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Spring 2020

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Welcome

Since the last edition of Prospects, the political situation in the UK has calmed down significantly and I anticipate relative calm for the next five years in this regard.

We will of course find out more about the government's spending plans during the budget. The (very) new Chancellor, with nearly five years to go before the next election and a good majority, has a clear mandate to make changes and it will be very interesting to see what happens. We will of course get an idea as to his vision as ideas are leaked to the press to see what the reactions are, some of which could be more radical than others.

In the US we have a presidential election later in the year and it is worth remembering that they have seen constant growth in the economy and markets for some time, and therefore I think we are due some form of slowdown in the US economy, which will undoubtedly feed through to the market.

However, I remain reasonably optimistic on the outlook for the medium term, in spite of the risks caused by the spread of the Coronavirus. If the outbreak is contained and the infection rate starts to fall, I would hope that the global economy would return to the pattern that was starting to emerge at the end of 2019 in terms of a gentle improvement in economic data. Interest rates have weakened further over the last 12 months and with the first stage of a US/China trade deal agreed, conditions should be slowly improving, once markets have settled down. I have seen several corrections in the past and it is impossible to say how far the markets will fall but, in my view, it is always correct to remain invested in quality investments and not panic.

As ever, we have brought a variety of topics to bear in these pages with some interesting insights about meat substitutes from one of our younger analysts, alongside an article about the mistakes many investors make from a more experienced author. Investors invariably make mistakes and the trick in my view is to be able to detach yourself emotionally from a stock that might be underperforming – a harder thing to do when you are investing your own money on your own instincts.

Planning for our financial futures is a common theme in conversations I have with clients and I am delighted that we have hired another experienced wealth planner to join our growing team. I would encourage readers to approach their investment managers to arrange a meeting with one of our wealth planners to discuss any potential planning needs they, or their families have. As discussed in the article on page 20 the sooner investors start thinking about their financial futures the better positioned they should be when they need to rely on their savings. Education about financial planning is such an important part of what we do so we would love to hear from the younger generations about the issues they are facing and we would be delighted to share our various publications with them in our effort to further financial independence.

James Edgedale

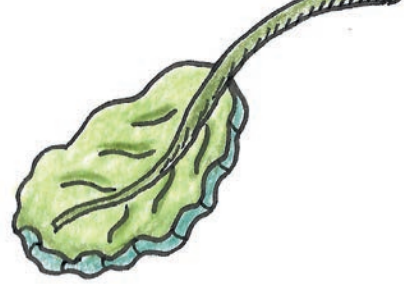
James Edgedale
Chairman

Editorial

The rise of plant power

Michael Bray, CFA
Research Analyst

Illustration by Abby Humphries



Michael Bray explores how the rise of plant-based food and beverages across the meat and dairy substitute markets is impacting the industry.

Before I proceed I must admit that 1) I am from the self-righteous millennial generation; 2) I probably do follow the irritatingly named 'flexitarian' diet and 3) I have had a flat white with oat milk this morning.

I appreciate that's not the most enticing opening line to an article about the meat and dairy substitute markets, but fear not, this is no preachy pitch aimed at converting carnivores into Quorn consumers. I aim to provide an overview of the business of plant-based food and beverages, which as categories are some of the fastest growing in the industry. Although currently more of a Western focus at present, the global meat substitute market is estimated to be worth $4.3B (2018) and is expected to nearly double to $8.2B by 2026. Whilst the dairy alternatives market is expected to nearly triple from $13B (2018) to $35B by 2026, driven not only by the demand for vegan products in the West, but also because of its popularity in Asia due to the prevalence of dairy intolerances.

In the UK, contrary to popular thinking, growth in plant-based consumption is being driven primarily by the rise of the flexitarian consumer – individuals who eat meat and dairy but seek to reduce the levels they consume - not from the increased numbers of vegans (c.1% of the population) – individuals that follow only a plant-based diet - and vegetarians (c.2%) – individuals that do not eat meat or fish.

Meat alternatives come in the form of soy, pea, pulses, seitan and tempeh, which can be temperature treated and combined with flavourings to closely replicate the taste of meat. Replacements for dairy include the likes of milk from oats, coconut, nuts and rice. It is important to note that I am highly sceptical that a good Époisses cheese can ever be replicated.

Much of the motivation that underpins the rise of plant-based food and drink comes from the increased awareness of the impact that the meat and dairy industries have on the environment, animal welfare and our health. Such concerns have accelerated more recently given increased media coverage, with documentaries such as Netflix's *The Game Changer* being watched by a global audience. No longer just for a niche consumer, plant-based meat and dairy alternatives have gone mainstream.

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> ***No longer just for a niche consumer, plant-based meat and dairy alternatives have gone mainstream.***

Having enjoyed relatively stable conditions for decades, with only minimal incremental innovation being made, the global food and beverage industry now faces unprecedented levels of competition from start-ups and disruptors that are launching new and exciting products to meet the increasing demand for innovative plant-based foods. In 2019, nearly a quarter of all new food product launches in the UK were vegan.

Such businesses have been scrambling to simultaneously defend their existing market shares and innovate in an effort to capitalise on the growing opportunity. This is impacting not just food and drink producers. Pubs and restaurants are creating separate vegan menus, fast food outlets are introducing vegan menu items and supermarkets are not only increasing their shelf space for vegan products but are also now positioning them next to meat and dairy products, widening their potential consumer appeal. When bastions of normality such as Wetherspoons and KFC start releasing their takes on meat free burgers, you know times have changed.

Beyond Meat Inc. is perhaps the purest investment play on plant-based alternatives with **100%** of revenues coming from the category.

Switching focus to publically listed food and beverage manufacturers, strategies to defend and/or exploit the rise of plant power vary, depending on market positioning.

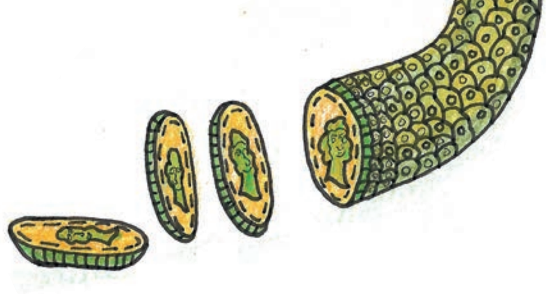
Beyond Meat Inc. is perhaps the purest investment play on plant-based alternatives with 100% of revenues coming from the category. Established in 2009, it has been one of the key innovators and developers of meat-free products that aim to resemble actual meat. Its maiden product, the Beyond Burger, is considered to have the texture of a beef burger, developed through the use of pea protein which are extracted via a water-based process. Meanwhile its taste has been attained through the use of genetically modified yeast which produces heme, the molecule that occurs naturally in red meat. In my opinion, it actually tastes quite nice; whether it's healthier than a meat burger is however questionable.

Beyond Meat has bought out a number of products including Beyond Beef, Beyond Sausages and in collaboration with KFC, is currently trialling Beyond Chicken. High innovation in an already nascent industry is supercharging growth for the business – its revenues are expected to jump by over +300% for FY19. This is however from a low base of $88M in FY18 and the business is still expected to make a net income loss of -$11M for FY19. With an estimated 1% market share of just the plant-based food category, Beyond Meat is but a drop in the ocean in the context of the $946B (2018) global meat industry. With this in mind, along with the interesting viewing of its share price performance since its public listing in May 2019, Beyond Meat is clearly a business with a very high risk/return profile.

The behemoths of the food and beverage world such as Danone ($29B of revenue FY18), Nestle ($93B) and Unilever ($58B) have taken a different approach. The scale of these businesses, along with the benign competitive pressures they have faced historically, means that they lack the ability to innovate as quickly as small start-up disruptors. What they lack in innovation, however, they make up for in financial strength and geographical reach. Their strategy has been to acquire innovative plant-based start-ups and integrate them into their existing distribution networks in an effort to quickly gain market share. Examples of which include Danone's acquisition of Alpro - the world's leading plant-based alternative producer - through its $12.5B purchase of Whitewave in 2017, Unilever's 2018 acquisition of the Vegetarian Butcher, a Dutch producer of plant-based meat substitute products and Nestle's acquisition of US based Sweet Earth, a producer of an array of plant-based products which include frozen meals.

“The plant-based food and drink market is a growing pie which everyone wants a piece of.

These large businesses are certainly safer investment plays on plant-based foods, but with Danone having the highest exposure of the three to plant-based foods (c.6% of revenues), they do offer limited exposure to the theme.



Somewhere between the start-ups and the behemoths of the food and industry world are the flavouring and ingredients companies, like Givaudan ($5.6B of revenues FY18) and Kerry Group ($7.8B). These businesses have supplied the big food and drink manufacturers for decades and have niftily been able to jump on the plant-based bandwagon by developing their own plant-based ingredients, and by acquiring small niche business and integrating them into their offering.

Such flavour and ingredient products include:

— natural stocks that rehydrate plant proteins with an umami taste

— yeast extracts that add succulence, juiciness, richness and body to plant-based foods

— and 'coating systems' that enhance texture and appearance to optimise 'the taste experience'.

You can even get ingredients that add smoke and grill taste profiles. Vegan doesn't always mean non-processed.

Such unique and innovative companies do however attract premium valuations with one year, forward price-to-earning valuations of 34X and 27X respectively for Givaudan and Kerry Group.

The plant-based food and drink market is a growing pie which everyone wants a piece of. Yet despite the rise in the availability of such products, the industry is still in the early stages of its lifecycle. New product innovations and rising consumer demand still offer significant growth runway for the category. Whether this is a market that becomes commoditised overtime and, whether any company is able to reap significant financial rewards as the market develops, is up for debate. After all, how differentiated are existing mainstream meat and dairy products?

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Please read the important notice on page 1.

IMPERIAL BRANDS

Maude Holloway
Trainee Research Analyst

PRICE
£15.55

52 WEEK HIGH-LOW
£26.73—£15.27

NET YIELD
13.19%

HIST/PROS PER
14.79—6.00

EQUITY MARKET CAP (M)
£14,824

Tobacco companies have historically shown themselves capable of withstanding everything regulators have thrown at them. In fact the barriers to entry are so high that incumbents are able to put through above-inflation price increases and still pay out nice healthy dividends. Not so in the Next Generation Product (NGP) market however, which is open to a host of new participants who are not subject to high regulation costs and can focus on innovation and marketing.

Imperial Brands has been criticised for being slow to enter the NGP market. Out of a total revenue of £8bn they receive £300m from NGPs with their core product, a closed system vape device called Blu. Having suffered last year from the health scandals in the US around the main product in the market, JUUL, they hope to see improvements this year as regulations hit the market. These regulations should strike open systems where the liquid tank can be refilled. The hope is that regulations will help to introduce barriers to any new entrants to the market.

It is unclear whether tobacco companies will continue to hold these NGP divisions or demerge and focus on pure tobacco production, where the competition remains low.

Please read the important notice on page 1.

Guest Editorial

Familiarity Breeds Contempt

By Joachim Klement

Illustration by Adam Mallett

I used to joke that I can tell which country an investor lives in and which industry she works in just by looking at her portfolio.

It is a natural tendency for all of us to invest predominantly in companies active in our home country or the industry we work in. Unfortunately, this tendency can lead to portfolios that are not diversified enough. If you are predominantly invested in energy or mining stocks, you might on the one hand miss the returns achieved in technology stocks in recent years or suffer more than other investors if there is a major decline in commodity prices like the one we have seen at the beginning of this year in the wake of the Coronavirus outbreak in China.

Of course, one might compensate for this lack of diversification by knowing more about a company, industry or country than the average investor. Didn't Andrew Carnegie say the way to become rich is to put all your eggs in one basket and then watch that basket? But the evidence is mounting that your performance becomes worse, the more you watch that basket.

Ask yourself, how often you have checked your investments or market performance during the Coronavirus outbreak? Have you checked the markets and your investments more frequently than normal? If so that is understandable, but as I describe in my book *"7 Mistakes Every Investor Makes (And How to Avoid Them)"*, the very act of checking your portfolio makes it more likely to act impulsively and short-term oriented. If you look at a stock portfolio only once a year, you will experience a negative return on average once every four years. If you look at the same portfolio every day, you experience a loss on average every other day. Of course, most of the daily losses are small but every time you see a loss in your portfolio you are tempted to change something – especially in times of crisis like the outbreak of the Coronavirus.

> *Ask yourself, how often you have checked your investments or market performance during the Coronavirus outbreak?*

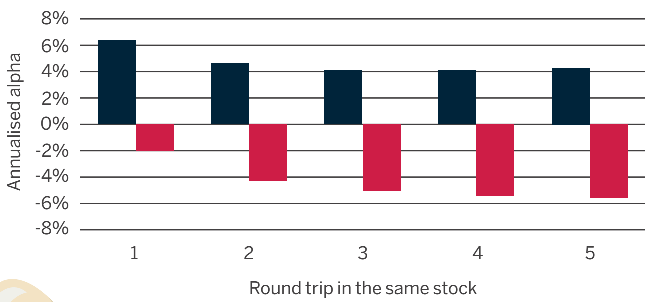
What often happens in these situations is that investors can't resist the urge to cut their losses and sell some of their holdings. Of course, they know that company X has a great business and will eventually recover, but for now, it is better to stay on the side lines and buy the stock back when risks have subsided.

What these investors inadvertently do is teach themselves to become traders in a stock they think they know really well. So they tend to buy and sell the same stock over and over again. Last time, they might have sold a little bit too late and experienced some of the losses from a recent peak, so they try to exit a little bit sooner next time, and even sooner after that. Every time familiarity with the stock increases and investors get the illusion that they know more and more about the stock because typically they buy and sell the stock not because the share prices moves but because of some fundamental event that influences the business.

This behaviour is quite common. A recent study by Ellapulli Vasudevan from Aalto University in Finland looked at 308,000 Finnish and 76,000 US investors and found that two in five investors go on these round trips of selling a stock and then buying it again later at least once, while one in ten investors does that at least five times.

And every time the investor re-purchases the same stock again, the average holding period declines. On average a stock is held for about 6 months the first time, then four months the second time and three months the third time etc. And the performance gets worse and worse every time.

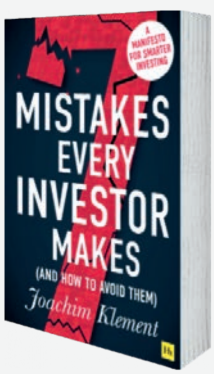
Annualised investor performance for successive round trips



And so the story continues until the next egg breaks...

The chart shows the performance of the investments relative to the market for every round trip. Every time the investor buys the same stock again, the performance gets a little bit worse until one day, by accident, timing the market backfires and the performance is really bad. And at that point, investors often sell the stock, lock in their losses and leave this investment behind in disgust, vowing never to buy that stock again. They have watched their basket of eggs very closely until one of them broke, at which point they discard the broken egg and focus on the remaining ones. And so the story continues until the next egg breaks...

The lesson we learn from this is to hold a well-diversified portfolio and not to check it too often. In fact, if you have a portfolio that helps you achieve your long-term personal goals, it is typically enough to check its performance once a year, but certainly no more frequently than once a quarter. If you check it more often than that, you risk becoming victim to the process outlined in this article. It may feel as if you are becoming more familiar with the stocks you own, when in fact, you are becoming just more of a trader and less of an investor. And that is typically detrimental to your performance.



Joachim Klement is a research analyst and former Chief Investment Officer with 20 years' experience in financial markets. He spent most of his career working with wealthy individuals and family offices, advising them on investments and helping them manage their portfolios.

Joachim studied mathematics and physics at the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland, and graduated with a master's degree in mathematics. During his time at ETH, Joachim experienced the technology bubble of the late 1990s first hand. Through this work, he became interested in finance and investments and studied business administration at the Universities of Zurich and Hagen, Germany, graduating with a master's degree in economics and finance and switching into the financial services industry in time for the run-up to the financial crisis.

Understanding Finance

TO P/E OR NOT TO P/E?

Maude Holloway
Trainee Research Analyst

There are many models to choose from when valuing a company and your choice depends on the company as well as what your aims are. Multiplier models offer a quick comparison between companies whereas absolute valuation models involve deeper fundamental analysis of the individual company.

The most commonly used multiplier model is the price-to-earnings (P/E) multiple. Very simply, a company with a high P/E may be considered overvalued when measured relative to peers. There are many multiplier model variations including the price-to-sales (P/S) and the enterprise value-to-EBITDA (EV/EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)) multiples, which can be used for companies with negative earnings. Although quick to compute, these give little insight into company fundamentals.

Absolute valuation methods calculate the present value of all future cash flows to shareholders to give a current value estimate for the company. They are more complicated to calculate and require subjective inputs, for example dividend growth and interest rates. The final estimates are very sensitive to these inputs. For this reason models including the Dividend Discount Model (DDM) and Discounted Cash Flow (DCF) tend to be used for mature companies in well-developed industries which are past the growth stage.

There is no 'one size fits all' when it comes to valuation models. Multiplier models have the benefit of being quick, easy and less subjective but provide you with limited information as a result. If you take the time to get to know a company inside out, absolute valuation models can provide you with more detailed analysis but based on your subjective inputs. If you have created a DCF model, it is important to supplement this with multiplier-based models. Therefore, to answer the question, yes you should use P/E, but it is really part of an ensemble cast.

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SHOPIFY

Michael Bray, CFA
Research Analyst

PRICE
$463.31

52 WEEK HIGH-LOW
$593.89—$181.00

NET YIELD
N/A

HIST/PROS PER
N/A—1,988.45

EQUITY MARKET CAP (M)
$54,370

There is not a more formidable e-commerce business than Amazon. It has slain countless retailers, moved into multiple product categories and is increasingly seeing off even online native businesses like eBay.

On first impressions, it would therefore seem puzzling that Shopify, a Canadian based provider of e-commerce platform technology, is growing so remarkably well; revenues have grown by over 400% in the last three years.

The idea behind Shopify was to provide entrepreneurs and small merchants with a ready to use e-commerce platform that can rival the online shopping experience that Amazon provide, but that is also highly customisable. This enables merchants to showcase their brand, develop a unique shopping experience and build a direct relationship with customers, which they wouldn't be able to do through eBay's or Amazon's uniform selling platforms.

Shopify's partner network of third party developers build plug-in apps, such as 'loyalty cards' or upselling features, which help merchants to boost sales and keep the Shopify platform up-to-date with the latest technology The growth story of Shopify is certainly enticing but there is always a catch...the business has yet to record any profit! Investors will hope the business can reach scale so it finally does.

Please read the important notice on page 1.

Company Meetings

A spotlight on three of the key companies we've met during the past quarter.

We met the companies below and you can learn more on any of these by contacting the person at JM Finn with whom you usually deal.

John Royden, CFA
Head of Research

James Ayling, CFA
Research Analyst

Maude Holloway
Trainee Research Analyst

BASIC MATERIALS
BHP Group, Croda International, Givaudan

CONSUMER GOODS
Japan Tobacco, Associated British Foods, Burberry Group, Carlsberg, Diageo, Energizer Holdings, Fevertree Drinks, Imperial Brands, Reckitt Benckiser Group, Unilever

CONSUMER SERVICES
Compass Group, Ocado, Intercontinental Hotels Group, WM Morrison Supermarkets, RELX, Sainsbury (J), Trainline, Tesco

FINANCIALS
British Land Co, Burford Capital, Derwent London, LondonMetric Property, HSBC Holdings, RSA Insurance Group

HEALTH CARE
Astrazeneca, Coloplast-B, Cooper Cos, Dechra Pharmaceuticals, GlaxoSmithKline, Intuitive Surgical, Novo Nordisk, Smith & Nephew

INDUSTRIALS
CRH, Experian, Intertek Group, SGS, DS Smith, Travis Perkins

OIL AND GAS
BP, Ceres Power Holdings

TECHNOLOGY
Facebook

TELECOMMUNICATIONS
BT Group, Vodafone Group

UTILITIES
Pennon Group, Severn Trent

1.

DS Smith

Price **£3.14**
52 week high-low **£3.98 – £3.06**
Net Yield **5.15%**
Hist/Pros PER **14.33 – 19.43**
Equity Market Cap (M) **£4,373**

Industrials
Hugo Fisher ~ Head of IR

DS Smith designs and manufactures rigid corrugated packaging for the transportation and display of fast moving consumer goods. This places it in a good position as consumer trends move towards e-commerce and seek sustainable alternatives to plastic packaging. It operates via three divisions: firstly, it makes paper, secondly they use this paper to create cardboard packaging and lastly they use cardboard offcuts and collect third party recyclate to manufacture paper.

The packaging division might be the focus but you cannot understand the business without getting to grips with what it is made of. Paper. About 80% of the paper (also known as containerboard) produced is Testliner and is produced by adding water to recycled cardboard to create pulp and spraying this onto a form while it's heated and rolled onto a reel. The process requires low capital and energy input. The remaining 20% is Kraftliner and uses wood chips, not recycled materials. It is capital and energy intensive but regulations require this paper to be used on any packaging surface in direct contact with food.

DS Smith has a short position on paper in Europe, which is currently a good position to be in as paper prices have been low. In the US however they are long paper, an issue as they produce more paper than they use so are forced to sell the excess on at a loss. So far there has been minimal pass through of these lower prices onto the packaging prices but as a time lag exists between paper and packaging pricing it is too soon to tell.

2.

Ocado

Price **£10.64**
52 week high-low **£14.41 – £9.97**
Net Yield **0%**
Hist/Pros PER **N/A**
Equity Market Cap (M) **£7,716**

Consumer services
David Shriver, Communications Director and
Chandler Benet, Investor Relations

Ocado is a pioneer of on-line grocery shopping running websites, automated warehouses and managing the delivery lorries. The Solutions division generates revenues by selling the website and/or warehouse management and/or logistics solutions to other supermarkets around the world.

There are many structural tailwinds behind Ocado's business such as the migration of emerging markets populations to cities and supermarket shopping, as well as the growing share of the online grocery market. Although currently Ocado is more orientated towards developed markets, the emerging markets potential remains. Ocado seem to have a head start as the competition are still relatively un-automated as even Amazon seem to have struggled at automating the chilled food concept. There is a degree of uncertainty as Ocado have recently signed up lots of international Joint Venture partners, which may or may not succeed.

They see the combination of an integrated and tested end-to-end solution coupled with the prospect of superior, best-in-class margins for their partners as being a compelling growth story, as exemplified by their deal with Marks & Spencer. The end-to-end solution is their ability to offer everything from websites to warehouses to delivery. No current competitor appears able to deliver the entire solution.

Valuation is hard given that most of the value lies in Ocado's growth potential over the coming decades. You have to make some bold assumptions about the growth of the global grocery market, the growth of on-line within it and then how much market share Ocado captures in addition to how more automation, like robots packing bags, will expand their margins.

3.

Travis Perkins

Price **£14.61**
52 week high-low **£18.41 – £11.61**
Net Yield **3.18%**
Hist/Pros PER **45.69 –12.98**
Equity Market Cap (M) **£3,726**

Industrials
Graeme Barnes – Director of Capital Markets

Travis Perkins is a leading UK builder's merchant and home improvement group formed in 1988 after the merger of Travis and Arnold and, Sandell Perkins. Since then, the group expanded through a combination of organic growth and acquisitions adding breadth and scale; you could say the group became a "jack of all trades, master of none". In 2018, the group announced a new strategic direction – to simplify by re-focussing on trade where management believe they have a competitive advantage.

When we quizzed management recently they emphasised a shift back to basics because trade customers demand more technical knowledge from store representatives. While retail customers are shifting from a do-it-yourself (DIY) mentality towards a 'Do-it-for-me' (DIFM) mentality, reflective of a generational customer shift. Hence, the trade and retail segments of the market are actually quite distinct and diverging further; trade needs greater autonomy and technical expertise at the branch level, whilst retail needs new product lines and more centralised decision making.

As such, Travis Perkins are seeking to de-merge the retail segment, Wickes, to give them greater autonomy on how to prioritise investment back into Wickes' store estate and how to target the growing DIFM market. Yet the trade and retail de-merger presents risks. Does simplicity trump scale? Over the shorter term, Travis Perkins' reduced group scale may shrink bulk purchase decisions placing upward pressure on product costs. Additionally, whilst trade and retail trends might be diverging, increasingly customers want to 'click and collect' - does independent IT infrastructure make long-term operational sense or does it just add further cost pressures to both businesses?

Please read the important notice on page 1.


Aléoutiennes
Luçon
Manille
Manihiki
Wallis (Fr.)
Perth
Fosse
Campbell

General interest

A Curator's view

Adrian Locke, Senior Curator at the Royal Academy is often presented with a range of challenges when putting on an exhibition. None more so than curating Oceania.

Adrian Locke
Senior Curator, Royal Academy of Arts

Illustration by Jordan Atkinson

When I started working in the Exhibitions Department at the Royal Academy of Arts (RA) back in 2001, there was a reference document somewhat poetically called the mapa mundi.

In reality, this was little more than the temporary exhibition schedule laid out year by year with exhibition titles filling the demarcated time slots. Those titles in bold were confirmed, while those in Italics were yet to be ratified by the Exhibitions Committee. At the very end of the document was a long ambitious list of ideas that had been proposed but never acted on, which one day might move from the back page to occupy any one of the vacant time slots on the mapa mundi. Among all the ideas on that list, for many years, was arts of the Pacific, a vague reference to an idea that no-one had taken ownership of or driven forward. One of the reasons why it was there was because there had never been a major survey exhibition in the United Kingdom of this vast region coupled with the fact that there was no place in London to see Pacific material, as the British Museum had no dedicated gallery to show off its rich holdings. Move forward to 2012 when Kathleen Soriano, then Director of Exhibitions at the RA, came into the office and told me that she thought that she had found the right person to move this particular idea forward.

Over lunch at a Cambridge college the previous day, Kathleen had somewhat serendipitously sat next to Professor Nicholas Thomas, Director of the Museum of Archaeology and Anthropology. The subject of an exhibition on the arts and culture of the Pacific was discussed. Professor Thomas was not only very enthusiastic about the idea but had a rich collection of Pacific objects to potentially contribute to such a project. It turned out that Professor Thomas had an enviable reputation for his engagement with Pacific peoples and close connections to institutional colleagues around the world. Given that we had no in-house expertise to help drive such a project, Professor Thomas seemed like the perfect person to help us realize an exhibition on Pacific art. Director Soriano invited Professor Thomas to the RA to discuss the idea further with me as the best placed internal curator given my experience of working on exhibitions of non-Western art.

In order to move the exhibition planning forward, the project was presented to the Exhibitions Committee. The RA has a very active membership; Academicians hold the principal offices of President, Keeper of the RA Schools, and Treasurer, as well as chair various committees. Working alongside professional employees, the Academicians serve to ensure that the ratified decisions of the various committees are delivered. Oceania, as the exhibition was called, went before the committee and was duly endorsed. This meant that the project could proceed which gave us five years to conceive and deliver Oceania, as it was decided that the exhibition would take place in 2018 to coincide with the 250th anniversary of the RA and the first voyage of Lieutenant (later Captain) James Cook on HMS Endeavour in 1768. There was a further connection to the RA beyond sharing a date. Both the artists on the second and third voyages, respectively, William Hodges and John Webber, would later be elected RAs. A decision was also taken early on to focus exclusively on art produced in the region—that is, to not have any European views or portraits of the places and people they encountered. This was to be an exhibition based only on the art made by Pacific Islanders from the historic through to the contemporary. To my way of thinking, for an organisation like the RA to host an exhibition on non-Western art in its landmark anniversary year sent a strong signal about how the institution viewed itself.

> *For the RA to host an exhibition on non-Western art in its anniversary year sent a strong signal about how the institution viewed itself.*

The Pacific Presences: Oceanic Art and European Museums conference held in 2014 really pushed the agenda forward, bringing into sharp focus how challenging many of the issues surrounding the Pacific are - not just in terms of fraught and contested colonial histories, but also in terms of continuing issues of land and mineral rights and global warming. It was obvious that this exhibition would or rather could not be the conventional historical survey that the RA was used to putting on.

I was astonished by the depth and breadth of collections in Europe and the long history of collecting that emerged from those museum galleries and stores. The history of collecting (the provenance of the individual works) became a subtheme to the exhibition, highlighting the different histories attached to them. The principal difficulty was distilling the number of objects into a manageable number. We created long lists of potential loans to look at together. These were placed into distinct sections under the overarching exhibition themes of Voyaging, Settlement, and Encounter. At this point, given that so many objects are made of organic materials, the challenge was both budgetary and logistical: we had to determine how to conserve, transport, and safely install these works. Difficult decisions were made along the way. Some works were too fragile or simply too large to move. Others required long negotiations, especially once we knew that the most visited ethnographic museum in the world, the musée du quai Branly – Jacques Chirac, Paris, had committed to hosting the exhibition after London.

The inclusion of contemporary art was a major consideration. On a flying visit to New Zealand in November 2017, Artistic Director Tim Marlow and I met members of the Mata Aho Collective. The decision to include the Mata Aho Collective was made very late in the process after Flora Fricker, Exhibitions Manager, and I made an overnight trip to see Documenta 14, where Kiko Moana (2017) was showing, in the Landesmuseum, Kassel. We were blown away by the work and wanted it to be the first thing anyone saw when they entered Oceania, since for us it summed up the whole exhibition. We were convinced that its monumentality and elegant simplicity would surprise visitors. The negotiation was complex as the work was in the process of being acquired by Te Papa who generously agreed to lend it to us before it had even been shown in their own building.

Oceania was a complex and difficult exhibition to attempt to present, especially in a country with its own colonial relationship to the region, but we knew that we had to respect the people of the Pacific and, as was becoming increasingly apparent, highlight what these objects meant to them. It was during my visit to New Zealand that it became evident that the RA might have to extend an invitation to a descendant of Tuai should they choose to attend the opening reception in London. Thanks to an earlier meeting with the Curator Maori at Auckland Museum Tamaki Paenga Hira, to discuss the sensitive loan of the Kaitāia carving, I was made aware that we would need the permission of the Te Rarawa tribe to borrow this extraordinary object. The loan was agreed after the layout of the exhibition was presented and the position of the work was deemed appropriate.

So began a steep (but exciting) learning curve for all of us at the RA. Unfamiliar words like taonga (treasure), mana (respect, authority, power), and tapu (sacred/restricted) emerged particularly during our long negotiations with the Ministry of Foreign Affairs and Trade (MFAT), which would be our main sponsor. Our responsibilities began to dawn on us, but it was not really until we started to receive these objects at the RA that the real power of these objects became apparent. Not used to dealing with such material, we discovered that these objects, despite having been removed from the Pacific and kept in museums in Europe, had retained their mana, their connection back to the communities and places of origin, and were imbued with ancestral power and were still very much alive. Temporal and geographic distance was no barrier to overcome these unbreakable connections. We had to accommodate things that we had never before come across: the prospect of offerings, that visitors may spontaneously sing or address objects, and that fresh water was required to cleanse themselves from any residual tapu. The private ritual dressing of Kuū from Hawaii, for example, with a malo (loincloth) made and donated by Auntie Verna Takashima and organized by Noelle Kahanu, was definitely not something the RA was used to exhibiting.

“On the eve of the blessing ceremony in London a beluga whale was spotted in the Thames Estuary, an unheard-of occurrence.

“These objects, despite having been removed from the Pacific and kept in museums in Europe, had retained their mana… and were still very much alive.

The challenges came thick and fast, but the staff at the RA responded, embracing the exhibition like no other I have seen in my years working there. The excitement and sense of responsibility required in the temporary custodianship of these objects brought forth an outpouring of emotion and a hitherto unseen commitment. It was, and remains, the most emotionally charged and rewarding exhibition I have ever had the honour to be associated with. Never have I seen such direct and potent connections between people and objects. In that regard, Oceania was a revelation—and that was before the blessing ceremony.

On the eve of the blessing ceremony in London (which we had originally been advised would be a small, private event), a beluga whale was spotted in the Thames Estuary, an unheard-of occurrence. The news astounded everyone and was seen as very auspicious. The blessing ceremony was so large that it ended up closing Piccadilly, a major London thoroughfare, as the participants walked from Green Park to the RA to be greeted by Ngati Ranana (the London-based Maori cultural group) in the Annenberg Courtyard. The emotions ran high; the pain of separation, the agony of past histories, and the veneration of ancestors filled the galleries. It was electrifying. As the participants gathered around Kiko Moana, there was a sense that the exhibition had achieved something, even if was nothing other than to help them communicate with their ancestors and reconnect with their communities. It became evident that these objects needed to return home to be back in their place of origin among the descendants of those that had created them.

Economic Focus

First, the bad news…

Brian Tora, Chartered Fellow, CISI
Consultant

Illustration by Isabelle Bamberg

Just how big a threat is the Coronavirus to the health of the global economy? Certainly, this epidemic has been stealing the headlines in recent weeks and, although markets shrugged aside the possible effects initially, panic eventually set in with shares recording their biggest fall since the financial crisis of more than a decade ago.

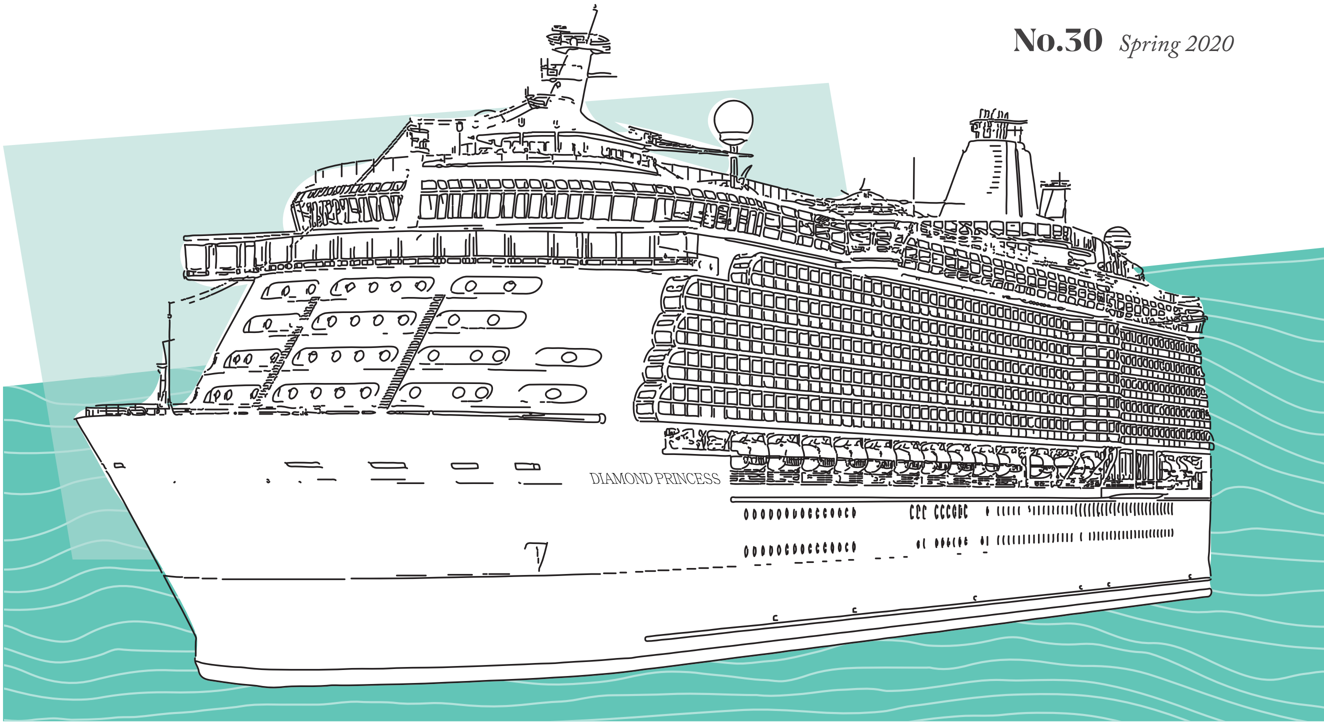
While China has been taking action both to limit the spread of the disease and to minimize the impact on its economy, with companies like Apple warning of direct consequences for its trading outlook as a result, it is clearly naïve to believe this to be a risk-free scenario. What isn't clear is whether markets are over-reacting.

On the face of it this new virus does not seem as deadly as, for example, the Swine flu outbreak of around a decade ago or the Asian flu crisis of the 1950s. But it does appear to spread very easily and clearly efforts to contain it are making a difference to economic activity. In particular, disruption to the supply chain in a number of industries is already taking place. Several Asian countries have revised downwards their expectations for GDP growth which, coupled with slowing economies in Japan and the Eurozone countries, is likely to mean a disappointing outcome for global growth during the current year. Indeed, a global recession could be on the cards.

Even so, it is probably a mistake to overestimate the longer-term effects of this particular crisis. True, there is not yet a vaccine available to combat this virus strain, though China does appear to have one undergoing clinical trials. While the indications are that it is more comparable with seasonal flu than any of the more damaging new viruses that have appeared around the world during the past 100 years or so, it is the measures introduced to limit the spread of coronavirus that is causing the problems rather than the death rate. In America 10,000 people died of seasonal flu last year – far more than have been known to die from the coronavirus – and treatment is generally available for these strains of flu.

> In America **10,000** people died of seasonal flu last year

So perhaps the shakeout in markets will provide a buying opportunity at some stage. We are, after all, getting much better at managing situations like these, with measures to quarantine people and whole cities introduced swiftly and improved communication of the issues now present through social media. It will be necessary to keep a weather eye on how this epidemic progresses, though. While at the time of writing a global pandemic has yet to be declared, cases in over 40 countries have now been identified, including a worrying one in Nigeria. If the disease does indeed spread to sub-Saharan Africa, where medical facilities are limited, then containing the epidemic will prove difficult



> *Perhaps the shakeout in markets will provide a buying opportunity at some stage.*

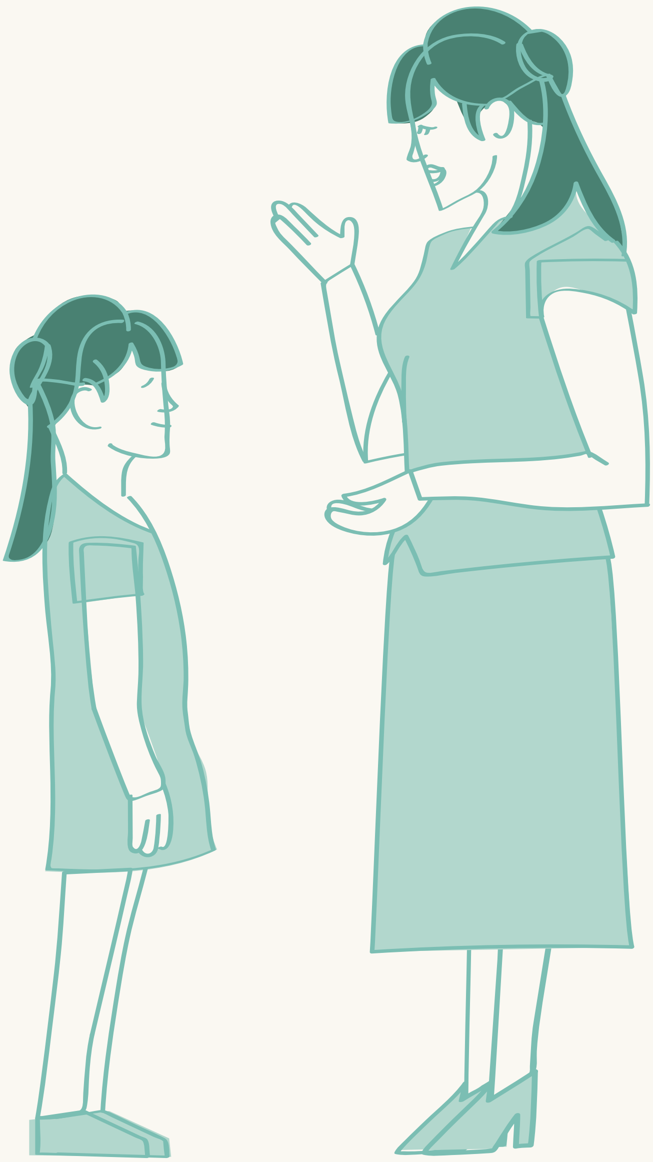
Elsewhere there are plenty of other potential drivers of market behaviour around – some good, some not so good. The trade talks between the UK and the European Union will doubtless play an increasing part in establishing investor sentiment as the year progresses. Sterling has suffered as fears of a no deal Brexit increase. The upcoming US Presidential election will also be a factor to take into account. Interest rates remain low, despite an unexpected jump in UK inflation recently, and could well move lower as central banks seek to mitigate the effects of a global economic slowdown. In China, where more monetary stimulus has been introduced to combat the effects of the measures to restrict the spread of coronavirus, bond yields are at a four-year low. Indeed, bond markets all around the world are telling us a recession is possible.

We do have some good news back home. House prices are experiencing what has inevitably been dubbed the Boris Bounce. According to a recent survey from the Royal Institute of Chartered Surveyors, both prices and activity have picked up since the General Election. This has translated into a boost for the house building sector, which enjoyed a strong performance during the first two months of the year. The value of one's home has been demonstrated as being of significant importance when it comes to assessing consumer confidence. Rising house prices make people more willing to spend, while a freer market for both sellers and buyers allows moving to take advantage of improved job prospects easier.

As it happens, the housing stock retained by estate agents had been low in the run up to our leaving the EU, demonstrating caution on behalf of sellers because of the uncertainty created by our failure to meet two departure deadlines. This has clearly changed, with estate agents reporting improved availability and more activity. It is said that an Englishman's home is his castle. Perhaps the sense of wellbeing that the end of uncertainty over whether we are leaving the EU or not and the knowledge that the roof over our heads is likely to rising again in value will encourage an improvement in domestic economic activity. We just have to hope that the coronavirus does not derail sentiment.

Women: what I wish I could tell my younger self about money

Moira O'Neill
Financial Journalist



It's never been more important to start investing early. And this is particularly important if you're a young woman as you don't want to have regrets as you get older. Financial journalist, Moira O'Neill, asked some of their older female readers to tell them what they wished they had known in their 20s and they had some great words of wisdom to share.

Some said that it was very important to separate "needs" from "wants" early on in life. Needs include essentials such as food, clothing, shelter and healthcare. Wants are goods or services that are not necessary but that we desire or wish for. For example, you need clothes, but you do not need designer clothes, shoes or handbags. Getting this distinction firmly established in your own mind means that you're less likely to overspend and get into debt.

A great tip – this is one of my own favourites, and I use it all the time - is to calculate your hourly take home pay after taxes and national insurance. You can do this using the website www.thesalarycalculator.co.uk. Every time you want to buy a non-essential item you can then work out how many hours of work it costs. This gives your spending some real perspective. And it makes me think twice about splurging.

Other readers were very passionate about the need to start investing, rather than saving in the bank or building society, at a young age. Research by Fidelity International found that female finances fall behind over time, thanks to the pay gap, but also the tendency for women to stay in cash rather than putting their money where it can grow faster. The best evidence of this is with individual savings accounts (ISAs), a tax efficient way to save and invest. While more than four in 10 (43%) women save into a cash ISA, only nine out of every 100 women invest in a stocks & shares ISA.

> While more than four in 10 **(43%) women save into a cash ISA,** only nine out of every 100 women invest in a stocks & shares ISA.

One reader said: "Investing might feel difficult if you feel you know nothing about money, but there are lots of great resources available and you can take it step by step. If you feel there's plenty of time left and no need to rush, I recommend looking up some graphs on what a difference it makes to the outcome if you wait even just 10 years. That should work as a kick up the backside!"

> **"*Calculate your hourly take home pay after taxes and national insurance.***

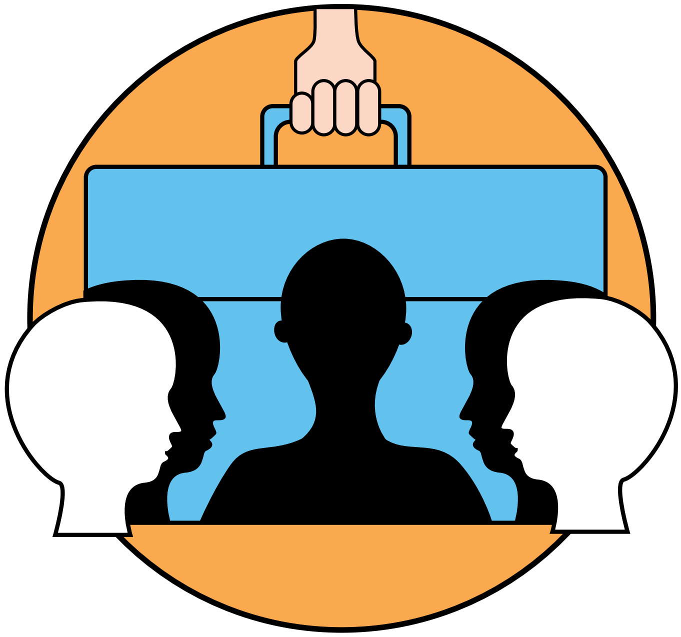
Another had this great tip relating to ISAs: "Set up a standing order into an ISA and every time you get a salary increase divide it into two. One half goes into the ISA, while the other is to do as you please, knowing you are building up a safety net for the future."

Readers were also keen on the importance of making their own provision for retirement. Some said that they had experienced financial difficulties in later life after a divorce and wished that they had funds to fall back on. "Do not rely on a man to fund your retirement. So much can happen in 40 years that you don't know what situation you are going to be in when you are in your 60s. You can only rely on yourself, even if it's only £10 a month to start with, it has plenty of time to grow."

A version of this article first appeared in our Wealth Across the Generations Report which identifies the wealth challenges faced by different generations. To order your copy of the report, please contact your investment manager or email us at marketing@jmfinn.com.

Collectives Commentary

The importance of face-to-face meetings



Freddie Woodhead
Investment Manager

Illustration by Subin Lee

In a departure from the norm, as opposed to asking a third party fund manager to give us their current view of the market, we asked Freddie Woodhead, who is the sector specialist for Asia and Emerging Market Equity funds and responsible for coordinating our fund research, about how a fund becomes a preferred fund at JM Finn.

The universe of investable funds to a UK investor is enormous and identifying the correct one that will fit within a portfolio designed to meet a client's specific investment mandate would be too large a task for an individual investment manager.

To assist our investment managers we break the universe down into sectors and have a designated sector specialist who is responsible for coming up with a preferred list of funds within the sector, which is then monitored on a regular basis.

It is important to note, that at JM Finn we offer each investment manager a degree of autonomy when it comes to managing their clients' assets, which allows us to offer a highly personalised service with the aim of meeting each client's individual investment objectives. With this in mind, there is no obligation for anyone to buy a preferred fund but it does act as a guide, can help with the decision-making process and certainly allows for a good deal of internal debate, which adds to our collaborative investment approach. It is also worth noting that each sector specialist might approach the due diligence in their individual fashion, but the goals are the same: to provide a suitable list of funds that supplement our direct stock investments, particularly for niche or specific geographic exposure.

Before a fund can be added to the preferred list, either the fund house or individual fund needs to be approved by our Permitted Investments Committee, which will determine whether the fund provider is suitable. In effect, this is a second check to ensure the due diligence has met all requirements. A sector specialist and/or investment manager can ask for a fund house or fund to be included in this list, in which case the committee will perform due diligence on the company or fund and make a decision.

Typically, the sector specialist will look to narrow their universe by filtering funds on a variety of quantitative metrics, these may include:

- Compliance with regulatory permissions
- Distributor/Reporting status (which allows offshore funds to be purchased in the UK)
- Fund Size
- Costs
- Fund investment style
- Fund Performance vs. the relevant benchmark

If the fund screens well then the fund manager is assessed via a face-to-face meeting. There were close to 150 such meetings held internally in 2019.

The meeting will usually start with questions about the manager's background, the team structure and the resources available. A biography of the fund manager and their teams are normally in the fund's factsheet, but further details are usually required. If the fund manager is at the end of their career there can be potential succession issues; too young and their experience of markets in extreme market conditions can be limited. There are some investment houses where all the investment decisions are made by one person, while there are others were there is a team approach. Some fund managers employ their own analysts, while others will bring in resources of sell side brokers.

I will also be interested to know how the team is remunerated. Is this based on fund performance or funds under management? Is the fund manager paid in cash, new units in the fund or in share options? This can give us an indication if the team is going to remain in place and ensure an alignment of interests. Some fund managers may have similar investment styles, but rarely are their structures and resources the same. There is no right answer to any of these questions, whilst the answers will vary depending on where the fund is invested. What is important is does the investment house provide the necessary level of support for their fund managers and their teams?

The second part of the meeting may look to get a thorough understanding of the fund manager's investment philosophy. Does the fund take a top down approach, using national or global economics or does it use a bottom up approach, which means the fund ignores economics and picks stocks purely on their attractiveness. In addition, some fund managers will adopt a style or thematic approach. We will also be interested to know on what criteria does the fund choose investments; some examples might include price earnings ratio, net asset value, earnings growth and dividend yield.

I then might explore the fund's investment process, which normally starts with an explanation of how they screen their universe to reduce the number of holdings down to a more manageable number, much like our own process for finding new funds. What I really look for here is an understanding of how investment decisions are made. This obviously links in with the team structure and philosophy mentioned above. This will then lead into portfolio construction and will normally involve information on stock weightings, price targets, trading strategies and number of holdings held in the fund. I am also interested to know how the portfolio is monitored, to ensure the process is consistently applied.

JM Finn's fund sectors:

- Absolute Return
- Asia
- Bonds
- Emerging Markets
- ESG
- Europe
- Financials
- Global
- Healthcare
- Infrastructure
- Japan
- Private Equity
- Property
- Technology
- UK Growth
- UK Income
- US

Fund performance is clearly an important issue and understanding how it has performed in different market conditions is paramount and needs to be consistent with the investment style.

Further areas to examine might involve discussing portfolio management, risk monitoring, the use of derivatives, hedging, turnover, fund size restrictions, country/sector weightings and the availability of different classes of unit. And of course ensuring we have a complete understanding of the costs, not just the annual management fee but the underlying fund costs too, are an essential part of any due diligence.

Nothing beats meeting a fund manager face-to-face and seeing how they answer our questions and, importantly, how those answers might change over time.

Stock in Focus

Alphabet

James Ayling, CFA
Research Analyst

Illustration by Emily Nault

Alphabet is the holding company created by Google in 2015 to provide investors more transparency into Google's operations and give Google's earlier stage companies, 'Other Bets', greater space to experiment and challenge conventional wisdom – with less bureaucratic oversight and more entrepreneurial autonomy.

Yet, Google remains Alphabet's beating heart. Google is not just the go-to search engine used for internet search; it is Alphabet's profit centre - the pump that primes Alphabet's Other Bets.

Google is known, the world over, for its dominant search engine (Google.com) and web browser (Chrome). Yet, core Google should be thought of as the world's largest advertising business. After all, selling advertising space is how Google principally generates revenue, profit and ultimately cash for its investors.

To understand how Google generates advertising revenue it may help to evaluate the business model of a traditional advertising billboard. For this business to work you first need a billboard to provide the physical real estate on which an advert can be displayed. Next, you need to find a good location for your billboard as potential advertisers will want a location with strong customer footfall – advertisers want to place their adverts in the line of sight of large numbers of potential customers. Then, to generate revenue, you need to agree with an advertiser on the price you will rent the billboard space for, over a defined period.

Core Google operates in a similar way albeit in the digital world. Google has its own digital real estate e.g. Google.com but it also amalgamates the digital space of third party websites. With this footprint, Google realised the digital scale potential and built an enormous digital advertising marketplace. On one side, Google aggregates all its own and third party digital space. On the other side, Google aggregates digital advertisers. Then, it allows advertisers to competitively bid for digital space.

Yet scaling between the physical and digital world is quite different: JCDecaux lists itself as the world's largest outdoor advertising company with c.526k advertising panels. Meanwhile, Google's search ranks and lists "hundreds of billions of webpages". While physical advertising is constrained by the global population (c.7.8bn growing at 1% p.a. (2020)), digital advertising is limited by the number of internet users and searches these users conduct. As of 2018, there were approximately 4bn internet users (over 50% of the world's population) growing at c.6% p.a. Typically, users are connected to the internet via mobiles, tablets and computers. On the assumption that each user completes two searches per day – this gives a significant estimated addressable market of c.3trn searches.

PRICE
$1,339.25

52 WEEK HIGH-LOW
$1,530.74—$1,027.03

NET YIELD
N/A

HIST/PROS PER
28.23—21.25

EQUITY MARKET CAP (M)
$920,477

> **“*Google is not just the go-to search engine used for internet search; it’s Alphabet’s profit centre.***

Google generates revenue by either charging advertisers on a ‘pay per click’ or a ‘pay per view’ basis. Much like physical ads - location matters. Google needs to ensure user web traffic is directed to these digital ads to receive payments. For Google’s own web space, it classifies traffic as organic (free) if users arrive on the web space directly or, inorganic where Google must pay a third party to drive traffic to their digital web space – this cost is known as Google’s ‘Traffic Acquisition Cost’ (TAC).

With internet enabled devices growing and searches per device rising, the outlook for Google might seem bright as revenues climb. Yet, this is only part of the profit equation; in the cost part – TAC matters most. Google had a strong grip over digital advertising when PCs dominated internet search. During this era the proportion of Google’s organic traffic was high and so it paid less TAC per search. Yet, the rising array of internet-enabled devices has softened Google’s grip on search - a trend that could continue meaning Google may incur higher TAC ahead.

If you analyse the shift of internet search from desktop to mobile you notice that mobile devices, through apps, increased the number of internet access points. Internet browser apps remain but traditional search has been disintermediated. For navigation, instead of searching via the internet browser, increasingly we search via navigation apps e.g. Google Maps or Citymapper. To search music - the Spotify app; property – Rightmove’s app, train tickets – Trainline’s app; video – YouTube’s app; shopping – Amazon’s app.

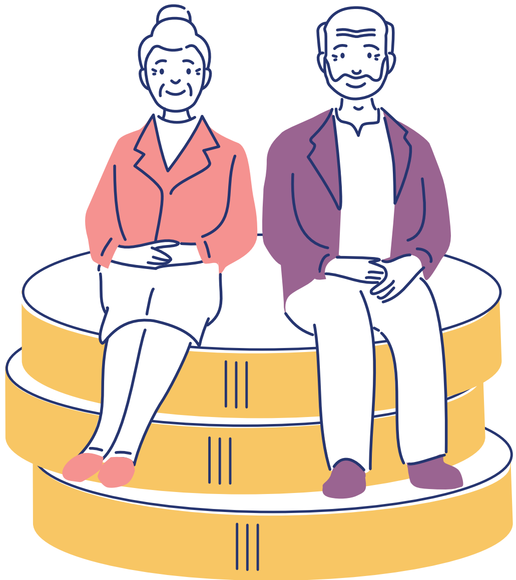
This means that the prominence an app has on a mobile can nudge users towards its use. To mitigate disintermediation and gain prominent app positioning - Google pays mobile manufacturers TAC for the traffic flow its pre-installed search apps receive. As we increasingly adopt voice search – Google may face another wave of search disintermediation.

Does this mean Google becomes less profitable? Maybe or maybe Google could expand their search domains to more than offset higher TAC. When you look at some of Google’s Other Bets you begin to appreciate how well Google understands the challenges and opportunities facing its search business. Take Waymo, Google’s self-driving vehicle project, it’s hardly a direct search domain expansion. Yet, if we have more spare time, whilst using self-driving vehicles, indirectly I suspect we will spend more time Googling…

Please read the important notice on page 1.

Independent view

Bank of Mum and Dad



Debbie Gale
Head of Probate, Legal Director, TLT Solicitors

Illustration by Andrew Rees

Are you thinking about making gifts or loans to your children to help them on the property ladder?

Maybe you have considered giving away your home or a share of it to your children? Whether to reduce your estate for inheritance tax planning or concerns about possible care fees, Debbie Gale of TLT Solicitors looks at some of the practicalities of gifts and loans within the family.

Many younger people are struggling to take that first step onto the property ladder so it is increasingly common for buyers to have financial assistance from their family. However, it is important both sides are clear whether such funds are a gift or a loan.

A recent Court of Appeal case Farrell v Burden involved a loan made by a mother to her son and resulted in a claim against the son's estate, following dispute about whether it was a loan or gift.

If making a gift, the details should be documented and kept somewhere safe. You should take advice about whether there will be any inheritance tax implications if you were to die within seven years of making the gift.

> ***Whether making a loan or a gift, both you and your child should get legal advice.***

For a loan, it is important that both sides are clear on expected terms and consider repayment, interest and possible default. A loan agreement will make the terms clear and if the property is being bought with others, a declaration of trust should be drawn up to make the ownership and contribution of each party clear. What will happen if either you or your child were to die before the loan is repaid? You should both consider updating your wills.

If the loan is to fund a property purchase and your child is buying with others, they should take legal advice and consider either a co-habitation agreement/pre-nuptial agreement or possibly a tenancy agreement if others will be living there but not co-owners.

If you are considering joint ownership with your child, you should consider inheritance tax, capital gains tax and stamp duty land tax.

Whether making a loan or a gift, both you and your child should get legal advice.

Gifts of property / share of property

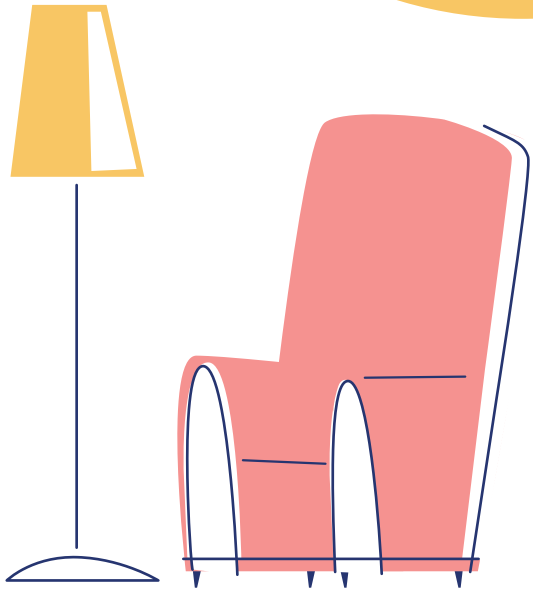
If you give something away but continue to enjoy the benefit (for example, your home, or a share of it but continue to live there) for inheritance tax purposes you may be treated as if you still owned the property.

In addition, if you gift the property to your child, your home would, in fact, belong to your child and would therefore be subject to inheritance tax as part of their estate if they should die. There may also be a loss of potential inheritance tax allowances.

Principal private residence relief provides that if you sell the house you live in, there is no capital gains tax liability. However, if you give your home away to your child, they become the owners for capital gains tax purposes and this potential relief could be lost.

Capital gains tax does not arise when someone dies. Any gains made on assets you own when you die are wiped out, your property is revalued at death and your beneficiaries acquire the property at that new value. If you have given away your property during your lifetime, your child will be subject to capital gains tax on the whole increase in value of the property from the date the gift was made until the date of sale. It may be preferable to leave the gift in your will.

If your child were to die before you, the property (or their share of it) would form part of their estate and would pass to their beneficiaries, or it may need to be sold to settle the debts of their estate. You should also consider what would happen if your child loses mental capacity, divorces or becomes bankrupt.



Care fees

The rules covering how much a person must pay for their care, state that the local authority have to include any assets which you have given away with the intention of avoiding such charges. This is known as deliberate deprivation and local authorities are becoming increasingly strict on this point.

If you are planning to protect your home from care fees, you should consider any other assets owned. Protecting your home could mean planning to live in state funded care. This may mean the standard of care may not be to the level you would have chosen and may remove your ability to choose where you want to live.

Making gifts or loans to your family can have benefits but you should ensure you are fully informed of the potential consequences before going ahead.

Debbie Gale
Head of Probate, Legal Director
www.TLTsolicitors.com

The above must not be taken as advice and is generic. Advice should be tailored to an individual situation and it would be strongly recommended that such advice is sought on any of the above.

The Potting Shed

The number of new businesses in the UK continues to grow year on year. In this series we ask entrepreneurs to describe the challenges they faced when embarking on their ventures.

No.8

Nadia Waterfield Fine Art

Nadia Waterfield
Founder

Art has always been at the centre of my life for as long as I can remember. My father is an avid art collector and my mother was a successful interior designer so inevitably growing up we were surrounded by creativity and beautiful paintings.

My happiest early memories were of myself and my four siblings spending hours blissfully drawing and painting while listening to my father's old jazz LPs.

I don't think there was ever any question that I wouldn't pursue a career in the art world in some form or another. After studying at the Sorbonne, I went to London and joined an art and event publishing house. This was my first taste of setting up and running art fairs on a large scale, which gave me a good grounding in not only curating but also in dealing with artists and clients, key skills for starting up my own business.

When I later married, moved to the country and was bringing up my three young daughters, I always kept my creativity alive – I did a picture framing course and started a little business framing artists work. And I also continued to paint, something which to this day I find therapeutic and life-affirming.

> *“We decided to collaborate, pool our resources and share our art expertise.*

However, it was a chance conversation with a couple of friends round the kitchen table which really set the wheels in motion for my next business plan. We were bemoaning the fact that there was little accessibility to art on a large scale in the country. From this, we decided to collaborate, pool our resources and share our art expertise - The Hampshire Art Fair was born. We rented a barn, sourced and displayed artwork from local artists and ran regular exhibitions. After the success of the first two years, we took the shows to other counties, and put these events together in unused barns - Kent & Sussex Art Fair, Wiltshire Art Fair, Somerset Art Fair.

Five years ago I decided to go solo and established Nadia Waterfield Fine Art and last year moved to my dream venue – a beautiful, light-filled converted granary barn with acres of space, just outside Stockbridge. The space has allowed me to expand my business and now I have the freedom to exhibit larger and more diverse paintings and sculptures. The ethos remains the same, to bring together a broad cross-section of interesting and inspiring painters, ceramicists and sculptors all under one roof. I am proud to be able to exhibit art work from over 60 artists here.

> ***One of the greatest joys of my day-to-day working life is the diversity it affords me.***

My business has grown organically over the years – last year we opened a second gallery in Bruton – but I think that when you are passionate about something it influences and informs everything you do. I feel so fortunate that helping people to find and buy art they are going to cherish and love, is genuinely my passion – and the fact it is also my profession is a real blessing.

One of the greatest joys of my day-to-day working life is the diversity it affords me. I spend a lot of time travelling to see artists at work and I feel so privileged to be able to build relationships with such interesting and talented people. I see them at work in their own studios and immerse myself in how they paint, the paints they use, their background and their mutual love of painting. Indeed my own painting is hugely influenced by their work.

Another bonus of my business is the creative freedom I enjoy which goes far beyond simply showcasing artwork. I want to establish a creative hub where people come to share ideas and interests. The art lectures and workshops I run are an essential part of the whole experience. I get a kick out of seeing people learn to paint and sculpt, which includes children. Anything creative under my art roof is just the best.

I am a great believer in the benefit of shared knowledge and experience and the consultancy side of my business is hugely important to me. So many people lack confidence about making the right choice of art in their homes or offices. I find guiding people and helping them to find the perfect paintings to make their houses sing is a real buzz. It's a huge compliment when people rely on your taste and judgement.

Obviously running your own business has plenty of challenges too – mainly the fact that you invest hours and hours in it and it's your neck on the line if anything goes wrong. Being able to close the door and forget about things does not happen for me. My challenge is to work during the day and not at home in the evenings but I find this impossible.

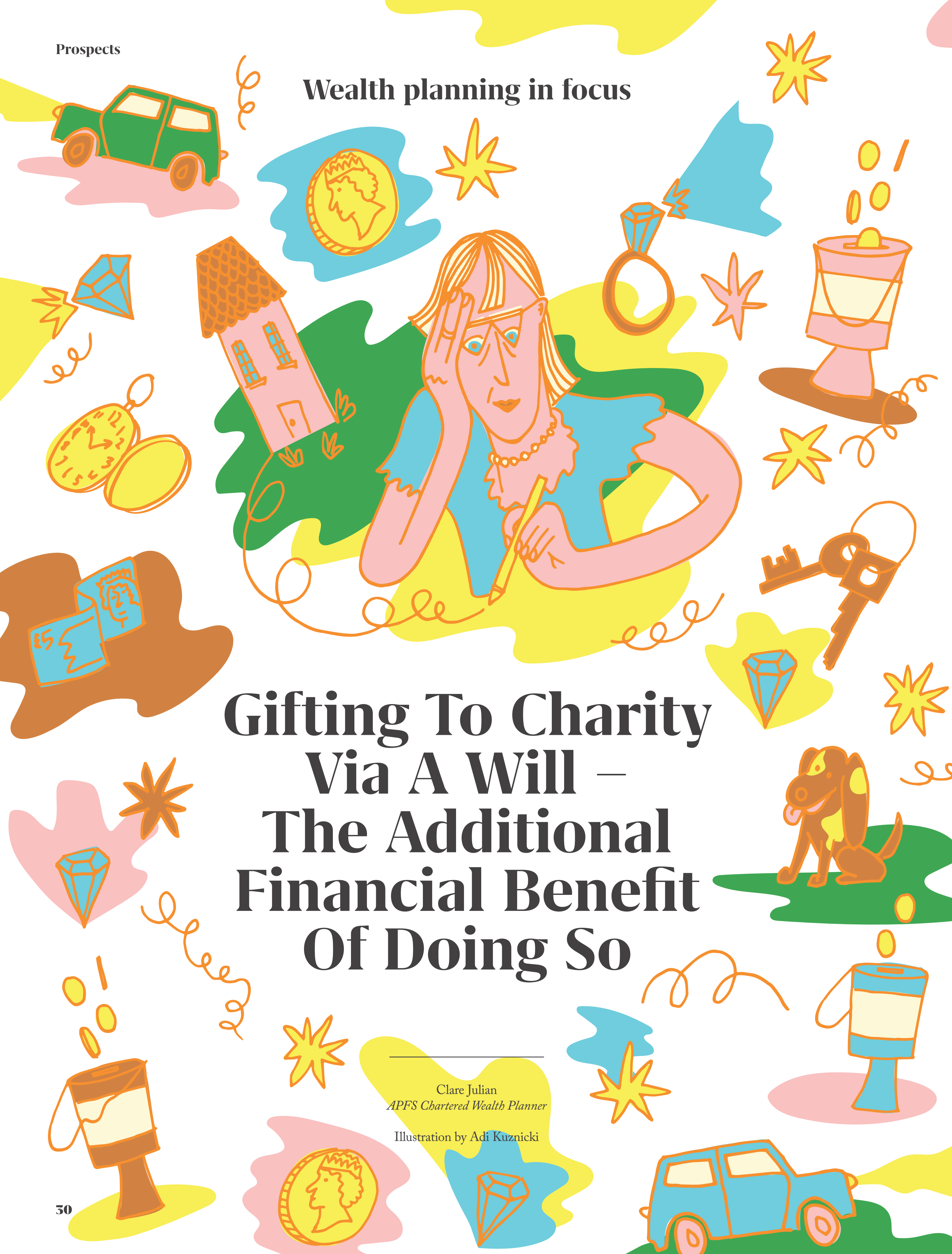
NADIA WATERFIELD

FINE ART

Nadia Waterfield Fine Art is a dynamic contemporary art gallery in the heart of the picturesque Hampshire countryside, specialising in beautiful original paintings, sculptures, ceramics and furniture. Representing a broad cross-section of art from around the UK and abroad, the gallery exhibits work from both acclaimed artists, alongside exciting, new, emerging talent. Over the years, Nadia Waterfield Fine Art has earned a well-deserved reputation for exhilarating exhibitions, eclectic artists and first-rate hospitality.

Located in a stunning barn near Stockbridge, the gallery is a light, airy, sizeable space, which allows paintings to be enjoyed in a relaxed and professional environment. Comfortably furnished with Nadia Waterfield Fine Art furniture, lamps and rugs, this intimate and warm backdrop complements the ever-changing portfolio of work, featuring a wide a range of subjects, media and genres. Clients can expect the unexpected but be reassured they will find favourite popular work too.

Wealth planning in focus



Gifting To Charity Via A Will – The Additional Financial Benefit Of Doing So

Clare Julian
APFS Chartered Wealth Planner

Illustration by Adi Kuznicki

The updating of Wills, (or for so many of us, the drafting of Wills for the first time...), is likely to be a key item on the agenda of many a New Years' Resolution list.

It is well known that making a Will is an extremely integral part of Inheritance Tax planning, and by doing so, and keeping it up to date to reflect one's ongoing wishes, this will ensure that as much as is possible of your Estate goes to those intended.

If you fall in to the camp of being one such individual, currently in the process of updating your Will, please read on. Especially those of you who are altruistically minded and keen to make a bequest to charity.

Gifting to charity has long been a way of legitimately reducing a tax liability, the most common and widespread manner of doing so being via Gift Aid, which can help mitigate an Income Tax liability. In respect of Inheritance Tax (IHT) planning, the value of a gift to charity itself is exempt from IHT. However, a lesser-known tax benefit applicable to charitable gifts is one that was announced by the Government in 2011.

This piece of tax legislation gave rise to the opportunity for an individual to reduce the effective rate of IHT due on their Estate on death. For deaths since 5th April 2012, a 10% reduction to the rate of IHT is given to those who leave 10% or more of their net Estate to Charity. In other words, the effective rate of IHT is reduced from 40% down to 36%.

There is of course no tax benefit to be gained if the Estate is not going to be subject to an IHT charge, but for those whose Estate's value means that IHT will apply, this is a very valuable and legitimate way of making substantial gifts to the charity/ charities you support, whilst simultaneously reducing the amount of IHT chargeable.

It is also conceivable that an individual might end up leaving a larger share of their Estate to their other beneficiaries as a result of increasing the amount they choose to gift to charity via their Will.

Of course IHT rules are not completely straightforward. The calculation of the value of an individual's Estate depends on a variety of factors for consideration, such as lifetime gifts, and also perhaps the new "Residential Nil Rate Band", (RNRB) may be applicable in some circumstances.

As standard, in its simplest form, each individual has a £325,000 amount that would not be subject to IHT on death. This is known as the Nil Rate Band (NRB). It is transferable between spouses, so effectively, a married or civil partnered couple can enjoy an IHT free amount of £650,000 before IHT of 40% is applicable on any excess.

Example of how a charitable legacy can reduce the IHT liability for an estate valued at £2m:

	No charitable gifts	Charitable legacy 4% of net Estate	Charitable legacy 10% of net Estate
Charitable gift	-	£54,000	£135,000
IHT Liability	£540,000 (40%)	£518,400 (40%)	£437,400 (36%)
Other non-Charity beneficiaries receive the balance	£1,460,000	£1,427,600	£1,427,600

For illustrative purposes only

The above scenario assumes a husband and wife with an Estate valued at £2,000,000, have a full £325,000 NRB each available to them, (£650,000 combined). For the sake of simplicity and to best illustrate the point, we have assumed that their Estate does not benefit from any RNRB, and they have each used their £3,000 per annum gift allowance. The example demonstrates the effect of increasing the sum left to charity via the Will from a notional 4% of the net Estate, to 10% of the net Estate instead.

You will see that by increasing the sum gifted to charity, not only does the charity receive a substantially larger sum, (the value of which does not form part of the deceased's Estate for IHT calculation purposes), the Estate also benefits from the reduction to the rate of IHT from 40% to 36%, and consequently less IHT is payable. The result is that other non-Charity beneficiaries receive exactly the same amount under both scenarios, whilst the charity receives 10% of the net Estate rather than 4%.

> ***Gifting to charity has long been a way of legitimately reducing a tax liability.***

If you are wishing to make use of this piece of legislation to benefit your chosen charity, as well as your nearest and dearest, I would suggest engaging your Solicitor who will be able to draft such a bequest into your Will.

There is some guidance on HMRC website at www.gov.uk regarding this subject, including a calculator, but you would be well advised to speak with a Wealth Planner who can offer expert guidance in this area, as well as helping you to look at the whole ambit of other IHT planning methods for consideration.

Meet Clare Julian, *Wealth Planner*

What was your career path in becoming a chartered wealth planner?

Having read History at University, my Wealth Planning career began as a happy accident. Feeling unchallenged and bored in my first job out of University, I responded to an advert in the Evening Standard. It offered an apprenticeship in financial planning, with the promise of continued development and learning. I joined that firm as a Paraplanner the week after pensions A Day, and so began my journey.

Which aspect of advising clients on their wealth do you find most satisfying?

Very cheesy, but it is so rewarding to see clients happy, having gained real value from the advice you give. I don't mean in monetary terms necessarily, but rather in them feeling that they are closer to achieving their goals, e.g. retiring at 55, helping with school fees, ensuring their wealth can pass to their family as fully as possible. There is no greater compliment than when having assisted a client, they subsequently refer others to you for advice.

If you were to generalise, which areas do clients most ignore?

Wills. They are the bedrock of Estate Planning and it is surprising how few people have Wills, and of those that do, just how few are an accurate reflection of their current situation and intentions. Additionally, many neglect to use all of their basic reliefs, allowances and exemptions each year.

Of course, this is all on the basis that the rules do not change and it is important to note that a future change in government could result in the removal of this legislation. Your solicitor should be able to advise at the time of writing your Will and on an ongoing basis.

Clare Julian, APFS Chartered Wealth Planner

To meet one of our Chartered Financial Planners to discuss tax, estate or wealth planning, please contact your investment manager who will be happy to arrange a meeting.

The information provided in this article is of a general nature. It is not a substitute for specific advice with regard to your own circumstances. You are recommended to obtain professional advice from a professional accountant or solicitor before you take any action or refrain from action.

If you were the Chancellor, what one aspect of our tax system would you change?

The Tapered Annual Allowance. It sends out such an ambiguous message concerning saving for retirement. In particular, it is madness that Senior Clinicians in the NHS are having to choose to work less as they are caught in that trap. I also would love to see an element of financial planning made an essential part of the school curriculum. Many of the families we deal with have the benefit of being able to bring their children and grandchildren up with a mature, responsible attitude to finance. But for the majority, who do not have Investment Managers and Wealth Planners to bring them in to the discussions and meetings over time, many simply do not get that education early on when it is crucial. I think early education would make a real difference to many of life's challenges, such as the pension funding gap.

WALT DISNEY COMPANY ("DISNEY")

John Royden
Head of Research

PRICE
$117.65

52 WEEK HIGH-LOW
$153.41—$107.32

NET YIELD
2.24%

HIST/PROS PER
26.80—22.51

EQUITY MARKET CAP (M)
$212,409

Disney makes and sells films as well as running its Parks & Resorts division. Disney also own a variety of other TV and film production businesses, including ESPN (sports), Hulu and Hotstar as well as 21st Century Fox. Film banners also include Pixar, Marvel, Touchstone and the Star Wars franchise.

The Disney film business model involves selling its films to cinemas for a few months and then digitally (on DVDs or via digital purchase). Previously, Disney used to make the films available to subscription video businesses like Netflix. Disney has stopped this final leg of the distribution chain, cancelled the Netflix contract, and are now selling their content direct to consumers across the Disney+ internet or OTT (as it is now called) channel. They hope for 75 million subscribers by 2024. After the first quarter since the geographically limited launch of Disney+, they had registered 26.5 million subscribers. That level of success exceeded even Disney's own expectations.

We are particularly interested in the outcome of Disney+ because this is the first time that an old incumbent has seriously challenged the on-line first mover advantage of one of the FAANGs. The main risk is that Disney+ doesn't reach critical mass.

Please read the important notice on page 1.


QE
NOT QE

Bond Focus

QE or not QE … Is that the question?

John Royden
Head of Research

Illustration by Darren Richards

You may have read about the way that the USA's Federal Reserve Bank ("Fed") has been active in the New York repo market. This article explains what is going on.

A repurchase agreement is often called a "repo" and is essentially a short-term secured loan. The repo market enables banks to manage their short term liquidity needs. It generally works by one bank selling a security (like a US Treasury Bond ~ the US equivalent of our gilts) to another bank with an agreement to buy it back at a fixed price in the future. The fixed repurchase price turns the transaction into an effective loan as the difference between the sale and repurchase prices defines the effective interest rate. If I agree to sell you a tin of soup today for £1 and buy it back in a year's time for £1.10 then that is an effective interest rate of 10%.

In September 2019, the cash available to finance the repo market dried up and the Fed had to act after overnight interest rates spiked to 10% from the more normal 2% level. It appeared that some banks, including one of the larger players in the market ~JP Morgan, found that their new and larger liquidity regulatory capital requirements pushed up demand for cash to the point that there were not enough dollars to go around. The repo market was unable to supply banks with the overnight dollars that they needed, so the Fed had to supply the liquidity. This problem turned into a long term issue and it looks as if the short term Treasury bills that the Fed purchased are becoming a permanent feature.

> *“The repo market was unable to supply banks with the overnight dollars that they needed, so the Fed had to supply the liquidity.*

The net effect of this is that the Fed's balance sheet has grown in line with the Treasury bills that they bought and this looks very much like quantitative easing or "QE". Its effect has been to lower interest rates by increasing the supply of US dollars. At the same time the Fed, inadvertently, allowed lower interest rates to lower the discount rate used for equities, so making equities theoretically worth more, and it allowed the spare cash to find its way into purchases of US equities. And that, in my opinion, is probably one of the reasons why the equity market rose before coronavirus fears sent it down.

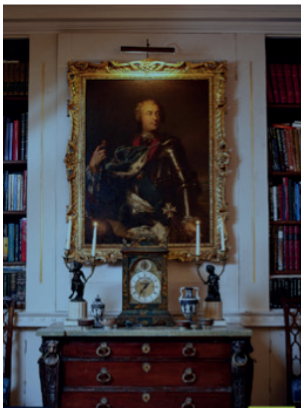
The key for the bond markets is how long this lasts for and the extent to which it will put downward pressure on US interest rates. The Fed denies that this is QE because the Fed is currently operating at the short end of the maturity profile. Other commentators maintain that the stimulus is less pronounced than QE's traditional bond buying across the maturity spectrum. I disagree with them because rolled over short term Treasury bills develop a degree of medium term permanence; which is what QE is.

Whilst the banks' capital requirements persist I don't see this going away and can only conclude that the effect will be to add support to the long end of the US Treasury market and depress medium term rates.

JM Finn *News*

Providing personalised investment and wealth management services requires a good deal of communication and whilst formal client meetings are an integral aspect of our services, being able to meet our clients in a more informal setting can add significantly to any relationship.

It is this that drives our many partnerships such as with the Royal Academy and Surrey County Cricket and we work hard to deliver something that will appeal to a wide range of our clients allowing them to build deeper relationships with their investment managers. Some of the events we are involved in this year include:



Sponsorship of Dreweatts' exceptional private collection of the eminent architect Sir William Whitfield CBE in a flagship two day sale in spring 2020, exclusively presented by renowned interior design firm Sibyl Colefax & John Fowler in its country house salerooms in Newbury.

HAMPSHIRE COUNTRY & GARDEN FESTIVAL

Sponsorship of The Hampshire Country & Garden Festival which is dedicated to promoting the fun of the great outdoors and all it has to offer, including how we can preserve and protect it. The Festival promotes all that is great about Hampshire, from food and drink suppliers to music, workshops and demonstrations, plant experts and nurseries. Whether you are an avid gardener or a family looking for a wholesome day out this is the event for you, all raising funds for the Hampshire Medical Fund.

Sponsorship of the Spring Hampshire Art Fair

This exceptional show and unique sizeable gallery located just outside Stockbridge, will showcase the work of around 60 British and International artists exhibiting paintings, ceramics, sculptures and bespoke furniture. The Fair is a celebration of eclectic contemporary art, carefully curated from artists around the country and abroad. The exhibition represents work from both well established artists along with rare finds from lesser known painters. The exhibition will continue from Friday 1st May to Saturday 23rd May.

Affordable Art Fair

Sponsorship of the Affordable Art Fair

Following our successful partnership with the Affordable Art Fair in 2019 we have partnered with them again in 2020 to share their vision of making contemporary art accessible to everyone.

Sponsorship of The Waynflete Singers

One of the leading large choirs in the South of England, are celebrating their 50th anniversary 'Golden Year' in 2020 with a wide and ambitious range of activities. The Golden Year concert diary includes:

- *Saturday 28th March 2020: A gala concert in Winchester Cathedral*
- *Saturday 27th June 2020: Beethoven's Missa Solemnis, Winchester Cathedral*
- *Saturday 24th October 2020 Brahms' German Requiem, Christchurch Priory*
- *Saturday 5th December 2020: Handel's 'Messiah', Winchester Cathedral*

ART for YOUTH NORTH

Sponsorship of the Art for Youth North

This biennial event is a must-attend art fair in Yorkshire and we are proud to be sponsoring it again for the third consecutive staging.

Sponsorship of Art for Cure

ART FOR CURE

Art For Cure is now the largest art event in East Anglia, attracting over 10,000 visitors. It is an unmissable three days of art, entertainment and social engagement. Art For Cure supports those facing a breast cancer diagnosis in East Anglia as well as making significant donations to vital breast cancer research.

BIG YELLOW

James Ayling, CFA
Research Analyst

PRICE
£10.66

52 WEEK HIGH-LOW
£12.45—£9.53

NET YIELD
3.03%

HIST/PROS PER
11.07—25.23

EQUITY MARKET CAP (M)
£1,796

Big Yellow is a UK listed Real Estate Investment Trust (REIT) and a constituent of the FTSE 250 Index. Its REIT structure means it is required to pay out the majority of its property rental income each year to shareholders. It is a leading UK self-storage business that either owns or leases storage facilities in the UK; it operates c.100 Big Yellow stores and also holds a stake in the smaller Armadillo Self-Storage company. Operationally, Big Yellow segments its storage facilities into 'storage rooms' to allow either retail customers or businesses to flexibly rent out temporary storage space. Big Yellow benefits from structural growth of the UK self-storage industry where increasing urbanisation is driving higher consumer demand for storage solutions. Additionally, Big Yellow operates purpose built storage warehouses, a faster growing market segment, versus lower quality container based self-storage. Big Yellow benefits from its distinctive brand, premium locations and, operates larger than average warehouses giving operational scale.

Investors award Big Yellow a premium valuation. As Big Yellow charges customers a premium price - it could be more vulnerable, in harder times, versus cheaper lower quality rivals.

Please read the important notice on page 1.

Asset allocation and sector focus

As part of our focus on providing a high quality, personalised investment service, we look to support our investment managers in their decision making when it comes to constructing client portfolios.

Our asset allocation committee is one example of this, via their monthly output showcasing their views on a global basis; this is then complemented by a sectoral view from the stock selection committee. The combination of these top down and bottom up opinions is an important resource for our investment managers to validate their own investment theses or to generate new investment ideas.

These committees, which consists of members of our research team and a number of investment managers, aim to provide a view that seems most suitable in the current climate. The output of the monthly meetings remains a suggested stance and it is important to note, that the views expressed are those of the committees and may not necessarily be those of your individual investment manager.

Here we present a snapshot of the current views.

Sector Views

Materials	We turned more cautious following a strong H1 2019 as macro economic indicators suggest global economy stuttering. Coronovirus is denting demand and commodity prices in short term however Chinese stimulus and dividend attractions lead us to a neutral stance.
Consumer Staples	We like the sector for its defensive attributes and high quality businesses. However, we are wary of valuations and the sector's vulnerability to rising interest rates.
Consumer Discretionary	There are many high quality companies we favour in the sector however we acknowledge the short term negative impact of coronovirus on airlines, luxury, entertainment and travel sectors. Look for opportunities in those names we favour with structural growth characteristics.
Financials ex Banks, Life Insurance, Property	This includes a broad range of stocks which are generally geared to investment markets. Valuations now reflect the cautious lower growth outlook.
Financials Banks	High levels of regulation, falling interest rates globally and a stuttering economy makes us reluctant to add to this sector. We see longer term structural headwinds as well as cyclical headwinds for the sector.
Financials Property	Whilst acknowledging the structural difficulties on the high street and concerns over liquidity in open ended vehicles we do see value in some areas of the sector.
Financials Life Insurance	Negative comments on selling off non-core assets, low interest rates, poor demographics in Western world and impact of Hong Kong demonstrations on Asian focused businesses.
Real Estate	Global real estate may offer better value. Caution on bond proxy status.
Health Care	Growth and defensive attributes and global demographic tailwind. Distinguish between pharma/healthcare/biotech sub sectors. Remains a key theme for medium term.
Industrials	Focus on high quality defensive names for now as above. Watch possible sterling strength as a headwind.
Energy	Sector under pressure as supply/demand dynamics look less supportive for capital growth or capex expansion. Coronovirus impacting the oil price and further headwinds from an ESG perspective. Neutral stance but we cannot see catalysts for growth.
Information Technology	We are positive but be selective and wait for market weakness to add to the quality names.
Communication Services	Recently restructured sector - be selective and avoid traditional telcos.
Utilities	Sector appears to have ridden the wave of UK political uncertainty however share prices have moved to reflect the reduced risk.

Asset Allocation

Overweight (+) Neutral (/) Underweight (−)

UK EQUITIES		
UK	+	Following the General Election some of the uncertainty around Brexit has lifted. There will remain some political risk as the negotiations of a trade agreement progress and the likelihood of one being reached before the UK is due to exit at the end of the year, will be reflected through sterling. Nevertheless, we feel that sterling assets remain under-owned and present an attractive investment opportunity.
INTERNATIONAL EQUITIES		
North America	+	Remains in a fundamentally sound economic position, which includes reasonable growth, low unemployment, real wage inflation and a more dovish Fed. With that said, we are wary that the equity market is increasingly pricing in a positive outcome to the trade war and the impact of looser monetary policy.
Europe	−	We remain underweight domestic European stocks due to longer-term structural concerns, such as political risk, higher unemployment and subdued inflation and economic growth. However, Europe has a high proportion of industrial and financial companies that will benefit if the manufacturing downturn reverses.
Japan	/	There are long-term structural concerns, though the recent use of fiscal stimulus shows a more proactive approach to addressing these. Japan is a net beneficiary regardless of the US/ China trade war, and there are continuing improvements in the economy that make Japan an area of interest.
Asia Pacific	/	Despite the recent progress in the trade war between the US and China, there remains the risk that the dispute can escalate once again. The outbreak of coronavirus will undoubtedly have an economic and, potentially, a political impact, the extent of which is unclear at this time. Together with unrest in Hong Kong and doubts over the efficacy of Chinese stimulus we remain neutral on the region.
Emerging Markets	/	A large part of the Emerging Market sector are Asian markets, particularly China, so the outbreak of coronavirus, added to Hong Kong unrest, mean we remain neutral on the sector.
BONDS		
Conventional	−	While we see limited risk of interest rate rises in the foreseeable future, the negative real yields on offer make this an unattractive investment at present.
Corporate	−	Despite the current interest rate outlook reducing credit risk, we see credit spreads as offering little value without much downside protection.
Index Linked	+	Inflation has been subdued for some time but at a time when real yields on conventional gilts are negative, preference is for Index-linked gilts. Low-coupon index-linked gilts are attractive for taxpayers as the return they offer is a tax-free capital gain that is protected from inflation.
CASH		
Cash	/	We have a neutral position for cash as we feel this provides us with sufficient optionality at a time of heightened volatility.
PROPERTY		
Property	/	The result of the General Election has allayed some of the political concerns surrounding the sector, but Brexit risk has not entirely disappeared, nor have structural challenges to bricks and mortar retailers. Nevertheless, there are specific opportunities in high quality names and these provide an opportunity to get exposure to UK assets that will benefit from any positive developments in the Brexit negotiations.
ALTERNATIVES		
Alternatives	/	Bottom up selection is key in this heterogenous sector. While real yields remain negative, we would highlight Infrastructure and Gold as potentially better diversifiers than Cash or Conventional Gilts.

Meet the manager

Brett Bayliss

Investment Director, Bury St Edmunds

Lives Newmarket

Education Soham Village College followed by a degree in Economics and Politics at Warwick University

Family Married with daughter and son graduating this year

Started at JM Finn 2006 following 20 years at UBS/Laing & Cruickshank

Favourite song At present, anything by Adele

Pastime Running and CrossFit – the perfect antidote to being desk bound!

Least favourite chore The annual tax return

Idol I have always admired the American sprinter Michael Johnson for his talent, self-belief and broad range of success

As a member of the management committee can you give us a sense of where the business is at today?

Thanks to the quality of the people at JM Finn, I am delighted to say that the firm is in rude health with funds under management at their highest levels in our history, solid inflows (mainly from client referrals) and capital levels twice those required by our regulator. Our stable ownership and collegiate atmosphere has been highly successful in attracting likeminded investment managers over the years. We are not, however, looking to grow for growth's sake with our objective to be the best rather than biggest. We value our direct relationship with clients as much as our clients do and continue to look for ways to enhance our service with Wealth Planning and our award winning portal as recent examples.

From a management perspective what are the issues that keep you awake at night?

As far as the firm itself is concerned, I am pleased to say very little! Externally, regulatory changes following MiFID II caused an incredible amount of work but the efforts of the firm across the board meant we are able to meet the challenges it presents. My biggest concern at present is the increasing amount of attempted fraud in the financial sector but I am grateful that we have an excellent IT team looking after our cyber security, diligent people in investment administration and above all, a strong personal relationship with our clients - there is no better safeguard.

Having added a new branch office in 2019 what else is in store for the regional network?

Much of our growth in recent years has been in the regions with a third of the firm's assets (£3.4 billion) now managed from the branches. I have always appreciated the ability to offer the advantages of a London firm at a local level meaning we can truly become part of the community, supporting local events and charities. We have recently opened an excellent office in Winchester having relocated Cardiff previously whilst Bristol will shortly move to new offices in the heart of the city. Leeds has gone from strength to strength with Lucy Coutts named Wealth Manager of the Year by the prestigious COLWMA. Clients can now see wealth planners in our branches, strengthening our offering still further.

How does the firm react to potential business outages, such as the key man risk from the coronavirus?

Operational resilience is a major topic at the moment and we are committed to ensuring that our service to clients would remain as unaffected as possible by any potential significant issue arising, either internally or externally. We have a designated disaster recovery centre in Bury St Edmunds and as one might expect, we have an emergency management team dedicated to covering any eventuality. Our priority, should anything untoward occur, would be to maintain our ability to trade and keep open communications with clients, something our marketing department places great emphasis upon. Again, this is where our personal relationships with clients stands us in excellent stead.

Our Offices

London

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London. EC2R 5TA

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Bury St Edmunds

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