360

from **AW Financial Management** June 2021

Welcome to our Summer edition of 360 which we hope will be the last before Covid-induced restrictions are lifted and, where appropriate, we can resume face to face meetings with our valued clients. See page 2 for an update regarding AWFM's current expectations for the resumption of client meetings.

It's *Definitely* Coming Home!

Any excuse for a sporting reference but we're not only writing optimistically in the afterglow of a rare English knockout victory against the Germans and progress then to a first appearance in the semi-finals of the UEFA Euro 2020 tournament. At this time, our thoughts are also of the plans for AWFM to move to its own self-contained 'home' in Farningham.

Here you see part of the plans (see page 4 for more) which have now been agreed. The next challenge will be for our chosen contractor to source increasingly scarce materials! Nevertheless, at this stage, our expectation is to be in The Old Exchange by around Spring 2022.

In this issue

Page 1
- Welcome
- It's Coming Home
- Global Markets and Your Portfolio

Page 2
- Investment Returns and Outlook
- We'll Meet Again

Page 3
- What's in a Name
- As You Were
- Property Deadline

Page 4
- At the Drawing Board
- AWFM Staff News

Global Markets and Your Portfolio

This table reflects performance of the ten AWFM-managed investment portfolio over the course of three and 12 months. In isolation and when compared, for example, with returns from cash, it presents a very positive picture.

The efficacy of covid vaccines and the successful programmes to get them into our arms have contributed to the sustained optimism which has pervaded markets in recent months. In turn, this has lifted equity markets worldwide although there have been 'wobbles' over the period —chiefly prompted by concerns about inflation and the possibility of rising interest rates. Whilst potentially good news for savers, the higher cost of borrowing would impact on those businesses which (most of them) are dependant on an element of debt to help grow their revenue.

Whilst equities continue to be the predominant asset class of choice where wealth preservation over the medium to long term is a priority, we fully expect further gyrations as and when there is other "bad" news.

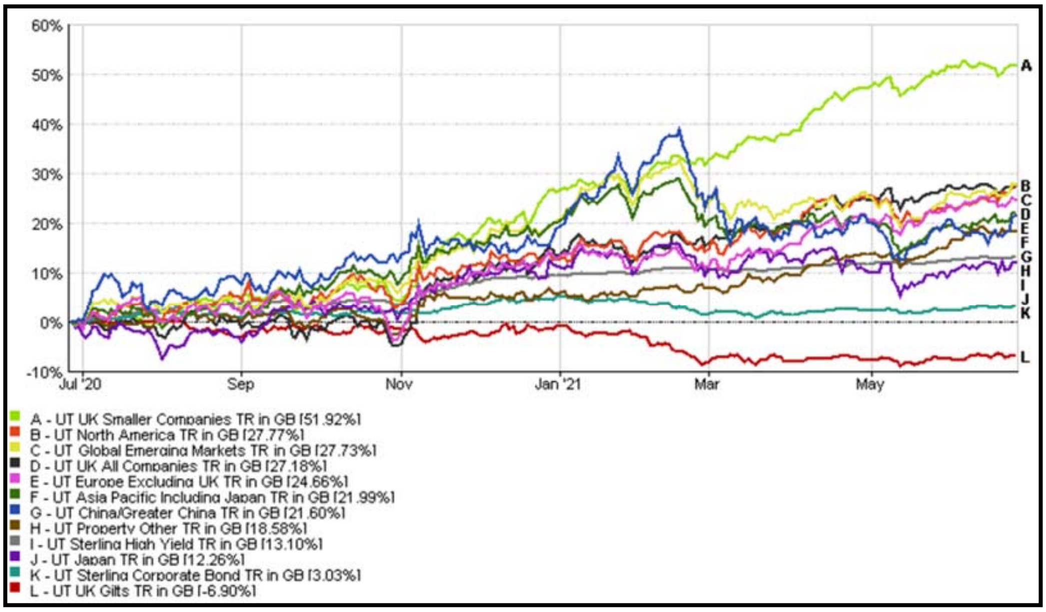
Description	AWFM Risk Model	Ethical		Unrestricted	
		3m	1yr	3m	1yr
Low Risk	1	3.76%	6.16%	2.88%	4.81%
Low to Medium Risk	2	5.89%	13.09%	5.22%	11.48%
Medium Risk	3	7.33%	16.26%	6.41%	15.69%
Medium to High Risk	4	9.13%	20.29%	8.33%	22.57%
High Risk	5	9.41%	26.85%	10.05%	30.13%

"Do not be anxious about anything, but in every situation, by prayer and petition, with thanksgiving present your requests to God." - Philippians 4 v6-7

Investment Returns & Outlook

Governments in the developed world are talking of "Building back Better" - only last week the Senate voted in support of a US$ 1 trillion infrastructure deal to upgrade roads, bridges, railways, public transport, broadband and the power grid. Employment data there is also starting to reflect increasing wages and, worldwide, the supply of certain commodities and goods is being hampered by a post-pandemic spike in demand. The oil price, for example, is now three times higher than it was a year ago and, already, those savings we experienced at the petrol pumps are just a fleeting memory.

All of these factors point to increasing inflation and recent readings by the Office of National Statistics of the Consumer Prices Index ('CPI') have borne this out. Again in May, CPI had crept up and the rate of annual price increases was recorded at 2.1% - now overshooting the Bank of England's 2% target set by the Government. In the US, a key inflation measure was recorded at 3.4% which is a 29-year high and house prices in May were almost 24% up on a year ago. Because the US inflation data was higher than expected, markets wobbled until the Federal Reserve insisted that they expect this to be temporary.



Many commentators share the belief that the spike will be transitory and not something to get too worried about at this stage. The Bank of England's Monetary Policy Committee also espouses this view, although it expects CPI to exceed 3% in the coming months before both economic growth and inflation begin to recede. Historically, despite concerns about increasing interest rates for business, equities have tended to do well in periods of moderate inflation and this is reflected in the sentiment indicator shown below.

Conversely, we see that UK gilts and corporate bonds are viewed pessimistically right now and have been the poorest performing asset classes over the last year. This is because bonds pay a fixed rate of interest which becomes less attractive as and when market rates are on the rise. Added to this, that fixed income diminishes in real terms as and when inflation starts to take a bigger bite out of it.

POS	**A POSITIVE outlook**	UK equity, US equity, US Smaller Cos equity, Japan equity, Pacific Basin (ex Japan) equity, and Emerging Markets equity.
NEU	**A NEUTRAL outlook**	UK Smaller Cos equity, US Smaller Cos equity, Europe equity, Property, UK Corporate and Global Bonds.
NEG	**A NEGATIVE outlook**	UK Government bonds ('gilts'), UK Corporate Bonds

By contrast, corporate earnings and the portion of those earnings paid out to shareholders in the form of dividends generally tend to increase over time and are therefore more likely to at least keep pace with inflation over the medium to long term.

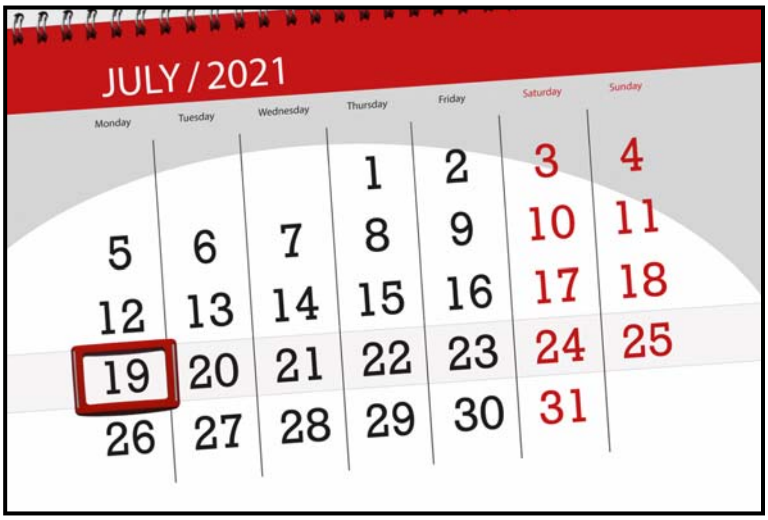
Whilst carrying more risk, the equities portion of your portfolio is likely (but not guaranteed) to make your money work harder and generate more returns than the less risky bond element over the long term. For clients with sufficient risk appetite and an aim to grow their capital, we continue to allocate the lion's share to this asset class

We'll Meet Again

Unlike certain former Government Ministers and Special Advisers, we have continued to maintain social distancing within our team since we returned to our desks (complete with perspex partitioning) at River House. Throughout the common areas of the building tenants and any visitors are required to wear face coverings as a further precaution.

The much anticipated lifting of restrictions expected on 19th July (at least at the time of writing!) will see us resume meetings face to face with clients —if that is their preference. Some may wish to continue with video conferencing which has served us well in all circumstances and we will continue to offer that option.

As an additional precaution to keep our clients safe, the Partners at AWFM will be testing regularly for Covid. For those clients now wishing to resume face to face meetings, our preference (for now) —again with safety in mind— is to schedule them away from the Office.



This could be either at your home or another mutually convenient location to suit. Please let us know your preference when you receive our call to organise the meeting.

What’s in a Name?

June has been a notable month for one of the investment platforms used by AWFM which will be familiar to some of our readers.

On 14th June, Old Mutual Wealth changed its name to Quilter but clients can rest assured that the change is simply the culmination of a re-branding exercise which has been ongoing since 2018 when the parent company changed its name to Quilter plc (after it had demerged from Old Mutual PLC). Since then they have been aligning the names of all the businesses that are part of Quilter plc and Old Mutual Wealth is the final part of the business to change its name.

From that date you will have seen the name Quilter in place of anything that was previously branded as Old Mutual Wealth. However, apart from their name, nothing else will change and the ownership of their businesses remains the same.

We know from the calls and emails received from some of our clients following receipt of statements bearing the new logo, that perhaps the message was not fully received and understood in all quarters. However if, logging on to their portal to check your account for example, you should be safe in the “quilter.com” domain and any communications directing you there are likely to be legitimate.

As You Were!

Reflecting on our last edition of 360, you may have considered references to the inaugural “Tax Day” on 23rd March after what was a relatively benign Budget Statement as scaremongering. To be fair, many tax advisers were, like us, nervously expecting new tax legislation — none of which materialised and, like them, we breathed a sigh of relief.

Although the government launched a range of tax consultations on Tax Day many of them were related to businesses. Nothing was altered in relation to Inheritance Tax but it is still widely thought that it’s more a question of “when” rather than “if” there will be reforms in this area.

In the meantime, though, help may be at hand for many who in the future are called to administer the estate of a deceased friend or family member. The Treasury has indicated its intention to introduce regulation from January 2022 which will result in over 90% of non-taxpaying estates not having to complete IHT forms for Probate purposes. They also wish to develop an integrated system which will facilitate submission of IHT forms electronically and create a direct link between HMRC and the Probate Office to streamline processes.

The Treasury is considering other recommendations from the Office of Tax Simplification some of which will be less user-friendly — so, watch this space!

Property Deadline

As previously reported, homebuyers were given some encouragement by the Chancellor in July last year when he introduced a Stamp Duty holiday designed principally to stimulate the economy. The initiative increased the threshold at which Stamp Duty becomes payable from £125,000 to £500,000.

Whilst on the face of it a help—particularly to first time buyers - the subsequent (and, along with a clamour for more space, consequential?) acceleration in house price increases has, for many, outweighed the tax saving. Data from Zoopla in May showed that in many parts of the UK— London being the notable exception— the average Stamp Duty saving on properties sold for in excess of £500,000 was around £15,000. Prices for such properties have, however, risen by around £25,000 since July 2020. The average UK house price according to the Nationwide Building Society grew 13.4% in the year to June—the fastest rate of increase since 2004.

From 1st July, however, the threshold is reduced to £250,000 until 1st October when it will revert back to the customary £125,000. As a result, the expectation is for activity and, the rate of price increases to diminish over the coming few months. Contemporaneously, the furlough scheme supporting many businesses’ wage bills is due to begin tapering and there is talk of mass redundancies in certain sectors which, of course, means that mortgage servicing would become a challenge for some. Low interest rates are, for now, supportive of the housing market but as mentioned earlier there is a distinct possibility they could be increased to ward off any sustained inflationary pressures.

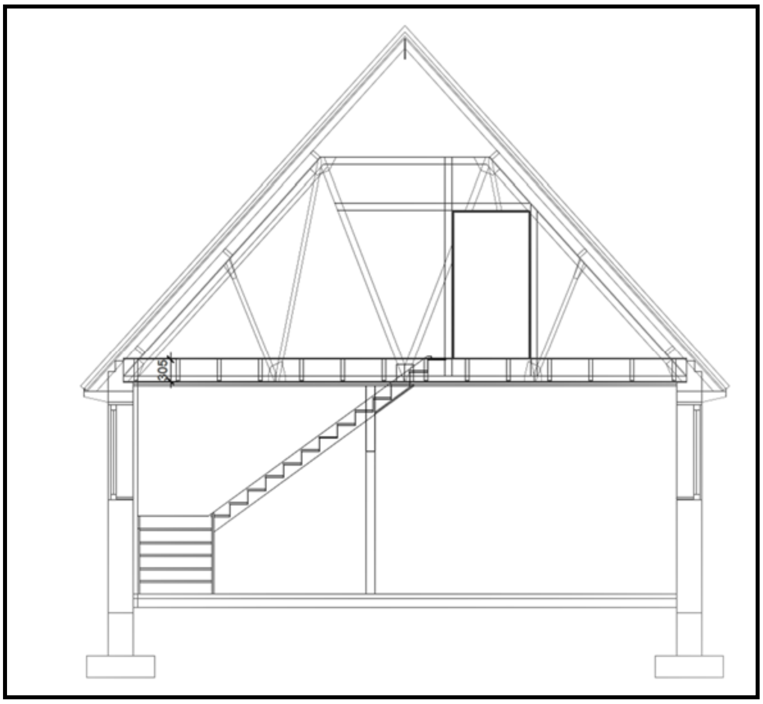
This too would be detrimental to house prices—some of our younger colleagues are less disappointed by this prospect!

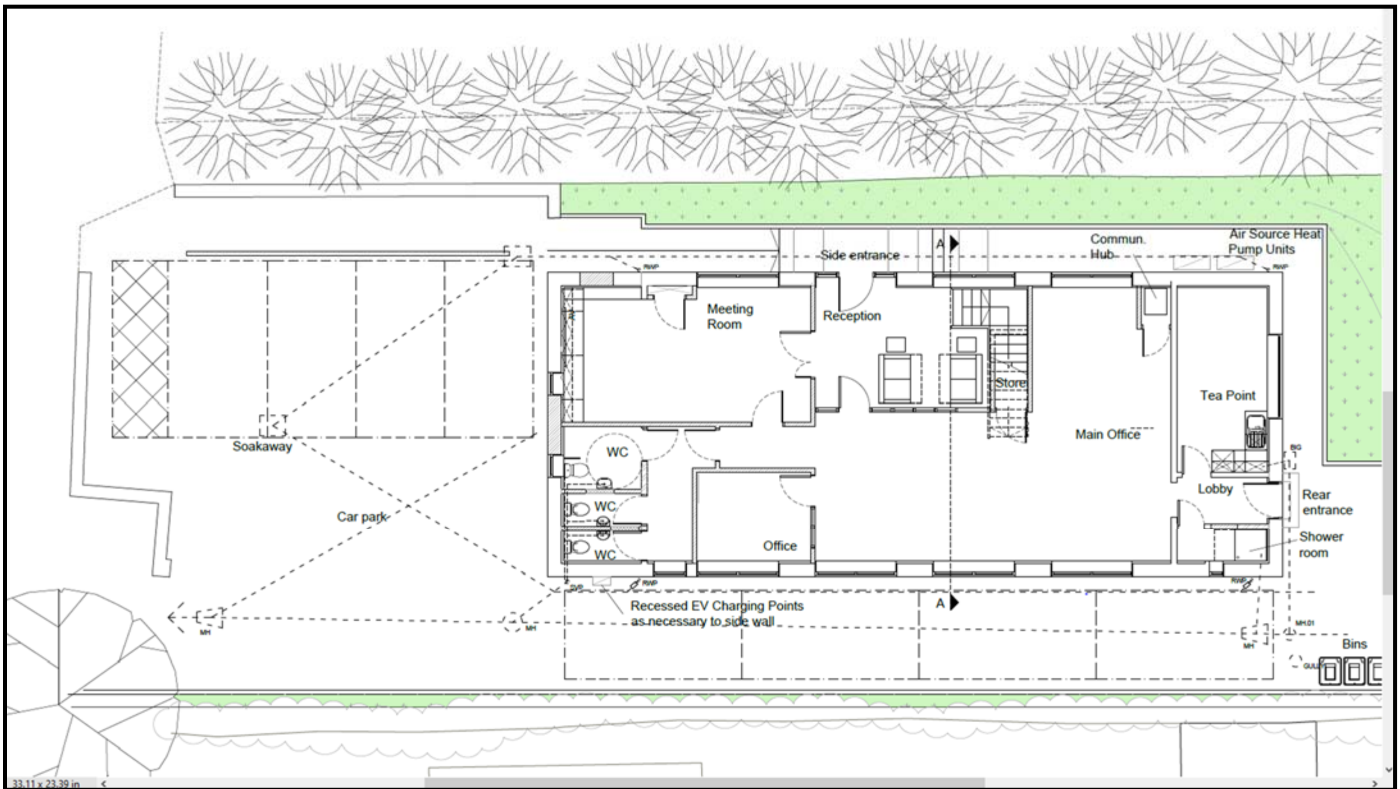
At the Drawing Board

As mentioned earlier, the Partners and Team at AWFM are looking forward to moving in to their new premises in 2022. As often is the case, there is much to be done to get us there and, although as advisers we spend a lot of our time planning, we are best suited to making plans of the financial variety and rely on the suitably-qualified professionals when it comes to buildings!

The architect's principal challenge has been to re-purpose the unused roof-space which is currently occupied only by some substantial steel joists. As you see (right) from this drawing a staircase leading up to more office space is planned. This is where the Partners will be parked!

Meanwhile, downstairs (plan, below) the hard work will be undertaken by the rest of our team. There is parking for our clients who will be welcomed at Reception before being shown to the Meeting Room.





AWFM Staff News

We are delighted to report that Edward has passed the Pensions & Retirement Planning (R04) paper of the Chartered Insurance Institute's Diploma in Regulated Financial Planning. Just two further papers to pass and he will have attained Diploma status—which under our industry regulations is the minimum level of qualification required to be able to advise in relation to regulated financial products. Congratulations, Edward and good luck with the last two.

Once again on a footballing note, Zack and his Newgen FC team achieved a notable feat as they reached the final of the National Christian Cup. Having led the tie for most of the first half, in keeping with English tradition, they were narrowly edged out, 4-3, on penalties. A great achievement but, nevertheless, we fully expect his team to go one better next time!

If you have any questions about this newsletter or your existing investments, please contact us to discuss your situation further.

AW Financial Management LLP is an Independent Financial Adviser regulated by the Financial Conduct Authority. Information given in this document should not be taken as advice as it is intended for guidance only.

Contact us
w: www.awfm.co.uk
t: 01322 669059

Partners:
martin@awfm.co.uk
jon@awfm.co.uk
sean@awfm.co.uk

Support Staff:
nicola@awfm.co.uk
edward@awfm.co.uk
jack@awfm.co.uk
kiki@awfm.co.uk
harin@awfm.co.uk
zack@awfm.co.uk