GLOBAL VIEWS

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INTEGRAL
FINANCIAL CONSULTANTS FOR LIFE'S JOURNEY

Inside this Issue

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Its Good News Week

Certainly at the time of writing it seems good news all round. Markets making new highs, the FTSE cracked through its previous highs, PE ratios do not looked stretched as in previous highs. All looks very promising.

So is it time to be buying UK equities, or maybe somewhere else? Recent months has seen massive movement towards Europe. Amidst the problems are some seeds of optimism. Not least a very depressed currency, the currency certainly weakening either brought about, or aided by Central Bank quantative easing also has the effect of boosting share prices. There have been some large jumps in the last few days. Cheaper Euro boosts exports, boost shares, boosts liquidity, leaving more money to go into shares.

Perhaps it need not be said, but it will be said. In general terms private investors tend to buy funds just prior to when they fall. Needless to say the reverse is true, when markets fall and or are depressed it is the private investors who are getting out, following the reverse of the professional, they tend to buy high sell low. What we should all be looking for is to buy low sell high.

Investing for Income & Growth

With cash rates at all-time lows, and having been there for some considerable time, and looking set to be there longer, many investors crave income and growth. In fairness given the rates available on cash you don't have much to beat. One fund, which continues to impress, is the Guinness Global Equity Income Fund. The fund was launched in 2010, and since that time has made a credible return of just under 60%. The last twelve months having returned 17.4%. The fund has consistently outperformed the sector, which is always a good sign. Clearly past performance is not a true indicator of future performance, and prices can rise and fall.

The fund's strategy is to seek global exposure to dividend paying companies, and seems well placed to continue its successful performing ways.

For more information please contact us

Something new in the market?

There is nothing new in the equity market is a comment frequently espoused. There are numerous fund managers who maintain they have a new system a new methodology to make the market work for them, which others have missed. However in reality, the saying, there is nothing new in the market is true.

Vega’s book written in 1688, wherein he describes the workings of the Amsterdam Exchange, the first exchange created, shows that not much has changed. Vega says there are two kinds of investors, those who invest and do not concern themselves with short-term movements, and those who pursue strategies. He even points out that the market becomes what he terms a “game” when driven by speculators. Vega articulates the phrase buy on the rumour sell on the news.

If you are reading this thinking what rubbish, what about shorting the market, that has to be a recent innovation. Well in 1647 Frederick Henry the Prince of Netherlands tried to impose rules to prohibit short selling on the market.

Interesting that it took almost 400 years for that to occur in the US and UK, at the height of the credit crash interim measures were introduced!

Derivatives, you say, apart from the fact that a form of options were in place in ancient Egypt, these were also operating in the Netherlands at the same time.

How Much is Enough

Anyone close to retirement will have these thoughts. Perhaps it would have been more prudent if they had thought about these matters much longer ago. However, we cannot turn the clock back, so the question remains, “how much is enough?”

Most expats will not have a company pension scheme, perhaps they had one years ago, and perhaps that has been altered to a QROP, or remains in a UK scheme. Thus for most expats it is a question of building assets, in cash, equities etc.

Traditionally people retiring back to UK would have brought a pot of cash, and bought an annuity. As with many aspects of Financial Services in UK, that system is now redundant. No we can invest into assets to create an income flow until, we hope, the day we die, then perhaps a residue for family etc.

There are many variables to implementing these types of plans, not least how long will we live for? What return can we hope on the capital? What income do we require?

Old Mutual recently conducted a survey, and some of the information they gleaned may help someone planning their retirement. It materializes that the average person expects to retire at age 63.6 and live 21 more years to age 84.5. On the basis that they were seeking an income from investments of £13,118.80, using the traditional method of an annuity, they would require a fund of £237,000. However, when they died at the estimated 84.5, the income dies with them. On the other hand if they were using capital, then using the same pot of money, £237,000, at death age 84.5, there would remain some £154,000 available for distribution. This assumes a growth rate of 5% per annum. However, what the above figures ignore is inflation. Plus could we really live on £13,000 per annum in today’s terms??