

*BHI would like to wish you a Happy, Prosperous and Healthy
2008.*

We thought you might like to see a few investment facts and figures for 2007, which as you know was a turbulent year from an economic point of view.

The simple headlines are that over 2007 the FTSE 100 rose by 3.8% while the broader FTSE All-Share Index managed a rise of just 2.0%. Beneath the surface much more was going on:-

- ◆ The gap between the two indices underlines the fact that it was the large capitalisation stocks, which outperformed the small fry in 2007. The FTSE 250 declined by 4.7% and the FSE All-Small dropped by 11.9%.
- ◆ There were very substantial differences between sectors. For example, on the plus side the basic materials sector, which includes mining, was up by 48.8% and in a similar vein, oil and gas rose by 19.6%. On the downside the financial sector dropped 17.1%, although even this hides a contrast; real estate plunged 44.5% and banking by 21.3% while the "general financial" sub sector (which includes investment managers and stockbrokers) was virtually unchanged.
- ◆ Dividend cover – the extent to which dividends are covered by profits – has improved from 2.44 for both indices to 2.70 (FTSE 10) and 2.72 (All-Share); thus higher dividends have not been financed by paying out a greater proportion of profits. That is a source of comfort if, as most commentators expect, times prove tougher in 2008.
- ◆ The growth in profits over 2007 means that although share prices have edged up across the year, in price-earnings terms they are about 15% cheaper than twelve months ago. The price/earnings ratio on the All-Share of 12.16 is now less than half the level it was back at the start of 2000.

Many investment managers will be glad to see the end of 2007. Less than one third of the funds in the IMA UK All-Companies sector beat the All-Share total return. 2008 looks equally challenging.

The turmoil in the commercial property market is not over, but judging the bottom is difficult. UK property still has its attractions as leases are long and can be revised upward only, and interest rate cuts should leave the bottom of their capital values not far away, so it is a matter of hanging on and later on in the year we should see improvements.

And to finish, did you know that.....

- ◆ England is the most crowded country in Europe with almost 400 people crammed into each square kilometre. (Source: Office of National Statistics).
- ◆ One of the most popular New Year's resolutions is to quit smoking; just as well, as Britain's 12 million smokers will, on average, lose 16 years of their life from the habit. (Source: BBC)
- ◆ £2.50 is the amount NHS hospitals spend feeding each patient each day, resulting in 140,000 patients leaving hospital last year suffering malnourishment. (Source: Mail)
- ◆ The estimated value of food, equivalent to 230,000 tonnes, thrown away by Britons over the Christmas period was £275m (Source: Observer)
- ◆ Stewardesses is the longest word typed with only the left hand; lollipop is the longest word typed with your right hand. (Source: BBC)

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