



## The times they are a changing (or are they?)

The economic outlook over the last six months seems to have changed as often as the weather. Investment industry pundits do not seem to be able to make up their minds whether bonds or equities are the place to be as the forecasts for inflation and interest rates rise and fall. The unfortunate recent global terrorist attacks have only exacerbated an already uncertain investment outlook.

This only serves, in our view, to strengthen our position that investments of any type, with the possible exception of cash, must be held for the long term to really benefit from the growth or income potential that a particular asset class has to offer. A recommendation to switch, for example, from bonds to equities on the back of the prospect of rising interest rates earlier this year, would look rather awkward today when it seems that, actually, interest rates are now more likely to fall.

Our portfolios are, without exception, designed with the longest possible view in mind – amended to each individual clients circumstances. Given that is the case we will never react to short-term influences, unless they are potentially catastrophic or a client's situation demands it.

Analysis continues to suggest that over the next twenty years investment returns will remain low, relative to the returns experienced over the final twenty years of the last century. Real returns for equities are expected to be between 4% and 6% per annum, property between 2% and 7% per annum and fixed interest between 1.5% and 3% per annum. Cash, of course, brings up the rear at between 1% and 2% per annum.

It is interesting that property returns have the widest spread. Property yields are predicted to remain remarkably consistent at around 6.5%. The only conclusion must be that property capital values are expected to at best stand still or, more probably, fall. This reinforces our view that commercial property, whilst an excellent generator of income, has a capital value that is at least as volatile as that of equities.

All of these figures are exclusive of tax and charges. We therefore continue to believe that it is imperative that any charges associated with investment are transparent and, just as importantly, competitive.

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