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October 2018

Investment Review



Introduction

Hello and welcome to the investment review for October 2018. In this review we will make comments as to markets which are currently under some pressure and also give consideration to the macro economic conditions contributing to these current pressures.

We will also make reference to some recent developments here that allow clients to monitor the performance of their investments and how we hope to develop this over the coming months.

Finally I will make reference to the importance of investment reviews. Under new legislation our process for this has altered and is now more of a two stage process than before and, requires positive affirmation from clients that circumstances and attitude to risk have not altered unduly and that the arrangements that are in place, continue to be appropriate and fit for purpose.



Market Issues

It's probably not lost on any of us that markets have in recent weeks been gradually declining. The reasons for this are, we believe as follows;

Inflationary and wage pressures in the United States; marking an economic recovery, also leading to the belief that the extraordinarily low interest rate regime, will be altering and that the general upward trend interest-rates will begin.

This is also true of the UK. This has the effect of reducing access to super low-cost finance for institutions and also has the effect of decreasing the value of government bond issues. This means that the yield available on government bonds increases and so the appeal of holding an equity stock versus a government backed security reduces. There is in part therefore, rotation away from equities into government backed securities.



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Situation in Europe - The uncertainty surrounding Brexit certainly doesn't help matters and here again the bond market is seeing upward price pressure on the cost of international debt particularly in Italy. There is an overarching concern that the Brexit process could mark the gradual decoupling of the current European trading relations. As a consequence there has been something of a sell-off in European equities whilst the uncertainty exists.

Trade barriers - add to this the current United States position with regard to trade tariffs with some of its major trading partners, and these three issues combined, give us the foundation for the current sell off that we are experiencing.

Where we have become accustomed to markets being fairly buoyant, memory can be short in these circumstances and what we are seeing here is fundamentally a repeat of a period of time from early Spring this year.



Our Investment Approach



As I have maintained in earlier reviews and indeed in all client face-to-face meetings, we do not take a short term view on markets. I am sometimes asked whether we should come out of markets and go back in once the troubles have passed. Were decisions like this simple then we would quite simply choose the best day to leave the market and the best day to go back in.

However we are not by design, market speculators and it must be remembered that the portfolios that we construct for our clients, are investment portfolios for the medium term. It is a long held discipline that our portfolios are diverse both in terms of the assets held and in respect of the geography that those assets are situated within. This diversity gives us a fall-back position when markets behave in the manner that we are currently experiencing.



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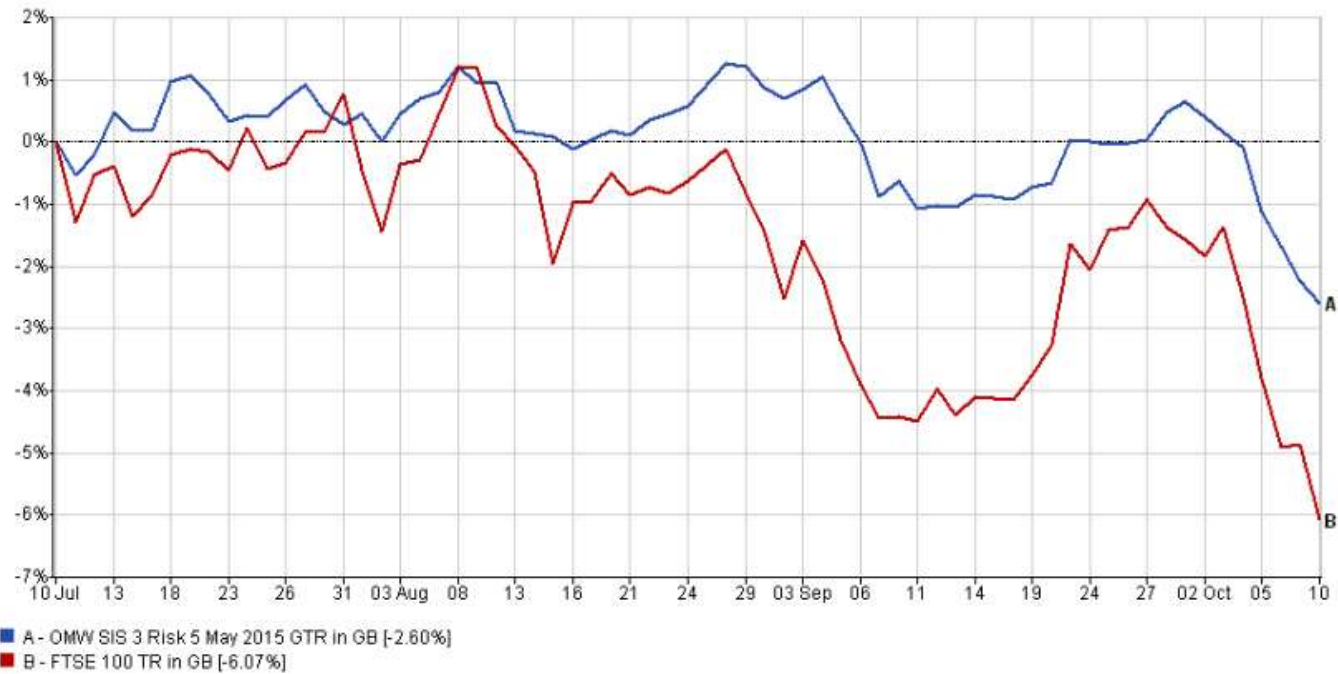
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In the chart, on the next slide, where we look at the returns on a medium risk rated portfolio over the last three months, it is apparent that the approach that we take that enjoys diversity as mentioned previously, is rewarding us.

I'm not seeking to celebrate negative returns but you can see here that whilst this medium risk portfolio is down to 2.6% the FTSE 100, the most publicised index UK news et cetera, is down over 6%.



Pricing Spread: Bid-Bid • Data Frequency: Daily



10/07/2018 - 10/10/2018 Data from FE 2018

Valuation System



Late this summer we released the initial version of our new valuation system. This replaced a system that we had used for around 15 years which became redundant due to its sponsor no longer supporting what are regarded as legacy policies.

We believe that the new valuation system is much more straightforward to use and over time we hope that this will develop and increase the level of information regarding your financial arrangements.

The screen shot on the next page shows the homepage and you'll see that it is possible to click on various links.



Portfolio of Holdings

Example Client

Your Policies

Provider	Product	Policy Number	Start Date	Invested	Withdrawn	Value	Profit	% Profit	% Daily Change	Value Date
Old Mutual Wealth	Individual Savings Account	987654	30/08/2015	100,000.00	0.00	130,510.00	30,510.00	30.51	-0.41 ↓	11/10/2018
Old Mutual Wealth	Personal Pension	123456	30/08/2013	156,000.00	0.00	242,237.79	86,237.79	55.28	-0.27 ↓	11/10/2018
Totals				256,000.00	0.00	372,747.79	116,747.79	45.60		

Your Partners Policies

Provider	Product	Policy Number	Start Date	Invested	Withdrawn	Value	Profit	% Profit	% Daily Change	Value Date
Aegon Platform (ARC)	Personal Pension	3256984	30/08/2015	54,000.00	0.00	68,086.10	14,086.10	26.09	-0.15 ↓	11/10/2018
Old Mutual Wealth	GIA	589746	30/08/2015	100,000.00	80,000.00	24,475.57	4,475.57	4.48	-0.28 ↓	11/10/2018
Old Mutual Wealth	Individual Savings Account	653241	30/08/2015	20,000.00	0.00	24,998.98	4,998.98	24.99	-0.27 ↓	11/10/2018
Totals				174,000.00	80,000.00	117,560.66	23,560.66	13.54		

Total Values

Total Invested	430,000.00
Total Withdrawn	80,000.00
Total Value	490,308.45
Total Profit	140,308.45
Total Percentage Profit	32.63 ↑

The valuation you see here reflects the number of units held multiplied by the unit price for each individual fund.

We update the unit numbers you own at least monthly to reflect charges and income withdrawals (as each of these activities result in unit numbers falling) and to reflect bonus units and dividends payments received (which increases the number of units held in each fund)

To obtain these prices we rely on external sources and cannot accept any responsibility for errors and omissions.

All values are in Pounds Sterling, unless stated otherwise.

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The next screenshot shows the result of clicking on such a link and you'll see here that you are then able to click on the fund fact sheet showing the performance and other key information relating to that particular fund.



Policy Funds

Summary

Start Date	30/08/2015
Amount Invested	40,000.00
Top Ups	60,000.00
Regular Withdrawals	0.00
One-Off Withdrawals	0.00

Policy Owner

Client, Example

Provider

Old Mutual Wealth

Product

Individual Savings Account

Policy Number

987654

Funds

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Fund Name	Fund Fact Sheet	Unit Price (pence)	No. Of Units	Value	% Daily Change
HSBC American Index C Acc in GB	View	573.20	2,081.28	11,929.89	-0.98 ↓
HSBC European Index C Acc in GB	View	852.70	1,330.72	11,347.08	-0.23 ↓
Total Value of Fund				130,510.00	

✘ Fund Fact Sheet currently not available.

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Notes

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Passive risk 6

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We aim to increase the functionality of this over time to include other arrangements such as any life insurance policies and mortgages and are currently working hard towards developing a secure mail depository for messaging purposes.

We had contemplated using encryption techniques widely available for emails however, these were not well received by clients during a trial period so we will look to develop an alternative approach to ensure that we increase the security surrounding our communications.

Obviously as and when we complete this development work we will let you know.



Legislation Changes



Having navigated the issues around GDPR earlier this year, we have also had to embrace a new Markets in Financial Instruments Directive for the European Union. This is known as MIFID2.

One aspect of the legislation contained within this is regarding reviews of clients arrangements.

As you know, all clients are welcome to face-to-face meetings at any time with their respective adviser and these meetings can take place either in our offices or at the clients home or place of work.

Our arrangement with clients is that this service is available on an on demand basis obviously subject to agreeing mutually agreeable times etc.



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However, we understand that most clients are more than happy to receive regular updates from their adviser by email and in most cases, unless any significant change in circumstances has taken place, we can readily make comment as to the position of investment portfolios and obviously easily engage with clients as to the ongoing suitability of any arrangements in place.

Obviously we maintain a watching brief always in respect of legislation and markets and would be in touch where we thought appropriate outside of any agreed review schedules etc.

Our previous investment reviews would invite clients to contact us if their circumstances changed.



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There is now a legislative obligation placed upon us to conduct something of a personal circumstances review before we take a full review. This is to ensure that the arrangements made continue to be appropriate to client needs.

The questions would normally be released to clients by email and focus on ensuring that there has been no significant change in personal or employment circumstances and that there has been no change in the general attitude toward investment risk. You will of course recall that we ask clients to consider their risk position on a scale of 1 to 10 and we designed a portfolio to fulfil the outcome of that discussion. We also always seek to ensure a client has sufficient capacity for loss before we make any medium to long-term investment decisions. In that sense it is important that we ensure that your finances are arranged in such a way so that if there is a significant market correction, your day-to-day existence is not unduly affected whilst markets are given time to hopefully recover.



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You will therefore over the coming months notice a change in the way that investment reviews are being conducted in order that we can fulfil our regulatory obligations and record the outcome of the initial questions to ensure that we can evidence that no changes in your affairs have rendered any of your planning inappropriate.



Summary

As part of our service to you we undertake a watching brief of markets and give constant consideration to how invested assets should be divided. Currently there is a mixed outlook as to how various macro-economic events may affect various assets. We have regular dialogue with fund managers and institutions that design investment portfolios and do so to see that the views that we maintain here, are broadly aligned to market expectations.

Our most recent look at asset allocation suggests that to make any changes to portfolios at the moment could potentially be a “frying pan into fire decision”. We do have some concerns surrounding Brexit but equally there is a school of thought that suggests where the outcome for Brexit is hard, that this will have a devaluation impact on Sterling which quite often has a positive effect on markets.



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I would like to reassure people that we are not sitting on our hands in this period of uncertainty but are instead determining that our current asset allocation is broadly appropriate and that any changes made could be potentially counter-productive or even unnecessary.

I appreciate it's unsettling during investment periods like this and human instinct is to make changes in the face of a changing environment. However it is a commonly held view there are no clear markers that suggest that undertaking any action other than that already in place would serve up any significant advantage.

In conclusion please do remember that you can contact your adviser at any time via the office or via their personal contact details. Our main office contact details appear on the next slide. Thank you for listening.



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Keeping in touch

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Client log in facility:

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