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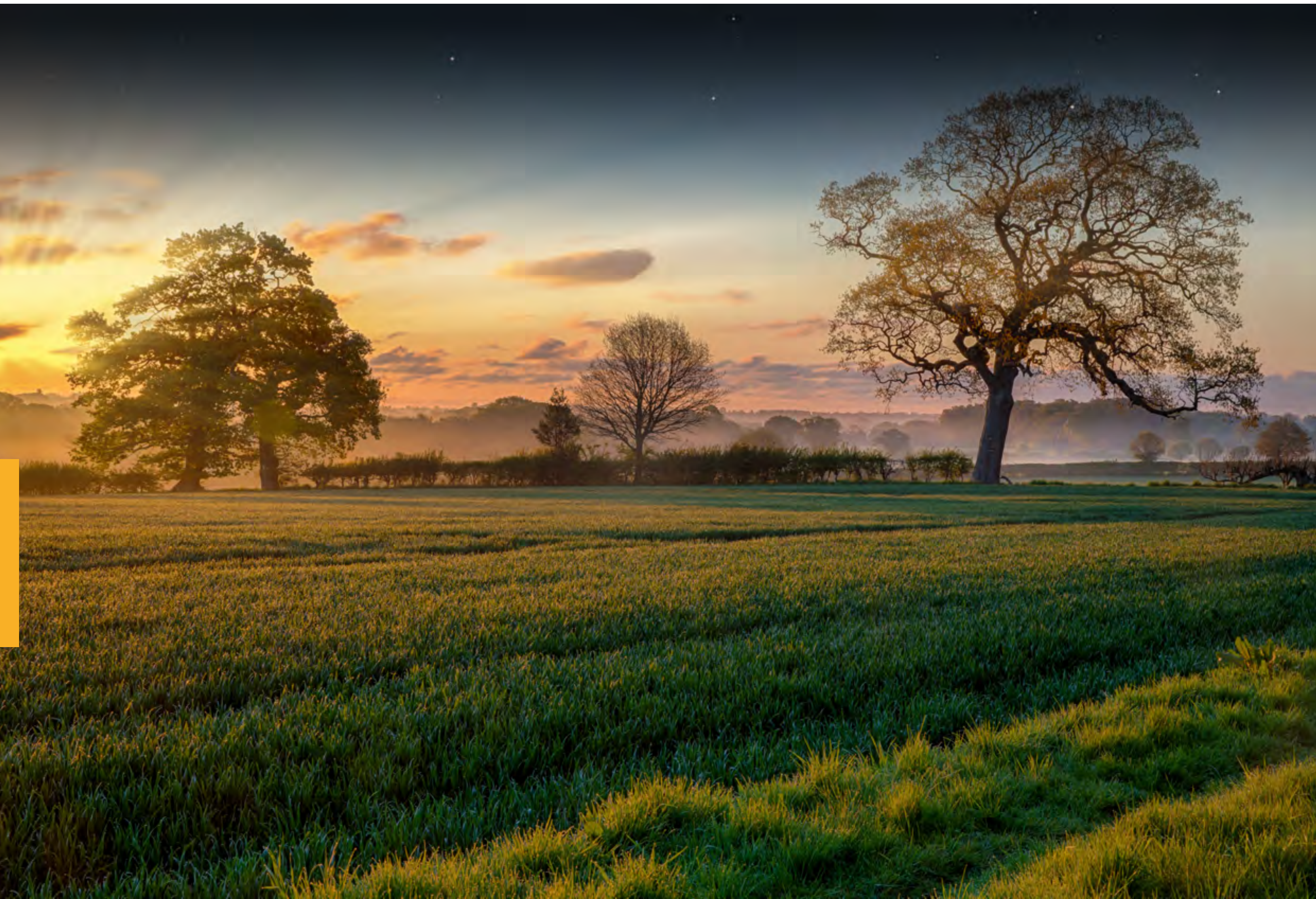
Nugenis News

September 2022



People news

The following birthdays were celebrated in July and August

July

10th - Steve Ellis, Senior Financial Planner

13th – Anabelle Harrington, Executive Assistant

18th – Stephen Hubbuck, Chartered Financial Planner (the big 3-0)

22nd – Maria Hopkins, Client Relationship Manager

August

11th – Lee Browning, Paraplanner

18th – Nathan Bater, Chartered Financial Planner

A big belated welcome to Nugenis

Lee Browning joined the Nugenis paraplanning team back in April and we would like to take this opportunity to say a belated "Welcome."

Lee has worked in financial services for over 20 years in a variety of roles including Complaints Analyst on both the pensions and endowment mis-selling reviews, SIPP & SSAS consultant and his most recent roles have been that of a Paraplanner.

Lee holds the Diploma in Financial Planning and is looking to start working towards his Advanced Diploma later this year. We will keep you updated on Lee's progress.

Outside of work, Lee enjoys long distance running, reading, listening to music and attending live music events.

Other news

The Red Hot Chilli Steppers are Limbering Up

On Sunday the 11th of September, eight Nugenis staff are taking part in the Macmillan Wye Valley Mighty Hike to raise much needed funds in the continued fight against cancer. The walk is 13.2 miles and the team are hoping for dry weather and cool temperatures.

The team is made up of: Anabelle Harrington, Gareth Tregidon, Adam Fox, Maria Hopkins, Leanne Watkins, Nathan Bater, Sarah Harvey and Paresh Valji.

So far the team has raised £2,716 and if you would like to make a donation you can do so via this link https://www.justgiving.com/team/NugenisRedHotChilliSteppers. Please note, you will need to pick one of the team members listed to make your donation to. The page will remain open for a short time after the event to allow any last minute donations to be made.

We will let you know how the team does in our next newsletter.

Enhancing our Customer Service

Providing excellent customer service is at the heart of everything we do at Nugenis and to do that we are looking to recruit an additional Client Relationship Coordinator to the team. If you know of anyone with a financial services administration background who lives within commuting distance of our office then please ask them to send their CV to Maria Hopkins (m.hopkins@nugenisfp.co.uk) for consideration.

Investment Update

August 2022

By Adam Sketchley Chief Investment Officer

What a difference a month makes. July was a very positive month with strong portfolio performance retracing lost ground year-to-date. However, as I commented previously, "we are by no means out of the woods yet" and unfortunately, so this proved to be the case.

August saw a reversal in fortunes as investment sentiment, buoyed by expectations the US Federal Reserve might be nearing its peak interest rate rising cycle, was crushed by Fed Chairman Powell, who indicated the Fed's desire to meet its +2% inflation target. With US inflation at +8.5%, this was interpreted as a hawkish comment with the prospect of continued interest rate rises. The result was a fall in asset values, both equities and bonds.

The global inflation problem is challenging in the US, but even more of an issue in the UK. Inflation jumped to a 40yr high of +10.1% during August, with Citi Group economists estimating this could rise to as much as +18% next year. The Bank of England reacted by increasing interest rates by 0.5%, the biggest rise seen since 1995, taking the Base Rate to 1.75%. Some market participants see the Base Rate rising to c4% by end of Q1'23, an aggressive Central Bank action, but given the inflation situation and the Central Bank's +2% target, presents a real possibility.

The main trade off that Central Banks and Politicians are considering is how far interest rates can be increased before the impact on economic activity becomes materially negative. The UK and Eurozone are well behind the US in terms of interest rate policy and tackling inflation, but then both the UK and Eurozone have been strategically inept in placing too much reliance on Russian energy. Given the lack of reliance upon Russia, the US don't have this problem and this can be seen starting to come through in the inflation numbers.

As investors, from a geographical perspective, our discretionary investment strategies have historically and remain biased towards US exposure, so we consider this to be appropriate positioning. Last year, when many market participants viewed inflation as 'transitory', the Investment Team moved to diversify government bond holdings away from being overly concentrated in the UK. This decision continues to provide positive relative performance to our investment strategies.

The economic outlook appears somewhat gloomy through the autumn. But now is a good time to look ahead, as we have seen before, the market cycle tends to lead the economic cycle. As medium-to-long term investors, we need to ensure we remain positioned to participate in future growth. As an Investment Committee, we believe we are correctly positioned given the known short-term challenges and ready to participate in future economic positivity.

In order to ensure we continue to develop and evolve what we do for our clients, I am delighted to advise that we have secured the services of investment management firm Bordier & Cie to help us with our research and administration. All of the costs involved are being covered by Nugenis, so there will be no changes to your currently agreed fee scale. Bordier have been managing money for clients since 1844, and will be supporting the investment team going forward, so look out for a more detailed introduction to them in our next update.

If you have any questions regarding the above please speak to your Financial Planner.

FEATURED INSIGHT

How can you protect your investments in current markets?

With rising inflation, the cost of living crisis and talk of recession, there's not much good news around at the moment. The difficult financial environment and uncertainty about what lies ahead can be particularly worrying for investors. So what is driving the current market conditions, and what can you do to protect your investments?

Inflation, the rate that prices rise over a set period, hit a 40-year high in both the US and the UK in June. Economists expect it to climb into double figures later in 2022[1] and for the spike to continue into 2023.

Prices are being driven up primarily by the impact of the conflict in Ukraine, which has sent the cost of oil, wheat and other commodities soaring. It's estimated that Russia's invasion of Ukraine accounts for more than a third of the US inflation spike[2]. Inflation is also being pushed up by the ongoing supply chain challenges arising from the Covid-19 pandemic, with demand for goods increasing rapidly during the lockdowns at a time when manufacturing and distribution faced serious disruption.

To curb inflation, the Bank of England raised interest rates to a 13-year high of 1.75% in August[3]. The US Federal Reserve increased interest rates by 0.75 percentage points in June[4], the biggest increase since 1994, before raising them again in July to 2.4%. The European Central Bank also raised key interest rates in July for the first time since 2011[5]. Further upwards moves are forecast over the coming months as central banks across the world seek to counter inflationary pressures[6].

Market movements

Those pressures have been reflected in stock market movements, although volatility has been more noticeable in some markets than others.

While the UK's FTSE100 was down just 2.9% year-to-date by 31 August - albeit via plenty of turbulence - US indices had suffered steeper falls, with the Dow more than 13% lower, the Nasdaq Composite index (which houses most of the big global tech names) down 25% by 31 August and the S&P 500 by around 17.5%[7].

Some sectors and companies often perform well when inflation is rising, such as those involved in 'non-discretionary' services and products that are always in demand (such as basic household cleaning products) and which can therefore pass on higher prices to consumers while maintaining sales levels.

But the broader effect of inflation is to eat into consumer confidence - down to a record low in the UK[8]- and pull company profits down. Interest rate hikes aggravate this by dragging on company earnings and share prices.

All of this has undoubtedly left many investors feeling spooked. With the ability these days to review portfolios and receive market updates every minute of every day, it can be easy to get sucked into the market 'noise'. You may be tempted to move money out of stock market-related investments to avoid further damage to portfolios, particularly as the outlook is far from rosy.

History shows, however, that if you're investing for the long term, sitting tight is a better response. Your Planner will ensure that your portfolio suits your objectives, risk appetite and short-, medium- and long-term needs, and is well diversified to weather temporary volatility.

Knee-jerk reactions to market movements rarely pay dividends. A good example of this was provided by the global financial crisis of 2007-09, when large numbers of investors sold out in fear of a long bear market. In fact, stock markets went the opposite way, embarking on a bull market that was to last until the Covid-19 pandemic in early 2020[9].

Investors who remained patient were handsomely rewarded during that long bull market, while those that attempted to 'time the market' by selling out and buying back in again later on missed out on significant gains. For instance, as the financial crisis unfolded between May 2008 and February 2009, the MSCI World Index plummeted by over 30%. Investors who exited in that period crystallised those heavy losses. But by the end of 2009, the index had already bounced back by over 40%, more than rewarding those that resisted the urge to bail out[10].

Minor adjustments

All of that is not to say that you should bury your head in the sand entirely. While checking your portfolio every hour of every day isn't advisable, ignoring them entirely isn't either.

When conditions change there is always a case for reviewing portfolios and checking if anything needs to be tweaked, rebalanced or replaced to keep them in line with your objectives and risk appetite. This is something we do as part of our ongoing advice and we're happy to talk to you about it at any time.

Checking that you are on track is particularly important if you are investing for income, especially in or near retirement. As portfolio values shrink, maintaining the same income withdrawals runs the risk of 'pound-cost ravaging', which refers to the impact on the capital in a fund when income continues to be taken from it even as it loses value to market volatility.

Fluctuating capital isn't such a problem if the investments in the portfolio generate a steady stable income and there's time to make up any capital losses, but those in retirement rarely have that luxury. Meanwhile, with inflation rising sharply, the chances of getting a dividend yield that keeps pace with rising prices are distinctly slim.

There are ways of dealing with those challenges, however, such as increasing exposure to dividend-producing equities, income funds and/or 'real assets' such as infrastructure and property, as well as government and corporate bonds. It may also be worth exploring with your adviser the extent to which the level of income taken from investments can be reduced, temporarily or otherwise.

Next steps

We discuss all your investment options at your regular review, but we're also here to help if you have any concerns in the meantime. Please get in touch if you are worried about your investments in the current markets. Alternatively, if your circumstances have changed, speak to us about reviewing your portfolio now, rather than waiting for your next annual meeting.

[1]https://www.bankofengland.co.uk/knowledgebank/will-inflation-in-the-uk-keep-rising
[2]https://www.morningstar.com/news/marketwatch/20220613243/the-russian-invasion-of-ukraine-accounts-for-more-than-a-third-of-us-inflation-forecaster-says
[3]https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp
[4]https://www.wsj.com/articles/fed-raises-rates-by-0-75-percentage-point-largest-increase-since-1994-11655316170
[5]https://www.bbc.co.uk/news/business-62240730
[6]https://www.ft.com/content/addbf3ca-9859-47cb-bb8f-56a34aa13930
[7]Nugenis Financial Planning/Bordier & Cie internal research
[8]https://www.ft.com/content/5c26babd-fa10-4ca7-a7fd-085b1f10a626
[9]https://www.cbsnews.com/news/dow-jones-bear-market-level-the-11-year-bull-market-is-ending-heres-what-a-bear-market-means/
[10]https://www.bestinvest.co.uk/news/it-is-time-in-the-market-not-timing-the-market

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