



# Reflections

Autumn 2011

The newsletter for clients of Fairbairn Private Bank



## Post-Summer Madness

August in Europe is usually a quiet month with many people enjoying long summer breaks from work, but this relaxed atmosphere has been shattered by the current turmoil we are witnessing in global markets. The initial equity market sell off was triggered as investors reacted to the downgrade of the US credit rating, but market volatility has persisted with increasing fears of a slow down in the rate of global economic growth.

In the face of these economic headwinds, it is important to remember investments are for the long term. Unfortunately, none of us can predict the future and uncertainty is likely to remain with us for some time to come. In this environment, the key is to remain focused on capital preservation and now could be a good time to review your investments and ensure your portfolio is appropriately balanced to weather the storm. With this in mind, on page 2, we outline the core investment principles we believe in and which underpin our investment process.

Our second article, on page 3, looks at recent research from Skandia UK, a sister company in the Old Mutual Group, on the attitudes of millionaires in the UK and how nearly half of those surveyed would consider moving abroad. In light of this surprising result, we highlight the importance of putting your financial affairs in order ahead of any planned move abroad.

It seems we cannot let an issue go by without news of another award success and this is no exception. On page 4, we report on this year's International Fund and Product Awards where we were delighted to retain the award for Best International Wealth Provider for a third consecutive year.

Also on page 4, we take a look at the Investors in People (IIP) standard and celebrate our achievement of Gold status in our most recent review. This is the highest level of accreditation and reflects our dedication to the on-going development of our team.

We are proud to announce the opening of a representative office in Dubai on page 5. We

have had our eye on this part of the world for some time and the new office will allow us to offer local expertise to individuals throughout the United Arab Emirates. On the same page, we outline some paper-saving initiatives from our client services department.

Last but not least, on page 6, I am delighted to congratulate several of our highly skilled bankers on their recent exam success. This is yet another demonstration of our staff going above and beyond the call of duty.

Overall you can rest assured your wealth is in safe hands and our operations continue to be maintained around traditional, transparent and stable business lines. Our reputation for integrity, honesty and an over-riding focus on our clients' needs continues to set us apart.



Warmest regards to you all,  
**Greg Horton**  
 Managing Director,  
 Fairbairn Private Bank

### In this Issue...

- Our core investment principles Page 2
- New money makes its mark on UK Page 3
- Fairbairn Private Bank wins two international awards Page 4
- Fairbairn Private Bank makes gold standard Page 4
- New Dubai office Page 5
- Green matters Page 5
- Top of the class Page 6



## Our core investment principles

The recent downgrading of the US credit rating triggered intense volatility in global stock markets as investors reacted to the news. However, despite the ongoing economic instability and negative headlines, it is vital to maintain a long-term investment approach to avoid short-term, knee-jerk responses that could damage your portfolio for the future.

Analysts are forecasting that global economic growth will slow significantly over the next 12 months, so it is now increasingly important that you understand how your portfolio is constructed and remain resolute in your investment approach.

As a global, multi-asset class investor, we have built our discretionary investment management services around a number of fundamental investment principles that we believe in and implement within our investment process:

### Asset allocation is an important driver of returns

Research published over the last two decades has concluded that asset allocation is the major driver of returns for the investor. We define five major asset classes: cash, bonds, property, equities and alternative investments. The latter asset class includes commodities. Through our client profiling process we agree your investment objectives and time frame, and then decide on the most appropriate investment solution. This initial recommendation is then

reviewed regularly and can be adjusted to ensure your investment portfolio continues to meet your changing needs and circumstances.

### Diversification can reduce risk

By combining a range of assets with different risk and return characteristics, we seek to maximise the potential return of our investment strategies for a given level of risk. The increasingly complex array of financial vehicles and strategies available means considerable skill and expertise is needed in order to deliver attractive 'risk-adjusted' returns.

### Risks need to be properly understood

Risk management is key to portfolio construction and it is important to consider the range of risks faced. In addition to volatility, which looks at historical price movements and short-term falls in the value of your portfolio, probably the most important risk to manage is shortfall risk – the possibility your portfolio will not achieve your wealth objective. Our investment team will regularly review the risks created by, for example, volatility, liquidity, inflation, interest rate movements and geopolitical events, to ensure your agreed risk and reward balance is maintained and your investment achieves your stated objectives. As a general rule, the greater the level of risk you are prepared to accept, the higher the potential returns can be.

The table below helps to demonstrate the successful performance of our discretionary

investment management services from inception up to the end of August 2011.

### Investment is for the long term

Investments should be made with an appropriate time frame in mind, and measured over a similar appropriate period to ensure a long-term view for your investment and reduce any emotional response to short-term volatility.

### Value investing and minimising costs are important

We believe the price you pay for your assets is an important determinant of future returns. Minimising costs is also vitally important as the return on your investments will be adversely affected by the fees, expenses and taxes that are deducted. Net investment returns represent economic reality and are what investors should always focus on.

We are committed to the sound stewardship of our clients' investments. There are a number of layers to our investment approach that combine to create a framework for disciplined decision-making and consistent evaluation of the key factors prevailing in the investment environment. These include the analysis of valuation measures, macroeconomic factors and sentiment indicators.

If you are concerned about your investment performance in the current economic environment and would like to consider our discretionary investment management services, please call your relationship manager direct or our client services team on **+44 (0) 1624 645000**.

**Look out for our next issue of Reflections, which will contain exciting news of a new way to access our discretionary investment management services with a lower minimum investment and the opportunity to make regular savings.**

Portfolio	Return since inception* (annualised)	Inception date
<b>Multi-asset class:</b>		
Low-medium risk	3.8%	30/09/2005
Medium-high risk	5.3%	30/09/2005
High risk	7.2%	31/07/2006
<b>Global bond strategy</b>	10.0%	30/11/2008

\* All returns quoted are net of fees. Past performance is not necessarily a guide to future performance.



# New money makes its mark on UK

## New research finds UK is a nation of self-made millionaires

The wealthiest people in the UK are making their considerable fortunes through a mix of entrepreneurship and hard work according to new research. The Skandia Millionaire Monitor Report, which surveyed over 500 millionaires based in the UK, found that, inspired by British business heroes such as Alan Sugar, Richard Branson and Peter Jones, nearly 70% of the high net worth individuals made their fortunes from employment income, investments or as the result of selling their business venture.

The research found that the influence of old money is less in evidence, with only 14% of those surveyed saying their wealth comes solely from inheritance income. Trusting luck to make a fortune also appears to be a risky strategy, with just 4% of the sample saying their wealth has come from winning the lottery or by gambling. However, almost 15% of wealthy younger people acquired their fortune through either winning it or through marriage – a three times higher incidence than those aged over 50 years of age.

Commenting on the findings, Jo Rimmer, Skandia, said: “The results from this first round of the Skandia Millionaire Monitor show that UK’s wealthiest are controlling their future financial security by working hard and investing wisely, not crossing their fingers and hoping for the best.”

The research also found that more than half of UK millionaires are or could consider leaving the country to find a higher standard of living. Only 44% are certain of remaining in the UK, while around 8% are already planning to leave.

Taxation, perceived better living standards outside the UK, and the weather contribute two thirds of the rationale as to why UK millionaires would consider a move abroad. Despite this, under 2% of those considering a move abroad are thinking of a move to a tax haven such as Switzerland or the Cayman Islands to reduce the amount of tax they pay. Instead, for those millionaires considering a move abroad, four countries alone account for almost 50% of preferred destinations - France, US, Spain and Australia.

“Our survey seems to indicate that the UK’s wealthiest really are saving for a rainy day and will seriously consider moving to sunnier climes if storm clouds gather in either economic or meteorological terms,” says Jo Rimmer.

If you are considering emigrating abroad, it is vital you put your financial affairs in order ahead of your move. We can offer the flexibility of multi-currency accounts and also advise on structuring your investments in line with the country you are moving to. If you have an existing UK pension, it may be worth considering a Qualifying Recognised Offshore Pensions Scheme (QROPS), which is an overseas pension scheme recognised by Her Majesty’s Revenue and Customs (HMRC) as meeting standards and conditions equivalent to a UK pension. This approval allows anyone with a UK registered pension who is living outside the UK, or is intending to leave the UK, to transfer their UK registered pension offshore.

We are able to offer QROPS through our preferred partners and our sister company Fairbairn Trust Company has recently won an award in this area (see our article on page 4). The key advantage of QROPS is the ability to

consolidate all your UK pension holdings in one offshore structure with no cap on the transfer value. This can result in reduced costs and simplified administration, and create extensive opportunities for investment management.

In addition to a wider choice of investments, QROPS also offer a higher level of flexibility than many UK pension schemes. There is also no requirement to purchase an annuity within a QROPS and any remaining fund following death should be available to beneficiaries without the deduction of UK tax, which offers significant estate, domiciliary and succession planning opportunities.

When it comes to tax, it is always important to consult an independent tax specialist to advise on your specific personal circumstances. However, our sister company Fairbairn Trust Limited can also create bespoke solutions for complex international tax scenarios for both high net worth individuals and corporate entities. For more details on planning a move abroad, either call your relationship manager or our client services team on **+44 (0) 1624 645000**.

Skandia UK, Fairbairn Trust Limited, Fairbairn Trust Company and Fairbairn Private Bank are all members of the Old Mutual Group, a leading international long-term savings group with £303.1 billion of funds under management (31.03.2011).



Andrew Bates (left) and Simon Prescott (right) from Fairbairn Private Bank, with Nathan Lihou (centre), Director at Fairbairn Trust Company

## International award success

This year, we have won two respected industry accolades in the Professional Adviser International Fund and Product Awards. The results, which were judged by an independent panel of industry practitioners and experts, were announced in June and saw us voted Best International Wealth Provider for the third year running and, in addition, winning an award for Best International Service Initiative. These latest accolades mark an 11-year unbroken record

of winning achievements at these prestigious industry awards.

The Best International Service Initiative was awarded for our recently launched 'segregated services' project, designed to improve service for both our direct and intermediary clients by creating separate dedicated private banking teams. This increased level of focus ensures that all clients receive specialised attention from individuals who are expert in tailoring investment solutions to meet their specific requirements.

We are delighted to have once again featured amongst the winners in this year's awards.

We are particularly pleased to have retained the title of Best International Wealth Provider for a third consecutive year, as it provides a strong endorsement of our investment management skills.

This year we were delighted to share the honours with our sister company Fairbairn Trust Company, which won a new award of Best QROPS Provider for its Overseas Pension QROPS.

## Fairbairn Private Bank makes gold standard

We are delighted to announce we have been awarded the Gold status in our recent Investors in People (IIP) review. This is the highest level of accreditation possible and places us in the top 1% of IIP recognised organisations. This exceptional achievement marks a journey of continuous improvement and on-going business development.

Our senior training executive, Lynn Kelly, who coordinated the latest review, commented: "We are extremely proud to have achieved this tremendous accolade. It provides an independent and strong acknowledgement that focusing on the needs of our staff directly results in a top performing business for our clients. The award further serves to endorse the culture and values of our business and we look forward to promoting the Investors in People values in our continued pursuit of high quality service levels, innovation and client satisfaction."

This was the third successful review since the bank was first awarded the Investors in People standard in 2002. The assessment took place over two days in the company's

offices in London, the Isle of Man and Jersey, and included interviews with staff as well as various reviews of our systems and processes. Having completed the assessment process, the assessors were satisfied "beyond any doubt" that we continue to meet the requirements of the Investors in People Standard and confirmed that we had, in fact, demonstrated sufficiently high standards to be awarded the prestigious Gold status.

The IIP report stated: "Fairbairn Private Bank has demonstrated a passion for creating a high performance culture. The tremendous achievement of Gold which is highlighted in this report is testament to this desire alongside other achievements, such as the Best 100 Small Companies listing and a UK National Training Award."

Launched in 1991, Investors in People offers a business improvement tool to help all kinds of organisations develop performance through their people. It provides tailored assessments designed to support organisations in planning, implementing and evaluating effective



Lynn Kelly, Senior Training Executive

strategies. In April 2010 the UK Commission for Employment and Skills became responsible for the strategic ownership of Investors in People and it forms the heart of its mission to maximize UK economic competitiveness and individual opportunity. Investors in People also forms part of a wider international organisation with licence agreements in over twenty countries worldwide, including Africa, Europe, North America, the Middle East and Australasia.



# Fairbairn Private Bank awarded licence in United Arab Emirates

Having closely monitored the region for the past five years, we are now delighted to announce we have been granted a licence to undertake banking and investment business across the United Arab Emirates (UAE). This forms a natural part of our continuing expansion plans. We have been granted a representative office licence by the Central Bank of the United Arab Emirates and have opened our office in Dubai in

response to growing demand from clients based in the region.

The new office demonstrates our commitment to the Middle East market and will allow us to provide excellent service to clients based there. Our research has shown that individuals in the region are becoming more demanding in both the level of service and

the range of wealth management solutions they require. We feel our offering can fully meet these requirements.

The licence permits us to offer local expertise and promote our award-winning wealth management services to international expatriates, intermediaries and high net worth individuals throughout the UAE.

## Green matters

Nedbank, our parental shareholder company, is recognised as South Africa's 'green' bank and has a well-established reputation for its commitment to environmental sustainability. As a Group company, we too are no strangers to the value that green credentials bring. We have been recycling for many years across all our offices and this year have focused strongly on reducing the amount of paper we produce, both in the course of our day-to-day work and for client reporting.

A number of paper-saving initiatives have been set up in our client services department which could simplify your own financial paperwork. For instance, did you know that if you have access to view your Focus account online, you can opt out of receiving paper copies of your valuations and statements completely?

Our online account facility enables you to view both current and historic valuations, so there is no need to leaf through files of back copies.

By opting out, you will no longer receive:

- any credit and foreign exchange advices
- deposit confirmations
- bank statements
- Visa statements
- contract notes.

For Reserve accountholders, reports will automatically be suppressed if you have internet access.

If paper copies are ever required, any of your historical transactions can be simply printed off from the online service.

If you are not yet registered for our internet service, why not sign up now for easy viewing of your accounts wherever you are in the world? Our online service provides real-time access so all banking and investment transactions can be seen as they are processed. Not only can you use this service in total confidence, but you will no longer have to wait for your monthly valuation to arrive by

post. International mid-market stock prices of your holdings on the world's major trading exchanges are updated daily, where available.

Our client services team can also confirm interest amounts for tax return purposes by email or over the telephone within minutes, and without the need to issue a certificate. Certificates are not required by the majority of tax authorities and so you have the added convenience of not having to wait for confirmation by post.

To view a demonstration of our online service, log onto [www.fairbairnpb.com](http://www.fairbairnpb.com) and click the "Online Demo".

To enquire about setting up internet access to your account and simplifying your own paperwork, you can either download a short application form from our website at [www.fairbairnpb.com/information-and-literature/download-literature.aspx](http://www.fairbairnpb.com/information-and-literature/download-literature.aspx) or call us on +44 (0) 1624 645000 and we will send a form to you.



The first three bankers to set the bar. Pictured left to right: Rebecca Laforey, Beckie Williams and Allie Kirk

## Top of the class

Seven of our relationship managers have recently achieved outstanding results in the Level 6 Chartered Institute of Securities and Investment Private Client Investment Advice and Management (PCIAM) qualification. Beckie Williams was awarded a distinction, while Rebecca Laforey, Allie Kirk and Harry Pickard achieved merits in their results. Alex Jeffries, Carlo Lourenco and Lucy Connick all passed.

By achieving level 6 status, our staff have gained qualifications that are substantially higher than the standard normally required to give investment advice. The UK's Financial Services Authority (FSA) Retail Distribution Review (RDR) has specified that by the end

of 2012 any person who provides investment advice should obtain the minimum standard of an Ofqual\* approved level 4 qualification. Although RDR currently only applies in the UK, all of our private banking staff are in the process of achieving a minimum level 6 qualification. It is anticipated these regulatory changes will be introduced in Jersey by January 2014 and the Isle of Man will soon follow, so we are getting ahead of the game as we believe our clients can only benefit from this approach.

The PCIAM examination is a demanding assessment with a broad syllabus: requiring detailed knowledge of investment principles and risk, taxation, financial planning, and

regulation and ethics. Candidates' knowledge is tested by analysing case studies, writing reports and explaining techniques and terms.

Achieving this qualification demonstrates a clear ability to identify clients' investment needs and provide appropriate solutions, as the exam reflects situations and issues that practitioners will encounter in practice.

\*Office of Qualifications and Examinations Regulation. Ofqual is responsible for maintaining standards, improving confidence and examinations. It regulates general and vocational qualifications in England and vocational qualifications in Northern Ireland.

**For further information** please contact our client services team on **0800 289 936** or visit **www.fairbairnpb.com**

The value of your investments and income from them can fall as well as rise and you may not get back the original amount invested. Exchange rate changes may affect the value of investments. Past performance is not necessarily a guide to future performance.

The opinions in Reflections are those held by the authors at the time of printing. All data herein is sourced from local exchanges via Reuters, Bloomberg and other vendors. The information herein has been obtained from public sources believed to be reliable. Fairbairn Private Bank makes no representation as to the accuracy or completeness of such information. Should you no longer wish to receive this publication or any information about Fairbairn Private Bank's products and services, please advise us in writing. Also, should you no longer wish to receive information about our group companies' products and services, please advise us in writing.

**Fairbairn Private Bank (IOM) Limited** St Mary's Court 20 Hill Street Douglas Isle of Man IM1 1EU Tel +44 (0)1624 645000

**Fairbairn Private Bank Limited** Fairbairn House 31 The Esplanade St Helier Jersey JE1 1FB Tel +44 (0)1534 887889

**Fairbairn Private Bank** Old Mutual Place 2 Lambeth Hill London EC4V 4GG Tel +44 (0) 207 002 3600

Fairbairn Private Bank is a registered trade name of Fairbairn Private Bank (IOM) Limited and Fairbairn Private Bank Limited.

The parent of Fairbairn Private Bank is Nedbank Group Limited, which is incorporated in South Africa and is regulated by the South African Reserve Bank. The ultimate parent of Fairbairn Private Bank is Old Mutual plc, which is incorporated in England and Wales and regulated by the UK Financial Services Authority. Fairbairn Private Bank places limited funds with other parts of its group and thus its financial standing is linked to, albeit not wholly dependent upon, that of the group. Fairbairn Private Bank has its own independent credit rating from the international credit rating agency, Moody's. Depositors may wish to form their own view of the financial standing of Fairbairn Private Bank and the group based on publicly available information. The latest report and accounts, and details of the credit rating are available at [www.fairbairnpb.com](http://www.fairbairnpb.com)

Fairbairn Private Bank (IOM) Limited is licensed by the Isle of Man Financial Supervision Commission. Registered office: St Mary's Court 20 Hill Street Douglas Isle of Man.

The London office is authorised and regulated in the UK by the Financial Services Authority.

Fairbairn Private Bank Limited is regulated by the Jersey Financial Services Commission. Registered office: Fairbairn House 31 The Esplanade St Helier Jersey. Latest audited accounts are available on request.

Authorised and regulated in the UK by the Financial Services Authority in respect of regulated mortgage contracts only.

UK Financial Services Authority registration numbers:

Fairbairn Private Bank (IOM) Limited 313189

Fairbairn Private Bank Limited 313187

South African representative office established in terms of Section 34 of the Banks Act 94 of 1990.

Deposits with Fairbairn Private Bank (IOM) Limited in the Isle of Man are covered by the Isle of Man Depositors' Compensation Scheme as set out in the Depositors' Compensation Scheme Regulations 2010. For full details of the scheme, please refer to [www.fsc.gov.im](http://www.fsc.gov.im).

Fairbairn Private Bank Limited is a participant in the Jersey Banking Depositor Compensation Scheme. Full details of the Scheme and banking groups covered are available at [www.gov.je/dcs](http://www.gov.je/dcs).

Fairbairn Private Bank is a member of the UK Financial Services Compensation Scheme established under the Financial Services and Markets Act 2000. More information can be found at [www.fscs.org.uk](http://www.fscs.org.uk)

For further information, please complete your details, tick the appropriate boxes and either fax this to +44 (0) 1624 627218 or send to: Client Services Team Fairbairn Private Bank St Mary's Court 20 Hill St Douglas Isle of Man IM1 1EU.

Title \_\_\_\_\_

Surname \_\_\_\_\_

Forename(s) \_\_\_\_\_

Address for correspondence \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone number \_\_\_\_\_

\_\_\_\_\_

Email address (if applicable) \_\_\_\_\_

\_\_\_\_\_

Your account number with us (if applicable) \_\_\_\_\_

\_\_\_\_\_

I would like further information on the following Fairbairn Private Bank services:

- Accumulation account
- Gold status Visa card
- Fixed term deposit service
- Foreign exchange service
- Structured deposit service
- Lending
- Focus – integrated banking and investment service
- Self-managed pension
- Insurance bond wrapper
- Old Mutual funds
- Discretionary investment management service
- Alternative investments
- Discretionary – bespoke portfolio
- Trust and corporate services
- SIPPs
- Corporate Bonds
- Foundations
- Via email     Via post

Please complete overleaf for further information on any of the Fairbairn Private Bank services.