



**COCKBURN LUCAS**  
INDEPENDENT FINANCIAL CONSULTANTS

# Market Eye

Business news from **COCKBURN LUCAS INDEPENDENT FINANCIAL CONSULTING LIMITED**

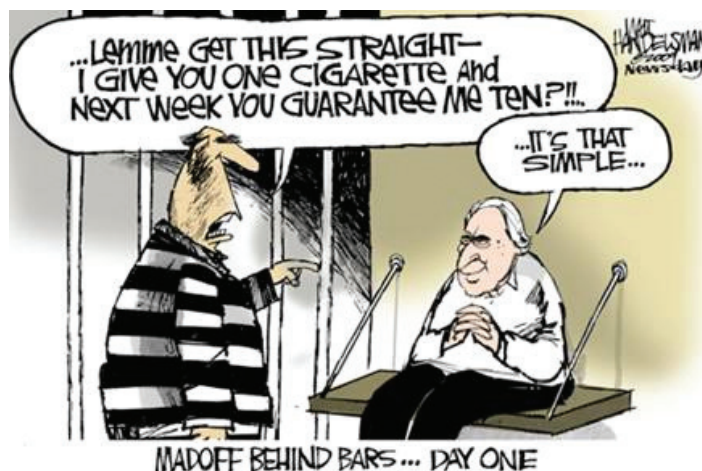
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## Green Shoots Emerging?

Autumn has arrived, and depending on which newspapers you read so has a re-emergence of confidence in the markets, fuelling an explosive rally in both equity and bond markets alike from their March lows, with much talk of green shoots and better times ahead.

For investors who held their nerve during the difficult conditions of the last 12 months, or took the opportunity to invest further funds, the rewards have been significant with equity markets around the world posting gains in excess of 40%, and emerging markets moving even higher. The Government's response to the financial crisis has been to open the floodgates of liquidity by printing money in order to stimulate spending and aid recovery. These bold moves taken by central bankers, with the UK and Europe leading the way, have proved so far to be decisive in both stabilising markets and the global banking system. On this occasion we think history will look kindly on the decisions taken in the immediate aftermath of the global credit crunch, as the risks of further failures such as Lehman's subsided. Although the economists and financial commentators may agree in this regard, we have doubts the electorate will be so forgiving, and with the general election less than a year away some forward looking investments may prove to be useful for further risk reduction and protection in the months ahead.



Some of the aftershocks that we believe may be a consequence of Quantative Easing (QE) could be in the form of rising inflation in the coming years and, as the national debt spirals to dizzy new heights, increased taxation. Additionally the policy of low interest rates and high levels of public sector borrowing puts pressure on our currency, which is another factor we need to consider when making investment decisions to meet your objectives and risk profile.

In this edition of Market Eye we are therefore going to look at ways investors can protect themselves against the prospects of increased inflation with a feature of the Standard Life Global Index Linked Fund, as well as tax efficient schemes ahead of the rise in Higher Rate Tax to 50% due in April 2010.

In particular we focus on the Octopus IHT Protected Income Fund and their excellent range of Inheritance Tax Planning products. As investors reassess their own attitudes to risk, having seen the value of funds and assets fall in the crisis, we need to examine the lessons to be learned and how we can best continue to protect on the downside whilst providing a realistic return in what will be a challenging environment for UK investors. Making use of the new tax free saving limits in ISAs for the over 50s is one such way to shelter and protect your capital and a refresher on the rules is included in this edition.

Now that markets are stabilising, although there are still some clouds on the horizon, we can at last see a silver lining emerging; risks are now also reducing, providing some very good opportunities to benefit from in the recovery and proving that patience has its own rewards.

On a personal note welcome back to Marilyn and also welcome to Katie and Ulli who have recently joined our growing Business Support team.

Also thanks to all those who supported Marilyn on her "Race for Life" with sponsorship raising over £600 for this fantastic charity.

### 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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## Footing the bill - a fund that aims to provide investors with inflation protection

Lately, governments have tried unconventional ways to lift the global economy out of recession. These have mainly focused on Quantitative Easing (QE) – which aims to boost the amount of money in circulation. To do this, governments have purchased debt securities from investors in exchange for cash. The effectiveness of these measures is totally unknown, as are the long-term consequences. As QE involves increasing the money supply by effectively printing money, one of these consequences could be inflation. At the moment, we believe the inflation expectations priced into the market don't take this into account. When it comes to buying inflation protection, it makes sense to do so when index-linked bonds are attractively priced due to low inflation expectations.

### Protecting against inflation

One way you can protect against inflation is to invest in index-linked bonds. Unlike conventional bonds, both their coupon and capital value is linked to an inflation index – for example, the Consumer Price Index in the UK. However, many index-linked bond funds are limited to the UK market - a fairly illiquid arena for trading index-linked gilts, with a very limited number of issuers coming to the market.

Our Global Index-Linked Bond Fund not only protects against inflation, it gives you access to investment opportunities in inflation-linked markets around the world. The fund also provides you with portfolio diversification, as global index-linked bonds have historically low correlations with other assets, meaning they tend to perform in different ways.

Jonathan Gibbs



### Experience counts

Jonathan Gibbs has managed the Standard Life Global Index Linked Bond Fund since its launch in 2004. He's considered a thought leader in this asset class, and is frequently consulted by both government and corporate issuers about their inflation programmes. Supported by a dedicated team of inflation specialists and our strategy team, he is ideally situated to unearth the most compelling opportunities in the global inflation-linked market. Cockburn Lucas have approved this fund for inclusion in our investors portfolios and for more information speak to your adviser or contact us for details.

Please note that investing in this fund involves an element of risk and you may get back less than you invested.

## Wealthmaster goes live!!

Most clients will now have received details of our proposals for CLIFC's Wealthmaster Service. We are pleased to announce that this has been very well received to the extent that Cofunds have informed us that our recent re-registration exercise has received the best response of any other similar exercise in their history!!

Although we are in the relatively early stages of Wealthmaster, the overwhelming response has been positive and the benefits of the service, which have already been enjoyed by many of our new clients over the last 18 months, are now being utilised by our longer standing investors.

Cofunds have offered a continuing commitment to refine and improve their offering and we at CLIFC are already seeing the benefits in many areas, not just in terms of recent fund performance but also reduced paperwork!!

For those who have yet to consider our Wealthmaster Service in any detail, we intend to extend the offering to all over the next 6-12 months. Your consultant will be more than happy to discuss how this service will benefit you at your next scheduled review meeting and once again thank you for the support and all the tireless efforts of our Administration team in coping with the re-registration exercise.

**Angus Shaw**  
Private Client Director





## Octopus Investments breaks through the £1 Billion barrier

On the 14th August 2009 Octopus Investments successfully smashed through the £1 billion threshold for funds under management.

Commenting on the milestone, Simon Rogerson, Chief Executive of Octopus Investments, said:

"In terms of monies raised, especially during the current climate, this result is truly exceptional. It is also a reflection of the fact that we really understand what our investors want and the value in excellent service."

Cockburn Lucas first noticed the potential of Octopus Investments almost 7 years ago, only 2 years after Octopus Investments was launched; a true reflection on Cockburn Lucas's ability to find new and innovative product providers who have their investors interest at heart.

Simon Rogerson continued:

"We would like to thank Cockburn Lucas who are, and have been, strong supporters of Octopus Investments from the beginning. A reflection of both companies' belief that understanding what our investors and clients want - in terms of both product design and service - is key to delivering real value."

## Inheritance Tax Planning with an income

Octopus Investments has led the way with their suite of Inheritance Tax products, helping investors to preserve their hard-earned assets, and protecting their estate from government taxation.

The suite is unique in that investments can be exempt from Inheritance Tax after just two years, and investors always retain access to and control of their money. What's more, they can choose between an income or growth option depending on their lifestyle requirements.

Within the suite, the Secure Inheritance Tax Service (SITS) is one example of a flexible product that's working hard for investors. This includes:

**Growth or Income** - SITS is a lower risk investment targeting 3% growth per year. This target rate is higher than bank base rate, enabling investors to get a similar or higher return than saving with a bank. This investment can also qualify for Inheritance Tax Relief after only two years and provides investors with ongoing control of their investment.

**Further security** - if the net return is less in any year, Octopus will contribute up to 3% to the fund to help make up the difference.

**Tax savings** - over the last year SITS investors invested enough money to generate over £22.8 million in inheritance tax savings.

We truly believe the solutions available at Octopus offer a simple and reliable way to reduce Inheritance Tax quickly, without the need for complicated trusts or medical underwriting and also with full control of the funds invested, just in case you decide to spend the cash on yourself instead!! For full details speak to your consultant regarding these schemes and do it soon as we believe all these schemes will be under review as more tax is needed to fund borrowings.

## We are getting better at 'being green'!

In fact this is the first time our newsletter is being printed on 100% recycled paper.

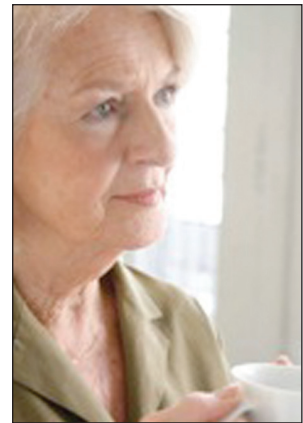
As a small company we generate a fair amount of waste and think it is only fair to take steps to reduce the impact we are having on the environment and natural resources. The company recycles whenever possible and has implemented an office policy to use eco friendly products where possible and reduce our energy consumption. The admin team also uses public transport to get to work instead of getting into the car (unfortunately this isn't an option for the advisers).

Our next step is to support a local charity that is involved in the environment, and Cockburn Lucas is therefore delighted to announce that we have become a corporate sponsor for the Nottinghamshire Wildlife Trust, a charity that works tirelessly to protect and preserve landscapes, wildlife and its natural habitats. The Wildlife Trust has approximately 70 nature reserves across this county alone, many of which are open for the public to enjoy, and works hard to preserve even more flora and fauna by liaising with landowners and authorities as well as by investing funds and expertise. They aim to inspire people about the wonders of the natural world and encourage them to take a more active role in helping conserve their local environment. The Trust also works with schools and the community to offer everyone the opportunity to learn and discover.

If you would like to make a donation yourself, or become a member of the trust, you can do this by going to [www.nottinghamshirewildlife.org](http://www.nottinghamshirewildlife.org) or by clicking on the logo if you are viewing this newsletter online. As a client of Cockburn Lucas you will receive a FREE Wildlife Gardening Book if you join online using the promotional code COB09 .

Isabel MacLennan from the Wildlife Trust says:

"Nottinghamshire Wildlife Trust is delighted to welcome Cockburn Lucas to our Wildlife Guardians Corporate Involvement Scheme. We very much value the support of local companies and look forward to developing a strong partnership. The Wildlife Guardians Corporate Involvement Scheme is a dynamic approach to corporate giving, designed to harness the potential for business and voluntary sector collaboration to contribute positively to environmental conservation."



# The new ISA rules offer opportunities to the over 50's

## Are you aged 50 or over?

If you are you can now invest up to £10,200 into ISA accounts overall.

The full amount may be invested into a Stocks and Shares ISA, allowing you to take advantage of the market recovery and invest for either income or growth. Alternatively you can invest up to £5,100 into a cash ISA and the balance into a Stocks and Shares ISA if you prefer.

One thing to note: if you have already invested into a 2009/10 Stocks and Shares ISA (i.e. via CL Cofunds Wealthmaster Service) any top up must be placed with the same provider.

**From 6 April 2010 you will be able to invest £10,200 in ISA accounts overall regardless of your age (as long as you are over 18) of which £5,100 can be held in a cash ISA.**

So, on the face of it we are all going to be allowed to top up ISAs to a maximum of £20,400 per annum for married couples, which will allow a variety of benefits to be secured and funds to be sheltered from taxation

ISAs currently offer a number of tax savings and as a reminder these are as follows:-

### Interest

Whether an ISA is partially or wholly invested in fixed interest (i.e. Corporate Bonds) there is no tax whatsoever on this element (neither at the Basic nor Higher Rate).

### Dividends

Whilst there is no Income Tax saving to taxpayers who are liable to the Basic Rate, there is also no Higher Rate Income Tax payable on dividends whether retained by the ISA or distributed. With the new Higher Rate Tax in the United Kingdom, this represents a real saving to investors.

### Age Allowance

Taxpayers over the age of 65 are entitled to age allowance i.e. an enhanced personal allowance (for the current tax year this amounts to an extra £3,015 to anyone between 65 and 75). This age allowance reduces by £1 for every £2 of total income over £22,900, however, any income from an ISA does not count towards "total income", a valuable saving for anyone over 65 and another way to keep Gordon's hands off your hard earned loot.

### Capital Gains Tax

ISAs remain free of Capital Gains Tax on maturity with no liabilities on profits levied or counted towards a CTG free allowance.

### Avoidance of Record Keeping

In addition to tax, saving the avoidance of record keeping via ISAs and reporting to the Revenue is also a very meaningful advantage. It can be especially valuable as far as Capital Gains Tax is concerned where there is a necessity for keeping long term records.

Given that we believe tax rates are on the rise and reliefs are being withdrawn in areas such as pension contributions we suggest you use your new allowances to maximum advantage.

Call us for details to get your cash working harder.

**COCKBURN LUCAS**  
WEALTH MASTER