

Autumn 2008



Piers Rouse
Managing Director

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welcome...

...to the new look Seymour Sinclair newsletter!

May you live in interesting times,” goes the old Chinese proverb. Few glancing at a newspaper headline today would doubt that. Too interesting for most of us!

These are very hard times for investors. Trying to work out how to respond sensibly to the huge and complex economic dislocation taking place is not easy for anyone.

Relevant and dispassionate information has a premium value for sound investment decisions and never more so than today. And this is what we aim to bring to you, our valued clients, with this re-launch. Also, as before, we try to source what we believe are worthwhile investment ideas suitable for patient investors with long-term time horizons.

As you know, we are leading discount investment brokers and do not give financial advice. But we are close to financial markets on a daily basis and do have opinions. And our opinion is actually quietly optimistic.

Read on to find out why...

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A “once in a century” crisis...

Barring a remote vacation in, say, North Korea it’s been hard to avoid news of the spectacular events in the global economy.

The credit crunch has returned with the uberviolent vengeance of some kind of Arnie-inspired financial market Terminator. Traumatized banks hoard cash as they watch weaker peers fall by the wayside... Northern Rock... Bradford & Bingley... HBos. With the demise of B&B, the last demutualised building society disappeared from the stock market.

Across the pond, Fannie Mae and Freddy Mac, which together account for almost half the US mortgage market, have been nationalised as has insurance giant AIG. The US investment banking business model has died in rude haste with the five dominant players either absorbed, transformed or bust. And an eye-watering

\$700bn US financial system bail-out has passed through Congress at the second time of asking. In Europe, further acute stress has surfaced. Belgian banks Fortis and Dexia have been bailed out, so too has Hypo Real Estate in Germany and Iceland as a whole looks likely to implode. As of last year Fortis had assets equivalent to two and a half times the size of the Belgian economy. A clue perhaps as to why it took a reported three countries – Belgium, Holland and Luxembourg – to pull it back from the brink.



In Paulson we trust?

These 'game changing events' have, and will have, a huge impact which even the best informed can only guess at. What we can identify is that today the dominant influence is deleveraging – the cutting of debt. This applies to banks, business, hedge fund and consumer alike. And when debts are being cut, assets are being sold in haste to raise cash. This in turn undermines inflated prices whether they be houses, office blocks or shares.

Over and above the credit crunch we have witnessed penal rises in energy prices, squeezing business profits and consumer pockets alike. The ferocious double whammy has brought gloom and talk of recession or worse is on the lips of every economic commentator.

This has had a predictable impact on the central nervous system of the economy – the financial markets. We have seen record volatility in equities. And gold, a traditional staid safe haven, has seen its price moves more akin to an internet stock in the millennium tech boom. It notched up its biggest ever one day gain recently - a massive \$85.

And oil too. It was up \$25 following the announcement of the massive US bank bailout plan prompted a significant weakening of the dollar. These are dramatic times and clearly we're witnessing economic history in the making. As ex-Fed chief Alan Greenspan put it recently: "We are living through the type of wrenching financial crisis that comes along once in a century." Some might add, holding down US interest rates at 1% in 2001, he had a fair hand in its making!

Markets know the score all too well and are deep in bear market territory (technically speaking a 20% fall from a recent high) and their extreme volatility makes investing a hazardous prospect for even the brave hearts.

But then the presumed safe haven of cash on deposit, offered by rickety banks, doesn't feel as secure as it once did. (see p5 for details on the recently amended Financial Services Compensation Scheme)

All told, it sounds pretty black... and that's exactly why we're becoming more optimistic.

10 reasons to be (cautiously) optimistic...

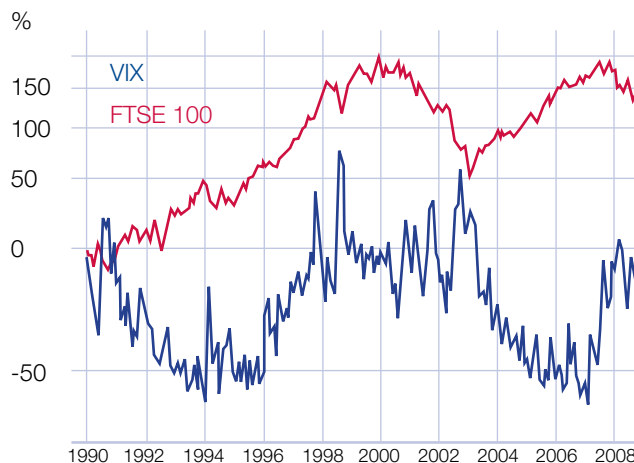
1. Exceptional volatility won't last

The standard measure of investment risk is based on volatility – how much a price moves up and down. A leading indicator of stock market volatility is the VIX index.

The chart to the right shows its fluctuations since 1990 against the FTSE 100. At its lowest points it has been a little over 10. At its highest points well over 50. At time of writing it is 39 and change. The higher the reading the greater the fear among investors during which times share prices tend to fall. Conversely, falling volatility levels typically mean a rising stock market.

We can see from the chart, the VIX reading is currently high by historical standards and has been climbing pretty relentlessly since January 2007. What's more as we go to press it has hit another all time record. But what we can also see is that, in the past, volatility has both leapt and subsided quickly and this has coincided with significant moves in share prices.

So, though as we well know past performance may not be repeated in the future, this is a marker post worth consideration when considering your timing into and out of equity markets. Given its high level presently, we can reasonably expect it to fall back at some point which should support share prices.



Source: Yahoo/finance

What is the VIX?

It is the reference symbol for the Chicago Board Options Exchange Volatility Index which measures the implied volatility of index options in the US S&P 500 index. It is a measure of the market's anticipation of volatility over the next 30 days.

For example, in June 1998 the VIX 19.7 and the FTSE 100 was at 5,832. Then the Russian debt crisis broke in August bringing down the hugely leveraged hedge fund Long-term Capital Management in the process and destabilising the financial system. The VIX shot up accordingly to 44 and the FTSE100 tumbled 10% to 5,249.

By December of that year, the VIX was down to 24.8 and the FTSE 100 had recovered all its lost ground and a bit more to 5,882.

2. Bad news in the price

Banks falling like ninepins... mortgages nationalised... credit squeezed... rampant energy prices... falling house prices... falling corporate earnings... rising unemployment... slumping stock markets and recession... or even depression. Short of the kitchen sink, how much worse can it get?

We know financial markets have fine antennae. They see trouble coming early and are quick and ruthless in discounting it. Much is discounted in share prices... possibly, given rock bottom sentiment, even overly discounted. "Shares [in some sectors] are as cheap as I have seen them in my lifetime," said Anthony Bolton recently in The Times.

“For the first time in a couple of years, in the past few weeks I’ve started to feel optimistic.”

Ben Graham, the grandfather of value investing and Warren Buffett’s teacher, liked to think of the stock market as a manic depressive which he dubbed “Mr Market”. Mr Market is prone to significant mood swings he argued. He gets too excited in the good times and too downbeat in the bad. Mr Market’s mood swings present opportunities for the more dispassionate investor to make money. At a time when fear is tangible and economic doom screams from every headline, it’s possible Mr Market might just be overly in a funk.

3. The world’s greatest ‘value’ investor has gone shopping...

Private investors should take note that the world’s greatest value investor, Warren Buffett, is busy shopping for businesses. Okay, we can’t all be Buffett but what it does tell us that in times of distress great value can be found.

Buffett counsels investors:

“Be greedy when other are fearful and fearful when others are greedy”

He is the living embodiment of his own advice. In recent weeks, headline activity has included a bid for US energy company Constellation Energy, a \$5bn stake in Goldman Sachs and a \$3bn stake in GE – both paying around 10%pa for the funds. His comment on the Goldman deal was, as is so often the case, memorable: “We have occasionally been quite successful in purchasing fractional interests in easily identifiable princes at toad like prices!”

As the BBC’s business editor Robert Peston put it:

“For those with deep pockets – like Warren Buffett – now and over the next couple of years is the best possible moment to be investing.”

4. An ageing bear

Britain’s leading investor, Fidelity’s Anthony Bolton, maintains that it is “always hard to know when a market has reached its low” but this bear market is “long in the tooth by historical standards” and we are on the last leg of it but it will be a slow pull out from the bottom. He advises that “the outlook for markets will look its worst at the bottom... it is often when things look worst that the best opportunities emerge”. Another fund manager, Jon Maguire of Cru Investment Management writes:

“What we are looking for is the point at which the decline in corporate earnings troughs, because at this point asset allocation is unambiguous, public equities will soar.”

5. US Housing Market to Stabilise in Q1 2009 say Goldmans

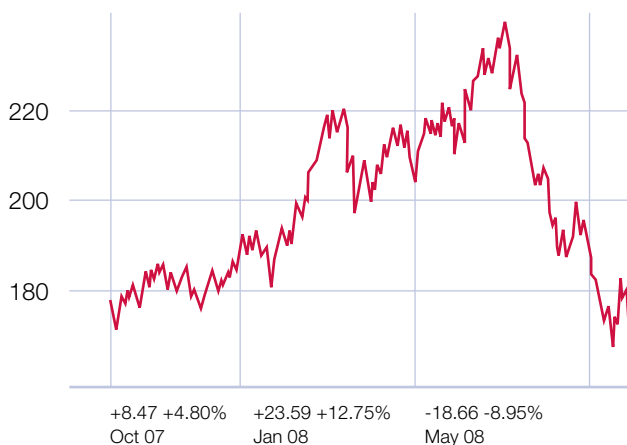
The US Congress passed the \$700bn bail-out package at the second time of asking. It is hoped this will help put a floor under the epicentre of the credit crunch... the relentlessly falling US housing market. Goldman Sachs, while forecasting further bank losses to come, believes the US housing market will bottom in the first quarter of 2009.

This is likely to be a significant moment that will do much to improve investor sentiment.

6. Commodity prices have fallen

A further comment from Anthony Bolton suggests the bear market will not trough out until commodities have declined, reflecting slowing global demand. In spite of recent spikes in gold and oil mentioned earlier, we can see from the index chart below that overall the asset class is well down from the July highs and now lower than a year ago. And oil, in particular, has fallen back from a high of \$147 to the low \$90s.

DJ-AIG Commodity Index 1 year



Source: FT.com 2 Oct 2008

7. The Economic Cycle

“No more boom and bust!” is a boast that has come back to haunt Gordon Brown. The economic cycle has asserted itself vigorously once again, as it has done throughout economic history.

Acknowledging there is a cycle is easier than determining exactly where we are in it at any given time. But the task is made easier in the current climate and leaves little room for doubt.

Global economic growth has slowed and some Western economies are in recession, others sliding towards it. Inflation has reared its head, consumption is falling and unemployment is rising. In financial markets stocks and commodities are down but government bonds are up as frightened investors pile into them for shelter oblivious to the sometimes paltry, even negative yields, on offer. No prizes for spotting we’re in the ‘bust’ part of the cycle. At some point we’ll hit the floor, we may already have seen it. The difficulty is no one knows for sure. But it’s important investors look for the inflexion point, the point of maximum gloom or “capitulation” – where the last seller gives up – to signal the green shoots of recovery are around the corner. A clue to when we’re there is that the economy is headline news in every paper.

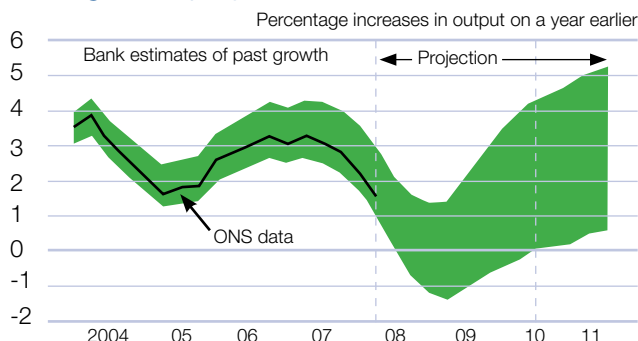
As well as the tortoise of the economic cycle, there is the hare that is the stock market cycle which runs ahead of it. The stock market is the “great expectation machine”, always peering into the future and discounting it. Estimates put it somewhere between 3-9 months ahead of the economic cycle. So, expect the stock market to pick up well ahead of the economic data to support it. Canny investors look to act in advance of changes in the economic cycle.

8. Bank of England forecast

Governor Mervyn King has been dishing out some pretty dire warnings of late.

But if we consider the central projection from the Bank of England's August Inflation Report (chart below) we can see UK GDP growth is expected to trough in early 2009 before recovering strongly later next year and beyond.

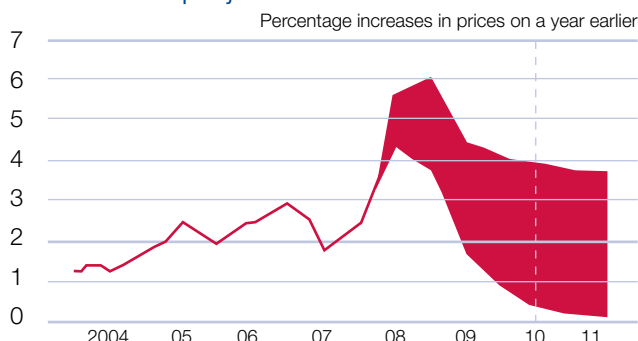
GDP growth projection



Source: Bank of England Inflation Report (August 2008)

In addition, inflation is expected to peak about now and then fall rapidly. With commodity prices now falling fast some expect inflation to shoot down to half its 2% target. Together with, at best anaemic growth in the UK, the base rate is likely to fall rapidly and considerably from its current 5%. While this will not be a silver bullet for a ruptured banking system, it should lift sentiment and prove a positive in the medium term.

CPI inflation projection



Source: Bank of England Inflation Report (August 2008)

9. Steep US Yield Curve

This is a bit of a technical one but, like the VIX, a useful marker for investors. The chart below shows the yields on US government bonds from the shortest time period (3 months) to the longest (30 years). This upward sloping curve is the classic shape for the chart.

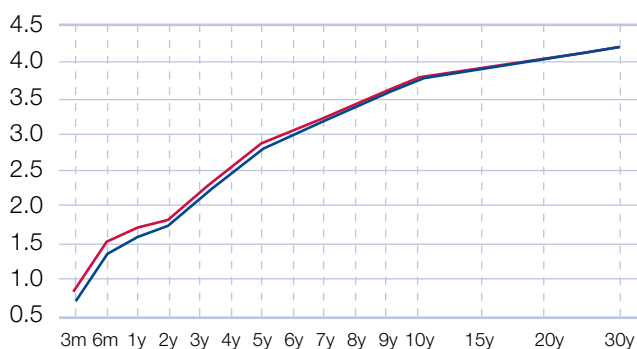
According to Fidelity Investments when the difference in yield between the shortest and longest term debt exceeds 3%, it can be classified as a "steep curve". As at the 2 October, the yield gap was 3.49%.

When steep yield curves occur says Fidelity: "long-term bond holders are sending a message that they think the economy will improve quickly in the future.

"This shape is typical at the beginning of an economic expansion, just after the end of a recession."

This is encouraging for the US economy.

Yield curve for US treasuries



Source: Bloomberg October 2, 2008

10. The advice of a Rothschild...

Stockbrokers Charles Stanley put it in a recent newsletter: "It is said that bull markets are born in depression, grow up in scepticism, mature in optimism and die in euphoria." Depression is the current mood, yet as Clive Beagles of J O Hambro points out in a recent article, falling bond prices make UK shares look cheap: "The UK's historic dividend yield of 4.4% is now on a par with the 10-year Government bond yield. The only other time in the last 50 years that these two numbers were as close was in March 2003, a low point from which UK equities subsequently rose almost 100%."

With this in mind, it is also worth remembering that an underrated virtue of investment is courage and few fortunes were made investing when the outlook was rosy. As another famous investor, the nineteenth century London financier, Nathan Rothschild put it:

"Buy on the sound of cannons, sell on the sound of trumpets."

The cannons have been deafening and will continue for some time yet. According to the bearish American economist Nouriel Roubini, we can expect many more banking collapses and some \$2-3trn in losses for the financial system before "the biggest asset and credit bubble in US history" has deflated.

But misfortune and slumping asset prices spells opportunity for investors as value reappears. Market timing, however, is a treacherous business and we would be very wary of lump sum investing at this point. It's easy to get hurt trying to catch a falling knife! But there is an investment strategy that takes advantage of volatile share prices that we believe is ideal for bear market conditions such as these... a regular saving scheme. See p8 for further details.

From the combination of the factors outline there is plenty to suggest private investors can position themselves today in the reasonable expectation of reaping the benefits tomorrow.

What follows are some thoughts on what to do with your money now starting with capital preservation through to some more adventurous investment options.

What to do with your money now?

The answer depends of course on where it is – already invested or sitting on the sidelines in cash. We'll look at each in turn.

1. Existing Investments:

Sit tight - don't panic!

If you have existing stock market investments which are suffering now is not the time to sell. That is what dumb money does... every time. Do you what you have to avoid that mistake - turn off the TV, cancel the newspaper but sit tight and await a better day... unless forced to act either because an investment is in deep irrecoverable distress or if you really need the money.

The trite truism of all investment is to buy low and sell high. Easy to say but hard to do as making and losing money is an emotive business. But remember, this financial storm is an exceptional one but will eventually pass, and recovery will come. And remember too, if history is any judge, the longer you're invested the higher your chances of making money. The stock market tends to reward the long-term, patient investor so avoid the mistake of acting on a nervous impulse. Missing the 10 best trading days "can have a significant impact on long-term returns," Anthony Bolton reminds us. "Missing the top 40 days can be disastrous."

Cash is king

Cash in the bank is a port in a storm but sadly way short of the 'safe haven' widely assumed pre-credit crunch. As we go to press the guarantee on bank deposits has been increased from £35,000 to £50,000 with effect from October 7. The Irish and Greek moves to guarantee all deposits without cap (followed reportedly by Germany) has forced the hand of the UK government to dissuade hemorrhaging from British bank accounts. [See "Are my savings covered?" for further details]. Either way, if you have significant sums, choose with care. Beware being a "rate tart". In the week before it was taken out by a combination of nationalisation and Banco Santander, Bradford and Bingley was advertising extensively for new deposits and offering a leading 6.51% rate on its internet savings account.

In these exceptional times, a government-backed guarantee provides meaningful reassurance. This leads us to the range of options available from National Savings & Investments. And ironically, Northern Rock, which is now a nationalised bank backed by government guarantee offering 5.75-6% on cash deposits. This may not last, however, as State backing gives the Rock an unfair edge over the commercial competition. This has seen deposits swell by £3bn in the first half of the year. To counter this they have a self-imposed limit to how much they will accept so as not to distort the market.

www.nsandi.co.uk

www.northernrock.co.uk

Alternatively, for fund investors, the Money Market sector comprises low risk funds offering diversified portfolios of sterling-based deposits and short-term money market investments. Some leading names within the sector include:

Cash Funds

Fund Name	1yr (%)	5yrs (%)	amc (%)
Fidelity Moneybuilder	5.5	21.9	0.4
Fidelity Cash	4.5	19.7	0.4
Gartmore Cash	4.3	19.4	0.25
Henderson Cash	4.6	18.7	0.3
Baillie Gifford Cash	4.1	19.4	0.25
New Star Money Market	4.2	18.3	0.5

Source: Trustnet

SPECIAL OFFER – 0% initial charge and 1% cash back on the Fidelity Multi Asset Strategic Fund!

In addition to those funds listed above, the Fidelity Multi Asset Strategic Fund is more than 65% invested in cash and gilts and currently on offer at 0% initial charge. Plus we will reimburse investors 1% on their investments in this fund.

These funds are permissible as ISA investments up to the current allowance.

If you plan staying in cash long-term, be sure to keep an eye on the inflation rate. Savers need to bear in mind the corrosive effect of inflation and tax on the real value of their savings.

Interest of 6% on a savings account after 5% inflation and tax is likely to be losing value over time. However, as noted, inflation is expected to peak out soon.

This should help deposit savers, through the 5% base rate is set to fall as inflation comes down. Savings rates are likely to be trimmed accordingly. Fixed rate term deposits for 1-2 years currently on offer should prove good value at this time.

Are my savings covered?

The Financial Services Compensation Scheme

Compensation Limits (£)

Cash deposits	50,000*
Investments	48,000 -100% first £30,000, 90% next £20,000
Pensions/Life Assurance	2,000 + 90% of remainder of claim
Mortgages	48,000 - for deals post 31 Oct 2004

*The limit is set currently per person per regulated bank/building society. Joint accounts are eligible to claim £100,000. Pressure persists to follow other EU countries in making it unlimited.

2. New Investments - Traded Life Policies: make 7-10%pa and avoid the stock market

If you've had enough of the gut-wrenching gyrations of the stock market, how about investing in traded life policies? This "new breed of asset class" is totally unconnected to mainstream financial markets and has the reputation for returning a reliable 7-10%pa with very low volatility – the standard measure of risk.

The idea is based around investing in second-hand US life insurance policies, which are no longer needed by the policyholders. Rather than surrendering the policy, they can sell to investors who continue them to eventual claim. In this manner, policyholders get a higher cash return than they would otherwise lapsing a policy or surrendering it to their insurance company. Investors get a reliable and pre-defined return and life insurance companies see more premium income (though more claims too!)

If all this sounds a little complicated, don't worry. There are a number of funds available to UK investors who make it a straightforward investment via a fund. The two most accessible offerings (ie with the lowest minimum subscriptions) can be found below. They are both structured products over 5.7 or 10 year terms and offer both capital growth and income options.

Fund	Minimum (£)	Income (%pa)	Term (yrs)
ARM Assured Income Plan	2,000	7.5-10	5,7 & 10
Keydata Defined Income Plan	3,600	7.75-8.25	5,7 & 10

To learn more about investing in traded life policies why not request a copy of our FREE REPORT...

Stay safe and beat inflation with index-linked gilts

UK index-linked gilts are government debt where both the coupon and principal payments are linked to the old-style RPI inflation. In nervous times such as these they offer an appealing combination of government-backing and inflation protection. According to Trustnet, the sector has produced the highest returns over one year, averaging 9.4%.

Fund Name	1yr (%)	5yrs (%)	amc (%)
BAM index linked bond	10.2	35.9	1
Fidelity index linked bond	9.5	50.8	0.25
M&G index linked bond	9.7	34.3	0.5
Royal London index linked gilt	9.3	33.1	0.4

Source: Trustnet

Note while this is a low risk option, as we noted earlier, inflation is expected to fall rapidly in the near future.

Taking the plunge with shares...

More adventurous clients might be looking to position

themselves in equity markets before an eventual upturn. Both UK and international equities are considerably cheaper today than they have been in quite a while. And, let's be honest as our crystal ball is as murky as the next man's, may get cheaper yet as the credit crisis continues and the market anticipates its corrosive impact on corporate profits. ie growth.

But Anthony Bolton alerts investors to potential opportunity when he wrote in the FT recently:

"I believe that some of the most oversold areas of the market, financials and consumer cyclicals, could offer the most potential as the market recovers."

Clive Beagles at J O Hambro adds:

"...on a pre-provision basis the [banking] sector is as cheap as it was in the early 1990s recession..."

With that in mind, what does the fund universe offer? Well, consumer cyclicals is tough to place but we've unearthed three specialist funds in the financial sector. Two boast highly regarded fund managers and all have endured a tough year. If Anthony Bolton is right - and he usually is - this could be a rewarding contrarian play while the stock of financial companies are in the gutter.

Specialist Financial Funds

Fund name	1 yr (%)	5 yrs (%)	amc (%)	S&P Rating
Jupiter Financial Opportunities	-13.7	73.9	1.5	AAA
New Star Global Financials	-29	94.4	1.5	AA
SWIP Financial A	-24.4	47	1.5	n/a

Source: Trustnet October 2, 2008

An opportunity to buy BRIC growth on the cheap...?

"The Chinese shopper alone is contributing more to global GDP than the infamous US shopper"

Jim O'Neill Chief Economist, Goldman Sachs

Another potential opportunity are the BRIC economies. Brazil, Russia, India and China are the emerging economic powerhouses, first identified collectively by Goldman Sachs. They are a long term growth story with - in the case of China and India - massive populations to support them. Their rate of economic growth has far outstripped that of the more mature economies of the West in recent years and is expected to continue to do so in the future, albeit at a much slower clip in the near term.

Yet their stock markets have all crashed this year. At time of writing, the Brazilian Bovespa is down 27%, the leading Russian and Chinese bourses have more than halved and the Indian Sensex is down 37%. So investing in them is not for the faint hearted. Investors in these markets take on significant risk.

FREE REPORT: Make Money - Avoid the Stock Market

While equity markets tumble, find out why pension hedge funds are getting so interested in "a new breed of asset class" completely uncorrelated with global stock markets and making a reliable 7-10%pa.

Call for a copy of our free report on:

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Or email your request to:

info@seymoursinclair.co.uk

Brazil, Russia, India and China (BRIC Economies)

In addition to country specific risks, in our interconnected world, these economies are not insulated from slowdown in OECD countries either. The fast-growing BRICs share significant inflation problems too, fanned by soaring commodity prices, though these should ease as prices cool. In spite of all this, the assumption of the long term growth of these countries remains intact, so the recent market falls brings an entry point for long term investors to gain exposure. Brazil for one, where investor Jim Slater is currently pursuing commercial opportunities, recently reported GDP growth ahead of expectations at 6.1% for the latest quarter and has

made huge new offshore oil discoveries too.

Forecast change in global GDP

	2005	2030
US	20%	12%
Europe	22%	13%
Asia-Pacific	37%	54%
Rest of World	21%	21%
Total	\$56trn	\$165trn

Source: Chevron/Global Insight

BRIC Economic Basics v US/UK

	Pop. (m)	GDP (\$trn)*	Real GDP Growth 2008 (%)	Leading Stock Market Index (% ytd 3/10/08)
Brazil	189	1.8	4.6	- 27
Russia	142	2.1	7.5	- 50
India	1,100	3.1	7.7	- 37
China	1,300	7.2	9.8	- 56
UK	61	2.1	1.0	- 24
US	301	13.6	0.8	- 24

*GDP comparison based on purchasing power parity which equalises the purchasing power of different currencies in their home countries for a given basket of goods. Sources: The Economist, Boomborg & Yahoo Finance October 2008.

Some specialist fund choices for BRIC growth...

BRIC Focused Fund – fund performance over one year -34.9%

Allianz RCM BRIC Stars

Country Specific Funds

China - average sector fund performance over 1 year -33.7%

BAM China Growth
First State Greater China

Gartmore China Opportunities

HSBC Greater China

Invesco Perpetual HK & China

Jupiter China

Neptune China

Premier China Enterprise

Threadneedle China

Opportunities

India – average sector fund performance for the sector over 1 year -24.6%

First State Indian Subcontinent

Jupiter India

Neptune India

Russia – fund performance over 1 year -29.6%

Neptune Russia & Greater Russia

There are no Brazil focused unit trusts or OEICs, though exposure to the

region may be gained through Latin American funds from Foreign and Colonial and Neptune. More diluted exposure to all the BRIC economies can be found in the Emerging Market fund sector.

If you'd like further details on any of these funds please call us or check our website.

The hunt for income... 8 FAT fund yields of 9.5% and more!

For many investors, income is the priority. Trawling through a database we find a number of funds offering exceptionally high levels of income.

Of course, this is not the whole story. Just as there is no such thing as a free lunch, exceptional investment yields come at a price. For price read capital at risk.

You'll note in the list below that they are all bond funds and predominantly in the high yield sector, meaning they invest in riskier bonds more likely to default in times of stress, such as now. The portfolio of the highest yielding, New Star Extra High Yield Bond for example, is more

than 80% sub-investment grade. Unsurprisingly, these funds have been sold off heavily in recent times but now offer bumper yields equivalent to between £600-700 from this year's maxi-ISA allowance (£7,200).

Don't forget too that high levels of investment income usually come at the expense of capital growth which can be negligible or even negative.

That said, they could be worth a closer look if investment income is your overriding priority.

Please see overleaf for table.

Continued from "The Hunt for income..."	Yield (%)	1 yr perf (%)	5 yr perf (%)	S&P Rating
New Star Extra High Yield Bond	10.80	-18.2	14.2	AA
Axa Framlington Pan European Bond	10.43	-17.1	6.7	n/a
Marlborough High Yield Fixed Interest	10.08	-16.8	n/a	n/a
Threadneedle High Yield Bond	1 10	-11.0	22.0	AA
JPM Global High Yield Bond	9.96	-8.0	13.6	n/a
Gartmore High Yield Corp Bond R	9.90	-11.2	14.3	n/a
Old Mutual Dynamic Bond A	9.64	-21.2	n/a	A
Invesco Perpetual Monthly Income Plus	9.58	-11.8	30.3	AA

Source: Trustnet & Marlborough Fund Managers October 2, 2008

The smart way to invest in a bear market...

Investment timing is hard to get right, not least today. So here's a simple way to take advantage of volatile stock markets and hedge your bets. Drip feed cash into the market in a disciplined way with a regular savings strategy, rather than risking a lump sum on day one.

The advantage of this strategy is that when prices are rising you make money and when they are falling you buy more for your money and so get greater benefit when prices start to rise again. This is known as pound-cost averaging and is best explained with a simplified example into a unit trust or OEIC fund.

This year's ISA allowance is £7,200 which means up to £600pm can be invested each month over the tax year.

The price fluctuations are exaggerated to make the point but it is intended to show how investors can take

advantage of a falling price to buy more shares (OEICs) or units (unit trusts) in the bad times when prices are falling, which will be increasingly valuable when prices recover.

Month	Investment (£)	Share/Unit Price (£)	Shares/Units	Total Value (£)
1	600	2.00	300	600
2	600	1.50	400	1,050
3	600	1.20	500	1,440
4	600	1.00	600	1,800
5	600	1.50	400	3,300
6	600	2.00	300	5,000

At the end of the six months, though the investment halved in value during the period, its subsequent recovery to its original level leaves the investor with a £5,000 holding purchased for £3,600.

Start shopping at a "fund supermarket"...

If you are struggling to keep on top of a range of PEP, ISA and other fund investments, and have access to the internet there's a way to can make your life a whole lot easier.

Simply switch everything onto a fund supermarket through **Fidelity Fundsnetwork**

Switching over to Fidelity Fundsnetwork is FREE! and easy too.

To move your portfolio, simply request a Fidelity Fundsnetwork re-registration form today and we'll help you move your portfolio into the 21st century! Alternatively, log on directly at www.fidelity.co.uk/fundsnetwork/

What's so great about a fund supermarket...?

- It consolidates all your holdings into one place at no extra cost
- It gives you instant valuations anytime online
- You can buy and sell at the click of a mouse
- You get discounts on purchases
- You can weed out 'dog' funds with easy low cost switching
- You get a choice of over 1000 funds from 61 top managers
- You can access fund information, research and performance tracking tools
- You can set up a low cost self-invested personal pension plan (SIPP) too

Pension News:

Does your pension need protecting from the taxman?

Time is running out to protect your pension fund if it was over the lifetime limit of £1.5m back on April 5, 2006. If this applies to you, you have until April 2009 to protect it... or run the risk of being taxed up to 55% on the excess.

Protected Rights – Switch into a SIPP...

If you opted out of the state second pension (formerly SERPS) from the start of October, you can switch into a SIPP. Be sure to check for any exit penalties from your current pension provider.

For further information contact John Page. John is a regulated fee-based independent financial adviser with more than 20 years experience. He is unaffiliated with Seymour Sinclair but shares the same address.

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HRI Investments Ltd

RISK WARNING: Please remember the value of your investments and the income from them can fall as well as rise. Past performance has no bearing on future performance and the tax treatment of an investment may change.

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