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The information in this Newsletter is to be viewed as general information and does not constitute advice. It is based on our understanding of the current legislation and market conditions, all of which are subject to change. If specific, individual advice is required, we urge you to contact your IFA.

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RT Financial Planners is proud to announce that Jackie Greenwood, pictured above, has now completed the Advanced Diploma in Financial Planning and achieved Chartered status. Jackie's most recent examination success was the Chartered Institute of Insurance's AF3 paper, for Pension Planning.

Jackie advises on all areas of financial planning and has been delighted at the response of her clients who have completed the customer surveys we have been sending out, which have included such comments as

"Very pleased with advice, which could not be better."

"Excellent service – much appreciated continual update of my pension progress."

If you would like us to feature a particular item in a future Newsletter, let us know by e-mailing Valerie at v.kiertzner@rtfp.co.uk. If you have missed previous editions, you can find them on our website: www.rtfp.co.uk/newsletters.htm

ABSOLUTE RETURN FUNDS

Jackie Greenwood APFS

These funds have become increasingly popular in recent times because of the volatility in the markets.

They are funds that allow the managers a great deal of flexibility over the type of assets they hold and allow them to invest to achieve positive returns in all markets.

You may think that this would be the aim of all funds but, unfortunately, if a manager is running, for example, a UK or European Equity Fund and that market has fallen, it is almost impossible to achieve a positive return when the entire market is falling.

Absolute Return Funds vary very widely in their nature, with some investing only in bonds and some investing in shares, cash, bonds and other assets. Crucially, they can buy assets which allow them effectively to "bet on" the markets falling, such as derivatives and sometimes hedge funds. This enables them to make money in markets that are rising or falling.

Some of these funds carry a far higher risk than others, because of the nature of the assets held and the fact that some may even borrow to invest. Their performance also differs widely.

Invariably, however, they aim to achieve a return over, say, a three or five year period that is several percentage points above a deposit rate. In other words, the fund managers aim to give you a return that is better than cash in all markets.

This will not mean that they will never fall in value but, simply over a rolling period of three or five years, will show you positive returns should the manager be successful in their remit.

Because of the extremely varied nature of these funds, it is essential to seek advice but it is something we favour as part of an investor's portfolio.

EXTENDED SPECIAL OFFER!!! CAN WE BEAT YOUR BUILDINGS AND CONTENTS QUOTE?

Until , 31ST March 2009, Sesame Insure is offering HALF PRICE contents insurance when you take out Buildings Cover. The quotation will be valid for 180 days.

Benefits include:

- ◆ New For Old (plus garden cover up to £750)
- ◆ Three years no claims
- ◆ Free 24-hour emergency assistance

For further information, call Mandy Clements-Hunt in our Winchcombe office on 01242 604066

CORPORATE BOND FUNDS

Geoff Pollock

There is very good news! The average growth on the UK Corporate Bond sector over *just one month* to 1st December 2008 was 1% (source: Standard & Poor 01.12.08). However RTFP does not like to deal with the average and the funds we like to recommend have done a great deal better over one month. Regulations prevent us from mentioning company names but four examples:

Company A	2.8%	Company C	3.4%
Company B	2.6%	Company D	3.9%

(source: Standard & Poor 01.12.08)

One month's figures are hardly a basis for recommendation. However, they may be a harbinger of things to come. Bank and building society deposits languish with *annual* interest rates far below 1% gross even before this month's Bank of England base rate cut, to 1.5%. I give four examples:

Halifax Liquid Gold	0.25%	Halifax 60 Day Gold	0.40%
HSBC Flexible Saver	0.10%	Nationwide 90 Day Capital Builder	0.80%

(source: Money facts January 2009)

I was watching a Paul Read webcast on his Invesco Perpetual Corporate Bond fund last month. He co-manages this (£2bln) fund with Paul Causer. He didn't underplay the difficulty of the market but he was "**bullish**" and he and Paul Causer were buying "**a lot of bonds in the 60's, 70's and 80's**" which will mean they are buying bonds *at 40%, 30% and 20% discount* off the stated price.

What does this mean?

A Corporate Bond fund is an amalgam of many individual corporate bonds, bought and sold by the fund manager. A corporate bond is in essence a loan to a corporation. Like a government gilt, a corporate bond has a fixed interest rate (a 'coupon'). A corporate bond is similar to a gilt so I shall use the gilt to exemplify how corporate bonds work. Gilts have a nominal value of a pound. So when issued, one gilt is bought for a pound and is redeemed after a stated period (e.g. five years). The interest rate or coupon may be 5%. Therefore, for five years that £1 gilt will provide 5p for five years and then the £1 will be returned by the government.

Gilts (*as with corporate bonds*) are tradable and therefore someone may sell that gilt for £1.10 or 80p instead of £1 but the coupon is still 5p per annum. So if you bought it for 80p the annual return is not 5% but 6.25% (i.e. 5% / 0.8) but when that gilt matures the holder of it will receive £1 back from HMG. Corporate bonds work in a similar way and so when Paul Read says he is buying in the 60s, 70s and 80s he is buying high-grade corporate bonds for the equivalent of 60p, 70p and 80p. Messrs Read and Causer are not the only Corporate Bond fund managers aware of this and many, including those who have shown such fine one-month returns above, have been buying high-grade corporate bonds.

Do be aware, though, not all Corporate Bond funds are the same. It is not a simple question of some being better than others - their very make up can be different. There are UK bonds, Global bonds, European and US bonds, as well as high-grade and high-yield bonds. They are all different. *Independent financial advice is essential to ensure the bond fund you purchase meets your needs and risk tolerance.*

The falling Bank of England interest rate and falling inflation has only made this market in corporate bonds more attractive and the prospect of it remaining attractive for some time is highly likely. **If you are looking for a low risk income as an alternative to the banks and building societies then corporate bonds may suit you.**

How to Put More than the Annual Allowance into an ISA

Rod Holliman

Cash ISAs have, until recently, been an ideal vehicle for holding cash, because they have offered a reasonable rate of tax free interest. Anyone who holds substantial amounts of cash should have been using their ISA limit, in the same way as anyone who holds shares or unit trusts should have as much as possible in an investment ISA.

However, the recent series of base rate reductions has now reduced the returns on cash ISAs to very low levels. Even with the tax advantage it is hard to justify leaving a lot of cash in an ISA. The problem has always been that taking money out of a cash ISA means you lose the tax-free status of this capital.

However, among the changes to ISAs in the last Budget, Chancellor Alistair Darling announced that Cash ISAs can now be transferred to investment ISAs without affecting the annual allowance.

If you have been using your cash ISA allowances for any length of time, you will have built up a substantial sum. You can now transfer some, or all, of this into an investment ISA and the capital remains in its tax shelter. This is an ideal way of putting more into an investment ISA than the allowance would normally permit.

Many of our clients are already using Corporate bond funds for their income. With share prices so low, income yields on corporate bond funds are typically 7.5% pa. This income could be paid to you monthly, tax free.

Corporate bonds are not without downside risk, of course and you should always retain some cash for 'rainy day' emergencies. We would not, therefore, suggest you should move all your ISA cash to investments, unless you have cash deposits in addition to the Cash ISAs that you can access in the event of need. However, we believe it is most likely that corporate bonds will out perform cash over the next year or so.

For further information and advice, please speak to your financial adviser.