



Business news from COCKBURN LUCAS INDEPENDENT FINANCIAL CONSULTING LIMITED

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Issue 17 - October 2010

Are you being served?

On the 21st September Cockburn Lucas received confirmation from our regulators, the Financial Services Authority, that they were satisfied, in their overall assessment of our firms Treating Customers Fairly initiative. We have worked hard to embrace all measures of good practice, and have demonstrated a high level of commitment to meeting our regulator's expectations, ensuring all our clients receive fair and transparent treatment in the purchase of Financial Products and receipt of Independent Financial Advice. This is something we are proud to share with all our clients and Third Party service providers, and my thanks go to all our Staff who work very hard, often behind the scenes, to make sure you receive an efficient and timely service.



But as you would expect, were not going to rest on our laurels just because we have received a pat on the back from Canary Wharf, and within this edition of Market Eye you will note we are introducing a Client Satisfaction Survey which will be sent to clients with whom we have transacted business with in the last six months. We are committed to listening to your needs and observations and would appreciate if you could complete the survey in order for us to evaluate what you really think about the services you are receiving, and also to make suggestions on how we can improve further. Once completed, we would be grateful if the questionnaires could be returned to us here at the Nottingham office. As an incentive (in case you need one!) a case of fine wines or vouchers up to £100, will be given to one lucky recipient whose name will be selected at random, and the details will be announced in the next edition.

On the subject of our Nottingham office, we also have exciting news that after 13 years at Milton Chambers we are on the move to new premises in West Bridgford. The move is aimed at meeting our increased needs for space (and parking), as well as providing us with better infrastructure as we invest in new technology to further improve service delivery and communications. Although Milton Chambers has been a fabulous location for many years we just cannot bear the thought of another cold winter without central heating, so it is with sadness, we will say goodbye to the old lady in November 2010.

In this edition we will be looking at what the effects of the Retail Distribution Review, due to take place in January 2013, will mean to both us as regulated Financial Advisers, and our ongoing relationship with you as our clients, and especially how we will work together in the new environment following the changes. As always, we also take a look at some interesting new funds and ideas to make your money work as hard as possible over the coming months.

Fingers crossed for our move, and we will look forward to welcoming you to Holland House very soon.

The Editor

The views/opinions expressed in this newsletter by the editor do not constitute personal advice or a recommendation - it is important to seek independent financial advice.

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Schroders Warning



Schroders and Octopus investments has warned that fraudsters are approaching investors to promote a fake fund using the firm's name.

Schroders says investors have been contacted by phone and email about a fake fund called "Schroder Investment Limited Guaranteed Bullion and Commodities".

The warnings comes after Money Marketing, Fund Strategy's sister publication, revealed last month that Octopus Investments Venture Capital Trust shareholders had been contacted as part of a boiler room scam.

The Financial Services Authority (FSA) has this year warned of a rise in boiler room frauds, in which scammers cold-call investors offering worthless or fake shares, but the Schroders warning suggests they are branching out into fund sales.

If you receive an approach of this kind feel free to contact us and we can carry out an immediate check on the FSA register or visit www.fsa.org for guidance and advice on how to spot the cheats.

Time to Dust off those old Tessa and Cash ISA accounts

With interest rates below 1% in many instances, we have experienced increased demand for reviews and advice from clients holding the old style Tessa which is now under the Cash only ISA regime.

We would urge you to check what rates of interest any cash that you are holding in this area is earning, as we think it is likely you are going to be shocked at how little this is. With inflation running at over 4%* holding an investment paying less than 2% (the best are only paying 2.8%*) will guarantee you a capital loss in buying power. One way to avoid this is to request your Cockburn Lucas consultant reviews your options in this regard and consider a transfer to perhaps a Stocks and Shares ISA in order to improve returns over the medium term. This will still allow access to capital and lower risk investments such as Government or Corporate Bonds, but could significantly improve returns on capital or income. In the current low interest rate environment inflation is not your friend and in times such as these what you thought may have been earning a good rate of return some time ago is likely now to be offering poor value, so if you would like us to review your options in this area give us a call as you could literally be hundreds of pounds better off by changing your provider and strategy.



*source Money facts September 2010



SARASIN
& PARTNERS

Special Report

Emerging markets
September 2010

Special Report: Emerging markets

The Asian consumer

Having covered low growth developed market consumer stocks for most of his career, *Julian Bishop* is astonished by the pace of change in Asia



Julian Bishop
Emerging Markets
Research Analyst

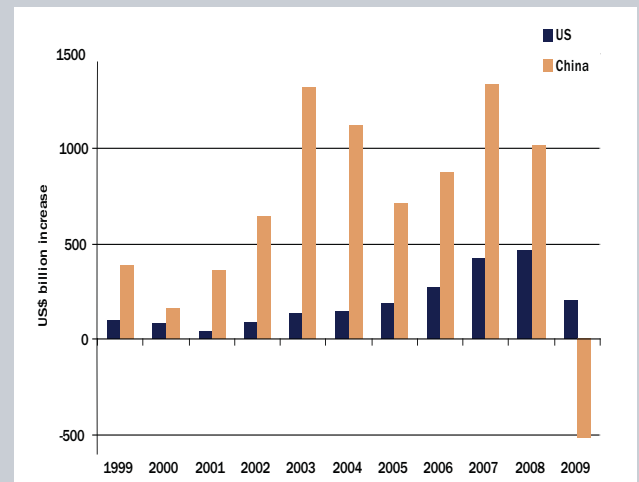
Between 2004 and 2009, 25% of global GDP growth came from China, India and Indonesia alone. As large segments of these societies' vast populations move past the vital \$3000 per capita income level, they will become an ever more important source of global consumer demand.

Prior to the financial crisis, conventional wisdom posited that China was an export dependent economy heavily vulnerable to any downturn in demand from the West. Any capitulation by the profligate Anglo-Saxon consumer would surely spell an end to China's astonishing growth.

This hypothesis was put to the test during the US housing crisis and the financial meltdown that followed. It proved to be wrong. China's economy has continued to grow close to a double-digit rate despite a deeply recessionary export sector. Internal investment and domestic consumption have proved more than enough to offset shrinking external trade; China, and many emerging markets in general, have proved that they can economically decouple and continue to grow in spite of events in the struggling developed world.

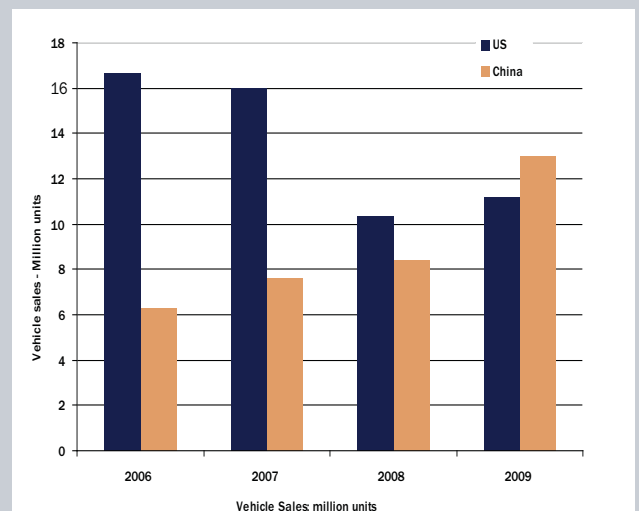
Extraordinary and sustained economic growth has visibly transformed Asian society within the last decade. Huge, modern cities you have almost certainly never heard of have grown from small provincial towns in the centre of China. Whereas roads in Hanoi previously swarmed

Chart 1: Consumption delta is moving east



Source: CEIC, CLSA Asia-Pacific Markets, August 2010

Chart 2: Auto sales - China overtook the US in 2009



Source: Sarasin & Partners, August 2010

with motorcycles, scooters and bikes, today they are dominated by cars. Beijing is awash with shopping centres and malls and many of Bangkok's open markets have been formalised by modern trade. Even if you were to have visited China just five years ago, per capita income has doubled since then such are the rates of growth and the laws of compounding.

With this comes the growing influence of the previously di minimus emerging market middle class. CLSA, a broker, has identified \$3,000 disposable income per capita - or \$10,000 per household - as the level at which people truly begin to participate in the discretionary consumer economy. Large swathes of Chinese society are on the brink of this tipping point. The proportion of China's population enjoying these income levels is expected to grow from 27% in 2009 to 44% by 2014 as median incomes continue to rise. Even greater proportional increases in this emerging middle class are expected in India and Indonesia, albeit from lower bases.

As incomes rise, buying patterns around the world are very consistent. The very poorest consumers may buy small household or personal care items, packaged foods or basic mobile phones. Further along the spectrum, they will buy TVs and fridges. Later they will buy PCs and cars. The wealthiest income groups may enter the market for European luxury goods. We aim to position our investments to exploit these seismic shifts in expenditure as per capita incomes rise past critical levels in certain key countries.

One must never forget the enormous populations of these markets. Only 5% of Chinese households own cars yet in 2009 China overtook the US as the world's largest auto market. Given the expected growth in the Chinese middle class over the next five years, we expect auto demand trajectories to remain parabolic and believe that the Chinese market will soon dwarf that of the US.

For many Western companies, struggling with stagnant demand in their domestic markets, the Asian growth story is a particular salvation. Take Procter and Gamble, the world's largest household and personal care company. Their Western markets are a zero sum game; they may win share in some categories, lose some in others, but overall volume

growth has been flat. Yet their emerging markets business is growing 11% per annum and now accounts for 32% of their revenues. Within five years it could represent half their business. Similarly, China is now Volkswagen's largest market. Asia, excluding Japan, accounts for a quarter of LVMH's sales. Tesco is the largest grocery chain in the exciting Thai market, with 48% share. Emerging markets are a significant component of many multinational's businesses and their importance will only continue to grow.

Most investment funds are regional in their approach, investing only in US or European domiciled companies, for example. We think this approach is nonsensical and limiting in a globalised world. Take the case of growing Indian demand for everyday consumer staples. Indian GDP per capita is increasing rapidly from an exceptionally low base, and as such sales of basic personal care items are growing quickly as people move out of absolute poverty and onto the first rungs of the consumer ladder. As global investors we have the choice of investing in this megatrend via Cincinnati based P&G, London listed Unilever or fabulous local companies such as Marico in Mumbai, which makes exceptionally well branded beauty products specifically tailored to Indian tastes.

We are not limited by crude delineations. We can go wherever we like to exploit the growth in emerging market consumption. We may chose to play the growth in Indonesian car ownership via BMW, Toyota or Jakarta listed Astra International. Burberry may create more economic rent from the Chinese luxury consumer than a locally owned department store in Beijing. Each investment case needs to be carefully considered on its own merits.

Asia's economic transformation shows few signs of excess or imbalance and we expect it to continue. We see the rise of the emerging market middle class as a key opportunity set within our global thematic investment funds and expect to add more exposure to this theme as opportunities present themselves.

Julian Bishop

Emerging Markets Research Analyst



Team M.U.K.

Congratulations to Marilyn, Ulli and Karen who got on their bikes at Holme Pierre Point, Nottingham in support of the Breast Cancer 'Pedal it Pink' Campaign.

Sore bottoms aside, it was a lovely sunny day out and they raised some cash for a seriously good cause.

Addition to the team

Last but not at all least, a belated welcome to our new assistant Lee Elvidge.

Lee is a keen footballer and season ticket holder at the City Ground.

Why asset allocation matters so much

Every good Financial Adviser knows the importance of Asset allocation in delivering investment success but sometimes proving it can be hard especially during times of extreme stress such as those seen during 2008 and 2009. In this Article we take a look at the performance of all the Investment Manager sectors over the last decade which can be neatly summarised in the table below.

Regional IMA Equity Sectors Calendar Year Asset Class Returns
Sterling Terms

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Best ↑	IMA European Smaller Companies	IMA Asia Pacific Excluding Japan	IMA Global Emerging Markets	IMA Global Emerging Markets	IMA European Smaller Companies	IMA Japanese Smaller Companies	IMA European Smaller Companies	IMA Asia Pacific Excluding Japan	IMA Japan	IMA Global Emerging Markets
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	IMA UK Equity Income & Growth	IMA UK Equity Income & Growth	IMA UK Equity Income & Growth	IMA UK Smaller Companies	IMA UK Smaller Companies	IMA Japan	IMA UK Equity Income & Growth	IMA Asia Pacific Including Japan	IMA North American Sm Companies	IMA UK Smaller Companies
	IMA Europe Including UK	IMA UK Equity Income	IMA Asia Pacific Excluding Japan	IMA Technology & Telecoms	IMA Global Emerging Markets	IMA Asia Pacific Including Japan	IMA Europe Excluding UK	IMA Europe Excluding UK	IMA North America	IMA Technology & Telecoms
	IMA UK Equity Income	IMA Asia Pacific Including Japan	IMA Japan	IMA Asia Pacific Excluding Japan	IMA UK Equity Income	IMA European Smaller Companies	IMA UK Equity Income	IMA Europe Including UK	IMA Asia Pacific Including Japan	IMA European Smaller Companies
	IMA Europe Excluding UK	IMA North America	IMA UK Equity Income	IMA Japanese Smaller Companies	IMA UK Equity Income & Growth	IMA Asia Pacific Excluding Japan	IMA Asia Pacific Excluding Japan	IMA Technology & Telecoms	IMA Europe Excluding UK	IMA Asia Pacific Including Japan
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	IMA UK All Companies	IMA Japanese Smaller Companies	IMA European Smaller Companies	IMA North American Sm Companies	IMA Europe Including UK	IMA UK All Companies	IMA UK All Companies	IMA North America	IMA Europe Including UK	IMA UK Equity Income
	IMA Asia Pacific Including Japan	IMA Europe Including UK	IMA Europe Including UK	IMA Europe Including UK	IMA Asia Pacific Excluding Japan	IMA UK Equity Income	IMA Asia Pacific Including Japan	IMA UK Equity Income & Growth	IMA UK Equity Income	IMA Europe Including UK
	IMA Asia Pacific Including Japan	IMA UK Smaller Companies	IMA Europe Excluding UK	IMA Japan	IMA Asia Pacific Including Japan	IMA North American Sm Companies	IMA North America	IMA UK All Companies	IMA UK All Companies	IMA UK Equity Income & Growth
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	IMA Japan	IMA European Smaller Companies	IMA North American Sm Companies	IMA UK Equity Income	IMA North America	IMA North America	IMA Japan	IMA Japan	IMA Global Emerging Markets	IMA Japanese Smaller Companies
Worst ↓	IMA Japanese Smaller Companies	IMA Technology & Telecoms	IMA Technology & Telecoms	IMA North America	IMA Technology & Telecoms	IMA Technology & Telecoms	IMA Japanese Smaller Companies	IMA Japanese Smaller Companies	IMA UK Smaller Companies	IMA Japan

Source: T. Bailey, Lipper Hindsight. Sterling Terms.

This research underlines some very useful pointers which we can adopt for all our clients as part of our Wealthmaster service

1. Having your money allocated to the right place at the right time matters and will increasingly be a major factor in contributing to investment returns. Just take a look at the difference between the best performing fund in the best sector (Emerging Markets) and the worst (Japan) which was 60% ! in 2009
2. The right place is always somewhere that's changing so having an Active review as part of your service and by regular updates and monitoring via our research and analysis we can as your adviser make the necessary adjustments to keep your money working as hard as possible. Just take a look at 2008 and as you can see Japan was actually the best place to be for equities but the worst a year later!!

None of us can predict with real certainty what sectors will outperform but what we can do is use Asset allocation on both a strategic and tactical basis as part of our services to ensure portfolios are adjusted in accordance with our views for asset classes and sectors thus optimising your returns and minimising downside risks in accordance with your individual risk profile. So remember if we get all misty eyed when we talk about Asset allocation its because its so fundamentally important and at the very core of what we do as your Financial Advisers when selecting an appropriate strategy to meet your financial objectives.

Retail Distribution Review (RDR) & Treating Customers Fairly (TCF)

In 2006 the FSA launched the *Retail Distribution Review (RDR)* to address many of the persistent problems they had observed in the retail investment market, over the past 21 years of regulation. The RDR is due to be concluded in January 2013.

One of the main initiatives of the review is to improve services to consumers to ensure they receive efficient and effective advice to achieve a fair deal.

This initiative is called *Treating Customers Fairly (TCF)*.

The FSA attach great importance to TCF, and have been undertaking assessments of firms in the Financial Services Sector, to evaluate their commitment to the TCF principles, and Cockburn Lucas have recently undergone such an assessment as mentioned earlier by the Editor.

There are six TCF outcomes covering all areas of advice and the sale of financial products, which firms must demonstrate that they consistently deliver upon. These outcomes can be summarised in the following statements:

Consumers can be confident that products and services are suitable for their objectives and tolerance to risk.

Consumers will receive clear information with appropriate advice.

Products will perform as expected without any post sale pressure to make changes.

As mentioned in the Editor's view, we are introducing a Customer Satisfaction Survey, which we would strongly encourage you to complete and return. This is not an exercise in seeking compliments or a slap on the back, but we would like you to tell us **honestly**, what we can do to improve how we serve you. Who knows, you may the lucky recipient of a case of Fine Wines or £100 x shopping vouchers!!

Dianne Drew.

Ba Ba Black Sheep...

The Notts Wildlife Trust rears Hebridean sheep as part of their conservation scheme to manage delicate ecosystems in Notts and Derbyshire and back in April I had the great privilege to join the Trust at Creswell to help bottle feed the newborn lambs. I can't say they were the most well behaved little 'uns I have ever looked after but I got to witness a live twin birth as well whilst at the farm!

Many thanks to the Notts Wildlife Trust for making this possible and especially to Agnes the Shepherdess for her patience with us 'townies'.

Ulli

If you would like further information about joining the NWT or what events are local to your trusts contact Christine Setchall at Notts Wildlife Trust, The Old Ragged School, Brook Street, Nottingham, NG11EA Telephone: 0115 958 82421 or email csetchall@nottswt.co.uk



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