

Emerging Markets

For many, this sector is deemed “too aggressive”. However, most investors would be wise to have some exposure to a quality EM Fund.

EM Funds materialized about 25 years ago and, from initially just a few markets and funds to choose from, now there are close to 60 such markets recognised as EMs, and thousands of funds.

It is highly likely that this sector will emerge as significant, influencing markets moving forward. Countries such as China and India are widely recognised, and are almost part of mainstream investment. When you consider their population, the foreign reserves, and the growth of GDP, it seems hardly surprising.



EMs recorded annual growth well over double that of developed markets over the past 20 years. Today, with developed markets showing negative, China and India - as examples - are still predicting healthy growth. Over the past 20 years, market capitalisation of EMs has grown from around \$300.0b to approaching \$8,000.0b, and the trading volume has increased from about \$400.0b to \$13,000.0b.

One of our favourite EM sectors and funds is Velais India. The fund has returned consistently outperformed the index, and should prove a useful addition to any portfolio. In India, with the new government now in place and GDP still predicted to grow (albeit at a slower rate), this fund and this sector is well worth considering.



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Currency News

Euro: The fragility of the currency is now being shown. Who would have ever thought 20 years ago that a currency including the Portuguese Escudo, the Irish Punt and the Greek Drachma would be grouped together? With Central Bankers calling the shots, countries such as Portugal, Ireland and Greece (collectively known as PIGS!), are unable to manage their currency. Whereas countries such as Latvia, who have seen GDP fall by 18%, and house prices tumble 50% (and you thought we had it bad), have a choice to devalue or deflate.

Sterling: Sterling has increased in value by about 12% since the start of the year. This clearly has been a great result for expats retired in Euro land.

USD: Markets are still in some turmoil. With some analysts believing the worst is over, and we are about to go on a bull run, and others predicting a bear, it is difficult to know who to believe. A general view is that the USD could rally in the short-term, but the medium- to long-term looks tricky.

We have access to an excellent currency fund, available in multi-currency, which has returned an average 21% over the last four years. This fund offers an excellent opportunity to investors away from mainstream equity markets.

Fixed Rate Savers in for a Shock

Those savers who took advantage of the exceedingly high rates available 12 months ago are in for a large shock!

Bradford & Bingley were paying 8% on their High Life 2-in-1 saver account one year ago. On maturity savers will receive just 0.1%. Nottingham Building Society were paying 7.1% on a fixed rate bond deal; on maturity that will reduce to just 0.25%. Finally, First Save savers rates will drop from 7.1% to 0.75%.

If you are one of the fortunate or unfortunate savers who find yourself in this position, please contact us to offer you some alternatives

SIPPS & QROPS

Much has been written about the ability of investors to take a much greater control over their old pension schemes. In broad terms, Clients are able to manage their funds much more effectively, create a single retirement age, have access to cash at an earlier stage, avoid purchasing an annuity at unfavourable rates, reduce tax liability from a maximum of 82% in UK to 7.5%, and create favourable circumstances for passing pensions to dependants.

In broad terms, if you have an old UK pension, contact us for a free review.

Happy Anniversary!

June 12th, 2007, saw the collapse of Bear Stearns, when speculation ran rife at the failure of mortgage-backed securities in the US. Some time later, Uncle Sam stepped in to bail out the creditors at \$10.00 per share, which caused a huge uproar about taxpayers' money being used.

Moving on to September 2008, Uncle Sam refused to step in and support Lehman's, allowing the institution to grow broke. What few saw was the interconnection, and globalisation of the banks. Allowing the failure of Lehman's to occur then sent ripples through the banking section, and investment banks – such as Goldman Sachs and Morgan Stanley - were forced to become full bank companies, then eligible for Federal support. Banks fearful of the exact value of assets they were holding stopped lending to everyone, including themselves. The damage caused by the sub-prime lending extended itself to prime mortgages, construction, credit cards, office buildings, shopping centres, etc. - it all came to an end.

Not since The Great Depression had a meltdown of this size been seen; dealers and bankers found themselves in uncharted waters.

Are we through the crisis? Well, in spite of the huge increases in the stock markets since the start of this year, the jury is still out.

Will the government rescue plans work? Well, the governments - like many of us - are playing the 'wait and pray' game. Failure of the government schemes may see us enter a scenario seen by Japan, of a stagnant economy for a decade. However, for many, this will matter not. Most of those who are employed will stay employed, and need to build for their future. Those who are retired will still need to generate income. Our children will still need to attend universities, in spite of the fact that these fees continue to rise. There will always be opportunities for investment. They just become harder to find.

As a footnote to the huge increases in stock markets this year, it needs to be stressed that even given the recent rises, the FTSE - with a 30% increase in recent months - is only broadly back to where it was at the start of the year. As an example, Land Securities was down 40% at the start of the year, then rallied in the recent rises by 40%. However, it then fell 40% in May!

Happy anniversary!

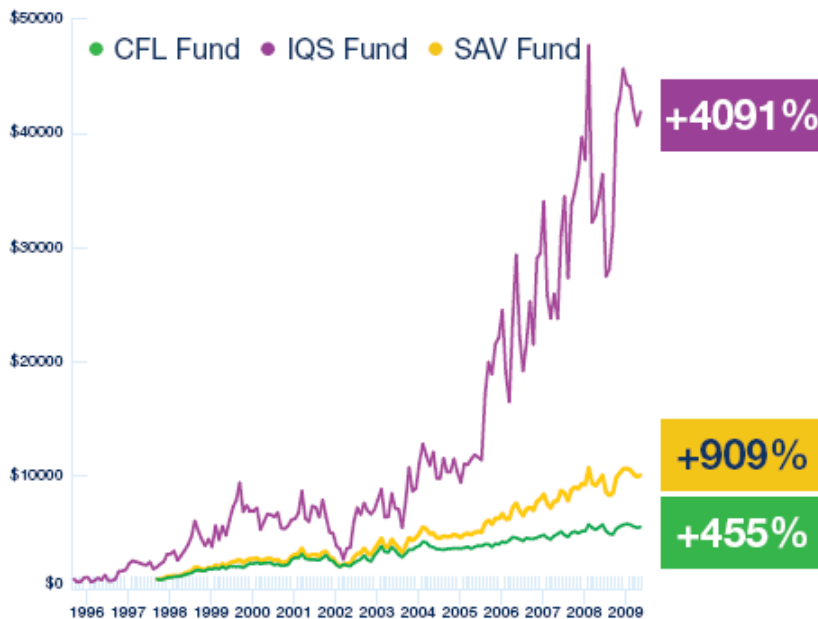




COMMODITIES – Trading NOT Investing in 2009

There are essentially three ways to profit from commodities, you could invest in the companies that produce them, you could buy commodities and hope they go up, or you can trade them.

Commodities by their very nature are not assets, as they are meant to be consumed. If you walk into a coffee shop, and buy a cup of coffee, that coffee has a value. However, as soon as you have drunk it, it has no value.



The best way to profit from commodities therefore, is to trade them, and the CFP Funds are designed to do exactly that.

The CFL Fund, is a multi-manager alternative investment fund that combines systematic trend-followers with discretionary and short term trading managers. This multi-manager, multi-strategy approach lowers volatility and increases returns. Over 180 major financial & commodity markets are traded.

The IQS fund combines the highly aggressive and focused IQS trading system, trading 14 select markets, with the IQ-A system which trades 130 markets across ten sectors. The diversity of IQ-A compliments the aggression of IQS well.

The SAV fund is a clever blend of the above two funds, allowing you to profit from the volatility of the IQS Fund, while benefiting from the strategy of the CFL Fund.

CFL — FUND —	
COMPOUND ANNUAL	1582%
TOTAL RETURN	455.04%

IQS — PERFORMANCE FUND —	
C COMPOUND ANNUAL	31.43%
TOTAL RETURN	4091.18%

SAV — FUND —	
COMPOUND ANNUAL	21.92%
TOTAL RETURN	909.99%

All three are trading, **NOT investing**, funds. They are able to benefit from market volatility, and thus profit from both rises and falls in commodity prices.

When assessing risk, volatility is a key area, and there is no doubt that volatility clearly exists in these funds. Volatility is the source of these profits, and in order for there to be the possibility of profit, the risk of loss has to exist.

While risk from volatility does exist in these funds, the other two key areas of risk do not, being liquidity and price transparency.

These funds trade exclusively on the regulated managed futures exchanges which are all cash based, and all trades are settled daily. No credit is extended to anybody, which means no counter party credit risk. Managed Futures are thus one of the most liquid asset classes, which means the risk of restrictions on redemptions is unlikely to arise.

Regulated global futures exchanges are a pure market, where a buyer and seller agreed price is the ruling market price. Prices cannot therefore be subjective, and cannot be manipulated, resulting in total price transparency.



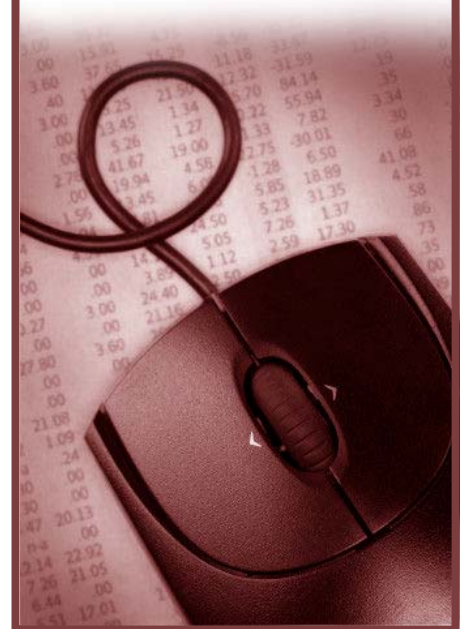
CFL – Historical performance is based on the combined track records of the selection of managers as at April 2000, from October 1997 to April 2000 and thereafter the actual track record of the CFL Fund. Manager selection is constantly under review and can be varied at any time at the discretion of the Investment Manager.

IQS – Performance figures reflect the composite track record of IQS Capital Management Limited from inception to March 2000 and thereafter the actual track record of the IQS Performance Fund.

SAV – Historical performance of the SAV Fund is based on the combined track record of The IQS Fund and The CFL Fund in the proportional allocations of 25% IQS Fund and 75% CFL Fund, rebalanced monthly to maintain the 25% IQS & 75% CFL mix, for the period up to May 2006 and live thereafter. Manager selection is constantly under review and can be varied at any time at the discretion of the Investment Manager.

This article is for information purpose only. Only the Offering Memorandum, of which this article is not a part, should be relied on for the purpose of considering an investment in either the CFL, the IQS or the SAV funds.

Past performance is not necessarily indicative of future results.





Structured Notes

Over the last two-and-a-half years, before the big downturn occurred, we have been fortunate enough to have been able to offer our Clients a vast array of structured and guaranteed products. Given that world equity markets have fallen so significantly since 2007 (although the recent rally has seen some improvements), however, Clients who availed themselves of such products have at least the satisfaction of - for the most part - being protected.

Over the period we have offered products from a large number of providers, including ING, Deutsche Bank, BNP, Barclays RBS, and Morgan Stanley, to name a few. One issue that Clients have raised on a regular basis is just how can these providers offer such attractive products, how do they work?

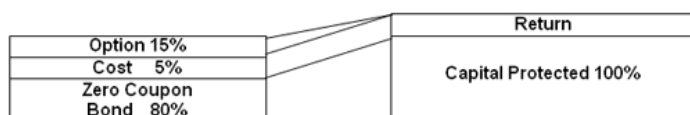
This article is an attempt to explain just how these products are structured, and how they are able to offer such attractive returns, along with guarantees.

Broadly, there are three main constituent parts to these structures: the guarantee, the expenses and the return.

For the most part, the guarantee comprises what is termed a zero coupon bond. This is an investment which guarantees the return of the capital. Typically, over a five-year period, you would need to invest around 80% of the investment into a zero in order to procure 100% at the end of the term. The cost of this will vary slightly, given interest rates, volatility in the market, currency, etc. This cost can be reduced (freeing more money to obtain performance) by putting a soft guarantee underneath. Thus, as an example, a 100% capital guarantee, provided that the underlying asset (e.g. FTSE) does not fall in value by more than 50% through the term, will be less expensive to purchase, than a 100% full and complete capital guarantee, thus freeing funds to purchase greater upside participation.

In terms of expenses, there are some people who believe that these structures are expensive; in fact, they generally are not. Typical expenses would amount to around 5%. Certainly, when comparing that to a managed fund or unit trust - where the annual management fee is frequently 1.25% to 1.5% per annum - a structure at 5% over five years is very inexpensive.

The final part is the return. For the most part, the structure will feature a call option on the underlying asset. These options are traded worldwide, in numerous countries - obviously the London Exchange being one of the largest. In terms of volume, the amount of money traded on futures and options every day throughout Europe exceeds 2 trillion Euros.



Some types of structures:

- Accelerated Growth
- Reverse Convertible
- Auto Call (Kick Out)
- Digital
- Minimum Return
- Straddle
- Cliquet

Our Current Offerings include

Nomura Balanced Deposit



100% Capital Protection
6 Years
Returns up to 45% over term

This product provides a truly global investment with a reassuring "sleep at night" factor
Suitable for clients who may return to UK within the term
Offer closes 30th July

Morgan Stanley Gilt Backed Autocall



This is the second issue of a very popular investment.
The "guarantee" of the return of capital is provided by UK Government Gilts:

An annual bonus of 9% is paid on the first anniversary that both FTSE and S&P are above their starting level
The annual bonus is cumulative, so if the product "calls" in year two the bonus is 18% and so on.
This product is suitable for clients who are prepared to take an element of risk, the risk being that if one index falls to below half of the start date there is a risk to capital. However, there is every chance that the product will "call" within the time frame of five years
Offer Closes 24th July

Deutsche Bank



100% Capital Protection
Linked to resources
Returns uncapped.

Returns 150% of the rise in the resources strategy
Back tested performance of 17.3% last 12 months, and 97.3% last five years
5 Year investment term
USD and GBP

Citi High Income Note



5 Year Auto-Exchangeable Note based on the S&P 500 Index & FTSE 100 Index
Snowballing coupon: 13% p.a equivalent (i.e 13% if paid after 1st observation date.

26% if paid after 2nd observation date, etc) Coupon payable if Note auto-exchanges into capital guaranteed note: 3 month Euribor + 2%.

Return at Maturity: 100% of initial principal, if neither indices have traded at or below 50% of their initial level or if the Note has auto-exchanged into a capital guaranteed note. Otherwise principal is reduced by a percentage equal to the fall in the final level of the worst performing index from its initial level

Available in Euro
Five year term
Limited offer, closed when full