

# iimia





## Chairman's Update

By Bruce McIntosh  
Executive Chairman

This newsletter goes to press as we continue to navigate our way through the most turbulent capital markets in living memory.

The idea that RBS and HBOS could have been brought to their knees would have been virtually unthinkable a few, short months ago. Against this background it is not surprising that many investors are even fearful of the traditional safe haven, bank deposits.

Our latest Quarterly Investment Outlook & Review goes into considerable detail on the economic, political and stockmarket backgrounds. Suffice it to say here that we do see light, albeit at the end of a long tunnel. The devastation wreaked in the financial sector is enormous; there is 'contagion' into the broader economy; global growth has slowed and many economies, the UK included, are in recession. We see these things as a painful but necessary adjustment following a prolonged period of growth and we believe that well-managed, well-financed businesses will again prosper and deliver good returns for shareholders. We continue to hold well-diversified equity funds within our client portfolios.

*"We remain totally committed to providing our clients with the best possible advice in these very challenging times"*

We also undertake research into funds that emphasise capital preservation. Where appropriate, our client portfolios contain exposure to funds of fixed income securities, 'guaranteed funds' that are backed by only the soundest financial institutions and, very selectively, to 'hedge funds' that are designed to perform well in bad markets as well as good.

The key to our approach is 'diversification': all our client portfolios are structured to provide a balanced selection of investments. We are very disappointed to be reporting portfolio values that have fallen over the year to date – a reflection of the fact that virtually no asset class has survived the turmoil unscathed - but we remain confident about the medium-term prospects for our preferred investments.

You will see elsewhere in this newsletter that we are continuously trying to improve the ways in which we communicate with our clients. We have planned a programme of events that will range from investment seminars for those with an interest in the subject to events with a more social aspect. Please help us by letting us know the things you would like to hear more about.

Finally, please be assured that we remain totally committed to providing our clients with the best possible advice in these very challenging times. If at any time you would like to talk to us about your financial affairs, please call your Client Manager. My direct telephone line is 01392 475971, should there be anything you would prefer to discuss with me personally.

## Changes To Reporting For Discretionary Managed Clients

Historically, portfolio valuations have been sent six-monthly at various times of the year, however we have decided to change this with effect from December 2008. In future you will receive a valuation dated 31st December and 30th June, accompanied by our usual Quarterly Investment Review. This will explain what has been happening in the financial markets and the effect that the markets have had on portfolios, together with our views on what we expect to happen next.

The style and the content of the valuations will not change and will still show the breakdown of fees. The annual tax package will not be affected; this will still be sent to you or your accountant (if requested) in the summer.

Additionally, if you feel at any time that you would like to receive a valuation, this can easily be produced and sent on request.

We believe that you should have an option as to how you receive correspondence from us. If you would like to receive documents by email, which can be more secure and timely, please let us know by sending an email to [edward.king@iimia.co.uk](mailto:edward.king@iimia.co.uk).

We would also like to encourage clients who have internet access to view their portfolios online. If this would be of use to you, please contact your usual iimia adviser who will be able to set this up for you.



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## Daniel Lockyer - Fund Manager of the Year!

We are very proud to report that Daniel Lockyer, fund manager of the iimia Income Fund and Head of the Fund Management & Research Department, recently won the coveted Investment Week 'Fund Manager of the Year' Award in the Cautious Managed Sector.

Daniel said "it was great to win the award considering the high quality of the shortlist which included funds from Hendersons, Schroders and Jupiter". "The flexible mandate provides the ability to invest globally and in non-mainstream assets such as private equity and investment trusts and I believe this continues to set the fund apart from those that purely focus on the UK or traditional asset classes such as equities or bonds".

The iimia Income Fund is a global, multi-asset fund of funds, encompassing closed-ended funds (such as investment trusts, where we have unique coverage) and open-ended funds. By being a multi-asset fund, the portfolio is highly diversified by asset type, geographic region and currency, but the track record demonstrates that this is not at the expense of good performance.

We are thematic investors with a common sense approach. We seek to add value through combining a 'top down' approach with 'bottom up' analysis that identifies funds and fund managers that will drive maximum value from our 'macro' overview. The fund is designed to have a flexible asset allocation, meaning it can avoid areas that we feel do not offer good value and focus on assets which look attractive.

The ability to have a relatively low exposure to UK equity income, fixed interest and property over the past couple of years contributed to the good performance that warranted the award.

Since winning the award, market conditions have not favoured funds with an income mandate, as low yielding



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assets such as cash, government bonds and commodities have been virtually the only places to make money. Going forward the fund should benefit when fundamentals reassert themselves and high yielding assets should outperform once again.

If you would like more information on the iimia Income Fund, or to request a copy of the latest factsheet, please contact your usual iimia representative.



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## Identity Crime

By Philip Taylor  
Fund Management & Research

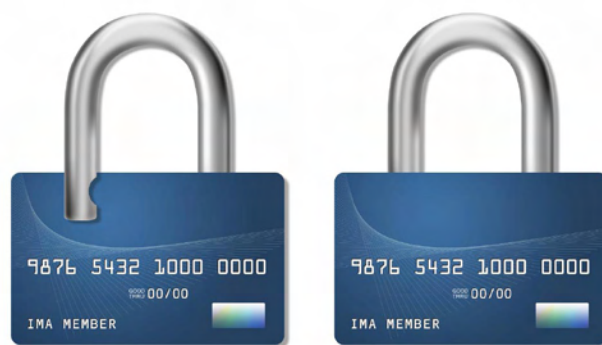
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In this age of information, e-business and internet services, perhaps your most valuable asset isn't something tangible, but rather your identity. There are criminal elements that would like nothing better than to obtain your personal information and use it to support their illegal activities by impersonating you. The alarming news is that identity crime is now one of the fastest growing offences and is estimated to cost the UK economy more than £1.7bn every year\*.

Identity crime is a broad term that covers the unlawful activities of identity theft, creating a false identity or committing identity fraud. Criminals look to obtain sufficient information about a person (or business) such as name, address, date of birth, to enable them to obtain goods or services, open bank accounts, apply for credit or social security benefits. They gather the information by sifting through domestic rubbish for documents containing personal information. Sometimes the criminal may make contact with individuals under the pretence that they represent a legitimate business, for example, their bank, in order to extract vital data. Essentially they commit fraud by misappropriating money, goods or services in your name. As a consequence of the credit crunch and the tightening of availability of credit by banks, fraudsters are finding it

***“Your computer and its use poses additional security issues, especially if it holds personal details and you decide to replace it.”***

more difficult to open new accounts with stolen identities. The criminals are therefore focusing their attentions on gaining access to existing accounts and are becoming smarter in the methods they are adopting. It is therefore even more important for individuals to remain vigilant and cautious about any tempting offers that appear too good to be true; in all likelihood they are scams. One such scam involves a hoax email, which appears to originate from Revenue & Customs, asking people to provide their bank



details in order to receive a tax rebate. In fact, agencies are becoming so concerned about identity crime that tighter measures are being introduced all the time.

The Identity & Passport Service now maintains a policy of face-to-face interviews for first time adult passport applications, in order to combat the incidence of fraud and forgery.

You might not be aware that you are the victim of identity theft until you come to make an application for a loan, mortgage or other credit product. Credit reference agencies will maintain records of all applications made in your name, so enquiries will reveal if your details have been used to enter transactions such as loans, hire purchases, credit card applications etc without your knowledge.

Keep personal information protected in the same way as you would keep any other valuable items secure. Don't throw away entire bills, receipts or statements or even junk mail that bears your name and address. Preferably, destroy these documents using a shredder.

Keeping credit and debit cards safe is obvious, but also make sure, when using these to place purchases over the phone or internet, that no-one can overhear or oversee your details. If cards are lost or stolen, cancel them immediately. Checking your credit file regularly will also let you see which financial organisations have accessed your details. It might also be wise to review your file after

*(continued...)*



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## Identity Crime (continued...)

you have moved house, should anyone be using your former address to make applications. Notify your bank immediately when you do move house and have Royal Mail redirect all your post from the old address for several months. Those who live in a property where other people have access to their mail might wish to consider making special delivery arrangements for such valuable items as new plastic cards and cheque books.

Your computer and its use poses additional security issues, especially if it holds personal details and you decide to replace it. The government has developed a website that educates and informs on how to protect the data contained on computers, which is [www.getsafeonline.org](http://www.getsafeonline.org)

The government is now also concerned that criminals are starting to use the details from obituaries in their efforts to create an ID, which demonstrates that even when someone has passed on, their details still have value. As distressing as this will be to those close to the deceased, it is important to notify all agencies of a person's death and remove their details from mailing lists. Once again there are websites that offer guidance and support for these situations:

[www.deceasedpreferenceservice.co.uk](http://www.deceasedpreferenceservice.co.uk)

[www.the-bereavement-register.org.uk](http://www.the-bereavement-register.org.uk)

As a financial company operating under the Data Protection Act, we must ensure that we handle your personal information according to certain principles. We will only divulge your personal details to companies that have a legitimate reason for knowing them, in order to conduct financial business for us on your behalf.

3 October 2008 marked the start of National Identity Fraud Prevention Week in the UK and the Information Commissioner's Office is eager to promote the security of personal information. As part of their efforts to raise awareness, they are encouraging individuals to take a test to see how well they protect their personal information. If you wish to take this test, as well as read helpful advice on security of information and fraud prevention, type this link into your internet browser:

[http://www.ico.gov.uk/tools\\_and\\_resources/quizzes\\_or\\_questionnaires.aspx](http://www.ico.gov.uk/tools_and_resources/quizzes_or_questionnaires.aspx)

\* Source: Home Office



## Investment Choice For Your Pension

By David Parfett

Regional Director & Head of Corporate Services

New government rules came into effect on 1st October 2008 which means that people who have contracted out of the State Second Pension (previously known as SERPS) are now able to take more control of their investments and hold these funds in a Self Invested Personal Pension (SIPP).

Until now, a quirk in regulation has resulted in this money, often known as Protected Rights, having to be held within traditional insurance company pensions.

Many have performed poorly and have offered

policyholders a limited investment choice. Transferring to a SIPP provides the opportunity to breathe new life into these often forgotten and neglected pension funds.

With a SIPP you can:

- Manage your own pension and access the finest fund managers
- Choose from thousands of funds, shares, gilts, bonds and deposit accounts
- Consolidate all your private pensions under one roof making them far easier to manage
- Make the most of new investment opportunities as they arise
- Manage your pension online, by phone or through the post

Transferring Protected Rights into a SIPP will not be appropriate for everyone and if this is something you wish to consider, please speak to your usual iimia contact or e-mail [exeter@iimia.co.uk](mailto:exeter@iimia.co.uk).



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## Make It Last

By Karen McCaffrey  
Managing Director

If our clients became unable to administer their affairs it could have a disastrous effect financially. As the “baby boomers” grow older, the number of our more mature citizens is increasing. The size of this population segment is being further enhanced by the fact that people are living longer. Therefore, sadly, the number of mentally incapacitated individuals is likely to increase.

We work alongside solicitors and accountants and have always thought about these issues for our clients. However, since 1st October 2007, it has not been possible to make an Enduring Power of Attorney; we now make a Lasting Power of Attorney. We always recommend a Will is written to help our clients make suitable arrangements for guardians, trustees, beneficiaries and so on. There may be discussion on clients becoming Tenants in Common, possibly to facilitate arrangements in their Will in regard to the Community Care Act or to protect children by a previous relationship or other equally important reasons.

*“if you have previously felt uneasy about giving others authority over your affairs, you may now feel happier to do so”*

However, once they are tenants in common, if one partner loses mental capacity, the other cannot make decisions on their behalf. This is where the Lasting Power of Attorney comes into play; the LPA grants the appropriate authority to act.

LPAs are governed by the Mental Capacity Act (MCA). Following the passing of the MCA, the inability of a person to make a decision on one occasion does not give anyone the right to make a similar decision for that person in the future. Attorneys must therefore assist the donor in making their own decisions every time a decision is required. Even if the person cannot make a decision, they may still be able to have some input, and this right is now guaranteed by statute. This means attorneys cannot simply take over, as has sometimes happened in the past. For this reason, if you have previously felt uneasy about giving others authority over your affairs, you may now feel happier to do so.



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Any decision made on behalf of someone who lacks capacity must be made in their “best interest”. There are five key principles surrounding this.

- A person is presumed to be mentally capable unless it can be demonstrated otherwise.
- Even those whose mental capacity is impaired must be supported in making their own decisions. Help must be given to involve the incapacitated individual to the fullest extent possible each time a decision is made. This is a significant change and acknowledges that capacity fluctuates.
- A person can make decisions that seem foolish or downright perverse without a presumption of mental incapacity; attorneys must not overrule a decision made by the donor purely because it is not the decision they would consider prudent or even reasonable.
- All decisions must be made in the best interest of the person concerned. The MCA provides a specific framework for deciding “best interest”. The individual’s wishes and beliefs must be taken into account. Any written statement made prior to loss of capacity is particularly relevant.
- The least restrictive means of intervention is to be used.

While an attorney may believe they can safely take any decision that is clearly in the best interests of an individual, you may be surprised to learn that this may not necessarily be the case. You must, by law, consider what action that individual is likely to have taken had they retained capacity. It is a clear breach of the Act to ignore the known views of the donor.

The Lasting Power of Attorney is not as simple as we would all like, but we do urge our clients to take advice on this important area and to get in touch with their solicitor to discuss this.

Of course, if you do not have a trusted solicitor, we would be delighted to introduce you to an appropriate adviser. Please contact your local office for a recommendation.

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## Family Businesses

By Gordon Armstrong  
Regional Director

We are increasingly becoming involved in advising family businesses, as a result of our work with local accountants. This is a specialist area where particular issues and planning requirements tend to crop up. Of course some of the issues can be highly emotive with a number of generations sometimes involved. It usually calls for careful handling!

However, if these planning requirements are left unaddressed, this could have an impact not only on the current owners and their ability to create their own wealth, but also on the future plans for the next generation if they are to continue in the business.

A number of the issues we encounter are prompted by some straightforward questions. Here are some examples:

Q. Are there “key” employees in the business (perhaps the current generation) whose long term illness or premature death would have a serious impact on profitability or on the ability of the business to continue?

A. Straightforward protection plans with Life Insurance/ Critical Illness and Income Protection can provide the solution here. Care needs to be given to which area is the priority and to whom any benefits are payable. If this is not structured correctly it can create tax problems.

Q. What are the plans for retirement for the current business owners? Is there an intention to draw an income for life from the business or should a strategy be in place to ensure they have sufficient income in retirement in their own right after they retire?

A. Proper pension planning can now build up decent levels of pension income allowing the next generation to benefit fully from the future profits.

Q. What are the expansion plans in the future? Could existing pensions help with an expansion plan?

A. A review of their existing pensions may facilitate the purchase of a commercial property.

Q. Is it worth considering tax efficient employee benefits to help recruit and retain staff, especially those in key positions within your business?

A. With the introduction of personal accounts in 2012 this area is high profile at the moment. Decent pensions for the staff can be both rewarding and motivating for them and tax efficient for the business.

iimia Wealth Management has significant expertise in all the above areas and we are able to advise on all aspects of financial planning for family businesses. For further information, please contact your client manager.

### Introducing the new Fund Management & Research Department

One of our areas of expertise is the quality and coverage of our fund research, encompassing not just conventional funds but also vehicles such as hedge funds, structured products and Exchange Traded Funds. In order to explore these areas in more detail, and to provide our client managers with thorough research, we have established a team with specific responsibility for this work. Led by Daniel Lockyer, this team comprises Helen Craig, Mark Hill, Rebecca Mitchell and Philip Taylor.

We believe the establishment of this department will have a beneficial effect on the service we deliver to our clients - in terms of both performance and administration.

If you would like to speak to a member of the Fund Management & Research Team, please call 01392 475900.



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