Wealth - May 2019

Key dates for your finances

Taking the long view

A global approach to asset allocation

01 April

National Living Wage *(for age 25+)* rises to £8.21.

National Minimum Wage rises to
£7.70 *(21 - 24-year olds)*,
£6.15 *(18 - 20-year olds)*,
£4.35 *(16 - 17-year olds)*, and
£3.90 *(apprentices under 19 or in the first year of their apprenticeship).*

Council tax bills rise by an average of 4.5%.

Universal Credit for households with children and those with disabilities can earn is to go up £1,000.

05 April

End of the 2018/19 tax year.

06 April

Start of the 2019/20 tax year.

ISA allowance remains at £20,000.

Junior ISA allowance goes up to £4,368.

Minimum auto-enrolment contributions go up to 8% *(at least 3% from the employer and 5% from the employee).*

State Pension rises by 2.6%. Recipients of the old State Pension will get an extra £3.25 a week, those with the new State Pension will get an extra £4.25.

Lifetime allowance for tax free pension saving rises to £1,055,000.

Personal allowance rises to £12,500.

Higher rate tax threshold goes up to £50,000.

Mortgage interest relief for landlords goes down to 25% Call us if this impacts you.

01 May

National Savings and Investments index-linked savings to CPI.

21 June

Go Home on Time Day: part of a national campaign to highlight the importance of having a good work-life balance. Leave on time and do something you love!

01 July

New rules mean mobile phone providers must make switching easier.

31 July

Tax credit renewal deadline for anyone who claims Working Tax Credit or Child Tax Credit.

29 August

Payment Protection Insurance (PPI) Deadline day – you have until 11.59pm to claim for mis-sold PPI.

31 October

Paper self-assessment deadline for your return to be with HMRC.

30 November

Help to Buy ISA closes to new savers.

Your financial plan could be impacted by these key dates. Talk to us for advice.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

2019 *Key dates for your finances*

OW1909 Exp. 03/04/20

Taking the long view

For the best part of 10 years, global markets have enjoyed a period of steady growth. 2018, however, saw markets 'wake up' to increased uncertainty on a number of key political and economic events.

Fuelled by the sustained efforts of central banks to maintain low interest rates and introduce measures such as quantitative easing (QE) to boost the economy, the decade following the 2007-08 financial crisis saw comparatively low market volatility and sustained economic growth.

More recently, however, we've seen volatility creeping back, thanks to the uncertainty created by global political tensions – notably between the US and China, a change of course by central banks to reverse their economic support measures following the financial crisis, and, closer to home, Brexit.

This uncertainty hit market sentiment and company earnings expectations and as a result, the UK equity market fell by 9.5% in 2018 and most stock markets experienced a negative return. In this environment, it's natural to feel unsettled - whether you're investing for your future or relying on the return from your investments for income now. But, when you consider how markets perform over the longer-term it becomes clear that the increased volatility in 2018 is not unusual. Taking the UK equity market as an example, looking back over almost a hundred years to 1926, the market ended with a negative return in around one in four calendar years. (This is also broadly true for US and global stock markets.)

Most of these 23 years of negative return saw the equity market falling by no more than 20%. There were a few years where there were losses of more than this but, importantly, there were far more years with gains of more than 20% a year. So, the odds of an exceptionally good return are far higher than the odds of an exceptionally poor return in any one year.

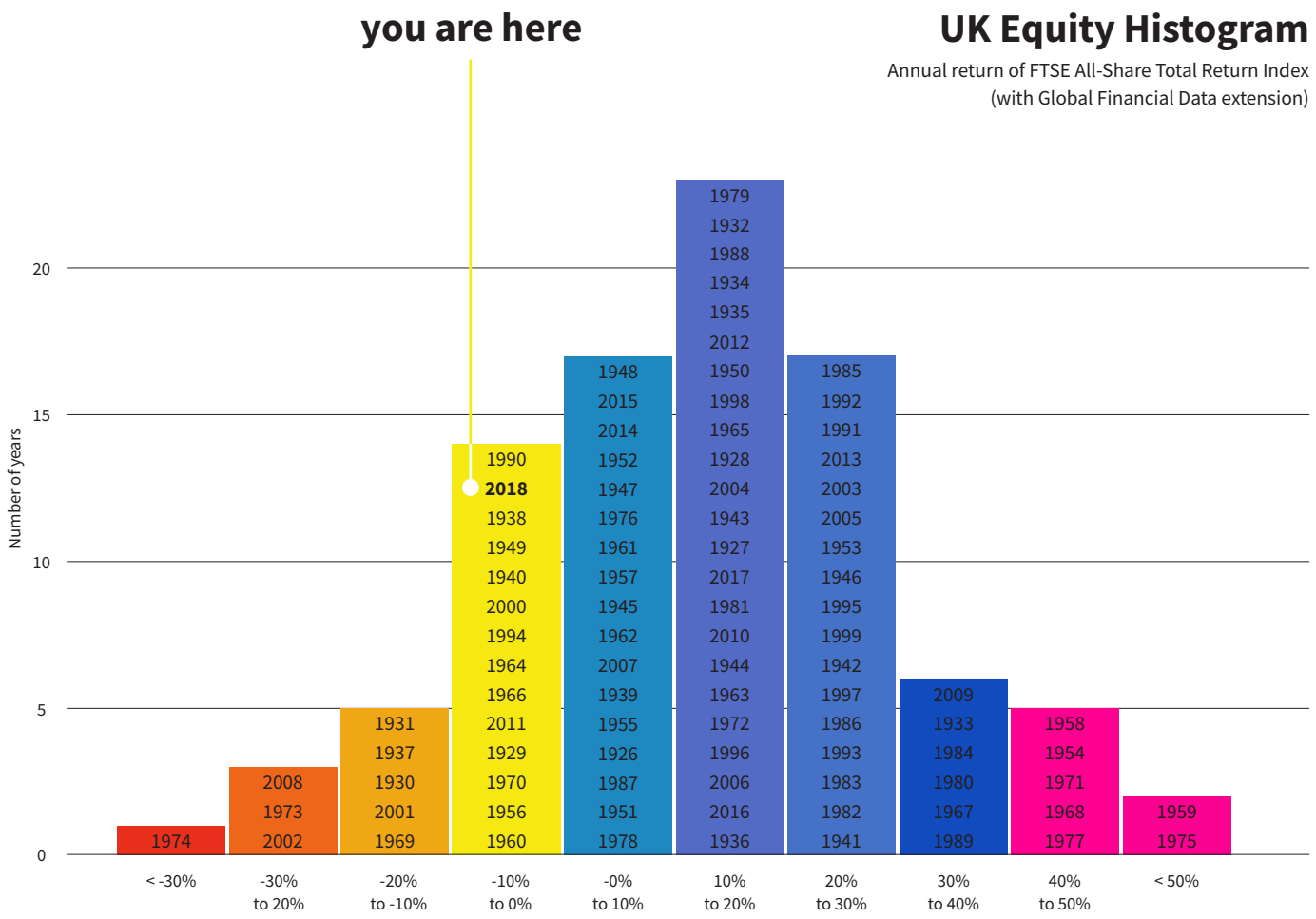
With this historical context in mind, what should we make of the markets in 2018? Well, simply put, every so often markets will fall. But while past performance is no guide to the future, historically, there have been far more good years than bad.

And, importantly, unlike the speculators who sell out in panic during these declines, the patience of those who remain invested is often rewarded with a return greater than the decline.

The price for seeking the growth that investing in markets can deliver is that sometimes the waters can become a little choppy. But, by staying invested, ensuring your investments are spread across a diverse range of assets and regions of the world and balanced to match your personal attitude to investment risk, we believe you stand the best chance to reach the goals you've set for your money.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Past performance is not a reliable indicator of future performance and should not be relied upon.



Source: Timelineapp Tech Limited. Based on historical monthly returns from 1926 to 2017. For illustrative purposes only. FTSE All-Share Return Total Return Index (with GFD extension) as produced by Global Financial Data. Past performance is no guarantee of future returns.

A global approach to asset allocation

Asset allocation is one of the key tools in our investment proposition to help strike the right balance between risk and reward in your portfolio. It applies to asset classes, such as equities, bonds and cash, and different global regions.

The actively-managed Omnis Managed Portfolio Service (OMPS) and our Graphene model portfolios are all globally diversified. While the largest allocation is to domestic assets, as you might expect from a UK-based service, they also hold investments in developed and emerging markets (EMs).

The thesis supporting the investment in developed markets (DMs) like the US, Europe and Japan is reasonably clear. Their economies are robust, and their stock markets boast some of the biggest publicly-listed companies in the world.

The argument in favour of EMs is based on what we believe are attractive prospects for the region due to its demographics. As we pointed out in one of our newsletter articles in late 2018, most of the global growth in the middle class for the foreseeable future will take place in EMs . An expanding middle class consumes more and generates greater domestic demand, leading to a stronger economy.

A bumpy journey

One reason investors sometimes shy away from EMs is because they are traditionally not as stable as developed markets. These concerns are reflected in the volatility of the region's stock markets. The MSCI Emerging Market Index (the benchmark for the Omnis EM Equity Fund) rallied at the start of 2018 before a strong US dollar, rising US interest rates and idiosyncratic incidents in Turkey and Argentina weighed on performance for the rest of the year. However, the outlook has improved lately as the Federal Reserve has softened its tone and is expected to pause interest rates in 2019, while China has launched stimulus measures to boost its economy. Other EMs, including India, are undertaking structural reforms which should improve sentiment further.

Effective diversification

As you can see from the chart, long-term average returns from EMs tend to be higher than developed markets. That's why the allocation to the region in the Graphene and OMPS Adventurous and Balanced portfolios is relatively high compared to similar services available to UK investors (the OMPS Cautious portfolio occasionally adds a small overweight position).

We believe this will allow us to take advantage of what should turn out to be the region's superior growth rates. But as 2018 reminded us, you must be prepared to put up with short-term periods of volatility to secure those potentially attractive returns.

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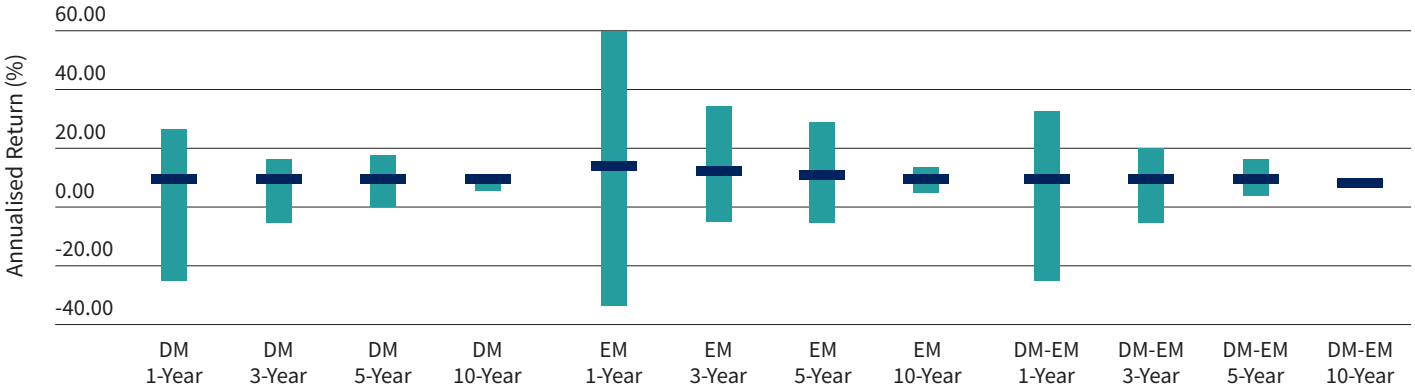
Range of Developed & Emerging Equity Returns Over Different Holding Periods



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