



Lexington Times -Winter edition

Lexington Times welcome

Inside This Issue

- 1 Welcome
- 2 At home...The Year That Was
- 3 Globally
- 4 Market Ups and Downs
- 5 ISA rule change
- 6 Fellowship and Chartered
- 7 Diary for 2008

Welcome to the first edition of the Lexington Times. It is our intention in creating this Newsletter, not to take on Fleet Street, but to provide you, our clients, with regular information on what's happening in the Financial World.

We are writing this to show you that we genuinely care about your Financial and Lifestyle matters and we hope that this newsletter will help maintain a high standard of useful communication with the people that matter to us.

We are aiming to write the newsletter quarterly, but, would rather say we will write when we have something useful to say!

We will keep the introduction short as there are plenty of topics for us to discuss this quarter.

As this coincides with the close of 2007, we would like to extend our thanks for your support either in being clients of Lexington Wealth Management, or for taking the time to read our views.

Over the last three months, over 80% of our new clients were referred to us by existing clients and professional connections. We would like to take this opportunity to thank all of those clients and contacts who have helped us in this way.

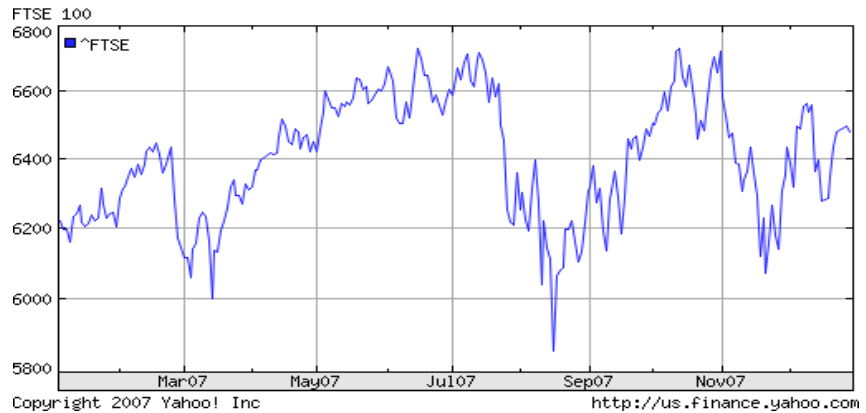
We hope you enjoy this newsletter. Any Articles or updates you'd like to read about, please let our office know. We really appreciate your feedback

We wish you all an enjoyable festive season and a Happy & Successful 2008.

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At home ... The year that was?

2007 was a year of two halves in the investment market, with many events changing in July. After only six months, the FTSE All-Share was up 6.5% and was looking to be a promising year, however, after hitting a high of 6754 in June and retesting these highs again in October the broader market looks as though it will finish the year just 4.5% up.



'The chance of investing at the right time is so slim that it is not worth trying.'

I know for some of you, an initial reaction would be that 'I could have done better in the building society', therefore I thought the following piece of research would be interesting.

The table below, compiled from data provided by Dimensional Fund Advisors, shows the performance of the FTSE All-Share Index between January 1986 and December 2006. This compares the overall compounded annual return if an investor keeps his funds permanently invested, and what happens when certain periods of time are missed. For comparison purposes, short and long bond returns are included.

The message is that it is very easy to get it wrong.

Market timing	Compound annual returns
Fully Invested	11.74%
Missed 1 Best day	11.44%
Missed 5 Best single days	10.40%
Missed 15 Best single days	8.37%
Missed 25 Best single days	6.72%
UK One-Month T-Bill	7.53%
Long-Term Govt. Bonds	9.15%

Source: Dimensional Fund Advisors

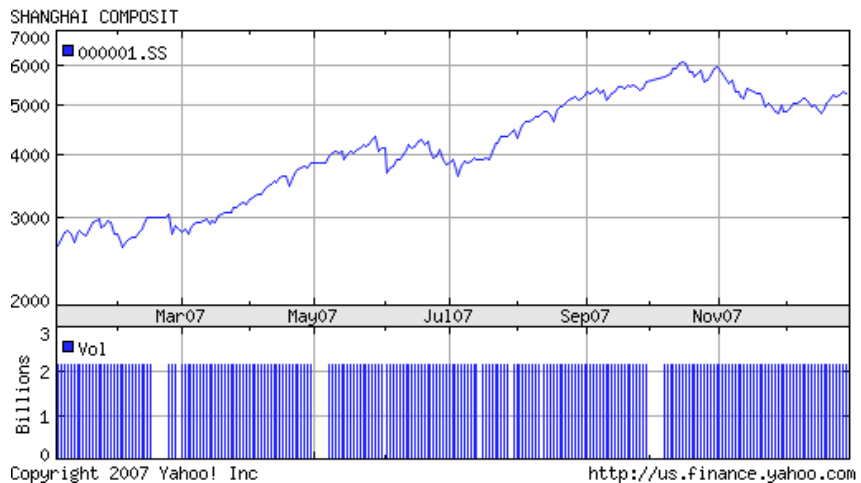
It is striking to note that if the fifteen best days were missed in the All-Share in the period 1986-2006, then investment returns would have been reduced by almost 29% and if the 25 best days were missed then the returns would have been lower than one month T-bills. The chance of investing at the right time is so slim that it is not worth trying.

Globally

The fortunes of the global stock markets shot in a dramatically different direction this year as sub-prime collapsed and commodities soared, leading to a major shift in economic power.

Year end figures show China, India and Brazil soaring ahead, while Ireland, Brussels and New Zealand rank among the worst exchanges.

The Chinese Dragon reared up its head giving an impressive 107% return.



*'emerging economies
will continue to lead the
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A cheap Yuan continues to fuel export growth but demand is revving up at home as the Chinese population gets richer, boosting retailers and consumer goods companies. The local demand for shares is also growing and everyone wants a piece of the action.

With the Olympics being held in China in 2008, there seems to be no let up in the growth, at least for 2008.

Brazil, where the government has improved the management of its own economy, implementing strict fiscal prudence, while enjoying a major boom in commodities prices. Its exchange rose by 50% in 2008.

Bombay or is it Mumbai?, meanwhile, rose by a similar amount driven by foreign investors enthusiasm for India's economic growth which has averaged over 9% during the last 3 years.

It is the general view that the emerging economies will continue to lead the world markets well into 2008 with UK, America and Europe giving positive, but much lower returns.

Market ups...and downs

We recommend a buy and hold strategy. This provides us with the market return, and also ensures that trading commissions are significantly reduced and taxes can be reduced or deferred by buying and selling less often and holding longer. Where practical, it also makes sense to spread lump sum investments over a number of stages at monthly, quarterly or even longer intervals to reduce market timing risk.

Following on from this, history shows that momentary market downturns have a history of correcting themselves. Here are some examples:

We recommend a buy and hold strategy.

The Crash of January 1973- December 1974

Portfolio	Compound annual returns
100% Equity	Equity -29.5%
60% Equity, 40% Bond	-13.3%
100% Bond	10.6%

Next 2 Years January 1975- December 1976

Portfolio	Compound annual returns
100%	56.0%
60% Equity, 40% Bond	39.1%
100% Bond	11.2%

Here's what happened in 1987, the year of Black Monday:

January 1987- December 1987

Portfolio	Compound annual returns
100% Equity	-0.7%
60% Equity, 40% Bond	3.7%
100% Bond	9.9%

Next 2 Years January 1988- December 1989

Portfolio	Compound annual returns
100% Equity	27.4%
60% Equity, 40% Bond	21.5%
100% Bond	12.6%

Market ups...and downs continued

The Technology bubble

January 2000 – December 2002

Portfolio	Compound annual returns
100% Equity	-15.4%
60% Equity, 40% Bond	7.2%
100% Bond	5%

Next 2 Years January 2003- December 2004

Portfolio	Compound annual returns
100% Equity	15.2%
60% Equity, 40% Bond	10.8%
100% Bond	4.1%

Equity is 50% FTSE All-Share and 50% MSCI World ex UK Index (gross dividends). Fixed Income is UK One Month Treasury Bills. Source: Dimensional Fund Advisors

We hope that this demonstrates that investors should resist the temptation of trying to time markets when investing new monies or withdrawing existing investments.

Please contact us if you have any questions at all.

ISA rule change

As many of our readers will know, ISA rules are changing from 6 April 2008.

We thought it would be useful to summarise our interpretation of these. From April 2008 the annual ISA allowance will rise to £7,200. This is hardly generous as in real terms, ISA limits have been steadily decreasing since 1999.

Up to 50% of that allowance can be saved in cash with one provider. The remainder can be invested in stocks and shares with either the same or a different provider.

ISA savers will be able to invest in two separate ISAs each tax year, namely a cash ISA and a stocks and shares ISA.

The concept of "Mini" and "Maxi" ISAs will no longer exist. Mini cash ISAs, TESSA-only ISAs (TOISAs) and the cash component of a Maxi ISA will automatically become cash ISAs.

In addition, Mini stocks and shares ISAs and the stocks and shares part of a Maxi ISA will automatically become stocks and shares ISAs.

All Personal Equity Plans (PEPs) will automatically become stocks and shares ISAs although from conversations we have had with some investment companies, these may still be segregated on their reporting systems.

Most of this simplification sounds positive. However, you should be aware that whilst ISA savers will be able to transfer money saved in their cash ISA to their stocks and shares ISA, they won't be able to transfer from their stocks and shares ISA to their cash ISA.

The concept of Mini and Maxi ISAs will no longer exist.

ISA rule change continued

Also, under current rules, an ISA manager must deduct a flat rate 20% charge and pay it to HM Revenue & Customs in respect of any interest received within a Maxi stocks and shares ISA relating to uninvested cash.

This rule has always applied to stocks and shares ISAs and from April 2008 will apply to interest earned on uninvested cash formerly held in PEPs.

Fellowship and Chartered Status

Similar to Accountants, Financial Planners have two professional bodies. The largest, The Chartered Insurance Institute's Personal Finance Society and the Institute of Financial Planning.

The Chartered Insurance Institute (CII) secured agreement from the Privy Council to established Chartered Financial Planner status for advisers at the beginning of 2006 and we understand that just under 1000 individuals have now achieved this status. We hope this number should increase significantly over the coming years.

To call themselves Chartered Financial Planners, the individual must pass a number of exams which would include, Taxation, Trusts, Investment planning and Pension at a standard similar to that of a Bachelors degree and the Chartered Accountancy exams....it sounds like fun, doesn't it!

Many of you are aware that our own Warren Shute has achieved the Chartered Financial Planner accreditation, but you may not realise that he is also a Fellow of the Personal Finance Society, one of only 150 in the country.

We believe that, alongside the Certified Financial Planner title from the Institute of Financial Planning, which he has held for a number of years, this development will help create an upper echelon of planners and this will help place financial planners on a par with other professional practices, such as Accountants and Solicitors, it is a designation that many Advisers will strive to achieve over the course of time.

If you have any questions at all on the Chartered Financial Planner or Certified Financial Planner designations, please do not hesitate to contact us.



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Please note

Notes: Levels, bases of, and reliefs from taxation are subject to change. Past performance is not a guide to future performance and the value of investments can go down as well as up. Tax Planning is not regulated by the FSA. We have taken great care to ensure the accuracy of this newsletter. However, it is written in general terms and you are strongly recommended to seek specific advice before taking any action on the information it contains. No responsibility can be taken for any loss arising from action taken or refrained from on the basis of this publication.

Diary for 2008

World Bank Global Economic Prospect report published	Jan 8	Bill Gates ends day-to-day running of Microsoft. Remains	July
World Economics forum	Jan 23	Chairman	
Sentencing hearing for "NatWest 3"	Feb 22	Annual G8 Summit. Expected to focus on Global Warming	July 7
Competition Commission is expected to publish		29th Olympic games Beijing	Aug 8
its full report into the UK grocery market	March		
Forbes World Billionaires List launched	March	13th Paralympics Beijing	Sept 6
FTSE index quarterly review takes place	Mar 12	FTSE index quarterly review takes place	Sept 10
UK Budget Statement from the Chancellor expected	Mar 17		
Easter Sunday	Mar 23	Annual meeting of the World Bank Group &	
Heathrow's Terminal 5 is expected to open	Mar 27	International Monetary Fund	Oct 11
Main rate of corporation Tax cut from 30p to 28p,		Nationwide Housing Market Forecast Published	Nov14
smaller companies rate rises to 21p. 22p from 2009/10	April 1	Thanks Giving	Nov27
Capital allowances for Plant & Machinery investment is			
cut from 25% to 20%	April 1	Christmas Day	Dec25
European commission to rule on Google's takeover of online			
advertising firm DoubleClick	April12		
FTSE index quarterly review takes place	June11		