



Wealth Management

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Offshore Holding Advisory

Monday, 19th January 2009

Current Insight – Robert Skepper

For clients who plan to remain living in Asia (in Thailand especially), I suspect the Dollar will be more important than Sterling. All I would say with regard to currencies is that they may all eventually weaken relative to real assets and therefore to longer term living costs. So it is best to hold the majority of one's assets in the form of real assets I.E. houses and property and big companies worldwide.

I recognize that even after the enormous fall of stock markets round the world recently there is no reason why they might not fall yet further if the world economy enters a prolonged recession with associated much lower profits and therefore dividends. But at some point the recession will pass, greater prosperity will resume and profits for the survivors will rise very strongly, and their valuations will rise even more as everybody wants to get back in.

So for simplicity I would advise enough money in cash or stable bonds to cover the next three years' possible requirements in case the recession lasts that long and the rest steadily but not all at once put into leading well capitalized international shares:

My current selection on a £500k portfolio would be as follows:

Bonds £150,000

U.S.Dollar Bonds (£50,000 equivalent)

BAT's (British American Tobacco) 8.125% bonds of 2013 price 106 yield 6.5% or Vodafone 5% notes 2013 @101 to yield 4.8%

Euro denominated bonds (£50,000equivalent)

National grid 6.625% bonds of 2014 price 101 to yield 6.3%

Sterling Bonds £50,000

Centrica (British Gas) - not to be confused with B.G.(British gas, the oil Company)

5.5% of 2016 price 94 yield 6.7%

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Equities £350,000

I feel that, after the Hedge Fund disasters, and you know how I predicted this consistently for the last 4 years - and not one of your clients has a Hedge Fund, nor mine - and equally, due to the lack of transparency of many other collective funds, investors will be happier with owning the actual shares in the world's leading and well known companies.

You then know exactly what you have got; it's not a derivative or a structured product or a 'guaranteed your money' product (and then it turns out that the guarantor was Lehman Bros. or some other bank that goes belly up and you get nothing, etc:) or an insurance bond in which you are locked up for 5 or more years.

Whilst you know I have a lot of your clients in Investment Trusts, these are the only so - called collectives I would use because you can any day get a list of what they hold in their portfolios, and as they are closed end funds they cannot disintegrate or be forced to sell their best stocks because they are the only ones sellable, as a result of a wall of redemptions. That is what has happened to a lot of Hedge Funds and other open - ended products; and unless you can get out quick and early you are left holding the rubbish.

Investment Trusts are an invaluable way of getting a decent spread of equities for a small portfolio or for covering special areas – say Latin America, or Japan, or mining, etc:.

But for a larger portfolio of this sort I would have individual shares; then the client knows exactly what he has got.

My current Buy List is:

Oils and Oil Services

Exxon, B.G., B.P.

Royal Dutch Shell, Statoil (Norwegian Gvt. have 65%), Schlumberger

Pharmaceuticals

Astra Zeneca, Glaxo, Pfizer, Novartis

Johnson and Johnson

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Food and consumer products

Nestle, Tesco, B.A.T.'s, Unilever

Insurance

Aviva, Hiscox, Prudential

Industry

Caterpillar

Michelin

Ciments lafarge

Alstom (high speed trains and power station electricals)

Transport

Canadian Pacific, Burlington, Santa Fe, National Express (U.K. but also has bus business in Europe)

Commercial Property - probably not yet

Choices: Land Securities and Shaftesbury (owns all the very successful tourist shopping area behind Regent street around Soho and Covert Garden - falling Sterling is already attracting big continental influx, and these shares are on the floor.)

Banks

None: impossible to assess their worth

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Mining

BHP Billiton

Trackers

Hong Kong Tracker Fund

Investment Trusts

Aberdeen New Dawn (Asia ex Japan)

JP Morgan Latin American

Alliance Trust (world wide blue chips)

Canadian General (Canada) 40% owned by wealthy Canadian family; cautiously managed, well informed on Canada and Canada seems to have everything going its way longer term.

I will send you this list with actual prices and yields tomorrow.

My current selection on a £100k portfolio would be as follows:

50% bonds (breakdown as above, dependent upon the client's needs and domicile)

50% Alliance Trust

Robert Skepper

Brewin Dolphin Securities

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If you have any feedback relating to any of the contents of this newsletter please don't hesitate to get in touch with us at info@investrightnow.com

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