INVESTMENT TIMES
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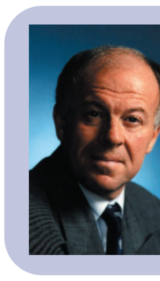

'We aim to provide the **Best Information**, the **Best Service**, and the **Best Discounts**'.

Peter K. Hargreaves

Hobson's Choice?

With stockmarkets in turmoil, property markets saturated, and life insurers under pressure, people thinking about their investments may feel they face Hobson's choice. However, one man's meat is another man's poison. Looked at another way, this could be the environment to create a golden age for active fund management.

The days when people hoped a roaring bull market would sweep them to investment success have evaporated and today, experience triumphs over hope. Fear is in the ascendant in the stockmarket, and this means that the good is marked down with the bad. This creates stock picking opportunities and special situations for the shrewdest fund managers to exploit. We believe that now could be the time to give more of your assets to the most experienced fund managers.

Do you remember how it felt at the top of the market back at the end of 1999? With hindsight, everybody will say that they felt the market was too high, but nobody could predict what the catalyst would be to burst the bubble. The possibility that it could continue its upward momentum kept most people onboard (one notable dissident voice during the technology boom was that of Neil Woodford, whose fund is featured on page 2). Today, investors know that the market is

low, but some fear it could go even lower, and this is now keeping investors away. However, once again, nobody can predict what the catalyst will be to restore the stockmarket's good fortunes.

Those with even longer memories may remember as far back as February 1975 when the market had been in the grips of the worst bear market in living memory. Then, suddenly the FT30 doubled in just six weeks. People who were not in the market missed it, and have never again been presented with such an opportunity.

In 1974, one feature of the downward spiral was life insurers selling equity holdings to maintain solvency. The situation today feels remarkably similar. Whereas in 1999 insurance companies invested £14.2 billion in the stockmarket, and £10.8 billion in 2000, the following year saw net withdrawals of £3.9 billion. Recent falls have forced the insurers to redeem even more equity investments to increase cash and fixed interest holdings and maintain the required level of free assets over liabilities. These sales into a falling market are adding to the current pressure, just as any buying back during a rally could magnify the rise (see our article on page 8) Interestingly, if my memory serves me well, I believe that the catalyst which turned the February 1975 rally into a rocket was the life insurers and institutions buying back into the market.*

Peter K Hargreaves, Chief Executive

No. There are still sensible options and routes to success.

So what are the choices for investors? The first thing we believe you should do is get all your investments in a manageable format so that you can actually see what you have got and make decisions easily. The headline stockmarket index, the FTSE 100 is largely made up of just four sectors - and 15 companies account for 60% of the index. Your investments may be holding up better than the headlines suggest. Our Vantage service enables you to hold all your PEPs and ISAs in one wrapper, with one consolidated valuation, with the very useful extra advantage that we recover part of the annual fund management charges for you, usually 0.25% a year.

Then, you can re-organise and modify your holdings so they are better poised to prosper in the current market. Check that they are not all taking the same bet, with too much in one sector of the market, with one fund manager, or on one investment style.

If you are feeling brave, (and fortune has historically favoured the brave) you could invest new money into the market. Alternatively, you could send us your ISA allowance and we will hold some, or all of it as cash (paying you a respectable rate of interest). If you see the market dipping further, this gives you the opportunity to make a timely investment by just picking up the phone with your instructions.

If you would like a dividend to hang your hat on, why not look at equity income funds. Today** there are 20 companies which yield more than 5% NET. For instance, you can get better dividends by investing in Lloyds TSB bank shares (the current yield is 5%, but it is variable) than you can obtain from any of their deposit accounts. Obviously, investing in a Lloyds TSB deposit account provides a capital guarantee, and the shares do not, the capital value could fall. On the other hand, if the market rallies, you could end up seeing some capital growth as well.

We hope that you find this issue of the Investment Times useful - we retain our commitment to keep talking to clients in difficult times as well as good times. We have highlighted a growth fund, and an equity income fund which we feel could flourish in this market. For the investor who does not want to make decisions about which sector of the market to invest in, and which fund manager to choose, we also highlight the HL Ultimate Managed Trust, which aims to identify some of the best fund managers in each sector to create a balanced portfolio.

**21 June 2002, source Bloomberg

*To try and confirm this point I rang an old stockbroking acquaintance to see if he could remember what kick-started the market in February 1975 Whilst his memory was no clearer than mine, one thing which he could remember was the prevailing joke at the time which summed up just how quiet stockmarkets were - Q 'Why don't stockbrokers look out of the window in the morning?' A. 'Because they would have nothing to do in the afternoon'. As an experienced veteran of the stockmarket has said only recently, "....the time to buy is when you're told you are mad to contemplate it. Moments of madness .... do not present themselves too often." It is up to you to decide whether this is one of them.

WOODFORD BACK ON TOP

With Neil Woodford recently agreeing to stay on as the manager of the Invesco Perpetual High Income Fund, we are now delighted to be able to take his fund off hold. It offers a good yield in addition to the potential for capital growth, all in all a very strong investment package

Turn to page 2 for more details

SCHRODERS' ALPHA BEATER

Schroders launches this new fund at what could prove a very good time, allowing the highly respected Richard Buxton to take advantage of the current level of the market -

Turn to page 3 for more details

HL'S ULTIMATE FUND?

As a fund of funds the HL Ultimate Managed Trust offers access to some of the UK's leading fund managers through a single investment. Selected and managed by HL Fund Manager, to provide a balanced portfolio using some of the best fund managers in each sector -

Turn to page 5 for more details

SHARE EXCHANGE - £10 FLAT RATE PER HOLDING

Through our sister company Hargreaves Lansdown Stockbrokers, we are offering the opportunity to use the sale proceeds from existing share holdings to invest in any of the funds featured in this issue of the Investment Times on the application forms enclosed.

NEW SHARE OFFER

Investec, the parent company of Investec Asset Management, has just announced that it will seek a listing on the UK stock market in the next few weeks. Following on from the successful flotation of William Hill, this is the next new issue off the blocks -

Turn to page 4 for more details

JUPITER TRANSFER

At last, you can now transfer your Jupiter funds into the Vantage as stock and earn loyalty bonuses of up to 0.25% on the funds you already hold. What's more, do so before 22nd July and we will pay the £25 transfer fee*. We have also reviewed 17 of their most popular funds -

*Turn to page 6 for further information

PLEASE READ THE IMPORTANT INVESTMENT NOTES ON PAGE 16.

HOW TO CONTACT US

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