

THE MAGAZINE FROM CATER ALLEN PRIVATE BANK

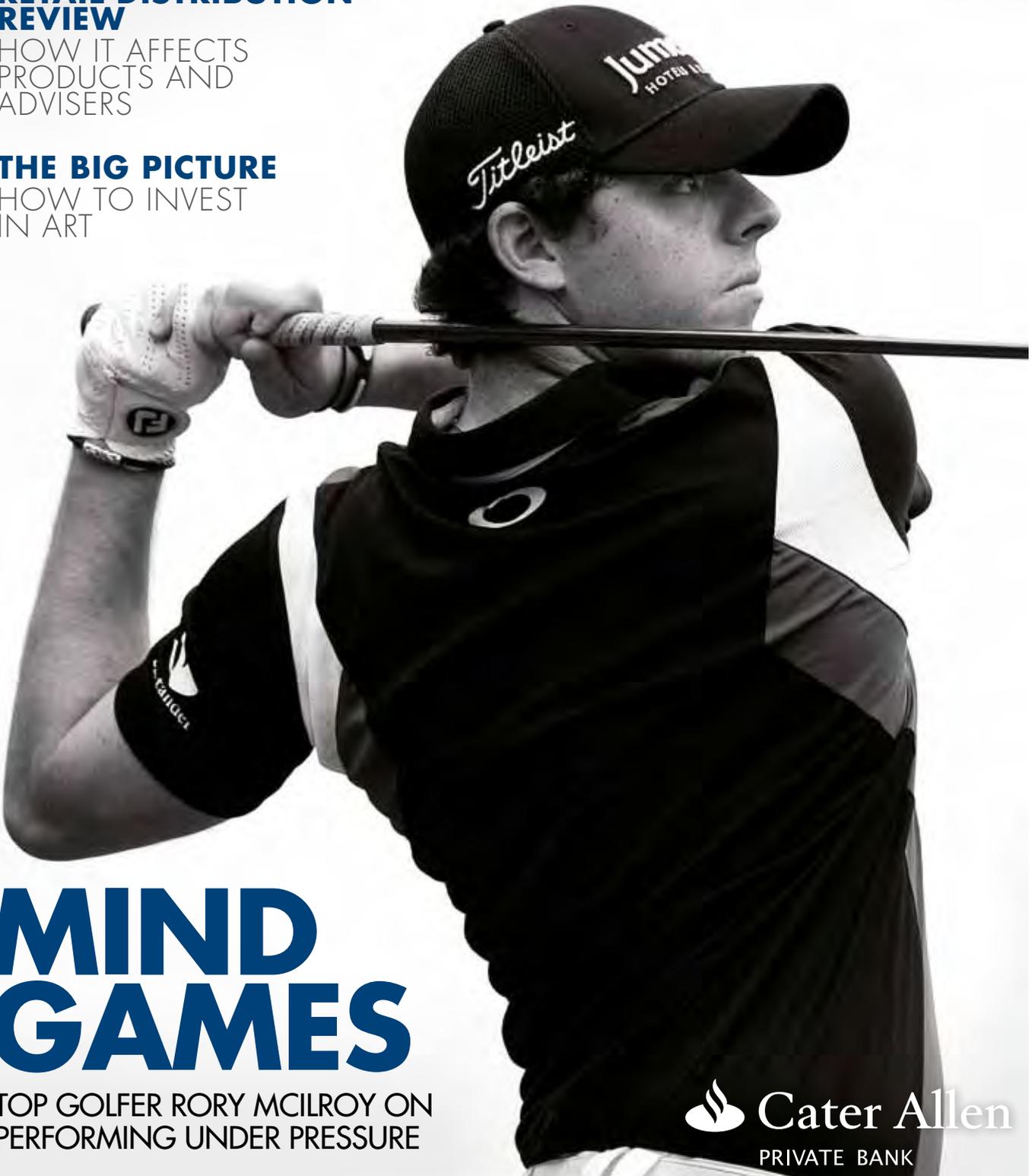
INSIGHTS & OPPORTUNITIES

RETAIL DISTRIBUTION REVIEW

HOW IT AFFECTS
PRODUCTS AND
ADVISERS

THE BIG PICTURE

HOW TO INVEST
IN ART



MIND GAMES

TOP GOLFER RORY MCILROY ON
PERFORMING UNDER PRESSURE



Cater Allen

PRIVATE BANK

WELCOME

With volatility in the markets and uncertainty about prospects for recovery and growth, it's unsurprising that wealth preservation is at the top of the agenda for many clients.

Cash as an asset class has always been overshadowed by the investment element of any portfolio. However, the safety and prudence inherent in cash means the opportunities it offers should be scrutinised more closely, not only in terms of wringing from it every last possible ounce of return but also in terms of how encompassing the client's cash asset as part of your wealth management service can create a more transparent, binding relationship.

At Cater Allen we can give you the accounts, term deposits and bonds that provide the means to construct bespoke cash management solutions for your clients, perfectly balancing the liquidity they need with the interest and safety that they desire. We can also provide deposit based plans that could deliver returns linked to potential market growth, with the peace of mind that is provided by full capital protection.

If this sounds appealing, we have a number of insights and opportunities in this newsletter that I hope will be of interest to you and of value to your clients.



Best regards,
Stephen

Stephen Kiggins
Head of Marketing,
Cater Allen

marketing@caterallen.co.uk

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MINUTES WITH... PETER BEAVIS

Peter is Sales Director at Cater Allen and has over 30 years' experience in the finance industry, the majority spent working with intermediaries. He gives us an overview of his role and focuses on the benefits of cash management solutions



Q WHAT DOES YOUR ROLE AT CATER ALLEN ENTAIL AND WHICH ELEMENTS DO YOU ENJOY THE MOST?

A I'm responsible for the successful delivery of the Cater Allen proposition to market, looking at how the skills within the wider Santander UK business can help deliver more products for intermediaries. I develop strategy to align our business model with the intermediary market and work with the product and marketing team to ensure this remains consistent, as well as keeping abreast of the latest industry developments.

The most enjoyable part of my role is, without doubt, developing our cash management proposition, and I am looking forward to the launch of an exciting new element as part of this offering, later this month.

Q WHAT IS YOUR CAREER BACKGROUND?

A I've been in this business for 30 years and I grew up through a traditional route of large Life companies, selling pensions and investment products to intermediaries throughout the UK. I've managed intermediary sales teams for the last 25 years and have also taken on roles working with both small specialist companies and larger entities, developing alternative investments and propositions and recruiting sales teams. I joined Cater Allen in May 2011, having previously been at Barclays Wealth.

Q IN YOUR OPINION, WHAT MAKES CATER ALLEN UNIQUE?

A In this day and age, it's quite unusual to work for a business that is so well aligned to intermediaries. Cater Allen is one of the only UK banks to be designed around the different types of intermediary markets, helping them with their clients' banking needs. This is at the centre of everything we do. The bank approaches advisers on the basis that it's not going to challenge

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IN THIS DAY AND AGE, IT'S UNUSUAL TO WORK FOR A BUSINESS THAT IS SO WELL ALIGNED TO INTERMEDIARIES

them for their own clients. At Barclays, there was always a fear factor – advisers didn't mind talking to you as long as you didn't get too close because they were frightened you might take their clients! Cater Allen doesn't offer a B2C advisory proposition and we have a no cross-sell guarantee with the intermediaries we deal with, offering a great deal of comfort and trust.

Q WHAT ARE THE KEY AREAS OF FOCUS WITHIN THE BUSINESS?

A In the intermediary world, cash has historically been the poor relation in that it hasn't, perhaps, offered the same remunerative opportunities as other products. However, we believe that both now and post-RDR, our range of cash management solutions can help intermediaries strengthen their proposition and deliver value to their clients. We can offer something that is truly unique, as cash offers many more opportunities than a lot of advisers are currently aware of or are using. The focus is on getting that message out there.

Q HOW DO YOU UNWIND WHEN YOU'RE NOT AT WORK?

A – I'm a great Chelsea fan, for my sins. Also, my son drags me on to the golf course fairly frequently and teaches Dad how to play 18 holes. ■

This publication is aimed at intermediaries and investment professionals only and should not be distributed to or relied upon by retail investors.

Terms & Conditions (for the golf & art prize draw on pages 7 & 15) 1. One entry per person. 2. Entry is free – no purchase necessary. 3. To enter, send an email to marketing@caterallen.co.uk with details of your name, address and phone number so that we can contact you. Please include 'Golf Competition' or 'Art Competition' within the subject line of the email. 4. The Art Prize is a guided tour of a London art gallery of your choice, accompanied by an expert from the Fine Art Fund. The winner must make their own travel and accommodation arrangements as the prize does not include travel or accommodation expenses. 5. The Golf Prize is a hat signed by Rory McIlroy. 6. There are no cash alternatives. The offer is subject to availability and is non-transferable. The promoter reserves the right to substitute a prize of similar value if this prize is not available for any reason. 7. Entrants must be UK citizens aged 18 or over. Employees of the Santander Group and members of their immediate family are not eligible to enter or win. 8. Deadline for entry is 19 August 2012. 9. The winner will be chosen at random and will be notified by the promoter within two weeks of the deadline by telephone and in writing. 10. All entrants to the prize draw should ensure that they do not breach their organisation's anti-bribery policy. 11. The promoter reserves the right in its sole discretion to disqualify any individual who corrupts or affects the administration, security, fairness or proper conduct of this prize draw. 12. The decision of the promoter is final and no correspondence will be entered into. 13. The promoter accepts no responsibility for entries lost, damaged or delayed in transit. 14. Promoter: Cater Allen Limited. Registered Office: 2 Triton Square, Regent's Place, London, NW1 3AN. Registered in England number 383032. Please note that all information is correct as at June 2012 but may be subject to change.

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TIP *of the* ICEBERG

The Retail Distribution Review is about far more than fee charging and adviser qualifications, it also offers the potential for advisers to improve customer engagement. **Peter Beavis** explains

It has been a long time coming, but the Retail Distribution Review (RDR) is set to come into force at the end of the year. While the national press has, understandably, focused heavily on the way consumers are going to be charged for the advice they receive, intermediaries too, have been faced with a series of questions. What charging model should they put in place, what additional qualifications are they going to need in order to meet RDR requirements and, indeed, is getting up to speed with RDR actually going to be worth their time?

There are other equally important issues too, which seem to have been overlooked by many. Yet these are likely to have a major impact on how RDR finally plays out.

One key area that has fallen under the radar is how the product landscape might change. Many providers have, understandably, expressed concerns that sales of particular products may fall. However, one direct result of RDR is that intermediaries are going to have to look at ways of enhancing their proposition to the market. And one area that this might happen in is cash management.

For a long time, cash has often been the last port of call when it comes to advice because the reward has been very low relative to the amount of effort involved. However, advisers now have the opportunity to go 'back to basics' with their clients and help them with regards to issues such as fundamental banking services and deposits. This can be used as a way of controlling and managing cash more effectively and in a more meaningful way – be that spare cash or money earned from, say, maturities or dividends.

The adviser can therefore get into the transaction 'chain' a lot sooner and make more of their relationship with their clients. This is in addition to all the more complex financial planning and investing that they may also be involved in.

Needless to say, as a bank that specialises in cash management, Cater Allen will be looking to work closely with intermediaries to help them improve their client relationships.

CHANGING TIMES

Another key issue that has been bubbling under the surface is whether RDR will put some advisers out of business, either because the task of gaining additional qualifications is too onerous, or advisers won't be able to move enough of their clients to a suitable level of agreed remuneration.

Many advisers are in their late 40s and early 50s and some will have made enough money to see this as an opportunity to hang

“” INTERMEDIARIES WILL HAVE TO LOOK AT WAYS OF ENHANCING THEIR PROPOSITION TO THE MARKET

up their boots and go and do something else. For that reason it won't be surprising if there is a decline in the number of intermediaries operating in the UK. What is arguable, however, is how big the decline will be.

In November last year, an FSA survey revealed that 85 per cent of regulated investment advisers said they were likely to be or will still be in the business post-2012. This was a lot higher than some of the doom mongers who projected a 40 per cent or 50 per cent reduction in the number of advisers. A more likely estimate is that there may well be around 65-70 per cent of regulated investment advisers still in the business.

What many people have not considered, however, is how RDR may change the way advisers actually operate on a day-to-day basis – in that some will become more reliant on back office processes and employees. While the advisers may be very skilled when dealing with clients, they won't necessarily have the time to do the quantitative and qualitative research across the whole of the market. So a number of advisers may well need to get a team of paraplanners on board who can help deliver well-researched products and solutions that they feel comfortable recommending.

GETTING READY

As was touched on earlier, fee charging has been the headline element of RDR and intermediaries seem to fall into one of three categories at the moment. There is a group that has already made a jump into fee charging – in some cases, well before RDR. For them, the impact is going to be considerably less as they are already charging a fee or arranging a way of collecting charges with the clients.

In the second group are those who are in the process of launching their post-RDR compliant models ahead of its implementation. Finally there is a third group that is still considering its options and looking at the proposition.

Quite what the percentages are for each of these groups is unclear, but it is evident that some intermediaries are still uncertain about how they are going to push forward. That said,

making sure that the business model is right while creating opportunities to attract new clients is a fine line to walk and one that needs to be properly pieced together.

The last quarter of this year is going to be fascinating – with intermediaries jostling for position and a stream of people delivering their propositions to the market.

There is no doubt that RDR is a 'game changer' and while there are fears that some people may become alienated from independent advice because they can't afford it, on balance, it will generally make the market a better, more transparent and regulated place. Although the onus will be on the intermediary, providers will also need to change in order to embrace the new world and provide intermediaries with the tools, support and products they need to be successful. ■

Peter Beavis is Sales Director, Cater Allen Private Bank

■ For more information on our cash management solution, please visit caterallen.co.uk

NEW ACCOUNT RATES AVAILABLE

As part of the development of our cash management proposition, we have enhanced the rates on our three, six, nine and 12 month fixed Term Deposits, which are available to personal, pension and small business clients, as well as our Life Offices only instant access Reserve Account and 12 month fixed Term Deposit rates for clients who have an offshore bond.

As a bank that specialises in cash management and supporting intermediaries and their clients, we have launched these new rates to ensure we are offering one of the most attractive solutions in the market. The details of these new rates, which are only available until 31 July 2012, are as follows:

- Instant access Reserve Account (for Life Offices only) rate of 1.85 per cent AER
- Three month Term Deposit rate of 1.71 per cent AER
- Six month Term Deposit rate of 1.91 per cent AER
- Nine month Term Deposit rate of 2.21 per cent AER
- 12 month Term Deposit rate of 3.30 per cent AER, including 0.1 per cent adviser commission
- 12 month Term Deposit (for Life Offices only) rate of 3.50 per cent AER.

PLAYING MIND GAMES

Rory McIlroy talks to Insights & Opportunities about dealing with pressure and performing when it counts



On 10th April 2011, 21-year-old Rory McIlroy stood on the first tee at the Augusta National Golf Club in Augusta, Georgia, with a four-shot lead over his nearest competitor in the US Masters Tournament. Only 18 holes stood between the Northern Irishman and his first-ever Major title (and the famous Green Jacket).

It was to be a day to remember, but for all the wrong reasons.

McIlroy carded an eight-over-par round and slipped to a tie of 15th place – ten shots off eventual winner Charl Schwartzel. It was a bitter blow and led many ‘pundits’ to question whether the relative youngster had the mental game to claim such a big title.

On 19 June, just over two months later, McIlroy, having turned 22, stood on the first tee at the Congressional Country Club in Bethesda, Maryland. Once more, he was one round away from claiming a Major – this time the US Open Championship. In the previous three days, he had broken numerous records and stood an incredible eight shots ahead of second-placed Y.E. Yang. Would history repeat itself?

It was as if there should never have been any doubt. After it was all over and everyone was back in the clubhouse, the golfer from Holywood in Northern Ireland had carded a two-under-par round to finish eight shots ahead of his nearest competitor and set a new record for the best-ever score in US Open history.

The ghosts of Augusta had been well and truly been laid to rest.

Since then, McIlroy has risen to number one in the world, a place he seems to be swapping back and forth with Englishman Luke Donald.

Sponsored by Santander, McIlroy is pragmatic about the highs and lows of golf, understanding that he can have good days and bad. Comparing the pressures of professional golf to that of business, first tee nerves with those of a high stakes meeting or critical presentation, he believes that preparation is everything. Only when you are well prepared can you possibly come out on top.

He gave his thoughts to Insights and Opportunities just before heading off to the Irish Open.

Q How important is mental strength at the highest level of golf – how much of the game is played and won in the head?

Mental strength is essential in golf and hugely important at the highest level. Being able to control your emotions can be the difference between winning and losing, which is everything in the professional game. Nobody remembers who came second. Everybody remembers who won. Numerous books have been written in recent years about golf psychology, which have helped many professionals achieve new heights in the game – I would say that at least 50 per cent of performance is related to the mental side of the game, with the other 50 per cent being physical.

Q Are there any techniques that you routinely use to combat ‘first hole nerves’?

I always try to stick to my routine when under pressure, which helps to keep me focused on the task at hand. Starting well is always important, hence a good first tee shot can help settle any nerves and help build momentum for the round ahead. Focusing on my routine and game plan helps distract me from the result and helps nerves both on the first tee and throughout my round.

Q You showed immense mental strength last year to win your first Major. Is there anything in particular you do to prepare for a Major tournament, and did you change your strategy in any significant ways in the lead up to this first major win?

A professional golfer’s career is always measured by Major wins so being able to call myself a Major champion is hugely satisfying. I always try to peak for each Major and having a good strategy in place helps me prepare. For my US Open win last year I decided to take the previous week off to get some extra practice in and also decided to ignore media comments. This certainly helped, but over time I will learn to

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PREPARATION IS EVERYTHING. ALL YOU CAN DO IS PREPARE AS BEST YOU CAN AND HOPE THAT IT’S GOOD ENOUGH

find the best strategy for my game, which will ensure I can prepare to play my best for the big tournaments.

Q What are the issues/challenges that you have to deal with on and off the course from a psychological standpoint? Including the pressures of leading the field, being world number one, and press scrutiny.

Over time you learn to deal with all aspects of the game on and off the course. Experience is everything in professional golf. Both good and bad experiences help you to prepare and learn for the next tournament. The more I am in contention, the more comfortable I feel in that situation. The same goes for reaching world number one. Leading tournaments and reaching world number one are all just results of my routine and preparation. Press scrutiny is just part of being a professional golfer at the top of the game. It is just part of my job. Over time you learn how best to deal with it.

Q What is the best piece of advice you have been given?

Preparation is everything. Prepare as best you can and hope that it’s good enough for any given tournament. ■

WIN!

A SIGNED HAT

To be in with a chance of winning a hat signed by Rory McIlroy, please email marketing@caterallen.co.uk with ‘golf competition’ in the subject line and the answer to the following question. Make sure you include your name, company and contact details.

At which golf course did Rory win the US Open in 2011?

- A Pebble Beach**
- B Congressional**
- C Augusta**
- D Pine Valley**

For terms and conditions, please see page 2.

University CHALLENGE

Saving for a child's higher education is a financial priority for many parents. Cater Allen offers a flexible solution to ease the process

For decades, the biggest financial challenge facing parents was saving enough for their child's first car or perhaps helping towards a deposit on a home. Sadly that is no longer the case, with many today facing the dilemma of how to raise enough funds to send their children to university.

With tuition fees at many universities totalling £9,000 per annum, and with

additional costs for accommodation, travel and food adding up, it's not unusual for the overall cost of a three-year course to be around £45,000. It's hardly surprising, then, that planning for this milestone tops many parents' agendas.

While students can access loans to fund tuition costs and cover maintenance, the amount depends on which institution they attend and whether they live at home.

Many students (and their parents) are

unlikely to want a working life that starts in debt. Once a graduate enters employment and earns more than £21,000 per annum, student loans are repayable at a rate of 9 per cent of every £1 of taxable income earned over £21,000. The outstanding student loan will also bear interest at rates that are dependent on the individual circumstances.

Considering the amount of money that needs to be raised to pay for a university education, should the loan route not be viable,

it's vital that parents or grandparents (or indeed both) look at how to save for their child's higher education needs in the most effective and flexible manner possible.

MORE THAN JUST TAX

When asked what they would ideally want from an investment in order to generate funds to meet higher education costs, most people would probably name some or all of the following criteria:

- The prospect of a reasonable return
- Protection against loss
- Tax efficiency
- Control over when/how the student benefits.

There are a number of investments that can deliver some of these requirements. The well-publicised Junior ISA (JISA), for example, can certainly deliver tax efficiency (on investments of up to £3,600 per annum per qualifying child) and offer some investment choice. However, a child will be able to draw on the JISA at age 18 regardless of what the contributors may want. For many, therefore, this investment may be inappropriate.

In the right circumstances, a structured deposit-based plan like the Cater Allen Growth Plan or Enhanced Growth Plan can represent a suitable alternative to provide for these costs, especially where there is a reasonable deferral period until the higher education starts. When held inside an offshore bond as a tax-effective investment, the Plan would offer the following benefits:

- Potential growth in the value of the deposit through participation in specified increases in the FTSE 100 Index
- No tax during the six-year investment term
- No tax on maturity of the Plan
- The Plan would be held by the investing parent or grandparent, thus ensuring that they maintained control of the money at the point of maturity
- As and when the parent or grandparent wanted to bestow benefits on to the student, some of the policy segments forming the offshore bond would be assigned, free of income tax (under the legislation as it stands) as the case study below demonstrates.

PUTTING IT INTO PRACTICE

Here is an illustration of how a Growth Plan or Enhanced Growth Plan could be used to save for a child's higher education.

Robin is aware that the total costs of higher education for his son Thomas (aged 12) would currently be around £15,000 per annum. Thomas will go to university in six years and with the cost of inflation assumed at, say, three per cent per annum this will mean that around £56,000 will be required.

Robin currently has some money available to create a fund for Thomas. If he assumed a five per cent per annum gross growth rate he would need to invest about £40,000 now to hit the £56,000 target. Robin's financial adviser recommends a Cater Allen Growth Plan held inside an offshore bond issued as a number of small, separate and genuinely independent policy 'segments' to aid flexibility. The Plan delivers a return after six years equivalent to a five per cent per annum tax free compound growth and around £54,000 is

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IT'S NOT UNUSUAL
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produced from the maturity of the Plan. This is paid tax free to the offshore bond, and then invested, continuing to earn five per cent per annum tax free inside the bond.

In the year that the Plan matures, £18,000 is needed to meet Thomas's first-year costs. Offshore bond policy segments to this value are assigned to Thomas. The assignment doesn't give rise to a chargeable event but represents a potentially exempt transfer for inheritance tax to the extent that the value of the segments doesn't exceed Robin's available annual IHT exemption, with no tax payable at the time.

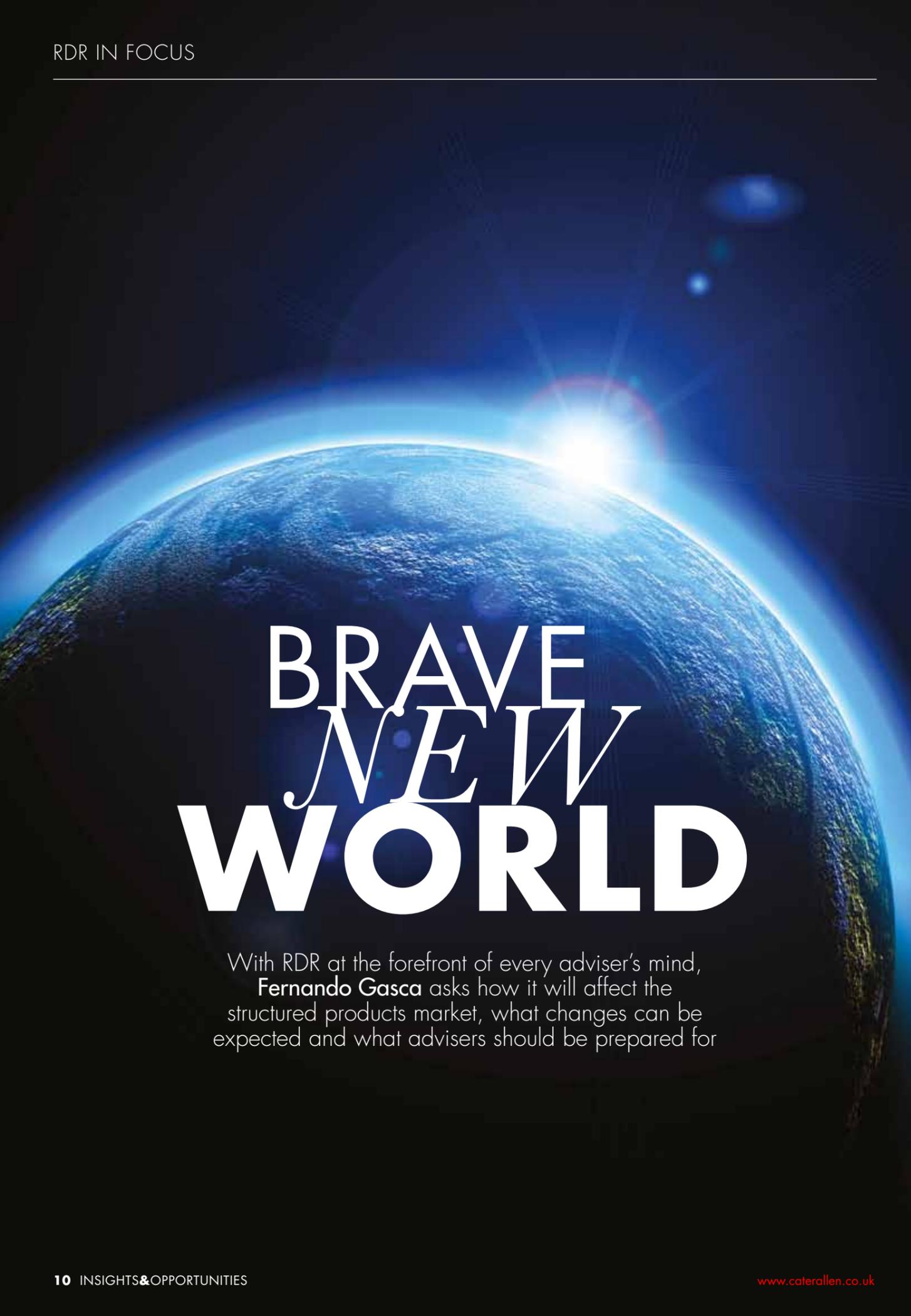
Thomas encashes the policies and makes a gain of £4,500 (the amount originally invested in those policies being £13,500 of the total £40,000 invested in the bond). The gain is well within Thomas' available personal allowance as his holiday work has generated £4,000 in the tax year of encashment, so the personal allowance (assumed to be £10,000) is not exceeded. A similar scenario takes place in years two and three.

Robin's use of a Cater Allen Growth Plan has delivered tax-free, flexible returns to meet the costs of his son's higher education and ensured he is in control of the funds and when they were made available to Thomas – all without compromising tax efficiency. ■

■ For more information on our structured products, please visit caterallen.co.uk/structured-products

IMPORTANT INFORMATION

- It is possible to encash the Growth Plan before the end of its term but if the Plan is closed early (i.e. after the cancellation period but before the end of the Plan's term) then the investor may get back less than they paid in.
- There is no guarantee the FTSE 100 Index will rise or behave the way it has done in the past.
- The Plan offers full capital protection ensuring the return of the investor's initial capital deposited in the Plan, if it is held until maturity. This protection is dependent upon the continued solvency of Santander UK plc.
- The tax treatment depends on your client's individual circumstances and may change in the future. Future income tax rates cannot be guaranteed.
- This case study is put forward strictly for general consideration. No action must be taken or refrained from based on its comments alone. Individual advice must always be sought.
- All Cater Allen deposits are guaranteed by Santander UK plc, and eligible investors in the Plan are also covered by the Financial Services Compensation Scheme (FSCS) under Cater Allen's own banking licence.
- The Financial Services Compensation Scheme (FSCS) protection on an offshore bond only applies to the bond itself and not the individual investor. This means that an investment within an offshore bond may not be fully covered by the scheme.



BRAVE NEW WORLD

With RDR at the forefront of every adviser's mind, **Fernando Gasca** asks how it will affect the structured products market, what changes can be expected and what advisers should be prepared for

“” NOT ALL STRUCTURED PRODUCTS ARE THE SAME, AND THIS POSES ISSUES FOR ADVISERS OVER WHICH TO RECOMMEND POST-RDR

With the Retail Distribution Review (RDR) on the horizon, advisers are focused on getting the required qualifications and meeting operational needs by the end of the year. Yet many may have spent less time thinking about the impact of the changes from a purely investment management perspective. While we have seen some fund managers launch RDR-compliant funds over the last couple of months, less has been said about how portfolio construction will be affected.

The implementation of RDR is going to have implications in terms of instrument selection, and this is very much true for the structured products market.

First of all, not all the structured products available in the market will fall into RDR. For example, structured deposits are normal-term deposits with the only difference being the 'pay-off'. As such, the FSA has decided that they don't need to follow the treatment of other investments. Ultimately this could change, and how RDR evolves – along with the arrival of MiFID II (which is due to come into force by 2014) – could influence that change. But for the time being they are not under the RDR scope.

That doesn't mean, however, that they will continue to be offered as they have been in the past. It's most likely that providers will change the manufacturing process in order to have 'RDR-friendly' structured deposits that will share the same characteristics as other RDR-compliant investments. This is an area that is still unclear and it remains to be seen which way the majority of advisers will go.

A common misconception is to classify structured products as an independent asset class – they are actually instruments that let you access an asset class. A structured deposit behaves in a similar way to a fixed-income instrument during part of its life, and

changes depending on the performance of the underlying asset, increasing its similarity to equities but always maintaining the capital protection component.

DIFFERENT STROKES

Significantly, not all structured products are the same, and this poses issues for advisers over which to recommend post-RDR. In truth, however, many basic principles still apply, not least simply measuring the risk/return profile of each instrument and seeing whether that would work in building a balanced portfolio according to a client's needs. Where thought needs to be given is in comparing different instruments.

This requirement will involve an in-depth analysis of all the structured products available and the creation of different scenarios with different probabilities of return and possible future performance. As past performance is not a reliable guide to the future, it is important for the intermediary not to focus solely on it, and scenarios should enable advisers and their clients to have a clear view of what they might expect.

Scenarios need to be simple but realistic enough to give a fair idea of the potential returns. A key element here is to look at past performance and use it, if only as a proxy, to create and understand the expectation. If, for example, in the past 20 years the FTSE has gone up on average three per cent, it wouldn't be realistic to expect it to go up 25 per cent every year for the next five years. A realistic assumption for the future is needed. Of course, not everything will need to be done by the adviser, as structured product websites and special comparison websites will have a more active role in the selection process.

When comparing past performance – with an awareness of the limitations of using this approach to determine a future investment

– the capital protection component of many structured products (comprising more than 50% of the market) can be key, especially when dealing with a world that over the last decade has become too familiar with stock market crises and capital loss. Not all protection is equal and, therefore, there can be varying degrees of risk and the potential for loss. For investors not looking for full protection at maturity, there are other vehicles available. These range from some types of medium-term notes to warrants but, with the exception of Treasury gilts, these are without the superior safety characteristics associated with structured deposits.

It is also important to find the right diversification between product issuers. In the same way that an adviser wouldn't put their entire client's money into a single investment, they wouldn't put all of it into a single structured product, either.

BROAD APPEAL

From the client's perspective, the move from a pay-per-product commission world to the new one based on a recurrent fee charged is a big shift. Some initial surveys show clients may be reluctant to pay an advisory fee. However, if we assume this to be only the minority and that most clients will be happy to follow the fee paying route, there will inevitably be an impact.

A fee-paying client will likely have higher expectations in terms of service, and not only with regard to the smoothness of their relationship with their adviser, but also the quality of the advice provided.

The spirit of the RDR is to protect the client and avoid detrimental situations – as such this must surely be an opportunity for the structured products market. This is particularly the case for structured deposits that protect the capital at maturity, as these offer an excellent opportunity to reduce risk within a portfolio, protect the initial investment and also gain exposure to potential market upside. For many advisers these products provide the easiest and cheapest way to offer their clients a transparent, safe and balanced portfolio. ■

Fernando Gasca is Head of Investments, Cater Allen Private Bank

We are very keen to hear your thoughts on RDR, and would be delighted if you would spend a few minutes filling in our [RDR questionnaire](#). All entrants who have completed the survey before midnight on Tuesday 31st July 2012 will be entered in to a competition to win a case of wine from Berry Brothers and Rudd as an added incentive to complete the survey, which should take no more than 10 minutes.

Take YOUR PICK

If your clients are looking for protection as well as potential growth, then you should consider these three new structured deposits from Cater Allen

The Annual Locked-In Return Plan 6

An opportunity for your clients to lock-in six annual returns of 6.5 per cent gross*

For savers looking to get back into the equity markets, but who are nervous of capital risk, the Annual Locked-In Return Plan 6 (ALIRP6) could be the ideal solution. It combines the potential to lock-in annual returns of 6.5 per cent gross* with the peace of mind provided by capital protection. As a structured deposit, it also provides eligible depositors with the same level of FSCS¹ cover as any other deposit account held by the bank. In addition, should they not have already taken advantage of their 2012/13 allowance, the ALIRP6 is available within a cash ISA, and for transfers of previous years' allowances.

The ALIRP6 offers clients the opportunity to lock-in a return each year that the FTSE 100 Index is at or above the level of the Index recorded on the commencement date of the plan. At maturity, the client's original investment will be repaid² irrespective of the performance of the index, along with any cumulative locked-in returns.

In addition, the plan pays three per cent adviser commission, with the option to partially or fully rebate³ this to your client if you wish to do so. The rebate would provide the potential to increase the maximum possible gross* return at maturity from 39 per cent of the client's original investment (equivalent to 5.64 per cent AER*) to 43.17 per cent (which would be equivalent to 6.16 per cent AER*).

As well as via a cash ISA (or cash ISA transfer), the plan can be opened within an offshore bond, SIPP or SSAS, adding tax efficiency⁴ to its other benefits. Early-bird interest is included in the plan at a fixed rate of 0.50 per cent AER*.

The plan, rated four-star by Moneyfacts, is only open for a limited time, so your clients will need to apply before 18 July 2012, when the offer period closes - or earlier if sold out. ■

The Growth Plan 14

Your clients could enjoy as much as 120 per cent participation in the positive performance of the FTSE 100 Index

With markets in May suffering increased volatility, nervousness among some investors returned. But what if there was a deposit-based product that enabled your more cautious clients to benefit from potential stock market growth, without the risk normally associated with equity investing?

The Cater Allen Growth Plan 14 (GP14) offers your clients the opportunity to realise a return equivalent to 1.2 times any FTSE 100 Index growth at the maturity of the six-year term (subject to averaging⁵).

As a deposit-based product, the plan provides eligible depositors with the same level of FSCS¹ cover as any other deposit account held by the bank, and full capital protection² to ensure the return of the client's initial capital at maturity, regardless of how the index performs. This plan could be just what your clients are looking for - and it also comes with a four-star rating from Moneyfacts.

In addition, the plan pays three per cent adviser commission, with the option to partially or fully rebate³ this to your client, and is available within an offshore bond, SIPP or SSAS, cash ISA or cash ISA transfer for tax efficiency⁴.

The plan is only open for a limited time, so your clients will need to apply before 20 July 2012, when the offer period closes - or earlier if sold out. ■

The Enhanced Growth Plan 11

Your clients could enjoy 200 per cent of potential FTSE 100 Index growth, capped at 45 per cent

Advisers are under pressure to provide clients with products that can offer potential growth, but won't hit them with the normal risk of investing in equities. This can be met through a deposit-based product that allows the clients to benefit from enhanced potential stock market upside without that downside risk.

The Cater Allen Enhanced Growth Plan 11 offers your clients the opportunity to realise a return equivalent to twice any FTSE 100 Index growth at the maturity of the six-year term (subject to averaging⁵ and up to a maximum 45 per cent gross* [equivalent to 6.39 per cent AER*]).

As a deposit-based product, the plan provides eligible depositors with the same level of FSCS¹ cover as a savings account and full capital protection², ensuring the return of the client's initial capital at maturity regardless of how the Index performs. Moneyfacts has awarded it the maximum five stars, making it a very compelling proposition.

In addition, the plan pays three per cent adviser commission, with the option to partially or fully rebate³ this to your client, and is available within an offshore bond, SIPP or SSAS, cash ISA or as a cash ISA transfer for tax efficiency⁴. Your clients will need to apply before 3 August 2012 for cash ISA transfer applications, or 10 August 2012 for all other applications (or earlier if sold out), as the plan is only open for a limited time. ■

1. For further information about the Financial Services Compensation Scheme, visit www.FSCS.org.uk. 2. The capital protection is provided by Santander UK plc and depends on its continued solvency. 3. Rebates will not be accepted on cash ISA or ISA transfer monies. 4. The tax treatment depends upon your client's individual circumstances and may change in the future. 5. Averaging at the end of the Plan term is designed to smooth the performance of the FTSE 100 Index. Whilst this could reduce the benefits of a rising market, it also reduces the adverse effects of a falling market. *Gross is the rate before the deduction of the basic rate of income tax, currently 20 per cent. AER stands for Annual Equivalent Rate and this shows what the interest rate would be if we paid interest and added it to your client's plan each year. Unless your client's return is the maximum of 39% gross for ALIRP6, the equivalent AER at maturity is variable and will depend upon the performance of the FTSE 100 Index.

FOR MORE INFORMATION
about any of these plans
and for copies of the
Product Guides, Term Sheets
and Sales Aids, please go
to www.caterallen.co.uk/
structured-products or call
us on 0500 009462.



Cater Allen aims to offer a range of simple, safe and secure structured products. This summary table gives further details of the products featured opposite. For more information, please visit www.caterallen.co.uk

	Annual Locked-In Return Plan 6	Growth Plan 14	Enhanced Growth Plan 11
UK tax resident	Yes	Yes	Yes
Overseas resident	No	No	No
Early-bird interest	Yes, 0.50% AER* (fixed)	Yes, 0.50% AER* (fixed)	Yes, 0.50% AER* (fixed)
IFA rebate to client (not available for cash ISA or ISA transfer monies)	Yes, 0.5% increments	Yes, 0.5% increments	Yes, 0.5% increments
Minimum deposit	£5,640	£5,640	£5,640
Term	6 years	6 years	6 years
Offer Period Dates	23/05/2012 – 18/07/2012	28/05/2012 – 20/07/2012	18/06/2012 – 10/08/2012
Commencement date	15/08/2012	17/08/2012	07/09/2012
Maturity date	17/08/2018	21/08/2018	09/09/2018
Underlying	FTSE 100 Index	FTSE 100 Index	FTSE 100 Index
Payoff	6 Year Plan that locks in a gross return of 6.50% each year that the FTSE 100 Index is at or above the Initial Index Level. Original Investment and locked-in returns paid at maturity (max 39% gross)	An amount equal to 120% of any growth in the FTSE 100 Index between the Initial Index Level at the Commencement date and the Final Index Level at maturity, with no cap or maximum return	An amount equal to 200% of any growth in the FTSE 100 Index between the Initial Index Level at the Commencement date and the Final Index Level at maturity, with a 45% cap / maximum return
Averaging	None	Monthly over final year	Monthly over final year
Is this a "Capital at Risk" payoff?	No	No	No
IFA commission	3%	3%	3%
FSCS protection	Up to £85,000 of total holdings with Cater Allen	Up to £85,000 of total holdings with Cater Allen	Up to £85,000 of total holdings with Cater Allen
Protection level	100% at maturity	100% at maturity	100% at Maturity
Potential for loss of capital from a banking default	Yes	Yes	Yes
Income	No	No	No
Minimum Return	No	No	No
Vehicle	Deposit	Deposit	Deposit
Tax	Income Tax	Income Tax	Income Tax
ISA/SIPP/SSAS	Cash ISA/Cash ISA transfer/SIPP/SSAS	Cash ISA/Cash ISA transfer/SIPP/SSAS	Cash ISA/Cash ISA Transfer/SIPP/SSAS
Tax-efficiency using offshore bond	Yes	Yes	Yes
Instant access to capital	No	No	No
How often are Early redemptions processed?	Weekly	Weekly	Weekly
Early exit fee	£50 + VAT	£50 + VAT	£50 + VAT
Option to add to investment	No	No	No
Moneyfacts rating			
External counterparty risk	No, all done in-house within Santander UK plc		

Choose from the best

Cater Allen won Best Structured Products Service Provider 2011 in the annual Investments, Life & Pensions Moneyfacts Awards. These recognise companies who, in the opinion of professional advisers, and in combination with analysis by Moneyfacts, have consistently offered 'the most competitive products, the best levels of service and shown the greatest innovation' during the last twelve months. Adviser voting for the 2012 Shares Awards opens on 28 July. If you like the products we offer at Cater Allen then why not vote for us in the Best Structured Products Provider category by visiting www.sharesawards.co.uk/awards.



MONEY

for art's sake

Whether your preference is for Damien Hirst or something more 'traditional', investing in art is as much about passion as it is about potential profit. Art historian **Howard Litchfield** takes a closer look

In September 2008, just one day after the collapse of Lehman Brothers, Sotheby's staged an auction of artworks by Damien Hirst. The art world held its breath. Would sales be affected by what was going on in the financial world?

When the auction ended and the entire catalogue had sold, smashing records for a single-artist sale, it seemed that the art market was as buoyant as ever – although it was affected later as the extent of the crash became clearer. With auction houses Christie's and Sotheby's reporting a 14 per cent increase in sales over the last year, art would seem to be an attractive proposition for any investor looking to expand their portfolio with tangible assets.

Yet the last few years have seen a shift. Unlike the 'art booms' of the 1980s and 1990s, when collectors such as Charles Saatchi would buy up entire collections by unknown artists, a more cautious approach is being taken by today's art world. It is, as Federica Bonacasa, Head of Art Advisory at The Fine Art Fund says, a market of "safe names and safe bets".

Alongside the established names of the contemporary art scene, such as Hirst, Bonacasa identifies Old Masters of the Flemish and Italian schools as well as the Modern Masters as among these 'safe bets'. Names to look out for include Guido Reni and Asger Jorn. Certainly the recent headline price paid for Edvard Munch's iconic *The Scream*, and a recent auction of Impressionist work selling 80 per cent of the lots available, suggest that the appetite for the Modern period remains undiminished. But where does the newcomer to art investment begin?

STARTING OUT

For those looking to invest in emerging contemporary art, the summer degree shows staged by universities and art colleges offer the chance to buy works by upcoming talent at minimal cost. Henrik Riis of London's Eyestorm gallery says these are an ideal starting point. "There are always younger artists producing quality work," he explains.

Central Saint Martin's, Goldsmith's and The Slade School of Fine Art, among others, have a track record of nurturing artists who become future Turner Prize winners. Yet while some artists can see their work selling for millions a few years after their college shows, many more struggle. Buying work from a student show may involve minimal investment, but it is a risky leap into the unknown.

Equally exciting can be the experience of buying works at auction, and it is here that the 'safe names' of the contemporary, Modern and Old Master markets will often be for sale. For the art world newcomer, though, there are pitfalls. The value and perceived quality of an artwork is dependent on a bewildering array of factors. Objective qualities such as

“”
THE BIG NAMES ARE OUT OF MOST PEOPLE'S REACH, BUT THERE ARE ALWAYS YOUNGER ARTISTS PRODUCING QUALITY WORK



a work's provenance and materials, as well as more subjective, academic concerns such as its position within the artist's oeuvre can all impact on an auction sale.

Research is key – a canny buyer will attend the pre-auction viewing, consult the available literature and look at previous auction records of the artist and the seller's reputation.

"Even if using a third party, always do your homework. Ensure due diligence requirements are met," Bonacasa advises.

GROUP EFFORT

While perhaps not having the same immediate excitement as buying a piece from a student show or auction, an Art Fund may offer a more attractive opportunity for those looking to make a return on investment. Art generally confounds correlation to other markets, making it an interesting alternative asset class for those wanting to diversify their holdings.

Buying into a collection of art assembled by those with years of art and financial experience reduces the risk of this asset class. You can rely on a ready-made pool of expertise and spread your investment across a range of works.

It is this collective knowledge base that provides the real advantage. Bonacasa says the advance notice of exhibitions, a wide network of contacts within both public and private institutions and access to existing private collections are factors enabling an appropriate response to market fluctuations. While the focus of an Art Fund may at first glance appear to be on artists with a proven track record, a close eye is kept on future

trends and Bonacasa identifies Brazil as one to watch. With a 37 per cent increase in auction volume between 2009-2010 and the increasing visibility of artists such as Ernesto Neto and Adriana Varejão, South America could produce future art stars.

Whichever route you choose – be it an auction, new artists or an art fund – buying art to make a profit should be approached with caution as there are risks involved.

"There are no guarantees in a world in which changing fashions, tastes and opinions play such a large part," says Bonacasa.

The potential for returns may not be realised until well after the artist's lifetime and maybe never at all. Perhaps the final guiding principle should after all be one of personal taste.

Art can enrich your life beyond all financial considerations; supporting young artists can be equally satisfying and little can compare to the joy that owning a beautiful or thought-provoking piece can bring.

In this investment sector it is as important to follow your heart and eye as your mind. You could be living with a work for a long time and as Bonacasa says: "Owning a Hirst may seem like a great opportunity, but would you really want a dead shark in your home?" ■

Howard Litchfield is an artist and art historian

WIN! A TOUR OF A LONDON GALLERY



Cater Allen and The Fine Art Fund have teamed up to offer you (and a friend) the chance to win a guided tour of a London Art Gallery of your choice. An expert from The Fine Art Fund will take you around your chosen gallery and talk to you – in detail – about the art on display and what investors look for in artworks. To be in with a chance of winning, email marketing@caterallen.co.uk with 'art competition' in the subject line and we will pick one winner at random. For terms and conditions, please see page two.



SOMETIMES THE SIMPLEST THINGS ARE THE STRONGEST

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