Financial Viewpoint

A year of political change

2017 was the year of the campaign trail, with several key elections held in countries with great influence on global economics and stock markets. Here, we recap on the political posturing that defined 2017, and what it meant of the global stock markets.

If you're concerned about how global events could impact your investment portfolio, please get in touch.

On 20 January, Donald Trump was inaugurated as the 45th President of the United States. Global stock markets had rallied since the election result on 8 November, with many in corporate America hoping to benefit from promised tax reforms. Not everyone was happy. The day after Trump's inauguration, approximately half a million people protested in the Women's March in Washington DC, making it one of the largest one-day protests in American history.

In Europe, the Dutch were hailed as having "defeated populism" in the 15 March election by denying the Geert Wilders-led Party of Freedom's bid for power.

On 7 May Emmanuel Macron of En Marche! was declared President of France having won the second-round vote against the Marine Le Pen-led National Front by a decisive margin. Again, the election is billed as a win against populism and Europe's far-right. World stock markets are at their highest point for the year so far.

Across the Channel, the UK general election on 8 June restored Theresa May as Prime Minister, but only after the Democratic Unionist Party of Northern Ireland agrees to support a Conservative minority government. As the results came in, the prospect of a hung parliament led to an immediate fall in the value of the pound. May's intention was to seek an overall majority, paving the way for easier Brexit negotiations.

After a relatively quiet end to the summer, aside from ongoing Brexit discussions, the Eurozone's biggest player Germany held its federal election on 24 September. The result saw the Christian Democratic Union win only 33% of the vote – its lowest share of the vote since 1949 – but enough to see Angela Merkel remain as Chancellor. Markets then rallied for the last week of September and continued to climb in October.

Into autumn and it was the turn of the Japanese to go to the polls on 22 October. Given the dramatic fall in popularity that many world leaders had found themselves in over the year, it was a relief for Prime Minister Shinzo Abe to secure a big election win. The father of 'Abenomics' and the 'three arrows' policy of monetary easing, fiscal stimulus and structural reform, Abe's victory was welcomed by a rise in markets.

Elsewhere in Asia, perhaps the most significant global change was happening in China where the hugely powerful Communist party held its five-yearly congress. President Xi Jinping cemented his legacy with his own political philosophy being written into the country's constitution.

Emerging markets will dominate the electoral calendar in 2018, with votes due in the likes of Russia, Mexico, Brazil and Pakistan.

OW1162 Exp. 20/12/18

Interest Rate Rise

In 2007 Bulgaria and Romania joined the European Union, Lewis Hamilton got his first drive in Formula 1 partnering with Fernando Alonso at McLaren, the final book in the Harry Potter series was published and England played their first match at the new Wembley Stadium.

Whether you're a saver or a borrower, we'd love to help you make more of your money. Get in touch to find out how.

It was also the year in which the Bank of England last raised interest rates, when they went up by 0.25%.

That all changed on 2 November 2017 when The Bank of England voted to raise UK interest rates for the first time in over a decade, to 0.5%.

So how could an interest rate rise of 0.25% affect you?

In the short term, both borrowers and savers could see a modest effect on finances. Savers are likely to be pleased with the welcome boost even if the increase is small. Borrowers however will be less pleased as they could see their mortgage repayments rise.

Impact on borrowers

Higher interest will mean that those on Standard Variable Rates (SVR) or Trackers Rates will see their mortgage repayments rise. On a mortgage of £125,000 an increase of 0.25% would result in payments increasing by £15 a month (£185 a year).

Those with larger mortgages will in turn see a larger payment increase. Those with a mortgage balance of £250,000 will see their monthly payments increased by £31 (£369 a year). However, the 57% of borrowers on a fixed rate deal will be unaffected during their fixed term.

These figures might not seem much in isolation, but borrowers should also be aware that higher interest rates could impact other borrowing, like credit cards, car credit or unsecured loans.

There's also the prospect that rates could continue to rise over the long-term. If we hit 1%, the monthly repayments on a £125,000 mortgage would go up by £78.48, and £161.69 if the rate doubled to 2%.

If you're concerned about the impact of higher interest rates on your mortgage repayments you may want to consider a fixed-rate deal, especially if you're currently on SVR. Remember, if you're already on a fixed-rate deal you may face higher repayments when the term ends. Make sure you diarise when that's due to happen and get in touch so that we can discuss whether the best option is to remortgage.

Impact on savers

According to research there's no standard savings account on the market that can outpace inflation, in fact the average easy-access savings account is currently paying 0.35% interest.

If the Bank of England increases the base rate savers may be able to find better returns to keep up with rising inflation. However, as with mortgages, those already on a fixed rate will not see higher rates until the term ends.

Your home may be repossessed if you do not keep up repayments on your mortgage.

OW1167 Exp. 20/12/18

The ABC of Junior ISAs

The Junior Individual Savings Account (ISA) was introduced in 2011, 12 years after the launch of the original ISA in 1999, which recently celebrated its 18th birthday.

In a nutshell, the Junior ISA is a long-term, tax-free savings account for children. It effectively replaced the Child Trust Fund and aims to enable parents to save a tax-efficient nest egg for their children.

Junior ISAs

A
B C

There are two types of Junior ISA and your child can have one or both types:

- A cash Junior ISA, where you won't pay tax on interest on the cash you save.
- A stocks and shares Junior ISA, where your cash is invested and you won't pay tax on any capital growth or dividends you receive.

Managing the money

Only parents, or guardians with parental responsibility, can open a Junior ISA for under 16s, but the money belongs to the child. Until the child turns 16, the parent can manage the account if they want to make changes. For example, they could change the account from a cash to a stocks and shares Junior ISA or change the account provider.

The child takes over control of the account when they turn 16 and they can access their money from age 18 (when the ISA automatically loses its 'Junior' status).

Children aged 16 or older can open their own Junior ISA, as well as an adult cash ISA (with maximum contribution limits of £4,128 and £20,000 respectively, for the 2017-18 tax year).

Paying into a Junior ISA

Anyone can pay into a Junior ISA, but the total amount paid in can't exceed £4,128 in the 2017/18 tax year and £4,260 for 2018/19. If you go over this limit, the excess is held in a savings account in trust for the child and cannot be returned.

During the 2017/18 tax if you have paid £2,000 into a child's Cash Junior ISA you can only pay £2,128 into their stocks and shares Junior ISA. You can make contributions into a Junior ISA until the child's 18th birthday.

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The tax efficiency of ISAs is based on current rules. The current tax situation may not be maintained. The benefit of the tax treatment depends on the individual circumstances. The value of your stocks and shares ISA and any income from it may fall as well as rise. You may not get back the amount you originally invested.

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If you'd like more information on Junior ISAs, please get in touch.

Could your status update affect your claim?

Given the nature of social media and the millions of us who use it every day, you probably weren't alone in posting pictures, videos and status updates showing off your recent Christmas presents and festive celebrations.

If you're concerned you may not have the right type of cover, or you think you might be underinsured, please talk to us.

But did you stop to think that posting information like this on Instagram, Facebook, Twitter or Snapchat could be advertising your property, your whereabouts and your latest expensive Christmas gadget to criminals, and potentially void your home insurance?

Counting the cost of burglary

There were 650,000 domestic burglaries in the 12 months to March 2017, costing, on average, £2,267 in stolen valuables and £566 worth of damage.

Figures also show that the number of claims relating to domestic burglary increases by a whopping 36% from November to March. This could be down to the longer nights providing more opportunities for criminal activity, and the likelihood of burglars finding expensive purchases and presents following the Christmas period.

Take a break from social media

If you suffer a break-in shortly after publishing your latest holiday snaps on social media, it could lead to your home insurance provider deciding you are partly at fault for advertising an empty property and this could affect your claim.

Are you vulnerable?

When assessing an application for home insurance, insurers are reportedly considering asking homeowners if they use social media, as the risk of over-sharing becomes more and more common. If you use social media and think it could affect your home insurance, consider taking the following steps to reduce your risk:

1. Turn off location-based services on the social media accounts you use
2. Never share your home address on social media
3. Make your posts private so that only your friends and connections can see them

It also makes sense to review your home insurance cover, especially after Christmas or birthdays when you may have bought or received expensive items.

OW1163 Exp. 31/12/18

The value of protection

Buying a new home is possibly one of life's biggest and most exciting events. It's also a major financial commitment – one that could be with you for 25 years or more.

Making sure you have the right protection in place is important. We can review your circumstances and the cover options available to you.

Your ability to maintain your mortgage payments relies on a constant income, so how would you continue to make your mortgage repayments if your income was reduced – or stopped? Here we look at two similar scenarios with very different outcomes.

David

David arranged a new mortgage with his financial adviser. They discussed protection insurance and David agreed to take out cover so that he could maintain the mortgage repayments if he had to stop work because of serious illness. As a father of two, David also wanted cover so that he could help maintain his family's lifestyle. The mortgage went through and the protection insurance was put in place.

Feeling unwell just a few weeks later, David went to his GP for a check-up. After numerous tests he received the shocking diagnosis of thyroid cancer. David stopped work and started treatment. His adviser supported him through the claims process and the insurer paid the claim promptly and in full. Rather than having to worry about his financial situation, David was free to cope with a tough treatment regime and concentrate on getting better.

Thanks to his protection insurance, David maintained his mortgage payments and monthly bills. He even treated his family to a holiday as part of his recuperation. David made a full recovery, returned to work and life continued as normal.

Jane

Jane arranged a new mortgage with her financial adviser. She was advised to take out protection insurance that would cover the mortgage payments and help maintain her family's lifestyle in the event she had to stop work due to serious illness. After thinking about the cost of the cover and the likelihood of having to claim, Jane declined.

Feeling overly tired a short while after the mortgage was put in place, Jane went to see her GP. After numerous tests she received the shocking diagnosis of thyroid cancer.

Jane had to stop work and apply for Statutory Sick Pay at the same time as coping with a tough treatment regime and looking after her kids. She started to struggle to cover her outgoings and had to use all her savings.

Unfortunately, Jane was forced to sell her house and move into a smaller property, turning her and her kids' lives upside down. Even though she wasn't quite ready to, Jane had to return to work.

The importance of protection

You might be like Jane and think that it won't happen to you, but one in two people born after 1960 in the UK will be diagnosed with some form of cancer during their lifetime and four in five people with cancer are affected financially. And if you think that protection policies don't pay out, they do. In 2016 15,464 critical illness claims were made and 92.2% paid out an average £68,000.

There are a range of products available that can provide a lump sum or a regular income on death or diagnosis of a specified critical illness and they could cost less than you think.

OW1170 Exp. 20/12/18

Taking a global view

Keeping your investments close to home may have its advantages, but only by looking globally can you be sure you're making the most of diversification.

If you'd like to review your investment portfolio to make sure it's properly diversified and in line with your attitude to risk, please get in touch.

Imagine mealtimes without choice; your culinary options limited only to British food. No stir-fries, no fajitas, no sushi – no burgers even, and fewer curries (our British national dish the tikka masala excluded, of course).

From a similar perspective, those limiting their investments to just the UK – whether that be in stocks, bonds or property – may be missing out on some much-needed spice and flavours that could be achieved from overseas markets.

That's not to say UK investments are completely insular, after all, up to three-quarters of earnings from FTSE 100 companies are estimated to be earned in international markets. However, any bad news from the UK economy could similarly affect companies listed in this most-famous of indexes.

Why is diversification important?

Professional investors have long supported the virtues of diversification, that is spreading investments across a wide variety of markets, countries and asset types. Take, for example, Omnis Investment's range of portfolio funds that individually put money to work across the US, Europe, Asia and in so-called emerging markets such as China, Russia and Brazil.

Each of these markets will have a different risk profile, sometimes moving in different directions as the global economy ebbs and flows on political shifts and other news events.

Seeking the best opportunities

An extra safeguard comes in the form of the Omnis Managed Portfolio Service (OMPS), run by a team which spreads the risks by investing (and selling) each of these funds according to when they think they offer the best opportunities for investors.

Economic growth has been picking up in several regions and this coincides with attractive valuations in export-led markets like Europe, so the team have been able to add extra exposure to this positive outlook and earn extra returns for clients.

Meanwhile, looking further afield to Asian and emerging markets has yielded even better returns, though with potentially bigger risks attached to these territories, the team is wary of investing here for more cautious investors.

UK stocks and bonds will always have a big part of play in UK investors' portfolios, not least because of the potential impact of fluctuations in overseas currencies. However, time and time again investors have been proven right to mix their assets.

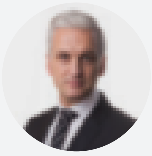
The complex nature of investing means professionals will always have a lot on their plates but, as a takeaway, diversification makes for real food for thought.

OW1168 Exp. 20/12/18

The CIO: A week in the life

The week featured here is 23 — 27 October 2017; a period that saw a number of important global events.

If you'd like to know more about Omnis Investments and the Omnis Managed Portfolio Service, please get in touch.



Toni Meadows,
Chief Investment Officer

My day-to-day work life is broadly split into two roles. One is to monitor and keep in close contact with the managers of the Omnis funds range, while the other is to lead the Omnis Managed Portfolio Service. This is where my team allocates money across the individual Omnis funds according to the risk preferences of the investors whose money we are responsible for.

23 Oct — Monday

An early start and my first port of call is to check what has happened overnight in Asian markets given Sunday's Japanese general election. Stock markets reacted well to president Abe's victory, which is good news for our Omnis Asia Pacific Equity Fund. We check in with the fund manager at Baillie Gifford to see how he reacted and his views on the implications of the result.

The team gets together in the afternoon for our quarterly analyst meeting. While we meet formally every week, this is an extended discussion and our chance to talk in real depth about how we are investing in each of the Omnis funds, as well as upcoming meetings and changes to the global economic environment.

24 Oct — Tuesday

The morning starts with a call with Schroders, who manage the Omnis UK Equity and Omnis Global Bond funds. Of interest to us today is how the funds may be impacted by upcoming policy meetings by the world's big central banks, one of the tasks of which is to set interest rates.

Later that day, our attentions turn to the US where we recently changed the manager of the Omnis US Equity Fund. We are in regular contact with the new manager T. Rowe Price to get an update on performance, buys and sells within the fund and investment outlook for the country.

25 Oct — Wednesday

Given the amount of client money we manage, it is no surprise we are often invited to various high-level conferences and events hosted by top investment strategists and economists. Today I attend Pimco's Global Advisory Board summit with fascinating speeches from the likes of former Prime Minister Gordon Brown, ex-US Federal Reserve chairman Ben Bernanke, and Jean-Claude Trichet, who was president of the European Central Bank from 2003 to 2011.

From that, I rush back to the office for the Openwork Investment & Proposition Committee, another valuable safeguard for investors, where I am tasked with running through our investment choices for senior directors and non-executives.

26 Oct — Thursday

Much of today is spent with advisers. Having recently finished our Masterclass events, a series of roadshows meeting advisers up and down the country, I've scheduled some follow-up one-on-one meetings. As the Omnis Managed Portfolio Service is a relatively new proposition, it is important to outline exactly how the team works and the benefit that we can bring to our investors.

In the afternoon, all eyes are on the European Central Bank, which intends to extend its bond-buying programme until at least September 2018.

27 Oct — Friday

After a busy week, it is good to spend some time catching up on research with notes from external economists. I also spend some time on Bloomberg screens, checking the progress of the Omnis funds and analyst notes on yesterday's news.

As is often the case, I end the working week with plenty of questions buzzing around my head. What is the likelihood of the Bank of England raising interest rates next week? And how might UK stocks and the pound react? While I am certainly looking forward to a relaxing weekend ahead, I can't help but ponder what surprises wait for me on Monday.

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