Professional
Paraplanner

The magazine for paraplanners and financial technicians
October 2021

ESG Focus

We talk with EdenTree CEO Andy Clark about the need to understand clients' views on ESG, greenwashing and the future of the market

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'WHAT DO YOU DO?'

Recently, I had a playground conversation with another father who asked: 'So what is it you write about?' And suddenly I had the same difficulty so often experienced by paraplanners in describing to a non-financial services person just what it is paraplanners do. I think he understood…

The same day I interviewed a paraplanner who said he found out about financial planning from a friend's father who was a financial planner. "I thought financial services was all about numbers and figures but he emphasised that actually it was about helping people achieve their financial and life goals, and how rewarding that was," he said. "That was not how I had envisaged financial services and it piqued my interest." Eight years on he is a Level 4 qualified paraplanner and enjoying his role, including meeting with clients and helping them meet their life's ambitions.

Which leads me nicely into the subject of Dan Atkinson's latest article for the magazine, in which he tackles the answer to the question: 'What do you do?' (see pages 8-9). As ever, Dan has given a lot of thought to this subject, and applies the 'what does the questioner really want to know?' approach to this question.

For Dan, the role of the paraplanner revolves around the impact of financial planning, which done well, he says, "empowers people to use their money in pursuit of life". He poses a challenge to you at the end – I recommend the article to you, whether or not you know what you do.

Along similar lines, how the learning and qualification needs of paraplanners have changed in recent years was another discussion I had this week. For years the CII has dominated the study/exam route in the financial advice market, followed by the CISI's financial planning qualifications. As an aside, I hope you are finding useful the R0 and AF exam related articles and webinars we have been running in the magazine and on the *Professional Paraplanner* website (see pages 6, 18 and our Test Your Knowledge brain teaser on page 22 of this issue).

But what has been interesting is that in the past two to three years the market has started to develop a number of alternative learning paths. In that period the LIBF has launched a dedicated Level 4 Paraplanning Diploma*, Standards International has launched the Paraplanning Standard certification and Practical Investment Planning has become an alternative financial planning qualification provider (currently offering SCQF Level 9 Practical Investment Planning).

The difference with these offerings is that they very much lean towards learning processes that are focussed not just on technical knowledge and concepts but more on the practical and soft skills needed by paraplanners to do their role. As such they are not replacing but complementing the likes of the CII qualifications and adding to the richness of the qualifications and certifications available to paraplanners to help them develop as professionals.

All of which is to be welcomed, because done well paraplanning is a complex, technical, highly skilled role that is constantly developing and needs all the support it can get – and because at its heart it's about making a difference.

LIBF Paraplanning Podcast

I had the pleasure of joining Michelle Wilson-Stimson of eParaplan and Sian Davies Cole of Plan Works/The Paraplanner Club for a new paraplanner-focussed podcast recently launched by the LIBF. Podcast one discussed the future of paraplanning, recruitment and development of paraplanners. There were some fairly controversial points raised. You can find it on your favourite podcast app, including Apple podcast and Spotify.

Following the theme of this editorial, this month's discussion revolves around the journey into paraplanning and what makes for a good paraplanner. It will be out in early October. Keep an eye on the *Professional Paraplanner* daily email for an update.

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* Read on page 20 read how one paraplanning team worked as a group to all achieve their Level 4 qualification

PROFESSIONAL PARAPLANNER WEBINARS

Do keep an eye on our website and in particular our daily email alert for news of our latest webinars. For our next Investment Committee webinar we are delighted to welcome TIME Investments to present on Infrastructure: The foundation for income and growth.

Date: 12 October **Time:** 10.30am

Chris Cox of TIME Investments will look at how infrastructure assets provide an alternative for those in search of income. Learning objectives:

- **Understand the importance of alternatives within the current market**
- **Identify the characteristics of the infrastructure asset class**
- **Recognise that infrastructure assets can offer exposure to defensive sectors and companies that provide essential services**

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In this issue...

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Asset-backed investments... what do they offer?

Investing in long-term **asset-backed** investments can offer a number of desirable benefits to investors. Whether clients are seeking portfolio diversification, a consistent income, inflation protection or an effective estate planning solution, TIME Investments has a successful track record of providing a suite of funds and services delivering these objectives to investors.

TIME Investments is a specialist investment manager focused on delivering long-term investments that seek consistent returns. We take a deliberately defensive approach predominantly investing in asset-backed and income producing investments across **infrastructure, real estate, renewable energy and lending**. These investments can offer further attractive attributes to investors by making **positive environmental, social and economic** impacts.

Infrastructure assets and services are essential for society and vital for jobs, businesses and economic growth.

The infrastructure asset class is traditionally defensive in nature with the COVID-19 pandemic only strengthening its structural demand, further supported by Government investment globally as a response.

Our investments remain diversified across infrastructure sectors that are typically viewed as less volatile than, and less correlated to wider equity markets, including renewables, logistics and digital infrastructure.

The importance of infrastructure

As investors grapple with low interest rates and a rollercoaster ride on the stock markets, we look at how infrastructure assets provide an alternative for those in search of income.

Investors need to look beyond traditional stocks and bonds in order to achieve attractive risk-adjusted returns and should consider infrastructure as part of a diversified portfolio. Investing in infrastructure allows investors exposure to sectors that have traditionally been less volatile and lowly correlated compared to wider equity markets. The sector is supported by the UK Government's 2020 Budget, which set out a five-year plan to spend £640 billion on infrastructure.

Keen to learn more?

Join us on Tuesday 12th October at 10.30am where fund manager, Chris Cox, CFA will be taking a deeper dive into TIME:UK Infrastructure Income and highlight why infrastructure is becoming increasingly popular with investors. Chris has a decade of experience in financial services and has invested in or advised on a wide range of asset classes for clients.

Sign up at **time-investments.com/webinar**

Getting in touch: TIME has one of the largest support teams in our sector and we offer full regional coverage with dedicated points of contact. Your local Business Development Manager is on hand to offer support and answer any questions you may have. To find out who your local TIME contact is, please visit our website: time-investments.com.

TIME INVESTMENTS

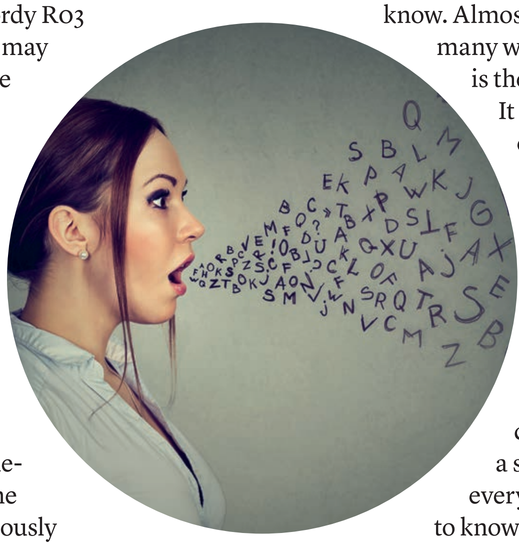
RO FOCUS

Continuing Bespoke Training Solutions' series of exam-based articles for Professional Paraplanner, director Jeff Scholes answers the question: 'The R03 Personal Taxation paper is really wordy, where do I start?'

Just so you know, I love R03 Personal Taxation. Now, that may be an unusual way to start an article, but it does at least beg the question 'Why?' The simple answer is that passing R03 is a combination of learning most of the basic rules, having a series of well-rehearsed processes to follow, and then applying logic based on what usually happens in most circumstances.

The way not to pass R03 is to stress about learning every nuance of every tax law (just Google 'application of IR35' to see highly-qualified accountants offering contrasting views on how HMRC are likely to view specific scenarios), and then have only a vague idea of how to handle the various tax calculations.

Also, I do like a wordy R03 question. This again may sound strange, as one of the aspects of R03 that we often hear candidates worry about is the length of the questions. Sometimes they just seem to have so many words. To that point I'd say 'Bring on the words please.'



Let's look at a made-up and pretty extreme example of an infamously wordy R03 question:

Howard is single and aged 53, He works for StoneVault; a large data storage company, as one of their senior managers, with a basic salary of £97,000, plus he will receive a £12,000 sales-related bonus this tax year. Howard pays 5% to an occupational pension scheme which his employer matches. In addition to his salary, StoneVault provide Howard with a company car with a taxable value of £8,000, private medical insurance with premiums of £95 per month paid by the company, and death in service benefit of three times Howard's basic salary. As pension planning is a priority, Howard also pays £700 each month towards his own personal pension. Last month he made a personal gift to charity, the only such gift this tax year, of £2,000 net of gift aid. Based on just this information, calculate the income tax that Howard will have to pay in 2021-22.

Ok, where do we start?

Well, the first thing to say is that we should thank the question-writer for making the effort to tell us all we need to know. Almost every one of the many words in this question is there for a reason. It will tell us quite explicitly what to include and what to exclude from the calculation. So, step one is to re-frame any old-held views that wordy questions are horrible, and change them to a sigh of relief that everything that we need to know is there.

Then, take each statement one at a time and work out why it is there and what it tells us. I won't go through every sentence, but here are a few examples:

- Howard is single and age 53… so I don't need to worry about Married Couple's Allowance or Married Tax Allowance
- He works for StoneVault… so he's employed
- Basic salary of £97,000, £12,000 bonus, £8,000 company car Benefit in kind (BIK), Private medical insurance will have a BIK value… tells me he is a high rate tax payer who may have adjusted net earnings of over £100,000, so I may have to reduce his £12,570 personal allowance
- 5% occupational pension scheme and £700 per month personal pension… may reduce his adjusted net earnings
- £700 per month personal pension and £2,000 charity donation using gift aid… so there will need to be some basic rate band expansion to do before we get the calculator out

We could do the same with every sentence in the question, but I hope that the bullets have made their point!

Each sentence in the question is not there to trip you up, it's providing guidance towards the correct answer.

So, maybe a big part of R03 success is about re-framing how you view wordy questions. If you can view each sentence as providing a step along the way towards the right answer, then you may start to view long wordy questions as a gift from the examiner and start to love R03 like I do.

Be sure to use study materials that help you to develop your question answering processes and exam technique in your study plan; there's more to this exam than technical knowledge.

THE BIG QUESTION

If you find the question 'But what do you do?" a difficult one to answer, Dan Atkinson, head of Technical at Paradigm Norton Financial Planning, has some thoughts for you

I've been asked "what do you do?" quite a lot in recent years - I'm sure that you have too. It can be quite frustrating as you try to distil it down. Oversimplify and you might feel that you've devalued the work that you strive to complete. Hit them with too much complexity and their eyes slowly glaze over...

In this article I hope to help us share what we do better and why it's so exciting to be a paraplanning professional! If that sounds interesting, please read on.

Are we answering the right question?

Sometimes when we hit this situation there's a clash between what they thought they heard and what you thought they asked. Frustrating? I remember attending a conference where the speaker told us a story about a conversation with a grandparent. "What do you do?" was the question. They shared their job title. "But what do you do?" the grandparent said. They gradually listed out all the things that they did and still got this repeated question.

Finally, the penny dropped. They realised that it was the impact of their output that was the answer their grandparent was getting at.

Do people know what we do?

There are quite a few job titles that people understand what they do. We know that doctors and nurses try to make us better when we are unwell.

Some titles are slightly more obscure, but when they tell us about the tasks they do, we quicky understand what their impact is. A refuse collector might tell you that they empty your bins into their lorry. We know instinctively that this means they take away the rubbish and make our personal environment more pleasant.

However, professions like ours need explaining. I have seen a range of alternative names for paraplanners emerge such as Financial Planners, Technical Analysts and Technical Consultants. However, none of these really explain the impact of what we do.

> *As paraplanners we help deliver financial planning. Some of the things we do towards this are very numbers based and, in some cases slightly abstract to the outside observer*

What is our impact?

As paraplanners we help deliver financial planning. Some of the things we do towards this are very numbers based and, in some cases slightly abstract to the outside observer. We then take this and use the skills of a writer to translate this into something meaningful.

But that doesn't really tell us much about our impact. Indeed, for many people that could be quite dull sounding. We could spice it up by explaining that we help people

with their money, but that's fairly vague and ambiguous. They might care if they have a problem, but they might just feel that you help the rich get richer. Either way they won't have understood our real impact.

The impact of financial planning done well is that people feel empowered to use their money in pursuit of life. Rather than amassing money out of fear or greed (and being a servant to it) they see money as the tool to fund the living out of their dreams. They might not have 'enough' for all their dreams, but financial planning equips them to explore compromises that they might need to make – in advance.

So, what might you say next time?

A large part of this depends on you (and the person you are speaking to), but here are some ideas. I think we should use the name of our profession (and financial planning) because otherwise it will continue to be a mystery. However, alongside this let's make sure we explain the impact of what we do.

One idea might be "I'm a professional paraplanner and, through the process of financial planning, I help people bring their dreams to life". I like this because it recognises how we get to the impact but acknowledges that it's the client who makes things happen. We simply use our technical skills to line the money up to fund it.

The idea of 'dreams' might be felt to be too wishy-washy by some people though. A more factual, numbers-based person might find a different focus more helpful. Something like "I'm a professional paraplanner. The work I do, through financial planning, enables people to understand where they stand financially so they can make informed decisions."

Have a go. Try some of them out on your friends and family. Maybe even change that headline field on LinkedIn to reflect the impact you have, not just your job title?

ESG FOCUS

EdenTree Investment Management is 100% focussed on sustainable and responsible investing; "it's all we do," CEO Andy Clark, tells PP editor Rob Kingsbury

EdenTree was a pioneer of ethical and responsible investing, setting up its first ethical fund in 1988, and the company currently manages £3.5bn* in assets under management. Founded in 1988 as Ecclesiastical Investment Management, and owned by the Allchurches Trust, an independent charity, its original remit was to provide savings products for Church of England clergy. In 2015 it rebranded to EdenTree Investment Management and has since grown into a fully-fledged asset manager, with a much wider remit, but with the profits it makes going to the charity.

Growing the brand's presence in the wider market is where Andy Clark (ex CEO of HSBC GAM UK), and new CIO Charlie Thomas (ex Head of Strategy, Environment and Sustainability at Jupiter Asset Management) come in.

EdenTree Investment Management is an asset manager that focusses only on ESG/ sustainable/responsible investing. There is a huge amount of knowledge in EdenTree, built up over the years – fund manager Sue Round was one of the first women to manage money and has been with the company for 33 years. "Given the talent we have and the long history in this type of investing, I'd say to date we've been too humble and we need to show our expertise to the wider market," Andy Clark says.

Indeed, he argues, it is the company's clear focus on responsible investing that sets it apart in the current movement in the market towards ESG and the wave of ESG fund launches. The company sets out its stall in its belief that consistent, long-term returns are more likely to be achieved by investing responsibly in sustainable businesses. "If I had to describe EdenTree now, I'd say it is an authentic pioneer in ESG, with a heritage of over 30 years. Every part of the business is focussed on sustainable investing. Every conversation our fund managers have, every conversation I have is within the ESG sphere. All the challenges, all the debates are centred around one subject. We're not distracted as company by any other type of investment. It's all we do," Andy says.

What also makes the fund manager stand out, he believes, is its long-term strategy. "The board asked me to put together one, three, five and 10 year plans. I've never before been asked to put together a ten-year plan. That says a lot. Our board wants a long-term business strategy because its aim is to deliver a sustainable income to the charity. That says there is a long-term vision at the top."

To that end, EdenTree refreshed its brand and is adding to its proposition. In July 2021 it launched three multi-asset funds – the EdenTree Responsible and Sustainable Multi-Asset Cautious, Balanced and Growth funds "to give advice firms the opportunity to access responsible investing across asset classes in an appropriately risk-rated fund" – and in early 2022 it will be looking to launch two single strategy funds, Andy says.

Also it has made it easier for advisers and paraplanners to access the funds, recruiting four business development managers to deal directly with the IFA market. "I think we can do a great job for advice firms," Andy says. "We can try to simplify this complex world of ESG with our knowledge and bring some solutions that people feel comfortable with. This is a space in which people need guidance and intelligent people with whom to talk it through. I'd like paraplanners to see us as the 'go to' people to talk about ESG, responsible and sustainable investing."

Greenwashing

Given EdenTree's long history in this market, how does Andy feel about the wave of popularity around ESG, the influx of new funds into the market and the concern around greenwashing?

"I joined EdenTree because we're authentic in what we do," he says. "If you're cobbling a fund together because you see it as flavour of the month, that's not real to me. But overall, we welcome the focus on the sector because it opens up the debate and it has raised the profile of ESG investing, which can only be a good thing."

When it comes to greenwashing he believes quality will out. "The risk to advice firms is that funds are badged as ESG but there's an element of greenwashing involved, which is exposed further down the line. I think what will happen is that rather than look at individual funds, paraplanners, analysts and financial advisers while start to look at the fund companies and the resources they are putting into ESG and their commitment to it. That will be a huge differentiator."

In terms of what paraplanners should be aware of when researching ESG funds – which can be very difficult given the range of terminology, a lack of definitive ratings and often a lack of transparency in the market – Andy says: "I was a paraplanner when I first left stockbroking many years ago, and selecting funds then was tough but with ESG these days it is tougher because often you can't sufficiently compare funds; so I think this is where culture and expertise will be important.

"I'd say again, look at the firm and what they do. There are some top quality ESG-focussed firms in the market – get to know them and how they go about investing responsibly and sustainably."

Sponsorship of Alice Dearing

EdenTree is sponsoring open water swimmer Alice Dearing – the first black woman to represent team GB in the sport. "We were pondering how we could involve ourselves with inspirational people,"says CEO Andy Clark. "We started a conversation with Alice before it was confirmed she would be going to the Tokyo Olympics, purely because she is an inspirational person. She's authentic and she is clear about who she is and what she does; she challenges in diversity and inclusion and the environment, particularly around open water projects. We're enjoying working with her. For us it's also about humanising the asset management industry a bit more – it's about the S in ESG."

The Future of ESG

Despite its current level of popularity, Andy believes ESG investing is only in the foothills of its journey. "I believe this is the way that investing will be done. At some point it won't be called ESG investing, it will just be investing."

He also sees considerable market advantage for advice firms that work hard to develop the skills to help clients gain clarity and invest in ESG. "The game-keeping for advisers on ESG is massive and adds serious value to the adviser relationship. So, the time that advice firms put in now, in terms of establishing what they believe in and what their clients believe in, will be time well spent."

Part of this is an onus on advice firms to do their homework for their client as well, he makes clear. "There are so many different types of ESG investing that people often don't know what they want. Do they want a fund that invests in BP or not? Do they choose a fund that excludes BP or one that actively works with it for positive change? It's going to mean different things to different people.

"So advice firms have to work out what clients want. I think it's probably going to be reasonably big buckets, but they will be different. Then you have to match the investments to those buckets. For advice firms that embrace it quickly I believe there is a real upside for their businesses."

Asked how EdenTree can make paraplanners' lives easier, Andy says: "Part of our job is to help provide the clarity that paraplanners need, in terms of what we do. If a paraplanner can get their head around ESG and find a way to make it simpler for the client and the adviser it will be fantastic.

"We have a scary amount of knowledge here that we are willing to share. A paraplanner doesn't have to be a client to get in touch. We're about building relationships and building paraplanners' knowledge of responsible and sustainable investing. It's our passion and we can make paraplanners' lives easier by sharing that passion."

*** AUM figure as at 30 June 2021**

WHAT IMPACT TECHNOLOGY?

Technology has fuelled the evolution of paraplanning in recent years. Nick Eatock, CEO at intelliflo, looks at how the role of paraplanner has changed and how technology is set to impact the future of advice

In the past, paraplanners were often seen as administrators and report writers, and the role was perhaps viewed as a step on the ladder to becoming a 'proper' financial adviser. But in recent years, paraplanning has evolved into a crucial part of the financial advice process, attracting highly qualified professionals recognised for their significant contribution to delivering the best outcomes for advised clients.

This change in status has been stimulated, at least in part, by improvements in financial advice technology. Increasingly, manual and labour-intensive processes have been automated, removing the pain of rekeying information and building and reformatting reports.

Accessing information has become easier and performing due diligence more streamlined, reducing the time spent on research and in turn freeing up paraplanners to add value through more detailed input into the financial plan. Advice is becoming far more of a collaboration between the technical expertise of the paraplanner and the client knowledge of the adviser.

The Covid-19 effect

The impact of the pandemic has increased the use of technology by both firms and clients even further. Over the last eighteen months, we've seen users engage with intelliflo software more frequently and in greater depth than ever before. Areas of our systems have seen usage increase enormously as advice professionals sought ways to better service their clients when contact was restricted and employed functionality they had previously not utilised fully, if at all.

Clients too have, out of necessity, embraced technology across all parts of their lives. We saw usage of the intelliflo personal finance portal increase by 300% last year, with one in 200 UK adults now using our portal.

The impact of the pandemic has increased the use of technology... over the last eighteen months, we've seen users engage with intelliflo software more frequently and in greater depth than ever before

This phenomenal rise shows the willingness of clients to accept digital as part of the financial advice process. It has also had the added benefit of increasing the quantity and frequency of information clients contribute via the portal. In turn, this has reduced the time spent on the fact find and provided more detail on which advisers and paraplanners can base their research and recommendations.

The switch to digital has also helped keep lines of communication open between client, adviser, paraplanner and other parties during the various lockdowns. This has been crucial to ensuring the smooth running of the advice process and avoiding delays. We've heard that in some cases the transition to video and online has enabled paraplanners to

attend more client meetings alongside advisers, saving time and increasing efficiency by removing the need to pass on information afterwards.

And now the door has been pushed open, there's no going back to the old ways of doing things. As we become more familiar with technology and digital processes, I believe the potential to streamline activities and free up time for paraplanners and advisers to spend on the end client can only grow.

The business benefits of technology

Being able to service each client more efficiently also opens the way for firms to provide suitable, regulated advice to more clients. Our eAdviser Index, which looks at how advice firms are using the available functionality within intelliflo office, shows that making the best use of technology can make a huge difference to a firm's cost base. The latest figures show that those maximising their use of available technologies have 41% more actively serviced clients and 126% higher AUA than those who are not yet fully using the functionality on offer. The need for advice has become even greater as people's finances have been impacted – for both good and bad – during the covid crisis and the ability to service more clients per adviser will go a long way towards closing the much-reported advice gap.

The drive towards greater integration of different software and systems will also help improve the efficiency of paraplanners, enabling them to access and share data between systems to generate detailed solutions more easily. Open banking is already giving advice professionals a broader picture of client assets, and the ability to extend this to a wider range of financial products through initiatives like open finance and pensions dashboard will help advisers and paraplanners create a truly holistic view of the client's wealth.

Connecting other financial planning tools, like cash flow analysis, provides the option to stress-test the plan ahead of client meetings, helping the paraplanner pre-empt potential issues and provide a range of options to meet the client's goals. The plan can then be brought to life via interactive reports and modelling tools during the meeting to help the adviser demonstrate the value delivered by the plan.

The role of paraplanners in today's technology-driven environment is becoming increasingly important to the success of advice firms. By investing in technology that provides the best support to paraplanners and advisers, firms can provide advice to a broader range of people, delivering long-term profitability to the business alongside long-term value to clients.

TECH POTENTIAL

Michelle Hoskin, managing director, Standards International, looks at how technology can be used to empower paraplanners and suggests it should be assessed in three ways

With the ever-increasing responsibility for technology within advice firms falling on the shoulders of paraplanners, it is important that there is a clear understanding of some of the key considerations that sit behind the tools. If selected and understood correctly, they have the power to leverage every element of the work that you do.

I know that sometimes technology can be your best friend, the enabler of some of your best work, but then at other times you feel like you're about ready to push it off the edge of a cliff!

Many of you may not know this about me but I began my journey in our magical sector as a trusted administrator, working my way up the ladder before finally taking the brave and somewhat naïve decision to leave the comfort of my 9–5 job (like it was ever a 9–5 job!) to not just help one financial planning practice, but to hopefully help thousands of them by going it alone and launching Standards International.

It is this journey that gave me the gift of seeing things from both sides of the fence. Although it doesn't really stop there. As the designer of British, international and sector-specific standards, I believe I have a unique view of what technology can bring to the table to support financial planning.

In my opinion, technology accomplishes three things and, if we are one of the lucky few, it will do all three at the same time:

- It permits – to make possible
- It protects – to cover or shield from exposure, injury, damage, or destruction
- It propels – to drive forward or onward by or as if by means of a force that imparts motion*.

So, before you start venting your frustration at the screen the next time systems go down, just take a moment and think about what I am about to say.

Let's break this down:

1) It permits – to make possible. Yes, we can all do an amazing job, but honestly how much of that is us and how much is enabled by technology? When we turn on our computers in the morning, do we even think about how much we appreciate and love the tools that sit in front of us? Probably not but I think we should. This does however beg the question that if you genuinely can't swing your arms around your computer screen first thing in the morning like it is your long-lost friend, then I'd ask – are the tools and the technology you use fit for the job in the first place? Ask yourself who chose them and why? Do you actually know how to use the tools that were given to you? Choose wisely. Every day you only get a few hours (in the whole grand scheme of things) to perform

> ***Technology is the single biggest and most important tool that will support our business to deliver global services without limitation and without restriction***

your duties, so using your tools efficiently and effectively will make the difference between thriving or just surviving.

2) It protects – to cover or shield from exposure, injury, damage, or destruction. Yes, we've all heard it. The right infrastructure is intended to prevent us from doing anything silly – although in the wrong hands anything is possible! The right systems and tools should keep you on track, prevent mistakes and flag up anything that doesn't quite look right. They should be intelligent, intuitive, encourage efficiency and keep us out of trouble. We are surrounded by an abundance of systems and solutions designed by professionals in our sector, for professionals in our sector; however, the next time you get the chance, it might be worth stress-testing them.

In light of the most recent changes to working patterns, locations and technological threats, Tony Richardson the Founder and MD of Octree Limited www.octree.co.uk – who is our trusted IT partner on our WOWW!® By Design Development Programme – suggests there are 10 questions you should ask your back office help desk, IT providers and/or systems support as soon as possible.

- Are we secure? (The answer is "there is no silver bullet"; however, Tony is always fascinated by the response to this question.)
- How do you keep us secure? (Cyber security is a process, not a target – it needs managing, not "set and forget". The devil is in the detail.)
- What current and future threats do we face? (If you don't know, how can you protect me?)
- What devices are on our network and what do they all do? (Shadow IT is a major problem and a serious cause of data theft/loss – for example, unauthorised cloud apps, personal storage devices, etc.)
- Are we getting the most focus from our team? (This is a leading question to see if they really know what's going on around the network. i.e. browsing habits, and whether you can trust them.)
- How are you supporting our business continuity and disaster recovery plan? Has this changed or does it need to change given recent incidents/events?
- How do we train our team to be more cyber aware? (Technological controls are not enough – your fellow team members could unwittingly be your biggest threat.)
- Do you really understand our business needs, as well as my legal and regulatory compliance mandates, or are you giving us what you think we want? (Or is it what's best for you?)
- Are our systems current and the most effective they can be?
- Do you keep us regularly informed of technological advances and how improvements can be made?

If you are not happy with the answers… it may be time for change!.

3) It propels – to drive forward or onward by or as if by means of a force that imparts motion. My favourite! Oh, my goodness! With the right tools in your hand… how far could you really go? How much could you really achieve? It's kind of scary to think about it, but super exciting at the same time.

I think we can all be honest here (me included) and confess that we could do more with and learn more about the tools that we have available to us.

I know for a fact that my MacBook Pro has way more functionality, gizmos and gadgets than I dare to imagine what to do with… BUT I can tell you I work faster, smarter, more flexibly, more streamlined and I am way more organised with the current tools I have than without them. Voice notes, videos and Zoom calling help me stay in touch with my clients and of course Microsoft Teams which unites my team at the push of a button.

Technology is the single biggest and most important tool that will support our business to deliver global services without limitation and without restriction. So why on earth would we not want to leverage and squeeze every last drop of functionality out of every tool and platform we can get our hands on?

So, regardless of whether you are going for creating a global movement of change or not… you are still changing lives somewhere and I know for a fact you could do it way better if you tooled-up to truly unleash your potential!

***Source of definitions: www.merriam-webster.com**

WORKING IN PARTNERSHIP

Good teamwork often produces the best results. So how can paraplanners develop a good working relationship with their advisers? LIBF's Richard Cooper delves into some of the fundamentals of relationship building

Relationship building is an extremely important skill for anyone: adviser or paraplanner. Whether you're working with someone who sits next to you, or a colleague on the other side of the world, you need to build successful relationships. It's important to work as a team – and agreeing how to work together is a great place to start.

The quality of our relationship-building skills also influences how we negotiate, deliver client-focused reports and meet agreed deadlines. So what are the fundamental aspects of successful working partnerships? And how can you – as a paraplanner – develop your relationships with advisers?

Respect

Mutual respect should underpin all working relationships. It's fundamental to gaining trust and will help both parties share ideas and opinions openly. This should be a given, but sadly sometimes extra effort is needed. You can gain respect by:

- treating one another as equals – even in relationships where individuals have different levels of organisational seniority, colleagues should treat each other equally
- agreeing to share your knowledge – offer advisers the benefit of your experience and agree that you can make alternative suggestions and recommendations for the client that may be of benefit to them, and encourage the adviser to do the same
- being honest about time frames and what you can deliver – don't over promise
- being upfront with your adviser if you face constraints on time or resources – and have the confidence to suggest an alternative solution.

Understanding

Knowing what motivates your advisers and drives them to achieve their goals can really benefit a working relationship. You can develop understanding by, for example:

- arranging an introductory meeting when you start working with an adviser for the first time to establish what you can expect from one another in the working relationship
- establishing shared objectives when embarking on a new client or new piece of work to allow you to work towards a common goal
- using active listening skills during meetings and discussions with advisers, that is, listening intently to what they're saying and making it clear throughout that you've heard and understood
- agree what's required and confirm this with the adviser.

External working relationships

For many paraplanners, it's becoming increasingly important to develop relationships with people who don't work in the same location. These might be colleagues who are based in another part of the country or, if you're an outsourced paraplanner, advisers in other firms. In these situations, face-to-face contact is often limited, or simply not possible, so it can take a little longer to build relationships.

Where possible, try to arrange at least one face-to-face meeting at the beginning of the relationship to establish rapport. Even if this is on video call, it's still really key to building the relationship.

Without visual cues, it is easier to misunderstand someone when you're communicating by phone or email. Ensure you maintain a straightforward communication style and avoid making comments that could be misinterpreted.

Check understanding and any agreed actions at the end of phone calls. Make it clear in emails that you're available

if further information is required. Maintain regular contact to keep the relationship on track. A short 'how are things?' email – or quick courtesy call to keep an adviser up to date – can work wonders. Always apply the same levels of professionalism that you would to internal relationships. Your conduct reflects your organisation as well as you.

It's inevitable that, at some point, you will encounter challenges in your working relationships. When difficulties do arise, you need to address them openly, promptly and professionally

Addressing differences

It's inevitable that, at some point, you will encounter challenges in your working relationships. When difficulties do arise, you need to address them openly, promptly and professionally to ensure the relationship continues to develop.

Failing to address problems can lead to more serious issues, so you should:

- have an open conversation with the person concerned, even if this feels awkward
- outline your concerns concisely, supporting your points with examples
- stress your commitment to the relationship and your wish to find a solution that works for you both
- listen carefully to your colleague's point of view and take their comments on board
- clarify any actions you or your colleague might need to take to help the relationship get back on track
- avoid the temptation to badmouth an adviser or approach the issue with their manager before you have discussed it with them personally
- if you're unsure whether speaking to the adviser or their manager directly is the right thing to do, take the advice of someone you trust in the organisation – such as another manager or director.

Improving existing relationships

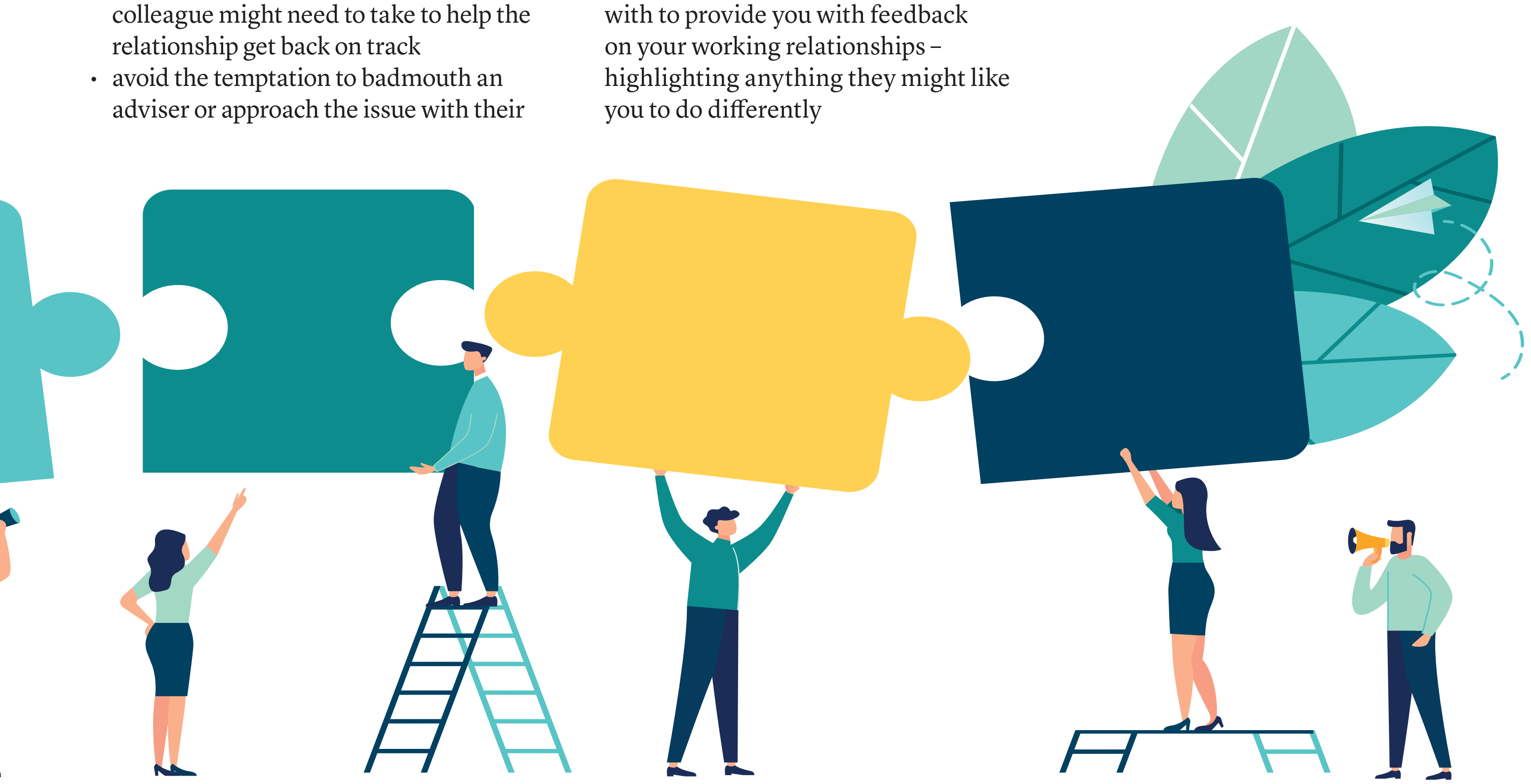
You can strengthen your existing working relationships by:

- establishing a set of values or 'ground rules' for yourself and applying them to every working relationship you develop
- adopting a consistent approach to achieve the same degree of trust, respect and understanding with every person you work with
- asking the people you work most closely with to provide you with feedback on your working relationships – highlighting anything they might like you to do differently
- agreeing on steps you can take to improve the relationship, if necessary
- identifying someone in your professional network with strong relationship-building skills and asking them to mentor or coach you on how to improve your approach.

A successful relationship is built on trust, respect and understanding, and requires ongoing investment from both parties.

I've worked closely with paraplanners as a financial adviser for many years and always found relationships work best when I've followed these ground rules. They allow paraplanners to question and challenge financial advisers – and to fully use their skills in building recommendations.

That enables all of us to provide a better service to the customer and, ultimately, leads to a happier working life for everyone.



BUY-TO-LET

Brand Financial Training looks at the move of buy-to-let property owners into the furnished holiday let market and what paraplanners need to know

Anyone who has ever had a buy-to-let property will know that several changes to the taxation of them have led to many landlords exiting the market; this has included increases in stamp duty land tax and capital gains tax rates, as well as a reduction in how much mortgage interest can be offset against rental income.

Other landlords have simply decided to stop long-term letting and instead turn their property into a holiday let and by doing so benefit from several tax advantages. The availability of these however depends on the accommodation meeting various conditions; these are that the property must be:

- in the UK or in the EEA (which includes Iceland, Liechtenstein and Norway)
- furnished - sufficient for normal occupation
- commercially let - there must be an intention to make a profit
- available for let for at least 210 days in a year - i.e. 30 weeks
- commercially let to the public for at least 105 days in a year i.e. 15 weeks (this does not include any lettings to friends and family at reduced rates).

In addition, if the total of all lets that exceed 31 days is more than 155 days during the year, then it won't qualify as a furnished holiday let in that year.

You should note that for a new let, the tests should be applied to the first 12 months from when the letting started and for a continuing let, the tests should be applied to the tax year.

The various lockdowns during 2020 and 2021 may have meant that some owners will not have met the various rules around occupancy during that year. For those owners in this position it is possible to make a 'period of grace election'. What this means is that if a property qualifies in one year but does not meet the conditions in the following year, an election can be made to treat the property as a furnished holiday let in the second year as long as there was a genuine intention to meet the conditions, so advertising was done as normal or where the bookings were cancelled due to unforeseen circumstances.

So assuming the criteria is met, what are the tax advantages of a property being treated as a furnished holiday let rather than a residential property let?

- The costs of furnishing can be deducted from profits as capital allowances
- Mortgage interest can be deducted in full
- Rental income is treated as 'relevant earnings' so can be used to make pension contributions
- On disposal it is possible to claim business asset disposal relief, roll-over relief or hold-over relief

However, there are some disadvantages to think about too:

- Losses cannot be offset against other income
- If turnover exceeds £85,000 the owner will need to become VAT-registered.

There is also more work involved with a holiday let, not least ensuring the criteria is met for it to qualify as a furnished holiday let. Records will also need to be kept separate for UK businesses and for overseas businesses; the losses from one business cannot be used against the profits of another (although if the UK business makes a loss it can be set against future profits of the UK business and similarly for the overseas property).

With more and more properties being used as furnished holiday lets, HM Revenue & Customs have indicated that they will ask for proof that the property does actually qualify. It's important therefore that owners keep accurate records of all the bookings as well as the income being received should proof be requested.

The various lockdowns during 2020 and 2021 may have meant that some owners will not have met the various rules around occupancy during that year

PROPERTY IN PENSIONS

People can be surprised by the different types of commercial property that Curtis Banks has been asked to include in a pension (including a zoo), says pension technical manager, Jessica List

When someone says 'commercial property', what's the first thing you think of? Whilst it's well known that pensions can hold commercial property investments, the vast scope of property types this could include is not always clear. Curtis Banks has a long history with property investments, and here we outline some of the key types of commercial property clients can consider.

1. Shops

If this was the first thing you thought of, you wouldn't be alone: from large supermarkets through to local hairdressing salons, shops are one of the most popular types of pension property investments. Sometimes care has to be taken if there is a residential element to the building: for instance, if there is a flat above a high street shop. However, it's often possible for a SIPP to purchase the leasehold of just the commercial element, where issues such as separate access are considered.

2. Offices

This is another of the most common types of property held in pensions. They can be particularly popular with groups of pension investors – for example, where a group of solicitors or accountants decide to purchase their business premises between them.

3. Non-residential institutions

This category could include things such as GP surgeries, dental practices, and crèches. Again, this category is often popular with groups of professionals purchasing their premises. Remember that it's normally possible to change how much of the property each partner owns – for example, as individuals join or leave a practice, or as part of a succession planning exercise.

4. Food and drink establishments

This could include restaurants and cafes, pubs and wine bars, or even takeaways. This is another category where there are often residential elements to the property – particularly when it comes to pubs. Again, it's worth talking to your provider to see if there would be a way to separate out the commercial element, or to check if the property may meet one of the small number of concessions available. For example, it may be possible to include a residential element if it is occupied by someone unconnected to the property purchase as a condition of their employment – such as a manager living in the flat above a pub.

5. Land

Here's where we start looking at the slightly more unusual categories. That said, at Curtis Banks we've seen an increase in enquiries about land in recent months; potentially as individuals who have been fortunate enough to save additional funds during the pandemic consider potential investments for their extra savings. Sometimes land purchases would be intended to stay as they are – for example, farmland – and other times the intention may be to purchase bare land for development. Keep in mind though that if the intention is to complete residential development, it may not be possible to complete this while the land is held in the pension.

6. Industrial units, storage, or distribution

This category would include things such as warehouses, distribution centres, or manufacturing units. It's possible that there may be more opportunities in this area going forward if the increase in online shopping continues and creates additional demand for facilities such as storage spaces.

7. Public and leisure facilities

This could include some of the more unusual properties, such as cinemas and swimming pools. Curtis Banks has purchased even stranger properties over the years, including an airfield and even a zoo. They're the types of properties people might not always immediately think of, but can still fall very much under the banner of commercial property. However, there are sometimes additional considerations or requirements with unusual properties. In such cases it's always worth engaging with your SIPP provider as early as possible to identify any potential issues.

8. Hotel and care facilities

Finally, we thought it was worth mentioning properties such as entire hotel complexes. We're sometimes asked if such properties would be treated similarly to things like holiday apartments or caravans, which are normally considered 'suitable for use as a dwelling', and therefore taxable and not suitable as a pension investment. If you have a property that you're not sure about, the best thing to do is to contact your SIPP provider who will be able to discuss the specifics of the property in question.

Commercial property remains as popular as ever with pension investors, and with opportunities arising and changing all the time, we believe this will continue for a long time to come.

EXAM SUPPORT

Laura Ward, head of Paraplanning, Nexus IFA, explains how the paraplanning team came together in the pandemic to help each other through the LIBF Diploma exam

The Nexus IFA paraplanning team – Laura, Marcus and Lucy – were just a few weeks into taking the LIBF Level 4 Diploma in Paraplanning (DipPP) when Covid-19 struck, locking down the country.

Pre-lockdown the team had been undertaking training with one of the directors of the Bridgwater-based financial planning firm, using a conference room and working through the various modules together. "When lockdown happened it threw us. With having to adapt to new ways of working out of the office, we began to struggle. Working alone, and because we weren't used to studying for exams, it was difficult to get into the swing of it and make time to study in a busy working day. We needed the stimulus that we had been getting from working together in a dedicated session," Laura says.

They decided as a team to set aside a few hours in the evening to study together via Zoom. "We split the work, so we'd cover a chapter an evening, and each of us would take a few pages," Laura explains. "Then I'd prepare some questions for the end of each session to test us on what we'd learned. We started off saying we'd spend an hour per evening three nights a week, but it easily ended up as three hours, with our partners coming in with food for us. We'd also get together virtually one day at the weekend as well. All while working full-time."

It was a study programme that worked well, she says. "Because we were sharing the reading the concentration was there. Hearing someone else explain it as well as reading about it made the information clearer and sink in more. It also made us question how we would interpret different sections. The wording might resonate more with one person than another. It meant we were more engaged with the whole process."

The other result of studying as a group, she says was the way it affected the dynamic of the team. "It's made us the best of friends. We now talk regularly outside of work. And because of it the dynamic of the team at work is absolutely solid. We have a lot on at the moment and as a team we are working so much better."

The whole team decided to take the LIBF Diploma in Paraplanning, Laura explains, "because it meant we could all do it at the same time and support each other throughout. It made sense rather than each go a different RO route." Two advisers in the firm had been through the LIBF adviser qualification which also helped pave the way.

"I think the LIBF course is a really good baseline for a paraplanning team because we are all now Level 4 qualified and ultimately, I believe Level 4 is going to matter in order to be a paraplanner. And we can add additional exams to it too. It gives us opportunities now to look at specialisms we want to take individually, in terms of the career we want to pursue."

The LIBF course consists of two units and is assessed in three sections; each section must be passed to achieve the qualification. These are a multi-choice exam and two items of coursework. For 2021, the coursework included putting together a guidance leaflet for new IFAs for how to structure a suitability report, and a case study.

Laura says the team liked the LIBF course also because it was about imparting information, "in plain English, in a straight forward manner. I'm not an exam person and I felt the way the course and the exam were set out really made for a good learning experience. I for one appreciated that. We would do it again because it was such a good course."

She'd also recommend anyone doing any kind of qualification to study as a group. "As much as the exam process was stressful at times, doing it the way we did was a fun experience and we got so much more out of it studying as a group."

"I think the LIBF course is a really good baseline for a paraplanning team because we are all now Level 4 qualified and ultimately, I believe Level 4 is going to matter in order to be a paraplanner"

EMBRACING CRYPTO

Cryptocurrencies are soon to be part of asset portfolios for IFAs, suggests Richard Braidwood, co-founder Visible Capital

The FCA's recently published paper on the ownership of crypto assets was commissioned following heightened public interest in and media coverage of the growing cryptocurrency market. Perhaps at one time a territory which was seen to be dominated by 'techies', cryptocurrency is going seriously mainstream with the market becoming more 'normalised'. Fewer crypto users now regard them as a gamble (38% down from 47%) – more see them as an alternative or complement to mainstream investments.

The FCA research found that "78% of adults have now heard of cryptocurrencies" and there is "continued interest in the cryptocurrency market from the Government, the FCA, the Bank of England and the Payment Systems Regulator, including through the UK Cryptoasset Taskforce."

Hand-in-hand with the growing awareness, there is increased engagement, with the FCA's estimate for consumers holding cryptocurrency having risen to 2.3 million or 4.4% of adults, up from 3.9% in 2020. However, according to research carried out by Opinium across 200 UK IFAs, nearly all UK IFAs would never recommend clients invest in cryptocurrencies, despite 34% having had more enquiries about cryptocurrencies compared to last year. There's no doubt that after China's recent crackdown on the sector and bitcoin and other cryptocurrencies experiencing a major sell off, there is bound to be a wariness in the market.

Yet not all IFA firms feel the same way. Writing in *Professional Paraplanner*, just after the action by China, Nigel Green, CEO of the deVere Group, one of the world's largest financial advisory firms, was bullish on crypto. He said "for many investors, experienced and less experienced, the new lower prices triggered by the panic-selling, will be used as a key buying opportunity", and expressed confidence in cryptocurrencies' "long-term trajectory".

Here, I should also nail my colours to the mast. I have a long held interest in cryptocurrencies and believe it will not be long before they are recognised as legitimate assets, supported by appropriate regulatory authorities. Which is why I am convinced that now is the time for ambitious IFA firms to get a head start on getting to grips with cryptocurrencies and understanding what I believe will soon become a key part of their clients' portfolios.

Cryptocurrency is too big now to go away and regulation is imminent. IFA firms who respond to the growing interest being expressed by their clients and who are poised to take advantage of this emerging market will find themselves streets ahead of their competitors.

For those ready to take on the challenge and get themselves crypto ready, the Goldman Sachs white paper on cryptocurrencies as a new asset is a good place to start: www.goldmansachs.com/insights/pages/crypto-a-new-asset-class-f/report.pdf

Five reasons why

For five take home points on why investors are being driven towards cryptocurrencies, I couldn't agree more with Nigel Green's analysis, reported in *Professional Paraplanner*:

1. Inflation

Bitcoin is widely regarded as a shield against inflation because of its limited supply which is not influenced by its price.

2. Institutional support

There is growing investment from major institutional investors, bringing with them capital, expertise and reputational pull.

3. Regulation

Global financial watchdogs are increasingly looking into establishing a regulatory framework

4. Millennials

This digital-savvy generation has less trust in financial institutions and the decentralised nature of cryptocurrencies appeals to them.

5. Global business

When businesses operate in more than one jurisdiction there is huge value in digital, borderless, global currencies for trade and commerce purposes.

There can be no doubt that cryptocurrencies are the direction of travel. It's time to get aboard.

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 21/22, examinable by the CII until 31 August 2022.

1. In the Financial Conduct Authority's Handbook, what information must be given in a direct offer financial promotion? Tick all that apply.

- A Must always mention that tax treatments can change
- B Confirmation that the firm is regulated or authorised by the FCA
- C The firm's one-page product summary document featuring the FCA's logo
- D Details of any charges and expenses

2. If the value of the pound fell, what effect (if any) would this normally have on the share price of major exporters?

- A Share prices would fall
- B Share prices would be marked down
- C There would be no effect
- D Share prices would rise

3. A company has been paid 200,000 euros for goods and wants to convert this into pounds. If the GBP:EUR quote is 1.2503/8 what would the company receive?

- A £159,859
- B £159,897
- C £159,936
- D £159,961

4. Sacha has several personal pension plans with small fund values. In relation to the small pots payments rules, Sacha should be aware that: Tick all that apply.

- A He can take a maximum of three small pots payments from non-occupational schemes
- B He can take an unlimited number of small pots payments from non-occupational schemes
- C Small pots payments must be less than £10,000
- D Sacha must be over the age of 50 to commute his pension benefits for a lump sum

5. Which of the following categories of income is fully disregarded for care contribution assessment purposes?

- A Capital withdrawals from a capital investment bond
- B Income from a Permanent Health Insurance policy
- C Income from a mortgage protection policy
- D Attendance Allowance

6. A property is owned by Steve and Wendy as tenants in common. Steve dies while Wendy is in residential care, what is the position as regards the property?

- A Ownership of entire property passes to Wendy
- B Value of whole property is subject to Inheritance Tax
- C Stamp Duty Land Tax is payable on the conveyance between Steve and Wendy
- D 50% of the property goes to Steve's estate and passes subject to his will, 50% continues to be owned by Wendy

7.The interest rate that banks charge each other is currently known as the:

- A London Inter-Bank Offered Rate
- B Inter-bank Swap Rate
- C London Banks Swap Rate
- D The London Banks Offered Rate

8. When would a Capital Gains Tax (CGT) chargeable disposal be deemed to have taken place in the following scenarios?

- A Sian, a beneficiary under a trust, becomes absolutely entitled to the trust assets
- B James makes a gain of £120,000 on selling his main residence
- C A married couple changes ownership of their investment bond when one becomes a basic rate taxpayer
- D Peter dies and his antique car is passed to his son in accordance with his wishes

9. An important measure of strength of a life office is its:

- A Guaranteed products
- B With profit bonuses
- C Free asset ratio
- D Asset recovery statistics

10.Which element of the risk process is the following a description of? 'The client's personal opinion on the risks associated with making an investment, based on their prior knowledge and experience.'

- A Risk tolerance
- B Risk profile
- C Risk capacity
- D Risk perception

Your answers

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

Last issue's answers

Q	Answers	Reference material
1	A	CII R01 Study Text Chapter 11
2	D	CII R03 Study Text Chapter 2
3	D	CII R04 Study Text Chapter 6
4	B	CII R05 Study Text Chapter 9
5	D	CII J10 Study Text Chapter 14
6	A	CII J12 Study Text Chapter 1
7	B	CII CF8 Study Text Chapter 1
8	C	CII ER1 Study Text Chapter 2
9	A	CII R07 Study Text Chapter 6
10	A	CII R02 Study Text Chapter 2

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

prepare to pass
Brand
FINANCIAL TRAINING

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.

New presentations under our Investment Committee webinar series can be found on the *Professional Paraplanner* website under the Events tab or sign up via the *Professional Paraplanner* daily email.

Our next webinar

Date and time: 12 October; 10.30am
Infrastructure: The foundation for income and growth
Chris Cox of TIME Investments will look at how infrastructure assets provide an alternative for those in search of income.
Learning objectives

- Understand the importance of alternatives within the current market
- Identify the characteristics of the infrastructure asset class
- Recognise that infrastructure assets can offer exposure to defensive sectors and companies that provide essential services

TIME TO BUY BRITISH?

UK equities could be back in favour, argues Thomas Moore, Senior Investment Director, Aberdeen Standard Investments

Whether you prefer slip dresses with baggy sweaters and work boots, or bootleg jeans and beanies, there's no escaping the 1990s revival happening in fashion. That same longing for 1990s Cool Britannia seems to be taking hold of equity markets, as UK stocks, so long out of fashion, begin to move back up to heights not seen since Oasis topped the charts.

UK equities, so deeply out of favour ever since the hammer blows of the global financial crisis, the Brexit referendum and most recently the Covid pandemic, have finally – like puffer jackets and lumberjack shirts – begun to stage something of a comeback. The many years of depressed prices mean that UK equities currently look like a good opportunity for investors in search of value. There has certainly been growing interest in the asset class from private equity firms, who have even been accused of 'circling' the UK's listed names to make offers that can't be refused.

Offering value and yield

Compared with the US stock market, which has been consistently outperforming due to its heavyweight tech stock names, and has large-cap valuations well above their long-term averages, the UK equity market is trading just below its long-term average. This may explain the interest in UK-listed companies from private equity firms, as there is certainly more value on display in the UK than on the other side of the Atlantic.

In terms of dividends, 2020 was a very challenging year for the UK because of the huge impact Covid had. Some firms did not want to pay dividends during the uncertainty of the crisis, and others were forced by regulation to suspend these payments. However, dividend payments have now been reinstated and are generally back at sustainable levels, and in some cases, companies will be paying extra 'catch-up' dividends. Overall, the FTSE All Share is currently yielding 3.5% – a useful protection against inflation as the cost of living rises.

What has changed?

There is no doubt that investors across the globe have been cautious on UK equities ever since the Brexit referendum in 2016. However, now that the UK's post-divorce relationship with the EU is clearer, the appetite for UK stocks is beginning to recover. Plus, there are the added incentives to economic growth of the rollout of effective vaccines in the fight against Covid and generous stimulus from central banks and governments.

Investors are once again re-engaging with a market that is, at its core, cyclical and value-orientated – in other words, the type of market that could benefit from both the pent-up demand and the high levels of savings that have been caused by lockdowns. As Covid restrictions ease up and down the country, spending should increase, along with the optimism of businesses and consumers.

Record M&A levels

So far, 2021 has been a record year for the UK in merger and acquisitions activity, as private markets take advantage of the value offered by UK equities. In the first half of the year, 124 takeovers and purchases of minority stakes were carried out in deals worth around £41.5bn.

Almost half, 47%, of European private equity deals in 2021 have targeted UK companies. With the FTSE All Share trading at around 14 times earnings in contrast to the MSCI World index, which is at 20 times earnings, we may be heading towards the biggest year for UK private equity takeouts since 2007.

One recent example is Tencent's acquisition of UK-based games developer, Sumo, which saw a 43% premium paid to shareholders. This is only one of a significant number of deals in the last 12 months and there's no sign of a slowdown in deal pipelines. Other major companies involved in takeover offers are infrastructure company, John Laing, share registrar, Equiniti, and supermarket chain Morrisons.

Recovery signposts

It is 20 years since UK equities traded at such low P/E levels compared to their global peers. For investors, the benefits of investing in UK equities are that British-headquartered companies have world-class governance standards in place and the level of M&A activity suggests that there is considerable value available.

The UK economy does appear to be emerging in a robust condition from the downturns caused by Brexit and the pandemic. Regardless of your taste in fashion, or your memories of the 1990s, it may once again pay to buy British.


For investment professionals only
A sustainable future demands real engagement
It's easy to talk about sustainability. But, to make a real difference, we truly engage with companies to influence behaviour. From cutting coal financing to focusing on renewable opportunities, our active ownership is making a positive and meaningful difference to the planet, and to portfolios.
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WHERE NEXT FOR COMMODITIES?

Cool down or supercycle – which commodities camp are you in? Darius McDermott, managing director, FundCalibre, provides his point of view

It's been nothing short of a rollercoaster for investors in commodities in the past 18 months. Demand is the buzzword for this asset class, so the unprecedented lockdown we saw across the globe in 2020 hit hard, particularly for oil and industrial metals. Fast forward to early part of this year and the hope was that a better-than-expected economic recovery, coupled with other longer-term trends, could result in another supercycle.

Today, things seem slightly more muted, as concerns about the the Delta Variant and the continued cooling off of the Chinese economy have slowed momentum. There's an argument we are now in the midst of a mid-cycle slowdown, but it's by no means a unanimous view. The commodity bulls are still talking about the threat of the inflation trade – and with central banks continuing to spend their way out of trouble through the likes of improving infrastructure (creating jobs along the way), the asset class clearly retains its attractive attributes.

When we look at commodities, we tend to split them into four areas - precious metals, industrials metals, energy and agriculture.

Gold and silver are the logical starting point. Topping $2,000 an ounce for first time in 2020, the performance of gold has been somewhat incongruous in this year. Arguably, the mix of high inflation and lower bond yields should cultivate the perfect environment for gold investing. However, that's not really been the case (although at over $1,800 an ounce it is hardly cheap relative to history[1]). One theory is the gold price overshot on the back of the pandemic as investors ran for cover. Whatever your view on this, we would argue you should continue to hold an allocation to gold in your portfolio as a super long-term hedge, particularly if inflation takes off in these strange times.

Silver was then the place to be coming out of the sell-off and, although we've already seen strong gains, we still favour it as it plays into a number of the renewables trends and has a strong industrial demand.

Oil suffered a double blow of demand falling due to the global lockdown and the price war between the Saudis and Russia in 2020. The price of a barrel of oil turned negative at one point, but has since recovered to around $70[2]. Pessimists would point to long-term challenges for this fossil fuel in particular, with the likes of fracking and technology changing the game for long-term demand. Anything between $40-70 a barrel does not seem too far off the mark long-term.

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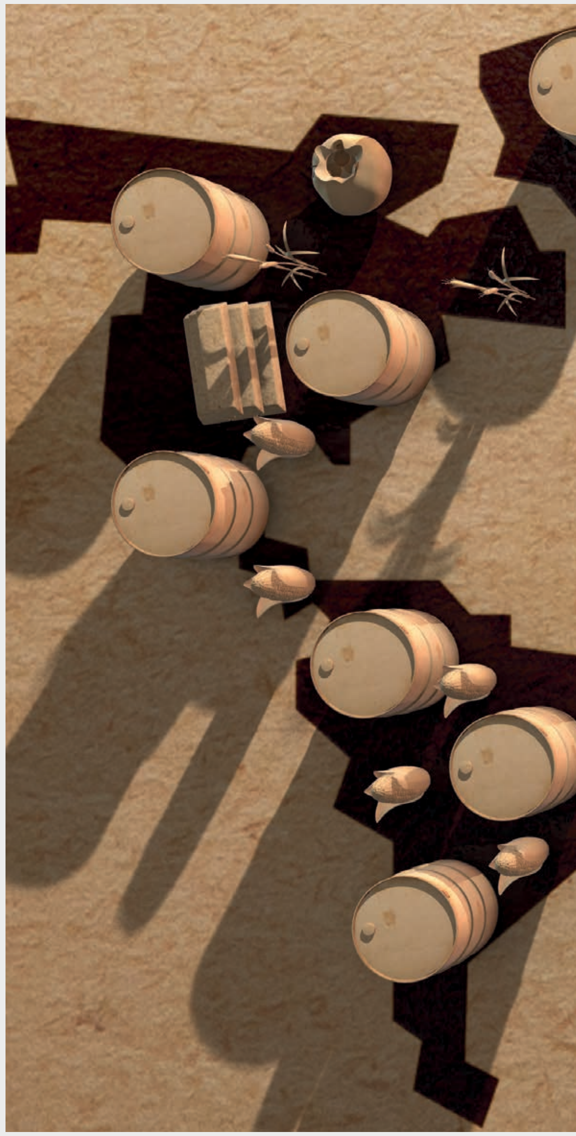

One area we are bullish on long-term is industrial metals, particularly as the transition to cleaner energy gathers pace. Infrastructure will only grow in this space, with President Biden's recently approved $1 trillion infrastructure bill a good example of this. Electrification is happening on a global scale too. Take copper for example: earlier this year, the International Energy

Agency (IEA) sounded the warning bell on the global supply of key minerals—particularly copper to "support an accelerated deployment of solar panels, wind turbines and electric vehicles." Goldman Sachs predicts that by 2030, copper demand will grow nearly 600 per cent to 5.4 million tons[3]. The IEA also says the demand for lithium (a key component in electric cars) will grow more than 40 times by 2040, while cobalt and nickel will rise by 20 times[4].

The agriculture story remains as long-term as ever. The population is growing – meaning more mouths to feed – as is the requirements of a rapidly growing middle class. To put this into context, there is a 56 per cent food gap between the crop calories produced in 2010 and those needed in 2050 in normal growth conditions[5].

While there is no doubt there is a global desire to improve infrastructure and move to a greener economy, ultimately, China still accounts for over half of the international demand for commodities[6]. Any hopes of a supercycle are therefore likely to be tied to the fortunes of the Chinese economy.

It's almost impossible to consider commodities as one pure asset class today – given the dispersion we have in terms of our outlook for each sub-class. China is likely to be the key to a short-term supercycle but the long-term drive towards improving infrastructure – and a greener focus - does bode well in the longer-term. Investors may want to consider the likes of Jupiter Gold and Silver and the Ninety One Global Gold funds for exposure to precious metals. Those wanting exposure to industrial metals may like the Fidelity Asian Pacific Opportunities fund or the ASI Latin American Equity fund.

[1] Source: tradingeconomics.com
[2] Source: Oilprice.com – Brent Crude at 3 September 2021
[3] Source: Forbes.com
[4] Source: IEA.org
[5] Source: World Resources Institute
[6] Source: Fidelity – China, commodities and the 'supercycle'

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.

MARKETS ROUND-UP

Mark Rimmer, fund manager, Multi Manager funds, Premier Miton Investors, discusses performance of global markets and where the multi-manager funds have been focussing

Over the summer global equity markets have continued to perform well in the risk-on environment, supported by continued progress on the vaccination rollout and the re-opening of economies.

Markets have also been supported by very decent corporate earnings. Furthermore, equities were buoyed by reassurance from the US Federal Reserve, that while they would likely soon begin to reduce, or taper, their massive purchases of government bonds and mortgage-backed securities, an actual hike in US interest rates still remained a long way off as their goals for employment had not yet been reached. Lastly, a US infrastructure bill was passed which served to boost sentiment.

We have maintained an overweight stance to UK equities since the start of the year, as the valuations were attractive in this out-of-favour market, and our funds have continued to reap the benefits, with the FTSE All-Share Index returning +14.7% to the end of August.

In addition, smaller companies have continued to surge ahead, delivering returns in excess of 35% over the same period, with our funds benefiting from a tilt in this direction, while also boosting the argument for active managers versus trackers. The UK economy has recovered more quickly than expected, in part due to the successful vaccination programme, while UK dividends have also continued to recover faster than many anticipated, which bodes very well for income.

European equities initially lagged, then rebounded once the vaccination effort gathered steam, while US equities have fared well on the back of firm economic data and a generally strong vaccination programme. In contrast Japanese equities have been subdued, held back by a slower rollout of the vaccine, but more recently have seen some recovery following the resignation of the Prime Minister, with elections to be held shortly and hopes for more economic stimulus.

An area that has noticeably underperformed is a previous star performer, namely Chinese equities, as the authorities have announced a raft of regulations. In the first instance, new regulations were just aimed at the private education sector, as this is deemed to be fostering inequality. However, since then there has been a much wider crackdown on the tech sector, especially internet names, as well as the gaming sector. This had led to a sharp sell-off in many of the 'growthier' tech names, but fortunately this is precisely the area of the market that we have been avoiding due to already stretched valuations here. So while not immune, our Asian ex-Japan holdings have been relatively little impacted.

After a sharp sell-off at the start of the year, gilts then recovered some ground over the summer as the delta variant picked up. More recently gilts have weakened again, with yields heading higher from their paltry levels, as the Bank of England has adopted a more 'hawkish' stance, indicating that a modest tightening in rates may be necessary within the next two years. Indeed, year to date as measured by the FTSE All Stocks Index, gilts have returned -3.9% to the end of August, thus underperforming UK equities by over 18%. We have maintained very low duration positioning in our bond holdings, and therefore have largely been well-protected from this sell-off. In fact our bond funds, largely focused on specialist credits with low maturities, have performed well so far this year, and have also delivered an attractive level of income.

Furthermore, following strong performance from our credit holdings in the second half of last year, earlier

this year we reduced many of the corporate bond holdings. Much of the proceeds from here were used to increase exposure to specialist areas of the UK commercial property market, such as primary healthcare facilities which offer solid dividends, and these holdings have performed well.

Going ahead, we remain cautiously optimistic on the outlook for equities given the broadly successful vaccination programmes being rolled out, while the ongoing record low interest rates and various monetary and fiscal stimulus measures implemented globally will likely also remain supportive for equity markets. That said, we need to be mindful of just how far markets have come, and while the summer months have seen generally strong corporate earnings reports which have buoyed markets, the next round of earnings reports will be keenly awaited.

The UK equity market has performed well, but we retain an overweight as valuations remain appealing and dividends continue to recover more quickly than anticipated, which leaves us optimistic on the outlook for income here. The funds maintain low interest rate sensitivity to bonds, and we are focusing on low maturity specialist credits, while we continue to favour niche property funds and believe our income funds can continue to provide an attractive level of income.

The UK economy has recovered more quickly than expected, in part due to the successful vaccination programme, while UK dividends have also continued recover faster than many anticipated

SECTOR CONSIDERATIONS
This month's look at a specific sector can be found on the *Professional Paraplanner* website.

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 August 2021, provided by FE Fundinfo

BEST RATED FUNDS

IA

Fund	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Morgan Stanley US Growth	137.25	✓	5
Baillie Gifford Long Term Global Growth Investment	134.02	✓	5
Morgan Stanley US Advantage	99.94	✓	5
GAM Star Disruptive Growth	98.23	✓	5
Baillie Gifford Pacific	94.41	✓	5

AIC

Fund	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Scottish Mortgage	148.26	✓	5
Baillie Gifford Pacific Horizon	144.87	✓	5
BlackRock Greater Europe	99.59	✓	5
Aberdeen Fund Managers Dunedin Income Growth	50.26	✓	5
Personal Assets Trust	28.35	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA

Fund	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
iShares Global Clean Energy	159.65	197
Baillie Gifford American	149.97	167
Baillie Gifford Positive Change	140.3	116
Multipartner SICAV Baron Global Advantage Equity	137.7	141
Morgan Stanley US Growth	137.25	174

AIC

Fund	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
Starvest	588.89	352
Independently Managed Adams	405.79	507
Edge Performance VCT	379.23	278
Seneca Growth Capital VCT	261.47	326
Belvoir Group	253.72	218

RISKIEST SECTORS

IA

Sector	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
North American Smaller Companies	43.04	112
China/Greater China	34.49	105
Japanese Smaller Companies	18.12	104
Technology & Telecommunications	92.04	96
UK All Companies	16.95	94

AIC

Sector	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
China/Greater China	74.72	158
VCT Specialist: Media, Leisure&Events	19.56	147
North American Smaller Companies	33.46	144
Infrastructure Securities	78.24	137
UK Equity & Bond Income	13.08	134

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
State Street UK Scrend Idx Eq	7,407.77	171.82	-148.39	-7,087.55
Liontrust Japan Equity	26,394.16	29,904.54	9,349.80	-5,839.42
Invesco Global Targeted Returns (UK)	7,423.98	2,304.81	-65.50	-5,053.67
BlackRock NURS II Overseas Equity	2,348.76	239.00	392.52	-2,502.27
M&G Japan	20,261.90	26,521.83	8,527.71	-2,267.78

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
BlackRock ACS US Equity Tracker	5,112.06	16,951.34	3,371.07	8,468.22
SPW MM Global Investment Grade Bod	0.00	3,149.88	77.00	3,072.88
BlackRock ACS Climate Trans Wld Eq	251.07	4,284.78	1,000.16	3,033.55
BlackRock ACS UK Equity Tracker	6,469.97	12,207.26	2,750.65	2,986.63
Vanguard LifeStrategy 60% Equity	8,595.79	12,786.70	1,435.31	2,755.61

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

Technology & Telecommunications
92.04

North America
49.82

North America Smaller Companies
43.04

UK Smaller Companies
42.41

Global
42.27

AIC

VCT Specialist: Health & Biotech
94.41

Infrastructure Securities
78.24

Property UK Logistics
76.7

China/Greater China
74.72

Technology & Media
70.64

MOST RESEARCHED

	IA		AIC
1	Global	1	Global
2	UK All Companies	2	UK Equity Income
3	Unclassified	3	Flexible Investment
4	Mixed Investment 40-85% Shares	4	Private Equity
5	Volatility Managed	5	UK Smaller Companies

MOST VIEWED FACTSHEETS

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Scottish Mortgage Investment Trust
2	Fundsmith Equity	2	Smithson Investment Trust
3	Baillie Gifford Managed	3	Impax Environmental Markets
4	Vanguard LifeStrategy 40% Equity	4	International Public Partnership
5	Liontrust Sustainable Future Managed	5	Monks Investment Trust

MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Scottish Mortgage Investment Trust
2	Vanguard LifeStrategy 80% Equity	2	Smithson Investment Trust
3	Vanguard LifeStrategy 40% Equity	3	Edinburgh Worldwide
2	Fundsmith Equity	4	Impax Environmental Markets
5	Vanguard LifeStrategy 100% Equity	5	Monks Investment Trust

STRUCTURED PRODUCTS

STRUCTURED PRODUCT MATURITIES JULY-AUGUST 2021

From this month Professional Paraplanner is publishing maturities data for the 'Preferred Plans' selected for clients by Lowes Financial Management, publisher of StructuredProductReview.com

Provider	Maturity Date	Term (Yrs)	Underlying	Change in underlying %	Plan Gain %
FOCUS Structured Solutions	12/07/2021	6	FTSE 100 Index / EURO STOXX 50 Index	6.77*	64.00
Societe Generale	19/07/2021	6	FTSE 100 Index	1.02	60.00
Investec	19/07/2021	4	FTSE 100 Index	-5.24	29.00
Investec	20/07/2021	6	FTSE 100 Index	0.01	35.95
Investec	29/07/2021	2	FTSE 100 Index	-7.91	14.00
Reyker Securities	30/07/2021	6	FTSE 100 Index	5.02	50.18
Walker Crips**	02/08/2021	2	FTSE 100 Index	-4.39	16.60
Walker Crips	04/08/2021	4	FTSE 100 Index	-5.16	26.00
Investec	16/08/2021	3	FTSE 100 Index	5.62	23.10
Dura Capital	16/08/2021	2	FTSE 100 Index	0.09	14.00
Mariana	18/08/2021	4	FTSE 100 Index	2.11	29.52
Mariana	23/08/2021	2	FTSE 100 Index	0.20	23.50
Investec	23/08/2021	4	FTSE 100 Index	-2.70	30.00
Investec	23/08/2021	4	FTSE 100 Index	-2.70	28.80
Investec	23/08/2021	4	FTSE 100 Index	-2.70	26.00
Societe Generale	31/08/2021	6	FTSE 100 Index	14.00	65.00

*Worst performing Index - FTSE 100 Index ** Lowes Exclusive Plan

Source: StructuredProductReview.com