



360

from *AW Financial Management*



July 2020

Welcome to our Summer 2020 edition of 360 which may, perhaps, be a welcome change to the various exclusively markets-facing bulletins with which we have filled the period since our Christmas edition.

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A Brave New World?

Many of you will have been desperate to maintain contact with loved ones—and perhaps even your Wealth Manager—during the last three months or so of confinement! For some this has necessitated becoming familiar with one of the various video conferencing applications available and, for us, the technology has allowed us to engage with some of you.

For the time being we will continue to interact with clients in this way or by telephone if that's the preference. As a team, however, most of us are back working, appropriately socially distanced, at River House. In order to be able to do so and because some still have to share home schooling responsibilities, a few of us are continuing to work some of the time from home.



As pictured here, (albeit dressed down and in one case, more hirsute than you may recollect) we regularly meet "virtually" as a team to review workflows and discuss the coming week.

Although we have used others, *Microsoft Teams* is our application of choice for this purpose and, if you would favour a face to face meeting, it is possible now to download it for free from the Microsoft website if you don't already have it. Even if you do not have the application it should still be possible for us to set up and invite you to meet provided you have a suitable device and camera.

However, if you are new to communicating this way but would like to try it then do read on for some useful tips later in this edition.

Global Markets and Your Portfolio

At the half-year, eight out of AWFM's 10 model portfolios are showing a positive total return (before advice and platform costs) over both a three and 12 month time horizon. Over a year, the ethical versions in each risk category have outperformed their unrestricted counterparts partly due to the absence of oil companies which have been hit hard by the sudden and deep cut in the oil price followed by a sustained drop in demand and also because they have a greater weighting in the US and therefore the technology sector (helped not least by the incidence of video calling and home working).

You may have to stretch your memory to think when you last filled your petrol or diesel-driven car—longer if you've opted to go electric! As fuel choice has been impacted by concerns for our environment so too have investment decisions. Increasingly, investors are scrutinising a company's ESG (environmental, social and corporate governance) credentials as part of their decision-making process and this too is driving demand and consequently unit prices of ethically badged managed collective funds.

Description	AWFM Risk Model	Ethical		Unrestricted	
		3m	1yr	3m	1yr
Low Risk	1	6.84%	1.50%	6.58%	0.17%
Low to Medium Risk	2	13.33%	2.36%	11.53%	-2.03%
Medium Risk	3	15.97%	4.27%	15.12%	-1.54%
Medium to High Risk	4	17.86%	5.48%	18.71%	0.22%
High Risk	5	23.78%	9.28%	29.35%	7.18%

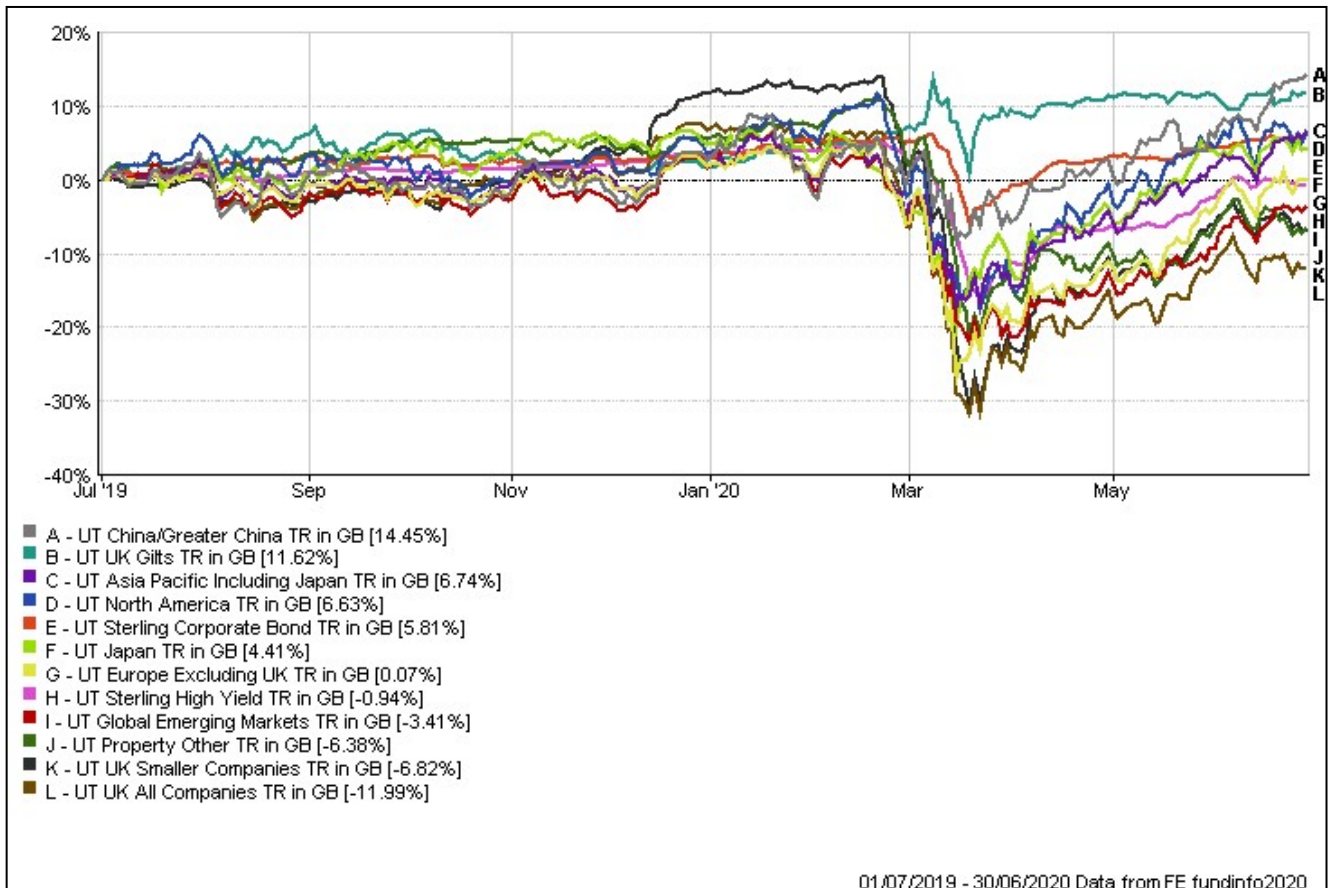
"So do not fear, for I am with you; do not be dismayed, for I am your God. I will strengthen you and help you; I will uphold you with my righteous right hand." - Isaiah 41:10

Investment Returns & Outlook

Sometimes when seeking inspiration to populate the pages of our newsletters, we look back at the news and views shared in earlier editions. This time last year we were conscious that GDP (Gross Domestic Product— total revenues from all businesses making up an economy) output had risen consistently year on year since the financial crisis and that it seemed, 10 years on, reasonable to expect a recession.

There were some “known unknowns” that could have become the trigger - our exit from the European Union, the likelihood of Boris Johnson calling a snap but indecisive election and the scope for an all-out US-China trade war to name but three. The incidence of a worldwide pandemic was for economists at least (unless they had taken note of much earlier talks by software entrepreneur and philanthropist, Bill Gates) an “unknown unknown”.

The limitations on human contact and travel with which we’re now personally all too familiar, have caused paralysis of trade in many sectors of the worldwide economy. Although seemingly a foregone conclusion, a recession is technically defined as two consecutive quarters of *falling* GDP output – so far in the UK it fell 2.2% in Q1 but we will not know the second quarter numbers for another month or so. Latest reports are that (as perhaps reflected in this chart) China has actually avoided a recession—at least for now. Their first quarter 6.8% fall in GDP was followed by an increase of 3.2% in the second— having of course been the first to be affected by and react to the outbreak.



Back here, the most recent monthly data published by the Office of National Statistics (ONS) estimated that, although over the three months to May, the economy had shrunk by just over 19%, GDP output had *increased* by 1.8% in the month of May.

So, possibly by the time we know we’ve been in a recession we may be coming out of it.

Despite this, some economists are still debating whether the recovery will be relatively quick and ‘V-shaped’ or a slower, ‘U-shape’. We heard one investment manager recently raise the prospect of a ‘K’ shape – i.e. a combination of two outcomes depending on which sector of the economy is measured. That same manager, is inclined more towards a recovery shape like the Nike (other brands of sports equipment are available!) ‘Whoosh’ logo.

On the face of it, things are improving but what are the potential outcomes for investors faced with still much uncertainty? A ‘no deal Brexit’ seems now very likely but with perhaps only 20% to 30% exposure to UK companies which are possibly earning 70% of their revenues overseas, that may not be a major concern in well-diversified portfolios. It’s very likely that a spike in Covid-19 infections and / or deaths would impact shares but conversely so too would the successful trial of a vaccine. For some, the prospect of inflation is a concern as central banks inject vast amounts of liquidity into the economy and in due course that would help them to inflate away an element of their correspondingly significant borrowings. For now, though there doesn’t seem to be the consumer demand required to start chasing the cost of living higher and with interest rates expected to remain very low for some time, equities to some look like the “only game in town”.

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

Bonds’ current lack of appeal is reflected in our consensus “traffic lights” but the keen-eyed among you may also have spotted that some asset classes are viewed with both “Positive” and “Neutral” sentiment. The principle message, therefore, is that there is an absence of consensus and a distinct split in the investment management population particularly insofar as shares in UK Smaller and US and Pacific Basin larger cap equities. As ever, the answer in our view is to maintain a spread of investments.

Rishi's Dishy

An element of The Chancellor's Summer Statement was labelled by some as 'Rishi's Dishy' after he served up a few well-trailed gifts to the hospitality sector, and followed it with a well-choreographed stint of service at Wagamamas in London.

His approval ratings continue to exceed those of his boss whilst he's been dishing out much-needed financial support in all corners of our economy. There will be less palatable policy measures to come but, for now, talk of a wealth tax and capital gains tax reform is deferred perhaps until the Autumn Budget statement whilst key points of this statement were:

- VAT on hotels, restaurant, cinema and other hospitality consumer spending cut temporarily from 20% to 5%.
- Stamp duty holiday - threshold raised from £125,000 to £500,000 until 31st March 2021.
- £1,000 bonus to employers for each furloughed employee taken back when the Job Retention Scheme ends in October and still employed at the end of January 2021.
- "Eat Out and Help Out" - meals Mondays to Wednesday subject to 50% discount up to £10 per head.
- Kickstart Scheme to help fund jobs for young unemployed by covering 100% of National Minimum Wage for up to 25 hours per week.
- Grants of up to £10,000 to upgrade loft and walls insulation.

Keeping Yourself Safe from Fraudsters

In this age of increasing reliance on digital communication and e-commerce, the risks of unseen threats to our finances are ever present but the worries arising from coronavirus have encouraged a rise in attempted fraud.

Two of our platform providers have warned that criminals attempted unsuccessfully to impersonate them in correspondence with their customers. For example, in June a client of one had their personal email hacked by a fraudster who worked out that when that client deposited money into their portfolio, they sent this to that platform provider's bank account. With this knowledge the fraudster sent an email to the client purporting to be from the provider claiming it had recently changed its bank account and supplied the client with fraudulent "new" details. The client tried to make a deposit to the fraudulent account but the bank alerted the client when the account name and number did not match. The client then contacted their adviser who informed the provider.

Unfortunately, this is not an isolated example but you can protect yourself from the risks by being aware of these warning signs and responding appropriately:

What are the warning signs?	How do I protect myself?
Unexpected contact, or repeated calls	If you get cold-called, the safest thing to do is to <u>hang up</u> . If you get unexpectedly contacted by email, it's always best to simply ignore it.
Requesting your PIN or password	A genuine bank or other financial organisation will <u>never</u> ask for these types of personal details. Never give them if prompted.
Requesting personal details or financial information	<u>Never</u> give them unless you are certain whom you're dealing with and it's for a service you want.
Tempting returns that sound too good to be true	If an investment sounds too good to be true then it probably is. Trust your instinct and do not proceed.
Offering reassurance about the risks involved	If you are told not to worry about the risks and that the investment is safe, don't simply accept that it's true.
Exclusive offers	If you are told the offer is only available to you, or you are asked not to tell anyone else about the opportunity, this is a sign it's not genuine. Do not engage in any further communication.
Unnecessary time pressure, for example you're told it's a time-limited offer, or you are offered a bonus or discount if you invest before a set date.	<u>Don't be pressured</u> into acting quickly - a genuine bank or financial services firm won't mind giving you time to think.
Receiving a 'clone' email that seems to be from a real firm	If unsure, always use the contact details on the FCA Register (if purporting to be a regulated firm) not the details the firm gives you. You should also check the firm's details with directory enquiries or Companies House to make sure they're the same.
Unrecognisable email address	If you get an email, expand the pane at the top of the message and see exactly who it has come from - if it's a scam, the email address of the sender may be filled with random numbers or be misspelled.
Unconfirmed changes on your account	If you have any doubts at all about what you are being asked to do, check with your provider. Always use contact details you can trust, for example the phone number on your bank statement or policy documentation.

As a firm, we have sought to implement measures and security to seek to ensure that your funds are safe. If we are asked to send money to an account by an email, we will almost always call the client to re-confirm the bank account details, to make sure we have them correctly and that the email has not been intercepted. Please bear with us in this. We also give password protected enclosures with bank details for clients to pay money into their investments because, it should be remembered that, on the whole, banking electronically is incredibly safe.

Video Meeting Arrangements

For our clients who wish to maintain a degree of continuity and face to face contact with us but who are maybe less familiar with the videoconferencing applications which now exist, we thought we would share a few tips. Our aim is to make the meetings with you as beneficial as they would be were we in the room with you.

To facilitate this, with your help, we will aim for a few things to happen **before** the meeting:

- We will agree a convenient time with you for the meeting with your adviser and email an invitation and link for you to join that meeting by video.
- We would be grateful if some time before the due date, you update us with the values of your cash balances and make us aware of any material changes in your circumstances or financial plans since the previous review.
- We will, before the meeting, prepare and send to you by post or encrypted email our up-to-date valuation report.

As it's a new way of conducting our reviews we too are learning but have found the following tips should help make it a positive experience. Other tips for just before and **during** the call:

- Find a quiet and private place (and headphones can help to maintain focus) for the call with good wi-fi signal (unless using a wired internet connection).
- Ideally, only have Microsoft Teams (or an alternative conferencing application) open on your computer and close any private files that are not relevant to the meeting.
- Have any relevant documents—such as the AWFm valuation report and any other related documents to hand so that you and your adviser are able to refer to them during the meeting.
- Open the application ahead of the meeting and ensure that you are happy with what can be seen in your background and also with your own appearance (or at least no less happy than usual!).
- Join the meeting room 'lobby' a few minutes ahead of time to enable us to ensure that the call is connected, that your camera is 'on' and microphone unmuted so that we can make the most of the time available to meet.
- During the call be aware that it is quite easy sometimes to accidentally interrupt and completely lose what the other person is saying. Try to wait for silence to ensure a point is not missed.

Do You Know Someone Looking for Work?....

We have advertised previously in these pages for new members of our team but no one can be unaware of the challenge now facing particularly young people looking for their first or, perhaps, second job.

As our business continues to grow an excellent opportunity to join AW Financial Management has arisen. The role will initially provide office administration support but also the opportunity to progress in the role, become professionally accredited in financial planning and, dependant on progress, ultimately promoted to the role of Paraplanner.

More details will shortly appear on our website but if you know someone who might wish to be considered ask them in the first instance to send their c.v. across to Harin who's email address is: harin@awfm.co.uk.

....Or Advice?

Although business has continued to grow, even financial services have not been immune to the effects of coronavirus. We've received far fewer enquiries over the last few months than is usual and so as (hopefully) we see further relaxation of the lock-down measures we are very well placed to discuss the burning issues faced by the many we believe will now be contemplating their plans for retirement or the very poor returns on cash savings which look set to persist for some time.

If you have friends, family or colleagues in this predicament then please do put them in touch with your adviser here. As detailed elsewhere in this edition we are happy to conduct meetings online or of course to speak on the telephone and correspond by email until we are ready again—hopefully, quite soon – for meetings in person.

As always, we are happy to provide the first meeting free of charge.

Feedback Welcomed!

Many of you will be aware that these newsletters are a longstanding feature of our efforts to maintain a dialogue with our clients but we never really know how much, if any, of these (usually) quarterly bulletins is read!

With that in mind, we would welcome your honest views and, if they don't do it for you, what if anything we could change in terms of the format or content to raise your interest.

Similarly, if you have any specific suggestions as to what should feature in forthcoming editions please do let us know.

AWFM News

We managed to re-open the office for staff a few weeks ago. This has been a great help in refreshing the team dynamics and also freeing up home kitchen/lounge/dining tables. We have of course had to ensure more space between each member of staff and this was achieved by a small re-organisation—thank you Edward!

Congratulations too to Harin and Kiki both having passed their first anniversaries at AWFm.

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

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