3rd Quarter 2014

# GLOBAL VIEWS

## Inside this Issue




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## Markets and Currency

There has been significant shifting within the principle currencies. Pound watchers have seen the Pound strengthen in anticipation of rate rises, so that the Pound has now gained 5% over the Euro this year and 11% over the USD.

Good time for holidays we think

Overall, whilst Doomsday prophets are still to be found, the markets have been very kind to investors. We have been through some potentially massive geopolitical storms, notably Russia and the Ukraine, yet still the markets have generally provided excellent returns. Even some of the "bucket" cases of Ireland and Greece have continued to rise.

Anyone with a UK perspective will be aware of the continued good news coming from the UK, with falling unemployment, increased production. Seemingly even where not all the news is good do we see resilience in the numbers

Some Random Stock market Performance Year to Date

| | |
|---|---|
| Malaysia | +2% |
| S&P | +6.18% |
| Ireland | +10.32% |
| FTSE | +3.3% |
| Greece | +12.71% |
| Eurostox | +8.68% |
| Russia | -4.56% |
| Hong Kong | +1.6% |
| Philippines | +14% |
| Australia | +4.15% |

## Interest Rates

With the Bank of England once again pegging rates at the continued record low of 0.5%, and the European Central Bank setting a rate of -0.01% for savers, the outlook for cash depositors is seemingly poor. Coupled with that the relative performance of world stock markets, perhaps its time for a rethink.

However, several Offshore Banks felt confident enough about the general economy to raise rates. Permanent Bank and Santander increased rates across a range of accounts. Overall if you want to capture the higher rates you need to tie your money in for a long time, as an example Skipton International will offer 2.75% on GBP deposits of over £10,000, but you are locked in until 2019. Or you can take a rate of 2.25% until 2017.

One and two year lock ins will provide returns of under 2%. Given that inflation within UK is around 1.8%, then what we are really doing is loosing money.

Finally as regards interest rates and cash deposits do make sure that you check any rates you are receiving. Common practice by many large institutions is to offer a headline rate, get you in, and there you stay, the headline rate goes and you are left with paltry returns. These so-called Zombie accounts hold billions of savers money. According to some research 35% of savers do not move their money when the rates alter.


## Retirement

If you are retired or coming close to retirement one fact, which will to some extent dominate our thoughts, is, “do I have enough?”

Of course the first question will frequently followed by “how much is enough?”

Recent research by Prudential reveals that many people planning retirement do not take into account taxation. Sadly we will have to pay it when we retire. The Prudential reckon that the average pensioner in UK will collect around £21,300.00 per annum gross, but the effects of all tax, be it income, VAT, Council Tax, or whatever will amount to about £7,000.00 per annum. Now clearly living on a beach on Thailand may garner a smaller Council Tax bill, but that is not for everyone. Retirement should be the time to enjoy ourselves, complete that bucket list, and try to spend as much as we wish without having to panic about the future.

## Does a Fund Manager Make a Difference?

Recent news that Neil Woodford having run a highly successful fund for Invesco Perpetual for many years is starting his own fund. Make no mistake Woodford is probably the most highly regarded Long Manager in UK. But is his new fund one to buy? There is a general consensus that new funds success or failure is very much about the luck of the draw as to when they launch.

Research in the US over a five-year period established that 25% of funds outperformed, 25% underperformed, 25% bombed and 25% shut up shop. So a one in four chance of success.

Should you invest in Woodford and his new fund? Since he has been very upfront and said that his new fund will be a mirror of the fund he managed at Invesco, one may argue that we know what that fund does, why change. Overall many of the experts are suggesting that a wait and see attitude is the way forward. However, clearly not all share that view and St James Place have moved large tranches of money away from Invesco to Woodford. Seems to me perhaps the old school tie philosophy still exists in some places.

## The World is Getting Smaller Day-by-day

If a basis of your retirement income was, or is, to avoid tax, it’s getting harder, in OECD countries for sure. New agreements seem to spring up each day. Recent agreements have seen the Swiss provide information upon account holders, including where they transferred their assets once it became public that the Swiss authorities were going to provide information on account holders. We imagine there may be some very nervous rich people rethinking their plans.

The list of countries who now provide information on account holders stretches across Isle of Man Guernsey Jersey BVI Caymans to name a few. If you are one of those people who seek countries who do not report, you are probably reaching the stage where the options open to you are probably countries where you feel uncomfortable leaving money there!

## Buy to Let UK

With UK house prices continuing to rise, many resident and seemingly non-resident investors look to a Buy to Let as an excellent source of income and possible capital gain.

Certainly as an income vehicle a Buy to Let provides valuable options, however, things are not always as they seem to be. With rental yields around 5%, this compares very favorably with say a 2% return on cash. However, the 5% assumes constant letting, it assumes no troublesome tenant taking months to evict, and leaving the property in a total state of disrepair. It does not take into account agents fees and VAT, nor does it take into account any insurance required.

However, there is something comforting about owning property, we can see it, we may not be able to visit it, but when it runs smoothly its excellent, equally, when it goes wrong, it is a nightmare.

One recent change, which may change the landscape a little are new tax charges on sales. The UK Budget of 2014 closes the capital gains loophole, from April 2015. Thus unless the property you let out is your main residence you will now pay Capital Gains Tax on any sale profits.

## Buying a Property Abroad – South Africa

South Africa came very much into our minds following an enormously successful World Cup in 2010. It has been a popular destination both for emigration and holidays for many years. For many it is “Gods Own Land”. It has so much to offer from beach holidays, the Wine Route, to some of the most amazing scenery and countryside anywhere in the world. Add to that the possibility of safari adventures, and amazing wild life, you can see why South Africa is an attractive proposition.

From a financial perspective, and cost of living, whilst prices have risen significantly in recent years, for most Western visitors, it still represents good value.

South Africa is a huge country, which is sparsely populated by its 50 million inhabitants, the majority live in or around the cities. It has been through an amazing journey from being the pariah of the world due to its apartheid, to where it is today. For many there remains a question as to the route it will follow politically following the death of Nelson Mandela. Skeptics see it possibly going the same was as Zimbabwe, others see a brighter future.

A critical issue to anyone considering purchasing a property in South Africa for holiday let or living will be security. Sadly it is still necessary to have extensive security wherever you live. Most houses will have sophisticated alarm systems, guard dogs, and armed response.

Property hot spots will undoubtedly be The Cape, both The Cape itself with some wonder locations, Cape Town and the Wine Route. Properties on golf resorts remain popular as holiday and for living. Currently the Steenberg Golf Estate can offer detached property from £500,000 through to just over £1.0 million.

Further round the cost Port Elizabeth or PE as it is often referred to has also proved a lure for overseas buyers, with its range of sandy beaches and glorious countryside

As always the costs of buying need to be considered. Conveyance fees are paid by the purchaser and will include transfer duty deeds office levies stamp duty etc. Primary residences are currently free of CGT unless the gain is more than around £90,000 GBP