

BARRATT & COOKE

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	<u>1/1/97</u>	<u>1/1/98</u>	<u>1/1/99</u>	<u>1/1/00</u>	<u>1/1/01</u>	<u>1/1/02</u>	<u>1/1/03</u>	<u>1/1/04</u>	<u>5/4/04</u>	<u>5/10/04</u>	<u>1/1/05</u>	<u>5/4/05</u>
FTSE 100	4118	5136	5882	6930	6222	5217	3940	4477	4481	4707	4814	4943
FTSE All Share	2014	2411	2674	3242	2983	2524	1894	2207	2240	2335	2411	2479
Dow Jones (US)	6448	7915	9181	11452	10786	10022	8342	10454	10558	10178	10783	10458
S&P 500 (US)	741	971	1229	1469	1320	1148	880	1112	1151	1134	1212	1181
Nikkei Dow (Japan)	19361	15256	13842	18934	13785	10543	8579	10677	11958	11282	11489	11774

<u>Reasonable Yield</u> <u>FTSE 100 Equities</u>	<u>Growth FTSE 100</u> <u>Equities</u>	<u>Stocks Outside</u> <u>FTSE 100</u>	<u>Companies</u> <u>With Local</u> <u>Connections</u>	<u>Overseas</u>
HSBC	BP	Aga Foodservice	GWR	Exxon Mobil
Barclays	Johnson Matthey	Forth Ports	Greene King	Procter & Gamble
National Grid Transco	Tesco	Halma	AB Ports	UBS
Legal & General Group	Royal Bank of Scot.	IMI		Johnson & Johnson
Rexam	Reed Elsevier	Carphone Warehouse		
BAA	Smith & Nephew	Quintain Estates & Dev.		
GlaxoSmithKline	GUS	Northgate Inf. Solutions		
Smiths Group	BHP Billiton	Marshalls		
Diageo	O ₂	Meggitt Group		
United Utilities		Cobham		
		Homeserve		
		Hammerson		

Enough is Enough

As I write this chronicle the world mourns the passing away of John Paul II 'the Great'. A truly great man (in the 'Mandela mould') from the most humble of beginnings, to having a profound effect on their countries and then on the world. This has been achieved by honesty, determination and compassion, which the world has respected and has loved.

I open with this paragraph because I hardly know if next week's news is worth mentioning. By the time you receive this Newsletter, Prince Charles and Camilla will be married and the General Election date announced, usually two earth shattering occasions within British history.

Even if nobody else is, I was thrilled at the announcement of the Royal Marriage and I just wish them every happiness, as far away from the cruel, twisted media as possible.

The General Election is another matter. There is no doubt that this is the longest, most boring General Election in history, which has already started with bribes to 'the blue rinse brigade', with Council Tax reductions to some, and 'the binge drinking brigade', with reductions in repayments of student loans to others.

I always state I am 'apolitical', which I believe I am, but for once in my life I shall stand on my soap box to shout out 'enough is enough'.

Some people can be conned all the time.

All the people can be conned some of the time.

But even Tony Blair cannot con all the people all the time.

Within the pendulums of politics, I was prepared to listen (not vote) to the dulcet tones of 'New Labour' - a nice chap being nice to everybody - how 'conned' I now feel.

How can a nation vote for a man:

- 1) Who took us to War on the statement of '45 minutes from using weapons of mass destruction'. Yet there were no weapons of mass destruction and he said the 45 minutes was both 'misinterpreted' and 'of insignificance'.
- 2) In his first budget he abandoned 'tax credits' from pension funds, having a dire effect on the sanctity of pensions years later.

He pretends to be the 'fairy godmother' to pensioners, but the devastating effect of the abolition of tax credits will come back to haunt him.

- 3) He tried to abolish the House of Lords, with no acceptable alternative.

And yet, having filled 'The Other House' with Tony's cronies, he sulks when they disagree on such momentous issues as 'the British Citizen is innocent until proven guilty'. Even the greatest 'Tony's crony' of all, Lord Irvine disagreed.

- 4) And perhaps the greatest con of all, or most appropriately named 'the three card trick' are the stated rates of inflation:

- a) RPI - The Retail Price Index

The rate we all understand and the rate that Index Linked Gilts are adjusted on.
RPI stands at 3.2%.

- b) RPIX

When RPI started to rise, the Government started to talk about the RPIX. This rate of inflation took out mortgage interest repayments (very significant to most households).
RPIX stands at 2.1%.

- c) CPI

When RPI and RPIX started to rise the Government brought in CPI 'the Consumer Price Index', which includes all the New Labour items such as:

Kiwi fruit, replica football team shirts, gardeners' fees, condoms, hamsters, golf green fees, horse racing admissions, champagne, and stockbrokers fees

(if you do not believe me, this list is available on the website www.statistics.gov.uk).

The Government now states inflation is 1.6%, when we all know it is really double that at 3.2%.

QED - my case is answered.

Though I am 'apolitical' there must be an alternative. I am afraid 'the Liberal party', 'UKIP', or 'The Greens' would be a disaster for Stockmarkets. There is therefore only one real alternative for Stockmarket investors to vote for and that is not Jamie Oliver (though I have no doubt he would win a percentage of the votes, except from the 'dinner ladies').

Some of these comments are bound to offend, which I do not mean to do, they are just my personal views as I build up for the publication of 'a history of our time through different eyes'. We must all have our own opinions, right or wrong, and my readers would have felt cheated without these comments, but remember I am a much better professional stockbroker than amateur political scribe.

It is easy to be a cynic, especially about politics, but it is much more important to be a realist and an optimist within the 'world of finance', and I now move on to 'the real world' with true optimism.

The UK Economy

If one believes everything Mr Brown says in his March budget, then the UK economy is moving along very nicely thank you, with:

CPI (inflation) 1.6% last year, 1.75% this year and 2% from 2006
GNP 'growth' to be 3%-3.5% this year and 2.5%-3% next year.
National debt at 34% of national income today.
35 Government agencies to be reduced to 9.

But to me the most significant economic factors are:

- a) Approximately three quarters of FTSE 100 companies reported results over the last 2 months; only six reduced profits and only one reduced its dividend.
- b) Dividends for UK companies rose by 16% in 2004 and this does not include huge share buy backs from such companies as BP (£4bn).
- c) Undervalued 'asset situation' companies are now being bid for by venture capitalists.

To me this is all a good sign for Equity markets, proving:

- a) Corporate profits are rising
- b) Corporate dividends are rising

and with:

- c) Medium dated Gilts only yielding 4.7%
- d) Residential and industrial property peaking
- e) A huge weight of cash, to go into Equities:
 - i) From share buy backs
 - ii) And hungry Venture Capitalists
- f) while historical share valuations are still reasonable on:
 - i) Average FTSE 100 dividend yield 3.2%
 - ii) Average FTSE 100 PE 14.5

UK Equities look good value with the FTSE 100 below 5000.

We particularly like the commodity sector with rising commodity prices, eg:

Major Oil companies
Major Mining companies

We are more nervous of the Retail sector which is reporting poor consumer spending in the stores. Though we like Stores with internet shopping:

Tesco/GUS

The jury is still out on the Morrison/Safeway merger. Give the situation a little longer.

But, as Cassius said to Brutus in Julius Caesar:

“Beware the Ides of March
The fault, dear Brutus, is not in our stars
but in ourselves, that we are underlings.”

The price of oil at \$56 a barrel
The US trade deficit out of control
The UK’s unpredictable OFT
And the world’s continuing natural disasters and terrorism

World Stockmarkets remain sensitive and unpredictable.

Therefore maintain liquidity and have a worldwide spread of top quality Equities.

Fixed Interest

Historically Gilt redemption yields are extremely low at 4.7% gross.

Eurobonds give slightly higher yields at 5.3% gross.

Preference Share yields appear to have now bottomed at 6.0% net.

We still consider these rates of interest very low to lock into over a long period of time, and our advice to clients is:

- 1) For safety while interest rates are low stay SHORT, or INDEX LINKED.
- 2) Where tax paying clients are desperate for income then Preference Shares (but beware that capital values could fall).
- 3) For gross funds (ie PEP/ISA/Pensions/Charities) now take gains on Preference Shares (which pay net dividends), to reinvest into the safety of medium dated Eurobonds (which pay gross dividends).

We have circularised gross fund clients with this advice.

World Markets

US When the US \$ recovers it will make leading US stocks look cheap in ‘currency terms’.

Europe Like the UK, European Stockmarkets remain quietly firm.

Japan Reasonable value.

Australia Benefiting from the commodity price boom, where we particularly like:

BHP Billiton (below 700p)

Emerging Markets Continue to ignore.

Discretionary Management

Following on the natural progression of:

Nominees
Advisory

Discretionary Management continues to be the fastest growing department of Barratt & Cooke.

The standard Discretionary portfolio reflects the above advice, with standard portfolios split:

3%	Cash Deposit
17%	Fixed Interest (short or Index Linked)
10%	Overseas and Investment/Unit Trust
60%	Top quality UK Equity
10%	Smaller UK companies

All Discretionary portfolios do vary, depending upon each client's individual requirements taking into account need for liquidity, income, capital growth, tax positions, degree of risk etc.

We are also 'set up' to take gains if Stockmarkets rise too far, to 'lock into gains' and 'secure capital' by switching into 'absolute return Investment Trusts' and 'further Gilts' if we ever thought appropriate.

PEPs/ISAs

It is very good news that the March Budget confirmed:

- a) ISA subscriptions to remain at £7,000 for the next 5 years.
- b) Mini ISAs Equity content to rise from £3,000 to £4,000.

Several clients have a wide spread of different PEP/ISA products with various managers.

Now is the time to bring all PEPs/ISAs under one roof, which is very easy to arrange, but it must be 'from PEP/ISA Manager to PEP/ISA Manager'.

If you would like Barratt & Cooke to look at your other PEP/ISA holdings, please send details to your Barratt & Cooke Advisor.

Further Budget Changes

Capital gains tax allowance rises from £8,200 to £8,500.

Inheritance tax allowance rises from £265,000 to £275,000 and then:

2006/7	£285,000
2007/8	£300,000

Pensions

'A DAY' is 6th April 2006.

All pensions above £1,500,000 on that date must be 'ring fenced' and not added to.

SIPPs (Self Invested Pension Plans) will take off in 2006. For further SIPP information contact your Barratt & Cooke Advisor.

Commission/Fees

All Barratt & Cooke's commissions and fees will be frozen until at least 1st January 2007.

We do not charge an annual portfolio management fee and have picked up a lot of business recently from one well known Stockbroking firm who charges a minimum £1,000 annual fee on portfolios up to £750,000.

Tell your friends!

Corporate Actions

As you know, we write to portfolio clients when we feel action should be taken on Corporate Actions. We have written to clients regarding:

Takeover bids

Big Food; Kidde; Novar; Aggregate Industries; RAC; Securities Trust of Scotland

Reorganisation of Share Capital

De Vere, O₂, HHG

We shall be writing shortly on:

Takeover	Ashtenne
Demerger	Bunzl/Filtrona

With regard to:

The London Stock Exchange

‘all bids’ are now off until the OFT has concluded its decisions in the Autumn of 2005. We believe that takeover activity could take off again then, but in the meantime the London Stock Exchange shares are worth at least 450p in their own right.

Existing shareholders in the London Stock Exchange should now continue to ‘sit and wait’.

Incorporation

On 1st April 2005 we incorporated and became Barratt & Cooke Ltd, though our ‘trading name’ remains Barratt & Cooke.

For the inquisitive clients who ask why, the answers are very simple:

- 1) Following the death of J A L Barratt and retirement of Gerald Cooper we needed to change our structure.
- 2) This is the obvious time to incorporate, along with virtually every other Stockbroking firm and indeed most professional and commercial firms.
- 3) Barratt & Cooke values its independence very highly and it is easier to keep a Limited Liability Company (Ltd) independent than an Unlimited Partnership.
- 4) We are determined to remain independent.

We have:

- a) A marvellous name in East Anglia and ‘The City’.
- b) A marvellous client base.
- c) Loyal experienced staff.
- d) Efficient systems and technology.
- e) Independent dealing and independent settlement.
- f) More than sufficient capital.
- g) And no other firm would let me write a Newsletter like this.

We therefore honestly believe that any merger could only be detrimental to the service we give and we shall not be tempted by ‘manna from heaven’. I have often had to say “Get hence Satan!”.

- 5) By having two highly respected Non-Executives this gives me confidants to talk to, to take the place of my dear old Dad, whom I still sincerely miss.

Jonathan Barclay

Senior Partner of Mills & Reeve (Solicitors), has successfully helped Mills & Reeve to steer its independent course, with major centres in Norwich, Cambridge, Birmingham etc and yet still values its private clients, along with its corporate clients.

Jamie Hambro

Jamie is the most successful, most respected man I know in 'The City of London' (for people who know him I need say no more).

He is Chairman of:

J O Hambro Capital Management
Ashtenne PLC

as well as many other companies and organisations.

Jamie's family farm at Kimberley and he is a true personal friend. He will always be beside me 'when the chips are down', giving wise, sensible, straightforward advice, which I might not like at times (I hope he does not censor this Newsletter).

I am extremely excited by our incorporation and relish the future.

Client Agreement Forms

We wrote to all clients regarding incorporation.

We need signed replies from all Nominee, Discretionary, PEP/ISA clients. We sent out 4332 forms for signature and are grateful for the 3016 clients who have returned signed forms.

Will the remaining clients please, please, please sign and return the forms to us. If these forms are not returned, we shall only have to write to you again, which is a bore for all. We are sorry about this, but it is FSA Regulation.

Final Thought

"A country deserves the Government it elects."

If I stood for Prime Minister instead of Jamie Oliver, would you vote for me?

C W L Barratt
5th April 2005

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