

# METCALF MOAT UPDATE

YOUR FIRST CALL FOR INDEPENDENT FINANCIAL ADVICE

## **Pre Retirement**

Personal Pension  
Group Pensions  
Pension Life Assurance

## **At Retirement**

Annuities  
Phased Retirement  
Income Withdrawal  
Lifetime Mortgages

## **Investments**

ISA's  
Unit Trusts  
Childrens Savings  
Investment Bonds  
Savings Plans  
Fund Reviews

## **Tax Planning**

Inheritance Tax  
Capital Gains

## **Protection**

Income  
Life/Critical Illness

## **Mortgage**

First Time Buyers  
Moving Home  
Remortgaging  
Debt Consolidation  
Buy to Let

## **Business**

Key Man Cover  
Shareholder Protection  
Commercial Borrowing  
Group Life  
Group Pension  
Employee Benefits

## **Directors**

Colin Moat  
John Riley  
Lee Taylor



**METCALF MOAT**  
IFA LIMITED

*'Growing by  
recommendation'*

Please note, Buy to Let mortgages and Commercial Borrowing are not regulated by the Financial Services Authority.

## **"A GOOD DECISION IS BASED ON KNOWLEDGE AND NOT ON NUMBERS" PLATO**

### **Politicians, Don't you just love them (especially foreign ones)?**

I know politicians are humans (no sniggering at the back!) and they like to think we hang on their every word, but sometimes you have to believe by their actions, they think they are invisible. They seemed to be oblivious to the fact that their bickering (in the case of the Eurozone and the Greek crisis), or politicking (in the case of the USA and the brinkmanship over their budget) causes, or has caused, global widespread concern and worry. This in turn is reflected by investors, who quite rightly think that if the people 'in charge' disagree on what action to take, then perhaps there is more of a problem than was first thought. The fact that it is foreign politicians and the events are occurring halfway round the world, but still dramatically affecting our markets, shows in what a 'Global Village' we live!

After the latest upheaval in the market, triggered in the main, by the actions (or lack of them) above, we decided to wait for a lull in the proceedings to take a reading on what direction the market and the economy was heading. One of the differences in recent years we have noticed, compared to say a decade ago, is that the market movements are more pronounced, and can move as much as 8% within one day (although, fortunately, rarely ending up that different at close of trading).

One of the interesting features about the recent markets (to August 2011), is there is a level of resistance in the FTSE around the 5000 mark and whilst it has flirted with intraday dips below this level, it has managed to finish above it all the time. What we believe this indicates is that there is 'value' in equities, due in the main to most companies being quite profitable.

### **'All that glitters is not Gold'\***

Believe it or not, at such times as the recent market volatility, advisers go through periods of 'soul-searching', questioning whether we have looked at all the options in our portfolios to protect our clients.

As you are no doubt aware we use a spread of different asset classes to diversify as much as possible, however, one asset class option that has been suggested by clients at various times is Gold or commodities. The reason that this is not held as a separate asset class, is, not that it hasn't been considered, but that our portfolios already have exposure to commodities. They obtain this through the different fund managers choosing to hold shares in such companies as Rio Tinto Zinc, or Johnson Matthey, and they make the decision whether they offer good value at any particular time. In addition if you look at the meteoric rise of gold over recent times, you would have to ask whether it might suffer a bout of vertigo in the not too distant future.

\*Merchant of Venice – William Shakespeare

### **'To Infinity and Beyond' Thoughts of the Future**

Going forward, there is still a lot of uncertainty in the market, interestingly, a number of clients have seen this as a good opportunity to take advantage of the lows to invest in their ISA's. There is still bad news out there (which is reported as a nauseum, often at the expense of good news) the difficulty that the politicians seem to have, is finding a big enough carpet to sweep it under. Ultimately, the question to ask ourselves is 'do we see the world, economically, a better place in say 3 or 5 years time?'. With a lot of, ifs, buts, and maybes, we think the answer is yes!

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# Portfolios - How do we Figure and does the reward justify the risk?

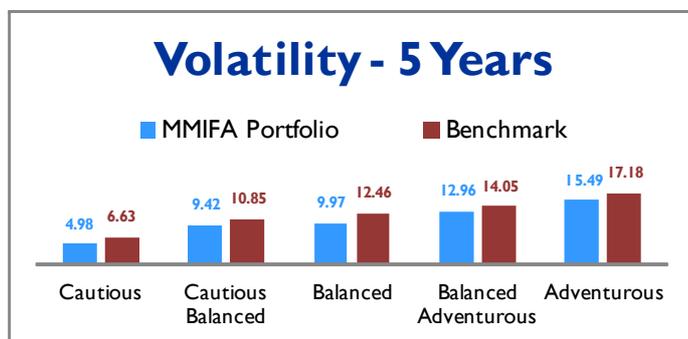
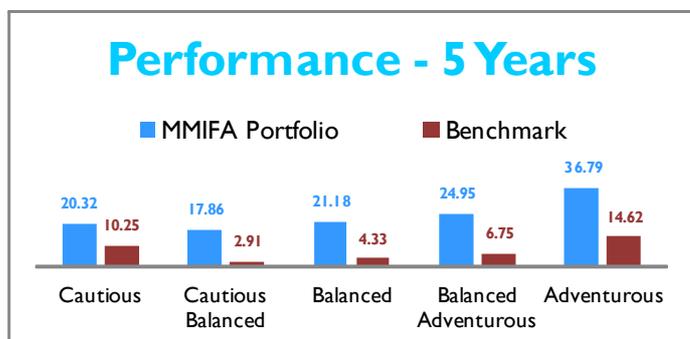
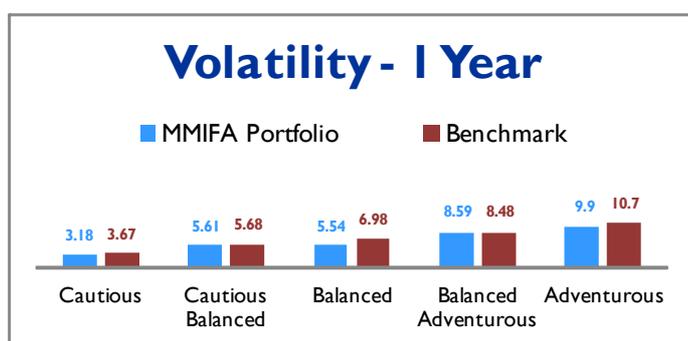
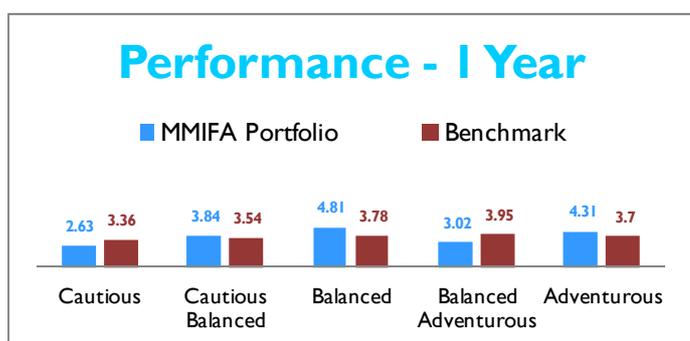
## Reward (Performance)

Whilst we were in soul-searching mode we thought it would be an interesting exercise to examine how the portfolio's have held up during the latest period of activity. We are delighted to report (and have set out below) the following returns (rewards):- that up to 31<sup>st</sup> August 2011, over the 1yr period, three out of five portfolio's, have outperformed their benchmark. However, over 5yrs all five of our portfolio's have exceeded their benchmarks by quite some margin.

## Risk\* (Volatility)

Whilst we are obviously pleased with this result, we believe we get as much, if not more, satisfaction from the figures illustrated, that 4 out of 5 portfolio's over the period of 1yr, and, all five portfolio's over a 5yr period, have endured less volatility (taken less risk) to achieve these results. We think at such times as we have just endured, information like this helps clients, **and** advisers, sleep at night!

If you pardon the simple terms, your money hasn't bounced around so much, and has performed better, than their benchmark!



\*In its simplest sense, risk is the variability of returns. Investments with greater inherent risk must provide higher expected yields if investors are to be attracted to them. Volatility is a measure of the variability of returns, and is the amount that an asset price is expected to fluctuate over a given period. The more volatile a fund or portfolio, the more it is subject to rapid and extreme price fluctuations relative to the market.

## Recent Improvement to the Portfolio's

### Rebalancing

A reminder to our portfolio clients that during September we are carrying out, as agreed, the rebalancing of your portfolio's so you can expect to see correspondence from Cofunds concerning this. You will recall that this action allows the portfolio's to be brought back into alignment with the original risk tolerance, so that over time it doesn't get unbalanced'.

### Auto Selldown

In addition 'Auto Selldown' was introduced, and allows in a clear and transparent way a process in which withdrawals and payments are made from your investment. This offers a more efficient alternative to keeping too much money in the Cash Account or Pension Trading Account

Past performance is not necessarily a guide to future performance. The value of an investment and any income from it is not guaranteed and can go up and down depending on investment performance.

You home may be repossessed if you do not keep up repayments on your mortgage. Our charges for mortgage advice are usually £295.