

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>5/10/04</u>	<u>1/1/05</u>	<u>5/4/05</u>	<u>1/7/05</u>
FTSE 100	4118	5136	5882	6930	6222	5217	3940	4477	4707	4814	4943	5113
FTSE All Share	2014	2411	2674	3242	2983	2524	1894	2207	2335	2411	2479	2560
Dow Jones (US)	6448	7915	9181	11452	10786	10022	8342	10454	10178	10783	10458	10275
S&P 500 (US)	741	971	1229	1469	1320	1148	880	1112	1134	1212	1181	1191
Nikkei Dow (Japan)	19361	15256	13842	18934	13785	10543	8579	10677	11282	11489	11774	11584

Reasonable Yield FTSE 100 Equities

Growth FTSE 100 Equities

Stocks Outside FTSE 100

Companies With Local Connections

Overseas - US

Barclays	BP	Forth Ports	<u>Greene King</u>	Caterpillar Inc
Legal & General Group	<u>Tesco</u>	IMI	<u>AB Ports</u>	Exxon Mobil
Rexam	Royal Bank of Scot.	<u>Quintain Estates & Dev.</u>		Johnson & Johnson
BAA	Smith & Nephew	Northgate Inf. Solutions		Procter & Gamble
GlaxoSmithKline	<u>BHP Billiton</u>	Marshalls	<u>AIM Stocks</u>	<u>Overseas - European</u>
Diageo	<u>O₂</u>	Meggitt Group	Dobbies	AXA
United Utilities	<u>Smiths Group</u>	Cobham	Domino Pizza	Total
Scottish Power	<u>Carnival</u>	Homeserve	Majestic Wine	UBS
GUS	<u>BPB</u>	Filtrona		
Friends Provident	<u>Hammerson</u>	London Stock Exchange		

Henman Hill or Murrayfield?

As I write this chronicle in the sweltering heat of Wimbledon, I realise how fickle and short-sighted press scribes can be. Henman Hill is now called Murrayfield before poor Tim Henman has even left the court. 'The King is dead, long live the King'.

The 'press' has forgotten the two earth shattering events since the April Newsletter.

The General Election; where Tony Blair has been ignored by Britain, ostracised by Europe and is now trying to 'save the world' with Bob Geldof.

The Royal marriage; where poor Camilla will always be known as Mrs Parker-Bowles and never The Duchess of Cornwall.

And in the same way 'the financial press' changes with the wind. One day they write off the US \$ and the next praise it - likewise yesterday they praised Ken Morrison and today have written him off.

This short-termism is being reflected more and more in our gambling financial society, and it worries me intensely (from a moral point of view) that the largest Stockmarket flotation for years has been the:

£5,000,000,000 issue of PartyGaming PLC

a poker internet site, where the weak and unfortunate can lose fortunes in their armchairs at home.

Even if PartyGaming is now the 54th largest quoted company on the London Stock Exchange (larger than Sainsbury) and is therefore a constituent of the FTSE 100, Barratt & Cooke will not be recommending this stock even if Tracker Funds must buy it.

Likewise Hedge Fund Managers, who are all chasing the same opportunities, are now having to 'gamble to get returns'. Three Hedge Funds have got into serious problems over the past month by 'over reaching' themselves, or put less sensitively, their gambles went 'belly up' as in the case of Regal Petroleum, who did not find that pot of gold down some Grecian Oil Well.

No, Barratt & Cooke invests for the safe, long term investor and it is not what is in today's, or tomorrow's newspaper that counts, it is what the growth in profits and dividends have been over a 5 year period.

Stability

Since the General Election UK Stockmarkets have had an extraordinary feeling of total stability.

- 1) The General Election result is known (with a greatly reduced majority).
- 2) UK base rates have remained at 4³/₄% (the same for 11 months).
- 3) Inflation (RPI approximately 3.0% and CPI approximately 1.9%).
- 4) Gilt yields are down to 4.25%.
- 5) The FTSE 100 hovering either side of 5000 (in the very narrow band of 4700-5200).

This is despite the usually cataclysmic events of:

- 1) The oil price rising above \$60 a barrel.
- 2) Other commodity prices rising sharply due to excessive demand from China.
- 3) The EU and particularly the Euro in crisis with Italy and Portugal virtually bust in the EU's eyes.
- 4) The UK house price boom stabilising, or indeed starting to fall, taking away that 'feel good factor' in the stores.

Interest Rates/Equities

We do feel that:

- a) The rise in the price of oil will slow down global growth.
- b) The possible fall in house prices will affect retail consumption.
- c) The muddle in Europe will mean no support for the Euro

and, despite Government borrowing increasing due to the reduction in tax revenues, which generally cause interest rates to rise, we now feel that due to the above factors UK base rates have peaked, and will now start to fall to as low as 3.5% within 2 years.

With present UK Gilt yields at 4.25%, a fall in base rates is taken for granted and therefore there is very little to go for. We therefore still advise purchasers of Gilts to be:

Short dated
Index Linked
or indeed Cash Deposit

HOWEVER, AS INTEREST RATES FALL, THEN EQUITY YIELDS LOOK VERY ATTRACTIVE AND EQUITIES GOOD VALUE.

‘Bank Ordinary Shares are always good value when they yield more than cash on deposit’, eg:

	<u>Price</u>	<u>Net Yield</u>	<u>Cash Deposit</u> <u>½% Below Base (Gross)</u>
Barclays	555p	4.3%	4¼%

Therefore, we feel that FTSE 100 Equities averaging:

Yield	3.2%
PE	14.5

represent good value, particularly if purchased selectively and sensibly ‘retaining buying limits at realistic prices’.

FTSE 100 Tracker Funds

Though Barratt & Cooke are aware of the constituents and values of stocks within the FTSE 100, we do not track this index within our portfolios.

As stated above we shall:

- a) Not be investing in PartyGaming.
- b) Not be increasing Shell to 8% of portfolios following their unification with Royal Dutch (Oil shares now represent over 20% of the FTSE 100). This situation looks very like Vodafone taking over Mannesmann, where Vodafone were driven much too high.

World Markets

I was amused to read a financial scribe quoted in the weekend press stating:

“There is a case for selling the US Dollar, the Euro and Sterling”

Yes, there could be a case, but what nonsense, what else does he buy - these currencies will all move against each other anyway!!!

US We feel the US \$ is nearer the right level at 1.82 to £1.

The Dow Jones remains around 10300 and though the US Trade Deficit continues to worsen, this factor is ignored. Investors should always have a proportion in the US, or US related stocks.

Europe Getting more and more muddled, but a lot of Venture Capital Buy Backs are taking place, which will support markets, particularly smaller stocks.

Japan Reasonable value.

Australia We still like mineral/commodity stocks such as BHP Billiton.

Emerging Markets Continue to ignore.

Discretionary/Advisory Service

Our standard Discretionary/Advisory portfolios now consist of:

- 3% Cash deposit
- 17% Fixed Interest (mostly short dated or Index Linked)
- 10% International Investment Trusts/Unit Trusts and overseas stocks
- 60% Top quality UK Equity
- 10% Smaller UK companies

Of course each portfolio varies depending upon the requirements of each individual client, whereby we take into account liquidity, income, capital growth, capital gains, PEP/ISA, risk etc.

Where appropriate our advice is now 'stock led', rather than 'review led' and where appropriate we have recently written to clients who hold:

Unilever, BOC and Centrica etc

If Equity markets rise above 5500 then we shall be looking to liquidate some profit and hold this in 'short dated Gilts' or 'Fund of Funds' pending a purchasing opportunity.

Corporate Activity

Over the last 3 months there has been a huge amount of corporate activity.

We write very simple advice to all portfolio clients who hold these stocks.

- | | |
|------------------------------|--|
| Non-Nominee Advisory Clients | Clients have to deal with the paperwork themselves following advice from Barratt & Cooke |
| Nominee Advisory Clients | Barratt & Cooke send advice, act on instructions and deal with all the paperwork |
| Discretionary Clients | Barratt & Cooke deal with all the paperwork and deal automatically |

Over the last 3 months we have written to shareholders regarding:

Takeovers/Mergers

Allied Domecq
GWR/Capital Radio
Ashtenne

Special Dividends or Cash Repayments and Share Reconstructions

National Grid
Viridian
Intercontinental Hotels
Rentokil
Whitbread

Demerger

Bunzl/Filtrona

and now we have the complicated unification of:

Shell Transport & Trading Company
* Royal Dutch Shell

* Royal Dutch holders are being dealt with very shabbily, as it appears that on the merger Royal Dutch shareholders will be treated as having made a disposal and subject to capital gains tax.

ISAs/PEPs/SIPPs/Pensions/Capital Gains Tax/Inheritance Tax

I wrote about these at length in my April Newsletter and the position is still the same.

I shall be repeating my advice in the January Newsletter ready for the year end reviews.

Client Data Report

As all clients know, 'Compliance' is now essential in all financial service companies.

We are required to keep all the information we hold for clients up to date.

We therefore enclose a very simple 'client data report' confirming the information we hold on your account.

Will you please agree that the data is correct and advise us of any additional information or changes on the form provided in Section 5.

AIM

AIM is the 'Alternative Investment Market', which is really the 'second tier' of the London Stock Market, aimed at smaller companies.

Regulation and reporting on AIM is not as robust as the London Stock Exchange and is therefore a great deal more speculative, and less liquid, than the main market.

However, AIM does have its attractions:

- 1) Smaller, growing companies.
- 2) Reduced capital gains tax and inheritance tax.

We have listed 3 well known companies that we would mention on AIM and shall be expanding this list in the October review.

Barratt & Cooke

Property

In 1986 we acquired 6 Opie Street, which we called 'The Share Shop'.

This was the first 'Share Shop' in the country and proved a huge success during Mrs Thatcher's privatisation boom. Barratt & Cooke regularly dealt in 0.5% of the total privatisation issues, being one of the largest players in the game.

As Barratt & Cooke evolved (as it has done for 120 years), the 'Execution Only Privatisation' business has reduced, though still important, and the Fund Management Advisory/Discretionary side has risen dramatically.

We are therefore very fortunate to have secured the lease on the whole of 56/58 London Street (adjoining 5 Opie Street) and we shall move 'the Dealing Department' into this property at the end of July 2005.

6 Opie Street is now 'under offer' and I have no idea what it will become (I wonder if Anne Summers decides to move in!).

There will be downstairs meeting rooms in 56/58 London Street, which all Advisors will be using - if you need a downstairs meeting room please say so in good time so that we can reserve the room for you.

Willie Ward-Smith

Willie joined Barratt & Cooke in 1975, as a 'Blue Button' (a Junior Dealer). He joined Barratt & Cooke on the condition that I made him up to be a 'full Dealer' - one of the best decisions I ever made.

In the 1986 'Big Bang' two of our Dealers were poached by James Capel (now HSBC) and, because of this and Television Dealing coming in, we decided to move our whole dealing department away from 'the London Stock Exchange floor' to Norwich. Willie became a Partner, moved his family to Norwich, and ran Barratt & Cooke's Dealing Department from 6 Opie Street.

A very major move for Willie, but as he has often said, 'the best decision of his life', and certainly mine.

After 30 years working for Barratt & Cooke, Willie and his wife Hazel have decided it is time for a 'change of life style', whereby he can put his hands to other things (not stocks and shares!) while he is still young enough at 50. Willie will retire from Barratt & Cooke on 31st August 2005.

Willie - the 30 years have flown by since you were 20 and I was 25. We developed London Dealing, the Share Shop, lived through Big Bang of 1986, the Hurricane of 1987, Mrs Thatcher's Share Owning Democracy, the Dot Com Boom and Crash, September 11th, let alone all the changes in Stock Exchange technology.

We have never feared change, but have embraced it, to the advantage of us all.

For the last 20 years I could not have wished for a more loyal, honest, competent, sensible and above all nice Partner in the world. We shall all miss you, especially Penny, Martin and me. Thank you and good luck.

Miles Piercy

Miles joined Barratt & Cooke from Waters Lunniss in 1997, where he was 'Dealing Desk Manager'. Miles soon became a Senior Dealer, working very closely with Willie, but I could see his potential and moved him across to the Fund Management side to assist me in 2002. Miles has worked next door to me since (poor chap - but no better learning curve!!).

With Willie retiring, sadly I must relinquish Miles to take over the management and responsibility of the Dealing Department, but I know Miles' dealing skills, his expert knowledge of Stockmarkets and clients and above all honesty.

We shall all miss Willie, but I have total confidence in Miles.

C W L Barratt

1st July 2005

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