

13 July 2007

BROUGHTONS GOES CHARTERED !!!

In August 2005, the Chartered Insurance Institute (CII) received confirmation from the Privy Council that they had been granted permission to award the new title of “**Chartered Financial Planner**”. Chartered status is only bestowed on those at the peak of the financial advice profession. It is the “gold standard” and it is the first time that financial planning advice will be elevated into the public eye, to the same standing as other chartered professions such as accountants, engineers and surveyors. The qualifying criteria includes passing CII examinations to the equivalent of First Degree level; having relevant experience; abiding by a comprehensive code of ethics and conduct and committing to a programme of continuous professional development.

Naturally, **I am very proud to be one of very few Chartered Financial Planners in the UK (currently only around 900) amongst over 70,000 financial advisers.**

Furthermore, to support leading firms in the financial advice sector and to recognise their adherence to the high standards of professional practice, the CII has secured agreement from the Privy Council earlier this year, to enable eligible firms to call themselves “Chartered Financial Planners.” **Corporate Chartered status** is of major significance. It is my view that it will reinforce the importance of professionalism in a fast moving and competitive market and will also help to place firms of advisers on a par with other financial practices such as accountants and solicitors. The emergence of Chartered firms can only be positive for consumers as they will understand that a seam of professionalism runs right through the organisation. I am therefore thrilled that **Broughtons Financial Planning Limited has recently been granted Corporate Chartered status, which has been awarded to less than 50 firms in the UK to date.** This is evidenced by the introduction of the logo on this communication.

Attaining Chartered status was timely in light of the recently published and well publicised “Retail Distribution Review” discussion paper from the Financial Services Authority, which aims to segment financial advisers into three initial categories:- **Professional financial planners, General financial advisers and Primary advisers.** Its aim is to raise the standards of advice to consumers and demonstrate professionalism in the industry as a whole. Under these proposals, 80% of advisers do not hold the appropriate qualifications for their chosen designation – a rather worrying statistic in itself!

Under the proposals...

Professional financial planners would be categorised as “independent” and would set the highest standards in the industry. The Professional financial planner would need to have the Chartered Financial Planner or equivalent qualification.

General financial advisers would need less qualifications than Professional financial planners and be authorised to give advice on a limited range of financial products – therefore unable to be deemed independent.

Primary advisers would probably be employed by banks and bancassurers and would require the minimum level of qualifications, sufficient to give advice on simple products, appealing to the mass market.

Economic Overview

In my last commentary, entitled “Cheap as Chips” in February of this year, I reflected on a strong 2006 for global equity markets and global real estate (property). It was my view then, and still remains so, that 2007 will prove to be another year of positive returns in global equities.

We saw dramatic events on February 27th of this year, with falling stock markets in just five days of 6.5%. Market volatility surged, albeit what followed fairly quickly after was a rally in global commodities and a quiet resumption of the uptrend in equities that began almost four years ago in the Spring of 2003. Indeed, all the major world indices are all back in positive territory for this year!

It is inevitable that equity markets will become a little more volatile, following long sustained periods of strong growth. The fall in February of this year seems to have been down to **three** factors:- Worries over the global economy and US real estate ▪ A sudden rise in risk aversion by investors ▪ A form of disorderly activity in markets.

Firstly, the global economy was spooked over concerns of the state of the US sub-prime mortgage market and fears that it could cause a spill over into the wider housing market. I have to admit that the numbers at the time

were somewhat alarming – i.e. 13% of homeowners in this segment were behind on their payments and 30 lenders closed their doors. Furthermore, as I write, new home sales are still continuing to fall. In the context of the rest of the US economy, the US sub-prime mortgage market factor looks limited, when considering strong employment and a booming service sector. Economic growth outside of the US looks robust with exceptionally strong growth coming from Japan, Germany and China in the first quarter of 2007. Hardly the stuff of a global recession!

Secondly, investors appetite for risk was tested in the initial sell-off in the emerging markets, coupled with an unwinding of the so-called “carry trade” (investors borrowing low yielding currencies (e.g.Yen) to buy risky assets) which resulted in a follow through that was very little and emerging markets recovered very quickly. A pledge from the Bank of Japan to maintaining interest rates during 2007 gave comfort to those who had participated in the carry trade.

Thirdly, and in my view the most credible, is that programmed trades can move markets sharply with the use of derivatives – albeit this does not change the global economic landscape as a whole.

Whilst the US economy is evidently slowing, the rest of the world is enjoying strong economic growth, supported by solid corporate fundamentals. No longer can investors rely on an over-extended highly mortgaged American consumer to be the engine of global growth. We are now seeing the emergence of a world economy that is finally dislocating itself from the US. There is compelling evidence that a slowing US economy is not damaging global growth – examples are booming commodity markets and world oil reserves declining. Through 2007, global blue chip equities should continue to deliver record levels of dividend growth supported by compelling valuations and continue to be the subject of mergers and acquisitions and bid speculation. Inflationary risks do remain however, and central banks around the world will need to ensure that inflation is brought under control.

As always, asset allocation is of paramount importance in ensuring that risk is controlled within clients portfolios and whilst I remain positive on global equities, fixed interests, property and cash continue to play their role.

I have taken the opportunity to enclose our Summer bulletin for your interest and a new business card, with a new, shorter email address.

Yours sincerely

A handwritten signature in black ink that reads "Gary". The signature is stylized with a large, sweeping initial 'G' and a trailing flourish.

Gary Bond – APFS
Chartered Financial Planner
Managing Director

(NB: Past performance provides no guarantee of future returns and any views expressed by us do not constitute advice as each client’s circumstances differ)