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CONSULTANCY

December 2018

# Investment Review



# December 2018

It's amazing to think how very fast this year has gone by.

A year that has been fraught with politics to the extent that it makes one wonder what politicians do in the absence of chatting around Brexit and what reporters did before Donald Trump came on to the scene.



# Opening Hours



As usual we are shutting the office for Christmas, but will monitor email and voicemail over our closed period.

Our plans are to close Friday 21<sup>st</sup> December at 1pm and re-open on the 2<sup>nd</sup> January 2019.

I would like to take this opportunity to thank all our clients for their continued custom and support during this our 21<sup>st</sup> year as Hurst Financial Consultancy – the time really has flown by.



# News About Systems



We continue to make really pleasing advances with our systems, with our new client log on facility aimed for very rapid growth in the first quarter of 2019.

We aim to have the system available as a facility for you to see not only values and fund fact sheets for the constituent parts of any portfolio, but also where applicable, to include any life insurance or mortgage arrangements etc – we aim ultimately for the portal to be the ‘go to’ client area to view all of your affairs and ultimately all correspondence.





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We are not buying this solution in but instead, as we have always done, are developing this ourselves. It is time consuming of course, but the benefits of developing our own client focussed solution far outweigh buying a one size fits all solution.

There will be the odd glitch – if you see any let us know -we can usually repair a glitch in a day!



# Pension Drawdown Contracts



Some clients will be contacted during the first quarter of 2019 to change product provider – this is so that their old contracts can be placed into new more flexible arrangements that allow greater choices for inheritance.

We have identified around 20 clients – we will initially email those clients individually to establish the process.



# Markets

*Brexit* – good grief! This just goes on and on and is no doubt affecting some aspects of life in the UK aside from the constant bombardment and repetitious news.

*Housing* in the UK has as we considered likely in earlier reviews, slowed and is in modest reverse. This is for a number of reasons including negative (and often incorrect predictions) around interest rates for mortgages, tax changes for buy to let landlords and stamp duty. All in all, it would appear that fiscal policy is set firmly to take the heat of UK property, particularly in the residential sector and for this reason we remain very cool about buy to let as a strategy suitable for most clients.





*Commercial property* – we have re-aligned all portfolios so as to reduce exposure here. In ordinary circumstances this aspect of a portfolio adds stability by dint of rent yields and gradual increases in value.

What is important is to look at the quality of fund managers and wherever possible use those who obtain property that is not affected overly by the malaise of the High Street.

The change of shopping habits in the UK has outpaced expectations and the market will take time to adjust around this.





# Portfolio Re-Balancing



I want to lay out our thinking here on the frequency of fund switches. I need to make plain that this is not a reflection on the level of activity around our analysis of how a portfolio should be constructed.

Indeed, logically, when we meet clients, we create a portfolio based upon risk – we then allocate assets and investments to meet that risk and we do so as part of a long-term investment strategy.

An investment strategy is a minimum of 3 years long but most often we need to look across a 5-year period and beyond.



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It would be counterintuitive of us to build a portfolio and re-shape it very early on along that journey. It would in fact suggest that our thinking at outset was incorrect.

We do monitor assets and their allocation, and where necessary we make changes. For instance, over the last few years we have been wary of commercial property and bond funds and have adjusted our position here accordingly.



Please do rest assured that we are always looking at the global news that can change assets and their allocation – when we think a change is needed we will make contact and lay out:

- Our rationale
- The cost of the current investment portfolio
- The cost of the new
- We will at the same time ask clients to confirm their risk position.



# Investment Reviews



Moving forward into Q1 2019, we will be asking clients to log on when an investment review is due.

Around 20 days before the review is due, you will receive an email from us asking you to log on the valuation portal – you will be asked to answer some questions that allow us to ensure that there have been no changes in circumstance that would require a change in our thinking.





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Once these questions are answered, your review will be prepared. Where necessary of course, changes will be made if circumstances dictate a change appropriate.

Your engagement with us in this is vital to the compliance requirements we must abide by – we believe that this will result in very positive affirmation and engagement.



# What About The Markets

At the time of writing the benchmark we all look at because it is so widely published, the FTSE 100 is down around 12% from its earlier high in 2018. Our average portfolio is down around 4%. Going down in value is never good news but what is plainly demonstrated here is that diversity works.

We have no immediate plans to alter the general shape of investment portfolios.



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The main perceived drag on markets is the trade war between the US and China – this will take time to play out but the fundamental belief that it serves neither partner well, they should see reason and return to discussions and perhaps put an end to the ‘tit for tat arrests’ – the evidence is plain that on days when ‘peace’ breaks out between them, in terms of dialogue laid out for markets, markets go up.

For this reason, we believe that our current position will benefit when this show down is over. The timescale is an unknown.



# General Strategy

We never ‘call markets’ – what I mean here is we avoid recommending a wholesale move into cash or similar -you may ask why – this reverts to earlier comments.

We are recommending investment strategies for the long term – to switch in and out of those strategies is tantamount to speculation around key events – it is categorically not what we wish to do and to be frank, where we have acted on a client instruction to do so – the client has never returned to their invested position in time for the decision to have been a good one!





# Summary

2018 has been a benign year for investments – we should not look at investment performance on exclusively, such a discrete period.

Despite the trials of the last year in markets and the 2016 referendum an average risk rated portfolio has performed as below – better than cash – which is for now the only real alternative for most investors.



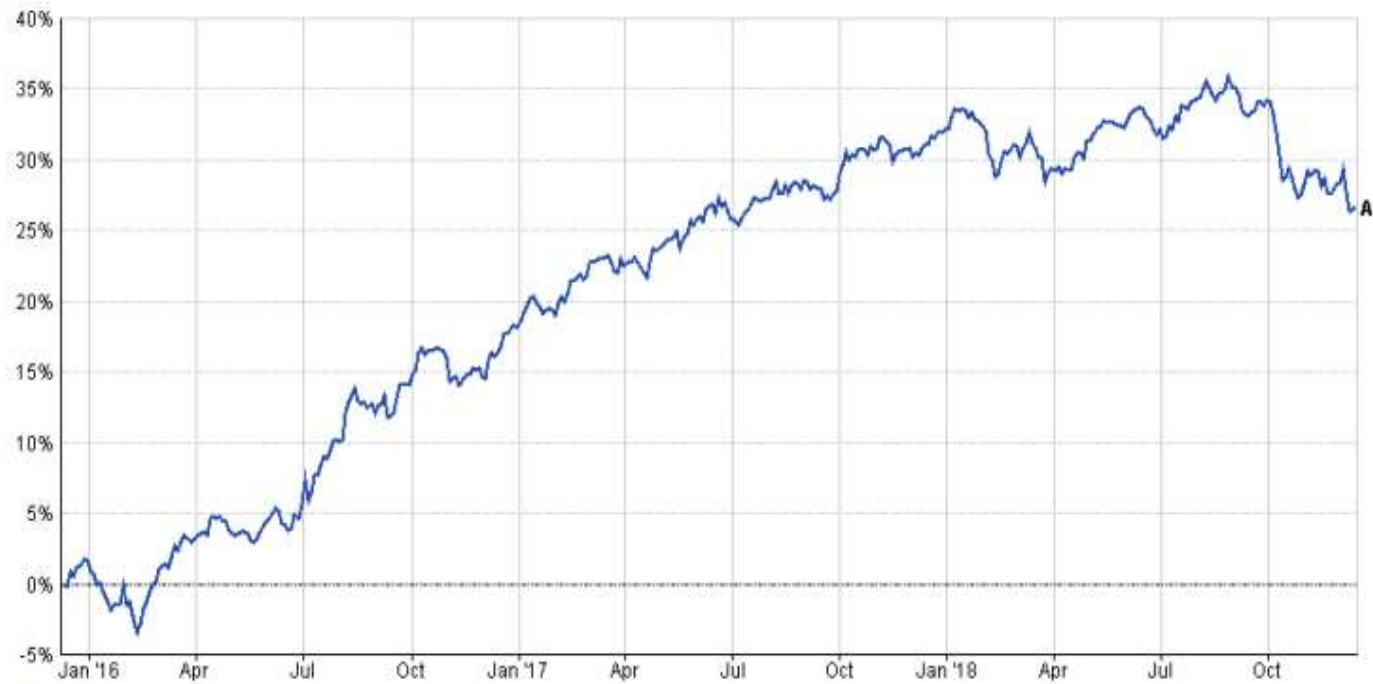


Performance Line Chart



14 December 2018

Pricing Spread: Bid-Bid • Data Frequency: Daily



■ A - OMW Risk 5 September 13 OTR in GB [26.76%]

11/12/2015 - 13/12/2018 Data from FE 2018

Once again thank you for your custom over this year – we never take the loyalty of clients or customers for granted.

We always welcome contact and as usual the contact details are on the last slide.

Our best wishes to you and your families and loved ones for the Season.



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# Keeping in touch

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