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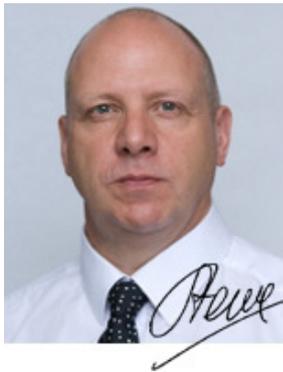
INVESTMENT SPECIALISTS

Risk & Return - Balanced Investing

Investment News

October, 2016

Introduction



Eating bricks / working for the Government

Below I discuss the current market challenges faced by Property funds. I then consider the next unpaid job we will have to do for HMG.

Market Commentary

Pound down, stocks up. The FTSE 100 index is up (measured in Sterling) - most of the earnings of big UK companies come from outside of the UK.

Property Investment – just another brick out (of) the wall.

There are four main investment areas – equities (shares), fixed interest, property and cash.

I like diversifying client investments across all of these asset classes and commercial property funds have historically provided good returns.

Many property funds have currently suspended trading, so should we forget property fund investment in future?

Characteristics of Property Funds

- Underlying holdings – commercial property, shops, offices, industrial estates etc.
- Returns - rental yield and (hopefully) from growth in value – this latter assessed by surveyors periodically.
- Costs – relate to legal costs on acquisition and sale, maintenance, insurance and management.
- Liquidity – how easy is it to buy and sell – this as they say is the rub, if you get hungry and have no money you cannot take a few bricks out of your property and take them to Asda to buy a loaf.
- Correlation – this is the financial connection between investment assets – see Summary below.

SUMMARY

I like my clients to hold some property as part of their portfolios.

Property funds are only loosely connected to economic cycles since commercial property tends to be let out on long term leases. If the economy falters many companies are still tied into leases which probably will not be due for renewal until the next upturn. Not helpful if the company goes bump of course but most do not and continue to pay the rent.

I remain convinced that most clients should hold property as part of a well-diversified portfolio for the medium term and whilst there have been infrequent periods when property funds have suffered I believe that there are now and will be in future opportunities. Most investors should continue to invest in property.

Review Service

Our offer of a free review and strategy report is still open to recipients of this newsletter; call me if you would like a chat.

And finally...

Please continue the feedback – telephone us or send an email. In the next edition I look at future proof investment.

P.S.

Workplace Pensions = political cowardice.

UK citizens are (demographically) getting older. We do not have enough savings. We need to save more. Enter the compulsory Workplace Pension.

Very easy for big employers who have sorted these compulsory schemes out just by employing a few more accountants and wage roll specialists - now it is the turn of the small employer - and this is where things will go wrong.

Eligible employees must be enrolled into these arrangements and only then they can opt out (which most will do straightaway in smaller firms). Both employer and employee must contribute to those who opt in. Every employee means just that – so if you are fortunate enough to have a maid, a nanny, a gardener or an au pair - they need to be enrolled into one of these arrangements.

No problem for big employers to set up and manage this stuff, but what about the smaller firms? How do you imagine that the bloke in your corner chippy will cope with this? I see troubles ahead.

What HMG should have done is to put up National Insurance by 2-3% - no admin burden, everyone pays - everyone has a moan - but gets over it. Politically however having painted themselves into a corner (with no tax rise promises) this simple solution is verboten.

Silver Lining: It occurs to me that the wife and I work mainly for the benefit of our kids; I am sure that they will offer us Workplace Pensions, with big employer contributions and early retirement benefits.

p.s. I normally ask for feedback, but please don't call since I am busy working for the Government - setting up two of these b****y schemes.



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