

## *The Growth of Inter Alliance WorldNet*



From humble beginnings in the early 1990s, IAW has enjoyed enormous success, in particular over the last few years. IAW now has approaching 90 IFA businesses operating under its umbrella, countries covered either as IAW or IAWIAA, (the regulated company within EU) is as follows: France Belgium Spain Portugal, Germany Netherlands, Cyprus, Hungary, UK, Austria Czech Republic, Poland, Switzerland, Malta, Gibraltar, Libya, Kazakhstan Baku, Russia, China, Hong Kong, Japan, Thailand, Indonesia, Malaysia Singapore, Australia, USA, Kenya, Botswana, Zaire, Uganda, South Africa, UAE, Caribbean, Kuwait, Egypt, Bahrain.

The critical mass that we produce has enabled IAW to work with many of the most prestigious names in the investment world to create bespoke exclusive offerings.

IFAs who are Members of IAW enjoy unrivalled support, enabling them to better service the needs of the clients, and provide extremely competitive products which are not available to non IAW Members.

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## *Quantitative Easing*

Oh, yes, now we have all heard the expression at regular intervals across new Bulletins, and even in the recent West Indies English cricket match.

So what is Quantitative Easing?

Will it solve all our problems, or are we headed the way of Zimbabwe and pre-WW2 Germany?

Sadly, the methodology is not - as some suggested - dropping an extra £20,000 or so each into everyone's pension payments or pay packets, as attractive as that may sound to us.

Who knows? If the QE does not work, perhaps Mr. Darling will try it!

QE is simply a further methodology to try to encourage the banks to release their tight grip on money and start lending. Clearly, one of the first methods the government employed to encourage lending - the small loan guarantee scheme, whereby the government underwrites loans to small business - is not working. The banks seemingly wishing to take every bit of security it can lay its hands on, from the borrower, plus the governments guarantees as well!

Crucial to getting the economy moving again is to get the banks lending again. In the banks defence, they have not been lending to each other. Now the government wants them to lend to the public.

Thus, the government - in the form of The Bank of England - is going on a shopping spree, and intends on spending close to £200 billion on buying assets from the banks. This will, it's hoped, give the impetus to the banks to free up capital and start lending again.

Will it work? Time will tell.

To our mind, at the end of the day, the borrowers will still have to jump through hoops to get a bank to agree to lend. The bankers, seemingly, taking the view of handing out umbrellas to all and sundry when it's sunny, and - the moment the sky clouds over, just when we may need our umbrellas - they want them back. The biggest fear with QE is raging inflation moving forward, as seen in Germany and Zimbabwe. However, the likelihood of that in the short term is very slim.

What seems to have started this crisis - the banks - have the ability to help alleviate the situation. It is a question as to whether they will.

Our thoughts are that, as the government in many cases is the majority shareholder in these institutions, that perhaps they should be making sure they do.

## *Structured Investments*

Over the past eighteen months or so we have provided investors with a vast range of Structured Products. Indeed our latest from Morgan Stanley, offering a 15% coupon is detailed in this newsletter.

A few investors have remarked, "It's too good to be true", or "How can they possibly do this in the current market", so we thought it would be prudent to explain - broadly - how these products are arranged.

A Structured Product is generally a pre-packaged investment, based upon a derivative. This will be an equity, a basket of securities, a debt, a commodity, or perhaps a stock market index or a combination of stock market indices.

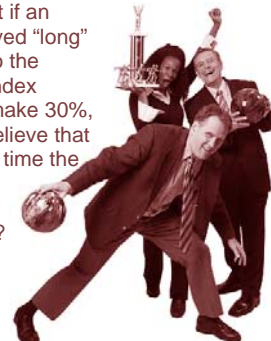
A Structured Product will generally offer some form of capital guarantee. For example, a Client may invest 100p into a five-year structure, and the structure will provide a 100% capital guarantee. The purchase of the guarantee may cost perhaps 80p, thus it will leave the issuer with 20p to buy a derivative based upon the underlying asset, to provide the additional return.

As with the new Morgan Stanley note you will see that it does not offer a 100% capital guarantee. Rather, provided the indices do not fall by more than 50% from the opening level, it will provide a minimum of 110% of the investment. By arranging the guarantee in this form, this enables us to secure a much higher coupon. Thus in this instance, the coupon payable is a handsome 15% per annum. Therefore if it calls after two years, the Client will receive back his initial investment, plus 30% growth, after three years 45% growth plus return of original capital, and so on.

Our philosophy on these types of investments is simple. Number one, we believe that it is highly unlikely that any index will fall by 50% from the current low levels. Bear in mind that, as an example, the FTSE 100 stood at 6700 in October 2007, and now is trading at around 3800. Thus, the index would need to fall to about 1800.00 to breach the 50% barrier.

The coupon offered on the new structure is 15% per annum. So, if it calls in two years time, the return to the investor is 30%. Do we think that if an investor stayed "long" invested into the FTSE 100 index they could make 30%, i.e. do we believe that in two years time the FTSE will be back to almost 5000?

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## Absolute Returns for Uncertain Times



### The Rudolf Wolff Global Strategies Fund

The name Rudolf Wolff will be familiar to many financial intermediaries, along with its association with innovation stretching back to the 1850s, when Rudolf Wolff founded the London Metals Exchange – a tradition that continued into recent times when the name became synonymous with major developments in the alternative investment arena in the 1980s.

Now the brand has been re-launched by former members of the Rudolf Wolff team and members of the Wolff family, with the launch of another innovative product. The Rudolf Wolff Global Strategies Fund seeks returns significantly above interest rates (independently of market direction) whilst using judicious hedges and portfolio construction to limit investor exposure to market volatility.

The Fund's "absolute returns" are underpinned by the portfolio managers' analysis of business and commerce. Rudolf Wolff seeks out "good enterprises doing well" and positive changes in the macro-economy, and then separates these intended fundamental opportunities from those volatile characteristics of financial markets that so often frustrate investors, focusing on the desired sources of return by mitigating the undesired sources of risk.

In other words, rather than chasing 'fad funds' and risking the routine 'fire sale' that can follow, Global Strategies aims to unlock a spread of intrinsic return opportunities as they occur in enterprise and commerce, and extracts these through hedging and risk management.

As the portfolio manager, Richard Cross explains: "Our key innovation is to bring the best of mainstream securities portfolio management to the best absolute return strategies. Investing largely in funds and concentrating on the more liquid, established

markets, ours is a forward-looking portfolio approach, distinguished from the retrospective bias of everyday fund-picking."

Despite the difficult economic climate globally, Richard believes that there are two factors that provide a productive investment climate for the Fund: plenty of good businesses, and constructive changes in the global economy.

"While, over the past six months or so, investors globally have gone into 'shock' and output has shrunk," he says, "neither the economy nor capital has disappeared – except to the extent marred by excess borrowing. Indeed, rewards for investment in macro-economic change and good businesses improve the more markets are driven by 'value-investing' and the less they exhibit 'bubble and bust' behaviour. With more dispersed investment valuations – and with market recognition of performance of individual enterprises and of other economic projects on fundamental merit rather than by an overall market trend – we are finding that opportunity is plentiful."

CEO Howard Colvin sees another significant advantage of the Fund in the portfolio managers' experience. While Global Strategies' "style" approach, which seeks a less than 15% rate of sensitivity to any market declines, makes the Fund an attractive proposition for these testing times, the team's original methods have been applied with consistent success since the 1980s, covering many different market configurations.

Rudolf Wolff's track record and innovative style is complimented by its performance-based and unusually transparent fee measure. It pays for the Fund's operational expenses from its own pocket, rather than deducting them from its investors' returns, giving the Fund a very low Total Expense Ratio (TER).

Contact: Howard Colvin by telephone on +44 207 903 3952; by fax on +44 207 903 3099; or by email at: [hcolvin@rudolfwolff.com](mailto:hcolvin@rudolfwolff.com).

## By Popular Demand

We continue to see the demand for guaranteed and protected funds, and are delighted to provide some additional offerings. Whilst individual offerings may attract the eye, we continue on our recommendation of diversification, and spreading risks, by investing across a range of these types of funds.

It is worth noting that many of these funds are exclusive and we are only able to offer them due to the "critical mass" we can achieve as IAW. With approaching 90 offices across the world, and well in excess of 300 Advisors, IAW is able

to create funds that match the needs of the investors today. Plus, the added advantage of our strong purchasing power direct from institutions, we are able to provide the most competitive products for our Clients across the world.

For more information on any of the funds, or indeed any information you may need, please feel free to contact us.

To find out whether any of these funds may be suitable for your portfolio, please contact us without delay.

Maybe. But an investor would have to ride out this period, with no protection on the downside at all. Plus, in order for the coupon to be paid within the Morgan Stanley investment, all that needs to happen is that the FTSE 100 and the S&P 500 has to be just one point higher.

It's all about risk and reward and, in our mind, this investment - and others like it - offer the best opportunity for growth, along with some downside protection.

*New offer from*

**Morgan Stanley**

### 15% Growth per annum

Following on from the fantastic response received for the Morgan Stanley 17% note, we are delighted to announce that we have arranged with Morgan Stanley to issue a new version of the note launching on Monday 30<sup>th</sup> March 2009. We are particularly pleased to confirm that even following the recent significant rally in the markets, Morgan Stanley have committed to deliver the new product with a massively competitive 15% growth per annum. Please note all returns are quoted net to the client.

To make this product an even greater success, we have managed to increase the offer period from three weeks to a full calendar month in this instance. It will therefore be available through to 30<sup>th</sup> April 2009.

### Key terms:

- 15% coupon p.a paid after 2 years if indexes are above starting levels, with early maturity
- If not above starting levels, product rolls to years, 3, 4 and then 5. Paying an additional 15% p.a and early maturity at each anniversary
- 50% protection barrier
- 5 Year maturity with minimum 10% bonus if 50% protection barrier not breached at maturity
- Available in GBP and US\$
- Investment linked to S&P 500 and FTSE 100 Indices





# IVEAGH

PRIVATE INVESTMENT HOUSE

Global financial markets are in the midst of events unseen since the Great Depression of the 1930's. Economic indicators point not only to a shocking slowdown in growth across every region in the world, but also to deflationary headwinds that threaten to exacerbate the crisis.

Unlike in the 1930's, however, we have entered this crisis with an unprecedented debt mountain. In the US, overall debt reached an all time peak of just under 350% of GDP last year. This was up from just 160% in 1980 and compares with a figure of 180% during the 1930's and 300% at the height of the Second World War. Furthermore, the aggregate debt of the financial sector in the US rose from 22% of GDP in 1981 to 117% by last year. In the UK, gross debt of the financial sector stood at 250% of GDP last year.

The awful truth facing policy makers is that there may only be two ways of dealing with the debt that is crippling their economic system: defaulting/restructuring that debt or inflating one's way out of it.

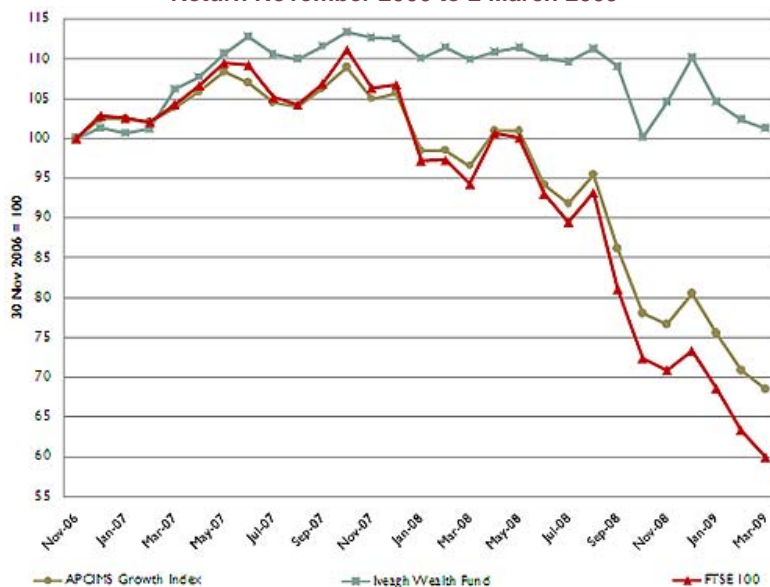
Of course, governments may well end up being adroit enough to administer the right dose of medicine that in turn leads to recovery without too high a level of inflation and that averts slump and deflation. This is a possibility but only one of several plausible scenarios.

Investors, therefore currently face two opposite forces with radically different implications with regards to how to best allocate their portfolios. If the path of default/restructuring were to be followed, it would lead to severe deflation and one asset class would stand out to protect them in this environment: government bonds. On the other hand, if government policies lead to high inflation (7% or above) real assets and in particular precious metals would perform best. Finally, if governments succeed in generating growth with low inflation, equities and corporate bonds would be the choice assets.

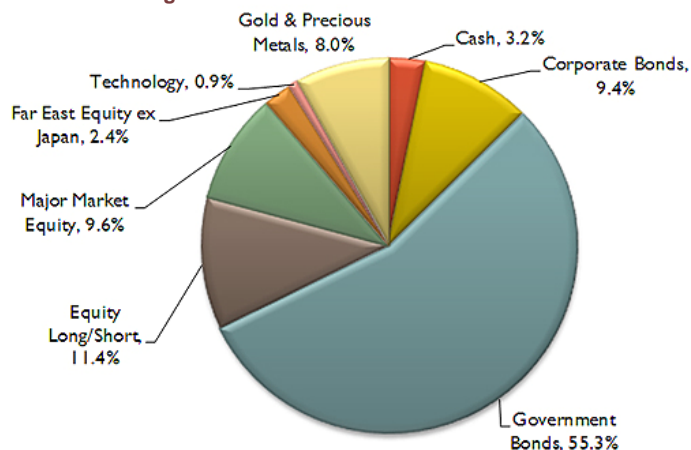
This type of investment environment increases the attraction of funds that use flexible asset allocation techniques such as the Iveagh Wealth Fund.

The Iveagh Wealth Fund is managed with reference to a base case asset allocation, designed for "normal" economic conditions. Critically, however, it has the flexibility to deviate significantly from this base case, as market conditions dictate. The Iveagh Wealth Fund will at times be heavily under-exposed to asset classes that are likely to fall significantly in value and be over-weight those that are likely to appreciate.

Iveagh Wealth Fund Comparative Performance  
Return November 2006 to 2 March 2009



Iveagh Wealth Fund Current Asset Allocation



This is achieved through a thorough process that includes forward looking econometric models that forecast the business cycle three months ahead, as well as other factors that influence markets at various stages of the cycle – such as trends in house prices, unemployment and credit conditions right now. These sets of models are "proprietary" tools that differentiate Iveagh's process and have been developed and utilized for over two decades. The Iveagh investment committee also monitors both top down and bottom up inputs provided by well known and experienced specialist fund managers, valuation matrices for all the asset classes that the Fund invests in as well technical indicators with an emphasis on those that depict cyclical trend changes as well as major inflection points within cycles.

The inputs that the managers follow and which were described above are displaying the tug-of-war between the forces of deflation and government action to counter this, but as of yet do not give an indication of which is gaining the upper hand. In response to this, the managers are currently following a cautious path, with portfolio risk at its lowest level so far, but believe that during the year a trend will emerge in one of the major asset classes they invest in that will allow for positive returns to be made.