Professional Paraplanner

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PROTECT AND SERVE

Protection advice has fallen by the wayside in the financial planning market over the years. In the days when life assurers were heavily involved in financial 'advice, protection products were among the first to be offered. As one old-hand in the market told me a few years ago: "The first thing we talked about with a client was protection because we saw it as the bedrock upon which all other advice stood." Sceptics might suggest that as life assurers are in the market of providing protection products, selling a couple of your own products straight off the bat is a business 'no brainer'.

However, talking the other day to Ian McKenna, founder of the Financial Technology Research Centre, he pointed out something similar in respect of Income Protection. "Every financial plan fails without income. Take five years of income out of a financial plan and it will collapse."

While most Income Protection is bought for the short term, typically paying out for 1-3 years, Ian pointed out that the average length of time an individual was likely to claim on a policy was around 6-12 years. The longest payment period Protection Guru had come across was 36 years! This puts a different perspective on it.

To date, protection largely has been sold on price. The Financial Ombudsman requires that if advisers recommend anything but the lowest cost protection products, they must document the reason for their recommendation. This makes the purchase a very transactional one.

Ian is challenging whether that is the best outcome for the client. He argues that protection tends to be viewed as a simple commodity where cheapest is best, when in fact, developments in the products in the market mean that is very much not the case. Products providers have been actively differentiating their products and this opens up choice for the client and opportunity for the paraplanner to find the very best product for the individual and their needs.

Through Protection Guru Pro, an addition to the FTRC protection comparison site, Ian is attempting to change that mindset. He gave me a demo of the system. It is simple to use and it's easy to see how it will engender a more in-depth conversation with the client – because, as the system showed, cheapest is not always best. Having a system which proves that for the individual client and documents it, will go down well with compliance teams too.

The system has been designed to enable the adviser/paraplanner to filter the product selection process and identify and compare the best quality plan for the client's needs, the most comprehensive cover within the client's budget, alongside the cheapest product. Up to three products can be compared side-by-side to help the adviser explain to the client the recommendation being made. In addition, the tool includes both express and bespoke options. The value ratings are drawn from Protection Guru's analysis of the products in the market developed over the past eight years, which are filtered through a panel of medical experts.

The emphasis on the quality of the product and the value to the individual client is the 2022 'no brainer' and to my mind, can only help advice firms deliver better outcomes for their clients.

What makes for a profession?

At the recent *Professional Paraplanner* Team Leader Seminar, Martin Green, paraplanning manager at Fairstone Wealth Management, and I were talking about what distinguishes a profession from an industry? In our view, it's a group of people all with the same passion for what they are doing, who are keen to learn from others and willing to share their knowledge and their skills with their peers, to help enhance the capabilities of their fellow professionals and to ensure the people they are serving get the best outcomes. Do you know a group of people like that?

Rob Kingsbury,
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Technical Insight Seminars 2022

We have six more Technical Insight Events which we are taking around the country from now until November. Venue capacities mean places are limited so if you are interested in attending, please sign up now. Remaining events this year are:

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, Queens Hotel,
9 November: Bristol, Aztec Hotel & Spa

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RO FOCUS

In an extended article, Luiza Todd, director of Bespoke Training Solutions, walks through an R04 exam style question

The R04 Pensions and Retirement Planning unit is viewed by many candidates as one of the toughest R0 papers. This is echoed by the fact that this paper has the lowest country-wide pass rates – 61% in 2020 (2021 rates were not available at the point of writing this article).

So, what makes this unit such a tough nut to crack?

This is another exam with 50 exam questions to complete in 60 minutes. Time should not be an issue, nor does this exam usually involve lots of calculations (some papers have more than others). So why is it such a tough ask?

Whoever coined the phrase 'pension simplification' had a good sense of humour, as there is nothing simple about pensions! Decades of legislation have led to a myriad of different rules and tax treatment, all of which the R04 candidate must know and be able to apply (a knowledge of old and new rules is required). Coupled with the tricky question wording favoured by the CII, this a tricky exam to pass.

Let's look at this, using a question that relates to the State Pension as an example. State Pension questions can appear in your exam from three different learning outcomes, one of which involves the notorious multi-response style – learning outcomes (LO) 1, 7 (this is the main State Pension LO) and 8. Consider this multi response R04 style State Pension question and see what you think.

Luiza is just about to reach State Pension Age (SPA) and is considering deferring her payments. Which of the following statements is TRUE in relation to Luiza's options?

a) She can take a lump sum in lieu, which will be paid tax free

b) There is no limit to the length of her deferral period

c) Her pension in payment will increase by 10.4% for each whole deferral year

d) The minimum deferral period is nine weeks

Considering the question stem first, what can we deduce? As Luiza is reaching SPA imminently she will be doing so on the Single Tier basis. The question stem does not tell you this, you must know from your revision that the Single Tier basis came in for anyone reaching SPA on or after 6th April 2016. The answers then test your knowledge of both the old and current State Pension basis rules. Let's consider each possible answer individually.

> *Use study materials that guide you as to which rules are a MUST know, and which rules are less likely to come up (so probably not worth stressing about and learning)*

a) She can take a lump sum in lieu, which will be paid tax free

The ability to take a lump sum in lieu of a deferral period was abolished when the Single Tier State Pension was introduced. So that is not a correct option. If this did not come up in your pension revision, the fact that this answer then goes on to say the lump sum would be paid tax free should make you a tad suspicious.

b) There is no limit to the length of her deferral period

This is a true statement as there is technically no limit to how long an individual can defer their State Pension for. This rule was the same for both old and current State Pension deferral. So, we have identified one correct and one incorrect answer. We have two answers left, and as this is a multi-response question, we will have to select at least one of these as a correct answer (they could both in theory be correct).

c) Her pension in payment will increase by 10.4% for each whole deferral year

This is an incorrect statement. A 10.4% increase in payment for each whole deferral year is way too high considering the low interest environment we have been in for over a decade. We now have only one option left to consider, so even if you are not that keen on it you will need to select it as correct, as this is a multi-response question and, so far, we have only identified one correct answer!

d) The minimum deferral period is nine weeks

This is indeed a true statement. Under Single Tier State Pension deferral rules Luiza would need to defer for at least nine weeks. She would then receive an increase of 1% for each whole nine-week period, getting an extra 5.8% (or

just under, technically) for each whole year of deferral.

BTS tip: Candidate knowledge needs to be varied, covering both past and present rules. The R04 examiner LOVES the State Pension – don't be fooled by the syllabus weightings into thinking that you will not get many questions in your exam – generally there are quite a few.

Use study materials that guide you as to which rules are a MUST know, and which rules are less likely to come up (so probably not worth stressing about and learning). Learning all the different rules and calculations is a tough ask so use study materials that bring the different elements to life.

About Bespoke Training Solutions

Bespoke Training Solutions (BTS) have been supporting regulated exams for 19 years, Luiza Todd is a founding director with a wealth of experience in this field. BTS R04 resources include a digital and printed study guide, an e-Learning module, revision workshops and a mobile app of exam-standard practice exam questions. Visit https://www.bespoketrainingsolutions.com/what-are-the-r0-exams-bts/r04-pensions-and-retirement-planning/ to view our R04 Toolkit and options available to candidates in more detail.

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Regulation requiring advice firms to have a discussion with clients around sustainable investing and ESG 'is coming', Rebecca Kowalski, owner of independent consultancy Overstory Finance, tells Rob Kingsbury

ESG APPROACH

Changes to MIFID II in 2020 would have mandated that financial advisers identify each client's ESG preferences as part of the fact find and in annual reviews. However, the UK's exit from the EU removed that need for the time being, although the FCA has said it intends to mirror the requirement at some point in the future.

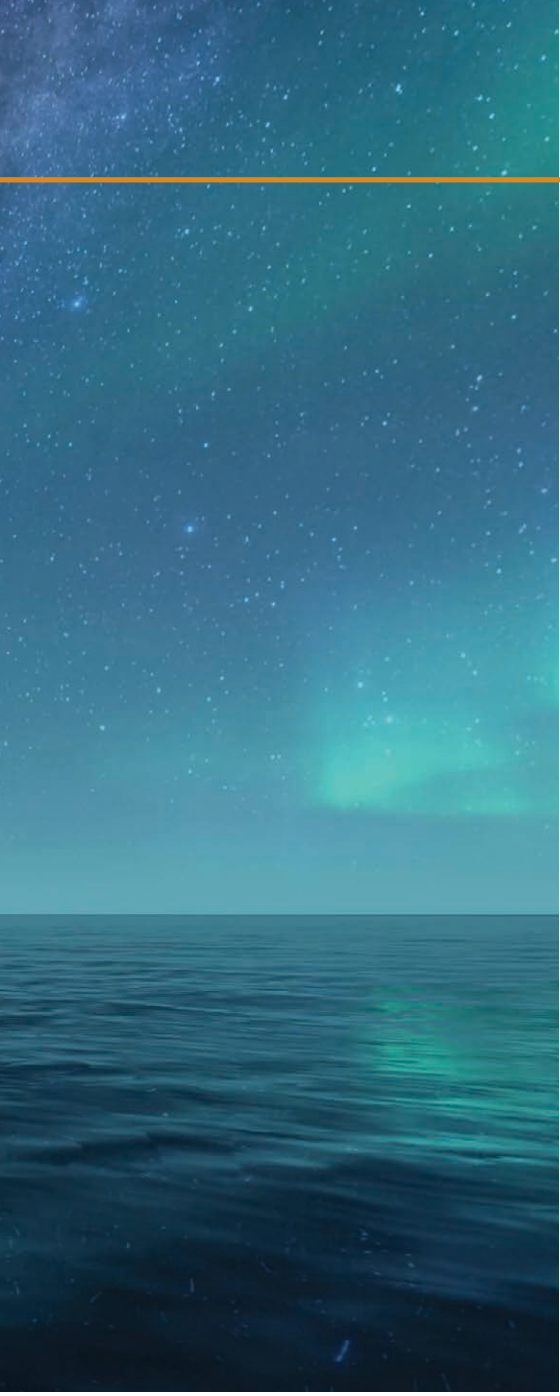
"ESG considerations are now such a large part of the investment market, affecting almost every fund in some way, that I would argue it should be part of advice firms' discussions with clients whether or not it has been mandated," Rebecca Kowalski says. The former paraplanner now provides project work and consultancy on sustainable investing for adviser firms. The role has provided a variety of different opportunities, she says.

"Every firm is different in their approach to sustainable investing/ESG, so I am involved in number of different areas, including sitting on investment committees where I help to make investment decisions on responsible investments, researching funds, and conducting due diligence, as well as general consultancy on this growing area."

One of the challenges she sees advice firms facing when addressing this new area of the investment markets, is that for some firms it can take them out of their comfort zone. Advisers who may have been providing financial advice for decades, and have their business set up to run like clockwork, can find the introduction of this new set of criteria difficult to blend into their advice processes.

"It's managing the conversation with clients and fitting the jigsaw piece into their proposition," Rebecca says. "This is a complex area with numerous nuances from light to dark green funds, those focussed on particular areas like climate change and those that may not be as ESG friendly as they first appear. They all need some investigation under the bonnet.

"A fact sheet doesn't tell the story. A more useful document from fund managers is their engagement document, which describes how they are engaging with the management



This is a complex area with numerous nuances from light to dark green funds, those focussed on particular areas like climate change and those that may not be as ESG friendly as they first appear

of the companies in which they are invested. Some funds avoid companies with negative track records on ESG while others will take the view that they should work with the management to improve their record. This is the stewardship element of the fund and the way it conveys its approach will often tell you how committed a fund is to its ESG principles."

Advice firms also have to balance investment performance with principles and preferences, she adds, noting that ESG funds had a good run in 2021 as many are growth funds, but performance has dropped off this year. "As well as responding to clients' requests around sustainability and climate change, advisers need to manage client expectations. This is especially so if the firm is adding ESG investment into an established investment strategy, which includes high growth investments that fall outside of the typical ESG fund."

Evidence based passive strategies can find this difficult where they are tracking indices, invariably with a mix of companies which may not meet the client's ESG requirements. In these circumstances, Rebecca says, firms may need to make certain compromises with the breadth of their sustainability options to fit their investment philosophy. This can be fine in many cases, but if a client wants an impact or active ownership approach, the firm should explain that they can't meet that requirement and the client may need to find another firm with an active mandate instead."

When building a portfolio of ESG funds, Kowalski says it can make sense to blend a top down with a bottom-up approach, to balance out the potential investment styles. "There is a concern that funds which follow common themes related to the UN Sustainable Development Goals, such as Good Health and Smart Cities, are prone to chase the same companies who fall within the themes. For a portfolio that is looking to have more balance and outperform, it can help to include funds following a bottom-up approach, where they are looking at each company against a set of sustainable invesment criteria. That way you can create a portfolio with greater diversification."

Advice firms who want to offer ESG and sustainable investments to their clients don't necessarily have to get into the nitty gritty of the science, she adds, "it's a vast subject and is changing all the time," but they should have a focus and understand the solutions they are offering their clients and where they fit into the ESG universe. "You should be aware of what each fund does and doesn't do and to conform with PROD, who they are and are not suitable for. But everything should start with asking clients questions. From that you'll learn what you need to do as a business."

For more articles on ESG and sustainable investing see the ESG Zone on the *Professional Paraplanner* website.

ESG ZONE

edentree

BENCHMARKING

What makes for a good benchmark? There are plenty of options out there, but how do you choose the right ones against which to measure your clients' portfolios? Dan Atkinson, head of Technical, Paradigm Norton takes a view

I've recently been spending some time looking at benchmarks for our portfolios and the funds we recommend to clients. There are a huge number of benchmark or index providers and ways of constructing benchmarks. So where do you start?

Purpose

It's helpful to start by thinking about what you are hoping for the benchmark to do. As a financial planner I have two things in mind. Firstly, is the portfolio producing the long-term returns needed to fund future spending? Secondly is the portfolio or fund (or asset class) doing what it is expected to do in terms of risk and return.

In this article we will focus on the second of these two questions.

Funds

Helpfully the majority of funds tend to state the benchmark that they have chosen to report on. If we are using this to compare relative performance, then we need to understand both what the fund is doing and the benchmark. It is only a fair comparison if they are seeking to do the same thing.

It would not be fair to benchmark an amateur sprinter's 100-meter time to an elite sprinter who trains daily. It would not generally be appropriate to benchmark a UK equity fund against a UK fixed interest index. Check the specifics. For example, if you are reviewing a 1-5 year index linked gilt fund make sure that the benchmark is looking at the same part of the bond market.

Portfolios

The first step is to understand what the portfolio is seeking to achieve. Does it have rules around asset allocation, target volatility, or returns? What asset classes are you using and what does the asset allocation look like?

There are quite a few portfolio benchmarks which draw on peer data. Some ask contributors to design a portfolio. Others ask for the actual returns from portfolios to be shared with them to produce an aggregated market view. How are they determining what a 'balanced' portfolio looks like? Some use an investment time horizon and others use a volatility range.

> *Peer data-based benchmarks can be a helpful way of seeing if the portfolio you have recommended has performed similarly to other firms*

Peer data-based benchmarks can be a helpful way of seeing if the portfolio you have recommended has performed similarly to other firms. However, if the way the benchmark is defined is significantly different to your portfolio it won't be appropriate. You will not be comparing apples with apples.

An alternative to peer data-based benchmarks is to simply select a benchmark index for each fund as explained above and weight the result in line with your asset allocation. You will need to consider how frequently (and when) you expect this model to be rebalanced and apply the same

principle to the benchmark. If you make tactical changes to the asset allocation you will need to consider whether the benchmark should also change. Choosing not to change the benchmark will reveal the success of the tactical changes.

The financial plan

These measures only tell you whether the fund or portfolio is doing what it is designed to do. It is a relevant but not complete guide to success. The big question is whether the portfolio is doing what the financial plan needs it to do. When you build the client's financial plan you will be able to determine what returns are needed to achieve the client's objectives. You will also be able to quantify their capacity for loss. These are the real measures of success that matter and the cashflow modelling part of financial planning is a great way of doing it. The software we use also lets us compare previous projections with the updated position.

It's as though fund/portfolio benchmarks are like the speedometer in a car and measuring against the plan is like a satnav. We need to know that in the short term we are not going too slow (or too fast!), but we also need to know that we are going to get to our destination on time.

Some extra food for thought

A further area to consider is how you integrate ESG and impact investments with a diversity of ways of approaching exclusions, screening, and in some cases reweighting of indices. Perhaps these funds also need to be compared to their peers on their efficacy in achieving their impact? Maybe it would be appropriate to find a way of demonstrating peace of mind that a client's portfolio is closer to their values too? There is certainly no one way of doing it yet.

ANNUITIES – DEAD OR NOT?

'Annuities are dead! Long live annuities!' says Richard Cooper, Business Development Manager at The London Institute of Banking & Finance

No one can predict the future at the best of times, but even in an uncertain economy you can help both your clients and advisers shape a more secure and stable future.

Take retirement, for example. Later-life planning is changing and it's increasingly rare for advisers to recommend the traditional 'once and done' approach at retirement. It's much more likely that they will suggest a flexible and tailored retirement plan that will help meet the many different needs of those retiring today.

One type of annuity that comes into its own in uncertain times is a 'fixed-term annuity', which is a great alternative to 'flexi access drawdown'. This is because they can:

- provide a guaranteed income for a chosen period of time
- provide fixed or increasing income
- offer some security, control and a flexible approach to retirement planning, and
- build in essential protection for beneficiaries.

Fixed-term annuities offer security of income. You can use them to cover clients' living expenses over a period of time, bridge an income gap or simply to enable your clients to keep their future options open.

Because fixed-term annuities guarantee income, you could use them to ring-fence your client's essential retirement spend. This will then allow clients greater flexibility with the rest of their funds, for example in higher risk investments.

Finally, fixed-term annuities provide additional flexibility as your clients will have control over what to do with their fund once the term ends.

What are fixed-term annuities?

A fixed-term annuity is written under drawdown rules so clients can retain their fund at the end of the term. It's available for anyone over the aged 55 and allows them to take income and keep control of their pension funds.

A fixed-term annuity lets you take the 25% tax free lump sum from the funds

used to buy the annuity. The remainder of the fund sits in a tax-efficient pension plan where it can provide a regular income for a fixed period. It uses all or part of their pension to buy a guaranteed income for any term, from as little as one year to 40 years.

Clients can choose how much income to receive each year though the higher the income, the lower the amount paid at the end of the term. They can protect their income against inflation by choosing a fixed

> ***Fixed-term annuities offer security of income. You can use them to cover clients' living expenses over a period of time, bridge an income gap or simply to keep their future options open***

percentage or an index such as the Retail Price Index (RPI). Alternatively, your clients could keep the rest of their pension fund invested. That would allow the fund to grow while they get an income from an annuity. At the end of the term, a guaranteed maturity value will be available.

In contrast, a lifetime annuity provides a guaranteed income in exchange for the total of your client's fund. That's not something you can alter, even if your clients' circumstances change in the future.

Some providers of fixed-term annuities include a flexible cash account with the plan, which allows you to vary your clients' income if their circumstances change in the future. While in the cash account, your clients' money remains in the pension and would not be taxed until they decide to take the income. Clients can use the maturity value to choose another pension-income option and, as that's guaranteed, they will know the exact value they'll receive at outset.

Most providers allow clients to access some or all of their funds earlier if their circumstances change. However, if taken early the amount payable is not guaranteed and can be significantly less than the maturity value.

What about death benefits?

Of course, it's always important to look at protecting benefits in the event of death. To that end, fixed-term annuities can include options such as:

- dependents benefit – where a chosen percentage (between 1% and 100%) of the income and maturity value is paid to the dependent
- guaranteed minimum payment period – income payments are guaranteed to be paid for a selected period if the member dies.

However, the more options you include, the less the guaranteed maturity value offered.

Suitability

Fixed-term annuities are suitable for clients who:

- require a guaranteed income for a chosen period of time
- want to be certain of the future maturity value
- are looking to reduce their risk exposure and have a low attitude to risk.

But they are not suitable for everyone, particularly for clients who:

- want to take ad-hoc withdrawals as and when they need them
- have certain medical or lifestyle conditions, as an enhanced annuity may provide greater income
- want to regularly change their income levels during the term of the fixed annuity
- are seeking access to potential higher investment returns through exposure to a wide range of assets.

In a volatile and unpredictable market with so much going on, a fixed-term annuity could be the right option at this moment in time.

So, if it's some time since you looked at the annuity market and the options available, now may be a good time to revisit some of the choices that are currently available.

LET'S FACE (-TO-FACE) IT

Let's face it, it's great to be attending in person events again, says Martin Green, paraplanning manager, Fairstone Wealth Management and member of the PFS Paraplanning Panel

Although it's only been a couple of years, it does feel as though we've not been able to attend in-person events for a far longer period of time. And I don't know about you, but I've missed them.

For me, paraplanner events are the best in the industry. There is nothing better than being in a room full of paraplanners, all with the same passion for the profession, willing to learn and share what they know with their peers, to build their knowledge base and to help others in their career, and ultimately to ensure clients get the best of outcomes.

The main aim of attendance at any event is to learn something new – ideas and/or tips – which you can take away and use in a practical way in the office and on the job. And I've found that I learn not just from experts in their fields but also from talking with my peers. Many of us are going through the same experiences and often we can shed light on how we are dealing with things that can help out others.

Sometimes, having open discussions and knowing you are not the only one going through a particular issue can make you feel more confident about tackling it when you get back to the office. Paraplanners are all at different stages in their careers and if we can share what we've learned along the way with our peers that can only be for the good of the profession.

I recently facilitated one of the discussion sessions at the Professional Paraplanner Team Leader Seminar. Many there were new to managing a team and it was great to see a group of like-minded people come together to share their experiences and help out their fellow professionals.

The other great thing about in-person events, of course, is meeting up with paraplanners we've not seen for a while (potentially for two years!), whilst also meeting new faces and expanding our network of people.

All of which is why I am trying to attend as many events as possible – work allowing. And why I'm very excited to be part of the new PFS Paraplanning Panel Purely Paraplanning Roadshows set up this year.

The PFS Paraplanning Panel will be on the road at each event, engaging with the audience, listening to your ideas and to get a better understanding as to how more support can be given to PFS paraplanning members. As well as a learning opportunity it is also a way to help shape future topics for the Roadshows.

The members of the PFS Paraplanning Panel are paraplanners like you. To help them and you to get the most out of the Roadshow, I would encourage those attending to get involved, ask lots of questions and engage with the speakers / Paraplanner Panel. I'm sure by the end of each event you will leave full of positivity as I and many others have done from past PFS Purely Paraplanning Roadshows.

When I look back at the amount of hard work and effort required to put on events, I feel very proud when it all comes together. The Panel members look forward to seeing you at one of the up-and-coming Roadshows near you. Please visit PFS Events list (thepfs.org) to search your preferred venue and date.

The other great thing about in-person events, of course, is meeting up with paraplanners we've not seen for a while (potentially for two years!)

Professional Paraplanner Technical Insight Seminars

And don't forget to check out the upcoming Professional Paraplanner Technical Insight Seminars in London, Southampton, Edinburgh, Manchester, Leeds and Bristol. More information under Events on the Professional Paraplanner website.

EXCHANGE RATES

The Brand Financial Training team explain how exchange rates work and how strengthening and weakening currencies affect exports and imports into an economy

After the last couple of years of 'staycations', many of us are now thinking of venturing back across the water in pursuit of sunnier weather. One of the items on the holiday checklist will be spending money, and if we are planning on looking beyond the UK shores then it will be spending money in another currency we will need.

With there being much in the news about the pound wavering against the euro, it got us thinking about how this impacts our trips overseas as well as on business.

So firstly, what is an exchange rate? And what do the terms 'strong against the pound' and 'weak against the pound' actually mean?

An exchange rate can best be described as the amount of money in one currency which has to be exchanged for a different currency. Each currency has a code which identifies the country it's used in so for example, the pound is GBP, the Euro is EUR and the American dollar is USD.

Today £1 will buy €1.19 euros. Very simply, this means that for every £100 I can buy €119 and if someone from, say, France came to the UK they would have to pay €119 to buy £100. (In reality, a dealer would make a profit which would affect these figures). Tomorrow the exchange rate might be something different – the price of currency is determined by demand and supply just like the price of a share.

When we come back from holiday and we want to convert our unspent foreign currency back into pounds then again the exchange rate is important. Let's say we have €100 left and the euro exchange rate is the same then we simply divide €100 by the rate of €1.19 and we would receive roughly £84.03.

Currencies are traded every day with traders in the foreign exchange, working for businesses and banks. Exchange rates can change for a number of reasons; if interest rates increase in the UK then foreign investors are likely to want to invest in UK banks and to do that they will need to convert their own currency to pounds. If the demand for pounds increases then the exchange rate of the pound would equally increase and it will be described as the pound strengthening, meaning a pound will buy more of a foreign currency. When the pound falls in value then it is said to be weakening.

Exchange rates are not only important to us when we go on holiday, they are also important for businesses that import and export goods and services. If the pound starts to de-value (the exchange rate goes down) less foreign currency can be bought for the same amount of pounds - therefore:

- Overseas firms can exchange more pounds for their currency so they pay less for UK products
- If UK exports become cheaper they become more competitive and more in demand
- BUT those firms that rely on imports will have to spend more pounds to receive the same foreign currency
- Imports therefore become more expensive which will reduce demand.

So in summary, a devaluation of the pound means cheaper exports, but more expensive imports. If the pound appreciates (the exchange rate goes up) more foreign currency can be bought for the same number of pounds - therefore:

- Imports into the UK are cheaper which increases demand from the UK consumer
- But UK exports become more expensive abroad making them less competitive leading to lower demand (less exports).

In summary, an appreciation of the pound means more expensive exports, but cheaper imports.

What does it all mean for us when we go on holiday?

Let's assume we are now off to America..... £1 used to buy \$2 but today it only buys \$1.27. This means that something that cost \$10 used to cost us £5 but now that the pound has depreciated against the dollar the thing that cost \$10 now costs us £7.87.

This has various effects; it could stop us from going to America for our holiday, it will certainly make American imports more costly so we may stop importing, and, as it will be cheaper for Americans to buy UK goods and services, UK exports should in theory increase, which in turn should improve the UK's growth.

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

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. What would be a strong positive indicator that a firm's strategy was working?

- A The firm has a clear vision that supports the fair treatment of customers
- B Internal posters highlighting key messages
- C Evidence of target rewards in place for individuals achieving desired outcomes
- D Evidence of frequent staff meetings where strategy has been discussed

2. What characteristic would you associate with fixed interest securities?

- A Fixed redemption value
- B High risk
- C Variable rate of interest
- D Negotiable long-terms

3. Sandy and Brian are carrying out Inheritance Tax mitigation and are keen to use the 'normal expenditure out of income' exemption. Which of the following is most likely to qualify?

- A Paying net annual premiums of up to £2,880 into a personal pension for their son from spare income
- B Paying a £45,000 deposit on a house purchase for their daughter
- C Using the 5% withdrawal facility from an investment bond to pay the premiums on a joint life 2nd death life policy
- D Transferring their income producing investment portfolio to both children

4. Denise had an uncrystallised defined contribution pension fund when she died in 2021. Denise had nominated her husband David and her daughter Molly to each receive half of her fund. If Molly was aged 30 when Denise died, she is considered to be a:

- A Dependant
- B Nominee
- C Successor
- D Beneficiary

5. Julie has decided to pay the premiums on her life assurance policy by monthly instalments. This means that the premium she pays will have a:

- A Handling fee
- B Frequency loading
- C Net premium adjustment
- D Natural premium reduction

6. Tim has two unit trusts. He has received income from them as follows:

Unit Trust A	Unit Trust B
Interest of £300	Dividend of £5,000

Assuming Tim has no other savings or dividend income and is a higher rate taxpayer, how much tax will he pay via self-assessment in respect of the dividend income?

- A £225
- B £675
- C £975
- D £1,625

7. What is a major difference between a pre-funded risk based Long Term Care insurance (LTCI) contract and a long-term life assurance protection contract?

- A An LTCI contract always has an investment element
- B Under an LTCI contract premiums can only be paid as a single premium
- C Under an LTCI contract the benefit is payable when the individual satisfies the provider's claim requirements rather than on death
- D Premiums under LTCI contracts cannot be reviewable by the insurer

8. Which of the following is a feature relating to the lump sum Bereavement Support Payment?

- A The lump sum will be paid over 18 months
- B Claimant must have children under 19
- C The payment will be retained on re-marriage
- D Claimant must be actively looking for work

9. Simon is buying a plot of land with the intention of building his own home. Simon should be aware that:

- A He is unlikely to be able to benefit from fixed rate deals
- B Mortgage funds will be paid in one lump sum
- C It is likely he can reclaim most of the VAT paid on materials
- D Planning permission is not required on self-build projects

10. Although your client Geoffrey understands what derivatives in investment portfolios can achieve, he doesn't understand what a derivative is. You tell him they are:

- A Financial instruments used to provide market stability
- B Specialist investments to provide increased speculative opportunities
- C Financial instruments that are based on some other asset
- D Instruments that allows investors exposure to underlying assets through direct ownership

Last issue's answers

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

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. For resources visit https://brandft.co.uk

SPECIAL REPORT VENTURE CAPITAL TRUSTS

SPECIAL REPORT

In association with

Triple Point

VCTs: How do you use them?

Fiona Bond spoke to paraplanners about how they utilise Venture Capital Trusts (VCTs) when constructing financial plans for clients

"For higher rate taxpayers looking for a tax-efficient income, this isn't a bad option if they have capacity for loss and risk appetite"

Kim Bendall, Go Paraplanning

Venture Capital Trusts (VCTs) have experienced a surge in demand of late, as a growing number of investors seek out attractive tax breaks and the opportunity to support small, entrepreneurial businesses in the wake of the pandemic. VCTs raised a record £1.13 billion in the 2021/22 tax year, up 65% on the previous year, and surpassing the £1 billion milestone for the first time.

While their growing appeal is partly as a result of ongoing changes to pension rules over the past decade, paraplanners also point to increasing awareness of VCTs in the market.

Kim Bendall, director at Go Paraplanning, says: "I suspect demand is a combination of advisers feeling more confident about recommending esoteric investments, a possible increase in the marketing information about these products by VCT providers and more clients getting to the point of having annual allowance and lifetime allowance issues on pensions."

What makes for a good VCT?

VCTs offer investors the opportunity to invest in small companies across a wide range of sectors from healthcare to technology. But while such companies come with a greater potential for growth, they also carry more risk than many of their larger, listed counterparts.

VCTs often trade at a discount to the Net Asset Value and there is no guarantee that a willing buyer will be found at any given time. While VCTs sometimes offer buyback it is not guaranteed.

Sian Davies Cole, director of PlanWorks, explains: "VCTs sit at the higher end of the risk level and are aimed at those with a capacity for loss and a clear understanding of the fact that the companies in which they invest have a fair chance of failing. The kind of investors who are suitable tend to be high net worth individuals and sophisticated investors who are financially aware and have a good grasp of investing in general."

As an incentive, VCTs offer investors favourable tax breaks, including up to 30% tax relief on the amount invested, provided they are held for a minimum of five years, as well as tax-free dividends. According to the Association of Investment Companies, the average VCT has returned 155% over the last ten years. But while they can make up an interesting part of an income portfolio, many advisers and clients are primarily led by the tax advantages.

Peter Bridgwater, paraplanner at Hadlow Edwards Wealth Management, says: "My experience is that VCTs are primarily seen as a tax vehicle, particularly income tax. If a client is interested in tax-free dividends, it is possible to find VCTs with an AIM emphasis and more consistency in terms of dividends. However, it's important to note that while this can increase the regularity of dividends paid out, it offers no guarantee and should still be considered a 'bonus' rather than relied upon."

Kim echoes the sentiment: "For higher rate taxpayers looking for a tax-efficient income, this isn't a bad option if they have capacity for loss and risk appetite. I wouldn't necessarily consider them for clients looking for high levels of capital growth, unless there were no better tax wrapper options available or the annual allowance, lifetime allowance or loss of personal allowance were an issue. Many advisers will tell clients to focus on the tax relief they're getting rather than having any high expectations about the investment performance they may receive," she adds.

Balancing the risk

While VCTs are undoubtedly high risk, paraplanners agree there are ways to mitigate the risk. Kim says: "Some VCTs sit at the lower end of the high-risk scale and these would typically be ones that have strong fail-safe processes like planned exit strategies, how they ensure underlying assets remain 'qualifying for tax-relief purposes, research processes and the level of diversification they have within the trust."

Investors will need to consider the different types of VCT available, ranging from specialist to generalist and AIM and think about how many companies they intend to hold and what sectors those companies are invested in. Sian believes the key is to look at several VCTs rather than focus on just one: "Diversification provides the best level of protection against losses. Often, VCTs are run by the same manager so investors will need to consider that aspect and ensure they are diversifying between managers and providers."

Paraplanners also note that the financial stability and experience of the manager and investment committee are important factors to consider before investing. While some advisers regard VCTs as fundamental for many of their clients, the wrapper has to be set firmly against individual's circumstances. Peter explains: "VCTs are very client specific. For some clients, they can be top of the agenda but they may not be suitable for others. I think they are pretty fundamental for clients holding above a certain level of wealth, but they also compete with Enterprise Investment Schemes which have inheritance tax benefits and the ability to manage CGT liabilities on large realisation of capital."

Do your research

As with any investment, research is paramount. Allenbridge and MICAP tend to be the research tools of choice, offering paraplanners the opportunity to shortlist VCT opportunities through a filter system. In addition, various documents from providers including KIID, the firm's prospectus, annual report and factsheets can help to delve deeper on their offerings.

Sian says: "MICAP is great at helping to build a shortlist according to clients' needs. I then divide that list into highs and lows based on different scores, for example, the history and track record of the VCT manager until I have a handful of suitable opportunities."

According to Kim, transparency, simplicity, a track record and clear literature are key factors when exploring VCTs for clients.

Timing is also a crucial factor to consider. Some funds are not always open to accept new business and this can make a difference in terms of the types of VCTs and providers that are available.

Peter says: "Generally, you want a mix of industry sectors, providers, approaches and maturity for a mainly tax-motivated client. Clients I have previously worked with tend to hold off until the end of the tax year as this is when they are surer about available capital and tax position. However, this can constrain the opportunities available."

Supporting the UK economy

Now in their 28th year, VCTs have proved not only a vital source of funding for small businesses, but an exciting opportunity for investors to gain exposure to new, innovative companies. Zoopla, Secret Escapes and Cazoo are just a few of the household names that have emerged from VCT funding and this has not escaped investors' notice.

A survey by the AIC found 84% of investors felt it was important to help UK enterprise. Kim says: "If we look at a VCT and are blown away by what a great story they have to tell, we will convey our own enthusiasm to our clients who in turn are likely to be more motivated in what they're investing in."

In contrast, Kim believes if paraplanners and advisers are "vanilla" in their own advice and communications about the product, the client is likely to feel the same. "We need to be really motivated by the solutions we recommend ourselves, before we can expect our clients to be motivated by them too," she adds.

For Sian, the appeal of investing in small, high-growth businesses can resonate with clients who have experience of running their own business. She says: "Of course clients are interested in the tax benefits and this is a key driver, but often they are entrepreneurs themselves and like the idea of investing and helping small businesses to grow and succeed."

"Of course clients are interested in the tax benefits and this is a key driver, but often they are entrepreneurs themselves and like the idea of investing and helping small businesses to grow and succeed."

Sian Davies Cole, Plan Works

A venture strategy worth backing

The UK provides fertile ground for innovative companies but selecting the right ones to invest in is absolutely key. How then does one choose where to place an investment? There is one factor that is fundamental, Billy Brown, Strategic Relationship Director, Triple Point explains

The UK tech sector has boomed over the last two years, with more money than ever flowing. In 2021, £29.4bn was invested, up from £11.5bn in 2020. Moreover, the combined value of UK tech companies founded since 2000 was £540bn at the end of 2021.

Of course, the pandemic has had a significant impact on the journey, and even birth, of start-ups. Huge numbers of businesses have arisen from the changing needs of a socially distanced world. Some start-ups have flourished, others have adapted, and many have struggled. The venture landscape is buzzing with opportunities and pitfalls and the need to select strategies designed to maximise the chances of a start-up's success has increased.

This surge of interest is understandable. We know that times of great change create tremendous opportunities for entrepreneurs to innovate. We saw this during the 2007-2009 financial crisis, when a number of start-ups went on to become unicorns (worth $1bn plus), such as Uber and Slack. The UK had a total of 115 unicorns as at December 2021 and an astonishing 25% of all of its unicorns were created last year alone.

This is, without question, fantastic news and demonstrates that the UK is fertile ground for innovation. Over the next two years, doubtless many more disruptive software start-ups will emerge as a result of innovative thinking, a reassessment of priorities and the adoption of new technologies.

Yet for investors looking to back the most promising early-stage companies to support their journey from start-up to scale up, there are risks that need to be addressed. The challenge for investors is accessing the potential of high-quality companies at sensible valuations, while also addressing a key risk in venture capital investing.

Establishing market fit

There are many reasons why start-ups fail, including issues with a remote workforce and cashflow-related difficulties, but there is one factor that overtakes the rest in causing the most problems for the greatest number of young businesses: no established demand for their product.

Industry research published by CB Insights indicates that the number one reason for start-up failure, cited in 42% of cases, is the lack of market need. The problem for venture capitalists is that they have traditionally tended to focus on researching a broad cohort of companies with the aim of identifying those businesses that are likely to be successful. Investment is then made based on this research with the hope, rather than the expectation, that the market will validate the investment.

A challenge-led approach

What Triple Point anticipated back in 2018, was a movement towards a new, distinct approach to venture capital investing based upon the need to address certain risks associated with nascent companies – establishing market fit.

The basic premise of a challenge-led approach is to work alongside large corporates to identify the problems they face and then identify the early-stage business with the innovative new product or service that can provide the solution to these real challenges.

This approach ensures that a market fit has already been established, before investment, which results in the same potential early stage financial benefits, whilst reducing the risk of the business not achieving a market fit. By investing at this stage, Triple Point's Venture Fund VCT aims to mitigate some of the risks of early stage investment, whilst continuing to maximise potential returns for investors.

Throughout the pandemic, the investment team has been actively working to provide new businesses with the money and support they need to grow, while giving smart start-ups access to fast, reliable capital at the earliest stages of their lifecycle. Triple Point primarily invests in pre-Series A B2B technology businesses. With high-growth B2B technology businesses accounting for 77% of all exits in 2019, targeting this sector can offer better valuation on entry and better returns to shareholders.

The companies that are going to thrive in the aftermath of the pandemic and other global challenges will be the ones that best adapt and respond to the challenges that emerge. Given the huge opportunities to back innovation, choosing the right investment strategy has never been more important.

Find out more about the Triple Point Venture Fund VCT.

The Triple Point Venture Fund VCT carries all the risks of investment in smaller companies and places investor's capital at risk. Investors should only subscribe for shares on the basis of information contained in the Prospectus which is available via the Documents section of the website.

"The venture landscape is buzzing with opportunities and pitfalls and the need to select strategies designed to maximise the chances of a start-up's success has increased"

Adapting to a shifting market

The Venture Capital Trust market is attracting record inflows but the market is changing. Billy Brown, Strategic Relationship Director, Triple Point looks at what paraplanners need to know about the market now

With the mercury continuing to rise on the inflation thermometer, CPI hitting 9% in April, the highest level in 30 years, and the Bank of England predicting a peak of 10% in 2022, investors face increasingly acute pressures on their income. Exacerbated by extensive economic uncertainty, rising fuel prices, and open conflict on the European continent, the future, at least in the near term, is far from certain.

In spite of this, popularity in and demand for VCT investments, which offer investors the facility to back innovative start-ups through a tax protected wrapper, has been growing. In the 2021/22 tax year, VCTs raised a record £1.13 billion – 65% more than in the previous year.

"As the economic impact of the pandemic can still be felt, and when compounded with the current macro-economic turbulence, it seems VCT investments can offer crucial benefits at a pressing time"

Understanding the new VCT investor

Recent research by the Venture Capital Trust Association shows that the average age of a VCT investor has dropped from 67 years down to 56 since 2017. This shift would suggest that younger investors are starting to see the benefits of VCTs, potentially as a supplementary pension planning product following progressive changes to pensions regulations that have left private clients with diminishing options for retirement planning.

Within this, diversification has become more important as the need for consistent income during retirement increases. Not only does diversification spread risk, but it simultaneously improves the consistency of income as different assets experience varying performances during different periods.

Selecting the correct strategy

The VCT market is now over 25 years old, hence presenting a more reliable option than when it first emerged. Yet, as it is not uncommon for start-ups to fail within the first year, such investments are not without risk. A clear evaluation of VCT strategies is essential, particularly as there is a wide variety of investment strategies to pick from; this varies from AIM, to more consumer-focused strategies and those focused on later stage investments.

The Triple Point Venture Fund VCT utilises a challenge led approach which primarily invests in pre-Series A B2B technology businesses. With high-growth B2B technology businesses accounting for 77% of all exits in 2019, VCT funds that target this sector tend to offer better valuation on entry and better returns to shareholders. Equally, while there are many reasons that a start-up may fail, research by CB Insights found that in 42% of cases lack of market need was the reason for failure.

How does the challenge led approach work in action? Triple Point works with corporates to

predict and assess the problems they are facing and thus carefully select start-ups that offer solutions to these problems. Such a strategy offers an answer to the issue of market need and seeks to reduce the risks of investing in these early-stage start-ups.

Why a VCT now?

There are many reasons for the rising demand for VCTs. At a time when many are facing huge pressures on their income, progressive changes to pensions regulations have left an earlier generation with diminishing options for retirement planning.

VCTs also represent a tax-efficient investment solution as investors can claim upfront tax relief worth 30% of the amount invested and earn tax-free dividends and capital gains. Consequently, as financial pressures continue to rise, income-seeking investors could become increasingly interested in the tax relief of VCT investment.

As the economic impact of the pandemic can still be felt, and when compounded with the current macroeconomic turbulence, it seems VCT investments can offer crucial benefits at a pressing time. Keeping this in mind, it is therefore essential that investors continue to understand and have an awareness of the evolving VCT landscape.

Find out more about the Triple Point Venture Fund VCT.

The Triple Point Venture Fund VCT carries all the risks of investment in smaller companies and places investor's capital at risk. Investors should only subscribe for shares on the basis of information contained in the Prospectus which is available via the Documents section of the website.

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.

Investment Committee Webinars:

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REVERTING TO GROWTH

David Jane of the Premier Miton Macro Thematic Multi Asset team, considers whether now is the time to pivot back to growth stocks

The last year has seen a huge recovery in value stocks, inflation beneficiaries in particular. At the same time growth stocks have had a torrid time. The Nasdaq is down 28% from its peak, at the time of writing (Source: Bloomberg as at 11.05.2022), and commentators are beginning to draw comparisons to the bursting of the tech bubble back in 2000.

The obvious near-term cause of the tech collapse has been the rise in inflation and consequence rises in short and long-term interest rates. Just as falling rates drove the growth stock bull market of the last ten years, rising rates have led to its demise.

Multi asset funds that have a growth style bias have started to underperform, while those more focussed on value (including those with a UK bias) have done best. This causes a dilemma for fund selectors who have backed the best performing funds of recent years: whether to switch into value or stick with the holdings that have served them well. We think the answer is neither, clients should blend.

In our funds, we mix macro views with long-term themes. Macro views tend to be relatively short term, as the macro environment changes continuously. Although there is generally an over-arching macro paradigm, such as lower for longer during the post GFC bull market. Post Covid we feel the environment is rising rates and rising inflation for a potentially extended period. At present, our macro views have a value bias, value does relatively well in rising rates and higher inflation. Growth tends to do well in an environment favouring long duration assets.

The thematic side of our portfolios focusses on the long-term growth themes that drive the global economy. These generally fall into technological changes and demographic developments. Such investments can often have a growth bias, although not in all cases.

At present, we are positioned for economic uncertainty, combined with the long-term belief that inflation will be higher than the consensus over the coming years. We would like to balance this with more of our themes, but their growth bias means we have a reduced exposure currently. For this reason, the question of when growth might, at least, cease to underperform is important to us.

Drivers favouring growth

Two things might drive a return to performance of the growth orientated parts of the market. One would be a change in the market environment, such as a positive outlook for bonds and falling inflation expectations. The other is growth stocks in general getting back to attractive valuations.

We think the inflationary environment may peak short term at some point this year but that the structural background is one where inflation is structurally much higher than before. Any rally driven by a bond rally is likely to be temporary. However, the other factor is more important. At the right valuation, growth stocks can outperform in any market environment.

The reason is simple, if they have real growth that can offset any decline in valuation driven by the macro environment, the key is paying the right price to start with.

Therefore, we think a major consideration for any increase in our growth exposure will be valuation. At present, while prices have come down significantly, for many smaller companies in particular, large cap growth stocks still do not appear to be cheap, at least to us.

In conclusion, increasing exposure to our growth themes will require more discernment than was necessary during the growth bull market. The easy times are over, we are in a rising rate and inflation environment. That is not to say that some growth stocks won't be amongst the best performers in coming years, genuine growth stocks can always perform well.

However, many of the past winners will turn out to have been illusions created by cheap money. Over time, we would expect the growth themes in our portfolio to increase, but for now we remain very selective.

The obvious near-term cause of the tech collapse has been the rise in inflation and consequence rises in short and long-term interest rates

UK EQUITY INCOME

Darius McDermott, managing director, FundCalibre asks: Could "old fashioned" UK equity income be back in vogue?

I believe it was the legendary darts commentator Sid Waddell who coined the phrase "the biggest comeback since Lazarus". And it came to mind recently when I was considering the outlook for income investing in the UK.

It's fair to say the past few years have been unkind to this part of the market, with Brexit; the strong outperformance of growth-style investing; and the Woodford debacle all hitting sentiment hard, causing significant outflows from the sector.

Then the pandemic hit in 2020, an *annus horribilis* for all investors, but particularly those who rely on dividends from UK plc.

> ***The Brexit overhang is just part of the rationale for the UK becoming unfashionable. In that time, global markets have been dominated by the large technology firms in the US***

Dividends fell 44 per cent to £61.9bn on a headline basis[1] – the lowest annual total since 2011, while the average fund in the sector fell more than 10 per cent[2].

But the market has shown its resilience since then with UK dividends jumping 46 per cent (to £94.1bn in 2021). It's also been a solid start to this year for shareholders, with UK companies having paid some £14.2bn in dividends in the first quarter – aided by bumper profits made by the oil sector, according to the Link Group's latest UK dividend monitor.

There was talk of a dividend reset (the idea of companies paying dividends at a more manageable and sustainable level) to allow companies to reinvest in their businesses again. However, the recovery has shown the robustness of the market with dividends being repaired fast, if they are not fixed already.

However, figures from the Investment Association show investors are still pulling

Investing in UK Equity Income – Pros and Cons

Pros

- ✓ UK is an unloved market with cheaper valuations and higher dividend yields compared to most peers
- ✓ Large number of energy and mining stocks which provide better inflation protection
- ✓ Pound weakness versus the dollar increases the earnings of UK multinationals.

Cons

- ✗ Bias to the 'old world' economy. Heavily stylistic towards value and away from growth, particularly in large/mega caps
- ✗ Many companies have substantial debt (banks, miners, some staples and oil majors)
- ✗ Many funds have a large-cap bias and hence dividends are heavily concentrated

money from the UK Equity Income sector[3] – which I feel is due to a combination of poor sentiment and wider fears over inflation.

In truth, performance has supported the lack of sentiment. Since Brexit, UK equities have significantly underperformed their global peers.

The Brexit overhang is just part of the rationale for the UK becoming unfashionable. In that time, global markets have been dominated by the large technology firms in the US, the likes of Amazon and Google. The UK, by contrast, has more of a value tilt – with strong exposure to traditional sectors like financials, oil, miners and energy, all of which have struggled when compared to these growing tech giants.

The result is a wide valuation gap between the UK and its global peers – indicating that many of its companies are now available to invest at attractive levels relative to history, something which has not been lost on overseas business and private equity investors, who have been swooping in to buy companies at these attractive prices.

But things have changed in recent months. Rising inflation and interest rates have kicked things back into the UK's favour, while growth-focused industries have struggled. As a result, several of the aforementioned UK industries have benefitted from an inflationary scenario and, at the time of writing, the UK is the only major stock market to have made money in 2022.

At time of writing, inflation in the UK stands at 7 per cent. Even if it falls to half that number in the next 12 months, the dynamic between growth and value changes. This is where a number of old-fashioned UK equity income funds with exposure to numerous resources benefitting from inflation – the likes of energy and mining companies – could find themselves the most popular kid at school for the first time in a long time!

In addition to mitigating inflation to some degree, these funds are also offering a reasonable yield of circa 4 per cent. Of course, there are issues to be aware of – not least that being heavily invested in UK equity income funds leaves you heavily exposed to the strong dividend concentration in the UK, with the top 15 companies accounting for almost 60 per cent of UK dividends. However, there are also plenty of multi-cap options available to investors which can help negate that risk.

Traditional equity income funds

Here I'd look to the likes of the Artemis Income fund, which currently has 84 per cent of the portfolio in large caps[4]. A stalwart for two decades, the fund is designed to offer a diversified, eclectic mix of cashflows from different companies to ensure a sustainable and durable income. Another worth considering is Threadneedle UK Equity Income

Pure value

Schroder Income is a deep value-driven fund that invests in companies valued at less than their 'true' worth and waits for a correction. It has little correlation with other income funds, tending to avoid the big income producers in favour of more niche names.

Multi-cap approach

Good options here include the ISFL Marlborough Multi-Cap Income fund, which has roughly two thirds of its allocation in micro to mid-cap companies. The fund is backed by the acclaimed stock-picking ability of the Hargreave Hale team, which has led to significant outperformance since the fund launched in July 2011. The LF Montanaro UK Income fund is another excellent option in this segment of the market.

[1] Source: Link Group – Global Dividend Monitor
[2] Source: FE fundinfo, total returns in sterling, 31 December 2019 to 30 December 2020
[3] Source: Investment Association
[4] Source: fund factsheet, 31 March 2022.

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 30 April 2021, provided by FE Fundinfo

BEST RATED FUNDS

IA	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Positive Change	86.53	✓	5
Baillie Gifford Pacific	69.62	✓	5
Slater Recovery	58.8	✓	5
GAM Star Disruptive Growth	58.77	✓	5
T. Rowe Price Global Focused Growth Equity	54.24	✓	5

AIC	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Pacific Horizon	112.91	✓	5
Baillie Gifford Scottish Mortgage	75.98	✓	5
Baillie Gifford US Growth	51.52	✓	5
Personal Assets Trust	27.95	✓	5
Dunedin Income Growth Investment Trust	27.6	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
UBS Luxembourg Selection Active Solar	173.55	236
Invesco CoinShares Global Blockchain UCITS ETF	112.40	187
LF Ruffer Gold	109.60	172
L&G Battery Value-Chain UCITS ETF	101.88	134
BlackRock BGF World Mining	101.13	188

AIC	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
CATCo Reinsurance Opportunities Limited	915.55	6,137
Edge Performance VCT	827.66	253
New City Investment Managers Geiger Counter	248.4	424
New City Inv Mgrs CQS Natural Resources Growth and Income	181.27	197
Seneca Growth Capital VCT	170.93	205

RISKIEST SECTORS

IA	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
Latin America	-3.77	136
China/Greater China	5.52	121
Technology and Technology Innovations	51.63	114
North American Smaller Companies	31.95	114
European Smaller Companies	24.82	114

AIC	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
China/Greater China	10.56	180
VCT Specialist: Media, Leisure&Events	131.44	172
Property Securities	16.92	160
European Smaller Companies	39.05	154
North American Smaller Companies	20.09	148

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
Invesco Global Targeted Returns (UK)	4,235.63	1,025.18	-68.80	-3,141.65
BlackRock ACS US Equity Tracker	15,899.95	16,256.67	3,212.27	-2,855.55
BlackRock ACS 50:50 Global Equity Tracker	6,086.22	4,483.55	623.45	-2,226.13
State Street ACS Multi-Factor Glbl ESG Idx Eq	2,005.73	272.67	361.83	-2,094.89
BlackRock ACS UK Equity Tracker	12,043.08	11,582.62	1,442.15	-1,902.61

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
Liontrust Japan Equity	31,747.38	39,238.05	-660.88	8,151.55
M&G Japan Smaller Companies	14,184.59	21,080.33	706.35	6,189.39
BlackRock ACS Climate Transition World Eqty	3,369.57	9,020.54	881.66	4,769.30
LGIM Future World Global Equity Index	2,498.15	7,172.75	352.24	4,322.35
MI Somerset Emerging Markets Discovery	10.24	5,203.27	1,568.58	3,624.45

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

Commodity/Natural Resources
55.14

Technology & Telecommunications
51.63

North America
46.22

India/Indian Subcontinent
39.05

Healthcare
37.47

AIC

VCT Specialist: Media, Leisure&Events
131.44

Infrastructure Securities
89.04

Insurance & Reinsurance Strategies
86.80

Commodities & Natural Resources
86.07

VCT Specialist: Health & Biotech
81.22

MOST RESEARCHED

	IA		AIC
1	Global	1	Global
2	UK All Companies	2	Flexible Investment
3	Mixed Investment 40-85% Shares	3	UK Equity Income
4	Volatility Managed	4	Private Equity
5	Mixed Investment 20-60% Shares	5	Renewable Energy Infrastructure

MOST VIEWED FACTSHEETS

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Scottish Mortgage Investment Trust
2	Fundsmith Equity	2	Ruffer Investment Company
3	Vanguard LifeStrategy 80% Equity	3	Personal Assets Trust
4	Vanguard LifeStrategy 40% Equity	4	International Public Prtnrship Ltd
5	Baillie Gifford Managed	5	Capital Gearing Trust

MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Scottish Mortgage Investment Trust
2	Vanguard LifeStrategy 80% Equity	2	Capital Gearing Trust
3	Vanguard LifeStrategy 40% Equity	3	Personal Assets Trust
4	Fundsmith Equity	4	Ruffer Investment Company
5	Vanguard LifeStrategy 100% Equity	5	Smithson Investment Trust

STRUCTURED PRODUCTS

STRUCTURED PRODUCT MATURITIES MAR - APRIL 2022

The table shows maturities data for the 'Preferred Plans' selected for clients by Lowes Financial Management, publisher of StructuredProductReview.com. Data is for the top 20 plans ordered by highest total returns.

Provider	Plan	Maturity Date	Term (years)	Change in underlying %	Plan Gain %
Reyker Securities	FTSE 100 Supertracker Plan March 2016	24/03/2022	6.00	22.29	73
Meteor	FTSE Defensive Supertracker Plan March 2016	01/03/2022	6.00	19.13	60
Meteor	FTSE Defensive Supertracker Plan April 2016	20/04/2022	6.00	19.02	60
Mariana	10:10 Plan April 2017 (Option 2)	07/04/2022	5.00	2.75	45
Societe Generale	UK Kick-out Plan (UK3) Issue 4	01/03/2022	3.00	3.14	36.3
Mariana	10:10 Plan March 2019 (Option 2)	22/03/2022	3.00	3.73	34.5
Walker Crips	Annual Kick-out Plan (UK) Issue 4	06/04/2022	4.00	5.62	34
Meteor	FTSE Kick Out Plan April 2019	19/04/2022	3.01	1.76	31.5
Mariana	10:10 Plan March 2018 (Option 1)	09/03/2022	4.00	-0.47	28.8
Mariana	10:10 Plan April 2020 (Option 3)	11/04/2022	2.01	30.39	28
Societe Generale	UK Step Down Kick-Out Plan (UK3) Issue 4	01/03/2022	3.00	3.14	27
Mariana	10:10 Plan March 2019 (Option 1)	22/03/2022	3.00	3.73	26.43
Walker Crips	UK 95% Kick-out Plan April 2019	26/04/2022	3.00	-0.57	25.5
Walker Crips	Semi-Annual Step Down Kick-Out Plan September 2018	28/03/2022	3.50	-0.49	24.5
Mariana	10:10 Plan April 2020 (Option 2)	11/04/2022	2.01	30.39	22.9
Investec	FTSE 100 Kick-Out Deposit Plan 75 - Option 2	28/03/2022	4.01	8.47	18
Investec	FTSE 100 Kick-Out Deposit Plan 84	29/04/2022	3.00	0.12	18
Mariana	10:10 Plan April 2020 (Option 1)	11/04/2022	2.01	30.39	17.1
Walker Crips	UK 95% Quarterly Kick-out Plan March 2020	07/03/2022	2.00	7.69	16
Walker Crips	UK 95% Kick-Out Plan Issue 7 (MS044)	04/04/2022	2.00	39.58	16

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