November 2008 Update

(To be read in conjunction with your review letter)

You have already received the 5th October 2008 Newsletter, the 10th October update and we now enclose the November 2008 update. All of these should be read in conjunction with the Review of Investments.

The very significant events that have taken place since 10th October have been:

15th October — The announcement of re-structuring plans for:

Royal Bank of Scotland
HBOS
Lloyds TSB
Barclays

We shall be writing to all clients who are shareholders in the Banks with details as and when appropriate.

(The New Government Preference Shares will rank "pari passu" with existing Preference Shares, which is good news for existing holders of Bank Preference Shares.)

28th October — World Stockmarkets hit a low, as did the £1:

	High 2008	05/10/2008	Low 2008	10/11/2008	% Fall From 2008 High
FTSE 100	6479	4980	3852	4365	- 32.6%
Dow Jones	13056	10325	8176	8944	- 31.5%
Nikkei	14691	10938	7095	8583	- 41.6%
Hang Seng	27615	17682	11015	14243	- 48.4%
US $ to the £	$2.03	$1.76	$1.54	$1.58	- 22.2%

2nd November — Lewis Hamilton wins the "World Championship" (the first hint of a feel good factor).

5th November — Barack Obama elected "President Elect of the USA". (How refreshing, and should be good news for US Markets.)

6th November UK drop Bank Base Rate from 4½% to 3%. A huge fall in Base Rates and LIBOR rates have now fallen from:

now fallen from:

	High 2008	05/11/2008
Overnight	6.79%	4.50%
6 Months	6.40%	5.80%

During this period in time:

1. Some Foreign Countries' Economies have collapsed, and they have had to go "cap in hand" to the IMF (International Monetary Fund):

Iceland	(Icelandic Banks)
Hungary	(Collapse in steel prices)
Pakistan	(Higher food, oil prices and the political situation)

2. Foreign Governments have announced banking support similar to the UK.

3. Worldwide Hedge Funds have been crashing left, right and centre, and are "dumping" quality stocks into the Stockmarket as their only form of liquidity.

4. "When America sneezes the rest of the world catches a cold." With the US Banking crisis, the rest of the world has now gone into recession with:

   Falling Commodity Prices
   Rising unemployment

   as demands weaken. Ironically, the US has become the "safe haven" for cash, as funds are withdrawn from the emerging economies of Russia, India, China etc. which are not emerging quite so fast.

5. Unbelievably, nobody trusts Governments, Banks or currency with the UK depositors scared to invest more than £50,000 in any one Bank.

The questions that Barratt & Cooke clients should now ask themselves are:

1. Is this financial Armagedden?

   The answer is "No".

2. Why not?

   Because the World Governments are determined to see this crisis through "whatever it takes".

3. What is causing recession?

   A lack of liquidity flowing through from the Banks. However, the flow of cash has now started with:

   a. Lower Bank rates
   b. The world Governments pumping money into the Banking System
   c. LIBOR falling.

4. What are the short term effects of recession?

   a. Industrial output falling
   b. Unemployment rising
   c. Commodity prices falling
   d. Input costs falling
   e. Inflation falling
   f. Profits and dividends falling
   g. In the worst case, bankruptcy.

   However, we will pull out of recession one day, where the Strong Companies will survive and be even more efficient.

5. How long will recession last?

   Nobody knows, other than that this is a major recession which could last longer, and prove to be deeper, than people think.

   However, Stockmarkets always predict events and there is an old staying:

   "The bigger the boom, the bigger the bust. But then again, the bigger the bust, the bigger the boom."

<u>Barratt & Cooke Portfolios</u>

Clients come to Barratt & Cooke for Stockmarket investment advice, having:

a) Purchased their own properties
b) Retained sufficient liquidity.

1) We still believe in the 'Equity culture' of:

   a. Long term profits and asset growth
   b. Long term rising dividend.

   (Though of course there will be blips in the way with recessions etc.)

We believe in "actual historical value" of:

	Good Value	10/11/2008
PE's	Under 14	8.8
Net Dividend Yield	Above 3.5%	5.3%

Profits could fall, and PE's and Yields vary accordingly, but at these levels UK Equities look low historically.

2) We believe in sufficient liquidity in:

Cash deposits
Gilts.

3) We are concerned that some clients' income will fall due to:

   a. Reduced dividends from the Banks (RBS, HBOS, Lloyds TSB, Barclays etc). Other sectors such as Retail, Building, Financial
   b. Reduce Bank interest rates.

   However, we shall be reviewing Clients' income position in due course.

4) Within this review we shall continue to concentrate on:

   Liquidity – for reinvestment in due course
   Quality Equity – for long term growth in capital dividends
   Balance of the portfolio – to spread risk

and of course at the same time:

- We shall be watching to add to ISA (where appropriate)
- while taking into account Capital Gains Tax (where appropriate).