



GIBRALTAR ASSET MANAGEMENT
STOCKBROKERS & INVESTMENT MANAGERS

STM Gibraltar Personal Pension



4th March 2013

Why invest in a pension?

With increasing life expectancy, as much as a third of your life could be spent in retirement. It is natural that you will want to enjoy this time after years of hard work. Whilst money doesn't necessarily bring happiness, lack of it can cause misery. It is up to you to decide on the kind of lifestyle you want in retirement.

Investing in a pension is more important than ever in today's environment of increasing retirement ages and companies closing down their defined benefit schemes as fast as they can. Not to mention the tremendous tax advantages in Gibraltar where investors are able to contribute up to 20% of their total earnings in any tax year, thereby significantly reducing their tax bill (for those on the Allowance Based System).*

Whether we make pension contributions ourselves, or our employers do it for us, the size of our retirement income is likely to depend on how the stock market performs. This is because the stock market is widely regarded as the most appropriate investment vehicle for building a pension pot. The FTSE All-Share has returned 7.2% per annum since 1962 and that does not include the average 3.8% dividend yield earned on top. Considering inflation averaged 6.2% over the same period it is vital that an investor invests in equities in order to preserve the purchasing power of their money.**

The power of compound interest and the importance of reinvesting dividends are illustrated

by the following example. An initial investment of £10,000 becomes £81,480 after 30 years assuming an investment return of 7% p.a. Including dividends reinvested that £10,000 turns into £231,591, a return of 2,216%.**

Investment Strategy:

We all have a stake in the health of the stock market and with that in mind we at Gibraltar Asset Management ("GAM") approach stock market investing with the following principles in mind:

Regular contributions

Contributing regularly into a pension plan (known as pound-cost averaging) will negate the volatility inherent in the stock market as you are buying more units when prices are cheap.

Diversification

The first rule of investing is diversification, i.e. not putting all your eggs in one basket. By spreading your assets not just over different shares, but also different sectors, countries and asset classes you build a portfolio with asset classes that are not overly correlated with one another. Thus should one asset class fall, another may rise - thereby reducing the portfolio's volatility whilst increasing performance. Also, by investing in emerging markets, an investor can participate in faster growing economies as well as shield themselves from a weak pound. Thus we recommend clients spread their assets across developed and emerging markets as well as precious metals and corporate bonds.

Gibraltar Asset Management Limited

One Irish Place, PO Box 166, Gibraltar

Telephone: +350 200 75181 Website: www.gam.gi



GIBRALTAR ASSET MANAGEMENT
STOCKBROKERS & INVESTMENT MANAGERS

STM Gibraltar Personal Pension (cont)

Investment Strategy (cont):

Exchange Traded Funds

In order to achieve this diversification, GAM advocates the use of exchange traded funds (“ETFs”), particularly for smaller portfolios where it is uneconomical to hold direct investments. ETFs are funds that trade on the London Stock Exchange and generally track an index, such as the FTSE All-Share, at a very low cost. Historically, Independent Financial Advisors have recommended their clients invest in expensive unit trusts for the simple reason that they receive trail commission every year. With investing, costs are one of the most important factors to consider. They are in fact the only factor known at the outset (performance is variable) and have a disproportionate impact on performance as their effect is compounded. Besides that, unit trusts have a poor record of beating their chosen benchmark. ETFs on the other hand track the underlying benchmark with very little tracking error and thus with little risk of underperformance.

Rebalancing

We recommend investors rebalance their portfolio sparingly, certainly no more than once a year. Portfolios may become unbalanced by strong or poor performance in certain areas and rebalancing helps impose discipline on your portfolio. Profiting from the asset that is doing well and buying more of the one not doing so well might seem counter-intuitive, but it means you’re always selling high and buying low, thereby avoiding the short-term noise in the market.

Summary:

Investing into a STM Gibraltar Personal Pension gives investors the ability to invest in a diverse range of low-cost ETFs at a fraction of the cost of traditional investment options such as unit trusts or endowment policies. Having the pension registered in the name of an FSC regulated professional trustee (STM Fidecs Pension Trustees Limited) and in the custody of a FSA regulated custodian (Jarvis Investment Management Plc) also provides security to the investor. As Gibraltar’s Member firm of the London Stock Exchange, GAM has the expertise to offer its clients a range of model portfolios that suit different clients’ time horizons and attitudes to risk and with dealing charges as low as £25 per trade and online access available, there has never been a better time to start saving for that retirement.

Tax Relief on up to 20% of your annual earnings (for those on the Allowance Based System) *
Income & capital gains tax free (note that income taken between 55 & 60 is subject to a withholding tax) *

Withdraw your pension from age 55-75 *

Withdraw 100% lump sum on retirement *

Also open to Non-Gibraltar Residents (must be Gibraltar earners) *

Disclaimer

Gibraltar Asset Management is a trading name of Gibraltar Asset Management Limited, is a member firm of the London Stock Exchange and is authorised and regulated by the Financial Services Commission. Registered Address: 57/63 Line Wall Road, Gibraltar. Telephone +350 200 75181. Email: gam@gam.gi. Website: www.gam.gi .

* Tax law can be changed or may differ depending on your personal circumstances.

** Investors in shares should note that the price of shares can go up and down and that the current and past performance of shares cannot be relied upon as an indication of future performance.