

NEWSLETTER No. 133 – AUGUST 2012

MORE PUBLIC DISGRACE FOR THE BIG BANKS Standard Chartered is now the latest target of accusations of serious wrongdoing, having been accused by the New York State banking regulator of scheming with the government of Iran to hide some 60,000 transactions involving at least \$250 billion in breach of US laws. The bank strongly rejects the position and portrayal of facts and will have an opportunity to state its case this coming Wednesday when it has been called to appear before the New York regulator. It should be an interesting meeting to follow. All this comes close on the heels of billions of dollars of drug and terrorism money allegedly laundered by HSBC and an admission by Barclays Bank that it manipulated the key Libor interest rate affecting millions of financial transactions. Last month JPMorgan Chase acknowledged losing \$5.8 billion in risky trading. The next few weeks and months are going to see more revelations and more recriminations, not to mention huge penalties. It would be a brave contrarian investor who would buy bank shares right now yet the irony is that the same banks have been making record profits.

WHERE DOES ALL THIS LEAVE US, THE ORDINARY CUSTOMERS? Perplexed I guess is the answer. What has happened to the friendly bank manager who would offer you a cup of tea while discussing your financial needs? Why is it so hard now for people and businesses to get loans?

Actually for us and our clients there is a silver lining. Bank restrictions on lending has opened the door to a lot of private funds that now provide loans which are funded by retail investors. The funds and the loans they provide are now helping farmers, law firms, developers, student accommodation providers and providers of care homes to name but a few. These businesses are prepared to pay and have the collateral to support quite high rates of return. They are therefore able to keep their business going and even expand, while investors can receive higher and steadier returns than have been available for some time in the financial markets.

WHICH LEADS US TO PORTFOLIO REVIEWS Most of these funds have now been approved by the major life companies so we are able to switch from funds that are barely covering charges in the present investment climate into funds that are producing higher and more consistent returns. Is there a

downside? The basic principle of the higher the return the higher the risk should be kept in mind, but as these funds hold ample assets or guarantees the main risk would be liquidity. If there was a heavy run on the funds they may not be able to pay out immediately. But this should not be a concern for those who are investing for the long term.

It is also important not to abandon the traditional asset classes of stocks and commodities as these will return with a vengeance at some point. It is more a question of replacing some of the 'safer' funds that are just not paying their way.

AXIOM The biggest gainer for all concerned to date has been the Axiom Legal Financing Fund which has now attracted over GBP 108 million and claims the demand for funding by law firms in the UK is such that they can easily invest GBP 20 million a month. With no entry or early exit fee and current returns in excess of 10% per annum in GBP, USD and Euro it is clear why the fund is so popular. This may not last indefinitely; at some point the banks are going to be taking an interest once they have resolved their current issues and interest rates will come down, but for the moment it is an opportunity we cannot afford to miss. Please contact me if we have not already discussed moving a small part of your portfolio into the fund. Direct investment is possible but the minimum is \$40,000.

NEW ARGENTUM / BUTTONWOOD / CENTAUR ISSUE EXPECTED SOON We are expecting a new release before the end of the month. Please advise if you wish to be notified. In the meantime those who invested in one of the earliest issues, Argentum Quantum III, have an opportunity to rollover for a further two year term or to switch into the recent issue Centaur V. To date, most have opted for the rollover as it will be maintaining the original 15% interest rate. As all investors have been advised, there has been a major review of all outstanding cases. Only the ones with a strong chance of success and solution within a reasonable timeframe are being retained and these will appear in the new case allocations which should appear in portfolio trackers by the end of this month. Quite a few clients have forgotten the switch of website to Buttonwood so here is the link for the new website again: <http://www.buttonwoodlegalcapital.com/portfoliotracker.html>

LAST FEW WEEKS FOR STANDARD BANK'S QUANTUM PLUS 9 For those preferring to stay mainly in cash but who would still like to capture future gains in the stock markets the Quantum Plus 9 offers an opportunity to enjoy a high rate of interest (4% or 10% in AUD) on half the funds deposited in the first year with a prospect of a share in any stock market rise over five years but with capital guaranteed, further backed by the Isle of Man depositors' protection scheme. Minimum deposit GBP10,000 or \$15,000 (USD or AUD). For clients already holding an account with Standard Bank the application is a simple one-pager. Standard Bank incidentally is not connected with Standard Chartered Bank and to date has maintained a solid reputation!

HOLIDAYS Please note that our office will be closed from Thursday August 16 through Wednesday August 22 in celebration of Indonesia's National Independence Day followed by the annual Idul Fitri holiday. The office will reopen on Thursday August 23. We wish a Happy Idul Fitri to all our Indonesian friends and clients.

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The logo for PPI Indonesia, featuring the letters 'PPI' in a large, blue, serif font, with a lowercase 'i' in a smaller, blue, italicized serif font positioned to the right of the 'I's.