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GLOBAL VIEWS

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Assets in Underperforming Funds Soar

For many years lists of so called "dog funds" have been distributed. Evidence of the lack of research by investors become so glaringly obvious as the lists and the companies are named and shamed. Clearly the fact that the amount invested in such "dog funds" has grown year on year means that people are actually putting more money into them, as the actual value of the funds fall. The number of funds, which have fallen into this category, has grown from 84 to 130.

Now we are all for buying on a falling market, but select a fund, which has the ability to perform, and buy on a falling market. Do not buy a fund which has consistently been a poor performer against its peers, against its benchmark, buy into a falling sector with a top performing fund, it probably has somewhat better chances of catching the upside.

For a fund to be included in the list of dog funds, the fund has to be in the fourth quartile over the last three years. Some august names find themselves on the list. To be certain that you do not buy an underperforming fund seek advice.

More Bad News for UK Pensions

It is difficult to recall when there was any good news, but the latest news indicates that if you are an expatriate if you have not arranged a QROPS yet, you should perhaps revisit what a QROPS offer.

Obviously as we are all aware the QE, which the UK undertook to try to mitigate the recession and the economic crisis, has had adverse affects upon UK Pension Funds. The Bank of England's printing of £325.0 billion has been an absolute disaster for pensions.

Under the BoE quantitate easing program, the Bank created this new money to buy Government Gilts, thus reducing borrowing costs, pushing down interest rates to help kick start the economy. The jury is out as to the success or failure of the venture, but the verdict on the impact on UK Pension Funds has returned a verdict, a disaster. Some experts have calculated that the impact has cancelled out at least three years of growth.

There are talks of more QE, which will only bring more pain to pension funds. It has recently been estimated that company pension scheme deficits are 13 times worse than they were just one year ago.

For QROPS advice call us now!

Global Outlook

Recent data on the health of the global economy continue to bring concerns to long equity investors. The problems in Eurozone seem and the inability or willingness to solve, concerns as regards China and finally growth figures in the US, the world largest economy continue to suggest we have a long way to go before the US is back to growth phase. Then almost certainly the concerns about deficits.

Europe

The papering over the structural cracks has not solved the problems, and just because the news is full of The Olympics or The Ryder Cup, major problems remain. Piece meal repairs are not working, and whether we see the break up of the Euro, a two-tier system or a continued cover up remains to be seen.

China

Diverse opinions here, a number of analysts suggest that China will have a soft landing, others that it is heading for much harder times. The Chinese Government has been forced to change strategy on several fronts, certainly the debt crisis in EU and the slowdown in US is bound to affect a market built upon exports, whether home consumption can pick up the slack remain to be seen. Lets be honest there are enough Chinese, but have they the income to replace a faltering EU or US?

US

The Americans seem to have become reluctant buyers again. Fears of unemployment and a stalled housing market have proved a prompt to restrict spending. Perhaps the biggest issue is the fact that The Fed has reacted so strongly before, but each time it acts, its effectiveness is reducing.

One option which investors can consider which will provide some degree of protection and at the same time the potential for positive returns are Structured Notes.

As examples on offer now are offerings such as

FTSE S&P, 8% coupon
China Brazil 11% coupon

Buying Overseas Property

We continue our survey of some of the most popular locations.

Buying a property in another country be it for holiday let, or for part or full time residence, is the dream of many people. Clearly in the past banks have been more than willing to advance monies against ever increasing values of a main residence. However, in recent times, banks are not keen to lend on anything, and many countries property values are at best stagnant, at worst depressed. However, notwithstanding those issues, the purchase of overseas property continues, albeit at a reduced rate.

There are various issues with different countries, which buyers should be aware of, and this article and future articles will focus on one particular country. This is not intended to be a definitive guide, but will perhaps help any proposed buyers in their selection process.

Dubai

Dubai is one of the seven Emirates, which make up the United Arab Emirates. Dubai burst onto the scene in the late 90s. Some have always maintained that Dubai was built on sand, literally and figuratively.

Dubai became sin ominous with monster building projects, the first 6 star hotel, The Burj, magnificent ecological resorts, Palm Island, The tallest building in the world The Burj Kalifia. The Burk Khalifa having been renamed from its original name out of respect for the rulers of Abu Dhabi who, by the time it came for that building to be completed came about, had been forced to bail out a bankrupt Dubai. Thus other mind-boggling project such neither as The World, or the world's first underwater hotel has nor progressed.

Even given the fact that many of the building projects have been cancelled or delayed, the amount of new construction in Dubai is staggering. At one point it was reckoned that Dubai had over half of the world tall cranes, which was interesting as Shanghai has the other half, how the rest of the world got on we are not sure!

Property prices having plummeted in 2008, official figures say by over 40%, anecdotal evidence would suggest even more. Apparently rental yields have remained fairly strong, between 8-15%. Having said that, this is against significantly lower property values.

Tax, well some very good news here, as there is little direct taxation in Dubai. No CGT, Stamp Duty, Income Tax. There are purchase fees to consider; above and beyond legal fees there is a 1.5% land registry fee. Land Department will charge around 2%, and there will quite possibly be a broker's fee.

Important Legal Issue

Dubai is a Muslim Country, thus Sharia Law is applied. Whilst the country is very western in many approaches, and they is no need for woman to wear a veil, and alcohol, which extremely expensive is available, in terms of inheritance Sharia Law applies. Thus care must be taken in how you purchase a property, one simple solution, which has been applied, is to purchase the property in a company name. This is not a tricky as you may imagine, but be certain to seek legal advice.

Gold

Gold is poised to climb the most in two years as prospects for additional stimulus by governments from the U.S. to China to revive economic growth stoke demand for the precious metal as a bet against inflation.

Bullion for immediate delivery may reach $1,800 an ounce by the year-end, extending gains this year to 15 percent, according to the median forecast in a Bloomberg survey of 15 traders and analysts at a conference in Hyderabad in South India on Aug. 25. That would be the most since a 30 percent surge in 2010, data compiled by Bloomberg show.

Gold is set for a 12th year of gains as the European sovereign-debt crisis boosts haven demand amid speculation of further policy easing by central banks, including the U.S. Federal Reserve, which may be considering a third round of so- called quantitative easing, or QE3. Investment holdings have expanded to a record on demand for a hedge against inflation.

"The euro zone has been quiet of late, but that doesn't mean the problems have disappeared," said Jeffrey Rhodes, global head of precious metals at INTL FCStone Inc. (INTL), who expects gold to rally to $1,975 by year-end. "The U.S. economy has been sluggish and there is a growing belief that there is going to be QE3 soon. This anticipation is driving the market."

Fed Chairman Ben S. Bernanke said last week there's "scope for further action" from the U.S. central bank. He is scheduled to speak later this week at the Fed's annual symposium in Jackson Hole, Wyoming. China's Premier Wen Jiabao has urged additional steps to support exports and help meet economic targets as evidence mounts the slowdown is deepening.

A Few Lighter Thoughts

Amidst all the financial doom and gloom, a few lighter thoughts. Below are the jokes that have been voted the funniest jokes at the recent Edinburgh Festival, enjoy!

You know who really gives kids a bad name? Posh and Becks.

Last night me and my girlfriend watched three DVDs back to back. Luckily I was the one facing the telly.

I was raised as an only child, which really annoyed my sister.

You know you're working class when your TV is bigger than your book case.

I'm good friends with 25 letters of the alphabet… I don't know Y.

I took part in the sun tanning Olympics - I just got Bronze.

Pornography is often frowned upon, but that's only because I'm concentrating.

I saw a documentary on how ships are kept together. Riveting!

I waited an hour for my starter so I complained: 'It's not rocket salad.

My mum's so pessimistic, that if there was an Olympics for pessimism… she wouldn't fancy her chances

It is Time in the Market, Not Market Timing, that Brings the Rewards

Is it a good time to invest? This is one of the questions Financial Advisors are frequently asked. The problem is that only hindsight will be able to tell you. The most common time for private investors to buy in is when the market is high and rising, the most common time they sell, when they are falling. Ironically of course the professionals are doing exactly the opposite. How many of you readers sold when the markets collapsed in 2008? How many of you bought?

Markets are driven by sentiment, and greed. Private investors by fear of missing out on something, and fear of loosing.

So we have a conundrum, is there an answer? Well to some extent there is, and that is if equity investment is right for you, and if you are using capital to invest, you make your decision, and perhaps in the first instance drip money in, but when you are in you are in. The title to this article tells the story, its time in, and not timing which is crucial.

Unpredictable events and investor sentiment can have a negative or positive impact on markets, often unexpectedly, and no one can predict the future. In order to successfully time the markets you would need to accurately identify both the best time to buy and the best time to sell, and even very experienced investors cannot get this right. You would need to somehow foresee all the factors and trends that contribute to market performance; reacting to current conditions is usually too late.

Time in the markets is the wiser strategy for most investors rather than timing. Every market cycle has up and down days. Often a few very good days account for a large part of the total returns over a market cycle. The real risk of market timing is missing out on the best performing days. If you are not invested, for example because you are waiting for share prices to stabilise after a period of volatility, you are likely to miss out on the sudden market rallies that could improve your long-term wealth

There are numerous examples to illustrate the cost of being out of the market. One major fund group provided evidence that an investor in the US S&P from 1992-2011 would have generated a return of just under 8% per annum. That would be on the basis that the investor was in the market for the whole period. However, by missing just the ten best days that return falls to 4.14%, and missing the best twenty days the return falls to just over 4% per annum.

An exercise on FTSE provides similar results.

While volatility and down periods can be testing for investors, they form part of every market cycle. Short-term declines should not detract from the long-term potential of stock market investing.

Emotions can also cause people to effectively try and time the market. They sell in falling markets because they are afraid of remaining invested, and lock in their losses as a result. They buy in rising markets as they chase returns, but could end buying just as the market peaks. Too many investors end up buying at market highs and selling at market lows. Markets often suddenly rebound from their lows, but they miss out.

Studies have found that people who employ an investment strategy tend to feel more satisfied with their financial situation. The group with the highest strategy usage is 12% wealthier than the group with the lowest strategy usage. Portfolio performance is more significantly determined by asset allocation and diversification than market timing. However it is important to remain dethatch, to make decisions based upon fundamentals. Thus frequently this is where expert advice helps.

Whilst it may appear we are suggesting that the buy and hold strategy is the best, it is clear that regular reviews are necessary, and changes will be necessary. A rebalancing of a portfolio is integral to success, but that does not essentially mean a total rebalance, that as a market or sector falls we sell out to buy in later. A portfolio should be structured at outset according to your needs, your desires, your risk profile and time frame.

If you feel your portfolio needs some attention, or indeed you are just seeking some reassurance please contact us to conduct a review. We now have available a range of Discretionary Managers who can also assist in this matter.

The Time to Fix the Roof is when the Sun is Shining

Mansard Capital: Investment Insight

An investment article from Mansard Capital, whose Global Macro Fund seeks to achieve absolute returns of 6-7% + Libor per annum via investing in worldwide markets on a global thematic and opportunistic basis. The Fund places particular emphasis on minimising the risk of capital loss, whilst trading all the major global asset classes.

One of the key questions investors ask themselves, is why equity markets have had such a surprising rally this summer, against a backdrop of such negative economic news.

It brings to mind the adage of style over substance, although in this instance, it is in our view, definitely more hope over any form of economic substance.

The **three big economic fears** justifiably remain; I have kept this very brief as there has been an incredible amount written on these key issues for what seems like ages.

FEAR 1: Eurozone Crisis
Increasing debt levels is unlikely to solve the debt problem of insolvent banks being supported by insolvent countries.
The Eurozone could be just three years into a 7-10 year recovery period?

FEAR 2: US Fiscal Cliff
Under current legislation, the US will experience about \$600bn of fiscal contraction (spending cuts and tax increases) in 2013, resulting in up to 4% reduction in GDP.

FEAR 3: Slowdown in Chinese growth
China is a world's major trading partner, if their economy slows down, as a result of this, others will too. Important to note, Europe is China's biggest exporter.

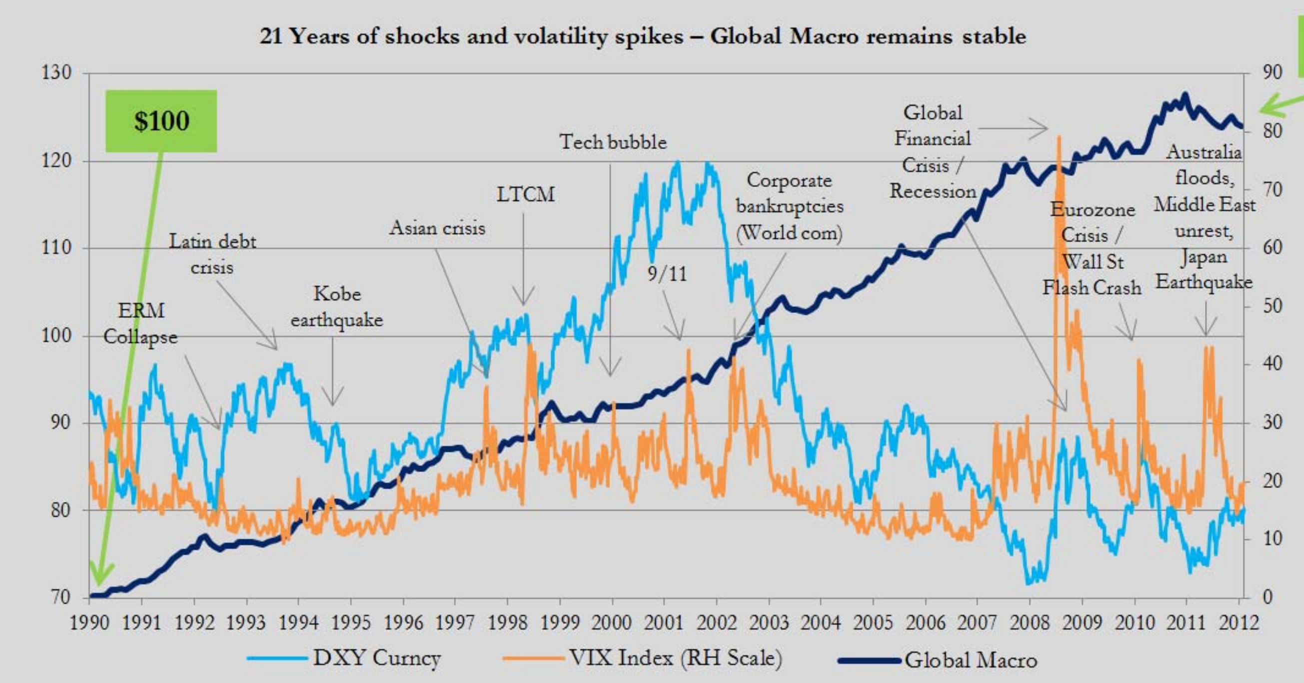
So what has this to do with fixing the roof when the sun is shining?

The time to review portfolios is of course always on-going, however it should certainly be a good time **NOW** to consider adding some form of portfolio protection to your client's portfolios, particularly if they have participated in the surprising equity rally.

The number of shocks in the markets seem to be happening with greater regularity, the once in a 100 year event, seems to be almost an annual event, as the chart below shows.

You often hear or read expert commentators talk about the "asymmetric risk* of both Gilt and Equity markets, implying that there is more perceived risk on the downside than there is on any potential gain.

If you also believe this is the case, then we would be delighted to work with you and provide bespoke support to review your portfolio. (*continues on next page*)



- Global Macro has been the best performing asset class over the past twenty years
- Volatility Index (VIX) is currently at 14 – the lowest it has been since 2007

The Time to Fix the Roof is when the Sun is Shining

MANSARD CAPITAL: INVESTMENT INSIGHT

(*continued from previous page*)

With this insight, what does it mean for you?

Well simply put, we believe that there is a lot of risk if you solely depend on the growth of equities or indeed many government bonds, that are either offering negative real yields such as USA/UK or have default risk priced in, such as Spain, Greece or other peripheral European countries!

One current position is to benefit when volatility spikes with any market crash, thereby offering a degree of protection, when this is added, further diversifying your portfolio.

We employ considerable resources and capability in defining our asset allocation decisions, so that our clients are optimally structured to deal with the turbulent times and meet expected risk and return targets.

Asset allocation skills, coupled with Portfolio manager skills, will allow us to deal with the 'ups and downs' (volatility) that will continue to infiltrate the markets.

On-going volatility and a low interest rate environment have encouraged many clients to seek alternative forms of investments that seek to deliver stable returns with low correlation to equity markets.

WHY ALLOCATE TO MANSARD MACRO NOW?

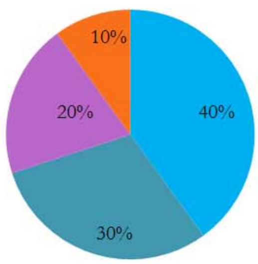
1. This fund offers significant upside potential when the markets tumble; the greater the blowout, the greater the Fund will benefit.

2. Adding Mansard Macro Fund to your portfolio should reduce the overall volatility/risk (as per pie chart examples).

3. This Fund will add Portfolio Protection (a hedge) to the your clients portfolios during market uncertainty.

The time to fix the roof is when the sun is shining, portfolio protection should be bought NOW, not after any potential crash/when it is raining!

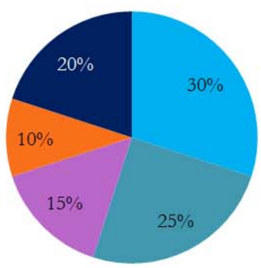
The portfolio examples below highlight that by adding Mansard Macro Fund, what difference it could make to a cautious type managed portfolio, based on historic performance over the past six years.



a. Without Mansard Macro

Annualised Returns = 0.77%
Annualised Volatility = 11.24%

■ Global Equity ■ Global Bonds ■ Property ■ Emerging Markets ■ Mansard Macro



b. 20% allocation to Mansard Macro

Annualised Returns = 2.49%
Annualised Volatility = 8.75%

Past performance is not a guide to future performance. The value of investments may fluctuate, may be affected by changes in rates of exchange and are not guaranteed. Investors may not recoup any of the amounts originally invested. The information contained in this document is provided for information purposes only and is not an invitation to invest. Please refer to the Fund Offering Documents for detailed information and/or seek relevant professional advice before making any investment decision. This document may contain forward looking statements Such statements, whether expressed or implied, are based on the current assumptions of Mansard Capital and may change without notice and are not guaranteed. This document does not constitute an offer or solicitation to sell shares in any of the Funds mentioned, by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. As the data relates to performance of a Fund unaffiliated to Mansard Capital it should be treated as simulated data for information purposes only. All data includes the portfolio manager's previous audited track record beginning in January 2006 and taking into account the inception of Mansard Macro in September 2010. All data illustrated is net of management fees, performance fees and expenses. All data has been sourced from Bloomberg.