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Nugenis News

March 2023

People News

Birthdays in February

Since our last newsletter, the following staff have celebrated birthdays:

13th - Rebecca Stingemore, Paraplanner

10-year Work Anniversary

We are proud to announce that Adam Fox was recently appointed as a Director at Nugenis Financial Planning. Adam is our Operations Director and in addition to dealing with the finance function of the business, the Client Relationship and Paraplanning teams also report into him. Adam also sits on the Nugenis Board and his experience is invaluable to the running of the business.

Adam is our longest serving member of staff and at the end of February he celebrated his ten-year work anniversary. We have a number of staff with between 5 and 10 years' experience that clearly demonstrates the commitment our team have to the business and our clients.

Congratulations Adam on these two major events.

Investment Commentary

March 2023

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Market overview

Continued falls in inflation and expectations that the cycle of rate tightening might soon come to an end drove markets higher in January. During February, however, this dynamic partially reversed as stronger than expected economic data served to lower expectations of recession but also raised concerns that inflationary pressures may persist for longer than had been hoped, potentially leading to a 'higher for longer' interest rate backdrop.

Counterintuitive as it may seem, February was therefore a month where economic news was generally positive, with labour markets strong, indicators such as Purchasing Manager Indices ('PMIs') improving and energy costs falling, but markets were weak given their focus on the imminent outlook for interest rates. Developed market equities fell c2.5% while emerging market equities fell by over 6%, further pulled down by US dollar strength and the weakness in the Chinese market as geopolitical concerns escalated.

As was expected, the Federal Reserve raised rates in the US by 25bps, however Chairman Jerome Powell warned that further rate increases may be required if employment and economic data remained strong. Also as expected the Bank of England raised rates by 50 bps. The Bank of England announced that it still expects the UK to fall into recession later this year, but that this recession is now likely to be shallower than had been anticipated, driven in part by the fall in energy prices.

UK equities held up relatively well over the month, as dollar strength provided some support to companies and sectors with significant dollar exposure within their earnings streams. Given the more hawkish tone, bond yields rose (and values fell). Most areas of the commodity markets were weak with industrial and precious metals, energy and agriculture all falling. The US dollar strengthened against most global currencies, rising nearly 2% against sterling, and our exposure in strategies provided a degree of protection in a weak month for asset prices.

Strategy Positioning

The heightened uncertainty around the path of inflation and central bank policy may continue to cause some shorter-term volatility, however we are maintaining a full exposure to equities across our strategies and equities remain our favoured asset class for real returns looking ahead. The likelihood of a severe recession appears to be falling, the outlook for corporate earnings looks more positive than many feared last year, and valuations in many sectors look attractive. Our base case remains for inflation to fall to more comfortable levels for central banks over the course of this year, potentially allowing them to loosen policy into 2024.

We have high conviction in terms of our equity positioning to target relative economic and corporate strength. In terms of regions this points us towards the US and Asia while we have also identified attractive opportunities within infrastructure and sustainable energy. Attractive opportunities have also appeared in both government and corporate bonds, and we expect a more 'normal' return profile from fixed income assets going forward. We are adding targeted exposure to corporate credit given our belief that current yields offer value to investors without significant default risk. We are also using current volatility to increase exposure to our highest conviction themes.

We remain very mindful of downside risks, both in the equity and fixed income space, and are retaining some exposure to low volatility, uncorrelated strategies in the alternatives space where appropriate for the investment mandate.

How to talk about Money

We live at a time of greater openness when it comes to many difficult subjects and the challenges we each face. But while barriers are finally being lowered and taboos removed around issues that might previously have been brushed under the carpet, there's one topic that many of us still struggle to raise: our finances.

Financial worries can affect all of us, regardless of income and circumstances. According to one study, workers with an annual income of more than £90,000 had nearly the same level of financial worries as those earning between £10,000 and £30,000 a year[1]. Those worries are often linked to life events that are on their own emotionally challenging, such as unemployment, bereavement, illness and other issues. The Covid-19 pandemic offers a recent example of events outside our control that caused significant emotional and financial distress.

Yet particularly in family situations, money can be difficult to bring up in conversation. It's strange, but many of us feel reluctant to talk about something so central to our lives and relationships. This isn't a new thing, but there is an increasing understanding of the consequences of keeping our financial worries to ourselves, and a growing body of research on the link between financial difficulties and our mental health. While many of the underlying issues are complex, they can be exacerbated by a reluctance to share our financial worries.

STRIKING THE BALANCE

But this is a habit that we can – and should – try to change. Being more open about money can bring benefits in terms of our financial situation, relationships and our general peace of mind and wellbeing.

It doesn't mean sharing details of our earnings and tax returns all over social media. It's more about being both willing and able to have discussions with our family and/or partners about our finances, as well as being prepared to seek help when we're struggling.

Habit plays an important role here, so it's worth helping younger members of the family build the skills and confidence to deal with money matters from a young age. After all, research in 2013 by the Money Advice Service and the University of Cambridge found that financial habits are typically formed by the age of seven[2]. That's the age by which basic behaviours such as counting are developed and children begin to grasp concepts such as income, exchange and saving. By talking about how household financial decisions are made and using pocket money to encourage saving, parents and grandparents can give children the confidence to engage effectively with financial matters.

DIVIDING LINES

Talking to children at a very basic level about money is beneficial for their long-term financial habits and will also help set an example to the whole family of the importance of discussing the topic.

In adulthood, the most important financial discussions are – or at least should be – held with partners and family members. From bills, mortgages and other day-to-day matters, to longer-term challenges such as retirement, wills and care funding, there's so much to gain from talking about our finances.

Failure to do so can be highly damaging, and not just in financial terms. It's easy to imagine how withholding details of our spending and other money habits might undermine relationships. A survey by YouGov for law firm Stephensons revealed that almost a third of adults had little to no trust in their partner when it comes to financial matters, while more than a third admitted to twisting the truth when it came to their spending habits[3].

This kind of financial infidelity can damage relationships while also potentially causing or exacerbating money-related problems. Whether it's getting in the habit of sharing information regularly or agreeing to a regular review discussion about household finances, talking about money can prevent it from becoming a bigger problem than it needs to be.

MAKING IT PROFESSIONAL

Those kinds of conversations might be most effective when a third party is involved, such as your Nugenis Financial Planner. Not only do we have the tools and knowledge to help you navigate financial issues that are often complex, but we are also well-versed in talking about money in the context of the bigger picture.

We can also offer an objective perspective on what can often be an emotionally charged subject, providing reassurance on decisions as well as the information to help you make them. Sometimes just getting started is the most difficult part of the process, but we can help you identify and understand the most pressing issues to think about. This can be especially useful with subjects that many of us would prefer to avoid, such as later life care, illness and death.

Although death is inevitable, it's one of the most difficult topics to talk about with a loved one and is an area in which the lack of open discussion is most glaring. Yet failure to discuss how wealth will be passed on when a family member dies can cause confusion, conflict and distress, often at a time when people are grieving.

Being open about your finances and inheritance plans can save your family a lot of stress after you've gone. It gives them a better chance to sort out the estate left behind, as well as enabling conversations about covering care costs, taking out power of attorney and other later life arrangements. Your Financial Planner can add particular value here, acting as a conduit between family members as well as offering expert advice on what are often complex affairs.

NEXT STEPS

It's easy to see why important conversations are too often avoided. Many people find it difficult to talk about death and illness, while younger family members might worry about seeming insensitive.

Avoidance only makes matters worse, however. That goes for our finances at any stage in life. We're all potentially vulnerable to financial difficulties, and day-to-day money management throws up plenty of challenges, but talking about money is one of the biggest steps we can take towards coping with financial stresses.

With the start of the new Tax Year only a few weeks' away, why not think about how you can have a more open conversation with family members about your finances. And we're here to help, so if we can facilitate those important discussions in any way, please get in touch.

[1]https://www.peoplemanagement.co.uk/experts/research/10-financial-wellbeing-facts-employers-salary-finance#gref
[2]https://kidwealth.com/wp-content/uploads/the-money-advice-service-habit-formation-and-learning-in-young-children-may2013.pdf
[3]https://www.stephensons.co.uk/site/news_and_events/uptodatenews/financial-infidelity-dont-let-money-secrets-ruin-your-relations

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