ASSET Advantage

Your quarterly newsletter from

ASSET Investment Management Ltd
wealth management specialists

Winter 2012/13

Emerging Markets - What Are They?

The performance of the major emerging markets was mixed towards the end of 2012. Share prices in Brazil, for example were dampened by disappointing economic data, while Indian equities rose overall – despite some weak economic data, investors were cheered by signs inflationary pressures might be moderating.

Brazil's economic expansion lost ground during the third quarter, with the economy posting annualised growth of 0.9% compared with a rate of 1.2% during the second quarter. Although agriculture registered strong growth, industry – particularly mining and manufacturing – deteriorated.

The Organisation for Economic Co-operation & Development (OECD) expects Brazil's economic growth to decline to 1.7% during 2012, compared with growth of 2.7% in 2011. Nevertheless, looking further ahead, the OECD expects Brazil's growth in 2013 to accelerate to 4%. Elsewhere in Latin America, ratings agency Fitch warned that Argentina was in real danger of defaulting on its debt and slashed its long-term rating for the country to "CC".

India's economy also slowed during the third quarter, registering annualised growth of 5.3%, compared with expansion of 5.5% during the second quarter. The OECD believes the rate of India's economic expansion will slow to 4.5% during 2012 as a whole, compared with growth of 7.8% in 2011, before recovering to achieve growth of 5.9% during 2013.

China meanwhile announced plans to simplify processes for foreign direct investors in a move designed to attract investment and boost trade. The new regulations mean procedures for registration and validation will be simplified and approval is no longer required for the opening of accounts or the reinvestment of funds. Having expanded by 9.3% during 2011, the OECD believes China's growth rate will slow to 7.5% during 2012, before picking up to achieve growth of 8.5% during 2013.

With China now being the 3rd largest economy in the world, we think that it is time to re-classify the "BRIC" countries as "Developing Markets" rather than as "Emerging Markets", the latter probably being better directed towards countries such as Laos or perhaps the newly industrialising African nations.

More Banks Stop Giving Financial "Advice"

With the dawn of the Retail Distribution Review (RDR) we are now seeing many "High Street" banks pulling out of giving retail financial advice to their customers. The reasons they give are many, but it boils down to one thing - it is simply too expensive for them to have to do the job properly instead of selling products paying the highest commission.

As we haven't used commission as a method of remuneration with our investment clients since we started Asset Investment Management in 2007, we hope to welcome many disenchanted new clients from the banks where they will be valued and advised properly!

A Happy New Year to all our clients - we are pleased to see that the U.S. has, for now, averted the fall over the "Fiscal Cliff" and we have seen strong stockmarket rallies across most markets.

As usual, if you have any requests for articles or information, or want this to be sent to any friends and family, then please let us know.

Our Services

We are able to offer qualified advice in areas other than pure investment, such as:-

- Equity Release
- Care Fee Planning
- Mortgages*
- Income Protection
- Life & Critical Illness cover
- Pension Planning
- Inheritance Tax Planning
- Wills and Estate Planning**
- Lasting Powers of Attorney**

* we refer mortgage enquiries to a specialist mortgage broker
** provided by Align Wills and Trusts

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Prioritising Finances

Everyone has different goals and objectives, but trying to accomplish everything at the same time could take you off track and leave you actually achieving nothing at all.

Instead, therefore, consider which of your goals are most important and start with the top one first. For example, if you have a family and new house, or indeed this could equally refer to your children or grandchildren, protecting against the fallout from losing support, income or the same from a partner, might take precedence over longer terms plans for, say, retirement - at least until they are older and the value of assets or equity in the home begins to accrue.

FACT is useful tool for establishing needs and cashflow analysis and you can get an overview **here**

Further Streamlining of Review Procedures

For recent new clients we have introduced the concept of "templates". This enables us to track and monitor funds and also to rebalance to the original portfolio balance with ease. This means that portfolios will not get too far "out of kilter".

What this doesn't mean is, unlike some firms where you are just offered a "model portfolio", that we will stop creating individual investment solutions - we can create your own unique template, or templates, as and when required.

In practice, people with a similar attitude to risk will have similar requirements so some fairly standard templates will exist.

Now that we have moved to reviews in September and/or March, we can simplify matters still further. Currently, when we recommend that a fund be substituted owing to lagging performance or poor future prospects, this is discussed at the review meeting and then you will receive a letter detailing the recommended fund, asking you to sign and return a copy.

With the new system we will be able to incorporate the "funds to be switched to" recommendation in the Review Report and create a template mirroring your existing holdings (where one doesn't currently exist) so that the substitution can be made at the click of a mouse and the portfolio rebalance annually.

When the portfolio is rebalanced there are small costs incurred for switching units, but only at the same rate than would be charged if this was done on an 'ad hoc' basis. We believe that the benefits of keeping your portfolio in line with your attitude to risk outweighs any small additional cost once a year.

We have also listened to our clients and many have said that they would like to see a "progress" review of their investments, comparing the current year against previous years. This too will be incorporated and will compensate for money in and money out so you can get a true representation of asset performance.

Please note, however, that we can only offer this facility where investments are held on Transact.