

A Stockmarket Update

Introduction

You will no doubt have seen the recent news regarding the stockmarket. Yesterday's slide (Monday 21 January 2008) represented the *biggest one day fall* in stockmarkets since 9/11, with the FTSE 100 closing 5.5% down. The last few months have become increasingly volatile with the FTSE Mid 250 retreating around 24% from its 2007 highs and the FTSE 100 retreating around 17% from its highest point of the year.

I understand that many people will be gloomy overall, what with the property turmoil, the banking crisis and the awful weather! Just as we can't control the weather, nor can we control stockmarkets. However, I do **not** believe that now is a time to be pessimistic and I feel that we can use the current market conditions to our long term advantage.

Time to be bold?

Warren Buffet, widely regarded as the world's most successful investor, once said: *"Be fearful when others are greedy and greedy when others are fearful."*

Just as falls in stockmarkets can be quite sharp and concentrated over short periods, so can rises in markets. A recent statistic showed that missing the best 40 days FTSE growth in the last 15 years would have reduced the annualised return from 9.84% to 1.06% (source: Datastream as at 3 December 2007).

We believe that if you are investing for the medium to long term then the current market lows will present an excellent buying opportunity. If you have the tolerance to top up equities within your portfolios then we would suggest buying in stages over the next few days, weeks and months would be a sensible strategy.

We believe that buying on the way down and on the way back up again will provide excellent returns for portfolios in the medium term. It may be that your portfolio has recently been cautious towards equity and the current market weakness could provide you with an opportunity of switching to a more balanced basis and topping up equities accordingly.

Time to hold?

We are pleased to say that with our balanced approach to investments not a single one of our active clients will need to sell equities in order to fund their lifestyle for a very long time to come. Therefore, all of our clients' portfolios will have significant time for the market to recover before they need to access the equity portion.

The recent switches out of property we have been undertaking for clients means that the majority of clients have *unprecedented levels of cash* within their portfolios.

Time to fold?

Whilst we believe that *further volatility is likely*, and that the press coverage towards investments as a whole is likely to increase in its negativity, I do not believe that now is a time to be quitting equities. However, if you would like to reposition your portfolio into a more cautious stance then your adviser would be happy to discuss this with you.

Don't Panic! - It is a turbulent time for stockmarkets and it is natural that some clients will be concerned. However, at times like these it is worth re-stating some of our investment principles:

- *Buy low and sell high.*
- *Just as important, don't sell at lows and buy at highs.*
- *Always have money in all areas.*

One of the major reasons for investing in a spread of different asset classes is to ensure that we are not victims of stockmarket events like these but, instead, we should be able to take advantage of market lows by re-allocating between asset classes.

If you would like to discuss making any changes to your portfolio then please contact your usual adviser or member of our support team, who will be pleased to assist.

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