

Typical Investment Returns										
Annualised Growth (gross of annual management charge)										
	Launch Date	Size of Fund (£'000)	Bid Price (p)	Over past 1 year % pa	Over past 2 years % pa	Over past 3 years % pa	Over past 4 years % pa	Over past 5 years since launch* % pa	Over past 10 years % pa	Over past 15 years % pa
Managed	29/10/79	2,111,375	1,278.8	-24.9	-8.3	-0.6	3.4	4.6	3.2	5.1
Cautious Managed	17/10/94	262,192	164.2	-16.8	-5.5	0.5	3.4	4.5	3.0	n/a
UK Equity	29/10/79	247,796	1,950.1	-31.9	-12.5	-2.6	2.1	4.0	2.5	5.6
International	29/10/79	32,000	801.2	-27.0	-8.8	-1.7	2.4	2.9	1.9	2.6
North American	09/03/87	32,176	228.4	-20.5	-7.5	-2.7	0.4	0.4	0.2	3.8
European	09/03/87	62,314	327.5	-29.2	-7.7	1.3	5.2	6.5	3.1	5.6
Far East	09/03/87	8,534	163.5	-34.4	-9.2	-2.2	3.2	2.5	3.2	0.4
Japanese	08/11/95	7,030	69.9	-20.6	-13.9	-7.9	-0.6	-0.6	0.7	n/a
Pacific Basin	08/11/95	17,938	99.1	-38.7	-6.8	0.9	5.4	4.5	5.0	n/a
Property**	29/10/79	1,004,542	784.1	-20.1	-11.1	-2.7	1.4	3.6	6.3	6.9
Fixed Interest	29/10/79	761,338	750.7	0.8	0.5	1.5	2.7	3.3	3.9	5.0
Index-Linked	15/03/82	283,608	444.9	3.2	3.3	4.5	5.2	5.8	5.3	5.9
Cash	29/10/79	3,086	434.1	4.4	4.4	4.2	4.1	4.0	4.0	4.3
Distribution	16/08/95	1,405,033	88.9	-21.1	-8.5	-1.3	2.2	3.5	3.3	n/a
Sterling	19/08/96	1,016,594	147.0	4.7	4.8	4.4	4.3	4.1	4.2	n/a
Ethical	10/05/00	44,564	87.9	-42.2	-19.8	-6.6	-1.3	0.8	n/a	n/a
Overseas MoM*	12/07/05	3,631	78.4	-27.3	-11.5	-5.2	n/a	-4.1	n/a	n/a
Cautious MoM*	20/09/04	19,097	100.4	-17.8	-6.9	-1.4	1.6	1.7	n/a	n/a
Balanced MoM*	29/09/04	20,708	100.2	-26.3	-10.3	-2.5	1.6	1.6	n/a	n/a
UK Equity MoM*	29/09/04	5,180	110.7	-31.2	-13.1	-2.9	1.4	1.8	n/a	n/a

THE ORACLE

Our Knowledge. Your Needs.

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The Newsletter of Oracle Financial Services

Directors Update

I think it is fairly safe to say that 2008 will go down in economic and financial history as one of the most eventful. Unfortunately, none of the events surrounding 2008 can be described as positive. The impact of the credit crisis has far exceeded all but a handful of individual's wildest expectations. Financial Markets have been in meltdown, the UK housing market is in the middle of its biggest downturn since the early 1990's, reputable institutions have collapsed, unemployment is surely going to increase and we have recently seen interest rates start to slide. It goes without saying that everybody has, to varying degrees, been affected by the events that have unfolded during 2008.

most successful investor. Mr Buffet has recently announced that despite all the doom and gloom, he has been buying shares once again. He states that he has a simple mantra that dictates his investment philosophy, "Be fearful when others are greedy, and be greedy when others are fearful". In many ways, these comments make basic common sense. In practice, it is almost impossible to predict or call the bottom of a market. However, whilst there is still an awful lot of uncertainty in the economy at present, most commentators would state that the current economic environment could create potentially the best opportunity for anybody to invest into markets in a generation.

the credit crisis will ultimately leave the economy and financial sector in a much healthier and efficient state, thereby allowing it to contribute more strongly to the future progress of society at large.

On behalf of Oracle Financial Services, I would like to wish all our clients a Merry Christmas and a Happy New Year.

David Steigenberger
Managing Director

2008 has also proved to be the busiest year for Oracle Financial Services (Jersey) Ltd that I can remember. As an organisation we have always tried to pride ourselves on the levels of service that we offer to our clients, and we will always maintain that our company culture has been built on establishing life long close relationships with our clients. This year has proved this to be the case. Justifiably people have been concerned about the stock market volatility, house price falls, interest rate cuts, and even the security of their own banks. Wherever possible we have tried to provide reassurance to everyone's questions and concerns. Any period of volatility in any market, creates a worry for investors. However, history has shown that the most successful investors are those that stick with their decisions for the long term. They do not get caught up in the hype and short term noise in the market but instead look for opportunities during downturns.

But whilst timing the markets can be difficult to predict, almost every expert will agree that if you are investing for the long term it is "time in the market, not timing the markets, that can deliver superior returns". Whilst there are no guarantees, investors are better off staying calm, resisting the temptation to leave the markets and to sit out the fluctuations. Indeed, some investors, such as Mr Buffet, see downturns as buying opportunities.

In this issue of our newsletter, we have provided an article detailing a simple strategy with regard to investing in volatile markets, namely that of drip feeding money in on a monthly basis. We have also provided a review of the current mortgage market in Jersey as well as providing an overview of current markets by a local fund management group, Horizon Investment Managers.

Being the eternal optimist, I firmly believe that in years to come we will look back on 2008 and smile. I feel that volatility will remain potentially until the latter part of 2009, but my belief is that the impact of

Probably the most successful exponent of this particular strategy is none other than Warren Buffet, arguably the world's

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Due to the recent dramatic adjustments to the Bank of England 'bank rate' otherwise known as the base rate (reduced to historic low of 2% on 4th December), and economists forecasts for further cuts in the rate, we are not including rates on offer from local mortgage providers as they are unlikely to be current when this edition goes to print. Please contact Gordon Bennie in the first instance should you require advice with reference to mortgages or borrowing in general.

Keeping Your Retirement Plans Intact

You may be familiar with the saying; "Those who think they have no time for bodily exercise will sooner or later have to find time for illness" Yet we all know of some fit people who get ill despite their efforts and a healthy lifestyle. Illness therefore is not the sole domain of the sedentary and fast food consumer. Despite this many of us do not consider the possibility of illness in our financial planning. When we plan to maximise our income in retirement, either by suitable pension or investment planning, we make one dangerous assumption; that we will be fit and well up to the day we retire. Consider the following; 2.2 million people of working age are off work for at least 6 months at any one time in the UK; of those people off work for 6 months 46% will still be off work after 6 years*. The problems of being off work are fairly obvious and the main one is money. You may be fortunate enough to be in an employer's sickness scheme but do you know for how long (and how much) they will pay you? Once this ceases what are your options? State benefits on Jersey are better than the UK but still relatively insignificant so it's natural to assume that you will have to reduce your outgoings as much as possible and call on your savings to supplement whatever income you do have. Cashing in savings destined for retirement, particularly when the markets are down is not the wisest course of action but it may be your only option unless you had made some alternative provision. It is possible to insure against long term illness and at Oracle we make every effort to link your current employer's scheme to any private scheme you decide to put in place. Whilst this does cost money it should be set in the context of what you are protecting. To pay 2% from your investment portfolio now is better than trying to raise 20% from it when you are ill. It is wise to prepare for your future after all you are going to spend the rest of your life there.

Gordon Bennie
Head of Marketing

*Source: Office for National Statistics - State Incapacity Benefit by length of claim.

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Horizon Investments December 2008 Economic Commentary & Outlook

Despite the extreme circumstances seen during the latter half of 2008, total financial market collapse has been averted and the consequences for the global economy are now beginning to appear. Indeed, we have seen plenty of negative news flow, both economic and corporate, either side of the Atlantic and in Asia, but thankfully we have not seen a repeat of the levels of volatility experienced in October. In the last month the question of whether or not the global economy is entering a recession has been replaced by the question of how long and how deep the recession will be.

Governments have responded with an encouraging sense of urgency. The Federal Reserve cut interest rates by 50 bps twice in October. They have taken steps to buy mortgage backed and asset backed securities, in doing so removing them from the banking sector's balance sheet, and look likely to cut interest rates further when they meet in the third week in December. The European Central Bank, lambasted for raising interest rates immediately prior to the crisis, cut rates by 50 bps. The most surprising move came from the Bank of England in cutting interest rates by 150 bps.

Central governments are also showing a willingness to use fiscal measures to stimulate the economy. Most noticeable so far was in China recently when the government declared a \$600bn commitment to additional spending on housing, healthcare, education and food. Although some have questioned how much of this is really additional, it is still an impressive sum and the largest fiscal measure in post-War times. This is likely to be followed by announcements of planned spending and moves to loosen fiscal policy in most of the world's developed economies.

Inflationary worries of a few months ago have quickly reversed and there is now a general consensus that we are headed for a deflationary environment. Anecdotaly,

optimists seem to be predicting a short period of deflation and the return to inflation perhaps as soon as the end of 2009. On the other hand, pessimists are drawing comparisons to Japan in the 1990s, particularly with regard to the US. In assessing the likelihood of each scenario, it is important to distinguish between deflation driven by falling commodity prices, which had up until recently been at historic highs, and deflation driven by falling prices generally. The former would benefit commodity importing nations, for example Japan and the UK. The latter would represent weak demand and would put pressure on businesses, increasing the likelihood of job cuts and discouraging spending. It is the possibility of this vicious cycle that is most worrying and which makes further near term interest rate cuts very likely.

So where does this leave us in terms of investment strategy and portfolio positioning? Horizon has been running an underweight equities position since early in the year, especially in the long only space. We acknowledge the long term appeal of equities but have two concerns in the short term: one, earnings forecasts may still be too optimistic given the economic difficulties expected during the next year; and two, markets are generally ignoring traditional value investment metrics in favour of assets that offer safety and relative stability. The most appealing equity proposition at the moment is experienced, conservative long/short managers who have achieved steady positive returns amidst the chaos.

Bond markets have received a lot of attention since the outbreak of the crisis. Predictably, government bonds have rallied in the last few weeks as investors have sought safety, but may still offer value. It is investment grade credit that is causing excitement amongst bond fund managers. Yields are pricing in a deep recession and default levels not seen even in the Great Depression.

In this falling interest rate environment it seems difficult to argue against bonds and we are currently looking to add exposure.

The destruction of commodity related wealth in the last few months has been quite staggering. Most recently, the price of oil has fallen from highs of over \$140 to below \$50 per barrel. Whilst we expected commodities to weaken significantly we had not envisaged the process being this dramatic. Commodities are still appealing as a long term play but we do not expect any substantial recovery in the short term, except perhaps for oil which should climb back towards \$60.

The deleveraging of hedge funds has been a major theme of the last month. Considerable de-leveraging and huge redemptions have left even some of the largest funds scrambling for liquidity resulting in an almost indiscriminate sell off and tumbling asset prices across the board. The sell off, although well underway will continue to create headwinds into next year as currently gated funds resume redemptions.

Horizon Investment's Conservative Growth model has withstood the turmoil of the last few months relatively well compared to our peer group as a result of our early adopted defensive position. Having achieved this we are eager not to rush into riskier markets too early but are carrying out analysis on several themes as we approach the end of the year. We fully expect 2009 to be a difficult year but believe that it will be possible to resume positive performance, albeit in a more cautious and less spectacular manner than markets have grown accustomed to in the last few years.



New Jersey Pension Scheme

So what is a RATS and how will it be affected by the proposed legislation amendments which would take effect from January 1st 2009?

A "RATS" is a Retirement Annuity Trust Scheme which is approved under Article 131CA of the Income tax (Jersey) Law 1961. It is a flexible and cost effective personal pension which is held by a recognised trust for the benefit of the member.

What makes the RATS pension unique is that as the member, you can receive an Annuity Equivalent from your pension fund which is paid as an income by the Trust of the scheme rather than buying an annuity from an annuity provider. This Annuity Equivalent or Drawdown does not die with you but is passed to a secondary beneficiary (initially your spouse, if still alive). If you wish for additional individuals to benefit, you will have to seek legal advice and make separate arrangements.

The flexibility of the RATS means that as it is your very own portable pension, you can take it with you wherever you work and if you currently have a Jersey or UK pension, transfers from these are allowed in to this scheme; by consolidating your existing pensions into a RATS you can reduce your charges, many of which are hidden in other schemes.

What is the maximum I can contribute to my pension fund?

Before amendments to the current legislation, there were limits on the age and a percentage of relevant earnings that could be contributed (regular contributions) in one year as follows:

- Up to age 40** 15% of relevant earnings, up to a maximum of £15,000
- Age 40-50** 25% of relevant earnings, up to a maximum of £25,000
- Age 50+** 35% of relevant earnings, up to a maximum of £35,000

With the new amendments it is proposed that there be no age related limits, but rather a maximum amount. The actual limit has not been confirmed by the Comptroller of Income Tax as yet, but should be released during December.

How much cash can I take tax free from my fund?

If the proposed amendments to the Income Tax law are ratified by the States in December, it is proposed that the maximum tax free cash payment that can be taken as a lump sum by the individual will increase from 25 to 30% of the pension fund, with effect from 1st January 2008.

In a RATS scheme, the member is able to choose to receive up to 3 lump sum payments from the date that he/she can take early retirement until the date they actually retire so long as the total of these 3 payments does not exceed 30% of all the benefits to which they are entitled to receive upon retirement. An example would be where a member elects to take a lump sum from the fund of

say, 10% of the capital value of the fund. He/she may then decide a number of years later to take another 10%. This 10% will equate to the current capital value of the fund as it may have increased/decreased with further contributions and market performance. If you retire due to serious ill health, you may choose to take a lump sum in respect of annuity equivalents payable to you without any tax being charged.

Can I continue to contribute even if I have taken a lump sum payment?

The new amendments mean that where once a lump sum had been taken, no further contributions could be made, the member will still be able to contribute to the fund until the date they retire and they commence annuity equivalent payments, meaning that as the fund grows so does the lump sum tranche.

What is meant by "relevant earnings"?

Previously an individual had to have "relevant earnings" which meant any of the individual's income assessed to tax in order to establish a pension. Now however, it is proposed that this requirement be removed and replaced with "any individual who is ordinarily resident in Jersey with a company to which Article 131B applies".

Can my employer pay into my RATS or do I have to join a staff scheme?

If the proposed amendments are passed, the contributions can be paid by the member's employer, "any person from whom the primary beneficiary receives relevant earnings". This means that people who have their own RAT and do not wish to join a staff scheme will not lose the benefit of the company paying into a pension pot for them, if the company takes up this option.



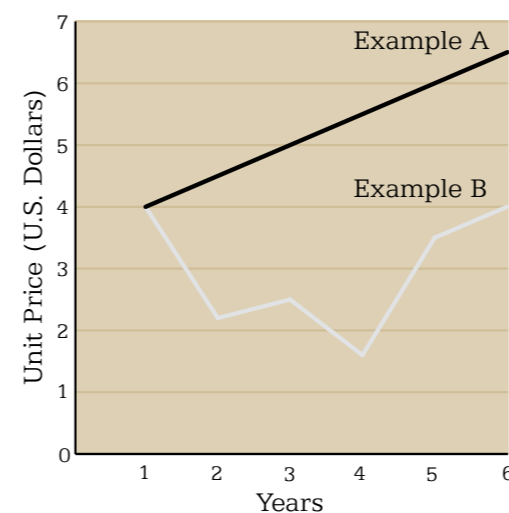
Find An Ally In Volatility: The Benefits of Regular Investing

In volatile markets, it is quite natural for investors to worry about the effects of price fluctuations on their investments. However, it is possible to make market volatility work to an investor's advantage.

Unit cost averaging: A complex term for a simple principle

Price fluctuations, quite simply, can allow investors to maximise their purchasing power. Regular investing can help to smooth out market fluctuations and means that the average price paid per unit can be lower than the average unit price for that period. This is because more units are bought when prices are low and fewer when prices are high.

The following example demonstrates what can happen when investing regularly in periods of volatility.



Example A – rising fund unit prices

Year	Unit Price	Invested	Units Bought
1	4.0	USD10,000	2,500
2	4.5	USD10,000	2,222
3	5.0	USD10,000	2,000
4	5.5	USD10,000	1,818
5	6.0	USD10,000	1,666
6	6.5	USD10,000	1,538
Totals		USD60,000	11,744

Example B – falling and rising fund unit prices

Year	Unit Price	Invested	Units Bought
1	4.0	USD10,000	2,500
2	2.0	USD10,000	5,000
3	2.5	USD10,000	4,000
4	1.5	USD10,000	6,667
5	3.5	USD10,000	2,857
6	4.0	USD10,000	2,500
Totals		USD60,000	23,524

Value = 23,524 units valued at USD4.0 each = USD94,096
Average cost of units to investor = USD2.55 (60,000/23,524)
Average cost per unit = USD3.0