jchinvestmentmanagement

Examples of our Current Investment Recommendations

Important Update

The one year figures reflect the prolonged downturn in equity markets experienced since August 2007, which starkly underlines the extreme importance of planned diversification across different asset classes and investment sectors. However, the benefit of long term investment is still clearly demonstrated by the three and five year figures. The depressed value of funds at present provides an excellent buying opportunity for long term investors.

The performance* of some of our preferred funds has been:

	1 Year	3 Years	5 Years
Fund of Funds			
Balanced Portfolio Fund	-7.3%	32.8%	n/a
Growth Portfolio Fund	-1.3%	52.3%	n/a
IMA (Investment Managers Association) Sectors			
UK All Companies – Active Managed			
Recovery Fund	0.9%	54.7%	147.0%
UK Opportunities	-15.6%	44.1%	165.9%
UK Equity Income			
Income Fund	-17.0%	27.9%	83.2%
Income Fund	-8.8%	49.8%	134.4%
High Income Fund	-8.3%	51.3%	134.2%
Specialist			
Financial Opportunities Fund	-12.9%	42.1%	124.6%
Property Fund	-20.3%	3.7%	35.8%
Global Growth			
Global Smaller Companies Fund	-7.2%	44.6%	123.8%
Global Opportunities Fund	7.6%	79.6%	176.6%
Global Emerging Markets			
Emerging Countries Fund	22.7%	122.3%	247.1%
Commodities			
Gold & General	40.4%	194.6%	250.8%
Natural Resources	24.7%	160.2%	480.8%

* Source: Trustnet bid to bid net income reinvested – total return. Performance data as at 24th April 2008

For the core of any investment portfolio, asset allocation and diversification are the keys.

Different types of assets, such as equities or bonds, behave in different ways. The first step in forming any investment strategy is to achieve the right balance between major asset classes. This "asset allocation" is fundamental to meeting your investment goals in the medium to long term. In fact, asset allocation can be as important as the choice of individual funds themselves.

Academic studies (including Nobel Prize winning research) suggest that over 90% of the variation in a portfolio's performance is due to having the correct asset mix whereas stock selection contributes to less than 3% of the success of an investment strategy. Individual portfolios are designed according to your investment objectives and risk tolerance profile, which dictate the specific asset allocation mix to meet these objectives and aims. Asset allocation has two aspects, strategic and tactical:

The initial **strategic asset allocation** results in a portfolio of investments being constructed which take into account your own investment requirements. There are a series of crucial decisions to be made in the process of designing the strategic asset allocation centred on an analysis of your objectives in conjunction with an understanding of the likely risk and reward profile of the available asset classes and how they work together in a truly diversified portfolio.

We utilise the **tactical asset allocation** skills of one of our preferred partners in this field.

It is also vital to consider equity investment as medium to long term. It is easy to be concerned about how stock market volatility affects the value of investments. Two main factors are uppermost in investor's thinking - when to buy and when to sell. However, detailed returns gathered over all of the major stock markets of the world over a 15 year period between 1988 and 2003 shows clearly that trying to time when to buy in is extremely difficult, but in actual fact makes little difference to long term returns. Additionally, when markets become volatile, doing nothing can prove to be the best course of action.

Just as sharp falls in stock markets tend to be concentrated in short periods of time, the best gains are similarly concentrated. Because these gains often occur just before or after a market fall, an investor who tries to time investments is likely to miss the best gains.

The analysis of markets between 1988 and 2003 shows that missing the best 10 days (equivalent to about one day a year) reduced the annualised returns from UK and US stock markets by around a third, and even more in other markets. Missing the best 40 days (just about four a year) saw massive cuts in the returns from these markets of over 90%.

Further analysis shows that investing at the market low (if one is lucky enough to predict it) produces a better return than investing at the market high, but in each case the difference in returns between the high and low point for each market is surprisingly small. The difference between investing at a "random date" during the test period and the market low was only around 0.5% p.a.

Therefore, investors can take reassurance that they do not need to be timing experts to benefit from stock market investments.

Risk Warnings

Please note that this information does not give specific advice on the appropriateness for investment, which depends on an analysis of our clients' investment risk tolerance and existing assets.

The past performance of investment funds should not be used as a guide to the future. Asset backed investments are capable of falling as well as rising in value and should be viewed as medium to long term holdings i.e. usually a minimum of 5 years.

Do not act on this information alone!

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