2plan®
wealth management

financial Newsletter

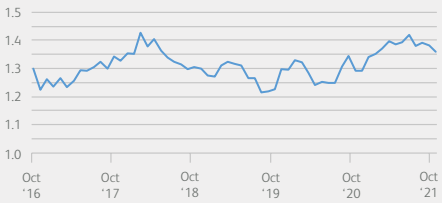
Edition 38 – 2021



What is the British Pound worth vs. Euro?



What is the British Pound worth vs. Dollar?



FTSE 100 Chart



KEY FACTS & FIGURES – The UK Economy		
BoE Base Rate	0.1%	Oct 2021
Unemployment	4.6%	May – July 2021
Inflation (CPI)	3%	Aug 2021

Columbia Threadneedle: The UK remains a rich hunting ground

FundsNetwork: Keeping your money and data safe online

Liontrust: Should you be concerned about inflation?

Royal London: High-risk workers: what life insurance cover can you get?

Fulcrum: What to do when bonds do not diversify

2plan: Get the best out of your BTL mortgage

Fidelity: Making the case for a sustainable investment

Invesco: Upside-down theories of inflation

Jupiter: Opportunities in impact investing for climate change

2plan: Protect your possessions with accidental damage cover

Base Rate

The Bank of England base rate remains unchanged at 0.1%.

UK economic outlook

- In the week to 2 October 2021, overall retail footfall in the UK decreased by 3% from the previous week and was at 81% of the level seen in the equivalent week of 2019 (Springboard). Section 9.
- The seven-day average estimate of UK seated diners decreased by 5 percentage points in the week to 4 October 2021 to 117% of the level in the equivalent week of 2019; this is the lowest level since the week ending 19 July 2021 (OpenTable). Section 10.
- Of currently trading businesses that reported how their importing had been affected, 22% reported lack of hauliers to transport goods or lack of logistics equipment as a challenge, in early September 2021, compared with 11% in April 2021 (Business Insights and Conditions Survey (BICS)). Section 6.
- The system average price (SAP) of gas has more than doubled since the start of the year and is at 213% of the 1 January 2021 level on 3 October 2021 (National Grid). Section 7.
- There were 7,484 company compulsory dissolution first gazettes (a notice issued by Companies House indicating their intention to remove a company from the register) issued in the UK in the week ending 28 September 2021, this is the lowest level since the week ending 22 June 2021 (5,333) (Companies House). Section 13.

Inflation

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 3.0% in the 12 months to August 2021, up from 2.1% in the 12 months to July.
- The increase of 0.9 percentage points is the largest increase ever recorded in the CPIH National Statistic 12-month inflation rate series, which began in January 2006; however, this is likely to be a temporary change.
- The largest upward contribution to change is a base effect, because, in part, of discounted restaurant and café prices in August 2020 resulting from the government's Eat Out to Help Out scheme and, to a lesser extent, reductions in Value Added Tax (VAT) across the same sector.
- Restaurants and hotels, recreation and culture, and food and non-alcoholic beverages made the largest upward contributions to the change in the CPIH 12-month inflation rate between July and August 2021.

Unemployment

- January to March 2021 estimates show a quarterly decrease in the unemployment rate (the largest quarterly decrease since September to November 2015), while the economic inactivity rate increased, as it did during the first coronavirus (COVID-19) restrictions, and the employment rate increased for the first time since December 2019 to February 2020.
- Total hours worked decreased on the quarter with the reintroduction of many coronavirus restrictions.
- The UK employment rate was estimated at 75.2%, no change from the previous quarter.
- The UK unemployment rate was estimated at 4.6% (May – July 2021).
- The economic inactivity rate is down 0.3 percentage points on the previous quarter, to 21.1%.
- The number of job vacancies in June to August 2021 was 1,034,000, which is the first time vacancies have risen over 1 million since records began, and is now 249,000 above its pre-pandemic January to March 2020 level.
- The largest increase was seen in accommodation and food service activities, which rose by 57,600 (75.4%).

The UK remains a rich hunting ground

At times during 2020 investing in the UK felt lonely. Animal spirits, dampened by Brexit uncertainty, were crushed by the pandemic. Investors scarpered, there was no consideration businesses might survive. The FTSE 100 fell more than 30%.

The best time to invest can be when it feels most uncomfortable. We are aware of the dangers of trying to time when to buy and sell investments, known as "timing the market" (Figure 1). During the Covid-induced turbulence we held our nerve and, in fact, bought more of these apparently beleaguered firms. On 1 September 2020 the FTSE 100 closed at a low of 5,862 points. A year on it had risen 21% to 7,119 points.

The market is keen to pigeonhole investors as "value" (buying companies whose shares are trading below their true worth and offer the potential to rise) or "growth" (buying stocks which have above average growth prospects). We think things are more nuanced. Quality growth stocks performed well last spring, while value stocks were hammered. But since the vaccine rollout, value roared back – months of outperformance by growth stocks were wiped out in a day. Covid winners became losers, and vice versa. Wetherspoons, for example, struggled as pubs closed; now, following fundraising in which we participated, and pubs reopening, its share price is almost exactly where it was a year ago. This is good active management, an example of us behaving more like business owners than renters.

Engagement is a crucial part of our process and role as active managers. The number of trading-orientated managers, coupled with increased numbers of passive investors, means we have a meaningful say in the way companies are run. We actively engage with managements to probe the reasons behind performance, and have a say in stewardship and governance.

Dividends are returning

The unprecedented pandemic, and the need for companies to restore liquidity, led to a sharp contraction in dividend payments in 2020. With conditions stabilising, however, the dividend bounce back has been pronounced. Looking ahead we expect more prudent policies, but even in the worst-case scenario the UK market should offer a healthy yield premium to bonds by 2022.

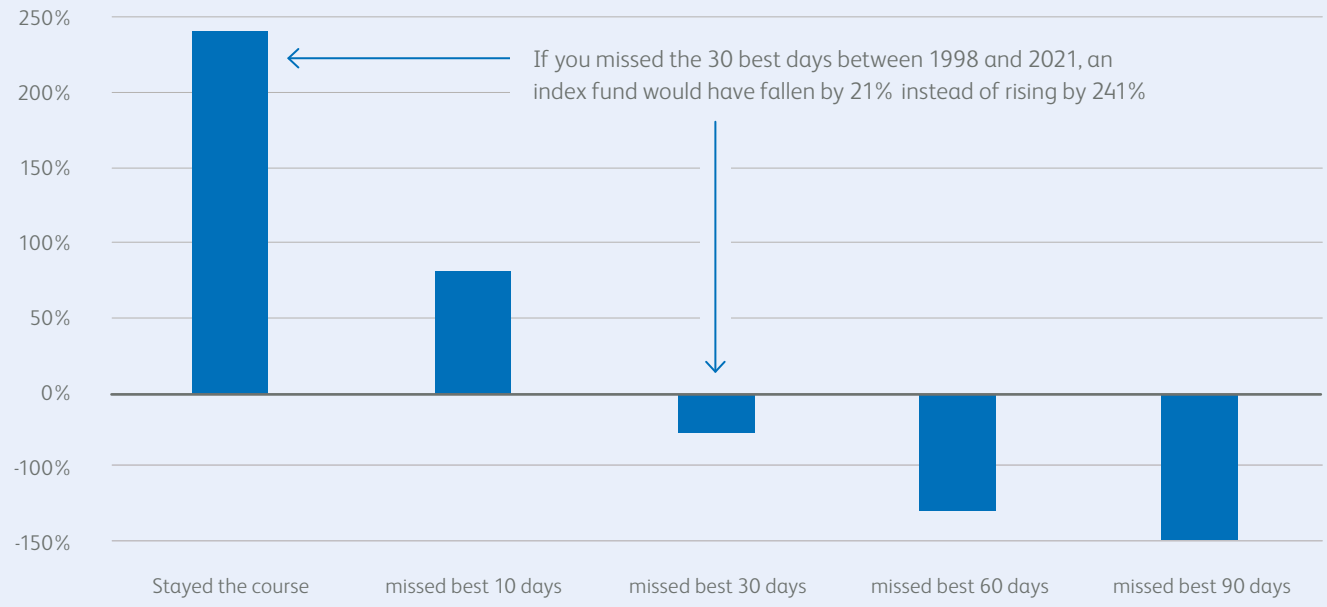
Looking ahead

The UK has rallied a long way, but there's further to go. The market is more subtle than simply buying banks and commodities – it's a stock picker's market, and we have the team for this. Our fundamental research process can uncover hidden gems, we have an eye on unloved stocks that have disappointed but remain good businesses, and active engagement with company management lets us probe reasons behind performance. We will be pragmatic and patient as the recovering UK looks to deliver on its promise.

Important Information: Past performance is not a guide to future performance. The value of investments and any income is not guaranteed and can go down as well as up and may be affected by exchange rate fluctuations. This means an investor may not get back the amount invested. Your capital is at risk.

The analysis included has been produced by Columbia Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions are made as at the date of publication but are subject to change without notice and should not be seen as investment advice. Information obtained from external sources is believed to be reliable but its accuracy or completeness cannot be guaranteed. This document includes forward-looking statements, including projections of future economic and financial conditions.

Figure 1



Source: Columbia Threadneedle/Liberum, March 2021



None of Columbia Threadneedle Investments, its directors, officers or employees make any representation, warranty, guaranty or other assurance that any of these forward-looking statements will prove to be accurate.

The mention of any specific shares or bonds should not be taken as a recommendation to deal.

This document is not investment, legal, tax, or accounting advice. Investors should consult with their own professional advisors for advice on any investment, legal, tax, or accounting issues relating an investment with Columbia Threadneedle Investments.

In the UK issued by Threadneedle Asset Management Limited, registered in England and Wales, No. 573204. Registered Office: Cannon Place, 78 Cannon Street, London EC4N 6AG. Authorised and regulated in the UK by the Financial Conduct Authority.

Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies

---

Author: Richard Colwell, Head of UK equities, Columbia Threadneedle

Keeping your money and data safe online



There are many advantages to an increasingly digital and online world, but it does come with some risks too, not least that cybercrime is becoming more prevalent. This was especially the case during the pandemic lockdowns when we all relied on online services more than usual.

Knowledge is your best defence against financial crime, so we've put together ten straightforward tips about how to counter the main threats – helping you protect yourself and your data.

1. Watch out for scam emails

Scam emails try to steal people's personal information or install malware on their computer. These three rules can help you spot them:

- Check the sender's email address. If it doesn't match the company it claims to be coming from, looks odd, is spelt incorrectly or you weren't expecting the email, it's probably a scam.
- Review how it's written. Scams often have poor spelling and grammar.
- Consider what it's telling you. Be wary if an email is asking for personal information or wants you to log in, gives you surprising news (such as winning a competition you didn't enter), or demands urgent action to stop something bad happening (such as your account being closed).

2. Beware of email hacking

Don't immediately trust an email just because you know the person it's from. Email hacking is increasingly common, so if you're in any doubt about a message, pick up the phone to check – particularly if it's from someone like your financial adviser and you're being asked to move money around.

3. Protect your accounts

Passwords need to be strong, long and unguessable. One way to do this is to use 'passphrases' that combine three random words and then add some symbols and numbers. Also, consider turning on multi-factor authentication when it is available, as this adds an extra layer of protection against any attempts to gain unauthorised access.

4. Limit what you store

It's tempting to use email accounts to store documents and other information, but if you do this and a hacker gets in, they will have access to everything that's there. The solution is an easy one; only keep limited information in your email account and put the important stuff somewhere more secure.



5. Don't trust public wi-fi

Public wi-fi is an easy way to stay online when you're out and about, but there's no privacy or protection for your data. If you need to access sensitive information, use mobile data instead or wait until you are connected to secure wi-fi.

6. Stay safe when out and about

Make the most of your device's security settings to say safe when you're out and about. A screen lock makes it harder for people to get into it, while most operating systems include remote find, lock and wipe features. It's also a good idea to turn off Bluetooth when you're not using it.

7. Do regular updates

Operating system updates include security improvements and threat protection, while antivirus needs regular updates to protect against the latest threats. The easiest solution is to turn on automatic updates, so everything is handled for you.

8. Make regular backups

Backing up your important data is always a good idea, as things can go wrong – from hard-drives failing to accounts being accidentally deleted. Ransomware is just another reason. This malware stops you accessing your data until you pay a ransom to the criminals, but with a back-up, you can recover. Just make sure it's kept separate from your device, such as on a cloud backup service, a different device or a USB stick.

9. Be careful on social media

While social media is a great way to keep in touch with old friends, and make new ones, you could be sharing information that criminals can access. Be wary of putting up anything that could be used to break into your online accounts, such as your home address, email address, phone number and date of birth. Don't share more obscure personal information either, such as your mother's maiden name or your first car, as this can be used in identity verification questions. Finally, be careful about sharing when you're on holiday. Criminals still use more traditional methods too, such as breaking into your house.

10. Stay informed

When it comes to your online financial safety, knowledge is one of the best tools you have. Staying informed and knowing the

Learning more

Our guide 'Keeping yourself cyber safe at home, online and on the move' can be downloaded at fidelity.co.uk/clients and provides further information, reminders and tips on this important subject.

Important information

Information contained in this article has been obtained by Fidelity FundsNetwork from public sources. Care has been taken by the staff of Fidelity FundsNetwork in compilation of the data contained herein and in verification of its accuracy when published, however the content of this document could become inaccurate due to factors outside the control of Fidelity FundsNetwork and should, therefore, be used as a guide only.

This document is published and distributed on the basis that Fidelity FundsNetwork is not responsible for the results of any actions taken based on information contained in it nor for any error in or omission from it. Fidelity FundsNetwork expressly disclaims all and any liability and responsibility to any person in respect of claims, losses or damage, either direct or consequential, arising out of or in relation to the use and reliance upon any information contained in this document.
UKM0921/36996/SSO/NA

Author: Lesley Davidson, Associate Director, Strategic Accounts, Fidelity FundsNetwork



Should you be concerned about inflation?

Inflation matters to all of us. Most obviously, this is because it makes the prices we pay for goods and services more expensive. Unless our income rises at least in line with the rate of inflation, we will become poorer in real terms.

Economists estimate that more than $15 trillion has been spent over the last year as governments support economies. Cheap money, and plenty of it, has fuelled economic recovery, and with it, rising prices.

There are two more reasons for concern. Higher inflation means input costs (the cost of creating a product or a service) are rising, which companies may not be able to offset through passing on higher prices to customers. Higher inflation could also pressure the US Federal Reserve and other central banks to scale back loose monetary and fiscal policies sooner than expected, which have been a major contributor to recent all-time highs in stock markets.

Policymakers have continued to insist the current inflation spike will be temporary, citing the effect of pent-up demand being released as economies open up and the fact most of the price pressure is in fast-recovering areas hit hardest by Covid, such as air travel. It should also be remembered that central banks have effectively been walking a tightrope between inflation and deflation since the global financial crisis and if they ultimately fall off, they would prefer to do so on the inflationary side than the more damaging deflationary side.

For our part, we remain confident inflation, while potentially more persistent than originally thought, will fall away in the medium term as base effects diminish and pent-up demand is spent. For higher levels to become embedded, wage price inflation would usually have to play a central role and, apart from certain high-growth areas of the tech market, it is difficult to see much upward pressure here for now. For anyone worried the rise in inflation will prove more persistent, one investment option is index-linked bonds, where the income paid rises in line with inflation. There is also a case for real assets, defined as tangible assets such as buildings, toll roads, solar and wind farms, and commodities such as energy, livestock or grains, which derive value from their availability and usability by consumers and businesses. These have been an effective hedge against rising prices over a market cycle, with much of the revenue generated structured as long-term inflation-linked contracts.



While we are currently in the transitory spike camp, diversifying your portfolio by including potential protection against inflation is a sensible strategy for any investor.

For a comprehensive list of common financial words and terms, see our glossary at https://www.liontrust.co.uk/benefits-of-investing/guide-financial-words-terms.

Key Risks & Disclaimers

Please remember that past performance is not a guide to future performance and the value of an investment and any income generated from them can fall as well as rise and is not guaranteed, therefore you may not get back the amount originally invested and potentially risk total loss of capital.

This content should not be construed as advice for investment in any product or security mentioned, an offer to buy or sell units/shares of Funds mentioned, or a solicitation to purchase securities in any company or investment product. Examples of stocks are provided for general information only to demonstrate our investment philosophy. It contains information and analysis that is believed to be accurate at the time of publication, but is subject to change without notice. Whilst care has been taken in compiling the content of this document, no representation or warranty, express or implied, is made by Liontrust as to its accuracy or completeness, including for external sources (which may have been used) which have not been verified. It should not be copied, faxed, reproduced, divulged or distributed, in whole or in part, without the express written consent of Liontrust.

Liontrust Fund Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518165) to undertake regulated investment business.

Author: John Husselbee, Head of Multi-Asset at Liontrust

High-risk workers: what life insurance cover can you get?

Certain occupations pose more risk to employees than others, but working in a hazardous role doesn't have to mean you won't be able to buy life insurance.

Frontline NHS workers who have a risk of contracting illnesses such as coronavirus or MRSA, members of the armed forces, construction workers, and sporting professionals are among those workers usually considered high risk by life insurance companies.

This is because there's a greater chance of workers in these types of occupations facing a life-threatening situation compared to someone who, for example, works in an office every day.

If you are a high-risk worker, it can be more difficult to find affordable life cover, and insurers are likely to want to know more details about exactly what your job entails.

Once you've provided them with the required information, they may decide either to charge you standard payments for life insurance, or higher payments that reflect the additional risks involved in the job you do.

Factors which influence how much you'll pay for life insurance

Aside from your occupation, several other factors can affect the cost of your life insurance.

Your hobbies

If you enjoy adventurous hobbies, such as climbing or skydiving, your life insurance payments may be higher as there's a greater risk of a claim being made. The cost of cover can also be affected by your age and lifestyle choices - for example, being a smoker, heavy drinker or having a high body mass index (BMI) can also result in higher premiums.

Health conditions

Having certain health conditions such as diabetes or high blood pressure may increase your life insurance payments too, as can having certain hereditary conditions prevalent in your family.

Where you live may also have a bearing on premiums, as people living in certain areas are at a higher risk of claiming than others.

Your occupation

If you do work in a high-risk occupation, or have medical issues, it's worth checking whether your employer offers you any protection. Many companies provide death in service benefits, usually equivalent to between two or four times your salary, if you die whilst in their employment.

If your company provides generous death in service benefits you may be comfortable opting for a lower level of life cover to keep payments affordable. Remember however, that if you leave your job or are made redundant, you'll lose this benefit, so many people like the security of having life insurance too.

It's vital to be completely honest about your occupation when you apply for life insurance, even if it does mean you end up having to pay higher premiums.

If you claim you work in a role that's different to the one you actually have and something happens to you, your policy is likely to be invalidated and your loved ones won't receive a pay-out.

Working in a high-risk occupation may mean you have to pay a bit more for your life insurance, but having cover can provide valuable peace of mind that your family will be financially protected should the worst happen.

Over 50s life insurance – the exception

The one type of life cover where you're guaranteed to be accepted, regardless of your occupation, lifestyle choices or medical history, is over 50 life insurance. This type of cover is not underwritten, so usually the only requirement is that you are aged between 50 and 80.

It can therefore be a popular option if you fall into this age bracket and you have a medical condition or do a high-risk job or hobby. Bear in mind, however, that you're limited on the amount of cover you can get. Most over-50s policies offer up to around £10,000 or £15,000 of cover, whereas with term or whole-of-life insurance you can choose a much bigger sum if you need to.

However, it can be a good option if you can't afford traditional life insurance or have been turned down for cover. Some over 50s insurers also provide immediate insurance for accidental death.

Author: Royal London





What to do when bonds do not diversify



One of the most important and timeless issues for investors is how to protect portfolios from falls in the equity markets. The use of government bonds is by far the most popular; a decision supported by historically attractive yields, simplicity, familiarity, and unconventional monetary policy, including a decade of quantitative easing.

More recently, though, low nominal yields, negative real yields and a potential re-pricing have made bonds a much less reliable portfolio diversifier.

Past performance and the reliability of diversification are no guide to the future and all that can be reasonably certain is that returns generated from bonds in the last few decades cannot be extrapolated into the next. Worse still, there is a real risk – and plenty of historical precedents – of bonds exacerbating equity losses, something especially likely if we enter an unexpected period of much higher inflation post COVID.

Interest rates remain considerably below longer-term history and have simply unwound the downward overshoot that occurred during the early phase of the pandemic. However, with yields still so low and facing the prospect of continued repricing, it is more of a challenge to find the right balance between risk and reward.

This does not necessarily mean that bonds are to be avoided, but only that it is sensible to explore the wide range of other options for effective diversification and portfolio protection.

Diversification within Fixed Income.

Investors in the fixed income space can diversify their portfolio by incorporating different strategies. Countries with steeper yield curves can still offer significant diversification when risk assets fall due to the fact that they have more room to compress, for example.

Alternative sources of real returns.

Investors can look to multiple non-traditional sources of real return and diversification such as infrastructure, listed real estate, commodities and inflation-protected bonds, to name just a few. Such assets can play a critical role in portfolios and, not least, offer protection against high inflation, which is an environment in which government bonds are unlikely to be able to diversify. However, caution needs to be exercised around those real assets that have already been excessively bid up in the search for yields by investors – of which there are quite a number.

Defensive currencies.

Some currencies like the Japanese yen and Swiss franc have historically acted as buffers during risk-off episodes owing to their persistently negative-to-low interest rate environment; carry strategies, where investors borrow currencies in low rate jurisdictions to invest in currencies with a higher rate, tend to be unwound during risk-off episodes. While the pandemic has had the effect of normalising interest rates around the globe, the current rate repricing is creating interest rate divergences, bringing to the fore once again traditional defensive currencies.

Diversified tail risk hedging.

Tail risk strategies, where investors seek to protect portfolios against extreme market moves by purchasing protection at the expense of some returns, can be designed to offer modestly positive excess returns over the very long term, with a negative correlation to equity markets. A winning tail risk strategy might use a variety of instruments, including futures, swaps, vanilla options, more exotic options such as digitals and contingents, as well as variance swaps, equities, fixed income, and credit. Successful tail hedging depends on a real-time assessment of market positioning and detailed evaluation of market complacency or readiness for tail events.

Global macro diversified absolute return strategies.

Liquid macro-oriented diversified absolute return strategies, somewhat more simply referred to as target return strategies, are capable of employing most of the above approaches – which can be complex for some investors to deploy – to provide a target return with a stable risk profile. Historically, their unconstrained approach has enabled them to not only enhance the low expected returns from bonds, but also to protect portfolios during market drawdowns

So, to conclude, while government bonds are unlikely to offer the same source of returns and diversification that they have been over the past decade, they remain a crucial part of an asset allocator's defensive toolkit. However, in the current market environment, investors need the latitude to implement investment opportunities across different asset classes, strategies, and time horizons to provide alternative sources of returns and necessary diversification.

Information provided does not constitute investment advice and should not be relied upon as a basis for investment decisions. This material has been approved for issue in the United Kingdom solely for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Fulcrum Asset Management LLP, Marble Arch House, 66 Seymour Street, London W1H 5BT. Fulcrum Asset Management LLP is authorised and regulated by the Financial Conduct Authority (No: 230683).
© 2021 Fulcrum Asset Management LLP. All rights reserved..

Author: Fulcrum Asset Management

Get the best out of your BTL mortgage

Many fixed mortgage deals will be approaching the end of their term this October, so it's a good idea to review your buy-to-let mortgage.

With interest rates still at low levels and demand for rental properties increasing around the country, investing in a buy-to-let (BTL) is a popular choice for many.

Buy to let basics

A BTL mortgage is a specific type of product for those who want to buy a property with the intention of renting it. Because of this, there are different terms and rules around a BTL mortgage (compared to a regular mortgage for a property the buyer intends to live in.)

- With a BTL mortgage, the anticipated rental income is taken into account when the lender calculates how much you can borrow.
- A BTL mortgage could suit investors with enough equity to put down a deposit of at least 20% of the value of the property (but some lenders could require up to 40%.)
- Your credit record is closely scrutinised with a BTL mortgage, as with a regular mortgage application.

  Interest rates for BTL mortgages are usually higher than a regular mortgage.

If you are looking to remortgage your BTL property or are thinking about transferring your mortgage to a different provider, our advisers can help you find a product that best suits you.

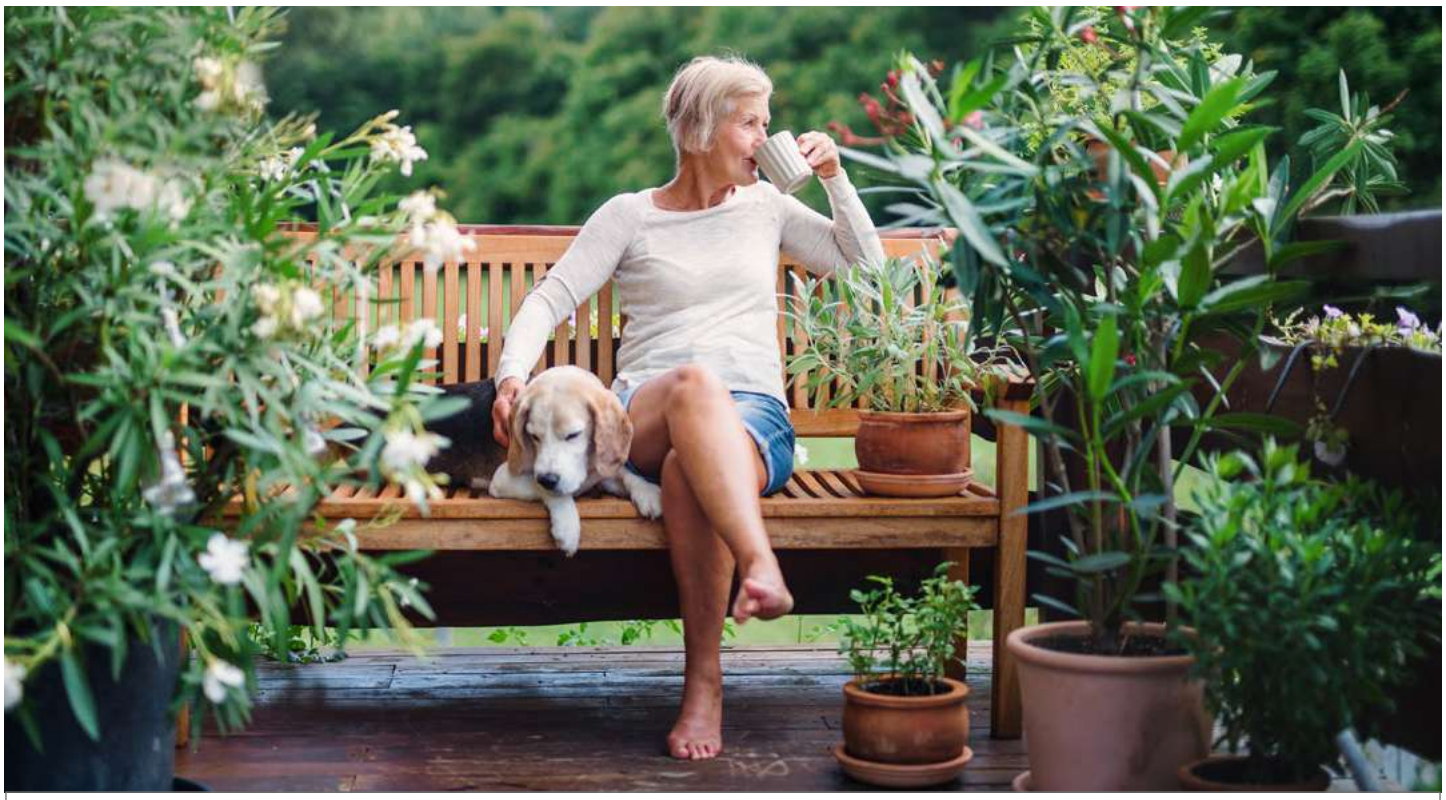
Some buy to let mortgages are/is not regulated by the Financial Conduct Authority.

Things to remember

If you have a BTL mortgage already and its fixed interest rate term is coming to an end, you may be thinking about switching products or providers to gain a better deal. Here are some other things to look out for:

- Examine all of your options into the type of product to suit your investment going forward. A financial adviser is best placed to help you with this.
- Don't forget to research any fees and charges around changing your product too, as these could be higher than you expect.
- When changing products, you may be asked about your property's rental income history in order to assure any new lenders that you are able to keep up with mortgage payments.
- Show that you have sufficient savings to cover any gaps in rental periods when your property could be unoccupied.
- For your own peace of mind, having a cushion of savings available to cover any essential repairs is important.

Author: 2plan



YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE



Making the case for a sustainable investment

The last year has proved to be pivotal for sustainable investing, in which its role in shaping our economic and financial futures became more urgent. The Covid-19 outbreak and lockdowns around the world have sharpened the focus on companies' societal responsibilities. The CEOs of many of the largest corporations, some of which appear almost to rival governments in their reach and influence, have said that running them solely for the benefit of equity owners is no longer an option.

This doesn't mean that shareholders' interests are not important – they will obviously continue to matter – but they are no longer the only considerations. This is no brief moment in the spotlight, but a serious reappraisal of capitalism, of how enterprises are run and for what purpose.

As investors, we should therefore consider how best to embrace this new landscape and the opportunities it brings.

Aligning investments with personal values

Before the pandemic hit, the biggest issue for many was the impact of climate change and how to address it. Covid-19 has brought the 'S' in ESG to new prominence with a much greater focus on the societal responsibility of businesses. Priorities – for corporations, households and governments – are changing dramatically.

At Fidelity International, we integrate sustainability analysis into our investment process – alongside traditional financial metrics – in recognition that companies with strong sustainability credentials are most likely to survive and thrive in the long run.

Resilient returns

A growing body of evidence indicates that companies with high ESG standards are more resilient, typically have a lower cost of capital, and may offer high quality, long-term returns. Fidelity research has shown that both before and during the crisis, companies with higher ESG scores have outperformed the laggards.

Looking to the long-term

Covid-19 and climate change are both events that directly challenge and impact the way we live. This has presented an opportunity for companies and investors to embrace sustainable capitalism, think longer-term and reset incentives for senior executives that are tied to achieving specific ESG goals.

Sustainability factors are fundamentally a proxy for quality management. Corporate leadership teams that prioritise broader stakeholder outcomes are likely to be best placed to survive and thrive in the long-term, ultimately offering the most stable and sustainable returns for shareholders.

Making a sustainable investment

The length of time you invest for is the single biggest factor that influences the opportunity for growth – the longer the better, although of course there are still no guarantees. The quality and integrity of a business model and the team responsible for it are paramount. This means avoiding companies with subpar checks and balances on their accounts, or those risking the reliability of long-term quality growth in favour of chasing short-term profits.

In this sense, sustainable investing is all about identifying trustworthy and dependable, quality companies that are built to last and with an interest in transforming the world around them. In the long term, what is good for stakeholders will be good for shareholders too. This is not a zero-sum game.

There is a wide selection of sustainable funds to choose from so it is really important to discuss with your financial adviser what your financial goals are and the outcome you are trying to achieve. Your adviser will also help you assess your risk appetite and capacity for loss based on your investment goals and time-horizon.

Important information

The value of investments and the income from them can go down as well as up, so you may get back less than you invest. This information is not a personal recommendation for any particular investment. If you are unsure about the suitability of an investment you should speak to an authorised financial adviser.

Issued by Financial Administration Services Limited and FIL Pensions Management, both authorised and regulated by the Financial Conduct Authority. Fidelity, Fidelity International, the Fidelity International logo and the F symbol are trademarks of FIL Limited.

Author: Fidelity

Upside-down theories of inflation

Central bankers hold the belief that the current level of inflation is transitory. But I believe this is an upside-down theory of inflation.

While, the US Federal Reserve (Fed) has been insistent that inflation will soon return to more normal levels as the economy reopens, investors – especially those investing in bonds – may be tentative about maintaining exposure to assets vulnerable to inflation. This is because rising inflation is likely to erode returns for at least the next two years.

In June, US CPI inflation hit 5.4%, a high not seen since September 1990. This was a major shock to markets and to Fed Officials. From April to June, the overall headline index increased by 0.8%, 0.6% and 0.9% in each month respectively – and the core PCE rate (the preferred US inflation measure) in June was 1.5% more year-on-year than the Fed's target of 2%.

Transitory factors

Despite steep increases during the period to the end of March, 10-year US Treasury bond yields have declined from 1.74% to 1.30% since, which suggests that market participants aren't that concerned about inflation. It's left many wondering – how can this be?

Fed Vice Chair Richard Clarida explained after a speech on 4 August that the current rates of inflation reflects two temporary idiosyncratic elements that will soon disappear: a "round-trip rebound of prices" from low levels in spring and summer 2020 (like reduced hotel prices at the onset of the pandemic now returning to normal, leaving not much change to prices overall), and a similar trend at a global level driving up commodity prices.

He believes another possible source of inflation may come from the labour market but admits this is hard to estimate as he expects the supply of labour to rise in autumn as people return to the market post-pandemic. In fact, he argued, "there is significant downside risk to this forecast".

Moreover, while inflation expectations remain anchored at a low level, Fed officials repeatedly say that they are confident there will be no serious threat to price stability.

But beyond these individual factors, what is really behind the sudden surge in the inflation rate?

A more comprehensive view

Albert Friedberg, a Toronto-based money manager and commodity trader offers one of the most succinct explanation for inflation, which he says, is inevitably "lumpy". Excess money creation leads to rising prices and the price of hard-to-find goods rises far faster than the price of easily found goods.

The sharp increase in the price of oil during the last major episode of inflation in the seventies and the impact on the price of commodities is a good example. Consumers were able to manage these increases because they had more money to spend but over time, this raised the prices of other goods that gradually came into short supply. First cocoa – think smaller but not cheaper chocolate bars – then sugar, wheat and so on. This is how inflation works – not a straight line, but a jagged one.

Similar trends soon occurred with other goods and services in short supply such as property, cars, international shipping rates, electronic chips etc. Since these have surged without other prices adjusting downwards, this must mean that higher inflation is here to stay – at least for the next two years while the excess money works its way through the system.

Fed officials recently stated they're ready to tackle inflation whenever they feel that it ought to be done. But to effectively deal with inflation, they first need to understand what's causing it and that could be months or years away.

Inflation is fundamentally caused by excess money, something that central banks have re-created one way or another after more than a decade of slow monetary growth. Unless the Fed addresses the bigger picture around the causes of the current spike, their 2% goal is little more than blind optimism – and we could see the mistakes of the past repeated.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Important information

Data as of August 2021 unless stated otherwise.

This document is marketing material and is not intended as a recommendation to invest in any particular asset class, security or strategy. Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication. The information provided is for illustrative purposes only, it should not be relied upon as recommendations to buy or sell securities.

Where individuals or the business have expressed opinions, they are based on current market conditions, they may differ from those of other investment professionals, they are subject to change without notice and are not to be construed as investment advice.

Issued by Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

Author: John Greenwood, Chief Economist, Invesco



Opportunities in impact investing for climate change

Jon Wallace, Fund Manager with the Environmental Solutions team at Jupiter, explains how the pace of action to halt climate change must step up dramatically and the challenges and investment opportunities that may result.

55% reduction in emissions by 2030

The European Union's 'Fit for 55' climate strategy announced in July shows how all-encompassing and unprecedented the effort to curb climate change will be. Targeting a 55% reduction in annual carbon emissions by the end of the decade compared with 1990, this implies the strategy aims to cut emissions by around a third by the end of the decade.

It is important to remember that this represents the minimum required to avoid dangerous levels of climate change that would undermine global development on all fronts. It will be almost impossible to tackle poverty, inequality or to improve standards of healthcare provision and education if we do not also make rapid progress to avoid further damage to the environment on which we all depend.

This underpins a growing consensus – consumers, voters, politicians, regulators and some executives – for action. In terms of scale, the proportion of global GDP (gross domestic product) covered by national-level net-zero targets amounts to two-thirds of global GDP, including commitments from China, the US, Japan and South Korea. It also covers over 61% of global emissions and 56% of the world's population.

Compelling opportunity

This unprecedented challenge also represents a compelling investment opportunity – providing capital to the companies that can enable the transition to net-zero carbon emissions. These are companies focused on providing the critical products and services to help businesses deliver on their emissions targets. We believe these environmental solutions companies over time will offer long-term outperformance as their markets expand rapidly.

A growing seam of opportunity for these companies stems from ever-more sophisticated corporate net zero ambitions. Just over a fifth of the Forbes Global 2000 list of companies, or 417 companies, generating annual sales of about $14 trillion, have made a commitment to net zero emissions, most before 2050.



Companies aiming to meet net zero targets will require a whole 'lifecycle' approach, including tackling `upstream' emissions (from suppliers) as well as `downstream' emissions that capture the all-important emissions from a product's 'use phase'. What is encouraging is that these 'Scope 3' emissions are recognised by initiatives such as the UN's 'Race to Zero' as a necessary rather than a desirable element of corporate net zero ambitions. Research from the University of Oxford and the Energy and Climate Intelligence Unit found that over a quarter of the sales of companies within the Forbes Global 2000 that have a net zero target already to cover this level of detail.

In our view, this is already beginning to send powerful signals, providing opportunities for those companies with enabling technologies to reduce the climate intensity of supply chains towards net zero. Furthermore, many of these opportunities are in industries that have so far seen limited progress when compared to those that are already making strides, such as the energy and automotive sectors.

This will take time. Supply chain decarbonisation is picking up pace but is not commonplace and is distinctly challenging. While a manufacturer can calculate the greenhouse gas emissions from its own operations with a relatively high degree of confidence, getting a view on all-encompassing Scope 3 emissions is very complex, especially for companies with thousands or even tens of thousands of products and suppliers.

Steady stream

Many emission-reduction measures are also expensive and difficult for companies operating in relatively commoditised spaces with slim profit margins and few opportunities for differentiation.

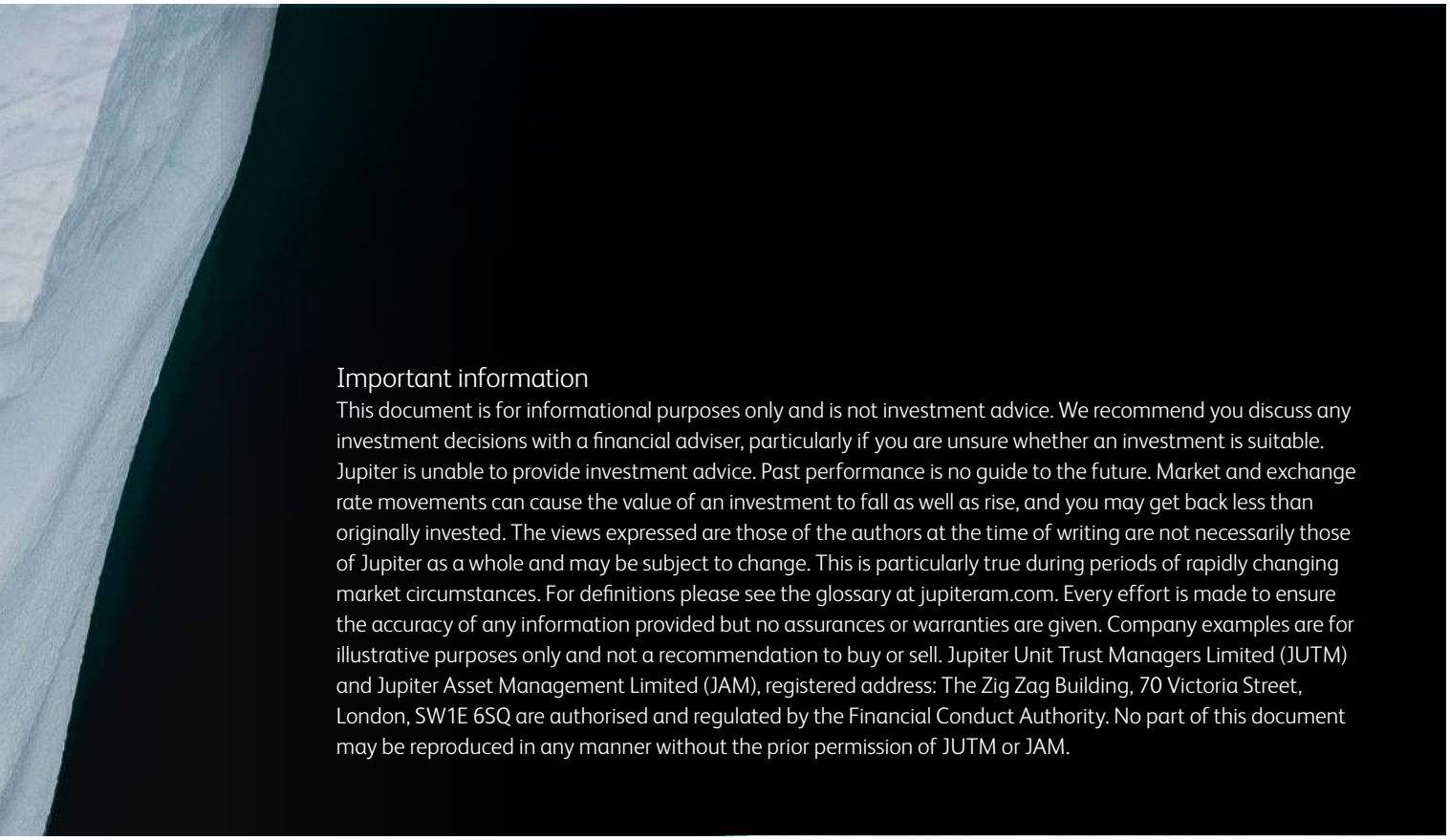
Nevertheless, we are starting to see a steady stream of opportunities emerge. This can be in pockets of the market where a small increase in raw material prices is manageable, such as when a fast-moving consumer goods company can substitute carbon-intensive ingredients. This provides potential opportunities for ingredients companies in the chemical sector, which can dramatically benefit from margin uplift if they have a differentiating product that can help in the transition to net zero.

There is a Norwegian company that produces synthetic vanilla flavouring from sustainable wood-based materials as an alternative to petroleum-based vanilla flavourings that is the food industry norm. The wood-based product offers carbon reduction on a life-cycle basis of about 90% versus the oil-based ingredient. This market is growing well over 10% a year compared to the 1% per year growth of oil-based synthetic vanilla.

In summary, net zero carbon ambitions will absolutely require environmental solutions, and we will need more solutions spread widely across sectors of the economy. Companies that make or have exposure to these products and services will have a heightened profile, reflecting the urgency of climate mitigation plans. We believe these are long-term opportunities, and they are not just limited to higher profile solutions such as electric vehicles or clean energy.

We expect to see environmental solutions with a wider array of potential exposures, including markets and sectors that are very under penetrated. We also expect to see continued growth in the depth and diversity of opportunities, and this will provide a very healthy stock picking environment into the long term.

Author: John Wallace, Fund Manager with the Environmental Solutions team at Jupiter



Important information

This document is for informational purposes only and is not investment advice. We recommend you discuss any investment decisions with a financial adviser, particularly if you are unsure whether an investment is suitable. Jupiter is unable to provide investment advice. Past performance is no guide to the future. Market and exchange rate movements can cause the value of an investment to fall as well as rise, and you may get back less than originally invested. The views expressed are those of the authors at the time of writing are not necessarily those of Jupiter as a whole and may be subject to change. This is particularly true during periods of rapidly changing market circumstances. For definitions please see the glossary at jupiteram.com. Every effort is made to ensure the accuracy of any information provided but no assurances or warranties are given. Company examples are for illustrative purposes only and not a recommendation to buy or sell. Jupiter Unit Trust Managers Limited (JUTM) and Jupiter Asset Management Limited (JAM), registered address: The Zig Zag Building, 70 Victoria Street, London, SW1E 6SQ are authorised and regulated by the Financial Conduct Authority. No part of this document may be reproduced in any manner without the prior permission of JUTM or JAM.

Protect your possessions with accidental damage cover

Insurance claims for accidental damage increased over the past year as more people worked from home, so it's a good time to check your own coverage.

Figures from some of the country's biggest insurance providers have shown a sharp rise in claims of accidental damage during the lockdown.

With many millions now working from home, the chances of accidents and damage to property have inevitably gone up. Halifax Home Insurance reported a rise of 35% for claims between July and September 2020 compared with the same period in 2019.

Millions paid out in home insurance claims

One Insurance provider paid out £33 million in home insurance claims in 2020, with 15% going towards accidental damage claims. General claims not related to accidents accounted for 25% and were mostly related to appliance and pipework damage.

The biggest rise in claims related to damage to computers and electrical equipment because of spillages. As working from home turned many of us into amateur office managers, the usual health and safety measures within a normal office environment were not easy to replicate – especially with children and pets in the picture.

Admiral reported its accidental damage claims increased by 28% since the lockdown started in March 2020, compared to the previous year. Damaged laptop claims increased by 31% and claims around damage caused by home renovation also rose.

Check your accidental damage coverage

It's a good time to see what your home insurance policy includes when it comes to covering accidental damage to your property.

- Check that you have the accidental damage cover in place, because it's often offered as an optional extra to your home insurance.
- Check the limits and exclusions on your accidental damage cover, making sure there is enough to cover any new gadgets or equipment you bought during lockdown.
- If you have made renovations and upgrades to your home during lockdown, try to calculate the extra value they bring to your home to ensure your home policy covers it.

How to avoid accidental damage in your home

Sometimes, accidents just happen. But there are ways to reduce the likelihood of an accident, like keeping drinks in a closed cup, away from computers, or tidying cables to avoid tripping.

With many homeowners installing wooden flooring, it's worth keeping rugs secure with non-slip backing, and encouraging children to be aware of risks in the home when they are playing.

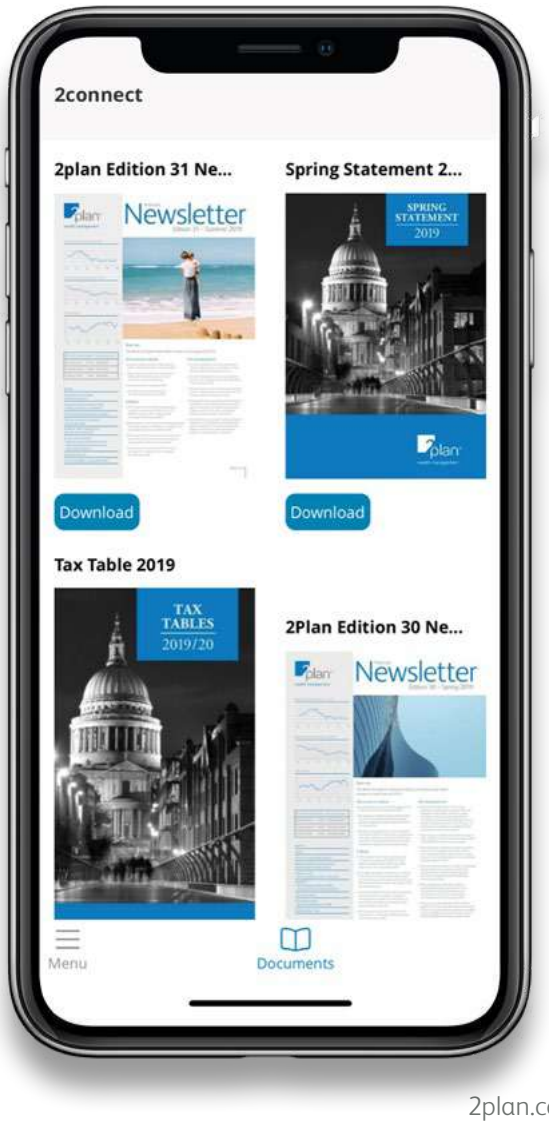
And it's always a good idea to have your insurers' telephone number and the policy details handy for when you need them.

Along with helping you check the small print in your accidental damage policy, your financial adviser is here to help you find insurance plans that work best for you and your family, to make sure you're best protected.

Author: 2plan



Download 2connect from the App Store to keep up to date with the latest marketing material from 2plan wealth management. Our whole library of marketing material is available for you to view, when you want, keeping up with the latest news.



If you would like to discuss any of these topics in more detail, please feel free to contact me to make an appointment. If you have friends, family members or colleagues who you think would be interested in these topics, please pass this newsletter to them.

2plan®
wealth management

safety in numbers
2plan.com

The information contained in this newsletter is based on 2plan wealth management Ltd's current understanding of tax laws as at October 2021. These laws are subject to change at any time and 2plan wealth management Ltd cannot be held responsible for any decisions made as a result of this newsletter. Tax advice is not regulated by the Financial Conduct Authority.

2plan wealth management Ltd is authorised and regulated by the Financial Conduct Authority. It is entered on the Financial Services Register (www.fca.org.uk/register) under reference 461598. Registered Office: 3rd Floor, Bridgewater Place, Water Lane, Leeds, LS11 5BZ. Telephone: 0113 302 1360. Registered in England and Wales: 05998270
© 2plan wealth management Ltd. All rights reserved.