

SPRING 2005

CARTLIDGE MORLAND

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We Deliver Performance

As part of our end of year tax planning activities, we usually recommend Individual Savings Accounts for clients. This year is no exception, you can find details of our recommended portfolios for income, cautious and growth objectives on page 2. We are very proud of the performance of our 2003 and 2004 portfolios and details of their returns are shown at the end of the article.

Get Ready Now for the End of the Tax Year

Do not miss out on your tax allowances if you have not used them for 2004/05. Our checklist on page 3 can help you plan your strategy.

Investment Funds — Thoroughbreds or Donkeys?

Our fund selection process has been critical to the returns we have secured for our clients, since its introduction five years ago. On page 6, we discuss our successes and the failures too. The fund management world evolves continually and today's favourites are so often tomorrow's rank outsiders. Some regain their form – whilst others continue to charge fees for lacklustre results. We offer a review of existing unit trust/OEIC and pension investments without obligation. For more details complete the enquiry form on page 3.

Our People

Say "hola" to Charles "Sports Mad, Shorts Clad" Morland on page 8, one of our founding partners. ■

Thinking ...

Mortgage?

Remortgage?

Buy to Let?

Our Mortgage Team, with over 40 years' experience between them, can find you the most suitable mortgage offering an attractive rate and competitive terms so saving you time and reducing your costs.

Contact Bill Lyons or Bernie Brennan to discuss your requirements now on 020 7929 8700.



ISAs – 2005 Select Collection

For the last two years we have offered our clients three specially constructed ISA portfolios using a mix of funds from our recommended Unit Trust/OEICs list. As these have proved popular and achieved competitive returns, we have done the same in 2005. The ISA portfolios are run on the Cofunds fund supermarket platform, which offers the flexibility to alter the fund allocation and choice as appropriate without having to transfer the ISA to a new provider.

The choice of portfolio depends on your investment objective and risk attitude.

INCOME CAUTIOUS GROWTH

INCOME

Asset Class	% of ISA	£	Fund	Gross Redemption Yield	Estimated Net Running Yield
UK Fixed Interest	45%	3,150	Britannic Corporate Bond	4.32%	4.95%
UK High Yield	35%	2,450	Threadneedle High Yield	3.43%	5.94%
UK Equity Income	20%	1,400	Rensburg UK Equity Income	n/a	3.48%
Total	100%	£7,000			

Yields as at 31 January 2005. Sources: Britannic, Threadneedle, Rensburg

The **Income Portfolio** is designed to produce an attractive income with the possibility of some capital growth. A mixture of UK Fixed Interest and UK High Yield funds produce mainly income, with a UK Equity Income fund providing some income and the potential for capital growth. High Yield funds hold bonds with a greater risk profile than UK Fixed Interest Funds, consequently investors are paid a higher income to compensate for higher risk. The estimated net annual yield (running) for this portfolio is 5.0%.

CAUTIOUS

Asset Class	% of ISA	£	Fund
UK Fixed Interest	35.7%	2,500	Britannic Corporate Bond
UK High Yield	14.3%	1,000	Threadneedle High Yield
UK Equity Income	50%	3,500	Rensburg UK Equity Income
Total	100%	£7,000	

The **Cautious Portfolio** invests in UK Fixed Interest, UK High Yield and UK Equity Income funds aiming to provide capital appreciation in the medium to long term. The majority of the ISA invests in a UK Equity Income fund offering the prospect of rising income and capital

growth as its holdings are in UK income producing equities. The Fixed Interest and High Yield funds produce income and possibly some capital growth with any income being reinvested in the fund. This portfolio offers you the opportunity to enjoy some of the upside of the UK equity markets as well as a lower level of downside risk than funds invested wholly for growth.

GROWTH

Asset Class	% of ISA	£	Fund
UK Equity Income	45%	3,150	Invesco Perpetual High Income
UK All Companies	25%	1,750	Fidelity Special Situations
European Equity	15%	1,050	Artemis European
European Bond	15%	1,050	AEGON European Bond
Total	100%	£7,000	

If you require long term capital growth through exposure to international share and bond markets, the **Growth Portfolio** is designed for you. Consequently, the portfolio has a higher risk profile than the Cautious Portfolio. The majority of the ISA is invested in the UK equity market using two different UK funds. Neither fund

tracks the UK index closely. One is a UK Equity Income fund so invests in shares which have the potential for capital and income growth and could move to a defensive position. The other invests in companies which the manager regards as undervalued by the market but which he feels have good growth potential due to factors that he has identified. The rest of the ISA invests in European equities and bonds which offer relatively attractive growth prospects compared to other international markets.

PERFORMANCE OF OUR ISA PORTFOLIOS OVER THE LAST TWO YEARS COMPARED TO THEIR BENCHMARKS

ISA/Benchmark	Quarter 4 2003 to Quarter 4 2004 % Growth	Quarter 4 2002 to Quarter 4 2003 % Growth
CM Income Portfolio	+10.46%	+15.68%
APCIMS Income	+9.16%	+11.80%
CM Cautious Portfolio	+11.90%	+15.10%
APCIMS Balanced	+9.86%	+15.81%
CM Growth Portfolio	+11.33%	+20.67%
APCIMS Growth	+10.33%	+17.83%

APCIMS is the Association of Private Client Investment Managers and Stockbrokers

Source: Lipper % Growth 31/12/2002–31/12/2003 and 31/12/2003 – 31/12/2004, Net Income reinvested, Bid to Bid

Please remember that the value of your investment and any income arising may fall as well as rise and that past performance is no guide to the future.

End of Year Tax Planning 2005

YOUR CHECKLIST – HAVE YOU TICKED THE BOX YET?

You have until 5 April 2005 to use your tax allowances for 2004/05.

Pensions

Individual Personal Pension Contributions

- Basic Rate Tax Payer – 22% tax relief
- Higher Rate Tax Payer – 40% tax relief

Retirement Annuity Contract (RAC) Contributions

- Basic Rate Tax Payer – 22% tax relief
- Higher Rate Tax Payer – 40% tax relief

Contributions can be carried back to 2003/2004 and any unused tax relief in the previous 6 years can be carried forward

Stakeholder Pensions Contributions

(for people working and not working and children)

- Basic Rate Tax Relief for all – 22%
- (Pay the maximum net contribution of £2,808 and the Government tops it up to £3,600)*

Investment

Individual Savings Accounts (ISAs)

- £7,000 per person into a Maxi ISA
- See opposite page for our recommended ISA Portfolios*

Venture Capital Trusts (VCTs)

- Maximum investment £200,000 in any one tax year
- Income tax relief – 40% in each of 2004/05 and 2005/06 tax years with the VCT/s held for at least 3 years
- Dividends – Free of Income Tax
- Capital Gains – Free of Capital Gains Tax

Other Exemptions

Capital Gains Tax

- £8,200 – realise gains to this amount so perhaps saving tax in the future
- Capital Losses – realise these to offset gains in the future

Inheritance Tax

- Annual Gift Exemption – £3,000 per donor which can reduce the size of your estate

Contact David Turner to discuss your taxation strategy or fill in the enquiry slip below and return it to us.

More Information Required?

If you require any further information on the topics covered in this edition of Portal, either complete and cut out or copy the slip below and post or fax it to us.

Your Name _____

Your Address _____

Telephone No: _____

Mortgages ISAs Tax Planning Pensions PEP/ISA Review

Post: Valiant House 4-10 Heneage Lane London EC3A 5DQ Fax: 020 7929 8701

Email: portal@cartlidge-morland.co.uk

CARTLIDGE MORLAND

Pensions

The 2004 Finance Act makes some fundamental changes to pension schemes and benefits arising from them. The bulk of the new legislation affecting funding and benefits takes effect from 6 April 2006, "A-Day", so there is a year to consider how these significant changes are likely to affect your retirement planning and how you might get the best out of the old and new regimes. Remember the new legislation affects both personal and corporate pension schemes.

Main Considerations

► Lifetime Allowance (LTA)

This is the maximum value of pension benefits from all arrangements that can be built for an individual. The initial allowance is to be set at £1.5m. The allowance is likely to be increased to £1.8m by 2010/11 tax year according to the 2004 Budget.

Question: What if your benefits exceed the LTA?

A tax charge is made of 55% of the value of benefits in excess of the lifetime allowance. The allowance is tested each time benefits are taken. It is up to you to declare if the benefits take you over the LTA.

Question: What do you do if your benefits are likely to be valued over £1.5m before or at A-Day?

You can protect benefits from the 55% tax charge. There are two choices:

- **Primary Protection** – the benefits can be certified to create your own personal uplifted LTA which will be increased in line with the standard allowance. When you take benefits, they will be checked against your personal allowance and only those above your own uplifted allowance will be liable to the 55% tax charge.
- **Enhanced Protection** – benefits which fall under enhanced protection will not be subject to the 55% tax charge whatever their final value. However, no further pension contributions can be made after A-Day if enhanced protection is selected. Defined benefits under an occupational pension scheme subject to the earnings cap at A-Day will have future pensionable earnings capped at 7.5% of the LTA.

Question: Primary or Enhanced – which is right for you?

That depends on your individual circumstances including the type of pension scheme you have, the value of your benefits, when you are likely to retire and future benefit growth. We can help you in selecting the most appropriate option.

Take Action before

With so many changes it is important that your pension strategy is reviewed within the next year if you are approaching A-Day.



All Change on "A-Day"

► Tax-Free Lump Sum

The tax-free lump sum available will be 25% of the value of benefits, subject to a limit of 25% of the LTA.

This change may well result in members of company schemes becoming entitled to a larger tax-free lump sum. In some cases, the maximum tax-free lump sum could reach £375,000 as opposed to a figure of around £150,000 in most cases now.

Question: What happens if you are currently entitled to more than £375,000 or 25%?

You can protect the benefit in excess of the lifetime allowance in a similar way as you would for pension benefits. The maximum lump sum that could be paid would then be the greater of the protected lump sum revalued to the date at which you take benefits and 25% of the benefit value subject to a maximum of the LTA.

Question: As A-Day approaches, should I defer my retirement date or bring it forward?

This depends on personal circumstances such as the size of your pension fund and your tax-free cash entitlement. Contact your consultant to go through your situation.

And there's more . . .

After A-Day there is a raft of other changes that come into effect. These include:

Contribution/Defined Benefit Growth Allowance or "pension inflows" – initially £215,000 p.a. increasing to £255,000 in 2010/11 tax year.

Normal Retirement Date – all restrictions lifted. Benefits are either being paid out ("crystallised") or not ("uncrystallised").

Income Drawdown – More flexible, higher maximum income and no minimum income level.

Early Retirement – you could take your benefits when you reach the minimum retirement age and the lifetime allowance.

Concurrency – you can be a member of a company pension scheme as well as make contributions to a personal pension plan

Annuity Purchase – you will not have to buy an insured annuity from age 75 although you will have to take an income by age 75.

Investments – Pension funds can invest in an almost unrestricted range of assets including residential property although market rent will have to be paid if you are using the property. ■



David Turner

Contact your consultant or David Turner to discuss your options.

More 6 April 2006

Important that your retirement
in the next 12 months in particular
changing retirement.

Fund Selection

Picking the Winners and Minimising the Impact of the Losers



Cartlidge Morland adopted a formal process for selecting unit trusts and OEICs for inclusion on our recommended funds list five years ago. Since then the criteria used have been enhanced but our aim is still to identify funds which have the potential for long-term above average returns whichever wrapper they are held within – ISA, PEP, SIPP or investment portfolio.

Cartlidge Morland Approach

Our recommended funds are reviewed formally on a quarterly basis but we monitor them for changes in strategy, fund manager or ownership, for example, on an ongoing basis. Of the sixty funds we originally recommended in 2000, almost a third are still on our list. Some of the remaining two thirds have merged with other funds, closed to new business, changed their objectives or become available only on an institutional basis. Of course there are just some funds that have not performed as we expected and have been moved to a “sell” recommendation. For those clients who request regular review meetings we will identify such funds and replace them with more appropriate funds meeting your objectives and our criteria.

What about your old PEP and ISA funds?

We constantly review our fund selection but have you ever considered what has happened to funds held in Personal Equity Plans (PEPs) and Individual Savings Accounts (ISAs) that you may have set up in the past and are not monitored by Cartlidge Morland?

£130,000 possibly originally invested in PEPs

In 1987, you may have invested in a newly launched PEP and then continued to invest in general and single company PEPs through the 1990’s and continued with ISAs from 1999. If you had made full use of your PEP and ISA allowances over the past eighteen years, you would have invested around £130,000. What has happened to those funds which you were originally invested in – have they produced good returns or has the “flavour” of a particular year turned sour?

Review your PEP and ISA Portfolios

Why not have a look at your old PEP and ISA portfolios now? Have you got some UK funds in your PEP managed by some of the major PEP players – M&G, Henderson, Schroder? How about technology funds in 1999? We can review your PEP and ISA portfolio to ensure that the funds you originally invested in are still meeting your objectives and satisfying our fund criteria. Continuing to hold non-performing funds could seriously damage the overall returns from what could form a very considerable part of your overall investment portfolio.

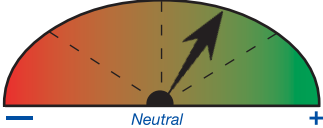
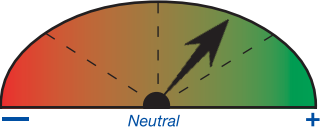
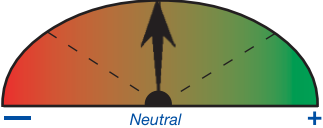
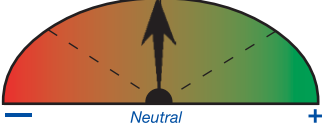
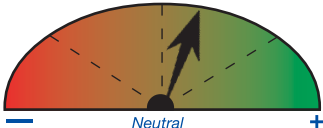
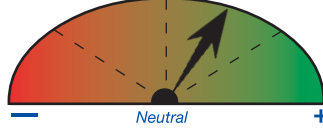
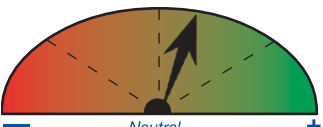
If you would like a review of your PEP and ISA portfolios, please contact Gerard Thomas or your consultant.



Gerard Thomas

Investment Views

According to Cartlidge Morland's Investment Committee, these are the factors most likely to influence markets in the shorter term at 8 February 2005. **The relative attractiveness of sectors is given on a three to five year view based on anticipated sterling returns.** The percentages shown are the movements in the appropriate indices since the last edition of Portal (31 August 2004) until 7 February 2005.

Negative	Cartlidge Morland View	Positive
<ul style="list-style-type: none"> X Increased M&A activity may reduce liquidity X Consumer spending at low level – worst December since 1981 X Oil price remains high X Weak US\$ leads to lower profits for some UK Companies 	<p style="text-align: center;">UK Equities</p>  <p style="text-align: center;">Neutral</p> <p style="text-align: center;">FTSE All Share 2503.39 (+13.06%)</p>	<ul style="list-style-type: none"> ✓ Good fundamental value ✓ Increased M&A activity expected to support market ✓ Interest rate peaked ✓ Economic impact of housing market fall may be limited ✓ Exports improve
<ul style="list-style-type: none"> X Weak domestic demand particularly in Germany X Strong Euro depressing export led recovery X High unemployment across the region 	<p style="text-align: center;">European Equities</p>  <p style="text-align: center;">Neutral</p> <p style="text-align: center;">FTSE Eurotop 300 1088.46 (+12.21%)</p>	<ul style="list-style-type: none"> ✓ Rising Euro positive for Sterling investors ✓ European companies can leverage profits through using low cost capacity and production in Eastern Europe ✓ Valuations attractive ✓ Rising corporate earnings
<ul style="list-style-type: none"> X Current account (trade) deficit means US\$ continues to be weak X Federal deficit a concern X Dangers of inflationary pressure from weakened US\$ X Business confidence and employment growth below expectations 	<p style="text-align: center;">North American Equities</p>  <p style="text-align: center;">Neutral</p> <p style="text-align: center;">S&P 500 1201.70 (+8.82%)</p>	<ul style="list-style-type: none"> ✓ Clear cut election result ✓ Weaker US \$ should favour exporters ✓ Consumer demand fairly robust ✓ Bush administration to concentrate on domestic issues
<ul style="list-style-type: none"> X Unemployment a concern X Worker household spending down X Industrial output reducing 	<p style="text-align: center;">Japanese Equities</p>  <p style="text-align: center;">Neutral</p> <p style="text-align: center;">Nikkei 11499.86 (+3.77%)</p>	<ul style="list-style-type: none"> ✓ Structural reforms continuing ✓ Less reliance on exporting to the US – broader markets
<ul style="list-style-type: none"> X China a "lobster pot" market – easy to get in hard to get out X Hong Kong election results retrograde for Pro-Democracy movement X Chinese unlikely to revalue Yuan 	<p style="text-align: center;">South East Asian Equities excluding Japan</p>  <p style="text-align: center;">Neutral</p> <p style="text-align: center;">Hang Seng 13,795.00 (+7.35%)</p>	<ul style="list-style-type: none"> ✓ Although a huge tragedy, devastation of the tsunami unlikely to affect economic fundamentals ✓ John Howard's re-election gets positive reaction ✓ Domestic demand buoyant in most countries ✓ Chinese appetite for region's exports rapacious
<ul style="list-style-type: none"> X Government expenditure a concern X Credit spreads very tight X High Yield bond run slowing over next 12 months X End in sight for bond holder friendly activity 	<p style="text-align: center;">UK Fixed Interest</p>  <p style="text-align: center;">Neutral</p>	<ul style="list-style-type: none"> ✓ Inflation low ✓ Interest rate cycle peaked ✓ Structural demand high especially long dated bonds ✓ Default rates remain low ✓ Corporate balance sheets remain healthy
<ul style="list-style-type: none"> X Retail sector showing signs of weakness X Yields likely to be more volatile as lease lengths shorten X Large amount of vacant Central London property prevents rent increases 	<p style="text-align: center;">Property</p>  <p style="text-align: center;">Neutral</p>	<ul style="list-style-type: none"> ✓ Yields remain strong ✓ Investor demand positive ✓ Borrowing costs unlikely to rise further ✓ Government appear to have backed down on reform of upward only rent reviews

Our People

Charles Morland – Partner

Charles Morland is one of the founding Partners of Cartlidge Morland setting the firm up in 1996 with Andrew Cartlidge, having previously worked together at Bain Clarkson and Hogg Robinson for 9 years. Charles joined the financial services industry at the tender age of 19, nearly 19 years ago and has since specialised in private client advice. He is responsible for training and competence, recruitment and Human Resources within the firm.

Charles now lives in Fulham but his formative years were spent in various European countries, dictated by his father's army postings, and Devon, where he was at school. Exposure to a range of European languages has not really rubbed off on Charles, although his "hola" was honed to perfection whilst in Madrid.

On leaving school, Charles spent nine months working his way around Australia. His various jobs included fruit picking, tobacco picking and castrating goats. Deciding that a career in any of these fields was definitely not for him, he returned to England and chose financial services.

Charles' greatest passion in life is sport. He is a keen golfer, tennis player, skier and runner. He runs home from the office at least once a week when not training for a marathon and more frequently when he is. Wind and rain are no deterrent to this shorts-clad man in training. He has run the London and New York marathons on a few occasions in around the 4 hr 10 mark and now has his sights set on the Lisbon half marathon in March and the London Triathlon this summer.

When not participating, Charles is a keen spectator of most sports – rugby, cricket and football being his favourites. As far as rugby at a local level is concerned, he supports Harlequins which is not a team for the faint-hearted due to their very variable

performance on a weekly basis. His devotion to international rugby means that he is prepared to get up at the most ungodly of hours to watch England's matches in Australia or New Zealand. His football team is Liverpool, a strange choice when both Chelsea and Fulham are within walking distance of his home. He puts this allegiance down to historic family connections around the Liverpool area.



Charles Morland

Charles is an avid traveller. His ideal holiday is to combine an attractive destination with a sporting event. Golf in Dubai, running in America, skiing in France and most recently cricket in Cape Town are just a few examples. He may well visit New Zealand in June/July to watch the British Lions take on the All Blacks. His one regret was not being in Australia in November 2003 to witness England win the Rugby World Cup.

One area not to touch on when talking to Charles is house renovation! He decided to have his home remodelled from top to bottom complete with an extra floor a few years ago. What should have been a six month project became a year of torment as the builders turned the prospect of a dream home into a nightmare. It will be a very long time before Charles is prepared to take on a similar project.

There are a few predictions we can safely make about Charles. Sport will forever be a big part of his life, he will never take up DIY and he would run a mile in record time if goats appear anywhere near him!!

IMPORTANT INFORMATION & NOTES

1. The views and suggestions in this document are based on Cartlidge Morland's research which is obtained from a variety of sources. Whilst these sources are believed to be reliable, the information obtained cannot be guaranteed to be accurate and may be condensed or incomplete. The funds, investments and products described are not suitable for everyone and advice should be sought from your consultant who will provide a recommendation having considered all relevant circumstances.
2. Some or all of the investments referred to are intended as being of a long-term nature. Early withdrawal might mean that you will not get back the full amount invested. The value of investments may go down as well as up. For investments denominated in foreign currencies, changes in rates of exchange may have an adverse effect on the value in sterling terms.
3. In the case of income funds, the income is not fixed – it can go up and down.
4. The level and bases of, and reliefs from taxation may change. The value of tax reliefs depend upon individual circumstances. Statements relating to taxation are based upon current taxation laws and practices which are subject to change. If in doubt, tax advice should be sought.
5. Cartlidge Morland is a Licenced Credit Broker.
6. Cartlidge Morland is a firm of Independent Financial Advisers which is authorised and regulated by the Financial Services Authority.
7. Your home may be repossessed if you do not keep up repayments on your mortgage.

News

Will the real Gerard Thomas please come forward?

Regular Portal readers will remember that Gerard Thomas featured in "Our People" in the last edition. For all those who thought that he had metamorphosed into a panda, we have proof below he has not.

This photograph was taken prior to his skiing trip after which his resemblance to his favourite animal has increased due to the inevitable presence of "Panda Eyes"!



Gerard Thomas

