

GLOBAL VIEWS



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Schreiber Associates International

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All That Glistens...?

At some stage or other I'm sure all advisers have heard clients say "I wish I had put all my money in gold, it's the only sure investment!"

But is it? When Gold prices hit record levels in 2009 I for one expected to see a drop and yet it has continued to surge upwards without showing any signs of even levelling out; so what drives the price of Gold.

When the Egyptians originally started smelting it over 5000 years ago it was probably because it looked good.

And to be fair it is that appeal that has led to mankind's fascination with gold. This desire to own it has led to great gold rushes, great wealth and even to wars: King Ferdinand of Spain declared in 1511: "Get gold, humanely if you can, but at all hazards, get gold!"

Of all the minerals mined from the Earth, none is more useful than gold. Its usefulness has gone way beyond elaborate jewellery for many reasons; Gold conducts electricity, does not tarnish, is very easy to work, can be drawn into wire, can be hammered into thin sheets, alloys with many other metals, and can be melted and cast into highly detailed shapes.

For these reasons it is now used in all manner of electrical, industrial and even medical areas.

At the time of writing Gold \$1,509 an ounce (£922) reaching new heights regularly. So what factors continue to drive the price of this precious metal?

Central banks hold paper currencies and gold in reserve. The World Gold Council has stated that central banks have recently begun buying more gold than they are selling, the first time this has happened in decades. Remember that the UK had sold all its reserves!

As the central banks move away from the paper currencies they've accumulated and into gold - the price of gold rises. Many of the world's nations have reserves that are composed primarily of gold, including major economies such as the United States, Germany, Italy and France.

Value of the US dollar

The price of gold is generally inversely related to the value of the United States dollar: A stronger US dollar tends to keep the price of gold lower and more controlled; a weaker US dollar, as we have experienced for the

last couple of years, is likely to drive the price of gold higher.

This is because people have a tendency to invest and trade in dollars when the dollar is strong. During times of economic uncertainty and when the dollar is weak, however, people prefer to invest in gold, through vehicles such as gold funds or coins, rather than alternative currencies.

Worldwide jewellery and industrial demand

In 2010, jewellery accounted for approximately 54% of gold demand, which totalled 3,812 tonnes, according to the World Gold Council and The London Bullion Market Association.

The emerging markets of India and China as well as the United States are the largest consumers of gold for jewellery in terms of volume. Consumer demand in China, for the first two months of 2011 has shown a huge increase over the previous year, perhaps a reflection on the new wealth being produced in the country where 1.3 billion people live, 20% of the world's population.

Another 12% of demand is attributed to medical and industrial uses for gold, where it is used in the manufacturing of medical devices like stents and precision electronics like GPS units.

Wealth protection

Gold can hedge against currency fluctuations.

It is easier to sell than property.

Largely unaffected by political instabilities.

Less volatile than equities

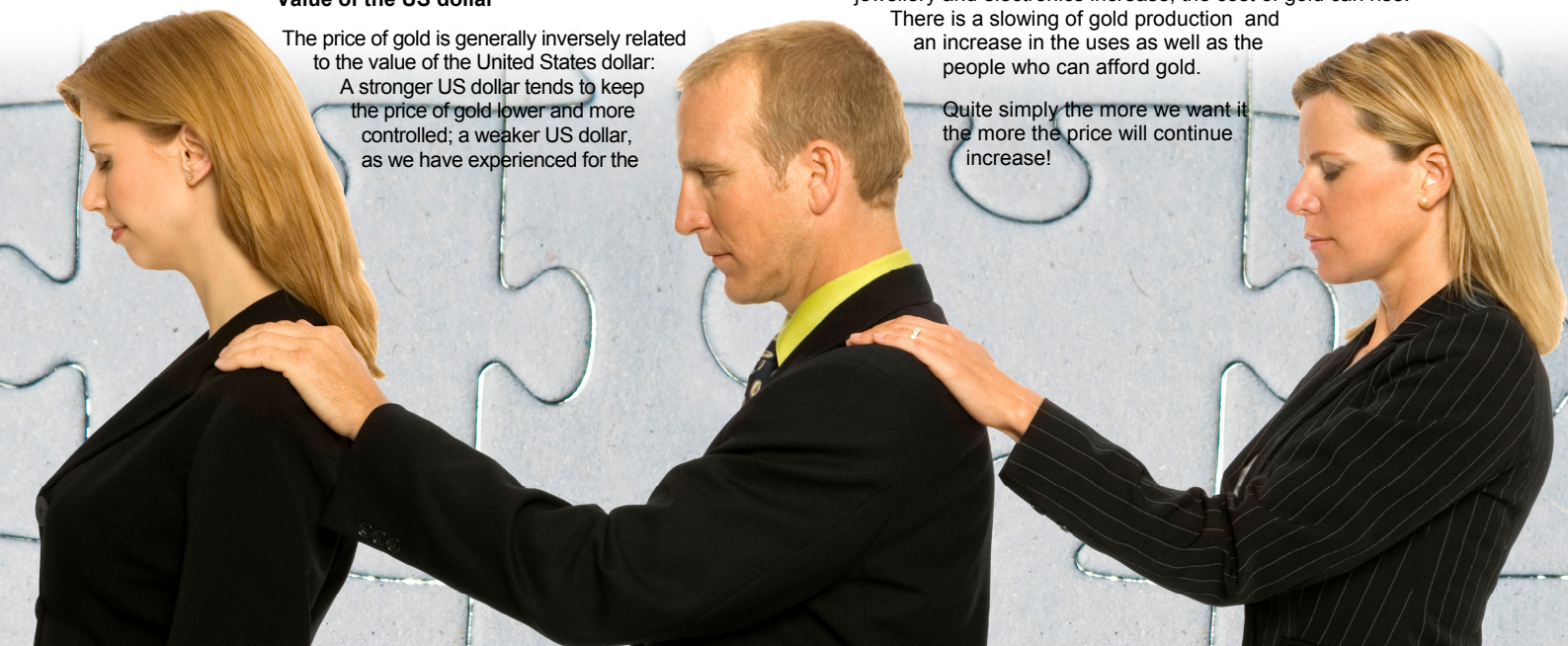
Oh and it looks pretty!

The bottom line

Gold prices can be affected by the basic theory of supply and demand: As demand for consumer goods such as jewellery and electronics increase, the cost of gold can rise.

There is a slowing of gold production and an increase in the uses as well as the people who can afford gold.

Quite simply the more we want it the more the price will continue to increase!





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What do You Buy Your Kids for Their Birthday?

It can be so hard buying the right present these days, spend too much and it can look bad, too little and appear to be mean. Thankfully life is easier when you make a gift to a member of your family, as the chances are that they know if you are broke or loaded.

Now if you are Bernie Ecclestone then everyone knows you are loaded, so what can you buy your daughter? How about a new house, and not just any house, a £56.0 million pound house in Chelsea, then just to keep things fair, buy the other daughter the most expensive house in America at £91.0 million. Built by Aaron Spelling, (you will see his name on credits of many a movie), the property has parking for over 100 cars, obviously a cinema, and a bowling alley.

Fortunately the youngest daughter Tamara has not done so badly either, daddy has just bought a £45.0 million house in Kensington Palace London.

I guess we would all like to help our children onto the housing ladder at some time!

So unless you are one of the super-rich, and you want to give your kids a head start in life, perhaps you should start planning.

Career Opportunity

Do you have a son or daughter who has graduated from university, with the inevitable student loans and overdraft, and is now looking for a job? There may just be an answer!

A group of Czech students who lost their temporary jobs created Crazy Cleaners. At about \$12.00 per hour they will carry out cleaning, in various stages of undress. Apparently in underwear, topless, or full frontal. It was not clear as to whether the charges were increased according to the level of nakedness!

The founder Katka Kopecka explained that "no one likes cleaning, and everyone likes to look at a good body".

Incidentally the firm has a mixture of 15 female and male operatives.

Hedging Your Bets

Most of us will be familiar with the phrase, not everyone will know where it comes from...

In fact the terminology emanated from financial instruments as far back as the 16th Century in England. Nowadays with "the flat world" rapid communications, the ability to invest in many different countries and many different currencies, it is much more aligned to currency risk.

Many investors invest into a country or sector with little thought or care for currency risk. If you are a Sterling investor there is little merit in investing into a country whose currency is susceptible to falls against sterling. On the other hand the contrary can work very much in your favour. In 2008, despite the Japan index The Nikkei 225 falling by almost 40%, the Yen rose against Sterling by almost 70%, so Sterling investors made a gain of around 30%. Interestingly during that same time period, the FTSE 100 fell by over 30%. Result happy Sterling investors in Japan, unhappy Sterling investors in FTSE!

Currency hedging is one reason to look to fund managers to manage your investments. Not only will they hopefully have their finger on the pulse as where to invest, they will also have the ability to "hedge out" currency risk. Or indeed if they feel it is appropriate have no hedge at all.

In simple terms, unless you want to add an additional layer of risk to your investment strategy, or you know something no one else knows, we suggest you invest in the currency you want to spend in, and not take on the additional risk.





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Do You Need Protection?

It's understandable that many or even most of us are often too busy to think about things like insurance – especially for ourselves – and instead we cross our fingers and hope for the best.

But with so much uncertainty in life, is this really such a good idea? Unfortunately no one knows what's around the corner. It might not be the most thrilling topic, but have you ever thought about how your family would cope financially if you unexpectedly died? How would they cover the mortgage, rent and pay the bills?

We might be fit and healthy now, and think, "It will never happen to me". But unfortunately it does happen and could happen at any time. And the financial – as well as emotional – impact can be devastating.

It's never too soon to start thinking about having even a little protection insurance in place.

WHY DO I NEED TO PROVIDE PROTECTION?

Could they live without your income?

Bills, rent or mortgage, food, clothes, and nights out – they're all paid for by income, whether it be a salary, interest or pension.

So what's the alternative? Many people's first thought might be that they can rely on the state. But could you survive on £79.15 per week; Unlikely, so why should you expect them to.

Having worked as a Bank Manager for many years, time and time again I have seen the impossible situation surviving partners are left with after the death of a loved one.

And it doesn't just apply to those of working age with children; it can hit just as hard in retirement when pension income is halved upon death, and that is assuming there is even allowance for a widows (spouses) pension.

Many people think that they could adjust their lifestyle by cutting back, or relying on friends and family to help out.

Even if you're lucky enough to have put some savings aside these can run out quicker than you might think.

38% of the UK's working population could not survive for more than a few months on savings alone.

I'M TOO YOUNG TO NEED INSURANCE.

I'll review it when I'm 'older'! Statistics show that of people born in the UK 1 in 1000 between the ages of 25 and 54 will die in the next 12 months, perhaps not bad odds, but when you then consider that at some time 44% of men will contract some type of cancer, this means that could then be unable to get life insurance or it will be at a greatly inflated price, and that is just one illness, what about heart attacks, strokes, e-coli and a host of other serious Malays!

We can never be sure what life's going to throw at us.

So you might think that you're too young to die, but it can and does happen.

"I would recommend protection to anyone"

No one plans to die early, young or unexpectedly, but it happens all too often.

Protection plans allow you to cover your family against the financial impact of death.

It's worth bearing in mind that life cover does not get any cheaper as you get older and by the time you think about it, you may have had some health issue that could stop you getting cover!

The average UK household spends (2009 Figures) £62 per week on transport; £53 per week on utility bills; £51 per week on Food and non-alcoholic drinks; £22 per week on clothing and footwear.

Life insurance can cost very little in comparison and yet often clients are tempted to think they haven't got 10, 20, 40 per month spare. But how often is that amount spent, without consideration on a meal out, a taxi ride, a few drinks in the local bar and buying lunch?

When considering the effects of not having life cover, a small adjustment now, which would probably not be noticed could well ensure you have some life cover in place.

Oddly enough, we worry that we might lose our mobile phones, or our luggage will go missing on holiday, so we take out insurance to protect against the financial effects of these losses!

But what about you? Would it really be more devastating to lose your phone than your family losing you and their home if the worst happened? Insuring your life might only cost only a few pounds more than your phone, relatively speaking, so perhaps it is time to rethink your insurance priorities?

Talk to an adviser today, what have you got to lose!

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Where is the Risk?

Someone once said you have to speculate to accumulate, but when it comes to personal wealth the first priority of many investors is preservation.

Conventional portfolio management tools can help through diversification and asset allocation models. But for many investors the first and last question is "how much of my capital is at risk?" Even for those with the most diversified portfolio comprising gilts, equities, property and cash, the short answer would have to be 'a lot of it'.

Few would argue the case for a long-term cash-based portfolio so it might be that investors' need for a combination of security and growth is not optimised by conventional long-only portfolios.

The solution may lie in creating portfolios with greater use of investments – either offering full or partial capital protection coupled with defined growth or geared exposure. After all, equity-based upside combined with downside protection would seem to meet most investors' need for preservation and accumulation.

Risks? Of course there are risks, there are risks when you put money in the bank, as the investors of the Icelandic Banks who thought they were safe. There is a risk to keeping money in cash under the bed. Now we have one of the gravest risks around, one which used to be the main topic of conversation for investment advisors, but which seemingly now is rarely mentioned, inflation. Headline inflation as measured by the government statistics, give one rate, the man in the street will give another. Thus in the UK whilst the "official" rate is 4.5%, some suggest it may be as high as 7-8%. Certainly looking at the prices of fuel be it petrol for your car, or gas and electricity these rates may be correct. It's all very well for the price of flat screen TVs to have fallen by 12%, but that does not help most of us day to day.

So with cash at 3% an investor is now loosing around 4% per annum. If that continues 100,000 will be worth 60,000 in 10 years.

A great man once said the purpose of insurance was to protect you in case you lived too long or died to young. Part one covered by adequate life assurance, part two is to try to ensure that as we leave this mortal coil, we have at least paid the last bill, and perhaps left something financial behind for our families, but certainly few would want to be a financial burden upon our children because we failed to plan.

A New Car as an Investment

We are all too familiar with the fact that the moment you drive your new car out of the show room it drops in value by probably 30%. So someone offering a car which just might appreciate could be a winner.

Well as always in the world of investment there is risk, and this is certainly not for the faint hearted, but McLaren launched its first sports car in the 90s, at a price of £540,000. They now sell for several millions. Now McLaren are launching a new sports car, priced at a cool £170,000, and with orders from the US of 1700 now, and a production turning out a car every 45 minutes, you are not likely to see many unsold cars in any showroom or at any dock waiting to be transported.

The factory in Surrey shows that this is no ordinary car manufacturer, designed by Sir Norman Foster, set in acres of Surrey parkland, the glass fronted structure gracefully curves round a lake, no greasy overalls, all the staff wear Hugo Boss, like no other car manufacturer in the world, but let's face it a McLaren is like no other car in the world.



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Auto Calls

Many of our clients will be aware of the above, which are sometimes referred to as Structured Notes; some of you indeed may have bought some. We have featured these products in a number of our newsletters, and that is for the simple reason that, we do keep coming back to a very clear argument as regards the products. They work! We have seen some many recent examples, and bearing in mind that one argument postulated over the past twelve months, was that markets are too high to buy structures, well here we are with the majority of markets having drifted down, FTSE at 5700 odd, down from a high, commodity prices falling, and yet the notes maintain their success. Bearing in mind that we would generally be happy to see them call at some time within the 5 year time frame, we see that over 90% call in year one.

The recent call on the FTSE China and Brazil indices proves the point; again, outstripping the indices which have shown a return of 5%, the notes called with the sterling share class providing triple the indices and USD quadrupled the indices. On top of that there was of course the protection should the markets have dived. Where else

would a USD investor made 20% in the last twelve months? I will tell you carbon trading would have returned 22.2%, and The Hungarian (BUX) Exchange would have provided a USD return of 19.5%. These returns before any fees, so in reality no significant stock exchange would have provided similar returns.

A note of caution, we have seen an increasing number of notes which are structured around individual shares, as opposed to an index or a combination of indices. The former have much greater flexibility in pricing, as clearly the risk factors are considerably greater. Do not be lulled into a false sense of security, they carry higher risk, and the rewards should be commensurately greater, they are not always. All structures carry with them inherent risks, recognise them, and make your decision accordingly.

As these offerings are for a limited period we generally are not able to list them in a newsletter. However, to give a flavor we enclose some recent offerings as examples

Availability is limited by time constraints, contact us for up to date availability.

For Professional Advisers Only - Weekly Product Summary – 18th July 2011 – Autocall

Issuer	Linked to	Closing Date	Returns	Product Profile	Annualised Return
Morgan Stanley	FTSE/Oil	29-Jul-11	5.75%	Semi-annual Autocall, 50% American Barrier, 6 year term-GBP (ISIN: XS0642680408)	11.50%
Credit Suisse	Commodity Basket (Cotton/Corn/Sugar)	22-Jul-11	4.50%	Quarterly Autocall 50% European barrier, 5 year term-GBP (ISIN: XS0644108499)	18%
Morgan Stanley	S&P/Eurostoxx/Nikkei	(*)	5.00%	Semi-annual Autocall, 50% American Barrier, 6 year term-USD (ISIN: XS0632493432)	10%
Commerzbank	FTSE/China/Brazil	(*)	14.00%	Annual Autocall 50%, American barrier, 5 year term-Euro (ISIN:XS0642187941)	14%
Commerzbank	FTSE/China/Brazil	(*)	14.00%	Annual Autocall 50%, American barrier, 5 year term-GBP (ISIN:XS0642209422)	14%
Commerzbank	FTSE/China/Brazil	(*)	16.00%	Annual Autocall 50%, American barrier, 5 year term-USD (ISIN:XS0642193758)	16%

(*) - Please Contact Us for Further Details