INVESTMENT DIRECT

The magazine for Fair Investment Company investors

Issue 1 Autumn 2009

Investment solutions for income

In this issue...

fair investment .co.uk

Welcome…

…to the first issue of Investment Direct.

Our quarterly magazine is designed to be a useful resource in your financial decision making with each issue covering a range of topics, including:

- Market outlooks
- Spotlight on a number of investment options
- Investment solutions
- Special offers and discounts

In this first edition we take a look at the current investment climate and get the opinions of industry experts on how they see things developing from here.

With interest rates at an all time low, where do income seekers go to get the returns they need? We ask Ecclesiastical Investment Management Ltd to provide a broad overview of options for income.

Keeping with the theme of income we ask Jupiter Asset Management, Barclays Wealth, Invesco Perpetual and Skipton Building Society for their views on different income solutions.

Investment Direct works hand in hand with our website fairinvestment.co.uk which aims to provide you with clear information about UK financial products and services to help facilitate good decision making when it comes to your money. We hope you find this publication useful and if you have any queries or would like to talk to us please call our customer services team on 0845 308 2525.

Best wishes

James Caldwell
Managing Director

Stocks & Shares ISA special

New ISA limit:

£10,200

The ISA allowance for people over 50 increases by £3,000 to £10,200 from 6 October this year.

ISAs are an important tool for UK investors, because:

- No tax on capital gains and income
- No tax when making withdrawals
- No need to declare on tax returns

Turn to our ISA special on **page 16** to learn more

Contents

Our story

Launched in 2000 Fair Investment Company is one of the pioneers of UK online financial services using the power of the web to enable customers to engage with financial products in an empowering and cost effective way. Regulated by the Financial Services Authority, Fair Investment Company is a Bristol based company that is driven by a desire to deliver services in a transparent, impartial and socially responsible manner.

Our website fairinvestment.co.uk is in the top 10 UK financial comparison websites (Hitwise Feb 2009). We work tirelessly to seek out the best deals in the market working with some of the most recognised UK financial brands and service providers. We are not a product provider but a gateway between the website user and the end provider. Since launch the business has evolved, empowering customers to make informed decisions across a range of products and services (including insurance, mortgages, savings and investments). Over this time many of our customers have benefited from:

- Independent financial advice from our network of regulated independent advisers
- Non-advised sales services providing cash back deals and up to 100% discount on investment fund initial charges.
- Online discounts for car and home Insurance
- Our online guides, calculators and tools
- Market leading news and commentary on the UK financial industry

And last but definitely not least Fair Investment Company has always felt strongly about using its financial position to help fund worthwhile causes. We do this by contributing 10% of our profits to charity.

"Empowering customers to make informed decisions across a range of products and services."

New Developments

With a well established presence in the online arena we are now entering an exciting phase of our development which we believe will greatly benefit many of our customers.

Going forward in the next few months we will be offering our customers access to a new kind of platform. Investment platforms are well established in countries like the USA and Australia and we believe they will shape the future of financial services in the UK.

Put simply the platform is a place where you can consolidate all your investments in one place. This puts you in greater control and provides a number of benefits including:

- Online access to your ISA, Non ISA and pension plans
- Up to date valuations
- Access to over 1600 investment funds
- The ability to transfer your existing investments
- Ability to hold cash prior to investing
- Transparent pricing structure
- Consolidated statements of your investments

We are a dynamic online business and we will continually aim to enhance and refresh the options on this platform.

This exciting new development will mean that Fair Investment Company can strengthen its online presence whilst continuing to support the best interests of the customer. ●

Green shoots or black clouds?

As the UK negotiates a recession, investors and experts alike are torn between positioning assets for recovery and sheltering assets against further damage, while always attempting to address the persistent need for income – We examine the investment options available to you, whatever your take is.

George Ladds, Fair Investment Company

On the first day of trading in 2008 the FTSE 100 ended the day at 6416.70. Very few experts could have predicted what would follow. By 3 March 2009 the FTSE 100 had fallen to 3512.10, a fall of more than 45%.

Some commentators have said that the UK is suffering the biggest crisis since the 1929 Wall Street Crash. Putting this in perspective from the market high to the market low (September 1929 – June 1932), the London stock market fell by 52.3%. However, these falls were not as bad as the slump of 1973 – 1975, when UK equities had been ravaged by a peak to trough fall of 73%.

By comparison, the 2000 – 2003 dotcom decline in the FTSE 100 was a mere 51%, while the recent peak to trough decline was around 45% (January 2008 – March 2009). However, the FTSE 100 has recovered slightly so that from January 2008 to the end of August 2009 we are now only down by 23%.

Volatility seems to be the overarching theme

With this in mind, experts are divided on what will happen next. Invesco Perpetual's Neil Woodford fears there is too much confidence and that a real recovery is far from being on the horizon. Legendary investor Warren Buffet echoes current concerns, saying: "The economy will be in a shambles throughout 2009 and for that matter probably well beyond – but that conclusion does not tell us whether the stock market will rise or fall."

On the flipside, the global financier George Soros states: "The economic freefall has been stopped, the collapse of the financial system averted" and Fidelity's Anthony Bolton states "I think its time to be in risky assets. The rally we've seen since March is the start of the new bull market."

> *"I think its time to be in risky assets. The rally we've seen since March is the start of the new bull market."*
> *Anthony Bolton, Fidelity*

In June, Barclays Wealth and Economist Intelligence Unit (EIU) published a new report entitled 'New horizon, new behaviour'. This study surveyed 2,100 high net worth individuals from across the globe and provided some insight into how these people view the market. Despite the recognition from the majority of investors (88%) that there are significant investment opportunities in the current environment, the majority of these (68%) are shying away from them because they believe the risk of further price falls is too high.

So if opinions differ, where does this leave the investor?

Barclays Wealth in its publication 'Compass – Investment Strategy July – August 2009' provides a more reflective view, saying: "Signs of a recovery have begun to accumulate, but the great springtime global equity market rally of 2009 is fading. In our view, the rally had reflected growing confidence that the global economy

was not headed toward a depression. That process is apparently complete with leading economic indicators confirming a less pessimistic outlook and markets back at levels consistent with a severe recession being only a 'worst case' scenario." It goes on to say: "We remain optimistic for financial markets overall for the medium term, but given the speed of the recovery in the markets this spring, argue for the 'breather' option for the next quarter or so."

This view is echoed by UK equity boutique fund manager David Stevenson (Cartesian Capital Partners): "Recent stock market rallies should be taken for what they were, short-term technical bounces rather than the market bottoming on improved fundamentals.

"The economy will be in a shambles throughout 2009 and for that matter probably well beyond - but that conclusion does not tell us whether the stock market will rise or fall."

Warren Buffet

That said, for investors who are able to stomach the volatility and take a longer term view, there are positives. The UK stock market is at one of its lowest points in the last ten years." David Stevenson goes on to say: "The UK stock market will recover, but not overnight. At the moment market conditions remain challenging and it would be foolish to invest expecting the market to bounce back straightaway."

Market views are changing constantly, and it is clear that there is a still a degree of uncertainty from all the experts on what the future holds. However, looking back in history, it is clear that the stock market goes through cycles and whether you are looking for growth or income there will always be a degree of risk, but behind all this gloom perhaps we can take some glimmer of light from Anthony Bolton of Fidelity, who, using a well known proverb, said "it is always darkest just before the dawn."

Where can you go for income when the outlook is so mixed?

Products that can potentially offer income solutions during volatile investment conditions include:

- Structured products
  turn to page 8
- Corporate bond funds
  turn to page 11

So what investment options are there for investors during a recession? We take a further look, with an emphasis on the all important search for income.

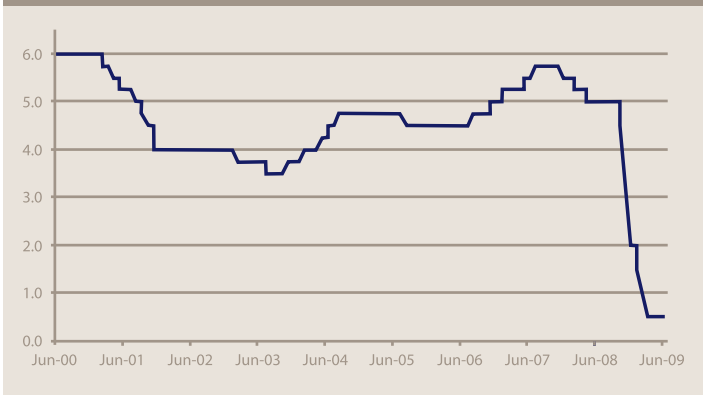
The search for income

This issue marks the start of our 'Spotlight on' with an emphasis on income. As interest rates remain at an all time low, where can you go to boost your income?

Ketan Patel of ethical investment specialists Ecclesiastical kicks the issue off with an exploration of the quest for income and how a range of asset classes could help you achieve it.

"Investors have come under pressure from all sectors of the market, with declining asset values, increasing volatility and shrinking income. The Bank of England lowered the UK base rate to an all time historic low of 0.5% in March of this year, a 90% decline from just over 18 months ago when interest rates stood at 5%.

UK Base Rate Since 2000 Source: Bloomberg



"The search for income remains at the core for both investors and savers. In 2009, 700,000 new pensioners will join the ranks of those looking to generate income from savings and investments.[1] However, it isn't just people on fixed incomes who rely on investment income for all or part of their living expenses. The reinvestment of income plays a key role in delivering superior investment returns over the long run.

"Investors will have to decide on the trade-off between risk and return in the search for income."

Ketan Patel, Ecclesiastical

"In the current low interest environment the search for sustainable income is proving to be even more challenging. The usual suspects on most income investors' shopping list is coming under pressure from a variety of fronts. However, all may not be lost. There will be plenty of opportunities in the coming months and beyond for investors searching for income.

A wider search for income

"The search for income may have widened, both in terms of asset class and geography, but it is vital that investors are aware of how sustainable the income is. Most yields on financial products are historic and the real skill will be in finding strong companies that are best placed to ride out the current economic downturn. The credit crunch has put an end to the low-risk high returns that were available via cash deposits only a year ago. Investors will have to decide on the trade-off between risk and return in the search for income."

[1] *The Telegraph 08/01/09*

See opposite for Ketan Patel's round up of the main UK investment asset classes and how they could help you in your quest for income. ●

Equity

Equity markets have endured a torrid time recently and income funds haven't escaped the fallout, suffering negative double-digit returns over the past two years. The sector has been severely impacted by the banking crises and ensuing recession. Most UK equity income funds were heavily geared to the banking sector which historically has been the largest payer of dividends. The last 18 months have seen scores of companies either stopping dividend payments or resorting to severe cuts in order to ride out the recession.

During the current downturn in stockmarkets, investors are faced with not only a drop in income, but also a fall in the asset value of their holdings. In the first quarter of this year, approximately 25% of FTSE 350 companies axed their dividends.[2]

But investors have the option of casting a wider net to take advantage of income opportunities overseas, via global income funds, which has the added benefit of risk diversification.

Property

The property sector has provided a wild ride for most investors in recent years. A relatively low interest rate environment coupled with the availability of easy credit fuelled a property boom peaking in late 2007. No area has been left unscathed, whether that be residential or commercial and both direct and indirect investment vehicles have been severely impacted. But as with most income investments, the inverse relationship between price and yield means declining prices leads to higher yields. However, with high levels of uncertainty in the UK property market, relying on income in this sector may not be without risk, more so during a severe economic downturn with tightening credit markets. The situation is exacerbated by the highly illiquid nature of most property investment vehicles. Despite the poor outlook for property in the short term, it should be considered as part of a long-term balanced investment portfolio, not only for income purposes, but also for capital appreciation and risk diversification.

Cash

Cash has always been the first stop for the income investor, but the current low interest rate environment has ensured that the savers cannot keep pace with the increasing cost of living.

The situation has been exacerbated by the severe financial crisis which has shaken confidence in even the most secure of investments. The situation does seem to be improving with more institutions coming to the market with products that are offering savings rates of 5% or more, although these come with stringent conditions.

Fixed Interest

Traditionally seen as less exciting, both in terms of risk and reward, the current bear market has led to a surge in interest in the bond market. Nowhere is this more evident than in the corporate bonds sector, with investors pouring £3.6bn into funds between December 08 and March 09 – nearly two thirds of all the money going into unit trusts.[3] These funds invest in corporate debt, which not only provide attractive income, but also have a potential of capital growth. Although often less volatile than equity funds, the variety of debt instruments means that it is vital for investors to understand not only their structure, but also the risk profile. Like investing in equities, investing in corporate bonds requires careful selection on a sector and stock-picking basis.

2 - The Times, 27/06/09
3 - The Guardian, 23/05/2009

Income solutions

We give you the lowdown on a range of investment products that could help you achieve your income goals.

Structured products

A recent survey of independent financial advisers conducted by Virgin Money found that structured products came out on top for advisers when selecting the best option for cautious investors looking for income from a lump sum over five years. Read on to discover why structured investment products might be the income solution for you.

What the experts say - Barclays

"The thousands of savers who piled into high-interest fixed-rate savings bonds a year ago face a sharp drop in income in the coming months, along with many others who just don't feel their hard-earned capital is working hard enough for them.

BARCLAYS WEALTH

"With most of the best one year cash bonds now paying less than 4 per cent interest, large numbers of savers are venturing into more complex and riskier investments to try to boost their returns. Many are looking at structured products, which offer capital protection with annual income payments of up to around 7 per cent.

"Structured products allow investors to reflect a specific view on an asset class that cannot be achieved using traditional investments. This in turn provides a "defined" return rather than the 'best available.'

"As the base rate and many cash rates are close to 0% and predictions for equity markets reveal only widespread uncertainty, the central task remains unchanged - how to shape clients' portfolios?

"It may be that surer hands will seek to steer a path between the negative real return offered by cash and the risk of unprotected equities. The middle way!

"For those now seeking solace and some welcome predictability during the year ahead – investments with defined protection and payoffs may represent a logical choice!"

"Investments with defined protection and payoffs may represent a logical choice."
Barclays Wealth

Barclays Wealth is the wealth management division of Barclays Bank PLC. Barclays Bank PLC. Registered in England and Wales (registered no. 1026167). Registered Office: 1 Churchill Place, London, E14 5HP, United Kingdom. Barclays Bank PLC is authorised and regulated by the Financial Services Authority.

The lowdown

Structured products are typically fixed term investments that offer an element of capital protection. Although there are many variations, returns are generally linked to the performance of an index or basket of stocks over a period of 3 or 5 years. Even if the underlying investments fall, a certain level of capital, if not all, is returned at the end of the term, as well as growth or income, subject to certain conditions being met.

Julie Smith, Fair Investment Company

What are structured products?

Structured products are typically fixed term investments that offer an element of capital protection.

Why select a structured product?
The main reason for selecting a structured product is that it aims to beat cash returns, which in this particular market can be appealing in the eyes of many investors.

Like many products they also offer the investor choice, which means investors can choose a structure that closely matches their needs. For example investors can choose a product that:

- Matches the level of risk they are happy with
- Enables a degree of protection that they are comfortable with
- Provides a tax structure closely matching their requirements
- Provides a variety of underlying assets to aid asset allocation
- Enables investment in a tax efficient product, such as an ISA, SIPP or SSAS

And, unlike most other investments, in the main any charges are factored into the product terms at outset, making it easier for investors to understand the potential returns on offer without the need to consider the effects of ongoing costs.

Structured products and investing for income
Most income seeking investors are cautious in their approach to investments so getting a healthy balance of both capital security and a reasonable level of income can be tricky.

It is important to note that not all structured products are suitable for cautious investors.

The search for higher rates can only be achieved by looking outside of traditional deposits, for example to structured products. This can mean moving away from capital security.

With structured products, an investor can reduce the level of risk to capital depending on the product in question, for example, there is a choice between a capital protected and capital-at-risk product.

- Capital protected structured products – Protect your initial investment no matter what happens in the markets. However, they usually achieve this protection by sacrificing some returns, meaning the income or growth yield is usually less than capital-at-risk products.
- Capital-at-risk structured products – Often have a barrier, which gives a level of protection. As long as this barrier is not breached, the capital is safe. The risk involved often means that returns are higher than capital protected products.

Because of the varying risks that can be found through structured products, it is important that you choose the right structured product for your circumstances. ➡

Structured products checklist

Things to consider before choosing the right structured product for you:

- ✔ The level of risk you are willing to take
- ✔ Do you want income or growth?
- ✔ How long do you want to invest for?
- ✔ Are you happy with the products financial strength?
- ✔ Do you understand how structured products work?

➡ Main factors to consider when reviewing a structured product

- Financial strength of the company backing the product (*Counterparty)
- Whether the Financial Services Compensation Scheme (FSCS) applies
- How the returns are calculated
- What is the underlying asset (e.g. returns linked to FTSE 100)
- What is the level of protection and maximum loss to capital
- Taxation (e.g. some products may appeal to different categories of tax payers)
- Full understanding of product, if in any doubt must seek financial advice
- Competitive nature of the product and risk / reward ratio

**Counterparty Risk - The protection behind most products is provided by a financial institution or counterparty and if they were to default on financial obligations, any promise of capital return might not be met. For this reason, financial strength of the institution backing the product is paramount; the lower the financial strength, the increased chance of default and, in turn, capital loss.*

Cashback

Because we at Fair Investment Company believe that you should get a fairer deal from your investments, we are offering cashback on our range of structured products.

See individual products for details (Terms & conditons apply)

Win a case of wine

Log on to **www.fairinvestment.co.uk/competition.aspx** to fill in our quick survey and be entered into a prize draw for a free case of wine!

Prize draw terms & conditions

1. *No cash alternative to the prize will be available*
2. *Only one entry per person will be accepted*
3. *Incomplete entries will be disregarded.*
4. *The winner will drawn at random and notified by e-mail by December 14th 2009*
5. *Fair Investment Company's decision is final and correspondence will not be entered into*
6. *The closing date for entries is midnight on Nov 30th 2009*
7. *The draw is not open to employees of Fair Investment Company Ltd or their direct relatives*
8. *Entrants must be aged 18 or above*

Barclays

BARCLAYS WEALTH

Regular Income Bond

- ✔ **Cashback of 1%****
- ✔ **Monthly Income Option: 0.57%*****

7% income*

Investment Term: 6 Years
Capital at risk investment****
ISA Transfer Deadline: 30/09/2009
Direct Investment Deadline: 19/10/2009

For full information visit
www.fairinvestment.co.uk

**Annual income option. Gross (in arrears).*
***On investments over £10,000.*
****Gross (in arrears).*
*****The return of your capital depends on the performance of the FTSE 100 Index and the ability of the counterparty (Barclays Bank Plc) to repay the monies.*
Please see important note on page 2

Investec

Investec Asset Management

Capital Guaranteed 5 Yr FTSE 100 Income Plan 4

- ✔ **Cashback of 1%****
- ✔ **Monthly Income Option: 0.47%*****

6% income*

Investment Term: 5 Years
Capital protected product****
ISA Transfer Deadline: 18/09/2009
Direct Investment Deadline: 02/10/2009

For full information visit
www.fairinvestment.co.uk

**Annual income option. Gross (in arrears).*
***On investments over £10,000.*
****Gross (in arrears).*
*****Return of capital is not dependent on the performance of an index or other asset*
Please see important note on page 2

Corporate bond funds

Recent statistics from the Investment Management Association have revealed that corporate bonds were the most popular investment sector for the eighth consecutive month. Read on to learn more about corporate bond funds and why they might be just what you are looking for:

What the experts say – Invesco Perpetual

Invesco Perpetual

"Although corporate bond prices fell sharply following the Lehman Brothers bankruptcy, in recent months, corporate bond markets have improved considerably following the stabilisation of the banking sector and signs of improvement in the global economy.

"Nonetheless, despite having rallied there remain attractive opportunities that can be tapped through circumspect credit selection. Underlying conditions are still supportive of credit markets with both interest rates and inflation widely expected to remain subdued for a prolonged period. Furthermore, with good quality companies issuing bonds at record levels with coupons significantly higher than underlying interest rates, corporate bonds look set to continue to deliver an attractive level of income".

"Corporate bonds look set to continue to deliver an attractive level of income."
Invesco Perpetual

The lowdown

Corporate bonds are a loan made by an investor to a company when they need to raise additional capital. Typically, the issuer of the bond will make a regular interest payment to the bondholder. This is called the 'coupon'. The level of the coupon will be set when the bond is first issued.

What are corporate bond funds?
Corporate bond funds are investment products that allow you to pool your money with other investors, giving you access to a selection of corporate bonds you may not have been able to invest in directly.

What are corporate bonds?

Corporate bonds are a loan made by an investor to a company, Government or local authority when they need to raise additional capital. Typically, the issuer of the bond will make a regular interest payment.

Because of their pooled nature, corporate bond funds are managed by experienced fund managers who will select the corporate bonds that your money is invested in.

Most people prefer to invest in a bond fund rather than directly into a corporate bond, because bond funds allow you to diversify your portfolio by investing in more than one corporate bond. ➡

➡ Why select a corporate bond fund?
Corporate bond funds are seen as an income generating investment.

In times of low inflation, investing in bonds can be a good way of maintaining a stream of income that will have a high 'real' value. While in times of low interest rates the income received from a bond fund investment is likely to be higher than that offered by a bank or building society.

Additionally, someone who already has investments in the stock market might choose to invest in a bond fund in order to diversify the level of risk to which their capital is exposed.

How does a corporate bond fund work?
A corporate bond fund is made up of a series of individual bonds carefully selected by the fund manager. Each individual bond works as follows:

- A company issues a bond
- Typically the bond will have a fixed term
- The bond is issued at a fixed price. This value will be repaid at the end of the term
- Bonds can be bought and sold on the open market at prices that could be more or less than their issue price
- The income paid on the bond is fixed in relation to its issue price

Although the issue price is fixed, because bonds are traded on the second hand market, it means the value changes on a daily basis as does the yield (income) which is paid.

There are two main types of yield used to determine the income from corporate bonds:

- Running Yield – Takes the current value and compares it to the issue price of the corporate bond investment allowing you to assess the ongoing rate of return
- Redemption Yield – Takes the current market price and compares it to the expected redemption value, allowing you to estimate the annualised total return

Are all corporate bonds the same?
No, the interest payment ('coupon') can vary according to the financial strength of the company. The stronger the financial strength of the company the lower the level of income; 'high yield' corporate bonds are aimed at those seeking a higher level of income but are prepared to take a greater level of risk to their capital. So choosing the right fund will depend on your need for income against the risk you are prepared to accept on your capital.

Discounts

Because we at Fair Investment Company believe that you should get a fairer deal from your investments, we are offering savings on the charges on our range of funds, including corporate bond funds.

See individual products for details
(Terms & conditons apply)

Win a case of wine

Log on to **www.fairinvestment.co.uk/competition.aspx** to fill in our quick survey and be entered into a prize draw for a free case of wine!

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7. *The draw is not open to employees of Fair Investment Company Ltd or their direct relatives*
8. *Entrants must be aged 18 or above*

M&G

Corporate Bond Fund

- ✔ **Discount on charges: 100%****
- ✔ **You save £216*****

4.91% Yield*

Initial charge: 3%
Initial charge through Fair Investment: 0%**
Annual management charge: 1%

For full information visit
www.fairinvestment.co.uk

**The distribution yield reflects the amounts that may be expected to be distributed over the next twelve months as a percentage of the mid-market price of the fund as at the date shown. It is based on a snapshot of the portfolio on that day. The distribution yield is also the underlying yield for this fund. Information correct as at 31/08/2009.*
***Discount applies to initial charge. Annual management charge still applies.*
****On an ISA investment of £7,200*
Please see important note on page 2

Invesco Perpetual

Corporate Bond Fund

- **Discount on charges: 100%****
- **You save £360*****

5.75% Yield*

Initial charge: 5%
Initial charge through Fair Investment: 0%**
Annual management charge: 1%

For full information visit
www.fairinvestment.co.uk

**The distribution yield reflects the amounts that may be expected to be distributed over the next twelve months as a percentage of the mid-market price of the fund as at the date shown. It is based on a snapshot of the portfolio on that day. The distribution yield is also the underlying yield for this fund. Information correct as at 31/07/2009.*
***ISA investment only – Discount for non ISA may vary (Discount applies to initial charge. Annual management charge still applies).*
****On an ISA investment of £7,200*
Please see important note on page 2

Jupiter

Corporate Bond Fund

- **Discount on charges: 87.5%****
- **You save £252*****

5.30% Yield*

Initial charge: 4%
Initial charge through Fair Investment: 0.5%**
Annual management charge: 1%

For full information visit
www.fairinvestment.co.uk

**The distribution yield reflects the amounts that may be expected to be distributed over the next twelve months as a percentage of the mid-market price of the fund as at the date shown. It is based on a snapshot of the portfolio on that day. The distribution yield is also the underlying yield for this fund. Information correct as at 31/07/2009.*
***Discount applies to initial charge. Annual management charge still applies.*
****On an ISA investment of £7,200*
Please see important note on page 2

Equity income funds

Equity income funds are collective investment schemes run by fund management companies that allow you to pool your money with other investors and thus reduce risk and achieve economies of scale. The pooled nature of equity investment funds also allows you to invest in equities in areas you may not have been able to before.

The types of stocks held within an equity income fund are likely to be more established companies which have good balance sheets and cash flow, and have proved their ability to pay competitive and sustainable dividends to their shareholders.

Income from equity income funds can either be taken or reinvested to enhance capital growth.

As a result, these types of funds have the benefit that they can suit all types of equity investor- both those seeking income and capital growth.

By their very nature equity income funds tend (although not always) to have a lower investment risk profile than those funds targeting purely capital growth.

"Over the longer term, dividends account for the majority of the returns from shares."
Jupiter

What the experts say - Jupiter

"Many domestic investors have exposure to UK equity income funds, but it may also be worth exploring opportunities available overseas. Among the Fortune 500 Companies – the largest companies in the world by revenue – the majority of headquarters can be found in the US, Europe and Asia.

"When economic times are tough, businesses are valued not solely on their growth prospects, but at a more fundamental level: how much spare cash they are likely to produce in difficult times ahead, and whether they can return this money to investors. ➡

➡ "This approach is the backbone of income investing. It is based on the notion that it is better to be reasonably certain of a moderate return than merely hopeful of a great one. History has shown that companies which grow dividends at a decent rate, and whose shares offer an above-average dividend yield, tend to produce superior returns over the longer term.

"Even in the current environment, there are mega cap companies with international reach that have relatively low levels of gearing and operate in sectors where life goes on, despite a recession. These companies can be found in the beverages, underwriting, pharmaceuticals, utilities, tobacco and specialist engineering sectors. They have strong balance sheets and, according to our fund managers, have potential to grow steadily while producing enough spare cash to reward patient shareholders who are able to sustain a degree of volatility in the short term. Many also earn much of their profits in US dollars, shielding them from recent sterling weakness.

"As part of a diversified approach, investors may wish to consider investing in overseas equity funds that target income-producing companies. Not surprisingly, out of the Fortune 500 Companies, an annual ranking of the world's largest companies by revenue, the majority of company headquarters are based in the US, Europe and Asia. More specifically, 64 of these companies are based in Japan, 184 in Europe and 153 in the US.

"In recent years, the retirement of the baby boomers in these countries has triggered the rise of a dividend culture, with investors favouring income-yielding products which they can use to supplement their pension savings. As history has shown over time, neither cash nor bonds offer much protection against the impact of inflation on purchasing power. Furthermore, over the longer term, dividends account for the majority of the returns from shares."

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Invesco Perpetual

High Income Fund

- ✔ **Discount on charges: 100%****
- ✔ **You save £360*****

4.68% Yield*

Initial charge: 5%
Initial charge through Fair Investment: 0%**
Annual management charge: 1.5%

For full information visit
www.fairinvestment.co.uk

**Historic Yield reflects distributions declared over the last 12 months as a percentage of the mid-market price of the fund as at 31st July 2009.*
***ISA investment only – Discount for non ISA may vary (Discount applies to initial charge. Annual management charge still applies).*
****On an ISA investment of £7,200*
Please see important note on page 2

Jupiter

Merlin Income Portfolio Fund

- ✔ **Discount on charges: 90%****
- ✔ **You save £342*****

3.80% Yield*

Initial charge: 5.25%
Initial charge through Fair Investment: 0.5%**
Annual management charge: 1.5%

For full information visit
www.fairinvestment.co.uk

**Historic Yield reflects distributions declared over the last 12 months as a percentage of the mid-market price of the fund as at 31st July 2009.*
***Discount applies to initial charge. Annual management charge still applies.*
****On an ISA investment of £7,200*
Please see important note on page 2

Cash

Cash investments could be for you if you are looking to shelter your assets during the economic storm. Cash is often described as 'no risk' although there can be risks if inflation rises, or a financial institution collapses.

Nevertheless, as a result of being low risk, interest rates are often restricted on cash savings accounts, although fixed rate options can offer competitive returns.

What the experts say - Skipton

mutualmatters SKIPTON BUILDING SOCIETY

Bank of England base rate is at an all time low. Well known companies are being forced into liquidation. Some banks are being part nationalised. When will things change? Where should you invest your money?

The truth, of course, is that no one really has the answers to these questions. But, one thing that is clear, regardless of what's happening in the economy and investment markets, is that your own financial position should be regularly reviewed.

With people's circumstances continually changing is now a good time to lock into a fixed rate investment, or would it be better to take a chance on a variable rate in the hope that interest rates rise rapidly?

When looking specifically at safe and secure deposit based savings products it is important to ensure you are receiving a good return – whether you are investing for income or growth – and also to be confident that you are saving with a financially sound provider, protected by the Financial Services Compensation Scheme.

"When will interest rates rise exactly? What will trigger a rise? Will inflation get out of control? Are we really seeing some green shoots or just dead roots?"

Skipton Building Society

With the expectation that there is now only one way interest rates can go, it might seem obvious to opt for a variable rate savings account. However, when will interest rates rise exactly? What will trigger a rise? Will inflation get out of control? Are we really seeing some green shoots or just dead roots? There is evidence that house sales are now increasing, but this market remains fragile with some of the increased activity coming from professional property investors rather than ordinary homebuyers.

There are lots of unknowns we can only guess at and it is very difficult to predict, with any great accuracy, the timing of upturn, which will inevitably come. Against this backdrop of financial uncertainty, taking advantage of a fixed rate savings account over the short term from a bank or building society may be the answer.

The key driver to any decision is your own appetite for risk when it comes to your savings. The attraction of deposit accounts is the security they offer and the opportunity to receive a fixed return with the reassurance of the underlying security such investments offer.

For investors who are looking for an attractive return over a shorter period, with no risk to their capital, fixed rate term accounts from UK banks and building societies are worth a look.

Skipton Building Society is a member of the Building Societies Association. Authorised and regulated by the Financial Services Authority under registration number 153706. ●

ISA special

And last but not least, this Autumn sees the stocks and shares ISA allowance increase from £7,200 to £10,200 for over 50s. If you fall into this category what are you waiting for? Start shopping around now to make sure you find the best home for your ISA allowance.

What is a stocks and shares ISA?

A stocks and shares ISA is a tax efficient wrapper that you can put around your investments in a range of products including structured products, corporate bond funds and equity income funds.

The tax wrapper acts as a protection against tax on the growth of your investments. The current amount that is protected by the ISA wrapper is a maximum of £7,200 (£3,600 of which can be into a cash ISA) per tax year, although this will increase to £10,200 (£5,100 of which can be into a cash ISA) on October 6 for those over 50.

The new limit will be rolled out for all investors at the start of the new tax year (April 6 2010).

All investments into a stocks and shares ISA within one tax year, must be with the same provider.

What is a stocks and shares ISA?

A stocks and shares ISA is a tax efficient wrapper that you can put around your investments in a range of products including structured products, corporate bond funds and equity income funds.

How do I invest in a stocks and shares ISA?

If you think a stocks and shares ISA is the right investment choice for you, the next step is to compare the market and make sure you choose the right investment product for you. As you have seen throughout this magazine, investment products vary greatly, and the right choice for you may not be the right choice for everybody.

At Fair Investment Company, we try to make finding the right ISA investment product easy by providing you with easy to use comparison tables, see opposite for a selection of available ISA investment options, and the discounts and cashback available through Fair Investment Company.

What if I have already invested some of this year's ISA allowance?

It may still be worth shopping around to make sure you are getting the best deal for your circumstances.

You may be able to transfer your existing ISA balance over to a more appealing ISA investment product. Many ISA transfer services will be subject to charges, but through Fair Investment Company you can receive great discounts on these.

Alternatively, if you are not comfortable with a stocks and shares ISA, there are several cash ISA options to choose from - See www.fairinvestment.co.uk for more information.

Cashback and discounts

Investment product	Product summary	Product type	Yield	ISA Transfer available	Discount/Cashback through FIC
Barclays Regular Income Bond	Designed to bridge the gap between low risk/low return deposits and high income/high risk investments.	Structured Investment Product	**7.00%*** **	✓	**Cashback of 1%** on investments of more than £10,000
Investec Capital Guaranteed 5 Year FTSE Income Plan 4	Aims to provide regular income payments while guaranteeing your initial deposit when the Plan matures.	Structured Investment Product	**6.00%**** **	✓	**Cashback of 1%** on investments of more than £10,000
Invesco Perpetual Corporate Bond Fund	Aims to achieve a high level of overall return with relative security of capital, mainly from fixed interest securities.	Corporate Bond Fund	**5.75%***	✓	**Save £360** on charges on an ISA investment of £7,200
Ecclesiastical Amity Sterling Bond Fund	Aims to achieve attractive income from investing in UK Government and good quality sterling fixed interest securities.	Corporate Bond Fund	**6.10%***	✓	**Save £252** on charges on an ISA investment of £7,200
Jupiter Corporate Bond Fund	Aims to achieve a high level of income with the opportunity for capital growth, through mainly investing in fixed interest securities.	Corporate Bond Fund	**5.30%***	✓	**Save £252** on charges on an ISA investment of £7,200
M&G Corporate Bond Fund	A mainstream fixed interest fund designed for consistent low-risk outperformance suitable for investors looking for a better total return than is available from government bonds.	Corporate Bond Fund	**4.91%***	✓	**Save £216** on charges on an ISA investment of £7,200
Invesco Perpetual High Income Fund	Aims to achieve a high level of income together with capital growth and invests primarily in companies listed in the UK, with the balance invested internationally.	Equity Income Fund	**4.68%****	✓	**Save £360** on charges on an ISA investment of £7,200
Jupiter Merlin Income Portfolio	An actively managed fund of funds that sits within the cautious managed sector.	Equity Income Fund	**3.80%****	✓	**Save £342** on charges on an ISA investment of £7,200
RBS The Royal Deposit Plan	Aims to provide annual interest with full capital return protected provided the Plan is held to maturity.	Cash	**4.25%*****	✓	**N/A**

**The distribution yield reflects the amounts that may be expected to be distributed over the next twelve months as a percentage of the mid-market price of the fund as at the date shown. It is based on a snapshot of the portfolio on that day. The distribution yield is also the underlying yield for this fund. Information correct as at 31st July 2009.*

***Historic Yield reflects distributions declared over the past 12 months as a percentage of the mid-market price of the fund as at June 2009. Yield is variable and not guaranteed. Information correct as at 31st July 2009.*

****Gross in arrears*

*****Gross*

Terms of Business

Our standard terms of business provide useful information on how we engage with you. If you are thinking of selecting one of the products we have to offer, it is important that you read this. If you have any questions, please call our Investment Helpline on 0845 308 2525.

About us:

Fair Investment Company, of Kings House, 14 Orchard Street, Bristol, BS1 5EH is authorised and regulated by the Financial Services Authority (FSA). Our FSA registration number is 192852. You can check that we are registered by checking the FSA website on www.fsa.gov.uk or by writing to: The Financial Services Authority, 22 The North Colonnade, E14 5HS.

Advice:

Fair Investment Company does not provide advice, but provides customers with information to assist them in selecting products they feel are most appropriate for their needs. Nothing in the website or in any of the documentation/ information sent to you shall be deemed to constitute advice or a recommendation to purchase a particular product or service. We strongly recommend that you seek your own independent financial advice.

Our Service:

Fair Investment Company effectively acts as "introducer" and will introduce you to other companies who provide financial products and services. Our website provides you with the opportunity of researching and selecting financial products over the Internet. We will not advise you on the suitability of any product.

Investment products featured on the www.fairinvestment.co.uk website are promoted on a non advised sale basis. This means that in many cases we will send to you at your request full details on a specific investment. The information sent to you will be sufficient for you to decide whether the investment meets your requirements. If you decide to proceed, we will process the application form on your behalf.

Risk:

Please be aware that investments can fall as well as rise, and that you may not get back the full amount invested. The price of investments may depend on fluctuations in the financial markets, which are outside our control. Past performance is not necessarily a guide to future performance.

Remuneration:

Fair Investment Company receives introduction fees, or commissions, or both, from third parties to whom introductions are made. An Introductory fee of up to 3% of the amount invested may be payable to us in respect of an investment, however, the actual amount that we receive/retain will depend on the type of investment effected on your behalf. For structured investments where the introductory fee is factored into the returns quoted, a cashack may be payable on certain investments (see below). For investments in collective investments such as unit trusts and open ended investment companies (OEICs) we have elected to receive no introductory fee in order to enhance the terms to you. In addition, a trail commission of 0.5% each year will be payable to us and again this is taken into account within the standard charging structure of the investment.

Non regulated products and services:

Please note that FSA does not regulate all of the products featured on the website. For example: FSA currently does not regulate commercial mortgages/finance, conveyancing, tax advice and some forms of buy to let mortgages and secured loans.

Cashback:

For structured investment products where a cashback is offered, for an investment to be eligible for a cashback, it must be an investment of £10,000 and over, this could include new capital, ISA transfers and be spread over one or more investment products, however, the application forms must be received at the same time. Individual investments for husband and wife/civil partners will be treated for cashback purposes as being one investment provided that the total investment is at least £10,000 and the application forms are received at the same time. In no other instances will a cashback be payable.

Financial Services Compensation Scheme:

We are covered by the Financial Services Compensation Scheme. Further information about compensation arrangements is available from the Financial Services Compensation Scheme.

Cancellation Rights

You should be aware that as no advice has been provided by Fair Investment Company Limited, certain investments may not qualify for a cooling off period. Full details of whether a cooling off period applies can be found in the individual product brochure which should be read carefully.

Complaints:

If for any reason you need to complain about the website, please write to the Compliance Officer at Fair Investment Company, Kings House, 14 Orchard Street, Bristol BS1 5EH.

Accuracy:

Whilst every attempt has been made to ensure that the information on the website and that which is being sent to you is correct and up to date, no warranty or representation is given as to its accuracy or reliability. Whilst the website covers a wide range of products, you should also be aware that there may be other products available on the market, which are not shown on the site, and which may or may not be more competitive.

Links to other sites:

The Fair Investment Company website contains links to other websites. Fair Investment Company cannot accept responsibility for any information given or advice provided by these other sites.

UK Citizens:

The Fair Investment Company website is aimed at UK citizens only and the terms and conditions are governed by English Law.

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