

## And now for something completely different

[Print](#)

By Ellen Kelleher

Published: February 8 2008 18:08 | Last updated: February 8 2008 18:08

A number of quirky investment schemes made their debut last week, as firms took advantage of uncertainty in the markets to encourage investors to look at asset classes which do not have much connection to the rise and fall of stocks.

Marine Capital announced the launch of Eclipse Shipping, the first UK-based vehicle to offer the chance to buy shares in cargo ships. Smith & Williamson, meanwhile, rolled out the Country Food & Dining fund – an Enterprise Investment Scheme (EIS) offering tax breaks for backing small, higher-risk companies – to invest in farm shops across the country. And Power Amp Music, a venture capital firm, moved to start an EIS fund to bankroll a band named Mancini and the concerts, discs and merchandising efforts of 20 to 30 other musicians whose names it declines to reveal.

The appeal of buying stakes in container ships, the careers of pop stars and farm shops is far greater in the wake of a credit crunch. And, given equity market volatility, advisers report more clients are considering investing in quirkier schemes in an attempt to shield their portfolios if equities fall further.

Just as gold, wheat, grain and corn generate more interest in choppy markets, so do “alternatives” that lie further off the beaten track, such as traded life insurance policies and investments in small-start-up companies operating in niche markets.

“While there is a lot of uncertainty looming over the world economy, people shouldn’t lose sight of the fact that when it comes to investments, there’s no harm in choosing something a little unusual, you just have to choose something that makes sense,” says Meera Patel, research analyst at Hargreaves Lansdown, the UK advisory group.

Buying ships permits the chance to access the boom in trade to China and India, says Anthony Foster, chief executive of Marine Capital, and while imports to the US are falling, a rise in exports has offset the shortfall. Demand for tankers is also likely to rise as more refineries are built in the Middle East and Asia. Ships, which cost from \$50m to \$100m, are bought and held for two to four years. Another advantage is that companies owning ships pay tonnage tax, a generous system that taxes shipping based on its tonnage rather than its profits. Investments in these assets are exempt from inheritance tax after two years as they are trading businesses.

Returns in this sector have averaged 24.5 per cent each year, in the past 10 years, according to Foster.

“We’re not talking wine or paintings here,” he explains. “This is a big global business. It just so happens that for reasons we have failed to understand, British investors aren’t in it.”

“We’re hoping with some reasonable expectation that investors will see returns in the 20s ungeared and this type of investment lends itself to gearing. Ships have outperformed equities by some margin for a consistent period.”

Advisers at Smith & Williamson, meanwhile, were motivated to launch their new food and dining fund on the view that the pub industry is very mature and it is quite difficult to acquire pubs at reasonable prices. The fund – which requires a minimum investment of £5,000 – intends to invest in companies that specialise in adding food halls to farm shops and garden centres in country towns in an attempt to boost their profits.

“We believe this new concept has the potential to be an exciting new asset-backed growth sector,” says Martin Sherwood, a director at Smith & Williamson. “The over 50s are driving to country pubs for lunches and dinners and going to farm shops. The fund is able to profit by investing in companies that arrange for those two activities to be taking place at one site.”

By contrast, advisers already predict that Power Amp’s new music fund will face difficulty turning a profit. But managing director Tom Bywater claims that investing in an artist’s career from concerts and T-shirts to discs is a better option than solely investing in their records.

“We see the artist as the product rather than the shiny disc they make,” Bywater says. “We see considerable opportunity to develop an artist-centred model and participate in their career. There’s so much disruption at the major record labels.”

Interest in US traded life policies (TLPs) – the second-hand life assurance policies of elderly Americans – is also on the rise as private investors follow in the footsteps of Goldman Sachs, Deutsche Bank and other top-tier banks that have invested in TLPs as they can offer returns which tend to rise even in falling markets.

TLP funds, which bundle up these policies, currently yield between 7 and 9 per cent. Managing Partners Limited, an investment house based in the Cayman Islands, is one company that specialises in TLP funds. Another is Keydata.

But advisers at Bloomsbury Financial Planning opted to exclude life settlement funds from client portfolios as these returns rely too heavily on the skills of a fund manager. "Each policy and policyholder needs to be scrutinised closely upfront in order to decide how much value there is in the transaction," says Jason Butler of Bloomsbury. "Buy the wrong policies and the fund could fail to make the expected returns."

While investors are examining alternative investments more closely, the rebound in European and US equity markets is prompting many advisers to urge clients to take another look at stocks.

"I would not be shielding my money from equities for much longer," says Philippa Gee, investments director at Torquil Clark Holdings.

"Yes, there will be more volatility this year, but if there are more falls in the next few weeks, it could represent an ideal opportunity to invest again, with the prices so low," she adds.

[Copyright](#) The Financial Times Limited 2010. Print a single copy of this article for personal use. [Contact us](#) if you wish to print more to distribute to others.

"FT" and "Financial Times" are trademarks of the Financial Times. [Privacy policy](#) | [Terms](#)  
© Copyright [The Financial Times](#) Ltd 2010.