

July 2006

Summer 2006 Newsletter

I have pleasure in enclosing the new edition of our client newsletter.

You may recall the following statements in my previous missive at the end of March 2006: "Don't be too surprised if you see headlines this year of stock market falls. However, as a result of taking my advice, if this happens, you are less likely to be much affected whereas most investors will be significantly affected." Well, given the sharp falls in asset prices since early May, just a few weeks after you received that paragraph, I am bound to say that it happened exactly as I forecast.

Please note, a 20% downturn needs a 25% upturn just to return a portfolio to the previous high point!

Please also remember, two years of 25% p.a. growth followed by a year with a 20% drop produces the same result as three years of 7.7% p.a. growth. Isn't the latter result less worrisome yet similarly productive? This is what we call balancing risk and reward. Why lose sleep over your investments? I certainly do not want you to.

The FTSE 100 was at 6950 at the end of 1999. Yet, it stood, on Monday 3rd July 2006 at some 5850, a drop of c. 16%. It will need a further rise, from March 2003 lows, of c. 19% just to get back to end-1999 levels. In the meanwhile, since nearly six years ago, cash has **returned gross interest** of some 23% and without any risk.

Other 'asset classes' have also produced net gains during this time period.

Please remember, though, that long term investing is exactly that. *We should not be too concerned with short term movements in markets* as during, for example, May to June 2006. It's the long term that matters. On this issue, my view is that shares, residential and commercial property are in a long term downward trend even though there may be short term fillips. (My view of the residential market is well known.)

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Commodities, on the other hand, such as gold and oil, look good for the long term and there will be inevitable short term falls. China, for example, imports five times the amount of oil it was importing just five years ago and its demand continues to rise.

My job is to ensure my client's financial planning is straightforward, tax efficient and optimal to achieve their personal objectives. The job of the fund managers, to whom clients' moneys are entrusted, is to stick to the brief of consistent returns without large losses in any calendar year - as many other investors experienced from 2000 to 2003. This is what we call Absolute Return investing.

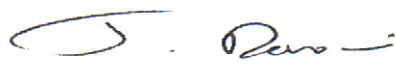
I continue to forecast large falls in house prices *over the next five or so years*, as also I stated in March. This, I believe, will have a significant detrimental effect on the wider economy. For those who follow this market (doesn't everyone?) outside of London and the South East the market is very slow and, according to The Halifax, house prices fell, nationally, 1.2% in June 2006.

Hence, traditional high risk investing (i.e. primarily equities) is inappropriate at this time.

I focus on wealth management and managing your wealth. If you like what I do please tell others to contact me for a no-obligation discussion. They'll receive the same professionalism that you receive.

If I am not providing what you want please tell me.

With kind regards,



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