Professional Paraplanner

The magazine for paraplanners and financial technicians
May 2021

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FOUR YEARS IN THE MAKING

It's taken me four years to get Paul Robertson to agree to be profiled and appear on the front cover of *Professional Paraplanner*. Ironically, it occurs just as he has left his position as head of Technical at Parkgate, to take up a role at The Martin Gallier Project, a mental health and suicide prevention charity.

Paul has a mathematics degree, is Chartered and a Fellow of the PFS and anyone who has met Paul would consider him a confident, outward going individual. As he puts it: "On paper, I had it all. A beautiful wife, an amazing family, great friends, and a good job." But that was not the full picture and reading his story should make us think about how much we can take things at face value.

My thanks to Paul for finally appearing in the magazine and also for telling his story. You can read it on pages 8-9 and anyone wanting to find out more about the charity can do so here: https://www.themartingallierproject.org

Our thoughts are with countries like India and Brazil currently bearing the brunt of the Covid-19 virus. With the vaccine programme rolling out in the UK, it feels like there is a lifting of spirits here, and let's hope the virus can be controlled worldwide as soon as possible. Throughout the Covid-19 crisis, we have been tracking paraplanners' views on the markets and the global and UK economies. In the Parameters survey report in this issue, we show how paraplanners have responded and where your concerns now lie (see (page 16).

This issue, we also have articles from the PFS Paraplanner Panel and the CISI's Sally Plant, who raises concerns around recruiting career paraplanners into the industry.

With regard to *Professional Paraplanner* events, we are rolling out some super webinars for you this spring/summer including a series on Investment Trusts, which, in my view, are under utilised within financial planning. It is our hope also that we can start running our conference events from the autumn. We are keen to get out meeting people again and from a recent poll we undertook, many of you are as well. We will keep you informed.

Rob Kingsbury,
Editor, *Professional Paraplanner*
robkingsbury@researchinfinance.co.uk

Professional Paraplanner Technical Insight Webinars

We are delighted to be launching a new series of Investment Committee Webinars, starting with a new series in association with the AIC: **Investment Trust Insights**. During the series paraplanners can hear from managers of Scottish Mortgage, Schroder UK Mid Cap, and Real Estate at Aberdeen. Go to our website Events Page or look out for details on our daily emails to register for the first webinar on May 26 2021, at 10.30am.

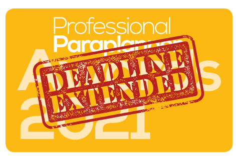
The first event will explain the structural differences between open-ended funds and investment trusts, including discounts/premiums, gearing and the revenue reserve, and examine the implications of those differences for clients. It will also cover examples of how investment trusts can be used in portfolios, and address the practical question of how easy and cost-effective it is to use investment trusts on various adviser platforms.

Commenting on the launch of the series, Nick Britton, head of Intermediary Communications, AIC, says this: "Paraplanners have increasing influence on investment selection and are hungry to keep learning and improve their knowledge. We're excited to be teaming up with *Professional Paraplanner* to launch a new series of events aimed exclusively at them. "The Investment Trust Insights series begins with a practical introduction to investment trusts and how they can be used with clients, together with a look at important market developments such as the rise of impact investing with investment trusts.

"We've also invited some of our most interesting portfolio managers to discuss how they use the closed-ended structure of investment trusts to execute a range of strategies, from traditional equities to commercial property and even unquoted companies.

"I hope this series of events will be of interest to all paraplanners, whether they feel fully confident with investment trusts, or want to fill gaps in their knowledge."

Professional Paraplanner Awards



We are rapidly heading towards the closing date for nominations and entries for the 2021 Awards. The date has been extended by a week to midnight Friday 7 May, so if you haven't entered the Paraplanner Awards and wish to do so, please do get your entry in within the next eight days. For an entry form please email info@researchinfinance.co.uk.

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In this issue...

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RESEARCH IN FINANCE

Address

80 Coleman Street, London EC2R 5BJ

T: +44 (0)20 7104 2235 **E:** info@researchinfinance.co.uk

W: professionalparaplanner.co.uk

Editorial

Editor
Rob Kingsbury
E: robkingsbury@researchinfinance.co.uk

Designer
Pascal Don Design
E: pascal.don@mac.com

Editorial inquiries : editorial@researchinfinance.co.uk
Production inquiries: production@researchinfinance.co.uk

Research analytics

Research Director
Adele Gray
T: +44 (0) 20 7104 2237
E: adelegray@researchinfinance.co.uk

Head of Insight
Annalise Toberman
T: +44 (0) 20 7104 2238
E: annalisetoberman@researchinfinance.co.uk

Events

Event Manager
Louisa Hooper
T: +44 (0) 7990 823423
E: louisahooper@researchinfinance.co.uk

Management

Founding Director
Toby Finden-Crofts
T: +44 (0) 20 7104 2236
E: tobyfindencrofts@researchinfinance.co.uk

Founding Director
Richard Ley
T: +44 (0) 20 7104 2239
E: richardley@researchinfinance.co.uk

Advertising and sponsorship enquiries: sales@researchinfinance.co.uk

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GOOD TO BE BACK

Caroline Stuart, paraplanner member of the Personal Finance Society board and chair of the PFS Paraplanner Panel, says while the pandemic put many of the Panel's projects on hold, now things are moving again, including the search for a new panel member

This time last year, we were a few weeks in to the first lockdown, and here we are now, a few weeks or so away from the end of the (hopefully) last one. It's been a strange, challenging, and for some, a downright frightening year but there is light at the end of the tunnel and it feels like we may really be back on the road to normality.

Many things have changed, lots of people are now able to work in ways that probably wouldn't have seemed possible before the pandemic. Greater flexibility, more 'agile working' and the increased use of technology has meant that we are still able to provide our clients with the help and service they need in what will have been worrying and often distressing times for them too. I think that we all rose to the challenge and have ensured not only a continued service for clients but on many occasions, an improved one.

Naturally, the Personal Finance Society Paraplanner Panel has also seen changes over the last year. Many of the plans that we had also had to be put on hold. Our annual roadshows became online events but actually ended up being some of the most attended due to the excellent content and presenters we had.

The biggest change for us was the departure of one of the Panel. Tom O'Hara had been a member since it began in 2015 but as he was moving away from paraplanning into a more senior role in his business, he decided it was time leave the panel. We were all thrilled for him in his new role, but were obviously very sorry to see him leave. Tom has been a terrific member of the Panel and we send him a giant thank you for all the help and input he has provided during his time.

We started to look for Tom's replacement but, of course and unfortunately, we had to put our search on hold until just recently. As we speak, the Panel are reviewing the applications from a number of paraplanners who'd like to join the team – and we really are spoilt for choice!

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The current panel

So who do we have on the team at the moment representing our paraplanning community? We have both in house and outsource paraplanners, in a range of roles which gives a good spread of experience, knowledge and perspectives. In addition to myself, we currently have:

- **Alan Gow** of Argonaut Paraplanning
- **Martin Green** of Chadney Bulgin
- **Rebecca Tuck** of Paradigm Norton

We also have Megan Miller and Daniel Moodliar from the Personal Finance Society who recently joined the Panel and are already doing a fantastic job of supporting paraplanner members. We'll be announcing our new member as soon as we've gone through the applications and know who that will be!

We've got a few other exciting things in the pipeline for this year, and we'll be announcing them soon. In the meantime, we are glad to be back and looking forward to helping more paraplanners, so keep your eyes peeled for our announcements on Facebook and Twitter.

The PFS Paraplanner panel can be found at:

- www.facebook.com/PFSParaplannerHQ
- twitter.com/PFSParaplanHQ

ESG THE RIGHT WAY

Adam Keen, head of Paraplanning at Arlo International looks at how investors can be helped to start ESG investing in a way that truly meets their needs

Environmental, social and Governance (ESG) issues have been a part of people's lives for some time now, with extreme weather events across the globe and Greta Thunberg-inspired climate protests making headlines in recent years. Inevitably, such events have had an impact on how people want to spend and invest their money, as more consumers than ever want to save and invest in companies that have a positive impact while avoiding those that do not meet their environmental, social, or ethical standards.

The subsequent growth of ESG investing has pushed many companies in sectors ranging from fossil fuels to tobacco to transition in recent years, to change their public image and continue attracting investment. Companies such as Shell are high-profile examples of firms which radically altered their visions and plans due to pressure from institutional shareholders, with the adoption of more planet-friendly policies and championing diversity in their leadership teams.

Regulators have also supported the ESG agenda with more verve in recent years. For example, the UK Government implemented reforms in 2020 that mean pension funds now have an explicit responsibility to integrate sustainability into their investment approach.

Pandemic push

The COVID-19 pandemic has only served to accelerate ESG's rise, with many retail investors re-evaluating their lives, including their current investments, and updating their portfolios in line with their social and economic values.

What has also persuaded investors to focus on ESG investments has been the poor performance of traditionally preferred stocks such as commercial property during the pandemic, giving ESG investments the opportunity to grow from fringe players to star performers.

The strong performance of these ESG assets – renewable energy in particular – has shifted the perception of ESG from 'nice to have' to an investment that is likely to generate alpha for investors. As a result, according to Morningstar, money invested into ESG funds rose to $71.1bn between April and June 2020, pushing the total invested in these funds to over $1trillion globally.

The right selection

However, despite the growing success ESG investors are having, it can still be difficult to plot the right investment path, with sustainable investment jargon making choosing a suitable investment portfolio a sometimes-confusing process. The term ESG itself can be interpreted in a variety of ways and each investor will have a personal criteria when it comes to sustainable investing. For example, investors need to look at whether the company pays their staff fairly; but how do you define fair pay? Others will look at whether the company has net-zero carbon emissions; but is their supply chain ethical? As a result, it's no surprise that first-time investors can be overwhelmed about how they can choose a portfolio that meets their criteria before they've even started.

With confusing terminology and ambiguous definitions in many cases, investors can also get sucked into FOMO-induced losses, where an investment is made off the back of a previous year's high performance without a long-term outlook. With ESG growing at such a fast-rate, it can be easy for investors to simply follow the performance of a company in the previous year without fully understanding the implications of the market.

Helping hand

Financial advisers can help explain the different sub-sections of ESG and assist investors in making the right investments, from low carbon companies, thematic investments such as clean energy and forestry, or equality-based funds. Advisers can also help clients to create investment plans which don't just pay lip service to sustainable investing trends, but that actually meet the needs of the investor.

Additionally, to help investors avoid just jumping on the latest ESG bandwagon, advisers should select ESG investments just like traditional funds or stocks, which are chosen and are valued in a sustainable and fair way. This is done by looking for large-cap companies with strong brands or up and coming businesses with difficult to replicate business models.

Bright future

ESG is set to stay firmly at the top of the agenda for investors and managers – it's a shift that shows no sign of slowing. However, selecting the right assets that don't just pay lip service to a growing trend can be challenging for investors, particularly inexperienced ones. To guide investors along the way, financial advisers are on hand to provide the clarity and knowledge which helps investors find assets that meet investor's ambitions, views, and goals for the future while also delivering returns.

NO BETTER PLACE

Paul Robertson talks to Rob Kingsbury about the catalyst in his life that prompted his decision to leave his Head of Technical role and join The Martin Gallier Project, a mental health support and suicide prevention charity

As a paraplanner Paul Robertson had achieved the highest of industry qualifications, Fellow of the Personal Finance Society, and he had progressed his career to Head of Technical at independent financial advice firm Parkgate.

Paul first worked for Parkgate when he was 16-years-old as part of his work experience and five years later, having graduated from Liverpool University with a mathematics degree, he was given the opportunity by the owner Bill Ward to work over the summer to help with the IT. That quickly led to him being offered a job as a financial planning administrator. Over the next two years Paul qualified as a mortgage adviser and gave mortgage advice in addition to his administration role.

In November 2011, he moved into a paraplanning role and began the R0 and AF exams. He attained Chartered status in 2016 and became a Fellow of the PFS in November 2018. In January 2019, he was promoted to Head of Technical, providing technical support for the advisers and paraplanning team, heading up the Investment Committee and being the dedicated paraplanner for Parkgate's senior partner.

He also married his long-term partner Bailey. Life seemed good – as he says: "On paper, I had it all. A beautiful wife, an amazing family, great friends, and a good job."

Alongside this seemingly 'normal' and successful life, however, since childhood Paul had suffered from obsessive-compulsive disorder (OCD). "I used to do hundreds of routines/rituals every day just so that everything felt right," he says. "It was normal for me growing up because I didn't know any different. It wasn't until my teenage years that I realised that I had an issue."

Photograph by Dan Bentley, Humans of Wirral (find it on Instagram)

In November 2018, he read a book called *Brain Lock*. "It taught me the Four-Step Method to recovery from OCD. I applied the techniques in that book to every aspect of my life and after suffering with severe OCD for 30 years, I managed to break free from it in just over three weeks."

Then in May 2019, he caught a viral infection that caused insomnia. Weeks of sleep deprivation resulted in his anxiety flaring up "and then depression hit me like brick. A crippling 19-month battle with severe anxiety and depression took me to the darkest depths of my life."

While on paper, as he said, he had it all, off paper, he says, "I did not want to carry on living."

Paul tells it like this: "I was in what you could call the Suicide Limbo, torn between the torment of living with severe anxiety and depression and the overwhelming guilt I felt because of what taking my own life would do to my loved ones.

"From my point of view, there was no escape. The pit of anxiety and depression was so deep with no glimmer of light to cling on to. Each and every day was a struggle and simple tasks seemed impossible. It was like someone switched my brain off and sucked all life out of my body. I tried all of the techniques that I was equipped with to climb out of the pit, but nothing seemed to work."

"From my point of view, there was no escape. The pit of anxiety and depression was so deep with no glimmer of light to cling on to. Each and every day was a struggle and simple tasks seemed impossible"

The Martin Gallier Project

It was in November 2020, that Paul contacted The Martin Gallier Project, the mental health support charity based on the Wirral which specialises in suicide prevention. "That was when the tide started to turn for me," he says. In his first call with one of the Project's suicide intervention workers, he spent 40 minutes on the phone. "She listened to me without judgment while I explained the position I was in and how I had got there." He then had a meeting with her, as part of which they tackled the sleep deprivation issues which had caused Paul's struggles and within a week, he attended the Project's men's support group.

"Getting my sleep pattern back on track played a major part in my recovery and to help with that, I started going to bed and getting up at the same times every day. I also introduced a morning routine which consists of 10 minutes of journaling, 10 minutes of reading, 10 minutes of meditation and 30 minutes of exercise.

"Opening up to others, drinking plenty of water, spending time in nature, exercising, cutting down on caffeine and having a good, balanced diet also helped with my recovery."

The same worker called him every other day to see how he was getting on with his sleep routine. "I needed someone to hold me accountable and to make sure I followed the plan. Once I had re-established good sleep patterns, I was surprised at the rate at which things started to fall back into place."

Discovering The Martin Gallier Project, Paul says, "literally saved my life. Not only that but now I feel like I have my life back."

Paul started volunteering at the Project, co-facilitating the men's support group, 'Martin's Man Cave' as it is called. Then the founder, Jessica Gallier, offered him the opportunity to work for the project part time, helping to expand the charity's capabilities with the launch of its online mental health and wellbeing resource called Compass, alongside promoting the charity's Workplace Wellbeing Packages into the corporate world.

"It was a tough decision leaving the company I'd been at for over a decade but I felt it was something I really wanted to do. Bailey, my wife, who is a paraplanner at Astute Private Wealth in Liverpool, was so supportive as were friends and work. Parkgate have been understanding and supportive all the way through my struggles and during my darker times were in contact with me every week and we have parted on really good terms."

New career path, new life

The Martin Gallier Project, Paul says, is "fiercely dedicated to preventing suicides, breaking down stigma and supporting families, including those bereaved by suicide. The services provided are life changing and services like this are needed now more than ever, especially in the current climate."

Alongside working two days a week at the Project he works two days at Wirral Mind. "At Wirral Mind, we are building a network of people with lived experience of suicide and/or self-harm, to give them the opportunity to share their views and help with the development of services going forward. The people I'm contacting are so inspirational; every person that I speak to, people who have gone through hell with their own mental health or with family members who have suffered, wants to help."

On his 'free day', Paul has turned his hobby, drone flying, into a business, working as a freelance drone photographer and videographer.

His experience, as dark as it was at times, has literally changed his life, he says. "I loved my job as a paraplanner and working for Parkgate, but I can honestly say, I have never been happier in my life. I took a big pay cut to work in the charity sector but I'm so passionate about using my own experience to help others and make a difference. It's so aligned with what I want to do that I can't think of a better place to be. I go to work every day with a big smile on my face."

Paul's personal advice

"For those struggling with their mental health and finding it difficult to move forward, please reach out and ask for help. You are not alone and there is always light at the end of the tunnel, no matter how dark that tunnel may seem."

ONE AND DONE

Rob Kingsbury spoke to the Parmenion's Laura Barnes about the company's ethos, how it works and, most importantly, how it looks to support paraplanners and make their lives easier

"What I'm interested in is the people in an advice business," says Laura Barnes, head of intermediary distribution, Parmenion. "I'm here to ensure we nurture the relationships with have with adviser firms, including the paraplanners. One of the things that struck me when I first came to Parmenion last year, is that as a company we 'get' paraplanners, what they do and what they are about."

Laura was recruited to Parmenion in 2020, into the specifically and newly created role, having worked in senior distribution roles for the likes of Aegon, Cofunds and AXA Wealth. "Parmenion is a very people focussed environment; by that I mean there is a focus here on putting the people who use our functionality at the heart of things.

"I've worked in the industry for a long time and I know that can be easy to say but harder to do, especially on a consistent basis. But we realise that it's those who on a day-to-day basis are using our systems and services who we need to be supporting and engaging with, not just the business owners.

"We also know that the experience of the end client, the one ultimately we are all focussed on, is made better by us giving a delightful service to paraplanners. And we choose our words carefully."

This focus, Laura explains, has been driven by the realisation that since RDR, the financial planning world has evolved, notably in terms of the influence of paraplanners in advice businesses. "Now paraplanners are providing that core support, so the adviser can focus on seeing the client and the business owner can focus on running the business. When we think about engagement with a firm, whether from my team or when we are developing something in a co-creation environment, we involve paraplanners, so we understand what they need and they understand what we are doing and why."

It's also a matter of knowing where the value lies in the service Parmenion is providing, she adds. Parmenion combines discretionary managed investments, a platform and proprietary technology with excellent customer service offered as a comprehensive solution for advice firms.

"We focus on the overall experience. What's popular and what's positive about us is the way we manage the whole central investment proposition for someone, which helps to reduce risk, reduce cost and create value. We are significantly more efficient to deal with because we have developed our own technology, which means we can be far more dynamic and responsive than others in the market. That's one side of things.

"The other side is looking at how our clients use the process, and asking that question of them, so that as we develop what we do, their input informs how we put in the building blocks in terms of the user journey. We are thinking constantly about the customer experience and how we can achieve a 'one and done' approach to the user experience.

"So, it's really important to us that we keep in touch with people working in the adviser businesses, so we get the right answer to take into account when we are developing what we offer. Which is why, for any development we do, the proposition team will want to involve a range of advisers and a range of paraplanners in the process."

> ***"Importantly, having our values as a business aligned to what we want to deliver to the customer on the ground, keeps us accountable and clear on our purpose"***

Practical support

"To really provide the kind of service that we want for paraplanners, it's no good just my team understanding the role of the paraplanner, it's really important that everyone in the business understands what our customer want from us," Laura explains.

"And equally important, is that when paraplanners need support, they know exactly where to go to get it." That can be the relevant business development manager (BDM) or a member of the customer service team.

"Our customer service team is incredibly efficient. I want to make sure that paraplanners know which is the best conduit to get the information they need to get on with job they are doing.

"Wherever we can we are looking to provide that 'one and done' approach. We don't want people being passed around in a loop to get the information they need."

As an example of that approach, Laura describes how during the pandemic her team changed its style of engagement, moving from promotion of the company "to ensuring we were supporting our customers in the way they wanted". Hence, in response to virtual working which came in as the Covid-19

pandemic evolved, Parmenion rapidly adopted use of digital signatures, in the form of DocuSign.

"We introduced the process to help advice firms keep working with their clients and putting through documents. But then we thought, 'how is this going to work in the future?'. It was clear digital signature wasn't going to go away once lockdown ended, so we didn't want it to be solely a point-of-sale process where the paraplanners and administrators then had to revert to a paper-based process.

"So we delivered change in two phases. First was the client-facing end and then in September 2020, we delivered the downstream process used by the back-office. And now we are looking at how we make that process even easier for advice businesses by expanding from an SMS verification system that only goes to an adviser's phone, to also include a designated landline and email, so the paraplanner is not relying on getting in touch with the adviser to get on with their work. That's how we are developing and looking to make a difference: one and done again."

Company ethos

It's the focus on people and that financial planning as a business is personal, which drives the ethos of Parmenion as a company and how people think in the business, Laura explains. "We are working on the ground to achieve the right outcomes, but we try to avoid a head office mentality. You can see this in the language that we use. We do less of listing general principles we want to adhere to and we do more about making them real. When we say 'We want to be best loved' in our central strategy, that is not a typical corporate expression. Similarly, as I said before, that we want to deliver a 'delightful experience' to paraplanners. The language reflects our fundamental values and what we want to achieve.

"Importantly, having our values as a business aligned to what we want to deliver to the customer on the ground, keeps us accountable and clear on our purpose."

On a practical level, she says, it's asking constantly, 'What about the customer'. "It's about how the customer will feel about what we are delivering and how we deliver it. Because service is about feel. You can't tell someone 'we deliver a great service' because they will have an individual experience and they have to feel we deliver a great experience."

That's all well and good for those who use the service but how do you convey the feel of it to those who don't? "That's where advocacy via our adviser and paraplanner users, and through the ranking and commentary we receive in third party reports from the likes of the lang cat and The Platforum, comes in," she says.

What the new owner means

In March 2021, Parmenion announced its new owner would be Preservation Capital Partners (PCP), a London-based private equity firm, with a track record of long-term investment into growth businesses. At time of writing the acquisition is subject to regulatory approval.

PCP have bought into Parmenion's proposition and ethos and that is not going to change, Laura says. "What this means for the business is that we are now masters of our own destiny. We can realise our potential. So, we are focussing on the retirement market where the changing legislative environment means we will expand our capability to meet that need. We also have fantastic data warehouse capability and it's how we use that data to help advisers and paraplanners run their businesses is where we can make a difference for them. Because of the nature of our business, we can help them look at what they have and monitor it differently, and that's critical to support ongoing PROD requirements and business management.

"We recently launched Vantage, which is a data dashboard giving advice firms information in a visual way that is easy to access. It provides them with a range of factors, including client base, average age, amounts invested, the risk grades clients select and the investment solutions and tax wrappers they favour.

"This will help them make informed decisions about their business, in particular highlighting the risks and opportunities.

"So, what people can expect of us now is more of the same, both in our current services and where we take things next, with no fundamental change to what we do, in particular our ethos and engagement with paraplanners."

Professional Paraplanner Awards

Parmenion is sponsor of the Professional Paraplanner Awards for the third year running. Laura talks more about Vantage here: https://www.parmenion.co.uk/article/introducing-vantage-data-insight-parmenion

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DEALING WITH DISASTER

There are situations when business priorities and the team around you have to come before clients, says Michelle Hoskin

It is amazing what we can all achieve when we have to. As 'they' say... "diamonds are rocks that did well under pressure" and, given what is currently going on, I really hope that is the truth. My fear however is that, while some will thrive during these turbulent times, there will certainly be many businesses that simply were not prepared either physically or emotionally to adapt to the immediate and rapid changes which have been forced upon them.

Luckily our clients fall far away from the latter group. Why? Well, first of all,

we teach them to think, behave and operate like proper businesses. They approach everything with a mindset of possibility. As a standards body and consultancy business we have in place a robust Opportunities and Risks Register, a Disaster Recovery Plan and a Business Continuity Plan which are deliberately designed to keep us one step ahead – ahead of, well, pretty much everything. Foresight is a business skill that we all need in our kit bag.

When disaster strikes

An illness, death of a business owner, an unexpected flood in the office, the resignation of a key member of your team or even a global pandemic are all terrible events but they do come loaded

Confidence and leadership have to come from the top. A strong focus and vision from who are steering the ship through choppy waters will pay dividends in the long term

with possibility, a chance to see what is really going on in your business and to see where the real failings lie.

So, for those who have suffered any of these events presenting both a risk and an opportunity this is a moment to consider, how did you cope? What happened? What did you learn? How did you bounce back?

There are three key areas for consideration in every business; each one of these needs to be discussed at the top of the agenda way before the realisation of any event. These key areas are:

- The business
- The team
- The clients.

… and in that order! While I know many businesses do this, clients should never be at the top of your planning list. Think about it, given the events of the past year, without a solid business and a supportive team in place the clients would not have access to the support and guidance that they have so desperately needed.

Business and team come before the clients… every day of the week! So, what's needed when disaster does strike?

The business and those who lead it!

'Mud' rolls down hill and if those at the top of the food chain start to lose their nerve in any event the whole thing will fall apart. Confidence and leadership have to come from the top. A strong focus and vision from those who are steering the ship through choppy waters will pay dividends in the long term. This of course assumes that those steering the ship have the skills, abilities and attributes to do so! A focus on the direction of travel and a perfectly designed plan which has been coherently communicated will kick start every business continuity and disaster recovery plan.

The question is; does your business or the one that you work for have this?

A client and friend of mine, David Braithwaite, who runs Citrus Financial in Kent, was skiing for a friend's 50th birthday in February 2016. His first day in Austria was a perfect day for skiing. As he went to put in the first turn of the trip, then the second, he caught an edge. His right ski clipped off, but the left one didn't. After what can only be described as his best mid-air ski performance in his life, he found himself spinning one way while his left ski stayed where it was, firmly dug into the snow. Along with his foot in the ski boot that was still attached.

The long and the short of it was David severely broke his leg/ankle, with a spiral fracture to both his tibia and fibia. After two operations he found himself bed bound for nearly nine weeks.

How did he get on? Well as you would expect being a client of mine, he had a great business, a well-structured and awesome team, well-rounded clients who were not obsessed with seeing and speaking only to him, a phone and a laptop. What more could he need?

"I had no choice but to see how good things really were with the business and team. And – they took over. They more than managed. They more than coped. They stepped up and as a result they had their best month ever in March 2016 despite me being in bed for most of it!"

So, let's take the recent events as a little warning that we have to keep changing, we have to keep growing, keep developing, keep thinking differently, keep empowering ourselves and our fellow team members to stay alert, engaged and constantly innovating. We love to be given the opportunity to step up; to be allowed to flap our wings and test what we can do when we really have to!

Nobody achieves great things when they find themselves trapped in a matchbox like a butterfly flapping their wings, so desperate to show you how beautiful they can be.

Nothing surprises us anymore but one thing is for sure – if you want to not merely survive through turbulent times, you have to expect that absolutely anything could happen, to anyone at any time. It takes a solid business led with structure and an eye on the possibilities presented by any opportunity or risk to pull this off.

INDUSTRY CHALLENGE

Sally Plant, head of Financial Planning for the Chartered Institute for Securities & Investment, considers the ever growing need of the industry to recruit people into paraplanning who want to be career paraplanners

A topical conversation in the profession is how to attract young people into financial planning. Research shows that the average age of an Independent Financial Adviser (IFA) in the UK is 58. Even more worrying is the fact that one in five IFAs plan to retire from the profession in the next five years and COVID-19 appears to be fast tracking these retirement plans for many. Thus creating the inevitable void of qualified planners.

This is a topic which is often discussed in meetings with firms, institutes, members and organisations. The knock-on effect will further widen the advice gap, as fewer planners means higher demand and potentially a service that can only be provided to the wealthy. However, my concern is the need to train and establish routes for career paraplanners.

The role of the paraplanner is a critical element of good advice, taking a planning business from good to excellent. We all know this, it is well proven and indisputable. The focus on detail, the client's journey, the technical elements, the suitability letters as well as the data held for those simple touches like birthdays, names of dogs, cats, aunts and a client's favourite coffee is often known and managed by the paraplanner.

Traditionally a paraplanner was seen as a stepping-stone to an adviser role and so the entry point may have been as an administrator who potentially even stumbled into the profession and worked their way up the ladder.

Pippa Oldfield, CISI Paraplanner of the Year 2020 has said: "One of the main issues I've noticed when recruiting for paraplanners, is that many candidates see paraplanning as a stepping-stone to becoming an adviser. Career paraplanners are in short supply, and most of them seem happy where they are. So the challenge is presenting paraplanning as a fulfilling career in its own right."

Career paraplanners are in short supply, and most of them seem happy where they are. So the challenge is presenting paraplanning as a fulfilling career in its own right

Arguably the flow is starting to go both ways, for example, Plus Group recruit ex financial advisers into their paraplanning outsource business. But outsourcing firms, like many small IFA businesses, are looking for experienced paraplanners. A further challenge for recruiting the inexperienced has been the pandemic, as paraplanning can be difficult to get up to speed and learn remotely.

Recruiting career paraplanners

So whilst we discuss the urgency to attract talent into financial planning and advisory roles, I believe the growth button, the hot pursuit should also be for career paraplanners. And how do young people search for a job role in

paraplanning, do they know what it is? Sam Oates, Financial Planner Life, confirmed that only 1/10 graduates he speaks to even ask about paraplanning specifically and most still see it as a stepping-stone into financial planning.

Speaking to a number of firms it appears the common ways to advertise are LinkedIn and social media but this requires a young person to know what paraplanning is and search for it directly. Not the most obvious choice of career I would think for an 18-year-old, although I am sure there are always exceptions to the rule.

LinkedIn Business Talent blog states that generation Zers "tend to look for employers who can offer stability, security, and opportunities for growth". One recent survey of 1,000 Gen Zers found that the top career goal among this group is to work in a role where they feel stable and secure, with 40% in agreement."

Paraplanning absolutely fits this bill.

Mandatory qualifications?

For me this poses the question that to attract young talent and give paraplanning the same level of recognition and respect from the outside, should professional qualifications be a regulatory requirement? Would this escalate and reassure the young graduates of the importance of the role, placing it on the same footing as a planner, adviser or accountant, thus attracting career paraplanners?

The Institute of Internal Communications specifically identify that: "To position themselves as appealing employers to Gen Z, companies will need to invest in professional growth opportunities"

Are established pathways through training programmes and graduate schemes essential to offer the security and corporate structure the young people are looking for?

Many firms like Mazars have established structured training programmes for new entrants into financial planning but few have similar programmes dedicated to paraplanning. Do we need to create and promote these independently to the advisory/ planning route to attract career planners? This should be the conversation of the day, as yes some will go into planning and bring with them a wealth of expertise from being a paraplanner first, but some will become the elite paraplanners, the thought leaders, game changers of the paraplanning world. Those will be the ones who show us how to move from excellent to exceptional.

PARA-METERS

Our monthly paraplanner survey tracking trends and topical issues

Over the past year the *Professional Paraplanner* Parameters surveys have tracked paraplanners' concerns around the effect of the Covid-19 crisis on the markets, global economy and UK economy. The table shows how paraplanners felt at different stages of that journey:

- **April 20:** A few weeks into the crisis
- **June 20:** In anticipation of the end of the first lockdown
- **October 20:** Under restrictions
- **December 20:** In between lockdowns two (Nov 20)and three (Dec/Jan onwards)
- **April 21:** Amidst the vaccine roll-out and falling infection numbers in the UK.

The table shows three trends. In April 2020, six weeks into the first lockdown, following the rush to implement remote working, the potential for the long-term impact of the crisis had yet to take hold, reflected in the level of concern in some of the answers to our first survey.

While most paraplanners had serious concerns around the short-term impact for markets, the global economy and the UK economy, logical given the stockmarket reaction and the clear impact on businesses from the lockdowns being imposed in the UK and around the world, 65% said they had no concerns about markets long term, 57% had no concerns about the global economy long term and 54% said the same about the UK economy long term.

In the summer months and into autumn with the first lockdown over, children returning to school and some workers to the office (albeit socially distanced), and when people may have thought the worst was behind us, some concerns started to reduce.

However, by December of 2020, having been through another lockdown, experiencing restrictions which would impact the holiday period and the prospect of another lockdown from January 2021, concerns had ramped up again, notably with more people concerned about the long term effects on markets and the global and UK economies.

Another issue was also to the fore in people's minds, namely Brexit and the possibility of No-Deal, which several paraplanners considered "very concerning" and "represents a greater risk to the UK economy than Covid".

Our most recent survey (April 21) shows serious concerns have reduced, but the bulk of people retain 'some concern' across all categories except, notably, in respect of the long term impact on the markets – "We've been through lots of market uncertainty over the years and come out the other side."

While some optimism was displayed in the commentary, the general consensus was that there is much yet to play out following the Covid-19 pandemic, not least, as one paraplanner put it: "There has to be a hit at some point with all the debt owed by governments."

PARAPLANNERS CONCERNS ABOUT THE MARKETS, GLOBAL AND UK ECONOMIES

Markets Short term	Apr-20	Jun-20	Oct-20	Dec-20	Apr-21
Seriously concerned	50	32	26	19	2
Some concern	43	58	64	72	72
No concerns	7	10	10	9	26
Markets long term					
Seriously concerned	3	11	3	5	3
Some concern	32	39	42	57	36
No concerns	65	50	55	38	61
Global economy short term					
Seriously concerned	44	39	42	32	14
Some concern	51	55	51	62	73
No concerns	5	7	7	6	14
Global economy long term					
Seriously concerned	5	16	8	14	10
Some concern	39	50	54	57	39
No concerns	57	34	38	29	51
UK economy short term					
Seriously concerned	43	44	48	45	17
Some concern	50	53	51	47	68
No concerns	7	3	1	7	15
UK economy long term					
Seriously concerned	8	24	22	22	13
Some concern	38	49	48	54	45
No concerns	54	28	30	24	42
		is the highest figure over the 12 month period			

SURVEY PRIZE DRAW

Congratulations to Prize draw winner: Robert Dimbleby of HB&O who is the winner of our survey prize draw of £50 worth of Amazon vouchers. Don't miss out on your chance to win a similar prize by completing the monthly survey. Keep an eye out for our email. And if you have any questions that you'd like us to pose to your fellow paraplanners, just fill in the section at the end of the survey form.

INVESTMENT RATIOS

The Brand Financial Training team explore investment ratios, which are important to help investors decide in which companies to buy shares

Investment ratios are important for anyone studying for the CII investment exams, namely R02 Investment Principles and Risk, J10 Discretionary investment management, and AF4 Investment planning, where they are tested often.

The most common ratios appearing in these exams are earnings per share (EPS), price earnings ratio (PE ratio) dividend yield and dividend cover; in this article we look at a working example of how to work these out. Our working example concerns a PLC called Bright Training; it has profits (available for ordinary shareholders) of £100,000. It has issued 150,000 ordinary shares. The current share price is 490p and the recent dividend paid was 12p.

EPS

The EPS figure is important and must be published in a company's account enabling an investor to see the trend in a company's profitability. It shows the amount of profit that is attributable to each issued share.

The EPS for Bright Training therefore is worked out as: profits attributable to ordinary shareholders divided by the number of ordinary shares in issue so £100,000/150,000 equals an EPS of 66p. If a company issues new shares this figure will reduce and if a company bought back its own shares this figure would increase (assuming profits remained the same).

Investors use this figure to compare growth over time and it's also used to calculate the PE ratio which we look at next.

PE ratio

A company's PE ratio can be viewed as how the market views the potential for future growth in earnings. The PE ratio for Bright Training is worked out as the share price divided by EPS which is 490/66 giving a PE ratio of 7.42. A simple way of looking at this figure is that it calculates the number of years the company would need to generate enough value to cover the cost of the share at the current market price, or another way of looking at it is that investors are prepared to pay £7.42 for every £1 of profits.

PE ratios do need to be used with some caution and should only be used to compare companies in the same sector. A share with a lower PE ratio is generally regarded as being less expensive than a share that has a higher PE ratio; however shares can be under-priced or over-priced for various reasons and so should be used as part of a bigger picture of analysis using other factors such as dividend history, business strategy and whether the share fits in with the objectives of the investor.

Dividend yield

Dividend yield measures the annual value of dividends as a percentage return on the current share price. Dividend yield for Bright Training is worked out as the dividend per share divided by the current share price multiplied by 100 to get a percentage. The dividend is 12p and the current share price is £4.90 so 12/490 x 100 gives a dividend yield of 2.45%. An investor can now use this information to compare a 2.45% return with the returns that could be achieved on other investments.

Dividend cover

Dividend cover measures how many times the dividend could be paid out of the available current earnings. This can give an investor an indication as to the margin of safety the company has in paying the dividend. On an individual share basis, the dividend cover for Bright Training is the EPS divided by the dividend per share which is 66p/12p giving dividend cover of 5.5.

Where a dividend cover ratio is more than 1, this indicates that the earnings being generated by the company are enough to pay shareholders the dividends. As a general rule of thumb a dividend cover ratio of above 2 is thought of as a healthy sign.

These ratios can be useful in helping someone decide whether to invest in a particular company but investors should remember that often the information data being used is historical so can't necessarily be the most accurate guide for future performance.

Anyone sitting the CII investment exams should ensure they know how to calculate these most commonly tested ratios.

For more information on Brand Financial Training go to: https://brandft.co.uk

TEST YOUR KNOWLEDGE

For *Professional Paraplanner*'s TDQ (Training, Development and Qualifications) pages, we have teamed up with key support providers, such as Brand Financial Training, to provide our readers with the very best in training, development and exam support. We will be providing you with valuable advice and guidance materials to help you achieve your training goals, perfect your exam techniques and test your knowledge of the financial services market. These questions relate to examinable Tax year 20/21, examinable by the CII until 31 August 2021.

1. Remuneration for financial advice is in the form of a fee and is structured as a customer agreed remuneration. This is commonly known as:

- A A disclosure document
- B Terms of business
- C Adviser charging
- D Menu of charges

2. Manuel is investing in a structured product offering a return of 110% of the FTSE 100 or full return of capital if this is higher at redemption. Manuel should be made aware that all structured products:

- A Are lower risk than other products
- B Offer a high level of liquidity
- C Involve counterparty risk
- D Have an investment term of 12 months

3. In which of the following scenarios would a child's income be treated as if it belonged to their parent or grandparent for tax purposes?

- A Steven opens a bank account in his son's name which earns £80 interest
- B Stefan, aged 12, earns £30 per week delivering newspapers
- C Simon opens a building society account for his grandson which earns £110 interest
- D Sarah, aged 16, receives money from her parents and invests it in a cash ISA where it earns £115 interest

4. Gordon has decided to save for his retirement using a self-invested personal pension (SIPP). His adviser should make him aware that: Tick all that apply.

- A Loans to an employer cannot exceed 50% of scheme assets
- B Assets such as wines and antiques could give rise to tax charges
- C The SIPP could be used to buy a commercial property from a "connected person"
- D Loans to an employer are permitted

5. Which of the following statements is a drawback of using the multiple of salary basis to calculate the amount of key person insurance required by a company?

- A It does not take account of the key person's age
- B It can only be based on a multiple of 5
- C It is only loosely related to the key person's contribution to profits
- D It only takes a short-term time factor into account

6. You feel that your client, Terry, might prefer to invest in an offshore reporting fund instead of a non-reporting fund. The reason for this is that:

- A He will be able to avoid the non-reclaimable withholding tax
- B It would enable him to use his CGT annual exempt amount
- C He will benefit from enhanced consumer protection
- D He will be able to invest in more specialist areas e.g. commodities

7. What does the price earnings ratio measure?

- A The profitability of the company
- B How highly investors value a company
- C Expected return on a share
- D The relationship between share price and book value

8. For the first time, Julian is drawing up the accounts for his buy-to-let properties having decided that it was not worth paying an accountant to do so as he feels he is quite capable of doing them himself. He should be aware that HMRC require these records to be kept for at least:

- A 12 months
- B 3 years
- C 5 years
- D 6 years

9. Which of the following is funded based on assessed need only and disregards the level of a person's income and capital?

- A Personal care
- B Accommodation costs
- C Continuous health care
- D Domiciliary care

10. Graham sold half of his property to a home reversion provider and received fifteen percent of its total value in the form of a lump sum payment. The property is now in need of repair. How will the repair bill be paid?

- A The bill will be split 50:50 between Graham and the provider
- B The bill will be split 15:85 between Graham and the provider, in that order
- C The home reversion provider must foot the whole bill
- D Graham must pay for all of the repairs from his own funds

Your answers

1. ☐ 2. ☐ 3. ☐☐ 4. ☐ 5. ☐
6. ☐ 7. ☐ 8. ☐ 9. ☐ 10. ☐

Last issue's answers

Q	Answers	Reference material
1	A	CII R02 Study Text Chapter 10
2	A	CII R03 Study Text Chapter 3
3	AB	CII R04 Study Text Chapter 10
4	D	CII R05 Study Text Chapter 7
5	C	CII J10 Study Text Chapter 2
6	C	CII J12 Study Text Chapter 1
7	C	CII ER1 Study Text Chapter 6
8	A	CII R01 Study Text Chapter 6
9	A	CII CF8 Study Text Chapter 1
10	B	CII R07 Study Text Chapter 5

Answers and cross-references can be found under the Development tab on the Professional Paraplanner website. Need help with your CII exams? For resources visit https://brandft.co.uk

Professional Paraplanner The Investment Committee

In association with

Fidelity INTERNATIONAL

In this dedicated section within the magazine – and also on the *Professional Paraplanner* website – we provide informed comment and insight for paraplanners engaged in research into investments, in particular for those contributing to their firm's Investment Committee decisions. Throughout 2021 we will be covering key areas from individual funds and alternatives, through market trends and commentaries, keeping you informed.

Investment Committee events

We will be continuing our popular series of Investment Committee online events throughout 2021. Keep an eye on our daily email alert for details of forthcoming webinars. You can sign up to webinars from the email and from the Events page on the *Professional Paraplanner* website.

SME ESG

There is a shifting pendulum towards ESG in smaller companies. Tzoulianna Leventi, Investment Analyst, Aberdeen Standard Investments explains

ESG is fast-becoming one of the better known acronyms used in business today. Investors are increasingly focusing on how companies around the world embed and implement environmental, social and governance considerations in their operations. However, companies of all sizes recognise that managing businesses sustainably is no longer simply about reputational risk. This is leading to a structural force of change that has brought with it new risks – and even more opportunities.

Smaller companies in particular are embracing these opportunities. Historically, this has predominantly focused on the E and the G. But due in part to the devastating impact of Covid-19, the S – or social factor – has come to the fore. This covers a vast array of important matters, from human rights and labour issues, through to supply chain and sustainability KPIs, data security, customer privacy and community welfare.

While it's more difficult to measure and quantify the S, more businesses are embracing social issues, for example improving diversity and inclusion around gender, ethnicity and expertise.

Smaller companies are increasingly aligning their corporate responsibility policies with the UN Sustainable Development Goals. This has led to improvements in business practices and culture. Implementing policies that not only consider social issues, but also go some way to addressing social inequality, can set a company apart from its peers in the eyes of investors.

For example, we recently engaged with Bytes Technology Group, an IT solutions and services provider. The company is trying to promote a more diverse culture and is increasing diversity hiring. It is also running employee development activities and providing a variety of certification opportunities. In tandem, management is promoting staff health and wellbeing. Its 'Cycle to Work' scheme promotes an active lifestyle, improves employee health and reduces community emissions. As a result of these initiatives, the staff turnover rate has improved. Companies are also looking for more innovative ways to listen to and engage with employees to better understand their needs and concerns.

Lockdowns have also demanded a seamless implementation of health & safety conditions. Management teams have had to find new methods for monitoring processes and review working environments. In some cases, they have also had to address potential or real Covid-19 outbreaks. In our experience, companies have demonstrated resilience and successfully supported staff. Several have quickly implemented Covid-19 protocols, such as track & trace, reporting and meticulous safety frameworks.

Local involvement

At a local level, smaller companies, by their very nature, tend to be more plugged into the communities in which they operate compared to multi-national Blue Chips. They are usually more cognisant of the impact – positive and negative – they can have and take their responsibilities seriously.

As an example, long-standing Italian luxury brand Brunello Cucinelli seeks to achieve a 'fair and sustainable profit while giving back.' As a key employer in the region, the local community is at the heart of the company. It seeks to create opportunities for local young people irrespective of their qualifications. In 2013, it also set up a School of Arts and Crafts to help people learn and develop. The company pays them a monthly wage while they do so.

Beyond the immediate community, some smaller companies are finding innovative solutions to problems facing our planet. Notably, our ability to create a more sustainable future. In Holland, Corbion produces plant-based bioplastics used as an alternative to packaging for fruit and vegetables, single-use shopping bags and disposable drinking cups. Another example is the Norwegian business Borregaard, which operates the world's largest biorefinery.

Using lignin, a binding agent found in wood, the company supplies sustainable alternatives to oil-based chemicals. Its products have a wide range of applications, including dispersing agents in concrete, textile dyes, pesticides, batteries and ceramic products.

Small- and mid-sized companies are proving that not only does their size provide them with the agility to implement change quickly, but that they can foster the kind of culture that cultivates creativity and innovation. Embracing the S in ESG is allowing smaller companies to identify improvements for all areas of their business. This is resulting in more diverse and engaged workforces, as well as more profitable organisations. It also means these businesses are well placed for the sizeable challenges facing the world.

For investors too, this increased focus on S will create opportunities as we move to a fairer, more sustainable world.


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THINKING AHEAD

Premier-Miton's David Jane says the fund manager prefers to navigate to the future than predict it

People often think investing is about predicting the future, we don't think so. We think it is about navigating it. The problem with predicting the future is that even if you get it right in terms of economies or company profits, it might not help you predict the future of share prices or markets.

It is often observed that knowing what might happen is much easier than knowing when to act on the knowledge. Even perfect foresight of future events, such as economic outcomes or a company's profits, gives little to no advantage at predicting markets or company share prices. The challenge is combining the limited insight you might have into the future with an ability to know when to act and in what scale.

As an equity analyst early in my career, I came up against this all the time, where the general market opinion of a company was either greatly at odds with a rational view of reality, either too positive or too negative. Examples of where forecasts

for a business' growth suggested a company would end up having market share in excess of the available market or would earn absurd profit margins into the foreseeable future were common. Knowing that the market's opinion was irrational unfortunately, did not often help. There is a saying 'the market can be wrong for longer than you can stay solvent'.

Power of stories

There is a reason for this. Stories are a powerful driver of human behaviour; we are a social species. In the near term, the market will be driven by stories much more than by a rational assessment of the evidence. Especially where those stories have a powerful message. This is commonly the case with transformation businesses, the internet bubble being an obvious example. Where there is a strong emotional element it can be especially powerful; people want to do the right thing. Investors want to believe in a well-crafted story. The most successful chief executives are those that can persuade shareholders and staff that the company has a powerful story.

It is this feature that causes us to have momentum as an important driver of our process, the momentum in a share price, or market, reflects the investors' opinions and can be slow to change. We do not need to listen to the stories in the market, we can simply look at the markets to see where the powerful stories are. In fact, we actively avoid seeing companies so as not to be influenced by a powerful story. Hence, we look at the fundamentals and the market price action.

Our ideal entry point is where the fundamentals are favourable, and the

market price action is also improving. For us this means the market is coming around to a point of view and therefore, there is a considerable opportunity for returns. You should never fight the tape as the old market adage goes.

Therefore, we are not just looking for good long-term opportunities, but good entry points and exit points. This is true for both our thematic ideas or our macro positions. Our macro ideas are based not around a forecast, but around a likely direction of travel for overall markets and economies. Our thematic ideas are much longer term and seek to identify those areas with a solid following wind for long periods of time. This can be often be driven by technological or demographic changes.

When entering a position, we do not do so just because of fundamentals, we don't fight the tide, we wait patiently for clear evidence that the story is improving by looking for improving price momentum. Similarly, to exit a position, it is neither necessary or sufficient for us to think it is highly overvalued or the fundamentals have deteriorated. Our opinion of the fundamentals might well be wrong, we need to recognise that.

In our view, trends persist well beyond the point justified by fundamentals or valuations. On the journey we will typically be trimming to contain risk. However, we will only look to sell once the absolute or relative performance begins to turn down.

The challenge is combining the limited insight you might have into the future with an ability to know when to act and in what scale

Decision points

Our approach may lead us to not be doing what purists see as 'right'. We will hold on to positions some see as very overvalued. We may not buy when things are cheapest, simply because the market has not come round to the idea yet. From time to time, we may miss out on some of the best returns as the market shifts, but for us it is less important to be a hero than to be consistent. We think it is rather more important to be making money for clients than to be right about the fundamentals.

Our strategy is not to be better at valuing stocks or markets, predicting future events or returns, or being heroes by calling market turning points. We are focussed on navigating whatever the future holds in a rational and effective way on behalf of our clients.

HOW LONG CAN YOU BACK A VALUE RALLY?

Darius McDermott, managing director, FundCalibre considers whether the current outperformance of value has longer legs than may be expected

Having spent the past few years wondering when the bull market would ever end - only to be plunged into the worst global recession since the 1930s in the first quarter of 2020 – the life of a value investor has not been an easy one in the past decade or so. Save for the odd reversal (such as in 2016), the global value index has underperformed the global growth index by some 135 per cent[1] over the past 10 years. The question was not whether value was out of favour – but whether as a style it had become obsolete.

The result was a smaller pool of managers staying true to the investment style. Those who did adopted the mantra "a catalyst will come and when it does, value will rally hard". This finally came by virtue of the vaccine bounce in early November 2020 and, since then, the tables have been turned with value outperforming growth[2].

Value rallies have tended to be fast and furious in recent times – it's been almost a case of blink and you'll miss it. The trillion-dollar question is whether the re-opening of the global economy will add further fuel to valued-led sectors like financials, insurance, retail and utilities? By contrast, pessimists would point to there being little or no inflation in the system and a significant amount of pent up demand which could be just as beneficial to growth.

The first thing to point out is that, while we've seen a strong rotation into value recently, it was from historical lows, with recent returns nominal compared to the past decade of growth outperformance – so potentially there is scope for it to go a long way back to mean. However, much of the trade is predicated on inflation

fears and the potential for central banks to raise interest rates – although they have repeatedly said they are unlikely to do this.

We also have to understand the drivers behind the low interest rate, low growth world – which caused the quality growth stocks to outperform – haven't changed. Demographics remain poor in developed markets, debt levels are high and productivity is flatlining – making it difficult to justify a long-term value rally.

There are, however, some areas which are cheap for other reasons. One of these

The trillion-dollar question is whether the re-opening of the global economy will add further fuel to valued-led sectors like financials, insurance, retail and utilities?

is the UK, which has been under owned globally ever since the Brexit vote, as global investors sought to avoid the uncertainty it might create. Now this is mostly settled, it should – incrementally – bring in allocators and therefore, the UK market has the potential to make up some lost ground.

Manager views

Fidelity Special Values manager Alex Wright says if value was to continue to outperform, the degree of outperformance could be very substantial, given how bifurcated the market currently is. He says he is particularly confident on the medium-term outlook – not only because of the number of investment opportunities on offer, but also because they do not have to compromise on quality.

He says he typically invests in companies with lower returns on capital with a view that those would be improving on a two-to three-year view, but he can currently invest in businesses with already above-average returns on capital. The additional anomaly is Alex is tapping into companies that are actually upgrading their earnings guidance but whose valuations remain attractive.

I think it is hard to make a strong judgment on value beyond the next six months – for now I feel there is a bit more scope for outperformance given there is a strong chance the US 10-year treasury yield will continue to rise, based on inflation expectations. If you add the reopening trade into the mix for the likes of the UK and US, then we could see inflation tick up, which clearly benefits the value names. The important thing to remember is that inflation will not be particularly strong and, for that reason, we believe there is merit in having some value names without making a major rotation away from growth.

I recently listened to a presentation from Schroder Global Recovery fund manager Nick Kirrage, who pointed out that while the rotation and subsequent sharp-rally we saw in November 2020 might have been a flash in the pan – every value rally we've seen since 2016 has gotten larger, more significant, savage and violent. He says this makes value the insurance policy investors simply cannot go without regardless of their view on markets. It's hard to argue against this point.

Those who are backing the value rally may want to consider the likes of the Schroder Global Recovery fund or, for a direct UK play, the ES R&M UK Recovery fund. If you're more cautious you may prefer a more style agnostic vehicle like Fidelity Global Special Situations, which has a proven track record of delivering consistent returns in all market conditions.

[1] Source: FE fundinfo, total returns in sterling, MSCI ACWI Growth and MSCI ACWI Value, 30 March 2011 to 31 March 2021
[2] Source: FE fundinfo, total returns in sterling, MSCI ACWI Growth and MSCI ACWI Value, 9 November 2020 to 31 March 2021

Past performance is not a reliable guide to future returns. You may not get back the amount originally invested, and tax rules can change over time. Darius's views are his own and do not constitute financial advice.

WHAT IS ALTERNATIVE?

While structured products are categorised as alternative investments, modern portfolio theory shows they can improve the risk/reward ratio of portfolios making them more efficient, says Ian Lowes, managing director of Lowes Financial Management

Alternative – 'something that is different from the norm'. I fear that for many financial advisers today, this means 'off platform'. Of course, it's safer to stick with the crowd, the tried and tested, the safe. But independent financial advisers have a responsibility to be looking at the whole investment universe, and not be married to a platform, or pre-conceived portfolio ideas. Many alternatives are not safe. And if you've been entrusted with someone else's money, you better be playing safe. So, be skeptical of alternatives – it's safer that way. But don't be closed minded.

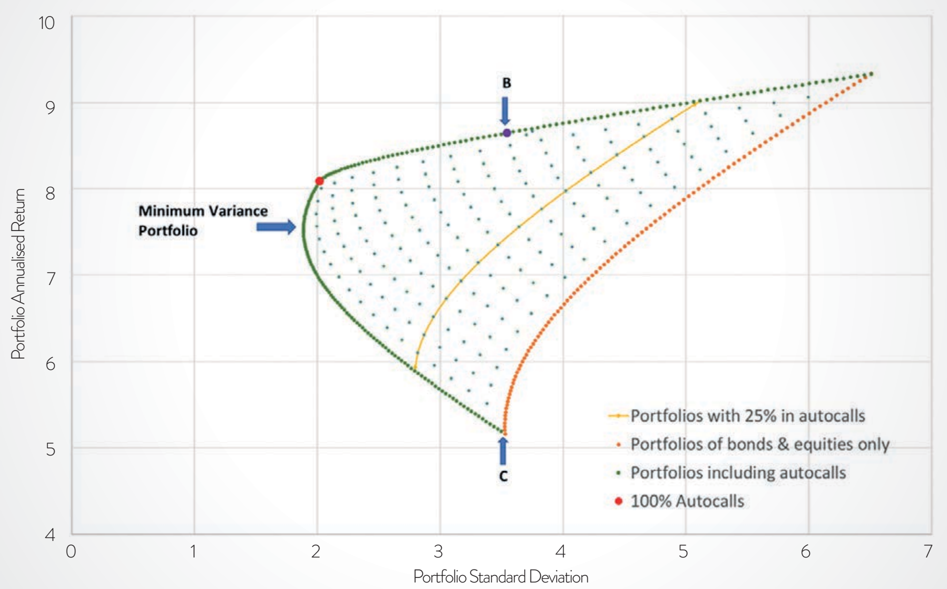
Today's improved qualification thresholds for advisers should make them more aware of the wider market and alternatives. Yet for the CII at least, the textbooks and exam syllabus are void of any real detail

on alternatives. So qualified advisers ultimately learn enough to know that they don't know and they either take time to learn and understand or stay away. The result is that many alternatives, remain just that, alternative, and pretty much out of sight of most advisers, independent and otherwise. And as such, out of sight of their clients.

But occasionally, an alternative becomes mainstream. And the market plays catch up. Structured products don't fall into conventional asset categories and as such, used to be considered 'alternative'. To many , they still are. Often just a complete enigma. But in my opinion, nothing manages risk and contributes to portfolio returns better, than a satellite portfolio of autocalls.

And it isn't rocket science. Autocalls are ultimately contracts issued by banks, through a third-party issuer, with all the protections of a separate custodian and administrator. They are typically stock market linked investments that will mature, with a decent return on the second, or subsequent anniversary provided the stock market is up. How many years will you have to wait? As with any equity investment, you simply don't know – hopefully only a few – ideally a few more as the returns compound – just make sure the maximum term is long enough to give you time.

EFFICIENT FRONTIER FOR AUTOCALLS, BONDS & EQUITIES



Of course, there is risk. But like the returns, the risks are clearly defined. First, investors are lending money to the bank – if it goes bust it could take a long time to get, potentially very little back. Highly unlikely but a risk all the same. Then there's the risk that the stock market never rises – at least not to the extent its higher on a maturity anniversary – and this happens every year, including the last. If the stock market is below the protection barrier – say a fall of more than 40% over the multi-year term, then an equivalent loss will arise. Again, highly unlikely with a mainstream stock market index and long term, but possible.

1,000 autocalls later

The world's first autocall was offered in the UK IFA market in 2003, and since then over 1,000 FTSE 100 linked, capital at risk autocalls have matured for UK IFA clients. But despite the numbers, these are still alternative investments to many. Of these 1,000 maturities, none made a loss and only eight failed to mature with a gain. So that's over 99% success for this "alternative investment". As to the returns, the collective average annualised return of these matured alternatives was over 8% per annum, with the lowest positive maturity returning over 4.8% per annum. Imagine that, an alternative investment with a track record like that – more than 99% returning an average of 8% per annum!

Any investment with a record like that could demonstrably prove to lower risk and contribute well to portfolio returns. Given the numbers, it shouldn't be necessary to prove the point, but if we look at the returns, produced by all these maturities and compare them with the returns of a FTSE 100 tracker and the Sterling Corporate Bond sector average over the same durations, testing a wide range of different, weighted portfolios of the three assets, we get the accompanying chart.

The Minimum Variance Portfolio for this data is one that represents 81% allocation to autocalls and 19% to bonds. The chart also highlights the position of the autocall portfolios that include 25% in autocalls. All portfolios to the right of the yellow line have lower than 25% allocation to autocalls. The inclusion of autocalls in the portfolios leads to the Efficient Frontier moving left, indicating lower risk for the same return.

Point 'B' is 55% allocated to structured products and the balance to equities. This portfolio offers significantly greater return for the same risk as a portfolio consisting of 100% bonds shown at 'C' which is the least efficient portfolio.

This, admittedly crude application of Modern Portfolio Theory shows that the inclusion of autocalls in a portfolio improves the risk/reward ratio of the portfolios making them more efficient. Whilst the results are somewhat extreme, the conclusion of the analysis is that portfolios are improved by the inclusion of autocalls. Which is surely what anyone would conclude from the numbers in the first instance. Of course, past performance is not a guide to the future but for that reason alone, autocalls make for an appropriate inclusion in portfolios.

So, what makes an alternative investment, alternative? Whilst I would say that if it's outside of the regulators remit, such as wine and collectibles, then it truly is alternative and probably much safer for advisers to steer clear of. But if it's an accessible, regulated investment that you consider to be alternative, its possibly just a case of something you know you don't know about, yet.

Capital at risk.

SECTOR CONSIDERATIONS: HEALTHCARE

Index correlation

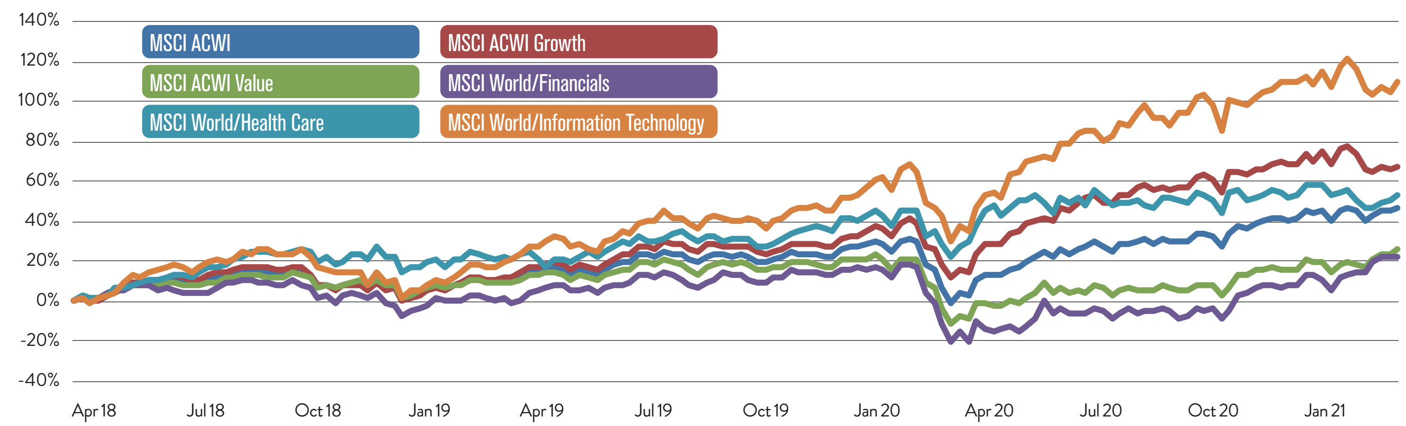
FE fundinfo

Sectors	MSCI ACWI	MSCI ACWI Growth	MSCI ACWI Value World/Financials	MSCI ACWI World/Financials	MSCI ACWI World/HealthCare	MSCI ACWI World/IT
MSCI ACWI		0.96	0.96xx	0.89	0.72	0.90
MSCI ACWI Growth	0.96		0.84	0.75	0.74	0.95
MSCI ACWI Value	0.96	0.84		0.96	0.64	0.76
MSCI ACWI World/Financials	0.89	0.75	0.96		0.46	0.70
MSCI ACWI World/Health Care	0.72	0.74	0.64	0.46		0.67
MSCI ACWI World/Information Technology	0.90	0.95	0.76	0.70	0.67	

Positive correlation

Low correlation

3-year index performance



Fund Calibre comment: Whether it's the growth versus value debate or the inflation versus deflation trade – the narrative in markets at the moment dictates you have to make choices. To do this investors can increase exposure to sectors which are skewed to one side. For example, there is a clear correlation between the technology sector and growth, while financials fall into the value bucket.

This has made healthcare an increasingly attractive investment option for us recently. Not only have we seen a boom as a result of the pandemic, but the sector is relatively style agnostic, with the first table above showing healthcare's mild correlation to other styles and sectors.

The healthcare sector has been on a consistently upward trajectory in recent years. While others talk about style until they are blue in the face, we prefer to hedge our bets. We know the short-term tailwinds, but long-term structural factors also support the sector, such as aging populations across the globe and a rising middle-class in many emerging economies.

The healthcare sector is also diverse – it did well at the start of the pandemic because people were stockpiling and buying PPE. But if you make the likes of endoscopes or tools for knee surgery it's been challenging due to appointment cancellations courtesy of the pandemic. This is why an active manager is essential for those looking at healthcare.

Another benefit for the sector is that the biggest headwind is often regulation (typically from the US government) – but healthcare is simply not going to be targeted in this environment in the short to medium term, making it an even more attractive option.

CONTINUING PROFESSIONAL DEVELOPMENT VERIFICATION TEST

Professional Paraplanner is approved under the Charted Institute for Securities & Investment's CPD accreditation scheme for financial planning to enable paraplanners to accrue CPD points for reading the publication

The amount of credits will be determined by the length of time taken to read the articles within the magazine. Readers requiring Structured CPD points must read the magazine for at least 30 minutes and correctly answer the 10 questions on this page.

Under the CISI CPD Scheme all members must undertake a range of CPD activities in a year to demonstrate that they meet the requirements of the scheme. CPD activities undertaken during the year will fall under the following categories:

- Technical Knowledge
- Ethics
- Professional Standards
- Personal Development
- Practice Management

Members must satisfy themselves that the content is appropriate for their own development when allocating CPD points to their own record. The content will be reviewed on a quarterly basis by the CISI.

Complete and retain a copy of this page from the printed version of the magazine or download the pdf of the page from our digital edition and complete and retain that for CPD compliance purposes.

Professional Paraplanner CPD questions for Structured CPD verification

Viewpoint (p7)

Name a risk for ESG investors now:

Dealing with disaster (p12)

Name one element of a disaster recovery plan:

Professional body (p14)

What is the reported average age of financial advisers in the UK?

- [ ] 50
- [ ] 56
- [ ] 58
- [ ] 59
- [ ] 61

Professional body (p14)

Name three things Gen Z employees say they are looking for from an employer:

1.

2.

3.

TDQ (p17)

What does the acronym EPS stand for?

TDQ (p17)

If a company buys back its shares its EPS:

- [ ] Decreases
- [ ] Increases
- [ ] Is not affected

TDQ (p17)

Dividend cover gives the investor:

- [ ] Insurance cover for their investment
- [ ] Indicates the margin of safety the dividend will be paid
- [ ] Guarantees the dividend will be paid

ESG (p20)

Which element of ESG has the Covid crisis said to have brought to the fore?

Markets (p24)

Potential for the value rally to continue is predicated on which of the following (tick all that apply):

- [ ] Increases in inflation
- [ ] Decreases in inflation
- [ ] Decreases in interest rates
- [ ] Increases in interest rates

Alternatives (p26)

Of 1,000 structured product autocalls that matured from 2003 to February 2021, what percentage produced a loss for investors:

- [ ] 0%
- [ ] 51%
- [ ] 143%
- [ ] 2564 %

DATA DOWNLOAD

Monthly facts and figures on investment performance, risk v return, outflows and inflows, and the most analysed areas of the market. Data to 31 March 2021, provided by FE Fundinfo

BEST RATED FUNDS

3 year Cumulative Performance | FE Fundinfo Alpha Manager Rated | FE Fundinfo Crown Fund Rating

IA	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford American	187.89	✓	5
Morgan Stanley US Growth	158.79	✓	5
Baillie Gifford Long Term Global Growth Investment	148.43	✓	5
Morgan Stanley US Advantage	119.72	✓	5
Baillie Gifford Global Discovery	106.79	✓	5

AIC	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Scottish Mortgage	161.28	✓	5
Baillie Gifford Edinburgh Worldwide	112.99	✓	5
Baillie Gifford Pacific Horizon	112.26	✓	5
BlackRock Greater Europe	76.87	✓	5
Baillie Gifford China Growth Trust	54.24	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

3 year Cumulative Performance | FE Fundinfo Crown Fund Rating

IA	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
Baillie Gifford American	187.89	140
Morgan Stanley US Growth	158.79	155
Baillie Gifford Long Term Global Growth	148.43	117
Multipartner SICAV Baron Global Advantage Equity	139.97	126
Marlborough Technology	138.36	114

AIC	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
All Active Asset Capital Limited	1242.86	782
Starvest	721.59	351
Agronomics Limited	607.5	361
Pershing Square Holdings	212.71	93
Baillie Gifford US Growth Trust	197.48	186

RISKIEST SECTORS

3 year Cumulative Performance | FE Fundinfo Crown Fund Rating

IA	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
North American Smaller Companies	65.55	107
Japanese Smaller Companies	20.5	95
UK All Companies	14.73	95
UK Equity Income	9.03	94
UK Smaller Companies	32.6	92

AIC	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
VCT Specialist: Media, Leisure&Events	-7.86	170
North American Smaller Companies	57.46	144
Infrastructure Securities	123.79	138
Latin America	-8.42	132
UK Equity & Bond Income	2.8	128

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
Liontrust Japan Equity	35,236.98	30,752.26	8,306.18	-12,790.90
State Street UK Scrnd Idx Eq	7,084.42	164.19	-797.60	-6,122.62
Invesco Global Targeted Returns (UK)	9,095.51	5,649.96	-276.70	-3,168.85
BNY Mellon Global Income	5,234.63	3,493.34	173.94	-1,915.23
State Street Euro ex UK Scrnd Idx Eq	4,526.53	3,514.14	574.41	-1,586.80

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
BlackRock ACS US Equity Tracker	4,396.75	15,287.99	1,639.85	9,251.38
BlackRock ACS UK Equity Tracker	6,340.55	11,932.49	1,211.05	4,380.90
BlackRock ACS Climate Trans Wld Eq	251.07	2,798.11	43.53	2,503.51
iShares Global Property Sec Eq Idx (UK)	2,820.98	5,182.08	26.76	2,334.34
BlackRock ACS World ESG Eqty Trckr	710.49	3,495.53	539.31	2,245.73

FE fundinfo

Data provided by FE Fundinfo

MARKET'S EYE VIEW

Which are the most researched sectors, which the most viewed factsheets and which the most charted funds? FE Fundinfo provides Professional Paraplanner with data for the past month showing where financial adviser and planner firms have been conducting their research.

BEST PERFORMING SECTORS

3 year Cumulative Performance

IA

Sector	Performance
Technology & Telecommunications	99
North America Smaller Companies	65.55
North America	58.15
Global	43.94
China/Greater China	41.95

AIC

Sector	Performance
Infrastructure Securities	123.79
Technology & Media	88.1
VCT Specialist: Health & Biotech	64.91
North America	62.86
Biotechnology & Healthcare	62.8

MOST RESEARCHED

	IA		AIC
1	Global	1	Global
2	UK All Companies	2	VCT Generalist
3	Unclassified	3	UK Smaller Companies
4	Mixed Investment 40-85% Shares	4	UK Equity Income
5	Mixed Investment 20-60% Shares	5	Global Smaller Companies

MOST VIEWED FACTSHEETS

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Baillie Gifford Scottish Mortgage
2	Fundsmith Equity	2	Baillie Gifford Monks Investment Trust
3	Baillie Gifford Managed	3	Fundsmith Smithson Investment Trust
4	Vanguard LifeStrategy 40% Equity	4	Baillie Gifford Edinburgh Worldwide
5	Royal London Sustainable Diversified Trust	5	BMO F&C Investment Trust

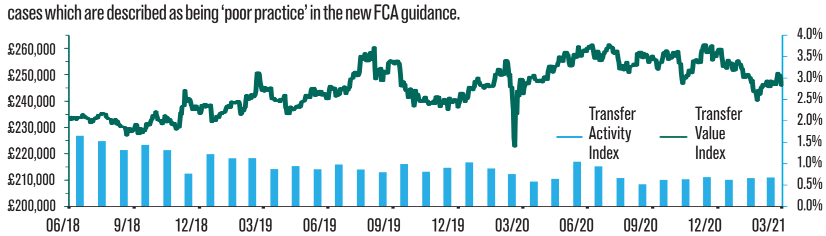
MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Baillie Gifford Scottish Mortgage
2	Vanguard LifeStrategy 40% Equity	2	Baillie Gifford Monks Investment Trust
3	Vanguard LifeStrategy 80% Equity	3	Fundsmith Smithson Investment Trust
2	Fundsmith Equity	4	Baillie Gifford Pacific Horizon Investment Trust
5	Baillie Gifford Managed	5	BMO F&C Investment Trust

PENSION TRANSFER VALUE INDEX

XPS TRANSFER VALUE WATCH: MARCH 2021

XPS comments: XPS Transfer Watch shows that transfer values increased from £242,000 at the end of February to reach £246,000 on 31 March, recovering around one-third of the sharp fall experienced in the previous month. This increase was largely due to rising expectations of future inflation increasing the expected value of members pensions. XPS Pensions Group's Transfer Activity Index increased slightly in March to an annual equivalent of 0.68% of eligible members, up from 0.66% in February. XPS Pensions Group's Red Flag Index fell to 52% of transfers exhibiting a red flag of a pension scam, down from 58% in February, with one or more flags identified in just over half of all transfers processed in March. XPS Pension Group's Transfer Watch monitors how market developments have affected transfer values for a typical pension scheme member. It also monitors how many members are choosing to take a transfer from their DB pension scheme and, through its Red Flag Index, the incidence of scam red flags identified at the point of transfer. In March, the Financial Conduct Authority (FCA) issued its long-awaited final guidance for firms advising on pension transfers, setting out its expectations and highlighting examples of poor practice. Alongside this, the FCA have published a joint guide with the Pensions Regulator (TPR) for employers and trustees looking to support members without straying into advice.The XPS scam protection service is identifying many cases which are described as being 'poor practice' in the new FCA guidance.



Note: The Xafinity Transfer Value index is based on a large pension scheme which invests a significant proportion of its assets in return-generating investments (rather than just investing its assets in Gilts). The index tracks the transfer value that would be provided by this scheme to a member aged 64 who is currently entitled to a pension of £10,000 each year starting at age 65 (increasing each year in line with inflation).

Source: XPS Group


1/2