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update

Knightsbridge Wealth

Dear friends and colleagues,

Markets had plenty to panic about as 2015 dawned. Oil prices were plunging and Greece appeared ready to leave the Euro - again. The Euro fell to an eleven year low against the US Dollar, and the S&P 500 index ended its seemingly unstoppable rise with a grim start to the year.

However, whilst oil price falls are very bad news for some countries, it will be a real long term bonanza for global growth. And if, following Syriza's spectacular win in the Greek General Election, Greece looks to leave the Euro zone, the European Central Bank has the excuse it needs to print enough money to stop any panic. If Greece stays, a relief rally is likely. In the case of oil shocks, or a Grexit, a bit of panic may, of course, endure but the long term affects will be fairly negligible.

The Euro-zone's internal contradictions make it hard to see how it can survive in its current form in the long term. In the short-term, however, the political will gluing it together cannot be under estimated and there is the bigger than expected quantitive easing programme — just launched — to help boost Europe. The President of the European Central Bank would have been glad with the market's response - Euro down and European stocks up. Mr Droghi's plan to buy £60bn of assets was more aggressive than expected. It was clouded in detail though, and it is still unclear whether it will be enough to jolt Europe out of its doldrums. It is certainly timid compared with the US, UK or Japanese programme — entirely to be expected because of Germany's fear of the monetary authority subsidising reckless borrowing by Southern European nations.

The diverging world brings into focus the importance of maintaining a long-term and disciplined approach to investments, underlined by the key principles of diversification and considered set class selection.

2015 has also, so far, seen the rise of political instability in countries like Libya and the Yemen. All eyes will also be on Saudi Arabia, with King Salman already announcing a significant Government shake up only a week after taking the throne.

The world needs a constant, reliable, well regulated safe-haven to manage family finances, whatever the political instability at home. London continues to fill that need more than ever. Knightsbridge Wealth only advises international clients. This could be families living and working overseas, or those living in the UK for a period of their lives. We understand the unique requirements our clients have and have exciting plans to build our team over 2015.

We look forward to working with you.

Market Report

Commodities
Explore Nickel
Las year was a terrible one for raw materials and prices could well slide further in the months ahead. The key driver of demand for base metals — particularly copper, coal and iron ore — is China, which has just reported the slowest annual rise in growth since 1990. The property bubble has burst and the authorities are reluctant to allow it to build again. Elsewhere, global growth remains lukewarm whilst supply is healthy.

The only obvious growth opportunities are nickel, where more is consumed than extracted, and mining firms. Now that metal prices have fallen so much that investors looking for value may find those companies attractive.

Agricultural commodities remain in a structural bull market as populations rise and arable land is depleted. They are, however, subject to significant volatility due, for instance, to weather-based fluctuations.

Property
Look abroad
UK house prices remain a trophy asset for many international investors. In 2014, UK house prices grew by 7.2% according to Nationwide. Increases this year are tipped to be between 3-4% due to the government reviewing and tightening the mortgage market, together with political uncertainty — and the threat of a 'Mansion Tax' in the event of a Labour win in May's General Election.

London prices are particularly threatened by an over-supply of new homes, designed for the very wealthy, and an under-supply of Russian oligarchs so prevalent in recent years. Even if prices did fall a little, they still remain expensive compared to earnings. Investors wanting property exposure will find better value in commercial property or elsewhere.

Bonds
Too risky
Government Bonds are significantly overpriced and too risky, particularly given the poor state of financial affairs in many developed countries. The rise in all markets also make corporate bonds expensive and the energy sector is particularly at risk since it is so highly indebted.

Equities
Stick with Japan
Liam Halligan in the Sunday Telegraph reported that there "remains a fundamental disconnect between Western share prices pumped up by printed money and an unconvincing economic recovery." The recovery in the West will gather momentum in the US, although Europe is in danger of sliding into a deflationary slump. That danger has led Europe to embark on an aggressive quantitative easing programme and liquidity injections, such as this, has always benefited asset values. Both European and Japanese equities remain reasonably valued by historic standards.

Emerging markets will face another bumpy year as higher US interest rates encourages funds back to that more stable market. The commodity slowdown bodes ill for some companies, although valuations look reasonable. Oil importers with big domestic markets, such as India and the Philippines, are worth considering.

Precious Metals
Buy gold for insurance
Volatile market conditions have lifted the yellow metal off its four-year lows. Despite the rise, gold is likely to struggle as higher US interest rates diminish its attraction and reduces the risks of inflation.

However, inflation could make a sudden comeback in future years and an economic shock, like a messy eurozone exit by a south European state, cannot be ruled out. As an insurance policy, therefore, gold holdings still make sense.

Silver is also near a four-year low. It is an industrial metal as well as a monetary one and dependent on industrial demand. It is, therefore, extremely volatile and for gamblers only.

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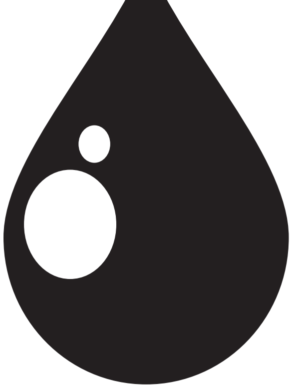

Feature: Oil's continuing fall

Oil continues to slump. It is now less than $50 a barrel for the first time since May 2009. Prices have fallen more than 60% since June valuations of $115.

Opec, the oil cartel, shows no sign of cutting production. They want to drive down prices to put US shale companies out of business. With growth demand quite poor, the surplus is likely to get bigger. Suhail bin Mohammed al-Mazrouei, the UAE's Energy Minister showed no sign of this strategy changing. He said recently "We re telling the market and other producers that they need to be rational and. Like Opec, they need to look at growth in the international market for oil and need to cater that additional production for that growth." He also warned that it will take some time for prices to stabilise.

Investors see the plunge in oil prices as a bad omen for the global economy. A widely read survey of global economic activity (compiled by JP Morgan) shows confidence has slid to its lowest level for a year. Markets also worry that cheaper oil may bring nasty surprise so the financial system. The 'junk bond market' has seen a bubble created by demand for shale companies since they have been able to offer a strong yield, in a low interest environment.

However, investors are perhaps being too pessimistic. Lower oil prices gives the work economy a real potential boost. A $10 fall in prices tends to boost global demand for goods and services by between 0.2% and 0.3%.

Oil traders are betting that crude prices will hit a 20-year low of $20 a barrel. Nymex, the New York exchange, notified markets that the number of contracts, or options, to sell US crude at $20 in June has jumped from close to zero at the beginning of the year to 13 million barrels of oil. This shows how quickly sentiment has fallen. Traders recently believed that prices would bottom out just below $40 at year end, yet we're reaching that level already.

Whatever the potential benefits to much of the global economy, the boss of oil giant BP, Bob Dudley, was quick to point out the problems that the energy sector will face. He has said that oil prices could remain low for up to three years. He said that will lead to job losses and falling investment in the North Sea oil industry and elsewhere, curbing supply and eventually forcing the price back up.

Claudio Descalzi, the Chief Executive of the Italian oil group, Eni, said the oil industry would cut capital spending by 10-13% this year because of slumping prices.

Not all commentators were as negative. Prince Alwaleed bin Talal, a Saudi billionaire and one of the world's biggest corporate investors, has claimed that prices will never hit $100 a barrel again, saying that was "artificial." He added that Saudi Arabia's moves to trigger the price war was "prudent, smart and shrewd."

It is inevitable that the fall in oil prices will influence energy prices generally. Nick Butler, a Financial Times blogger, recently said that the "dramatic halving" of the oil price since June means "there is every chance that gas will follow suit." US natural gas futures dropped almost a third in 2014, after spiking during February's unusually cold weather. As with oil, supply has outstripped demand. Production, spearheaded by the US shale revolution, beat expectations this summer and stockpiles are healthy — up 8% on last year.

New pipelines in the North East has enabled producers to get all their output to market and warm weather has reduced demand. The US Energy Information Administration believes that the extra supply will "more than cover any shortfall." It is no surprise, therefore, that US shale gas exporters have seen their shares fall as much as oil explorers since the summer. Over the long term, more stringent environmental regulations are likely to prompt more industries and households to opt for natural gas which is the cleanest fossil fuel. However, for now, it would be unwise to expect much improvement.

Whilst Saudi Arabia looses the most from plunging prices, it has the money to play a long term strategy. Iran, Russia, Nigeria and Venezeuela have the most at risk. The large importers of oil will gain the most - namely Europe, the US, China, Japan and India.

A continuing UK emergency?

On 5th March 2009, the UK's Monetary Policy Committee halved the official Bank Rate from an already emergency low of 1%. to 0.5%, in an attempt to boost the economy. The global crisis following the collapse of Lehman Brothers was the financial equivalent of a war, in terms of its impact upon global trade, the creditworthiness of banks and the rise in government budget deficits.

Not long afterwards, Roger Bootle of Capital Economics (CE) famously, and controversially, forecast that this rate would persist for five years. Well, we are well past the five year anniversary and Mr Bootle's team at CE is still forecasting that the 0.5% rate will remain in place until next year.

There have only ever been two periods of low and stable rates before, both at 2% and both over the course of the Second World War (from July 1932 to July 1939 and from October 1939 to October 1951).

Most banks and analysts had expected rates to increase by now since low interest rates inevitably encourage spending and, therefore, inflation. However, wages in the UK remain under pressure and house price growth has slowed dramatically. That means that any increase could significantly dampen the recovery and markets are not convinced that bank rates will be above 0.5% by March of next year or that it will have reached 1.5% by September 2016.

In Europe too, a rate rise is a long way off. The massive boost of quantitative easing has been necessary to breath life into the economy, so interest rate rises to control growth and inflation are inconceivable.

The US Federal Reserve Bank has mapped out its path towards the end of quantitative easing and its own record low rates of 0.25%, although the Bank's approach is far from unified. There are sharply differing forecasts for next year and the year after, confirming that there is no certainty over near term interest rate rises in the US. However, the view from our Strategic Partner, UBS, is that US rates will increase from the second half of 2015.

Whilst the US and UK will start exploring when and by how much rates should rise, this is not even on the agenda in Europe and Japan. US and UK economies are becoming more robust, with unemployment falling quickly to pre-crisis levels. Globally, financial institutions have strengthened their balance sheets, meaning central banks will have less incentive to stimulate the economy and their policies will move away from crisis planing. This will mean exchange rates will move more freely.

From a currency perspective, the US Dollar is likely to continue its advance. Sterling will be under pressure, due to political uncertainty on the run up to May's election which could pave the way to a referendum on its withdrawal from the European Union. Despite these issues, the Pound is likely to advance against the Euro, which remains over-valued.

Passports for sale!

One of the main priorities for many international clients is the ability, if needed, to move overseas because of instability in their home country, or to benefit from a better education system or an improved quality of life. Many countries are aware of the potential benefits of attractive migrants and have specific schemes to encourage them.

Portugal has proved to be the most popular scheme since its 2012 launch. In return for a property purchase above €500,000, applicants will gain an investor visa for a family including dependent children. There is no need to live in the property - it can simply be let. The visa gives the right of travel throughout the EU Schengen zone (the UK is, therefore excluded) and can be renewed every two years providing the applicant spends merely two weeks in Portugal in that two year period. One of the most attractive options is the ability to apply for permanent residency after five years and citizenship after six years. Again, without the need to reside in Portugal. This is one of the simplest ways of accessing a EU passport with the right to live and work in all EU countries.

Spain has a similar scheme and, but it takes 10 years to establish citizenship. Greece, too, is trying to increase demand for its real estate by offering a residency scheme although citizenship is not available. Bulgaria is promoting itself too although, so far, with limited success.

Cyprus requires a real estate purchase of just €300,000, as well as a deposit of €30,000 in a local bank account. This is of little value since Cyprus is outside the Schengen visa zone. However, citizenship is granted immediately to those buying property over €2.5m. The resale value of such property is suspect, but it gives the immediate right to work, travel and study in the EU, including the UK.

Malta offers citizenship and a passport after just one year's residency, to those committing to a residence in Malta, with a minimum value of €350,000, for a minimum of five years. Investors must make a minimum contribution of €650,000 to the national development fund set up by the government, and invest €150,000 in government approved financial instruments. Each family member also has to contribute a sum to the development fund of €25,000 each.

It seems strange offering passports and citizenship as a by-product of a real estate deal. The UK programme has recently been reviewed and is offered to those investing in assets designed to stimulate the UK (notably excluding property) and showing a commitment to living in the country.

The investment amount has been increased to a minimum of £2m. Knightsbridge Wealth is updating its Investor Visa Guide to reflect these changes and will publish guides in Arabic, Russian, Mandarin and English. It requires the applicant to invest £2m in UK Government and/or Corporate Bonds, or UK equities and also to make UK home by being there at least six months a year. After five years, if the requirements are met, permanent residency (called Indeifinite Leave to Remain) is granted. At that time, the investments can be sold and, at the very least, should be moved offshore for tax reasons. The applicant's spouse and dependent children are included.

Outside Europe, the St Kitts & Nevis Programme, established in 1984, is the oldest of its kind in the world. The government requires investment of $400,000 plus related government and due diligence fees. The investment must be in designated real estate projects and can be sold after five years. Citizens of St. Kitts & Nevis enjoy visa free travel to over 120 countries, including the EU Schengen visa zone, the UK, Ireland, Switzerland and Canada.

Immigration planning is an important part of financial planning. It is unfortunate that crucial decisions are often made following advice from a commission driven property salesman. Those taking such important decisions deserve professional, regulated advice, given by a qualified adviser who will act in a client's interests and advise on the right option for that individual, their plans and financial situation.

It is fortunate that such advice is available in London and we have teamed up with a number of specialists to offer valuable guidance.

The UK now requires applicants to invest £2m in UK Government and/or Corporate Bonds, or UK Equities.

Russia's bleak outlook

Russia was recently tipped as one of the best emerging markets to invest in. On almost any measure, its stock market was cheap. That was before the annexation of Crimea, sanctions and the tumbling oil price.

With oil prices down more than 50% in the past year, the Rouble having lost more than half its value, a recession looming and the country already dipping into its rainy-day funds, the Russian economy is in a race against time. But one would be hard pressed to grasp the depth of the troubles from the Kremlin's prescriptions.

Anton Siluanov, the finance minister, laid out the government's long-promised 'anti-crisis' package in a live broadcast on state television last week, a list of half-measures and a vague promise of a 10% budget cut that economists almost unanimously dismissed as inadequate.

Will the $385 billion in government reserves run dry before oil prices rise? Mr. Rogoff, a former chief economist for the International Monetary Fund, noted recently that governments habitually underestimate how fast they will go through their financial reserves when they race to "bail-out banks, save major state corporations and douse flames throughout an ailing economy."

Last year, for example, the Central Bank of Russia said it had shelled out more than $80 billion to shore up the value of the Rouble on currency markets. "If oil prices stay low, under $70 per barrel, they are going to run out of money sooner rather than later," Mr. Rogoff said.

In 2008, oil prices quickly rebounded, as the effects of the financial crisis began to fade. But this time is likely to be different. Russia is simply not prepared — or perhaps is unable — to take the measures needed to stimulate economic growth to make up for lost oil revenue.

Measures detailed in the plan or pledged earlier include more than $22 billion to shore up banks and major state companies. The plan protected two of Mr. Putin's most important constituencies — older Russians and the security establishment. It earmarked more than $2.7 billion to peg pensions closer to the inflation rate, which mushroomed to 11.4% last year and is expected to be at least as high in 2015. No cuts were announced in military spending.

Russia's economy is expected to contract at least 4% in 2015. While the government holds very little foreign debt, private companies, including some at the very core of the state-dominated economy, have more than $100 billion in loans coming due this year. Most of that is owed to Western banks and will be hard to refinance because of economic sanctions.

The Kremlin's response combines confidence that oil prices will rebound soon with bravado that Russians will endure any hardship, including eating less, for the motherland.

The first part of the anti-crisis planned was, supposedly, aimed at supporting strategic areas like exports and high-tech manufacturing. But no specific details were given.

"You never hear the details of what structural change means," said Konstantin V. Remchukov, the editor in chief of Nezavisimaya Gazeta and an economics professor. It is not discussed "at any level," he added.

Recently, at the Gaidar Forum, the country's premier annual economic conference, three top officials painted rather different portraits of the economy. Prime Minister Dmitri A. Medvedev called the reliance on raw material exports "a thing of the past," without saying what exactly would replace them. Alexei Ulyukayev, the minister of economic development, said Russia had plenty of money to ride out the hard times until economic growth resumed in a year or two.

Only Mr. Siluanov, the finance minister, expressed concern, saying: "In the Ministry of Finance we have no peace of mind. It's only tension."

The lack of a unified message aggravated the sense that there was little economic coordination at the highest levels of government.

For now, there appears to be no actual panic in the Kremlin.

"It is a big machine, which still has money, which still sells a lot of oil and gas, which still receives a lot of revenue," said Igor Yurgens recently. Igor is Chairman of the Institute for Contemporary Development and stressed that Russians had endured much rougher economic periods in recent memory, including long lines for food in the last decade of the Soviet Union.

"It's tolerable," he continued. "There is vodka, there are groceries on the table, there are pickled cucumbers. We will manage."

Russians are increasingly looking to have their wealth managed outside the country and London's safe haven status continues to appeal.

Knightsbridge Wealth's senior team and support staff have over 250 years experience in the world's largest Banks

Alexander Wade

Alexander is one of the most experienced London advisers in the international market, specialising in this field over 17 years at HSBC, consistently recognised as one of its most accomplished advisers. He has over 22 years' experience in financial services. He is particularly interested in the Middle East market and understands the specific issues which are relevant there.

Stuart Poonawala

Stuart has worked in financial services since 1998. In 2003, he helped to found HSBC's specialist London arm advising international clients which quickly became one of the bank's most successful UK divisions. In 2009, he launched Kubera Wealth, our sister company, focussing on providing quality advice to the UK market.

Graeme Cowie

Graeme is responsible for building our professional connections with international lawyers and accountants, as well as co-ordinating our relationship with key fund managers at a number of international Private Banks and Discretionary Fund Managers. He has spent over 20 years in financial services and investment management, most recently spending more than six years at UBS where he led the Strategic Partnership team.

Adam Young
is the team's Financial Planner. He previously spent 25 years at Dragonfly Planning and Trust Services, the last three years as Managing Director.

Chris Salacinski
is Client Relationship Manager and brings to us a high level of technical experience. He is particularly interested in pension planning and is responsible for writing many of our technical articles.

Kelly Kular
is Personal Assistant to the Partners. She previously worked with HSBC for 27 years, latterly as Personal Assistant to the Regional Director for Central London Region.

David Barnard
spent 35 years at HSBC before leaving in 2011. He is our Office Manager, and works closely with our compliance support and partner companies to ensure our rigorous standards of advice are maintained.

Shana Patel
is our Client Relationship Manager. Before joining us, she worked at HSBC Bank for 26 years, most recently as a Senior Wealth Manager dealing with high net worth clients.

Contact us

If you require further information about our services or would like to discuss your financial situation with us, then please call us on the number below, or send us an email about how and when we can
contact you.

Knightsbridge Wealth Ltd,
45 Pont Street
London SW1X 0BD
United Kingdom

Contact us to make an appointment on

+44 (0)20 7407 3032

or send an email to:

info@knightsbridgewealth.co.uk