



MFP News

January 2010

Best wishes for 2010!

I hope you had a good festive break and are looking forward to the opportunities that 2010 will bring. This will be my first full year operating as Mowatt Financial Planning and I'm looking forward to getting some momentum into the business. Believe it or not I have some Financial Services Authority returns to complete for the 14th of January!

I had a good end to the year as I got the results of the Trusts exam I sat in October. Happily I passed and I was especially pleased because I am now qualified at Diploma level which means I am ready for the new qualifications which will apply from 2012.

The two topics I aim to cover this month are **New Year Resolutions** and **Having a Balanced Portfolio**.

Before I get into them - thanks for the comments and feedback from the previous newsletter. The winner of the bottle of champagne is Lindsey Shepherd who was a colleague of mine at Norwich Union (now Aviva). Well done Lindsey!

New Year Resolutions

I was reading the Guardian between Xmas and New Year and in particular there was an [article](#) on New Year Resolutions that caught my eye. According to a study carried out by the University of Hertfordshire the failure rate in achieving New Year resolutions is quite high. However, the key tips for success are:

- break your goal into smaller steps
- reward yourself when you achieve one of these
- tell your friends and family about your goals
- focus on the benefits of success
- keep track of progress

Now here's a suggestion: Why not have a New Year resolution to sort out your finances?

This leads me to the next topic.

Having a Balanced Portfolio

Before getting into this topic, it is worth stepping back and making sure you know the goal you are trying to achieve with your investment. This will dictate the time horizon of your investment and to an extent your attitude to risk. Your attitude to risk will be different if the money is to pay next year's school fees compared with investing for your retirement in 15 years time.

Having done this, you should hold investments consistent with your time horizon and attitude to risk.

Looking back across the last 5 years, the investment returns across various different asset categories are shown in the table below with the asset categories ranked by performance:

Rank	2005	2006	2007	2008	2009
1	49.7%	25.2%	36.9%	11.7%	54.0%
2	42.0%	17.8%	34.2%	2.3%	50.0%
3	33.0%	17.0%	11.3%	-1.9%	29.7%
4	26.4%	16.5%	7.5%	-2.7%	21.0%
5	25.3%	15.2%	7.3%	-9.7%	20.1%
6	22.2%	7.9%	5.0%	-13.6%	18.4%
7	17.5%	5.4%	4.0%	-16.0%	15.4%
8	15.3%	3.1%	3.4%	-23.3%	12.6%
9	11.0%	1.8%	1.4%	-24.0%	9.4%
10	7.4%	0.0%	0.8%	-29.1%	7.0%
11	7.1%	-0.7%	0.3%	-31.5%	0.9%
12	6.9%	-0.7%	-12.4%	-31.6%	-1.9%
13	3.2%	-13.1%	-15.4%	-35.7%	-3.3%

Asset category	Japan	Sterling Corporate Bond
Global Emerging Markets	Money Market	Sterling Strategic Bond
Asia Pacific (ex-Japan)	North America	UK All Companies
Europe (ex-UK)	Property	UK Gilt
Global Growth	Absolute Return	

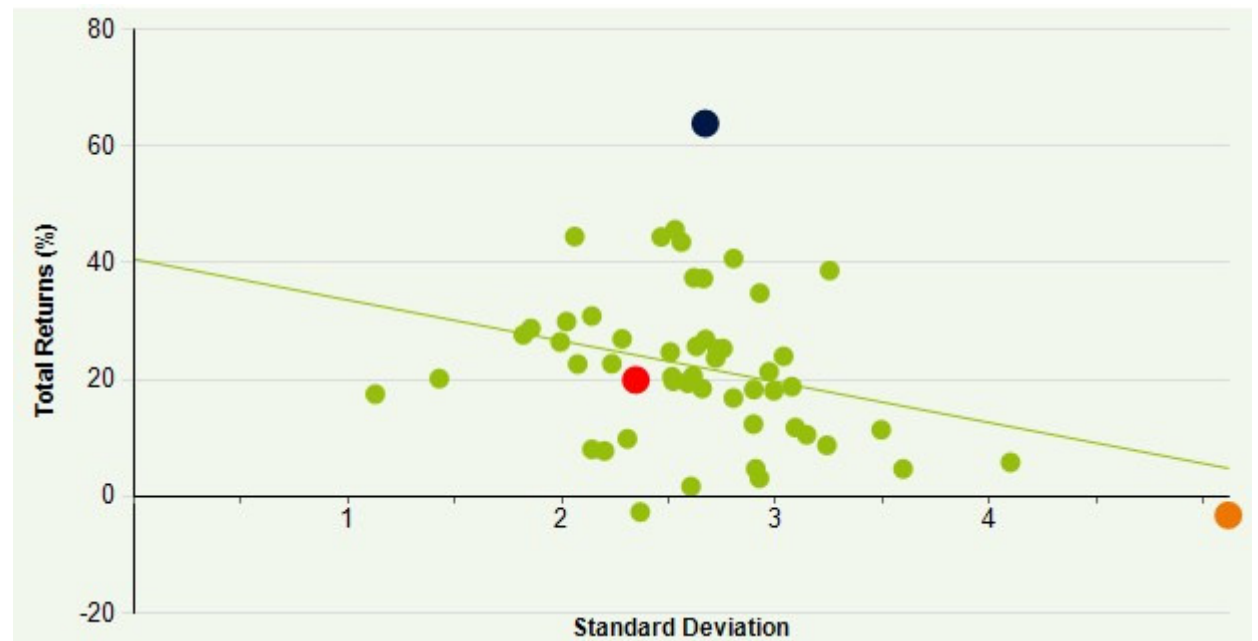
Source: Trustnet.co.uk 5/1/10

The table hopefully demonstrates the variation of returns across different asset categories at different times. I think it's a good argument for a balanced portfolio. So is a managed fund the right answer?

Chart below is a scatter graph of all funds classified as Cautious Managed against performance and risk (over a 5 year period).

Performance = Total returns over 5 years to 30/11/09

Risk = Standard Deviation



Source: Citywire 5/1/10

This example shows that within the cautious managed fund sector, there is a wide spread of risk covered so it's not clear that you will be able to find a fund that has the right balance for you.

The approach that I use is to build a portfolio of funds that is based on your attitude to risk and time horizon and keep this aligned with your attitude to risk over the term of your investment.

If you want to discuss how to get your investments aligned with your goals and your attitude to risk give me a call or drop me an e-mail.

And finally

I hope you find this newsletter helpful. All feedback gratefully received. Good luck with the New Year resolutions.

Will Mowatt