Professional Paraplanner

The magazine for paraplanners and financial technicians

March 2022

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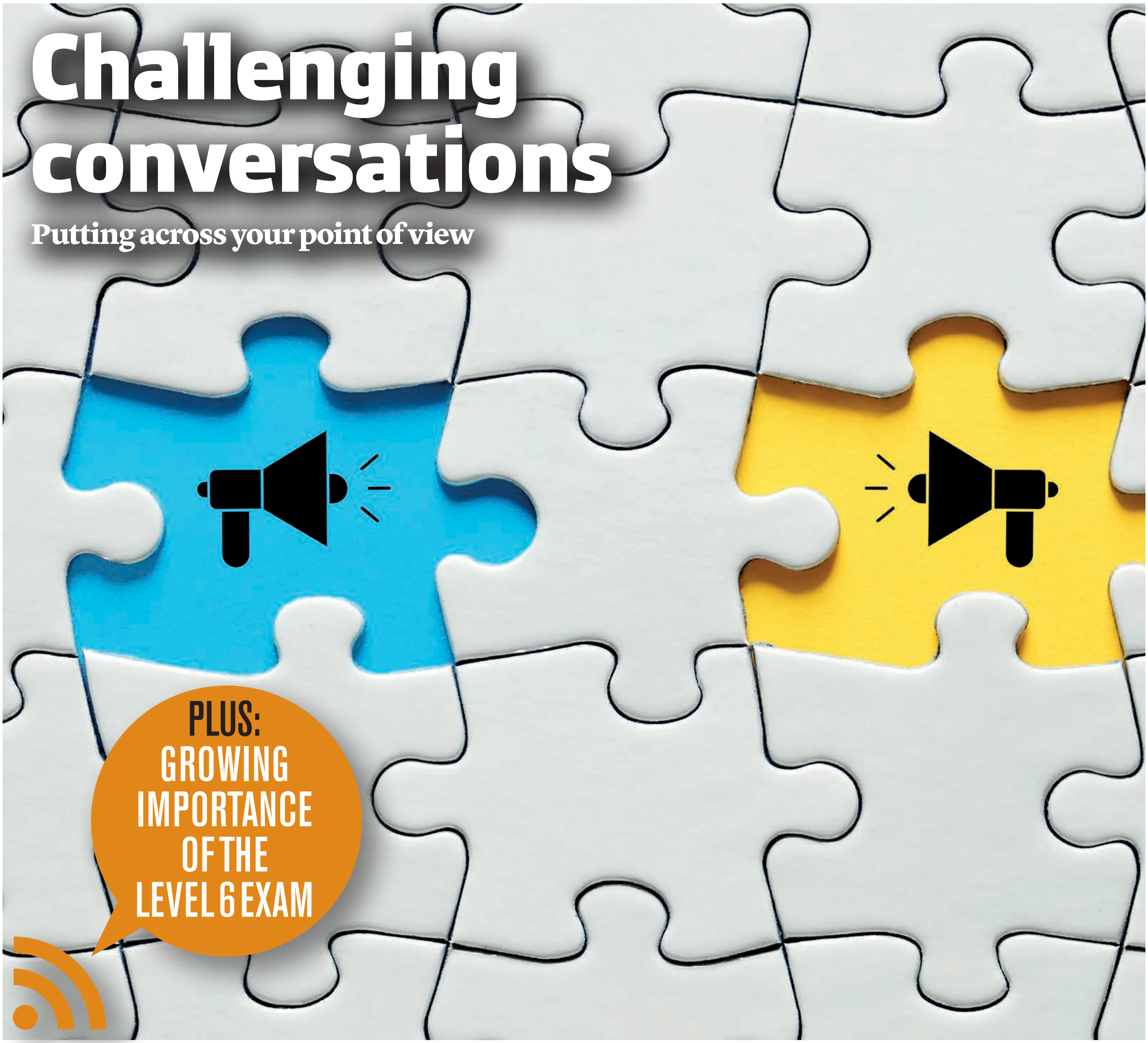
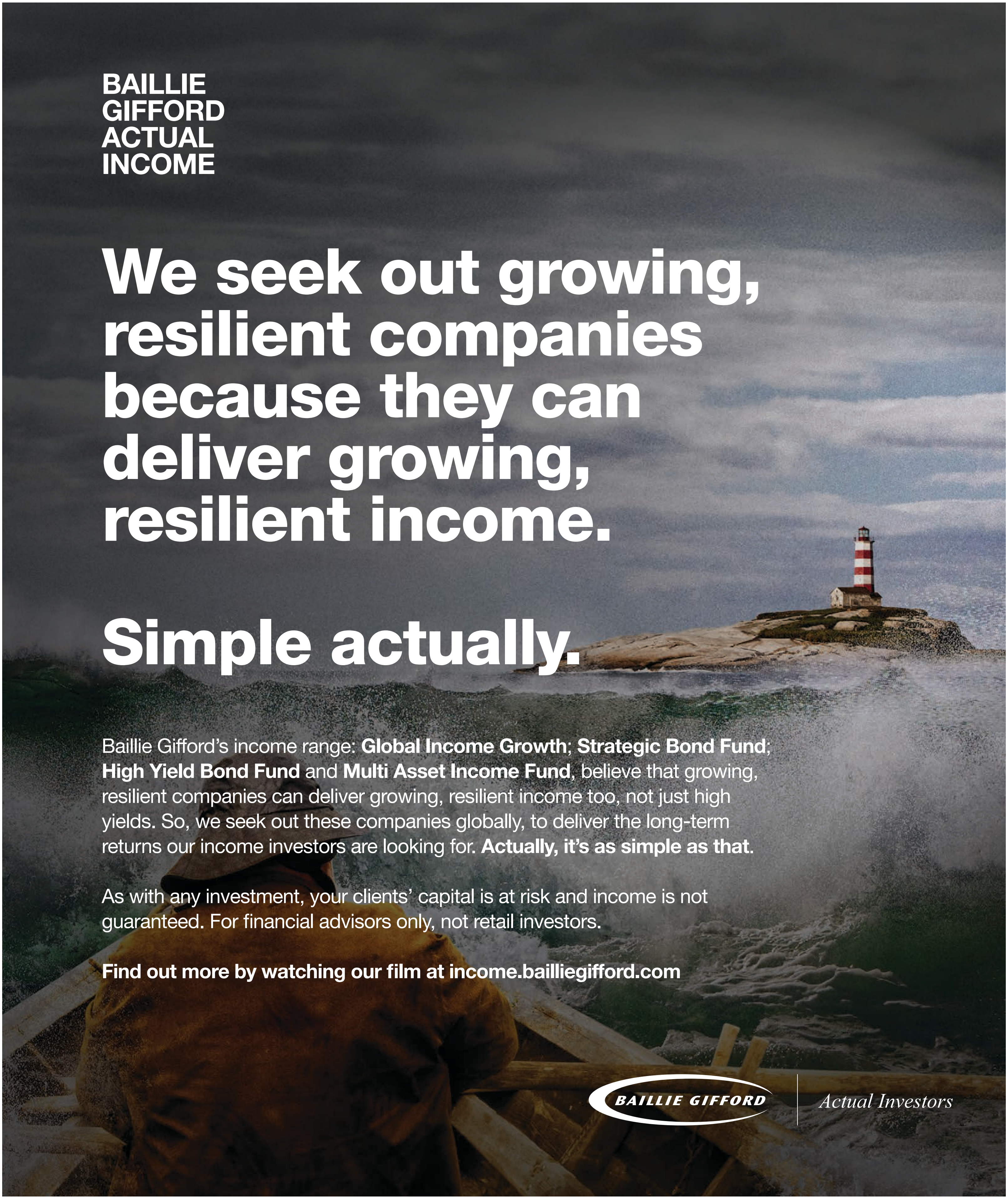


PLUS: GROWING IMPORTANCE OF THE LEVEL 6 EXAM



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SECURING COMMS

It's not often that I have to send personal or sensitive documents via email but, along with a growing number of people that I speak to, I am becoming increasingly conscious of the need for the industry to better secure its emails.

Reports of advice firms being duped by email hackers into making payments from client accounts, provide examples of how things can go very wrong.

A contrasting issue is where advice firms want to send client details via encrypted emails only to be told their providers are not to be able to accept them.

A more common problem, and one highlighted by the Information Commissioner's Office (ICO), is emails being sent to the wrong recipient.

How many people do you know who have, at some time, sent an email to the wrong person, copied in someone they didn't mean to or copied in a response to 'all' by mistake?

Email systems that proffer a selection of email recipients or prompt with an address as the user is typing, may seem helpful but the wrong click can add the wrong address and in a busy office the email is away before it can be stopped.

Sending a hasty recall doesn't mean the email hasn't been read, nor does a legal disclaimer at the bottom of an email recover the error.

With correspondence increasingly moving to digital, and greater attention being paid by the regulators to consumer data privacy, this is an issue that is rising up the agenda across the industry – not least as there is corporate and personal liability, as well as responsibility under the senior managers and certification regime.

Providers are recognising the need to put in place sound email protocols. Aegon and Royal London, for example, have implemented two-factor authentication, encrypted email as part of their communication protocols – they use the Origo Unipass Mailock system.

Using a military-grade encryption service secures the email in transit, while also ensuring that only the intended recipient can access the email and that the recipient knows it comes from a trusted source. Security can be provided via password and/or a challenge question. It can also create an audit trail of when the email was sent and opened, so the sender knows when the email has been read, which is useful for compliance purposes.

The industry's customers expect their information to be kept safe. Email security is just part of the range of security protocols that companies must now employ but it is an important one.

And once set up, it soon becomes a part of working practice.

Rob Kingsbury,
Editor, *Professional Paraplanner*
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Live events 2022

In early February, *Professional Paraplanner* hosted our first live Technical Insight Seminar of 2022 in London. It was good to be back in front of an audience of paraplanners and to team up again with our presenters and workshop leaders. In the sessions I attended there were plenty of questions asked and the positive feedback was just what we needed after two years of being forced off the road.

Happening so close to the end of the government restrictions, for a time it was touch and go as to whether the event would go ahead. So a big thank you to everyone who was able to attend.

Topics covered included intergenerational planning, discretionary wealth management, the growing case for alternatives, business and pension planning, pension transfers, and RO exam tools, tips and insights.

We are now looking forward to taking the Technical Insight Seminars and more speakers around the country over the course of the year and meeting more paraplanners face-to-face.

Technical Insight Seminars 2022

27 April: Exeter, Woodbury Park
18 May: Birmingham, Crowne Plaza
9 June: London, ETC Venues, Fenchurch Street (including Awards)
22 June: Southampton, Hilton at the Ageas Bowl
14 September: Edinburgh, Waldorf Astoria
5 October: Manchester, Midland Hotel
19 October: Leeds
9 November: Bristol, Aztec Hotel & Spa

We will be announcing the Professional Paraplanner Awards 2022 in early March. Keep an eye on our daily email for details of the Awards categories and how to enter. The winners of the awards will be announced at a ceremony after the Technical Insight Seminar in London on 9 June 2022.

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In this issue...

CPD for the magazine can now be found on our website under the Development tab

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Ro FOCUS

Alex Langhorn, head of Business Support, BTS reflects on candidate experiences from the January sitting of the R06 remote exam

The first R06 exam sitting of 2022 took place on Tuesday 26 January. As candidates across the country wait with bated breath for results day on the 4 March, we have been hearing from a significant number who experienced issues and glitches with the on-screen exam system.

Now, the CII have offered on-screen remote sittings since mid-2020, so why are candidates still experiencing system issues? There appear to have been so many complaints and issues raised that the CII have started up an action group to look into this further. In this article we look at some real-life candidate experiences of exam system issues from the January R06 sitting to find out more about the sorts of things that can (and do!) go wrong. Then, perhaps more importantly, we offer some advice on what candidates can do if things go awry on the day of the exam.

Problems with pre-exam checks

Sitting an exam remotely involves various steps in setting up your exam to enable the system to accurately record both the candidate and the environment that they are taking the exam in, these include:

- downloading a secure browser
- doing a room scan using the webcam
- doing a mirror check to show the 'blind spots' at the edges of equipment (sides of the screen, keyboard and webcam)

There isn't a real, live person invigilating the exam. Candidates are recorded throughout the exam time by the PSI remote proctor system. There is plenty of guidance available on the CII website to prepare candidates for the steps involved in setting up for the exam. But how consistently are these steps applied?

Juan, a diligent R06 candidate got in touch to tell us about his worrying exam experience. "I did the usual photo of my ID, room scan and photo of me, expecting

Don't wait for the PSI to report a problem with your exam sitting, get it logged with the CII as soon after the exam as you can. Its unlikely to be an issue, but better to be safe than sorry

to then do the webchat with the remote proctor as I have in previous exams. On this occasion I was launched straight into the exam which caught me a little off guard. My blank paper wasn't checked, and I wasn't asked to carry out a mirror check."

Should Juan be worried? Following his exam, he immediately picked up the phone to speak to the CII and followed up with an email (we said he was diligent!) The CII reassured him that, as he had contacted them immediately after the exam, his experience would be logged and should not affect his exam.

BTS top tip: Don't wait for the PSI to report a problem with your exam sitting, get it logged with the CII as soon after the exam as you can. Its unlikely to be an issue, but better to be safe than sorry.

Problems getting into the exam

Mustafa got in touch to express his concern after he experienced over an hour delay getting into his exam. "After logging in successfully, the system didn't show me the exam. I rang the PSI helpdesk number, but they couldn't locate my exam booking. I then rang the CII who were able to confirm my booking but couldn't explain why my exam wasn't visible. In the end I had to install the software again and login with a new username issued by the CII over the phone. I completed the exam as best I could but the problems getting logged in impacted the amount of time that I had."

Delays to the start of the exam, as you can imagine, can feel hugely stressful.

BTS top tip: BTS advise candidates to log any issues and start-time delays with the CII immediately after the exam. The CII can award a special consideration % exam mark uplift where candidates experience system issues that impact the amount of time they have to complete the exam.

Problems during an exam sitting

There are quite a few rules for candidates to abide by when sitting an exam remotely. For example, speaking aloud or even mouthing the words to questions whilst reading is also prohibited. So, what happens when a candidate experiences a problem once the exam has started? Jennifer, another diligent candidate, told us about her exam experience when she had to call the CII helpline when her exam had already started.

Jennifer is entitled to extra time for dyslexia, but when her exam started, she noticed that the timer did not include this additional time allowance. She immediately rang the help number was told that the timer might add the additional time at the end (which it didn't). Jennifer was also alarmed to hear that her exam might be voided by the PSI proctor as she had used the phone during the exam.

Luckily, Jennifer has documented her full experience with the CII, and all credit to the examining body, Jennifer's issues have been escalated to their Director of Exams and are being treated with the gravity they deserve.

BTS top tip: All exams are recorded, so if a call is made to the PSI helpdesk due to systems or other exam issues this will not result in a candidate's exam being made void.

Final BTS tip: Have the PSI and CII helpdesk numbers to hand before starting an exam plus your CII PIN number. Make sure to log your experience via the proper channels as soon as you can. The system isn't perfect, but the customer support teams are there to assist you should you fall foul of issues on the day.

About Bespoke Training Solutions

Bespoke Training Solutions (BTS) have been supporting regulated exams for 18 years, specialising in R0 support with outstanding candidate tracked results and feedback. Resources include digital and printed study guides, group and 1:1 training, e-Learning modules and a mobile app R0 Study Buddy which provides practice exam questions. Visit www.bespoketrainingsolutions.com to learn more on how BTS can help you on your regulated journey.

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INTEGRAL TO SUCCESS

Sharon Hamilton, head of Paraplanning at Chase de Vere, considers the development of the paraplanning team within the firm and how this affected her own career progression

Sharon winning the 'Woman of the Year - Paraplanning' award

The role of the Paraplanner at Chase de Vere has gone through transformational change over the past decade. Once perceived as an additional resource to be utilised by a select number of advisers, the paraplanner team now plays a key role in the business, providing invaluable support to all of the company's advisers, which in turn allows them to spend more time on client relationships and the delivery of a highly personalised advice service.

The company itself has been on a progressive journey since the appointment of Stephen Kavanagh as chief executive in 2010. He has orchestrated a longer-term strategy, with a focus on enhancing the client proposition, delivering truly independent financial advice and ensuring that the necessary infrastructure is in the place to provide the company with a more robust and sustainable future.

This included a re-evaluation of the role of the paraplanner. The results of this approach are self-evident, with the company producing best-ever business performance figures and attaining exceptional client feedback.

In 2012, Chase de Vere had just 10 paraplanners, and they were assigned to a limited number of advisers, typically those with larger and more affluent client banks.

The paraplanners in the business reported into Adviser Managers, who perhaps didn't have the best understanding of the paraplanner role, other than considering it as a simple add-on to the financial planning process.

Transformation underway

By 2016, Chase de Vere had 48 paraplanners and introduced Regional Paraplanner Managers. These managers had a much better understanding of the paraplanner role and the benefits it can provide for a business.

I joined Chase de Vere as Regional Paraplanner Manager for the North in 2016, and I managed the paraplanners across seven of the company's offices. While the introduction of these roles was a big step forward, my fellow Regional Paraplanner Managers and I still reported into Adviser Managers. This changed in April 2020, when I was promoted into a newly created role as Head of Paraplanning.

Since then, our paraplanners have reported into our Regional Paraplanner Managers and our Regional Paraplanner Managers have reported into me. I report directly into our Executive team.

The key purpose of my role is to manage, motivate and develop my team to ensure that our paraplanners deliver consistent high quality written advice and provide technical research services to the company's 200 private client advisers, to assist them in providing exceptional levels of advice and service to our clients.

> ***"As a business, we're very keen to provide career development opportunities for our employees, and that's no different amongst our paraplanner ranks"***

Becoming one team

When I was promoted into the Head of Paraplanning role, our three regional paraplanning teams all worked differently to each other and weren't operating effectively as one team.

I established a Paraplanner Business Standards Group, in which I am joined by my Regional Paraplanner Managers and nine senior paraplanners from around our offices. We are focused on promoting consistency across our business and this has really brought everybody together, working as one team with one consistent approach.

This was demonstrated during lockdown when our paraplanners were able to support advisers who were based in different regions. We showed that, by all working in the same way, with consistency of

Sharon and Adele Egan

reporting and greater transparency, we can support advisers no matter where they are based. This means we can allocate our paraplanners to wherever they are most needed. For example, we've had paraplanners in Glasgow supporting advisers in Bath.

I've also set up a Senior Paraplanners Forum, which allows our senior paraplanners to discuss and share best practice and to bring ideas with one voice to the Paraplanner Business Standards Group. This has given the opportunity for them to step forwards and make a real input into how we deliver our service to our advisers and ultimately our clients. The result has been increased efficiency, improved business quality numbers, better productivity and more of our paraplanners progressing their careers within our business.

I wanted to do more to support the personal development of our paraplanners. I've developed and implemented systems to identify and understand their individual training needs and work closely with our Professional Development & Training team to develop training courses for new joiners and provide targeted technical training for existing paraplanners. We've now taken this a step further by recruiting a Paraplanner Development Manager to provide dedicated training, coaching and development for our paraplanners.

I'm a big believer in working with and mentoring and developing my team members. I've done this with many colleagues including Adele Egan, who was recently promoted into my previous Regional Paraplanner Manager role, Cheryl Manson who is a wonderful senior paraplanner and Sophie Butterworth who is developing into a fantastic financial adviser.

I'm also trialling a two-year Apprenticeship Programme using an external training provider. The candidates have on the job training while taking their professional examinations and benefiting from external mentors. The first two candidates are progressing really well and will be fully qualified paraplanners and potentially budding advisers of the future. My intention is to roll out the programme to colleges and universities to attract new talent into the industry.

Supporting experienced paraplanners

I am determined that we continue to support our paraplanners, helping them to develop their knowledge and skills and giving them a voice in terms of how we work. We've also reviewed and updated our benefits package, including introducing hybrid working, to make sure it's competitive in the market.

As a business, we're very keen to provide career development opportunities for our employees, and that's no different amongst our paraplanner ranks. While we have many 'career' paraplanners who we want to retain and support, we have other paraplanners who are keen to gain further experience and qualifications before moving into an adviser or management role. We are able to facilitate this at Chase de Vere and, in the two years of my tenure as Head of Paraplanning, six paraplanners have become advisers, with more following shortly, and two have moved into management roles.

The results of our progress are very pleasing. The fantastic work that our paraplanners undertake is hugely valued by our senior management and advisers alike. They're playing a key role in helping the business to become more efficient and provide a high-quality service to our clients. This is reflected in the performance of the business, the productivity of our advisers and the feedback from our clients. We have 'Excellent' ratings on Trustpilot and an exceptional Net Promoter Score of more than 70.

We are not standing still. We now have 85 paraplanners in our business and are actively recruiting 10 more experienced paraplanners across our Birmingham, Glasgow, Leeds, Liverpool, Manchester and Newcastle offices.

Chase de Vere has exciting plans to grow further, both organically and through acquisition. Our paraplanner team is recognised as having played a key part in our success to date and, with the giant strides that we've made, will have an integral role to play in the company's successes in the future.

PENSIONS BENEFICIARY

Your client has inherited a pension – what next? Jessica List, pension technical manager, Curtis Banks, considers the options available and the factors to consider

Since the pension freedoms, we often talk about the planning opportunities relating to death benefits from defined contribution (DC) pensions. This is particularly true where clients have SIPPs, which tend to offer more of the flexibility afforded by the rules. Less often, perhaps, do we discuss the planning opportunities from the perspective of the beneficiaries: what they might need or want to consider when they receive their inherited funds. This is especially important where a beneficiary's options are limited; perhaps as a result of the deceased client's plans not quite working out as expected.

Pitfalls

The death benefits rules are flexible, but also complex with lots of ways to get caught out. If clients don't plan carefully, it can make things harder for their beneficiaries. The main potential pitfall is the notoriously tricky set of rules that determine when beneficiaries' drawdown is permitted within the legislation. Beneficiaries who were either nominated on the deceased's expression of wishes, or who meet HMRC's definition of a dependant, should be eligible for beneficiaries' drawdown. Beneficiaries who did not meet either of those conditions would only be eligible for drawdown if the deceased did not have any dependants and had not nominated any people or charities on an expression of wishes.

Providers will also have their own rules and conditions which may hinder a person's plans for their beneficiaries if not carefully considered. This could be something quite general, such as a provider simply not offering beneficiaries' drawdown. However, there could also be more obscure potential issues, such as a provider not opening plans for overseas residents and applying this condition to beneficiaries' drawdown cases as well. These aren't necessarily the first things people think to consider when making plans to pass on their residual DC wealth; they can easily only come to light when the death benefits are being paid.

The death benefits rules are flexible, but also complex with lots of ways to get caught out. If clients don't plan carefully, it can make things harder for their beneficiaries

Considerations for beneficiaries

Ideally clients and their beneficiaries will all be working with an adviser to avoid the above-mentioned issues. However, it's also possible that beneficiaries will seek advice for the first time only after inheriting their funds and may be looking for help regarding the options available and the factors to consider.

The flexibility and tax efficiency possible within the current rules mean more people now plan to leave money to children and grandchildren rather than (or as well as) their spouses and partners. This means more working age people inherit funds they might not immediately need, which introduces new planning options and considerations.

For example, if a working beneficiary inherits funds in beneficiaries' drawdown, they might assume the best course of action is leaving the money untouched, using it to boost or jump-start their own retirement savings. However, leaving inherited funds untouched might not be the optimal way to

achieve this goal. For some, it may be more tax efficient to use withdrawals from the inherited funds as income, while increasing their own pension contributions from their earnings. This could allow the beneficiary to make greater use of any matched contribution offer from their employer, as well as potentially save on income tax and National Insurance contributions on balance.

There are potential drawbacks to consider too. Beneficiaries in this position would, over time, be reducing a pool of money that would be readily available when needed, in exchange for increasing savings that would be tied up until they reached pension age. Some beneficiaries may want to keep at least some of the inherited funds in beneficiaries' drawdown to be available for large future costs, such as a house deposit, or to provide an emergency fund. This may be particularly true of younger beneficiaries who are further from retirement and more likely to want to plan for future costs.

Another possibility is that a working age beneficiary has no option but to receive a sizeable lump sum, potentially after being caught out by one of the abovementioned issues. Many beneficiaries will consider paying some or all of the lump sum back into a pension, even though this won't give quite the same flexibility that beneficiaries' drawdown would have done.

For many beneficiaries in this position, it will be the first time they've had to consider the limitation on how much tax relief is available or needed to think about the annual allowance (and potentially carry forward). Beneficiaries may seek help determining how much to contribute each tax year, and what to do with any remaining funds in the meantime to make the best use of them.

It is still the case that many beneficiaries will already be retired and accessing their own pensions. Such beneficiaries receiving a lump sum may opt to cease taking money from their own DC pensions and use the lump sum for their income first, in order to preserve the funds still benefiting from the pension wrapper's tax advantages. However, such beneficiaries inheriting funds in beneficiaries' drawdown may have a harder time determining the best course of action for their circumstances. Beneficiaries would need to consider many factors, such as:

Tax: are the inherited funds taxable or tax free, and how can the beneficiary make the best use of their allowance and tax bands?

PCLS: does the beneficiary have any remaining PCLS from their own funds, and when would it be most beneficial to use it?

The lifetime allowance: might the beneficiary face an LTA issue on their own pension funds, and would this be helped or exacerbated by taking income elsewhere?

Death benefits: when the beneficiary passes away, are there different options available for passing on their own, and the inherited, pension funds?

Greater area of focus

Death benefits planning can be as complex an area for the beneficiary as it is for the client; here we've touched on just some of the possible scenarios and considerations. As more pensions are passed on and DC pensions become a bigger part of more people's total retirement savings, we expect this to continue to grow as an area of interest.

PFS 2022

PFS Paraplanner Panel member Catherine Esland gives an update on the networking and mentoring opportunities provided by the professional body

The members of the PFS Paraplanner Panel have been very busy over the last few months discussing a range of projects and events for the paraplanning community. We are in the early stages of planning in-person PFS paraplanner events for June this year and working with other groups in the PFS to improve paraplanner involvement.

One of our areas of current focus is looking for ways the PFS can support paraplanner members to connect and share their knowledge and experience. While some paraplanners work for larger firms with access to a range of roles and experiences, most paraplanners work for smaller firms and may have limited opportunity to speak to and learn from individuals outside their immediate working environment. Equally some industry events can be adviser-centric or difficult for paraplanners to physically attend.

Yet getting to know others in the paraplanner community can bring a huge range of benefits, from time-saving tips to helping gain an improved understanding of how others work. It can also be an opportunity to build professional confidence in a friendly and supportive environment; many paraplanners when surveyed express an interest in developing their confidence and working on soft skills. As such, the PFS Paraplanner panel have been looking at ways to encourage networking and mentoring relationships within the paraplanning community.

In February we started running monthly lunchtime networking sessions specifically designed for paraplanners. Each session will have a broad topic of discussion but is intended to be an informal meet-up where everyone is welcome to chat and share their experiences. The next session is on 9 March at 12.30 pm with the session topic being using LinkedIn – skills, tips, and usability. If you are interested in coming along, email pfsevents@thepfs.org for joining details. We look forward to meeting some new faces!

One of our areas of current focus is looking for ways the PFS can support paraplanner members to connect and share their knowledge and experience

Connect

Equally some of our work is aimed at increasing awareness of existing PFS resources and support which might not necessarily have previously involved or been marketed at paraplanners. Many paraplanners are unaware the PFS runs an online mentoring platform called Connect, aimed at helping people looking for or wanting to become a mentor. The platform has recently been updated to include paraplanning as a search topic and we would love more of you to consider joining the platform as either a mentor or a mentee.

Users can search through a database of registered members using specific criteria, for example, areas of career support or key topics they are looking for assistance with. Once matched with a member, you can arrange mentoring sessions to share knowledge and experience. Mentoring sessions can be arranged at a time to suit you and via your preferred style of interaction, be it in person, virtual meeting, by email or phone. The Connect platform is free for any member of the PFS and can be used by anyone regardless or your career stage. You can register as mentor, a mentee, or both (if you want to both receive and give support) and you can update your status if your availability changes.

As an open platform with a range of members it may take a few attempts to find a connection which works for you, if however, you approach the process with enthusiasm and flexibility you should be able to find the right person for you. Don't worry if you have never been involved in a formal mentoring relationship before, everyone has received or given help to others in their job at some point or talked through a case to act as a sounding board – mentoring at its simplest is no more complex than that and can be both extremely helpful and rewarding. The platform itself has a support section with frequently asked questions and a range of videos to help you on your mentoring journey. Do visit the website, register, and explore whether it might be for you!

www.thepfs.org/membership/benefits/connect/

THE EVOLVING PARAPLANNER

Where next as a paraplanner? Jon Dodson, technical and propositions manager, Redmill Advance looks at some options

It's fantastic to see that paraplanning now gets the recognition it deserves as a profession in itself – this is not in a small way thanks to the work of a number of pioneering and determined individuals in our industry as well as a mind shift from some of our well-established larger organisations and bodies.

It certainly wasn't always that way.

One factor that contributed heavily to the problem was the variations across the industry within the expectations of the role – the size of the firm had something to do with it, but a paraplanning role could range from a senior administrator to a key attendee at a client meeting and beyond (and indeed everywhere in-between).

One thing that remains is the question of career progression for a paraplanner once they have attained competency and/or mastery within the role. The options are undoubtedly beguiling and numerous but here we'll look in brief at a few of them and think about how we can make the right decision. This is particularly at the forefront of our minds as we start to set development goals for a new year.

All of this needs to be assessed, of course, in the context of the size and type of firm and what opportunities are available.

The planner/adviser route

In the old world, the paraplanning role was often viewed as a stepping stone to becoming a regulated financial adviser. This still works for some and indeed having an abundance of technical knowledge to hand can be very helpful. Also, you may have had exposure to some key planning tools and strategies such as cashflow modelling – depending on what being a paraplanner meant in your particular firm.

In truth, dependent on the type of business you work for, the skill set of the paraplanner can look vastly different to that of an adviser, where the emphasis is on rapport building and behavioural talents. Also, for many, it just isn't what they want to do. This doesn't mean these attributes can't be encouraged and developed in a paraplanning role but this route of career progression is not your only option.

Top tip if this path is for you: Get a great mentor!

Paraplanning manager

You know the role inside out. You're the best in the firm. So how about managing the team? Well, absolutely. It might be a great idea but again this can come with challenges. Like the transition from paraplanner to adviser, we are really talking about the bread and butter of the role being based on a different set of skills and talents – you are probably fully aware of what you're great at and what you find difficult and challenging but if you're not, a secondment into a managerial role may be a useful option.

There's also the challenge of going on to manage your peers – many find this takes a while to adjust to.

Technical roles

If you blitzed the exams and adore pouring over the FCA and HMRC websites for legislative changes maybe this is for you. The opportunity to really focus on the technical elements of our industry is delightful to some – for others, it can feel like moving away from being 'boots deep' in client affairs on a day-to-day basis.

The continuously evolving paraplanner

Our industry never stays still and for even the greatest paraplanner to stay at the top of their game they will need to continue to stay up to date, evolve and improve. Loving the job and wanting to strive for a better outcome for clients in a paraplanning role is in itself a noble aspiration.

Key to getting this right is making sure you have clearly defined goals for the year – know yourself and (with your manager) set relevant and pertinent targets.

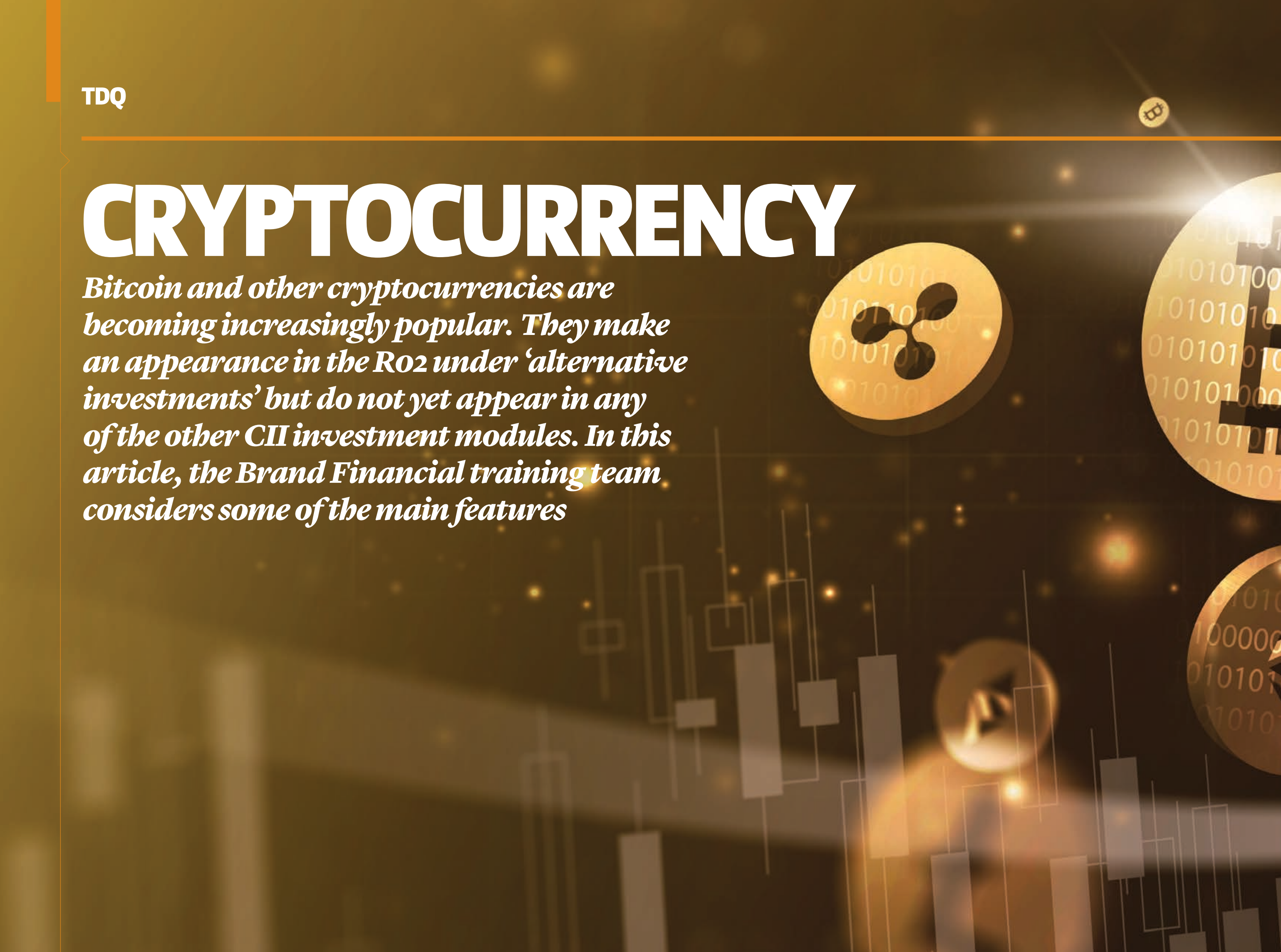
We've touched on just a few options here and it's far from an exhaustive list of options. Like all great personal development journeys, you can break this down into a few simple steps:

- Know yourself well
- Identify your goal for development
- Identify where you are now in relation to that goal
- Set brilliant objectives (SMART, well-formed, whichever model you choose to use)
- Find great learning resources
- Review regularly

You've doubtless plotted similar journeys for achieving client goals many times.

And lastly, great coaching or mentoring where appropriate always helps – ask your manager for guidance on this.

For even the greatest paraplanner to stay at the top of their game they will need to continue to stay up to date, evolve and improve



CRYPTOCURRENCY

Bitcoin and other cryptocurrencies are becoming increasingly popular. They make an appearance in the R02 under 'alternative investments' but do not yet appear in any of the other CII investment modules. In this article, the Brand Financial training team considers some of the main features

So firstly, what is cryptocurrency? Essentially it is a form of currency that is completely digital. Unlike cash, it has no physical counterpart. Rather than being issued, controlled, and maintained by a central authority (i.e. a bank), cryptocurrencies are secured and verified on decentralised systems through the use of cryptography.

Following the 2007/2008 financial crisis, a programmer (or group of programmers) known only by the pseudonym 'Satoshi Nakamoto' created a peer-to-peer form of electronic cash. This was Bitcoin.

Cryptocurrencies are all forms of Distributed Ledger Technology (DLT). A distributed ledger is a peer-to-peer digital database that enables every member of the network to supplement the data stored on it. This decentralisation of information allows greater trust in the network, as no one single person has control over the data stored. In the case of Bitcoin and most other cryptocurrencies, they are built on a form of DLT known as the blockchain.

The blockchain allows transactions to be stored, secured, and ordered, all in an immutable and decentralised fashion through the use of cryptographic signatures. There are two main mechanisms underlying cryptocurrency and the blockchain, though others exist.

Proof of Work (e.g. Bitcoin)

Blocks are validated (transactions approved) and added to the chain through the process of 'mining'. This involves computers competing to solve a complex cryptographic puzzle and discover a random 64 digit number named a 'hash'.

To validate a block on Bitcoin, a miner has to verify on average 1,500 transactions. Whichever miner validates the block and solves the puzzle the fastest then adds the block to the chain and is rewarded for doing so (eg with new Bitcoin). This process takes on average 10 minutes for Bitcoin, therefore it takes on average 10 minutes for a payment to go through.

Proof of Work ensures that transactions are legitimate; avoids double spending; no central authority is required and the digital currency continues to enter the market until its maximum supply is reached.

Proof of Stake (e.g. Polkadot)

Rather than using miners, staking requires 'validators'. Rather than mining new blocks, they are minted/forged. Whilst anyone can be a miner, only a few can be validators. To become a validator, a node (computer) stakes a certain amount of a cryptocurrency. This is like a security deposit. If a node is chosen to validate the next block, it will check that every transaction within it is valid. If it is, the

Whilst many countries have embraced cryptocurrency with open arms, the SEC (the US Securities and Exchange Commission) has outlined the need to regulate in the US

node signs off on the block and adds it to the blockchain. There is no direct reward from adding the block itself. Instead, validators are given the fees that are associated with the transitions inside the block. They then share this fee with their stake pool, allowing everyday users to earn a passive income relative to their stake.

Proof of Stake also makes sure that transactions are legitimate; avoids double spending and no central authority is required. But far less energy is used – it is not as resource intensive.

Fast forward to 2022 and thousands of cryptocurrencies exist, as well as far more efficient alternatives to the blockchain such as Hashgraph.

How do you buy it?

The easiest way to buy cryptocurrencies is through an online centralised cryptocurrency exchange. The most famous of these include Coinbase, Binance, FTX and Kraken. Other cryptocurrencies with smaller market capitalisations can be purchased via other means before they list on a larger exchange. Other methods include investing in funds such as Greyscale for indirect exposure to the crypto assets that they list.

Where do you keep it?

The most secure storage is a hardware wallet, commonly referred to as cold storage as it is offline. Being offline, the wallet is protected from unauthorised access or hacking. Cryptocurrency can also be stored on exchanges or in ‘hot wallets’. As these are still online, they are widely considered to be less secure.

What dictates the price?

Most cryptocurrencies have a fixed total supply. In the case of Bitcoin, there will never be more than 21 million in existence. Therefore, simple supply and demand dictates price for a lot of currencies; speculative demand (a bit like the stock market) and fundamental demand (where it’s applicable) with node operators buying currency to stake accounts and earn fees.

How do you buy things with it?

Certain cryptocurrencies can be used directly at online shops, service providers, video game companies, travel companies, and restaurants. Although merchants that accept payments are limited, this pool is expanding. In El Salvador Bitcoin has become legal tender meaning shops must take it as a payment if offered.

Regulation

The cryptocurrency industry is still largely unregulated. Whilst owners are required to pay capital gains tax in most countries, it can be difficult to enforce this due to the pseudo-anonymous nature of the asset. Most legitimate exchanges are however now requiring ‘Know Your Customer’ in order to combat this issue.

Whilst many countries such as Australia, Portugal and South Korea to name a few have embraced cryptocurrency with open arms, the SEC (the US Securities and Exchange Commission) has outlined the need to regulate in the US. Debate rages, some politicians advocating the importance of making the US a leader in this field and fuelling innovation, others concerned of its potential to destabilise the current economic system.

The FCA has recently announced its crack down on crypto advertising in the UK, but is yet to announce any significant plans regarding regulation.

Brand Financial Training R01 – R05 E-mocks

Brand has launched R01-R05 E-mocks, a resource which allows candidates online access to the firm’s exam style mock questions. The E-mocks offer the flexibility to practise taking short quizzes of 10 questions, 30 questions, 100 questions, or a fully timed mock exam. The resource is available with a purchase of any of Brand’s study kits and is currently available for R01, 2,3,4 & 5.

About Brand Financial Training

Brand Financial Training provides a variety of immediately accessible free and paid learning resources to help candidates pass their CII exams. Their resource range ensures there is something that suits every style of learning including mock papers, calculation workbooks, videos, audio masterclasses, study notes and more. Visit Brand Financial Training at https://brandft.co.uk

CHALLENGING CONVERSATIONS

Whether it's putting across a different point of view, upholding professional standards or simply managing expectations, paraplanners need to master challenging colleagues without damaging their relationships, says Melissa Kidd, director of Motem Ltd

The stakes can be high. Challenging conversations are usually with important people over things that matter. They have the potential to strengthen or weaken a relationship and need to be handled with skill and care. It's almost too obvious to say but preparation is key.

Start with the end in mind

As communications consultant Andy Bounds says: "Effective communication is not about what you say, it's about what people do, after you've said it." So, what would you like to see as a result of your conversation? For example, do you want the adviser to improve the way they convey client objectives?

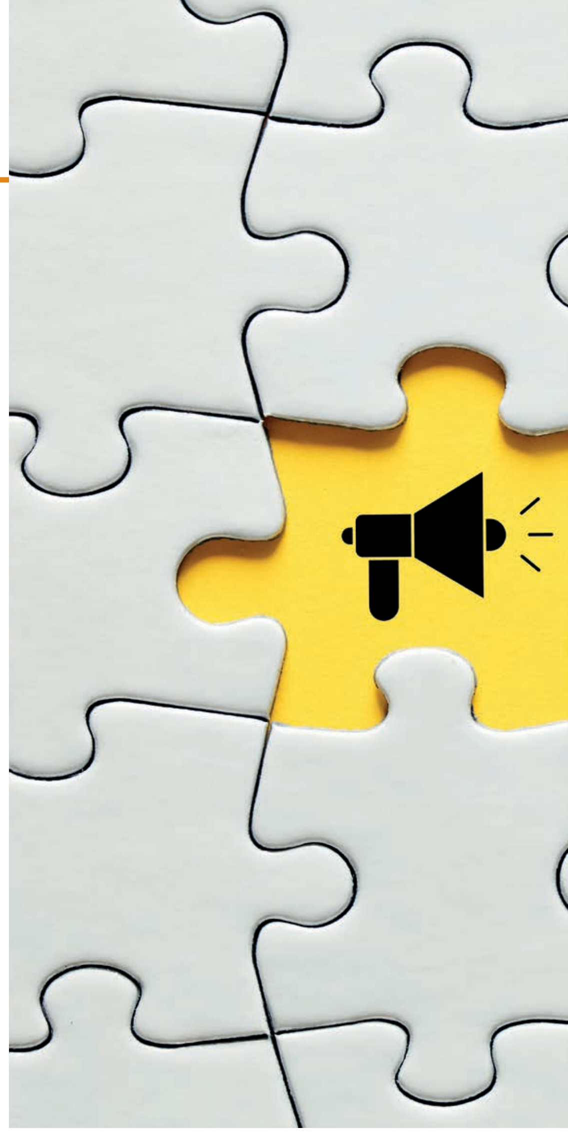
Mindset

Position yourself as being on the same team – operating at the same level. You're not working for one or the other. If there is an incomplete file, then it's both the adviser and paraplanner who are accountable.

Be solution focused

Aim to come up with a way to solve the issue – make life as easy for your colleague as possible. For example, is a change needed in your process? Or is it a training need? Some firms have created a meeting template notes with prompts to help the adviser ask the right questions. Some paraplanners have offered to attend client meetings so that they're picking up the facts too. Others use dictaphones so that advisers can record their thoughts on the drive home.

If you're working remotely aim to hold regular video calls. It's harder to build relationships over email. The margin for misunderstanding is much larger, as it's difficult to gauge tone



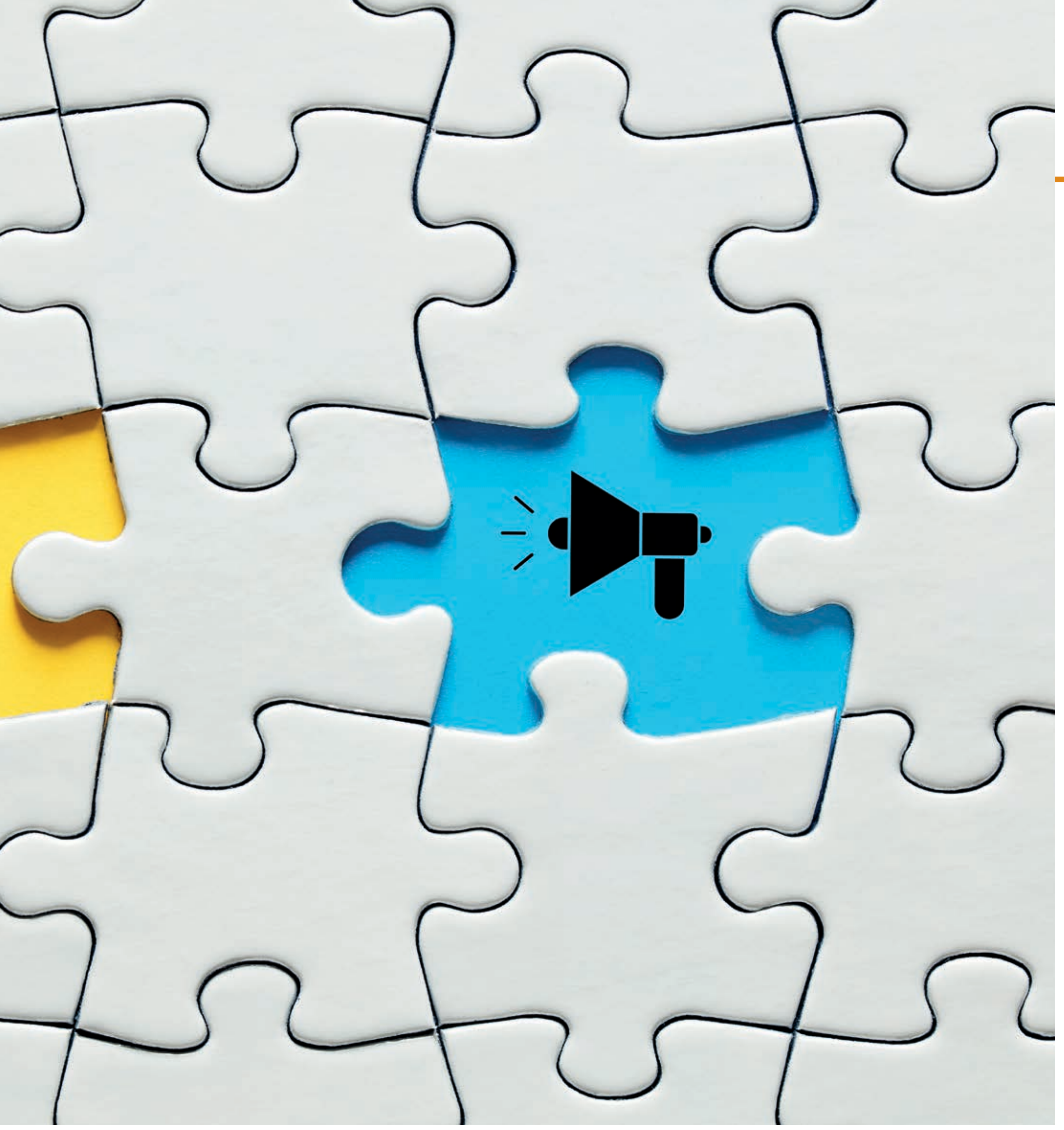
Build psychological safety

When we feel safe, we can hear almost anything. But when emotions are running high, it's hard for messages to make it through. Afterall, no one enjoys feeling like they've done something wrong, so the way you frame your conversation is important. There are two main ingredients needed to build psychological safety: respect and feeling like the other person has our back. For those of you who read my previous article about the SCARF model, this is about triggering the status and relatedness needs.

When these are in place, defences go down and we can listen and take on board what needs to happen next. For example, in the context of challenging an adviser on client objectives: "I'm sure you know the answer to this, I just need to get it out of your head and into the report..."

Impact does not necessarily equal intent

What assumptions are you making about this person's intentions? Perhaps you want



to raise how they speak to you, particularly in front of clients. You may feel intimidated, belittled, ignored, or disrespected, but be cautious about assuming that this was their intention. A successful outcome will depend on two things: how you are and what you say. How you are (centred, supportive, curious, problem-solving) will really influence what you say. The majority of the work in any challenging conversation is work you do on yourself, often ahead of the conversation starting.

Relationship-strengthening strategies

It's much easier to challenge a colleague when your relationship is strong. Taking some time to observe the personality styles of those you work closely with can help enormously. More on that another day!

Build the "emotional bank account"

This is an account of trust instead of money. The metaphor, developed by Stephen Covey, is based on how safe you feel with another person. Each time we communicate with our colleagues, we have an opportunity to make a deposit or a withdrawal. When we say something kind, helpful, respectful, we make a deposit. When we find fault or deliver feedback poorly, we make a withdrawal. And so long as there is a good balance, the relationship can withstand disagreement.

Regular video calls

If you're working remotely aim to hold these. It's harder to build relationships over email. The margin for misunderstanding is much larger, as it's difficult to gauge tone.

Make a list

If there are gaps in the information you need, make sure you've listed your questions so that you can go through them all in one go. It can be frustrating for advisers to keep answering a number of questions at different times. You then can concentrate on how to have the conversation rather than what you need to say.

Framework and phrases

In my workshops, a common question is "How do I begin the conversation?" This, of course, depends on what you'd like to raise. But if it's about the way you work, you may say: "I have something I'd like to discuss with you that I think will help us work together more effectively."

There are, in fact, ways that you can position yourself so that your adviser or colleague welcomes your challenge. For example, if you're in a meeting and you want to get your point across, you can say: "Can I bring another idea into the mix?" Or "Do you mind if I challenge this point?" Or "Can I play devil's advocate?" The act of them saying yes, or allowing you continue, means they're more likely to be open to hearing your point. Other questions could include: "Is there another way of looking at this?"; "Is there a different angle here?" Not forgetting: "What if we looked at it this way...? "

When you need more information for your report, you could say: "Before I start this report, I need xyz". That way the adviser knows that if they delay sending it, the completion will also be pushed back. It's a neat way of managing expectations and getting the information you need.

Once you're underway but the adviser isn't clear on why you need the information, you could use the following phrase, which I picked up from consultant Carla Langley: "How annoyed would you be if you knew that this advice was right for the client, but you couldn't defend a complaint, because the file wasn't complete?"

No matter how well the discussion begins, you'll need to stay in charge of yourself, your purpose and your emotional energy. Challenging advisers, upholding standards and managing expectations are crucial communication skills to master. But with the right mindset, tone and phrases, you can rock the boat without falling out.

Communicate for Impact is an online self-paced programme, specifically for financial advisers, paraplanners and support staff. It includes six steps which have shown to increase efficiency, engagement and confidence. More information can be found at www.motem.co.uk

POWERING UP

LIBF's Richard Cooper looks at why Level 6 qualifications are becoming more important for paraplanners

When it implements the new consumer duty in July, the Financial Conduct Authority (FCA) will be setting higher expectations for the standard of care that firms give consumers. For many firms, this could require a significant shift to a more consistent focus on consumer outcomes and to enabling customers to act and make decisions in their own interests.

However, there's no regulatory requirement to have Level 6 qualifications and no current indication from the Financial Conduct Authority (FCA) that this is likely to change. Despite this, it appears more advisers and paraplanners are looking to develop their skills and knowledge.

While it may not be the most scientific data, we tested this premise by conducting a straw-poll at one of our recent webinars with around 200 attendees. Of those:

- 90% plan to study at Level 6
- 76% had already started or were looking to start their qualifications within the next two years; and
- 14% planned to study at Level 6 in two years' time.

Perhaps this is because holding a Level 6 qualification – and even becoming chartered – is a good way to demonstrate your competence. Or it may be because the skills you develop at Level 6 enable you to research and create more complex advice propositions and reports. Undoubtedly, the knowledge you acquire at Level 6 will help you meet the new FCA Consumer Duty.

Of course, if you're looking to progress or change roles, being chartered offers the added bonus of setting you apart from your peers. Chartered status is awarded by professional bodies and learned societies who hold a Royal Charter. It's only granted to individuals who meet strict qualifying criteria and can demonstrate:

- the highest level of technical and professional knowledge and competence through professional qualifications
- a commitment to keeping knowledge and skills up to date through continuing professional development, and
- ethical conduct by adhering to a code of ethics enforced through disciplinary sanctions.

As such, it tells your clients they're guaranteed a level of competence and professionalism. That can boost your career and your business.

Choosing a Level 6 provider

If you're interested in studying at Level 6 and becoming chartered, you have options. There are lots of different routes and awarding bodies – each with their own requirements and time limits. First, take a look around to find a provider that suits you. You're not obliged to take your Level 6 qualifications with the same provider you had at Level 4, as all Level 6 providers have recognition of prior learning schemes. With that in mind, take time to find a route to Level 6 that matches the markets you advise in, your preferred learning styles, the most appropriate examinations and the timeline you want to work to.

Some examining bodies, like LIBF, allow certain subjects to be tested in ways that might better reflect your current role. For example, an open book timed assessment mimics what happens when you're assigned the task of researching products for a client by an imminent deadline. You may also be assessed through case studies and course work, forum contribution or video presentation. Other subjects – due to their regulatory requirements – are likely to remain more formal. It's worth knowing how you'll be assessed before you sign up for a qualification so that you can be sure the assessment will take a form that suits you.

Always research the various options available to you and for each consider:

- the amount of study time required
- which exams are mandatory and which are optional
- the different ways that study material is provided, such as online and increasingly through apps
- how your knowledge is tested
- what additional study support is available.

Some organisations will offer tutor support, which is very helpful if you enjoy

one-to-one feedback, online forums where you can discuss the learning with others on your course, or a combination of both as LIBF does. There are also external training providers who teach qualifications – on behalf of or in partnership with a professional body – but in a classroom setting. You may also be able to access specimen exam papers or examiners' summaries, both of which are useful for exam practice: the first because it gives you an idea of the types of questions that come up; the second, because it will give you tips on what works.

If you can ask colleagues, mentors, and others you know about their experiences of different qualifications and providers, this will give you valuable insights – especially if you're talking to someone who knows you reasonably well and understands the way you think, work or learn.

> *If you can ask colleagues, mentors and others about their experiences of different qualifications and providers, this will give you valuable insights*

Undertaking Level 6 exams is a major commitment so it's useful to have a focused strategy. It's tempting to rush in and sign up to lots of qualifications at once – especially when the qualifications on offer cover topics that interest you. But plot your route and plan ahead so that you have space between each course to recharge your learning batteries.

Studying at Level 6

The other stumbling block with Level 6 qualifications is making time to study consistently. You want to avoid cramming the learning into last-minute sessions. A study plan can help here. You might have an hour before work some days or a couple of hours over the weekend. But look at blocks of dead time too. These can be useful, especially when it comes to revision. You might watch a video over breakfast or listen to course content in the car or on a run.

When you're putting your study plan together, think 'little and often'. Small manageable periods of study will help you digest the learning and absorb it. Managing the time and the course content properly will also give you the space to enjoy the learning, which is of course the best bit.

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. Which EU led requirements were incorporated into COBS?

- A Conduct of Business
- B MIFID
- C Principle based requirements
- D Banking conduct of business

2. Alison is considering giving her 17-year-old daughter Darcey £20,000 to invest in a cash ISA. Alison should be aware that: Tick all that apply.

- A Any income of more than £100 per year will be taxed on her until Darcey is 18
- B Any income of any amount will be taxed on Darcey as she is over 16
- C Darcey can transfer the cash ISA to a stocks and shares ISA at age 21
- D Withdrawals can be made at any time without any loss of tax relief

3. Frankie is looking to mitigate her Inheritance Tax situation and has made a start by using her annual exemption for this tax year. She should be aware that: Tick all that apply.

- A She can use her annual exemption from last tax year if she hasn't done so already
- B Any gift she makes now and, in the future, will qualify for taper relief
- C If she makes a gift, it will be effective for IHT even if she retains a benefit from it
- D A non-exempt gift into a discretionary trust will be a chargeable lifetime transfer (CLT)

4. Wendy is aged 56 and has substantial savings and pension income. She has her care costs met in full; this is likely to be because?

- A She lives in Northern Ireland
- B She has a dependent husband living in the marital home
- C She is incapacitated as a result of injuries caused by active military service
- D Her primary need has been identified as continuous healthcare

5. John will reach his State pension age in December 2021, but he is considering deferring this. He should be aware that in order to receive any increase in the pension he receives, he will need to defer for at least:

- A 9 weeks
- B 6 weeks
- C 5 weeks
- D 4 weeks

6. Which of the following is NOT an argument in favour of taking out private medical insurance?

- A It is more suitable for a patient with a chronic medical condition
- B Avoids long waiting lists for NHS treatment
- C Patient is normally able to choose their own hospital and surgeon
- D Likely to have a private room rather than be on a general ward

7. John purchased 6% Treasury Stock 2025 at a clean price of £118.55. If there are 5 years to redemption, what is the interest yield and the gross redemption yield of the stock?

- A Interest yield 5.06%, Gross redemption yield 6.00%
- B Interest yield 5.06%, Gross redemption yield 1.93%
- C Interest yield 6%, Gross redemption yield 3.71%
- D Interest yield 6%, Gross redemption yield 3.13%

8. If the price of a warrant is 49p, the underlying share price is 180p, and the exercise price is 190p, what is the warrant conversion premium?

- A 20.53%
- B 27.22%
- C 32.78%
- D 43.69%

9. Olivia has a mortgage secured against her property. It has been set up so she does NOT need to make any repayments and when the property is eventually sold, the loan will be repaid together with a payment based on the percentage increase in the property value. What type of plan does Olivia have?

- A Equity Share Mortgage
- B Home Reversion Plan
- C Shared Appreciation Mortgage
- D Home Income Plan

10. A bank buys a property for a customer and then sells it to them for a higher price. The higher amount is then repaid over the term. The house is registered to the buyer at outset. The arrangement being described is:

- A Ijara
- B Let to buy
- C Murabaha
- D Sharia

Last issue's answers

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

Your answers

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

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 2022 we will be covering key areas from individual funds and alternatives, through market trends and commentaries, keeping you informed.

NEW Investment Committee Webinar:

The Monopoly of Markets: A game of chance or strategy?
March 7, 2022 / 11:00 AM
See our daily email or go to the Events tab on our website for Registration details.

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

We are keen to recommence our live Investment Committee Seminars programme this year. Keep your eye on our daily email alerts for further details.

LOWER RETURNS

Expectations of lower returns mean buying the market is far less likely to be a successful strategy going forward, says David Hambidge, investment director – Multi-Manager Funds, Premier Miton Investors

There seems little doubt that monetary policy by the world's major central banks has been a key driver of asset price returns for well over a decade following on from the global financial crisis. Equities, bonds, property, crypto, you name it, it has been an extraordinary period for asset price inflation.

In equity markets, the US S&P 500 has been the clear winner and in particular large cap technology names while emerging markets (which performed exceptionally well in the noughties) have lagged the global benchmark by a huge margin over the last decade.

As far as the UK is concerned, it has been a mixed picture, with the FTSE 100 being the laggard (although you would have still doubled your money over the last 10 years!), while mid caps and in particular small caps have performed much better. Meanwhile in other stock markets, returns have also been strong, albeit nowhere near the growth seen in US equities.

Until the last year or so it has also been a very rewarding decade for bond investors with a combination of low inflation and central bank support resulting in developed market government bond yields falling to record lows while tightening credit spreads have resulted in even better returns for corporate bonds.

As usual, past performance has been a major influence on asset allocation (although we all know it shouldn't't!), with far more of portfolios these days allocated to global equities and much less to the UK.

However, of more concern is the fact that record low bond yields do not seem to have deterred investors from allocating huge amounts of capital (much via equity/bond hybrid products) to fixed interest securities where the prospects would appear to be poor. Yes yields may have picked up somewhat recently but they still remain very low by historic standards and taking inflation into account, returns are even worse than they were when yields were at their lowest in 2020.

Lower returns in future

Looking forward, I believe that it is very likely that investment returns are going to be much lower than those we have become used to. However, there will still be plenty of opportunities but investors will have to be more selective while just buying the market is likely to be a far less successful strategy than it has been over the last decade.

While our multi-manager portfolios are nicely diversified in terms of geography, market cap and style we have a clear preference for those markets that have benefitted less from ultra loose monetary policy.

Top of the list is the UK which continues to trade at a significant discount to overseas markets and in particular the US and is less vulnerable to rising interest rates given the FTSE 100 has more value and less growth characteristics. In addition the UK stock market continues to be shunned by investors. This has been the case since the 2016 Brexit referendum although I suspect this will change this year.

Elsewhere the prospects also look good for Japan where corporate reform is positive for equities and valuations also appealing. Meanwhile, many emerging markets also look very cheap although a weaker US dollar and faster vaccine rollout would be helpful.

As far as the US market is concerned, I suspect that the S&P 500 will be nearer the bottom of the performance tables in 10 years time. While there is a lot to like about US corporates and the dynamic nature of the US economy, a combination of more expensive money and a very high starting valuation will result in far less favourable returns in my opinion. If I'm right, this will not only have a negative impact for those that have invested in the US directly but also the billions of pounds that have been allocated to global equity funds where US stocks dominate.

As far as growth investing is concerned, yes of course we will have exposure but we remain unashamedly GARP. That's growth at a reasonable price, not growth at a ridiculous price.

Looking forward, I believe that it is very likely that investment returns are going to be much lower than those we have become used to

The Investment Manager's focus on securities of companies which maintain strong environmental, social and governance ("ESG") credentials may result in a return that could, at times, compare less favourably to similar products without such focus. No representation nor warranty is made with respect to the fairness, accuracy or completeness of such credentials. The status of a security's ESG credentials can change over time. There is a risk that the issuers of bonds may not be able to repay the money they have borrowed or make interest payments. When interest rates rise, bonds may fall in value. Rising interest rates may cause the value of your investment to fall.

Investments should be made on the basis of the current prospectus, which is available along with the Key Investor Information Document (KIID), current annual and semi-annual reports free of charge on request by calling 0800 368 1732. Issued by FIL Pensions Management and Financial Administration Services Limited, both authorised and regulated by the Financial Conduct Authority. Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited. UKM0122/370232/SSO/0722

FINDING THE GEMS

Patience is the key for emerging market opportunities, says Darius McDermott, managing director, FundCalibre

It's been a challenging 12 months for emerging markets (EMs) as a convoluted vaccination process and regulatory tightening in China both hung heavily over the economic prospects for the region.

At the end of 2021 the MSCI Emerging Markets Index was down 1.6 per cent, underperforming the developed markets MSCI World Index by 24 percentage points[1]. While vaccination programmes have started to pick up markedly, 2022

has continued in an uncertain vein, as investors wait to see how concerns over China and inflation play out. From a broad basis, valuations in EMs are also not cheap relative to history. However, if we look beyond the main figures there are a number of alternative factors to consider. The first is there are considerable variations in terms of sector, stock, and investment style in EMs – so there will be pockets of opportunity. The second is EM valuations are nowhere near as expensive as US equities.

> *The impression is that 2022 will be tough for EMs from a growth perspective. However, there is scope for positive surprise if investors are patient*

Waiting game on China and inflation

It's important to recognise EMs are evolving – nine out of 10 larger EM economies are now classified as investment grade, with solid balance sheets, so when we do see a significant sell-off it should pose less of a systemic risk to the region.

However, there is no doubt that any significant swing in China's economic fortunes continues to ripple across the wider region. Much has been made of

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Emerging market investment characteristics

Positives
✓ Strong demographics/growing middle class
✓ Higher growth than the developed world
✓ Market has shifted from export-led to consumption-led (rise of digitisation has only just begun)
✓ Dividend payments are only just starting in the region.

Negatives
✗ Returns are often more volatile
✗ Politics are mixed/uncertain
✗ Fluctuating currencies and fortunes tied to the US dollar
✗ Outlook for China still plays considerable role

Funds to consider

GQG Emerging Markets Equity – This is a concentrated portfolio of high-quality companies with durable earnings. The emphasis is on future quality, rather than companies which have simply done well historically.
Magna EM Dividend fund – It is worth noting the shift in style performance last year – with value stocks returning 4 per cent compared to an 8 per cent fall for EM growth stocks[1]. Magna EM Dividend fund is a 40-55 stock portfolio offering exposure to emerging market companies that pay higher than average dividends. The portfolio has a value profile because it won't own some of the big tech names as they do not pay an income.
JPM Emerging Markets Trust – Quite simply, this trust has a 30-year track record of delivering exceptional returns. The team take a long-term approach, with the focus on companies, not countries.
Aubrey Global Emerging Markets Opportunities – This is set up explicitly to take advantage of the fast-growing emerging market consumer opportunity and currently has more than 80%[5] of the portfolio in Indian and Chinese stocks.

China's regulatory tightening across numerous sectors last year and the subsequent slowdown. Chinese officials have begun to try and remedy this – for example in December 2021, the People's Bank of China reduced the reserve requirement ratio by 0.5 per cent, releasing almost $200bn of liquidity[2]. This indication from policymakers that they are willing to stabilise growth is extremely positive and, with Chinese equities falling more than 30 per cent since February 2021[3], they could be attractive from here.

Worries over US inflation and the direction of US monetary policy also came to the fore for EMs in 2021. Inflationary threats in the region are more pressing simply because food accounts for a larger portion of production. Key EMs such as Brazil, Mexico, Russia, and South Korea moved ahead of developed markets in raising interest rates to curb price pressures.

The impression is that 2022 will be tough for EMs from a growth perspective. However, there is scope for positive surprise if investors are patient. China has been challenging – but valuations do offer value now; there is a rapid growth in both digitisation and decarbonisation in EMs; while fiscal and current accounts are in better shape than they have ever been before.

Ultimately, the fast half of this year has a 'wait and see' element to it. China looks to have hit the bottom and there is hope that inflation will ease, with figures from the IMF indicating it could fall to about 4 per cent by the middle of this year[4]. Covid is also an uncertainty that EMs, like the rest of the world, are learning to live with.

I believe there could be opportunities later on in the year if we do see the fog clear on these challenges. Over the past two years, success in EMs has been dictated by whether you've held China (in 2020) or India (in 2021). There is no doubt China looks the more attractive of the two today – but the entire region could be an ideal hunting ground for selective stock pickers' in the not too distant future.

[1] Source: FE fundinfo, total returns in sterling, calendar year 2021
[2] Source: Lazard Outlook for Emerging Market – January 2022
[3] Source: FE fundinfo, total returns in sterling, 1 February 2021 to 1 February 2022
[4] Source: IMF World Economic Outlook – October 2021
[5] Source: fund factsheet, 31 December 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.

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 January 2021, provided by FE Fundinfo

BEST RATED FUNDS

Key: 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
GAM Star Disruptive Growth	101.66	✓	5
Baillie Gifford Pacific	91.2	✓	5
Slater Recovery	84.02	✓	5
Slater Growth	80.26	✓	5
BlackRock Continental European	80.25	✓	5

AIC	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Pacific Horizon	155.09	✓	5
Baillie Gifford Scottish Mortgage	125.94	✓	5
BlackRock Greater Europe	93.72	✓	5
Schroder Asian Total Return	52.55	✓	5
JPMorgan Japanese	48.13	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

Key: 3 year Cumulative Performance | FE Fundinfo Crown Fund Rating

IA	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
UBS Luxembourg Selection Active Solar	162.53	254
SSGA SPDR S&P U.S. Technology Select Sector	145.57	130
iShares S&P 500 Information Technology Sector UCITS ETF	143.25	130
Xtrackers MSCI USA Information Technology UCITS ETF	140.96	132
Xtrackers MSCI World Information Technology UCITS ETF	128.65	128

AIC	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
Edge Investment Management IT Edge Performance VCT	520.25	277
Seneca Growth Capital VCT	189.74	318
Pershing Square Holdings	157.83	119
Baillie Gifford Pacific Horizon	155.09	211
Oakley Capital Investment	134.82	157

RISKIEST SECTORS

Key: 3 year Cumulative Performance | FE Fundinfo Crown Fund Rating

IA	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
Latin America	-16.84	140
North American Smaller Companies	47.4	129
China/Greater China	31.56	119
Japanese Smaller Companies	17.56	119
Technology and Technology Innovations	87.54	118

AIC	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
China/Greater China	59.48	176
North American Smaller Companies	34.47	165
VCT Specialist: Media, Leisure&Events	54.75	164
Property Securities	34.81	149
Infrastructure Securities	77.28	145

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
Invesco Global Targeted Returns (UK)	6,239.68	1,229.93	-84.50	-4,925.26
BlackRock NURS II Overseas Equity	2,629.88	265.79	102.24	-2,466.33
BlackRock ACS World ex UK Equity Tracker	11,115.23	11,318.16	2,253.01	-2,050.08
BlackRock ACS 50:50 Global Equity Tracker	6,305.41	5,543.19	939.86	-1,702.08
BlackRock ACS UK Equity Tracker	12,158.23	12,693.29	2,001.89	-1,466.83

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
Liontrust Japan Equity	30,730.18	38,386.35	2,967.83	4,688.35
M&G Japan Smaller Companies	10,287.02	19,090.94	4,352.00	4,451.91
LGIM Future World Global Equity Index	1,622.50	6,200.91	591.46	3,986.95
MI Somerset Emerging Markets Discovery	9.17	5,203.27	1,597.61	3,596.49
SPW MM Global Investment Grade Bond	0.00	3,296.05	12.61	3,283.44

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
87.54

North America
61.18

India/Indian Subcontinent
51.51

North America Smaller Companies
47.4

Financials and Financial Innovation
46.78

AIC

Property UK Logistics
81.37

VCT Specialist: Health & Biotech
77.53

Infrastructure Securities
77.28

Insurance & Reinsurance Strategies
73.57

European Smaller Companies
72.06

FE Fundinfo Crown Fund Rating: FE Fundinfo Crown Fund Ratings enable investors to distinguish between funds that are strongly outperforming their benchmark and those that are not. The top 10% of funds will be awarded five FE Fundinfo Crowns, the next 15% receiving four Crowns and each of the remaining three quartiles will be given three, two and one Crown respectively.

MOST RESEARCHED

	IA		AIC
1	Global	1	Global
2	UK All Companies	2	UK Equity Income
3	Asia Pacific Including Japan	3	Flexible Investment
4	Mixed Investment 40-85% Shares	4	UK Smaller Companies
5	North America	5	Private Equity

MOST VIEWED FACTSHEETS

	IA		AIC
1	ASI Asia Pacific & Japan Equity	1	Scottish Mortgage Investment Trust
2	Fundsmith Equity	2	Smithson Investment Trust
3	Vanguard LifeStrategy 60% Equity	3	Edinburgh Worldwide IT
4	Baillie Gifford Managed	4	Monks Investment Trust
5	Baillie Gifford American	5	Thames River Property

MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Scottish Mortgage Investment Trust
2	Vanguard LifeStrategy 80% Equity	2	Smithson Investment Trust
3	Fundsmith Equity	3	Edinburgh Worldwide IT
4	Vanguard LifeStrategy 40% Equity	3	Allianz Technology Trust
5	Vanguard LifeStrategy 100% Equity	4	Ruffer Investment Company

STRUCTURED PRODUCTS

STRUCTURED PRODUCT MATURITIES NOV 2021 - JAN 2022

The table shows maturities data for the 'Preferred Plans' selected for clients by Lowes Financial Management, publisher of StructuredProductReview.com. Data ordered by highest total returns.

Provider	Plan	Maturity Date	Term (years)	Change in underlying %	Plan Gain %
Meteor	FTSE Defensive Supertracker Plan January 2016	20/01/2022	6.01	33.69	60
Societe Generale	UK Defensive Growth Plan (UK Four) Issue 7	17/01/2022	6.01	31.14	56
Reyker Securities	FTSE 100 Defensive Digital Plan January 2016	26/01/2022	6.01	26.36	50
Societe Generale	UK Kick-out Plan (UK3) Issue 3	25/01/2022	3.00	8.26	36.9
Societe Generale	UK Kick-out Plan (UK Three) Issue 2	21/12/2021	3.00	8.57	35.4
Meteor	FTSE Kick Out Plan January 2019	18/01/2022	3.00	8.54	31.5
Meteor	FTSE Kick Out Plan November 2018	15/11/2021	3.01	4.52	30
Societe Generale	UK Step Down Kick-Out Plan (UK3) Issue 3	25/01/2022	3.00	8.26	28.5
Mariana	10:10 Plan November 2017 (Option 1)	17/11/2021	4.00	-1.21	28
Mariana	10:10 Plan November 2018 (Option 1)	16/11/2021	3.00	4.46	24.51
Mariana	10:10 Plan December 2018 (Option 1)	21/12/2021	3.00	8.57	24
Mariana	10:10 Plan November 2019 (Option 2)	15/11/2021	2.00	0.67	21.88
Investec	FTSE 100 Kick-Out Deposit Plan 82	28/01/2022	3.00	10.15	18
Walker Crips	UK 95% Semi-Annual Kick-out Plan November 2019	08/11/2021	2.00	-0.8	16
Investec	Lowes 8:8 Plan 13	04/11/2021	2.00	-1.22	14.6
Investec	Lowes 8:8 Plan 14	23/12/2021	2.00	-3.24	14.5
Investec	FTSE 100 Defensive Kick-Out Deposit Plan 8	28/01/2022	3.00	10.15	13.5

Source: StructuredProductReview.com. Underlying for all plans = FTSE 100 index


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