September 2024

NUGENIS NEWS

Financial planning for a *brighter* wealth

PEOPLE NEWS

More Wedding Bells

Congratulations are in order for one of our Client Relationship Coordinators, Sarah Ahmed (formerly Harvey) who marries her long-term partner, Dan on the 7th of September.

We wish them all the best for their future together.

Staff Stepping Out for Charity

Nugenis Financial Planner, Charlene Coulbeck has rallied some of the troops into joining her in the Step Into September challenge for local charity, BulliesOut who work to reduce the impact of bullying behaviour and the harm it causes.

The charity works to:

- Increase confidence and self-esteem
- Improve mental health
- Build communities of support
- Reduce isolation and loneliness
- Promote positive and respectful relationships
- Challenge attitudes and behaviour
- Support resilience and wellbeing
- Help children understand, recognize and respond to bullying behaviour.

Seven members of staff have signed up to complete a team total of 1,540,000 steps over the month. If you would like to support them, you can donate via this JustGiving link and pick the team member you want to sponsor.

https://www.justgiving.com/page/nugenis-step?utm_medium=fundraising&utm_content=page%2Fnugenis-step&utm_source=copyLink&utm_campaign=pfp-share

And if you want to find out more about the work the charity does, you can do so by clicking on this link https://bulliesout.com/

Investment Commentary

September 2024

Market overview

August was a very volatile month for equity markets however most markets ultimately ended the month in positive territory.

Equity markets sold off quite aggressively at the beginning of the month on the back of weak manufacturing and jobs data from the US, which stoked fears of a looming recession. Sentiment then shifted and markets staged a strong recovery as the weaker economic data increased expectations of imminent rate cuts in the US. The month ended with global equities (as measured by the MSCI World Index) up 2.7% in local currency terms however the heightened expectations of rate cuts in the US led to the US dollar weakening by over 2% against sterling however, which reduced this return to 0.3% in sterling terms. Interest rate sensitive sectors performed particularly well and it is encouraging to see some broadening in market leadership and strength in some of the more defensive, value sectors that have been somewhat overlooked in the past couple of years.

The more doveish backdrop provided a strong environment for fixed income markets and sent the Barclays Global Aggregate Index up over 2% in local currency terms as yields fell. Expectations are now for 25 basis point cuts at each of the US Federal Reserve's next three monthly meetings. Investment grade credit also performed well as newsflow continues to suggest that the corporate sector is in good health and that balance sheets are relatively strong. After an extraordinary period of rate hikes, driven by acute inflationary pressures, it is encouraging to see a more 'normal' market environment developing in which a period of weakness for equity markets saw a correspondingly strong period from fixed income assets. Looking ahead we expect fixed income assets to offer both an attractive return, as rates potentially come down, and also valuable diversification benefits in periods of equity market weakness (as they have historically).

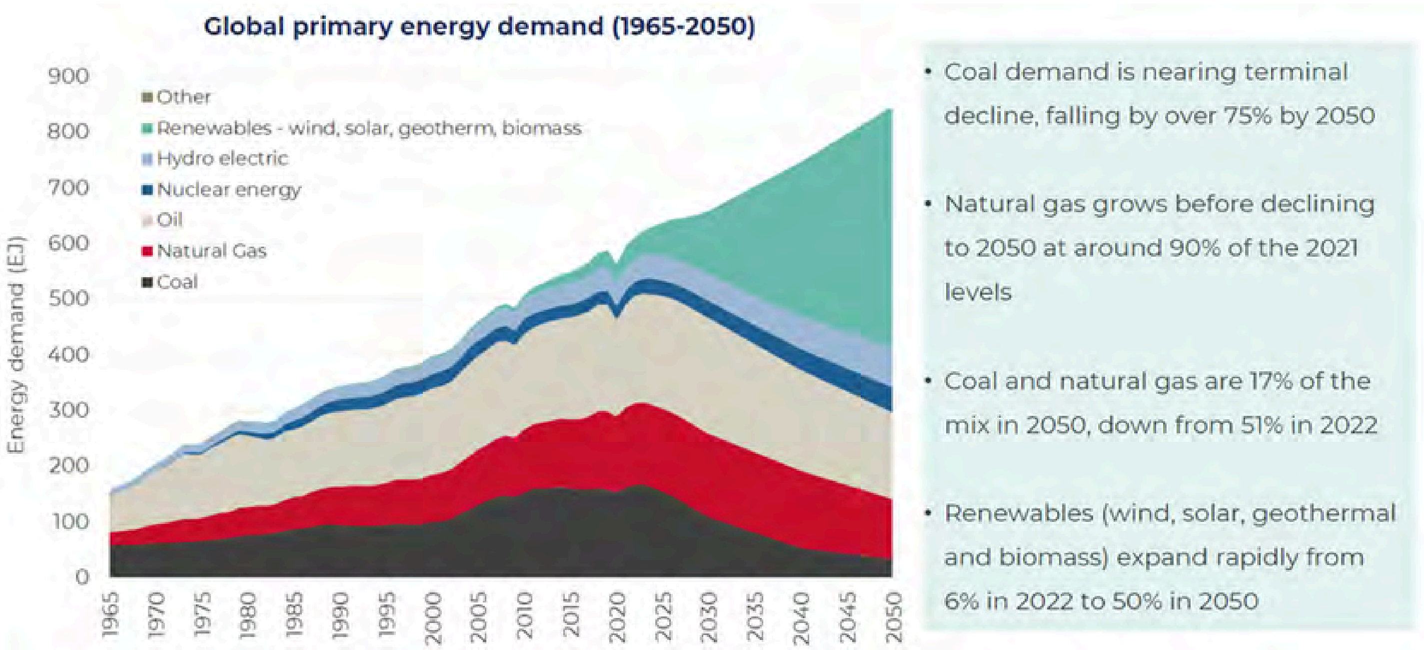
Strategy Positioning

We are maintaining exposure to equity markets as we see the tailwinds that have driven markets higher in recent months persisting. Inflationary pressures have substantially subsided, which should support further easing in monetary policy across the developed world, with the now expected first rate cut in the US likely to be a key milestone. Recent economic data has been mixed but expectations regarding the strength of the global economy have incrementally improved and it is now expected to grow in the region of 3% per annum over the next three years – an acceptable level that should be supportive for risk assets.

In addition, corporate earnings remain resilient across a broad range of sectors, and expectations for the rest of the year and into 2025 have also improved. Given this backdrop overall valuations look reasonable and we see particularly attractive opportunities within mid- and smaller-sized companies globally, as well as some increasingly compelling valuations outside the US market, which has led the way for many years now.

Within fixed income we have exposure to both longer dated fixed income assets and to investment grade credit where yields still offer some relative value and default rates look set to stay low.

Our core alternatives funds continue to perform well and high stock dispersion provides a good environment for skilled stock pickers (especially long/short market neutral strategies). We have reduced our exposure more recently however as the opportunity set within conventional fixed income markets has improved.



Source: BP Statistical Review of World Energy & International Energy Agency for historic data. Guinness Global Investors estimates, July 2024.

Could you be a vulnerable client?

Many of us, when we think of a vulnerable person, will likely picture someone frail or suffering from a chronic health condition. You might therefore be surprised to hear that the Financial Conduct Authority (FCA), which regulates financial services firms including advisers, believes almost half of UK adults show at least one characteristic of vulnerability. So, when it comes to financial advice, what does it mean to be vulnerable?

According to research by Carers UK for Carers Week, which this year fell between 10th and 16th June, one in five UK adults currently support a relative, close friend or neighbour because of chronic illness, including mental ill-health, dementia, disability, or older age. However, although those being cared for are likely to fit with most people's idea of vulnerability, the 11 million unpaid carers could well fall into the FCA's definition of vulnerability too, along with millions of others.

What do we mean by 'vulnerable'?

The financial regulator defines a vulnerable customer as "someone who, due to their personal circumstances, is especially susceptible to harm – particularly when a firm is not acting with appropriate levels of care." It sets out four key drivers of temporary or permanent vulnerability:

- Life events – such as bereavement or a relationship ending.
- Health events – conditions or illnesses that affect your ability to carry out day-to-day tasks.
- Resilience – a low ability to withstand financial or emotional shocks.
- Capability – low knowledge of financial matters or low confidence in managing money.

The FCA class vulnerable customers as people whose personal circumstances, including short-term, long-term, or permanent emotional, mental, physical, financial or social circumstances, put them at greater risk of disadvantage. This could apply to any one of us – someone with an obvious health condition or disability, someone managing caring responsibilities, or someone who has simply been affected by events outside their control. In May 2022, the FCA found that 47% of UK adults showed at least one characteristic of vulnerability.[1]

No immunity

In recent years, we've had no shortage of reminders that we never know what's just around the corner. It seemed we were only just emerging from the Covid-19 pandemic when the Ukraine crisis sent inflation soaring and added yet more uncertainty to the global economic picture.

These events have had a similarly dramatic impact on our personal lives too. While some were insulated from the financial effects of the Covid-19 pandemic, others faced redundancy, reduced incomes and the effects of being placed on furlough, and the emotional distress caused by those developments.

And the dramatic rise in the cost of energy, food and other household outgoings since the Ukraine conflict began has exacerbated a situation which, for many people, was already difficult. More than a fifth of UK adults borrowed more money or used more credit in March 2023 compared with the same month a year earlier, according to the Office for National Statistics (ONS).[2] The ONS also found that two-thirds of UK adults were spending less on non-essentials due to the rising cost of living.

Research has found that money worries can also have a significant impact on our mental and emotional wellbeing. According to the National Centre for Social Research, the biggest increases in mental illness during the pandemic were experienced by those that suffered sudden and significant drops in household income. Similarly, a recent study by online lender Plend, found that three-quarters of people feel their mental or physical health had been negatively impacted by the cost-of-living crisis, while nearly half expected the crisis to continue affecting them until '2024 or later'.

This can create a vicious cycle as someone suffering from poor physical or mental health could find themselves less able to manage their day-to-day finances. Nearly nine in ten people with experience of mental health difficulties told the Money and Mental Health Institute that their financial situation had exacerbated those problems.

And having more money doesn't necessarily make someone immune to financial stress. A study in 2020 by Salary Finance found that people 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.

Making it known

The pandemic is an extreme example of how life can take a dramatic, unavoidable turn, but we're all potentially vulnerable to the financial and emotional consequences of more common occurrences such as illness and bereavement. The fact is anyone can be adversely affected by unforeseen events, but as a client taking financial advice, why does it matter?

Experiencing one or more characteristics of vulnerability could have significant implications for your finances. A sudden change in your financial situation, for instance through redundancy or bereavement, could leave you without a large enough savings buffer to cope with a financial emergency, such as unexpected home expenses or car repairs. Or someone struggling with their physical or mental health, even temporarily, may find it harder to make long-term decisions about their wealth, or put them at greater risk from scams. The strain of certain life events, or physical or mental issues, can make it more difficult to concentrate and focus, which could leave you struggling to understand some of the financial options available to you.

There is a raft of rules and guidelines that advisers must follow when it comes to identifying and working with customers who might be vulnerable. But vulnerabilities can be easily missed, not least because they can be subjective, or because people don't see themselves as vulnerable or do not wish to be perceived as so. People can also develop coping strategies that can cover up underlying issues, and shame can be a barrier to admitting to struggling with certain problems or disorders.

As your financial planners, we are not here to judge. We want to deliver the best service we can to all our clients. We can adapt how we work to better support your needs, or revise your financial plan to deal with a change in circumstances, but we can only do that if we know what you're going through. To help us provide the best recommendations, in the most appropriate way, and make sure you get the best outcomes, it's important that you talk to your Financial Planner about any changes in your financial circumstances or more broadly in your life and health.

Next steps

When it comes to financial planning and advice, vulnerability isn't a fixed state. You may not consider yourself to be vulnerable, but changes in your circumstances might mean that you'd benefit from some adjustments to your financial plan. If you are at all concerned, or would like to talk things over with your Financial Planner, just give us a call - we'd be happy to hear from you.

References

(1)https://www.fca.org.uk/data/financial-lives-2022-early-survey-insights-vulnerability-financial-resilience#:~:text=In%20May%202022%2C%2047%25%20(,B%20of%20our%20last%20report.

(2)https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/howarefinancialpressuresaffectingpeopleingreatbritain/2023-02-22

CONTACT US

Nugenis Financial Planning
5 Oak Tree Court
Mulberry Drive
Cardiff Gate Business Park
Cardiff CF23 8RS

029 2050 8000

JustAsk@nugenisfp.co.uk

nugenisfp.co.uk

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