HURST

FINANCIAL CONSULTANCY

INDEPENDENT FINANCIAL ADVISERS

Investments & Pensions

Mortgages & Insurance

Market Turmoil
Interim Investment Review

~ STRAIGHTFORWARD ADVICE..... IN BLACK AND WHITE ~

About Hurst Financial Consultancy

Hurst Financial Consultancy was founded in 1997 by the Managing Director, Michael Hurst. The company has operated successfully in Salisbury from inception serving clients locally, nationally and internationally.

The company focus has always been on excellence.

We have also developed a strong focus on state of the art information technology being aware of its significant value in not only collating data, but managing the performance of investments. We have our own in-house IT department and use its services constantly to develop the service that we give to our clients to ensure it is always "leading edge".

As Independent Financial Advisers we have access to the full range of products and services available in the UK as opposed to a Tied Agent or Company Representative who may only advise and offer products from the company they represent. This means that we are able to give you impartial advice and recommend the most appropriate products for you, so that you will enjoy choice, value for money and our high-quality service.

The last 2 weeks in the investment markets have been unprecedented. The rescue of the two US mortgage companies seemed to herald some optimism; however this news has been overshadowed by the collapse of Lehman Brothers, the take over of Merril Lynch and the bail out of AIG. The UK market has also had to deal with the issue of the collapse in confidence in HBOS which has lead to the likely Lloyds takeover.

Stock Markets abhor uncertainty and many dealers opt to sell their assets and place them in Gilt style investments until they see stability or the signs of certainty returning. This is what is happenning now; there is a mass sell off of shares, particularly in financial companies, and this is causing the major stock market indexes to have their headline falls.

The choices available to the everyday investor like ourselves are to sell, transfer the holdings to different funds or wait.

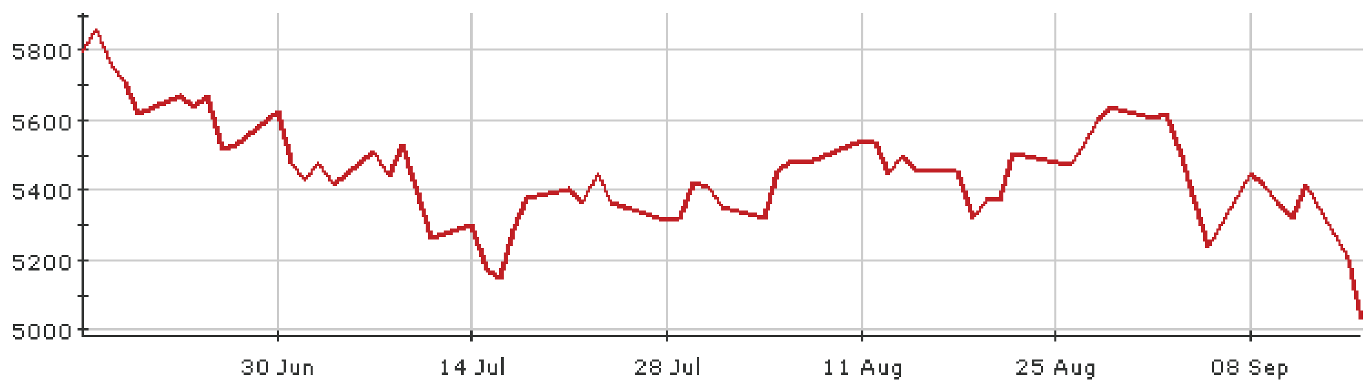
Selling will obviously remove an investment from any exposure to further losses but will realise an irredeemable investment loss at the point of sale.

Transferring the funds to different holdings is potentially risky. Firstly very few asset classes are showing any returns. In recent weeks equities, fixed interest and commodities have been under unusual pressure, commercial property is neutral and so due to the effects of inflation is cash. The best performing asset class of late has been Gilts. Secondly when the environment is so volatile switching between asset classes can expose an investment to potential big losses as timing is very important and is almost impossible to call correctly.

This leaves waiting and doing nothing. This has the disadvantage of exposing the investment to further falls. The key reason to do this though would to be placed to take advantage of any market rises that may occur so that the investment would have a chance of returning to our desired levels.

My advice is to still wait. Past performance is not a guide to future performance but stock markets have experienced drops like this before and they have recovered. The key issue is time. It is generally accepted that investments go down as well as up and we are in the midst of a downturn and our hope is that the upturn is on the horizon. This latest raft of bad news may well bring lots of problems but very quickly so that a sharp but short correction is experienced. When upturns happen they can occur very quickly and not being in the right areas when this happens can mean missing out on some decent recovery.

At time of writing the UK FTSE 100 index is at 4912.40 and is therefore about 4.6% lower than it was in July. The chart below shows the FTSE 100 for the past three months. Given all of the terrible news that has come out this week this figure does not look as catastrophic as it might seem; the perception problem that we have is that it has dropped 12.5% in less than a month wiping out the August gains.



The below chart is Dow Jones Industrial Average over the last three months. Again it is evident that we are just below July values with all of August's gains being eroded. This graph does not take into account last nights fall and their index is currently at 10609 about 3% below July's low point.

As a firm we are constantly acquiring information via specialist TV, the internet and brochures and VERY LITTLE of what we read or see is predicting the end of the financial world. The analysts all agree that the US housing problem has caused this and when the extent of all its damage is known then financial institutions will be able to have the confidence to restart their normal trading with each other as it is the lack of trust in the assets of banks etc that it causing the finance industry to come to a halt and create this Credit Crunch.

I know that these are very worrying times. Please of course feel free to contact us if you have any questions relating to this. We will of course aim to keep you abreast of any changes as they occur.

HURST

FINANCIAL CONSULTANCY

INDEPENDENT FINANCIAL ADVISERS

Hurst Financial Consultancy Ltd
Cheviot House
71 Castle Street
Salisbury
Wiltshire
SP1 3SP

Tel.: 01722 411 411
Fax: 08704 329 575
eMail: hfc@unbiased-advice.co.uk
Web: www.unbiased-advice.co.uk