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The Federation of European Independent Financial Advisers

Global growth:

squint or you'll miss it!

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In or out?

What's the best way to manage clients' investments?

By John Croft, PortfolioMetrix Head of Business Development, Europe.

Is it better to manage a clients' investments directly or to outsource to a specialist? This is a question often asked, but for advisers who have managed their clients' investments their whole career, deciding to change their modus operandi may be easier said than done.

However, those who have taken the plunge and adopted a Centralised Investment Proposition (CIP) are reaping the benefits.

One key advantage is that it enables advisers to increase the time they spend focussing on their clients as individuals, allowing a more in-depth planning process and enhancing the overall experience for both adviser and client.

The value of financial planning

Traditionally, the role of an adviser has focused on the sale of financial products, but the industry has evolved on the back of increased regulation, restrictions on remuneration and competition. Now there is a far greater emphasis on a more holistic approach to advice.

Understanding a client's financial personality, setting specific goals and objectives, modelling cash flows, coaching clients and helping maintain their composure when markets are volatile are all part of an adviser's value proposition, which needs to be supported by a robust and efficient toolkit.

Placing clients in well-constructed portfolios remains a key element of the service advisers provide clients. As advice becomes more sophisticated and demanding, the challenge for a professional financial planning business is how to find the time to manage investments whilst not diluting one's core value proposition. This is where having a CIP really comes into its own.

Using a CIP offers many benefits:

- It gives access to a team of expert investment specialists who will be focused 100 per cent on managing your clients' portfolios.
- It ensures clients receive investments aligned to their risk appetites and are rebalanced as and when required.
- It provides reporting tools that enable advisers to easily provide feedback to clients on performance.
- It can significantly reduce regulatory risks for advisers.
- It can increase the enterprise value of an advice business and make it easy for a buyer to take on a going concern when the firm decides to exit the industry.

PortfolioMetrix firmly believes that adopting a robust CIP delivers significant value to advisers and their clients, providing better investment outcomes while freeing up time for the adviser to focus on the things that are really make a difference.

For further information about the options offered by a CIP, download the free PortfolioMetrix white paper entitled Riding the Winds of Change – Central Investment Propositions and why your business needs one. – **https://pages.services/info.portfoliometrix.com/WPCIPIRE/?ts=1569396794246**

For further information contact **John Croft - john.croft@portfoliometrix.com** or tel: **+44 (0)20 7965 7533**.

Editorial Comment

Professional development at the forefront

The International Adviser Future Advisory Forum Europe event took place in late September, in London. Once again, this conference was held in association with FEIFA and numerous of our members were in attendance.

Speakers from global investment firms, pension and tax specialists, and regulatory experts provided excellent content via a combination of presentations and panel sessions. The conference was followed by the IA Adviser Awards and then our own AGM.

We are now moving on to the next series of our Masterclass seminars. You can see full details and register **here**. If you haven't registered yet and wish to attend one of these please go to the link as soon as possible.

I hope you enjoy the particularly varied content in this issue.

Regards *Paul*

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Global growth: squint or you'll miss it

Nick Watson, a Manager on Janus Henderson's UK-based Multi-Asset team, argues that amid the gathering gloom around global growth, active managers are presented with a broadly positive environment for risk assets.

Economic data tells us that there has been a gradual softening in global economic activity over the past two years. While the global economy is not at recessionary levels, growth is certainly slower than we have experienced over the past five years. This is most visible in manufacturing on a global basis but also in specific areas, such as the US, where the benefit from President Trump's pro fiscal stimulus is now falling out of markets and consumer activity is beginning to soften. Trade war tensions are also having a chilling impact on corporate activity and economic momentum.

2019 growth expectations for G10 economies have softened going into the end of the year, reflecting a more muted economic environment compared to recent years. It is by no means all bad news though. An optimist can look closely and see an uptick in economic data coming out of the more cyclical regions that generally lead global economic activity, such as Taiwan. Plus, monetary policy is becoming increasingly accommodative as central banks respond to slowing economic momentum.

Despite these more encouraging factors, it is difficult to identify the catalysts for a roaring 'reacceleration' in economic activity on a global basis from these levels.

Negative news with a positive outcome?

Given the backdrop of slowing global growth, inflation is muted, with the US currently at its 2% target, while the UK, Japan and Europe are all below their 2% inflation targets. This gives scope to central banks to remain accommodative – witness the European Central Bank's recent move to cut interest rates further to -0.5% in September and resume quantitative easing. This is constructive for risk assets as loose monetary policy enables valuations to increase and stimulates economic activity.

This combination of lower interest rates and positive, if slowing, economic data, has delivered a strong rally in most asset classes year to date, a rally that has been supercharged by the dramatic change in interest rate expectations. This time last year, markets expected four interest rate rises in the US, which has now pivoted to an expectation of three rate cuts. This looser environment has seen risk appetite return and markets more than recover the losses from the fourth quarter of 2018.

We are also seeing a pickup in volatility and a recent, dramatic rotation from parts of the market that have worked really well, such as growth and momentum stocks, into more cyclical 'value' areas. For active managers, higher volatility should prove a fertile environment for generating alpha and we will be leaning more heavily on the active managers in our portfolios. But volatility also presents opportunities for active asset allocators and we will continue to be nimble and dynamic with our macro calls as we look to manage risk and capture market moves on behalf of clients.

Unloved regions at attractive valuations

In our multi-asset portfolios we have been increasing exposure to the US, Emerging Markets (EM) and even Europe. EM and Europe represent areas that are broadly unloved and out of favour with investors, while offering more attractive valuations than other equity markets. We will continue to follow some of these trends, but we also recognise the need for flexibility, with a focus on managing risk when markets wobble.

Fixed income has performed incredibly well year to date as bond yields have fallen and credit spreads have tightened due to positive growth. We are taking some profits from our corporate bond exposure and are also ensuring that we retain some hedges in our portfolios, leaning heavily on gold and foreign currencies such as the Yen, which can dampen portfolio volatility.

Many investors remain very cautious about equity markets. However, given the gradual softening of the trade war narrative, with President Trump alleviating some of the tariff burdens on China planned for mid-October, we are adding a bit more cyclicality to our portfolios. We have been increasing exposure to unloved parts of the market, where we believe valuations are attractive, and have taken profits by tactically trimming some of our hedges (predominantly gold and government bonds) that have performed particularly well.

While we think that this environment of slowing economic growth and accommodative policy is pretty constructive for risk assets, we expect higher volatility and lower returns going forward. This environment demands a nimble approach when managing risk on behalf of our clients.

For information on our Multi-Asset Core Income range contact **David Firth**, Associate Director – **david.firth@janushenderson.com** or tel: **+44 (0)7960 455 734**.

Estate planning using an International SIPP

The thoughts of Paul Forman at Novia Global.

Since changes in 2015 to UK pension rules one of the great advantages of a Self-Invested Personal Pension (SIPP) is that they now allow clients to potentially pass on their accrued pension benefits in a tax-efficient way to their nominated beneficiaries on death.

What happens to SIPPs on death?

A client can nominate whoever they wish to receive their SIPP on death, this could be a spouse, children or grandchildren or even an unrelated person if they so wish. In addition, they can also leave some or all of the SIPP to a registered charity.

Death benefits do not need to be nominated to a single person as they can be split in whatever proportion required, so that each of the beneficiaries receives a share of the SIPP scheme. To inform the SIPP scheme trustees of their wishes, clients simply complete a benefit nomination form to do so.

How are the death benefits paid?

Beneficiaries of the SIPP will normally have the choice of taking the pension fund as a lump sum or leaving the fund invested and using it to provide themselves with an income. If they elect to leave the funds invested, they can take income as and when required by way of flexi-drawdown.

What tax will need to be paid?

The income tax treatment of death benefits paid from the SIPP depends on the age of the scheme member at the time of death.

Death occurs before age 75

- If death occurs before age 75 and the pension funds are designated to beneficiaries within two years, then they will be paid tax free.
- If the beneficiaries choose to take income from the fund, they do not need to take the money out within the two-year period but can wait and take income when required. The tax treatment will be the same regardless of whether the beneficiaries opt to take these as a lump sum or an income.

Death occurs after age 75

- If death occurs after age 75 or if they die earlier but the pension funds are not designated within two years, then the death benefits will be taxed.
- Whether the beneficiaries take the benefits as a lump sum or to provide an income, they will be taxed as income when withdrawn.
- If the beneficiary is not an individual, for example a trust, then benefits will be paid as a lump sum and taxed at 45%.
- Payments to a charity on death over age 75 will not be taxed provided the client has nominated the registered charity and also has no surviving dependants.

What happens to the SIPP when a nominated beneficiary dies?

If the nominated beneficiary has not withdrawn the entire pension fund before their own death, then the funds can be passed on again. The beneficiary will be able to nominate successors who they want their fund to go to following their death. These successors will then have the option of taking the funds due to them as a lump sum or using them to provide an income. The tax treatment of these death benefits will depend on the age of the beneficiary who was holding the pension at their death, not on how old the original SIPP member was at the date of their death.

As an example, if a client lives to be 85 and leaves their fund to their son aged 60 then the death benefits payable to the son would be taxed (as death has occurred over age 75). If the son elected to take the benefits as income but the fund had not been drawn down in full before their own subsequent death at age 70 then the remaining fund could be passed on to their successors free of any tax as they have died before age 75.

In practice, it is possible to have unlimited successors and therefore a fund can be passed on for generations until it is exhausted in full. As such, SIPPs can now have an important part to play as part of any estate planning process where advisers want to help clients pass wealth through the family.

For further information contact **Paul Forman – Paul.Forman@novia-global.com**

The benefits of a DFM to an adviser's working week

By Mike Webb, Chief executive officer, Rathbone Unit Trust Management.

Lifting the burdensome task of managing client investments from an adviser's shoulders has an undeniable effect on the structure and goals of their average working week, according to the Rathbones Value of Discretionary Fund Management (DFM) report.

Time, and how it is spent, is directly linked to adviser revenues. Knowing how to spend it well and what roles to delegate to an external party can have a huge impact on the success of the overall business.

Opting to take on a third-party discretionary fund manager to manage client investment portfolios offers clear advantages by freeing up adviser time to spend on other parts of the business. The exact differences in how 'adopters' and 'non adopters' spend their time is something we have been able to discover thanks to the report's survey of 100 advisers.

We first asked both groups to rank activities which resulted in the most revenue-generation for their businesses. Meeting with clients was most important for both groups (76% vs 73%). However, there was a marked difference in their other top priorities.

Seeking new business was considered far more important to non-adopters, with nearly half citing it as a key revenue-generating activity against under a third of DFM adopters. Just over a fifth (21%) of non-adopters also cited marketing as a key revenue-generator in efforts to attract new clients, but had only 1% of the working week available to spend on it. This is perhaps driven by the need for growth, given the smaller average number of clients among advisers without the support of a discretionary fund manager.

It is perhaps also reflected in the fact that managing existing clients is seemingly of greater importance to adopters compared to non-adopters (70% vs 64%).

Having understood the relative importance each group places on specific activities to generate revenue, the report drilled deeper and probed the percentage of the week adopters and non-adopters were able to devote to them.

While meeting with existing clients was the main source of revenue earnings for all advisers, adopters were able to spend a quarter of their working week on the activity, averaging out to 2.5 hours more per week than non-adopters.

Non-adopters also reported managing existing client investments as a more 'financially important' activity, and a task they spent more time focusing on each week than adopters (20% vs 13%).

The differences in the survey results hint at the amount of adviser time that can be freed up by adopting a discretionary fund manager.

Spending less time managing investment pots also freed up adviser time for training and professional development, with 13% of adopters considering it a revenue generating activity as opposed to just 3% of non-adopters.

Adopting a DFM appears to enable advisers to spend more time on the revenue generating activities they consider most important. The report also shows that advisers with discretionary fund manager support have more time to spend with their clients, maximising them as a source of revenue.

Importantly, it appears to show that DFM adoption reduces the need to seek to expand client numbers, with less focus on the likes of marketing in favour of training and development of staff amongst adopters, adding to the range of benefits revealed by the report so far.

Download the third chapter of Rathbones DFM research report - The value of discretionary fund management.

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Monetary easing insufficient to drive European growth

An insight with Matt Wintour, Head of Adviser Solutions, Brooks Macdonald.

At the European Central Bank's (ECB) recent meeting, President Draghi's penultimate before he is officially succeeded by Christine Lagarde, ex-head of the International Monetary Fund on 1 November, policymakers announced the introduction of a number of new stimulus measures. These included:

- A cut in the interest rate applicable to the ECB's deposit facility by -0.1%, pushing it deeper into negative territory at -0.5%.
- Restarting the Asset Purchase Programme (APP) in November at a rate of €20bn a month and committing to run it for "as long as necessary to reinforce the accommodative impact of policy rates".
- The introduction of a new tiered deposit rate system such that "part of banks' holdings of excess liquidity will be exempt from the negative deposit facility rate".
- New targeted longer-term refinancing operations (TLTRO) to support bank lending at rates which could be as low as the deposit rate.

Market pricing prior to the announcements had suggested that investors were anticipating some chance of a deeper deposit rate cut (by -0.2%) and a larger value of monthly asset purchases (perhaps €30bn-€40bn). The announced headline measures will have therefore been disappointing to some in this sense, but investors were encouraged by the unexpected announcement that the ECB plans to run its APP indefinitely. Nevertheless, the ECB's proximity to self-imposed issuer (underlying eurozone countries' governments) ownership limits, including that of Germany, means that there remains a question over an ultimate end date in practice.

Another key development was that Draghi emphasized the need for the stimulus baton to be passed from monetary to fiscal policy, saying that "governments with fiscal space should act in an effective and timely manner", that "fiscal policy should become the main instrument" and "it is high time for fiscal policy to take charge".

Our view

European equities' strong year-to-date performance has been almost entirely due to upward re-rating of earnings valuation multiples, with nominal earnings growth having remained lacklustre. The market's re-rating has been driven primarily by expectations of central bank accommodation and this leaves us concerned that future policy developments could disappoint markets' high hopes, given that the recent rhetoric of certain key policymakers has been less supportive of additional monetary easing. Notable reservations around the pace and scale of renewed asset purchases have been shown by the Bundesbank's Jens Weidmann, who called for "special caution with government bond purchases", and the Dutch central bank's Klaas Knot, who said "there is no need for it".

Compounding the risk of a monetary policy response shortfall, we are pessimistic about the prospects for any broad fiscal expansion in the eurozone, despite Draghi's plea. We recognise the fact that additional monetary easing will assist in providing a platform for greater fiscal expansion, not least by allowing governments to refinance themselves at lower interest rates. We also appreciate that there is a desire for governments to increase spending in certain relatively well financially positioned countries, such as the Netherlands where recent announcements suggest that spending will increase in 2020. However, in the eurozone's key economy, Germany, the government (which last year hit its highest budget surplus since reunification in 1989) has so far recommended only a balanced budget for 2020, in line with its ongoing commitment to fiscal soundness (although calls for spending framed as meeting its 2030 carbon reduction goals are admittedly growing).

How does this impact our asset allocation?

We view the eurozone as a 'taker' of global growth, which faces headwinds. This is particularly true of its largest GDP contributor, Germany, whose exports of goods and services made up around half of its GDP in 2017. Meanwhile, political headwinds remain key concerns for those investing in Europe; for example, the possibility of President Trump targeting the EU with protectionist trade policies and the potential proliferation of populist politics in countries such as Italy.

While recent monetary policy developments are positive, we are sceptical about the ECB's ability to boost growth alone, a view that appears to be shared by its Governing Committee. We would become more optimistic about the region's prospects if there was a bounce back in global growth or strong co-ordinated fiscal response from the region's underlying countries' governments. For now, the collective headwinds outweigh the relative valuation attractions and we retain an underweight position in eurozone equities.

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Predictable unpredictability

The thoughts of Investec Wealth & Investment.

The last six months have seen global equity indices rise and fall in two distinct mini cycles, only to end up roughly where they started. Given the cascade of negative headlines concerning trade wars and political disruption, there is a sense of relief that markets have not fared worse.

Many of the recent headlines have been generated by the President of the United States, Donald Trump. It is his pursuit of a trade war with China that has been the key factor in applying the brakes to the global economy, especially international trade. While we continue to believe that there is some merit in his contention that China has benefitted from an unfairly tilted playing field, we struggle to support the manner in which he has set about achieving a levelling of the terrain. There has been a regular stream of comments from both sides ranging from petulance to conciliation, but no resolution. We are of the opinion that the tensions between the two countries run deep and encompass far more than trade alone, and so future disagreements seem inevitable.

Not for the first time in recent years the central bank cavalry, headed by Jerome Powell of the US Federal Reserve, has ridden to the rescue with the promise of easier monetary policy. The first 25 basis point cut was duly delivered on the last day of July – the first US interest rate cut since December 2008. Outgoing European Central Bank President Mario Draghi joined the party and the ECB has cut by a further 10 basis points and restarted its Asset Purchase Programme.

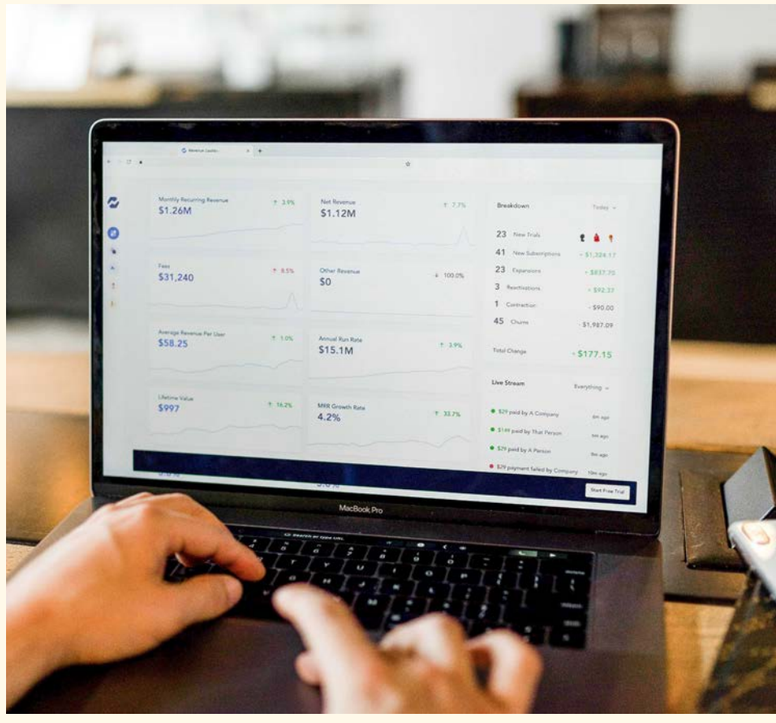
Liquidity within investment funds has been a big story in recent months, with the suspension of redemptions from the Woodford Equity Income Fund. We have observed in the past that there is a risk of a mismatch between the daily liquidity that is offered by certain funds and the ability of the fund manager to raise cash on demand. This is not an issue most of the time, but a period of underperformance leading to redemptions, as experienced by Mr Woodford, can create difficulties. Our fund analysts remain highly vigilant in monitoring such factors.

Europe sidestepped a potential landmine in the form of EU Parliamentary elections in May, with extreme, anti-establishment parties failing to make the sort of inroads that were feared. However, pressure remains on the bloc to breathe some life into a still sluggish economy. Hopes are rising that Germany, which has the most firepower in the form of a current budget surplus, will pull the trigger. The appointment of Christine Lagarde as the new President of the ECB was well received, and she has been a champion of greater fiscal stimulus. Europe as a whole would benefit from a trade agreement between the US and China, owing to the region's greater-than-average exposure to global trade.

At the end of 2018 we thought equity and credit markets had sold off too much in response to fears of slower growth and overly tight monetary policy. Subsequently the lower growth outlook has been recognised in company earnings forecasts for 2019, but there is at least still growth. At the same time central banks, led by the US and Europe, have executed a policy U-turn, thus providing liquidity support to financial markets. Geopolitical risk remains ever present and the unpredictability of events and is the only thing one can predict, the strike on Saudi oil production facilities is a timely reminder of this.

Investors should recognise that we live in times never experienced before, with regards to the amount of debt that has been created in the world and the very low (negative in some places, notably the Eurozone) yields on cash. The current US economic cycle is now the longest in modern history. It will inevitably end at some point and we remain as attuned to the task of protecting capital in a downturn as to maximising returns during the remains of this growth phase.

For more information about Investec Wealth & Investment's bespoke Euro mandate service please contact Richard West – richard.west@investecwin.co.uk or James Fraser-Sampson – james.fraser-sampson@investecwin.co.uk



The rise in experiential luxury trends

A major overhaul is happening in the luxury sector. There's a growing desire from millennials to have a connection with a luxury brand via experiences instead of solely owning its products. Swetha Ramachandran, specialising in luxury brands at GAM Investments, discusses the evolution of the luxury market and how the landscape here is changing.

Luxury companies have been traditionally perceived to be product-centric, hinged on premium pricing with a sharp focus on marketing that reinforces pricing power, hence widening the moats around the brand owners. We believe this remains valid at its core and is reinforced by the continued outperformance of the megabrands like Louis Vuitton (LVMH), Gucci and Cartier in their respective categories with high and growing margins.

However, we now live in an age of ubiquity, where classic luxury goods are available to everyone at the swipe of an app and the cachet of merely owning luxury goods has diminished somewhat as rental / resale models for circulating apparel and accessories have grown significantly. This has led to consumers increasingly shifting wallet share from pure goods ownership towards unique and differentiated luxury "experiences" across a range of income brackets. Luxury categories, such as hospitality, fine wines and spirits, cars and high-end dining have grown faster than the consumption of personal luxury goods in the last decade.

We believe this trend will continue as the digitally native millennial and generation Z consumers become increasingly interested in cultivating their own relationships with brands, unmediated by traditional, analogue marketing – be it directly on social media or via influencers or exclusive brand events. For brands, these consumers – who are more like a community – can be among their most loyal acolytes and some marketing studies have shown that consumers who value personalised experiences are ten times more likely to be a brand's most valuable consumers. They also then become unofficial brand ambassadors in a sense – by showcasing this "experiential luxury" lifestyle on social media channels (a medium which lends itself more to the sharing of experiences than of objects).

These consumers are the most coveted group for health and wellness-oriented companies such as athletic apparel retailer Lululemon, Fitbit and Allergan (manufacturer of Botox); luxury travel (eg Vail Resorts, Samsonite); unique art / artisanship (eg online retail platform Etsy, auctioneer Sotheby's); fine wines and spirits (Moet Hennessy, Remy Cointreau) and high-end consumer tech (Sonos, Apple), just to cite a few categories.

This approach to building a brand around experiences received a bout

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The rise in experiential luxury trends

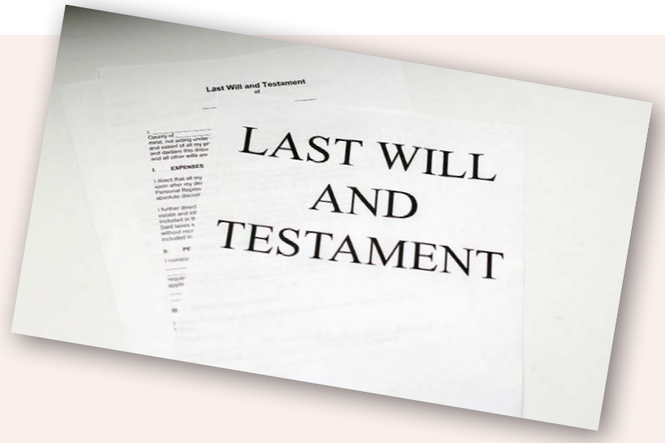
of fresh energy some years ago by premium sportswear brands like Lululemon and Sweaty Betty who started offering yoga and workout classes in store, with customer loyalty building up organically by gaining value from such unique experiences. Diageo more recently has discussed how its 'flagship experiential store' – the Johnnie Walker House in Madrid – has helped to demystify the world of Scotch to younger consumers as well as to delight existing customers who are now able to engage directly with the brand. In the luxury world, LVMH is the most forward-thinking company on this subject as demonstrated by its acquisition of luxury hotel operator Belmond – they are of the view that experiential luxury will become a highly significant category in time. Designer collaborations for small batch, limited edition products can be a highly effective tool to generate consumer excitement and engagement at being part of an exclusive experience to purchase these items – one only had to recently witness the long queue outside Selfridges for the launch of the Travis Scott Nike Air Jordans to be reminded of this.

Physical retailers in particular, seeking to reinvent their business models in the wake of digital disruption, are particularly focused on the experiential luxury trend. Harrods for instance has launched a perfume creation and personalisation service Salon de Parfums, which already represents 25% of its fragrance business within a year of opening. The service also designs special wedding fragrances that are truly bespoke – to paraphrase Harrods' MD Michael Ward people are seeking to 'create that kind of memory'. Meanwhile, Australian winemaker Penfolds (part of Treasury Wine Estates) has developed a roaring trade with Chinese tourists who visit the heritage-listed winery by offering an educational and tasting experience; this has become so popular that it now runs bespoke tours in Mandarin.

Longer-term, in a world where traditional luxury items may come under pressure from a growing war on inequality, experiential luxury offers consumers the opportunity to indulge without being seen to be out of touch with the changing times. There is also a growing element of environmental responsibility influencing the purchasing behaviour of younger generations – they tend to see a more benign environmental footprint in the indulgence of experiences rather than the acquisition of material goods.

For further information contact **James Weston – James.Weston@gam.com** or tel: **+41 (0)58 426 61 45**.

Three reasons why inheritance tax is becoming a 'perfect storm'



By David Denton, Head of Technical Sales, Old Mutual Wealth.

Inheritance tax (IHT) divides opinion, because it creates the potential for a person's wealth to be taxed twice; firstly, as it accumulates through income and/or capital gains taxes, then again on death.

A growing tax?

Although the overall IHT collected by the UK Exchequer is low compared to other personal taxes, the percentage growth in recent years has been marked, given significant asset price inflation and the nil-rate band (NRB) remaining static. The total amount of inheritance tax collected by Her Majesty's Revenue and Customs (HMRC) for the financial year ending April 2019 was £5.4billion, up £200million on the previous year and £600million on the financial year ending April 2017. With this rate the figure could potentially hit £10bn by 2030.

As well as the growing tax take, here are three reasons to refocus on planning strategies to ensure those likely to be affected retain as much control and access to their wealth as the law allows, whilst ensuring the maximum value can be left to their loved ones. IHT planning, more than most other financial challenges, requires an early and structured approach.

1. It's complex and takes time to grasp

Firstly, IHT is seriously complicated. A 2015 report by the Office of Tax Simplification (OTS) reviewed and ranked 107 areas of taxation and identified IHT as the third-most complex in terms of 'underlying complexity' and 38th in terms of the 'impact of complexity'. The subsequent introduction of the virtually impenetrable residence NRB increased the number of reliefs and exemptions to 95, one more than was identified by the same report.

Whereas many clients have a reasonable understanding of tax residency, nationality and citizenship, an understanding of the common law concept of domicile can be more elusive. Domicile is broadly based on where a person's permanent or habitual home is and where they intend to live indefinitely. This may or may not be the country in which they are currently resident. In some cases, a person's domicile may be a country which they have never visited but from which their family originates (their 'domicile of origin'). And more confusingly, there are four other domicile statuses:

1. Dependency
2. Choice
3. Deemed
4. Elected (since 2013)

Given that domicile determines one's exposure to IHT, and the available strategies, this is a key part of the wider 'IHT equation'.

2. Increasing investigations by HMRC

Secondly, a freedom of information (FOI) request from Quilter to HMRC shows that 5,537 inheritance tax (IHT) investigations were opened by HMRC in the 2018/19 tax year.

This is no real surprise when the area of IHT is so complex, and it is unlikely that these investigations are as a result of deliberate attempts at tax avoidance. HMRC say these investigations relate to incomplete or inaccurate IHT returns, or where an IHT return has not been received but they believe it should have been.

The number of IHT investigations has grown by around 7.8% following the introduction of the residence nil rate band (RNRB) in April 2017*, making the already complex system even harder to navigate.

3. More changes in the offing?

Lastly, there is a possibility that the current system may change. In the recent Office of Tax Simplification report**, the first part, issued in November 2018, focused on administration and the second, published in July 2019, focused on various areas of the IHT regime and how they interact with one another, notably:

- Lifetime gifts
- Interactions with capital gains tax (CGT)
- Businesses and farms in relation to agricultural property relief (APR)
- Business property relief (BPR)

This, combined with the HMRC consultation from 2018 into the taxation of trusts (which is yet to be concluded), could lead to significant change in the IHT landscape.

Whilst, optimistically this might lower the burden of IHT, recent Governments have poor form when it comes to simplification. Today's legitimate and time proven strategies may be rendered ineffective by the political will of a Government still struggling with public sector debt, and the unknowns of Brexit.

This 'perfect storm' surrounding inheritance tax means getting financial advice is crucial to planning appropriately and having confidence that any strategy enacted will have the desired effect, both in lifetime, and upon death. Has there ever been a more relevant time for financial advisers to consider tax-efficient wealth transfer?

For more information on how investing in an Old Mutual International offshore bond can mitigate an IHT liability, visit **www.oldmutualinternational.com/europe-technical-centre** or contact **David Denton – David.Denton@omwealth.com**

* *FOI received 15 July 2019, shows the number of IHT investigations opened in 2016/17 was 5138, and in 2018/19 this rose to 5537.*

** *https://www.gov.uk/government/publications/ots-inheritance-tax-review-simplifying-the-design-of-the-tax*

The digital future of financial advisory companies

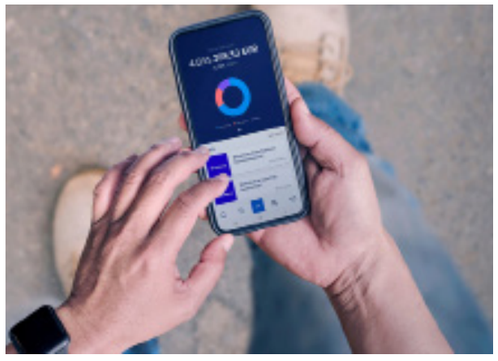
The thoughts of Jaka Kladnik, MoneyRebel COO.

Today only 25% of financial advisory companies offer digital channels for their clients beyond email or phone. That shows us that there is a low level of digitization in wealth management. And yes, clients are prepared for a new way of communicating with their personal financial adviser - 80% of them believe some kind of hybrid advisory model would be optimal for wealth management services.

And those companies not willing to expend time and resource on a digitally-driven transformation will certainly face excessive clientele loss over the coming years since clients of all ages (not only millennials) are more and more engaged in digital services.

Not only clients, but there is also a very important indicator that new trends are seeking new solutions for personal financial advisers. According to Cerulli Quantitative Update, 41% of time is spent on administration and office management tasks for financial advisers.

Key threats to the traditional players are changing client behaviour, advancing technology, new competitors, shifting demographics, and of course, falling profit margins. Let's take a look at why.



Here's how most advisory firms operate these days:

- **Manual:** They assume everyone loves photocopying and faxing things to them.
- **Require face-to-face meetings and handholding:** Takes valuable time.
- **Paper-driven:** They love brandishing those brochures and welcome packets that wind up in the rubbish bin.
- **Involve lengthy reports:** That nobody can decipher.

Continued on page 15

Intergenerational wealth transfer – opportunity or challenge?

An examination by Gillian Hepburn from Schroders.

Research in the UK shows that over the next decade £1 trillion of assets will flow to future generations and that 80% of financial advisers believe that this is a significant business opportunity. However, only 9% are facilitating family conversations to help manage this transfer. These results are no doubt relevant across Europe as well, not least in the British expatriate communities.

Evidence also indicates that the generation inheriting wealth have a different attitude towards advice than their parents and prefer to pay for this only when they have a requirement. They are also highly unlikely to use the same financial advisers as the people who are passing on wealth to them.

Given this backdrop, are financial advisers well positioned to maximise this opportunity? Here are three considerations:

1. Audit the opportunity:

Many advisers have clients who wish to pass on some of their wealth but have not analysed how much of that wealth is likely to remain within their management. A recent survey indicated that 15% of firms had lost up to 50% of their value due to lack of a strategy for intergenerational wealth transfer. Advisers may therefore want to review the assets under management and fee income of clients over a certain age and then assess the current level of family engagement. If low then action might be required.

2. Develop a new proposition:

Engaging with the next generation is not simply about recruiting a millennial to engage with them. One option is to define a new client segment and develop an appropriate service proposition. This may include mortgage and protection advice, school fees planning and simple savings options. The charging structure might need to be reviewed – should services be offered on a fixed fee rather than ad valorum basis?

Engagement through technology could also be considered as should the investment proposition. Whilst wealthy clients might need their IHT carefully managed through a bespoke mandate and, for those inheriting wealth but starting to save, a multi-asset fund or platform-based model portfolio solution could be appropriate.

Currently 38% of those likely to inherit wealth will put this into a savings account, so helping clients with early investment education is a good start.

3. Consider your business valuation:

Over the next few years, many advisers are considering an exit strategy for their business. However, if transferred wealth 'walks away' from the business, this could impact a valuation based on a multiple of income.

In short, intergenerational transfer of wealth can deliver a range of opportunities but planning for this is required!

For further information contact **Philip Robotham – philip.robotham@schroders.com** or tel: **+44 (0)20 7658 7142**.

Sources: CEBR and Kings Court Trust, 2017
The Generation Game, Sanlam report, 2018

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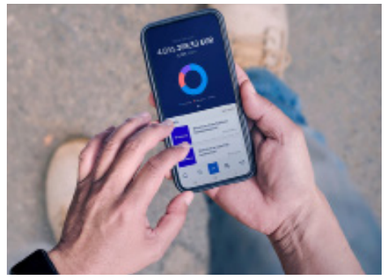
The digital future of financial advisory companies



- **Disjointed with multiple technology sign-on:** So, you have to remember at least five passwords.

We should ask ourselves is this really what our clients want in the digital world? No, they don't! Is it easy for advisers? No, it's not!

So, how should advisers adapt to new digital trends?

- **Switch from manual to digital:** Offer clients a digital personal finance register where they can upload, tag and share all documents.
- **Introduce a communication module:** That can occasionally replace face-to-face meetings.
- **Offer user-friendly mobile and desktop apps:** And focus on their website.
- **Make reports available 24/7**.
- **Use a single, all-in-one digital advisory platform**.

Client expectations are drastically changing and users demand the same user experience from their investment providers as they do in their everyday life from Facebook, Booking.com, Airbnb etc.; of course, still bearing in mind that their personal finance still needs a combination of digital tools and human touch.

So, it's easy to see that the correct answer to the question: 'How should advisers adapt?' is to introduce the hybrid advisory model, which combines new technological solutions and the power of human relationship. And this is the best possible experience also for wealth management clients. That is how clients get the best from both worlds.

You are welcome to read more about it in our latest free e-book about the future of financial advisory companies **here**.

For further information contact **Jaka Kladnik**, MoneyRebel COO – **jaka@moneyrebel.com** or tel: **+386 41 200 003**.

Sources: Cerulli Quantitative Update, Deloitte's report Millennials and wealth management

Then and now

The thoughts of Tavistock Wealth.

Investors don't necessarily expect to make money every single year but if they do lose money, it's crucial to provide them with the context around their loss.

Most investors will care more about the one time they lost money, than any of the preceding occasions they made money. A timely reminder of why they are invested in their portfolio will be appreciated by most.

Were they invested in a portfolio because it provided them with cheap exposure to global markets where there could be large moves up and large moves down?

Were they invested in a portfolio that targets a level of risk, rather than performance? (gains and losses could be smaller; however, the variance of these returns would likely be tighter and more in keeping with their risk profile).

Were they invested in a portfolio where currency risk was present, and their returns could be magnified (an unhedged portfolio)? or where it was removed and would have no impact on their returns (a hedged portfolio)?

A look at the "big picture" is often useful for investors.

Broad market trends over the last 5 years:

Equities: ↑
Bonds: ↑

Who would have benefitted from this?

Investors invested in a globally diversified portfolio, hedged or unhedged who benefited from the equity and bond components.

Investors who had an unhedged portfolio could have benefited even further from any currency fluctuations.

What is the current scenario?

Equities: "the current bull market is already the longest on record" [1]
Bonds: "the biggest bond bubble in history, and it's going to burst" [2]

When we consider this, combined with events such as Brexit and trade wars, could the next 5 years look rather different?

Potential scenario over the next 5 years?

Equities: ↓
Bonds: ↓

What would this mean for investors?

- Passive portfolios could be exposed. The equity and bond components become a challenge.
- Unhedged portfolios become vulnerable. Additionally, a rally in the base currency of the investment could lead to significant losses in excess of the investor's capacity for loss.
- "Boosted "gains from years gone by could be wiped out in a heartbeat!

How could this happen?

An investor's Attitude To Risk (ATR) profile is matched to a portfolio. The portfolio risk rating is a by-product of the underlying asset classes it invests in. Typically, this includes a mix of equities, bonds, commodities, property and alternatives.

Volatility = Portfolio risk rating = Investor's ATR
The "hidden danger" = the "currency effect"

Currency movement after Brexit could be significant and could have a large impact on the returns of an unhedged portfolio, even though it is not one of the asset classes an investor sees or necessarily consents to when agreeing their ATR profile.

If the base currency of the investment falls, an investor's unhedged portfolio returns could be boosted.

If it strengthens, an investor's unhedged portfolio returns could be significantly and detrimentally impacted.

As an example, over the past 5 years a weakening in GBP has provided unhedged investor's in the UK with boosted returns. This is because, within their globally diversified portfolio, they have owned assets denominated in other currencies, such as the USD, which have been rising in value against GBP.

This means an investor's unhedged returns have come from growth in equity and bond markets, and these returns have been further "boosted" by the currency factor.

However, looking forward there is a case to say the landscape may look very different and following the same approach over the next few years could be dangerous.

Equities and bonds may struggle, and this would be bad enough. Couple this with a rally in an investor's base currency and investments held in unhedged global portfolios could suffer extreme losses.

To make matters worse, these losses could be in excess of what they are expecting, as many investors may discover.

Tavistock Wealth Ltd hedge the majority of the overseas exposure within their product range, back to its base currency.

To find out more, please visit: **https://tavistockwealth.com**

For further information contact **Connor Stewart – connor.stewart@tavistockwealth.com** or tel: **+44 (0)1753 867 000**.

[1] *"It's time to prepare for this bull market to end" 02/09/19 www.forbes.com*

[2] *Ron Paul: US interest rates are going negative, and the Fed can't stop it*

The hidden gems of the technology sector

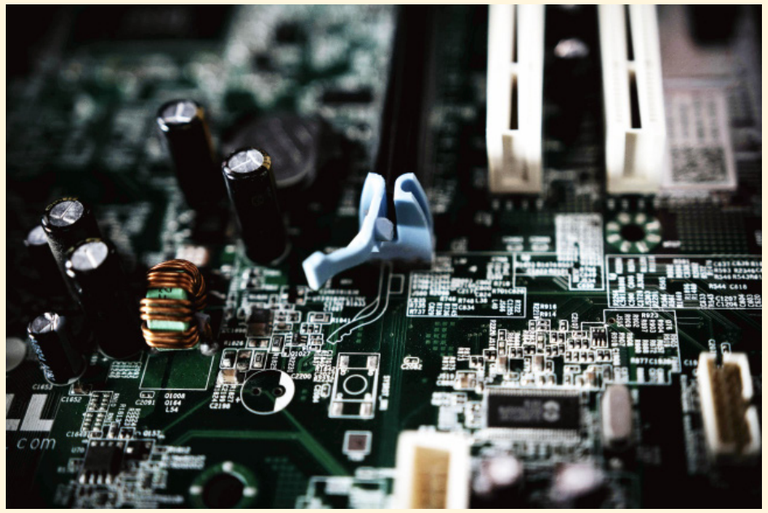
An insight with Francis Clayton, Executive Director at Quilter Cheviot

Everyone is familiar with the technology sector, right? It's hard to escape it. We use the products and services of companies like Google or Microsoft on a daily basis. It would require a conscious effort not to, one which would probably require you to go on holiday or undertake some kind of digital detox.

But we are only dimly aware of the technology companies that stand behind the products and services of our most familiar tech giants. The key to powering our tech-dominated lives is the humble semiconductor chip. Once you understand this space, it opens up a whole new sector for potential investments.

An overview of the semiconductor world

Broadly speaking, semiconductors are used in anything requiring computer processing power. Semiconductor manufacturers have four main end markets: personal computers, smartphones, telecoms networks and data centres. Investors wanting exposure to the semiconductor sector tend to look towards either the US or Asia, though there are some notable exceptions, such as ASML in Europe, which is one of the leading manufacturers of machinery to make semiconductors.



How is the semiconductor sector faring?

Semiconductor related companies have had a challenging eighteen months, with the sector having been caught in the crosshairs of rising US-China tensions. While the price impact of most tariffs can be absorbed, the uncertainty around planned production is what causes real difficulties. Tariff uncertainty leads to higher stockpiles of products and lower factory utilisation, with both factors potentially depressing profits.

The semiconductor sector has also been hurt by some weakening in end markets like smartphones. This is driven by a slowdown in both the number of people buying a smartphone for the first time, and the number of people upgrading their smartphone. Most of the global population which wants a smartphone, and can afford one, now has one, and the rate of improvement between different versions of the same phone has slowed, leaving people happy to hang on to their current model. Smartphones are unlikely to see a pick-up this year, but 2020 may be better as the rollout of 5G networks encourages people to upgrade.

Over the long term, however, there is increasing demand for semiconductors. Providers of cloud computing services like Amazon or Microsoft have been spending tens of billions of dollars on building new data centres, driving significant demand for the semiconductors. But both Microsoft and Amazon tend to 'build and optimise' – essentially building data centres and then waiting for demand to catch up with their increased capacity. Ultimately, this leads to big swings in orders for semiconductors, so investors have to be careful not to over-extrapolate strong periods of growth.

Outlook for investors in semiconductor land

There are a number of interesting areas for investors to consider going forward. Netherlands based ASML, for example, makes machines for the most expensive and critical stage of the semiconductor manufacturing process. They have a near monopoly in next generation products, with their extreme ultraviolet lithography (EUV) technology able to be sold for three to four times the price of their current offering.

Another interesting company is AMD, which develops computer processors and related technologies. It has unique intellectual property and new products should help it to regain market share from competitors like Intel and Nvidia. While I would be cautious about paying too high a price for either company, both have attractive businesses and are ones I follow closely.

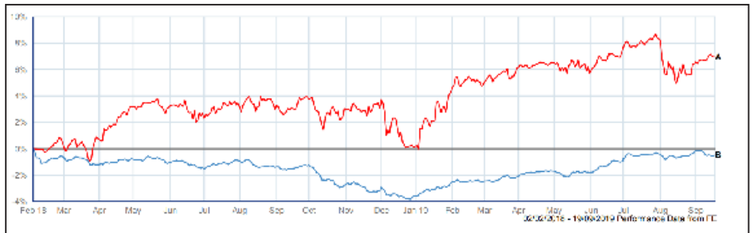
Conclusion

Investing in the semiconductor sector is not for the faint hearted. This can be a volatile part of the market, with lumpy economic cycles feeding into high share price volatility. Tensions between the US and China add another layer of complication. Given the structural trends in favour of the semiconductor industry, however, it is worth looking beyond the more familiar technology names and diversifying your portfolio.

For further information contact **Allie McMahon – Allie.McMahon@QuilterCheviot.com** or tel: **+44 (0)1534 506 105**.

Absolute no return? Levendi provides an alternative

Increasingly investors that are looking for an absolute return fund that has a record of generating low risk positive returns are turning to the Levendi Thornbridge Defined Return Fund. This fund has grown rapidly and now has more than $100m AUM. It is a UCITS fund, domiciled in Ireland. Since March of this year it has been distributed in the non-UK markets by Global Wealth Management Solutions.



Cumulative performance	1m	3m	6m	1y	3y	5y	10y	Start of Data
A Levendi Thornbridge Defined Return B Acc	0.8%	-0.2%	1.0%	3.8%	-	-	-	7.0%
B IA Targeted Absolute Return	0.2%	0.7%	1.7%	1.0%	4.4%	8.3%	25.8%	67.0%

The Fund aims to generate positive returns of GBP 3m LIBOR +6% in the medium term under most market conditions and aims to keep volatility between 5-7%. It has been created for lower risk investors who want a high chance of receiving a good return in a broad range of market conditions. It holds equity linked defined return investments linked to major equity market indices. Currently the investments are linked to UK and European equity markets. Since inception in January 2018 the Fund is up 7.5% with 1-year volatility of 5.8%.

The target market for the Fund is investors that want:

- Positive returns under most market conditions
- Low volatility
- Daily liquidity
- A degree of protection
- Active risk management
- Diversified equity market exposure

The Fund offers the prospect of positive returns in sideways and even falling markets. It holds investments that offer the potential of an annualised pay-off of between 7.5% and 9% over the medium term even if markets have fallen by up to 40%. For this reason, we have seen heightened interest from UK and international advisers and investment managers who are using the Fund as an absolute return asset.

The performance of the IA Targeted Absolute Return sector over the past year and since inception of the Fund has been poor. The broad sector is marginally down since the launch of Levendi and in the last 12 months has returned a mere 1%. By contrast, Levendi is up 7.5% since inception and 3.8% in the last year. The transparency of the strategy, daily liquidity and prospect of positive returns even when equity markets fall mean that the Levendi offering is attractive to many investors who are looking for positive returns regardless of market conditions.

Levendi may be a new name to many advisers. Levendi Investment Management is a boutique investment advisory firm that was launched in the spring of 2017. We advise on the use of defined return investments and derivatives particularly when incorporated into funds and portfolios. Based in London, UK with more than $1bn of assets under advice, we offer a combination of experience, expertise, quantitative ass- essment of risk / return and independent pricing with investment bank standard pricing tools.

Levendi was set up by its two managing partners, Frank Copplestone and David Stuff. On completion of his doctorate at Oxford University, Frank started his career as an Equity Derivatives trader at Credit Suisse before moving to Deutsche Bank to build the Quantitative Products Engineering business across EMEA and Asia. He then joined Morgan Stanley to run Financial Engineering and later became Global Head of the Structured Products platform. Prior to launching Levendi, Frank was Global Head of Equities (Structured Products) at Jefferies.

Having graduated with a degree in Economics, David has been involved in equity derivatives since starting his career in the City in 1985 and has been a pioneer of the UK structured product market ever since. David set up the Barclays retail structured product business before working at J.P. Morgan and RBS as a Director of Equity Derivative Sales. David established a quantitative research business which produced analysis now used by institutional investors and DFMs and it forms an important part of Levendi's proposition. Both David and Frank have significant personal investment in the Fund.

For further information contact your **GWMS Regional Sales Partner** or call our **Head Office** on tel: **+44 (0)1525 861 983**.

Follow your own trail

With the ever-changing face in the investment industry Nexus Fund Distribution has been formed to address issues facing the industry marketplace says Paul Rhodes, Head of Nexus Fund Distribution (NFD).

NFD enables advisory firms to take control of their AUM, either using an existing well established white labeled solution, or by creating their own bespoke fund range.

The **white labelled solution** is essentially an investment into a well-established range of funds, holding over £150M AUM at present and established in 2013.

These UCITS V funds are licensed for sale and distribution thought Europe and available for sale in most of the world.

The funds can be white labelled to strengthen the individual brand image of a broker. The funds offer different investment approaches, multiple share and currency classes to meet a broker's requirements, and are managed by Quilter Cheviot, who are one of the UK's most prestigious discretionary fund managers with a heritage going back 240 years.

The portfolios are actively managed, globally diversified, multi-asset class funds with a dual focus on capital protection and capital appreciation.

The **bespoke fund range solution** allows firms to establish their own tailor-made fund or complete fund range. This solution enables forward thinking advisories to take control of the investment process and build the fund that is right for their business model. This solution offers a full choice of share class options, currency options that **adds tangible value** to the brokers brand through the establishment of a customised UCITS V fund range through NFD.

Nexus Fund Distribution has streamlined and simplified the process of establishing a bespoke UCITS V fund range.

Paul Rhodes commented that: "Our goal is to make the process as seamless as possible to ensure brokerages can take control and create the fund they always wanted for their clients. We want to enable brokers to determine the future of their business."

Brokers can appoint an asset manager, or managers of their choice to manage the fund, even multiple asset managers and investment strategies can be built in.

Fund branding is also fully customisable to the brokers requirements and this can be in line with the brokers current brand, or they can choose to establish a new brand for their fund range.

With the ever-changing regulations this is a real game changer that could also have a significant benefit when considering an exit strategy.

For further information contact **Paul Rhodes – Paul.Rhodes@nexusfunddistribution.com** or tel: **+351 966 940 351**.

Go beyond the horizon!

OneLife examines the benefits of Luxembourg unit-linked life insurance.

Global mobility, recomposed families, expatriation and longer life expectancy are all factors that make each client's journey unique and, so too, his specific financial planning needs.

Whether it is preserving wealth, transmitting it to the next generation or planning for retirement - perhaps in sunnier climes - financial planning objectives must take into account the client's family situation as well as the legal, fiscal and regulatory specificities of the relevant market(s) in question.

Listening carefully to each client's unique requirements is key in order to develop a holistic, highly personalised and flexible strategy in line with expectations and aspirations. It is at this point that value is perceived and created for the client.

Tailored to the client – and secure

Luxembourg unit-linked life insurance remains a flexible tool in this respect offering unparalleled levels of customisation and security. Thanks to Luxembourg's regulatory framework, a policy may hold a wide variety of underlying assets. While external funds and internal collective funds offer a first level of customisation in terms of investment strategy, dedicated internal funds and specialised insurance funds go a step further towards a fully customised portfolio. All assets within the policy enjoy the unique protection guaranteed by the Triangle of Security, another Luxembourg advantage.

Partnership in action

But while the product itself offers customisation opportunities, how does a partner create real value and ensure that the client is entirely satisfied with the chosen solution? This is where support and expertise come in. As a leading player in cross-border Luxembourg life insurance, OneLife has true know-how in international taxation and in-house legal teams with a deep understanding of various markets across Europe. This expertise opens up opportunities for the development of global solutions in line with the client's own projects and plans - for example in the case of the client's expatriation which requires the portability of the policy while assuring that the interests of the policyholder are maintained.

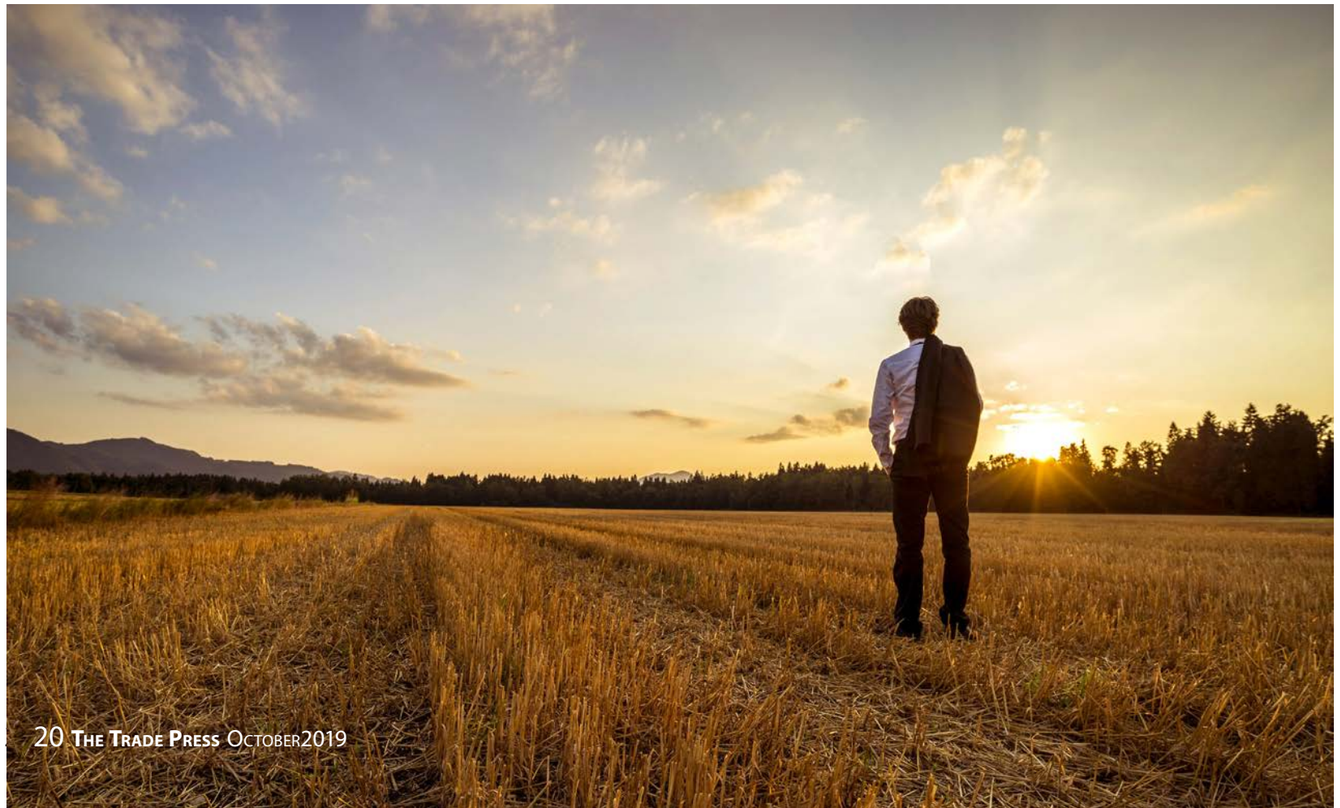
Investment strategies as a key value provider

Value creation for the client may also be found when innovating within investment strategies. For example, expertise in non-traditional assets within life assurance policies offers a new dimension when it comes to underlying assets. Holdings such as private equity, real estate or securitisation vehicles are becoming more commonplace within Luxembourg life policies. These assets are often decorrelated from more traditional investment options and so are by nature more long-term in their vision, allowing diversification of the client's portfolio and potentially higher levels of return, particularly attractive in a low interest rate environment. On-boarding non-traditional assets requires nonetheless specific expertise and monitoring within a controlled and secure framework.

For the long-term

Finally, ensuring the development of long-lasting partnerships based on trust and insight is another determining factor in value creation. It is essential that the partner and the insurer forge a lasting relationship with a shared vision and a common goal, namely, to go beyond the expectations of the customer. This ultimately guarantees the much sought after differentiation, value and sustainability.

For more information, please contact **Bert Opdeweegh**, Director Business Development & Sales Support – **bert.opdeweegh@onelife.eu.com** or tel: **+352 621 705 204**, or **Marie Salvo**, Key Account Manager – **marie.salvo@onelife.eu.com** or tel : **+352 671 886 331**.



Currency update

GBP

Over the last month, the ecostats presented a mixed picture. UK house prices rose 1.2% in the year to August, the CBI's Industrial Trends Survey came in at -13 for August, ten points above forecast and 21 higher than the previous month. However, orders were still "below normal" and the Distributive Trades Survey fell 33 points to -49%. Overall, GDP data showed that the UK economy grew 0.3% against the contraction in Q2 of 0.2%. Positive GDP numbers were mostly overshadowed by the detail; while the services PMI came in as a positive at 50.6, manufacturing fell to 47.4, the lowest level in seven years and construction fell once again to 45.0. There was also a lack of support from retail; the British Retail Consortium reported at that retail sales "flatlined in August with the 12-month average dropping to a new low of just 0.4%". Inflation fell below 2.1% in July and growth slowed sharply in August to 1.7%.

Despite disappointing numbers and ongoing uncertainty over Brexit with parliament suspended, weakness elsewhere meant that the Pound made some gains. The Euro struggled due to a slowdown across the Eurozone and changes in oil prices caused some volatility in the US Dollar. Brexit hasn't been forgotten, however. The current hearing in the Supreme Court as to whether parliament will remain prorogued while the PM works through the Brexit deal is likely to have an impact. The Pound rose after parliament passed a bill to prevent a no-deal scenario and any developments which further eliminate this possibility are likely to be good news for Sterling. Until then, everything else may take second place just as early in the month when a 3.9% growth in wages did little to move Sterling upward due to Brexit fears and the Bank of England held interest rates until the economic picture and the outcome of Brexit offered greater clarity.

EUR

The slowdown in Europe is having an impact on the Euro and the ECB has announced a fiscal stimulus package to assist the slowing economy. The ECB cut its deposit rate to a record low -0.5% from -0.4% and will restart bond purchases of 20 billion Euros a month from November. The ECB president also called for more spending from government across the Eurozone to boost the bloc's economy. The European Parliament approved Christine Lagarde as the new President of the European Central Bank, replacing current ECB chief Mario Draghi; the expectation is that she will continue with the same policy approach when she takes office on 1st November.

In Germany, inflation slowed to 1.4% (CPI) or 1.0% (HICP). The services sector PMI was above forecast and higher on the month at 54.8 but manufacturing was down on both counts at 43.5, close to a seven-year low. Across Europe, the manufacturing PMI was unchanged and on target at 47.0, with the strongest contribution coming from Greece with a 54.9 reading. Retail sales fell 0.6% in July, as forecast, and were up 2.2% on the year. The challenge that the Euro faces is that the eurozone's economy isn't just slowing due to factors which will benefit from the ECB's stimulus package. The ongoing trade war between the US and China is having a global impact on trade. Even when there are results which buck the trend – such as the sharp rise in Germany's ZEW Indicator of Economic Sentiment from -44.1 to 22.5 in September – the overall outlook shows that there may be challenging days and months ahead and that is putting pressure on the central currency.

USD

In the US, the ecostats were also presenting a mixed picture. Revised GDP put annualised growth at 2.0% in Q2, a quarterly expansion of 0.5%. It wasn't all positive; the two manufacturing sector PMIs for the States came in at 50.3 (Markit) and 49.1 (ISM). Although the Markit reading was better than expected, the ISM measure missed forecast and this is the measure that investors pay closest attention to in relation to the US Dollar. Better news for the greenback was the prospect of talks in October to ease the trade tension between the US and China. While there are no guarantees that these talks will deliver that previous negotiations couldn't, the prospect of talks is more encouraging than further tariff escalation and that, together with the postponement of the recent round of tariffs, was welcomed by the market.

Despite this, the main US focus for investors was not the economic data or the US-China trade war but Fed monetary policy, which became steadily more unclear as the week progressed. The minutes of July's Federal Open Market Committee revealed a wider-than-expected disparity of opinion, with some members favouring a 50-basis-point cut and others none at all. By September, consensus has still not been reached but the Fed delivered a 0.25 cut on a 7-3 vote. The compromise didn't do much for the Dollar, which lost out to the Yen after the Bank of Japan chose to hold rates. The Euro also made gains despite the Fed upgrading growth projections to 2.2% for 2019 but managed to hold against Sterling which is allayed by various pressures including Brexit and a market which was awaiting the outcome of the Bank of England's decision on rates.

For further information contact **Meyrick Green – FEIFA@moneycorp.com** or tel: **+44 (0)203 823 0404**.