses now being racked up by residential property investors.

Armstrong Davis

Leading the Management of Wealth

What now? The Bear growled. Now the Bull snorts.

We have been bearish on the stock market for what appears an eternity (actually over a year). We are no longer bearish on the stock market. In fact, since the end of January, we have been busy putting our clients' funds to work. You may recall we have been largely out of the market for some while, except for some exposure to gold. We have been arranging bespoke portfolios in the light of the fact that the market has retreated c 25% from its' highs – as we forecast. The time to buy is when everyone else is selling – and, according to The Financial Times (26 February), January was the worst month **on record** for sales of unit trusts. Actually, it should have been the best!

As we have said in the past – do what Sir Alan Sugar would do – Buy Low and Sell High! It works.

As for gold and other commodities – in the long run they are very very strong. Gold can rise to over \$3,000 over the next few years as far as we can forecast. Yes, you read right! It's already gone from \$280 to nearly \$1000 over c. 6 years! And yet, it's not even close to its 1980 price in real (inflation-adjusted) terms. Agriculture will be even stronger as the demand for food imports to China (by 600m people...!) is the huge driver. Have you noticed your food bills rising? They are. And they will continue to do so for years.

The things we need are going up sharply in price and the things we want are no longer falling. We have inflation whatever the ONS says. Fuel, lighting, heating, transportation, food – all going up strongly.

We also have deflation of property to economically realistic levels. (Unfortunately, debts do not deflate all by themselves.) Falls will not finish before 2010 or 2011 and could well go on for longer. | During the last couple of years, we recommended to our clients not to touch residential property with a barge pole. We didn't recommend a single Commercial Property fund during 2007 (or 2006 for that matter). **Our clients have done really very well over the last year or two during a most complex investment period.**

We have shown you that we have something of great value – **impartial, quality advice. Advice that works. Knowledge of markets of such depth and insight that normally you could only obtain if you invest £100m, such as if you are a large-scale pension fund.**

- ❖ Our Managing Director, Jonathan Davis (one of the most highly qualified financial advisers in the UK – if not the most!) regularly appears on national TV, radio and press discussing financial issues such as pensions, stock market and house prices. See www.ArmstrongDavis.com for details. Recent appearances include Panorama and ITV's The Tonight Programme.
- ❖ We are holding seminars and having meetings with professional advisers (solicitors and accountants) and potential investors (who seek quality advice on what to do with their pensions, ISAs, other investments etc) over the coming weeks in London and in the Northern Home Counties.
- Contact us to find out more of our services.
- ❖ Our typical client has £300,000 to £3m in accumulated funds or cash (or they soon will have this amount as, for example, it's currently in property to be sold or in a business about to be sold). We advise families on how to look after their wealth and we help to grow it.
- ❖ We advise trustees. The Trustees' Acts now require rigorous regular professional review of assets. We will take away the 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.
- Contact us to find out more about obtaining market-leading investment advice
 - Telephone: **Jonathan Davis BA MBA FCII AIFP FPFS on 020 7073 2919**
 - Or Email: jdavis@ArmstrongDavis.com
- See the website for all the details of all the above forecasts: www.ArmstrongDavis.com
- 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.

Armstrong Davis

Leading the Management of Wealth