

### What's been going on at Conforto?



**2008 was a year that will stick in the memories of many people; a year when credit crunched, markets plummeted and the banking**

**sector in particular bore the brunt of scathing market commentary.** There is an apt American phrase that 'even pigs can fly in hurricanes' and when investment markets are bullish it can be relatively easy as an adviser to deliver returns and take the plaudits. The reality is that during times of adversity is when top advisers really earn their corn and if ever there was a time for 'good advice' it is now. For the past twelve months, my team at Conforto have been focused largely on wealth preservation and positioning clients' portfolios to take full advantage of the up-turn, when it inevitably materialises.

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Will Conforto's Mike Walsh stay on track in 2009?



### Global Market Perspective

**Unprecedented times mean unprecedented actions and certainly the events of recent months have taken the global economy to a place it hasn't been since the Second World War.** Lessons of history have been learned however with the global economic powers working in unison and taking action to stave off the undoubted threat of a global depression. With interest rates across major economic



regions such as US, UK and Japan now effectively sitting at zero it is unsurprising that many governments have turned to quantitative easing (often referred to as 'printing money') as their latest roll of the economic dice. Whilst the longer term implications of rapidly rising inflation and currency devaluation remain an

inevitable consequence, the short term impact on global markets does appear to be having a positive impact. It is potentially significant that during the last month of the UK's latest fiscal cycle (March), the FTSE Global index rose by >15%. The view within Conforto remains cautiously optimistic that whilst the depth of recession will likely reach, and probably exceed, that predicted by economic forecasters over recent months, its longevity is likely to be shorter lived than many fear.

### False Dawns

**It is vital that political optimism does not cloud economic reality and as such, we treat the Treasury's predictions of a rapid turn-around of fortune with a degree of scepticism.**



Over the past 12 months, equity and bond markets have taken a real hammering and many of the mighty investment houses and 'star' funds have fallen flat on their face or even collapsed. Although the market is gradually showing signs of improvement, our view remains that this is a time for slow and cautious investing.

Whilst all the talk has been around a 'V' or a 'U' shaped recession, the reality is that too many false dawns could precipitate the unwanted 'W' shape option - only time will tell.

### The Case for Passive Management

**Over the past 9 months, we sought to learn lessons from the unprecedented events that surround us.**

We have looked particularly hard at core portfolio construction and our analysis has shown that whilst an 'active' management route (stock/fund picking) is still favoured by many firms and investors, the supporting statistics overwhelmingly demonstrate that over the long term, a passively managed (index tracking) delivers a fairer and more consistent market return. In response to this you will start to see Conforto placing a greater emphasis on a 'passive' management strategy over the coming months and you will be able to discuss this in greater detail with your adviser.



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## Your Conforto Team Expands

**The past 12 months has seen considerable growth, investment and development of the Conforto business.**

During 2008, we successfully completed the acquisition of two outstanding businesses, The McCroddan Partnership and Christie Scott's. I am delighted that the owners of each operation (Michael McCroddan and Julie Hedge) are now working as part of Conforto, bringing yet more experience, contacts, networks and expertise into our advisory team. In addition, we have recently recruited a new Director of Client Services, Joanna Goodman who has overall responsibility for delivering the highest levels of client service to our extended client base. In total, the Conforto team now extends to 18 people resulting in the opening of our 2nd office in Hitchin during the middle of April. The business will continue to grow and evolve during 2009 as we add a discretionary management capability to our offering and consolidate onto a single transactional platform in partnership with a global, market leader, Raymond James Inc. The investments and changes that we are making have just ONE focus in mind; to further enhance the service and performance that you can expect as a valued client of Conforto.



Conforto's Director of Client Services, **Joanna Goodman** - 'delivering the highest levels of client service'.

## Conforto Sporting Ambassadors

**Our 4 sporting ambassadors continue to fly the flag for Conforto and continue to enhance their high profile public image.** **Ian Poulter** enhanced his reputation with an outstanding Open Championship and Ryder Cup. In the year of the British Lions rugby tour to South Africa, **Jonathan Davies** continues to be the most knowledgeable and insightful rugby pundit on the television and **Lee Dixon** is fast emerging as BBC's heir apparent to Newcastle 'saviour' Alan Shearer. **Barry McGuigan** has started working very closely with up and coming UK boxing talent and it can only be a matter of time until the public starts seeing the exciting fruits of his labour. In addition, during 2008, we were pleased to also work very closely with **Matthew Upson** (West Ham and England footballer) and **Kenny Cunningham** (ex Republic of Ireland football captain) as additional clients and sporting ambassadors of Conforto.



Conforto ambassador **Ian Poulter** - will be looking to build on an outstanding 2008

## Conforto Investments

**The past 12 months have proved a challenge for all investors across the World and at Conforto we have seen it as a time to protect and preserve our clients portfolios.** During the early stages of this recession, we worked with many clients to achieve stable, protected, cash positions although recent sharp trends in interest rates have started to question the longer term viability of this option. We continually explore different investment options that offer the 'security of cash' but with returns that exceed that of traditional cash deposits. The reality is that most instruments fall short of the required mark. The year has also seen a significant contraction in the number of special investment opportunities that we have been able to bring to market, as

quite simply, the availability and quality of what we have been offered has simply not hit the mark.

The shining star for 2008, has been our own launch of a high quality but distressed, residential property fund based in Sarasota, Florida in the USA. This fund, called Conforto Florida Properties (CFP) was successfully launched in March 2008 and during its first 12 months of operation is demonstrating a projected IRR of just over 30%, excluding sterling to dollar currency movements.

If currency is included, the projected IRR reaches an eye-watering 79%! In light of the success of CFP and the continual market opportunity in this area of the US, during 2009 Conforto will be launching a secondary fund (CFP2) which existing and new investors will be offered to participate in.

Despite the gloomy economic climate, I am pleased to report positive news on just about every other significant Conforto 'special' investment made during 2007 and 2008.

'Fire Control', 'Collonade', 'Gold Solutions' and 'Longbow Breastlight' are just a few of the good news stories that we have been pleased to report on. Unfortunately, we have also been involved in one investment that became the indirect victim of the collapse of the 4th largest investment bank in the world, Lehman Brothers - even our extensive due diligence process was unable to predict that unprecedented and unforeseen event.



We have largely steered clear of new commercial property based investments during 2008 and wisely so. Moving into 2009, the market is starting to show attractive yield in certain areas, however there remains a concern over capital values and early movers should really tread carefully. Our view is that the deficit of liquidity will continue to keep pressure on the market and will inevitably result in highly attractive investment options starting to emerge over the next 6 months or so. The trick is to spot the best ones and this is a core focal point for us for the remainder of the year.

We are confident that during the remainder of 2009, we will be able to bring you some new and exciting 'special projects' for your investment consideration and you can rest assured that anything that we do promote has been through the full rigour of Conforto's due diligence process.



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