

HURST

FINANCIAL
CONSULTANCY

May 2018

Investment Review



Introduction

Hello.

This is the last of these reviews we can send without your explicit consent to receive them.

Far from being opportunistic, I just wanted to let you know of the challenges that legislation is causing. A lot of changes are aimed at the big companies but unfortunately, the legislation filters down and we also have to adhere to the new laws.



What's Changed

First: Markets in Financial Instruments 2 - MIFID2.

This little beauty was another fine piece of work out of the European legislation machine. We believe it is aimed at greater transparency - largely targeting bigger institutions. However, it has to be adopted by us. In practical terms, it means we have to re-design how we engage with clients about investment reviews. We have to evidence ahead of a review that we have ascertained that the situation is similar to when an investment began so we can be assured as to its continued good fit. Therefore ahead of a review being sent, you will now receive correspondence requiring your attention - 4 questions that need your reply so that we can then issue the review. We have a close working relationship with our clients so would like to think that any material changes would be known by us - our review process is robust and our communication channels are very open with clients, so this new process may seem superfluous; we must however follow the legislation.



Contemporaneous Notes

We are now required to maintain file notes about our discussions with you. Where required we will email you the file note.

Call Recording

This was a recommendation but not compulsory. We chose to record calls. We keep a record of the call having occurred in our data base and of course a recording of the call should any clarification ever be needed. As with notes we keep, where appropriate, a summary of a discussion will be emailed to clients noting that the call has been recorded and what was discussed – this may be useful for instance where you need our action but cannot sign a form.



Costs:

You will receive a breakdown of charges levied by most providers. This will occur annually.

Our costs will often show in these publications - usually valuation statements - by way of reminder.

Of course our costs are always disclosed before we undertake business with you also.



HURST

FINANCIAL
CONSULTANCY

A reminder of what we do for our charges:

- All visits whether to you or at our office
- Agreed review schedule
- All calls or emails
- Risk assessment for your portfolio initially and on an ongoing basis
- Research to construct a portfolio mindful of cost
- Cost comparison across providers to find best value outcome
- Implementation of investment recommendation
- Reviews of appropriate providers and investment funds and reporting thereon
- Advice re changes in legislation
- Database records via Fenetra our own web tool for your use
- Valuation tools

This list is not exhaustive. We act with our clients best interests and so we welcome contact at any time and will of course always aim to be proactive.



What impact has there been for us?

These changes have brought about a significant re-design of our processes. In order that we can maintain robust paper trails we have had to re- design our database and take on new costs for call recording and more research tools to ensure we stay ahead of the game in our ability to consider all aspects of the market place for our clients.

We have also had to engage more staff to help with these new layers of administration. We work now in an environment where costs are going up and income is not. It is not without challenge.



What impact for clients?

Clients will see more visibility from us regarding notes and recorded calls. Investment reviews will now be a two stage process where we need your reply first.

We are also updating our valuation system hopefully to launch soon – please bear with us here - as it is a massive and another very expensive job to complete. We are focusing on this valuation tool as we know that changes being made to interactive investor (iii), where many of you currently obtain valuations, will soon render the current system far less useful as it modernises itself for a change in its own business direction. We have used their service almost trouble free for around 15 years now - a sad loss.



HURST

FINANCIAL
CONSULTANCY

The market place for financial planning shifts constantly. Advisers are challenged always, by upward costs levered by all aspects of regulation and insurance and I'm sure we are not alone in ensuring that we aim to maintain efficiency so that these costs are met by the business. Our aim is to reduce wherever possible, our client's investment costs whilst maintaining a reasonable level of income within the business to facilitate the provision of excellent service, based upon, a desire to have excellent client outcomes. To this end we constantly review investment solutions and wherever we can and wherever is appropriate, we will recommend a change so long as it brings about lower uncompromised cost. We liaise regularly with product providers and undertake regular research into investment solutions that, despite our upward pressure in business costs, helps see the client enjoy cost reductions.



GDPR

This is another piece of European legislation due to take effect this week. We now need clients to opt in to receive correspondence such as this - general and not specific to their arrangements. You had correspondence about this last week.

This again resulted in us being forced to re-design our database to reflect the legislation.

Also, it is now recommended that emails are encrypted so we have invested in an encryption system for all email starting during June. This was not compulsory but it seems plain that legislation is moving in that direction so we took the decision to move on this now. It's a simple process but less simple than it was. These changes are in their aggregate, a lot to manage in one go. However, on a day to day basis, we think we can all soon become accustomed to them and would like to think our relationship will not be affected by the new formalities of process brought about by the legislation.



Market Overview

Markets had a tricky start to 2018 and were volatile.

Since March and April sell offs in general, we have now seen world markets rise to fresh highs.

Talk of trade wars calming down has been generally well received.



Chart

This chart on the next page reflects upon the last year – you will see it has been volatile especially the well-known FTSE100 – we only refer to this because most people have heard of it; the top 100 companies by capitalisation in the UK

It is very pleasing here to see that our diversified approach over the last 12 months has not seen a typical portfolio report negatively. Our portfolio shown here is a typical mid risk portfolio we score this as 5 out of 10. The FTSE carries twice the risk because, largely, it is not diverse in terms of asset classes it holds (no bonds, property, gilts etc.). Our strategy has therefore almost matched a very much higher risk and certainly more volatile broader market. The green line is cash – no returns here!



Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



- A - FTSE 100 TR in GB [9.44%]
- B - OMW SIS 3 Risk 5 May 2015 TR in GB [8.18%]
- C - Halifax Liquid Gold 100K in GB [0.07%]

19/05/2017 - 21/05/2018 Data from FE 2018

Inflation

This is never quite up to the Government's expectations and so their interest rate policy is somewhat awry.

Talk of upward pressure for interest rates has been kicked into the rough again (not so much the long grass) as mixed data around employment and inflation proves hard to interpret.



House Prices

For some time we have reflected negatively on the housing market in the UK – it is not being helped by tax changes to landlords with a 3% premium on stamp duty for purchase and a reduction in tax allowances when completing tax returns.

A record fall of 3.1% was recorded in April. Some of this will stem from the cool down in London no doubt fueled by the legislation surrounding wealth – the oligarch's now have to disclose how they got their wealth or they can't buy or perhaps even stay – issues surrounding the renewal of visas is in the news right now – ask any Chelsea fan – if you can find one.

Ongoing Strategy

Subject to some minor changes being made around asset allocation for some clients we are broadly maintaining the same strategy of diversity in assets and geography.

The new investment process will allow you to engage meaningfully with your adviser to ensure all of your affairs are properly aligned and modern in the context of investment product and investment provider.



Summary



The last of the unsolicited reviews – I hope you found it useful and hope you register to receive more like it in the future.

We have cut them down in number now so as to avoid repetition and make sure they are meaningful.

The next 12 months will no doubt see a whole new raft of changes and we look forward to working with you closely to action them.

Please do contact us if you have any questions – the contact details are on the final slide.



HURST

FINANCIAL
CONSULTANCY

Keeping in touch

Telephone:

01722 411 411

Email:

hfc@unbiased-advice.co.uk

Website:

<http://www.unbiased-advice.co.uk>

Client log in facility:

<http://www.fenetra.co.uk>

