



Cornwall Finance & Investment Services Ltd.  
Independent Financial Advisers

Harlyn House,  
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## **New Investment**

## **Horizons**

**Dear One and All,**

We present the latest edition of our newsletter, in this edition we will:-

- Give our understanding of current economic situations, opportunities and threats to markets and investments from across the World.
- Hear the outlook for investment returns from Parmenion CP Fund Managers.
- Overview the new Lifetime ISA and its role in Inter-generational giving.
- Review some of the more niche investments and how they could benefit you.
- Offer our views on the mortgage and property markets.

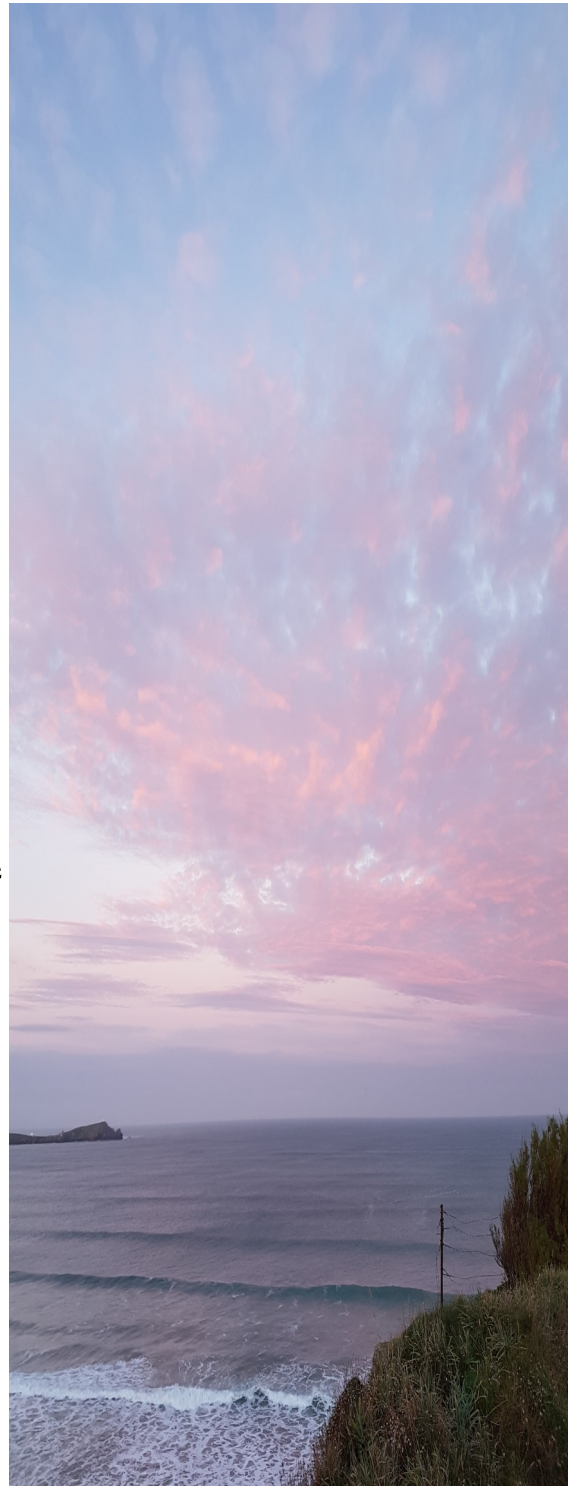
Thank you for your continued ratings. We are rated Excellent on [www.vouchedfor.co.uk](http://www.vouchedfor.co.uk) the "Trip Adviser" for Financial Professionals.



The Financial Conduct Authority does not regulate Taxation Advice, Trust Advice, Will Writing and some forms of mortgages.



Director Mark Ridgmont - Registered in England No. 596144 - Authorised and regulated by the Financial Conduct Authority





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## World Asset Allocation Review



**UK** - BREXIT continues to grind on, yet we continue to recommend active and passive UK managers and funds in this sector, because we live here. The recommended percentage of portfolio holdings remains at Pre Referendum levels. 2018 UK economic growth will be slow, only 1.6%. An unexpected sharp rise in inflation or interest rates will dampen this further.



**USA** - The American Dream is not healthy, according to a recent poll 58% of Americans, they believe it's dead. Donald Trump is a true wildcard, however, it is a question not of what he Tweets, but what he actually does. He has appointed a strong reasonably sane government team and done some good things. We remain positive for the USA, because of the economic fundamentals and after all "The Donald" can only be in power for 8 years!



**ASIA** - China's government cannot be trusted and economic news is often contrived. However China's trade will continue to expand with the expansion of World trade. Industrial diversification, greater corporate governance and less corruption will all help China. The current economic truth or lies are almost irrelevant however, as for one to seek investment for growth as the 21st Century progresses, holdings in China are essential. We do not envisage war on the Korean Peninsula any time soon.



**EUROPE** - Europe is emerging from economic crisis and is making most bullish noises and this year is predicted to be one of the best sectors and needs to be part of all growth portfolios. We are however concerned that this bonhomie has more to do with the cheapness of money and a desire to boost growth post BREXIT.



**JAPAN** - Greater corporate governance is helping Japanese company shares, but after a long rally we are cautious of further gains for this year. Long term the demographics of Japan continue to go against them, too many old people and too few young.



**GLOBAL EMERGING MARKETS (GEM)** - GEM economies have not disappointed our optimism and long term recommendation of them. 2017 should be seen as an excellent year for this sector, particularly if the US economy strengthens. This sector will be greatly expanded with increasing investment in African markets in the coming decades.



**COMMODITIES** - The Worldwide economic activity continues to rapidly expand capacity as global growth goes past pre-financial crisis levels, economic output will continue to positively impact on prices and share values of commodity companies.



**COMMERCIAL PROPERTY FUNDS** - We typically recommend 10% of client's portfolios is in property. It is a good diversifier whilst earning attractive yields. We also offer property funds that attract BPR removing assets from estates in 2 years. The City of London is BREXIT resilient, but, the strength of Sterling is key.



**ALTERNATIVE ASSETS** - Venture Capital Trusts, Enterprise Initiative Schemes, Structured Investments have been successfully recommended by us to give diversity and security.



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## **BACK TO BASICS**

We are grateful to our friends at **Parmenion Capital Partners**, one of our most preferred investment houses, for their thoughts below.



**“Everything that needs to be said – has been said. But since no-one was listening, everything must be said again.” André Gide.**

Believing that ‘now’ is *the* most difficult point in history to make sense of markets is one of the biases which investment professionals can pick up from their extreme proximity to the volatility, uncertainty and surprise that go with investing money. Has it ever been easier to fall into this state of mind?

Equity markets are holding up against the expectation of interest rate rises after 8 years of ultra-low rates, with asset prices pegged in place by public credit after private credit managed so spectacularly to destroy itself in 2008? Has there ever been a more unpredictable, capricious US President facing off a tyrant armed with nuclear weapons? At home, should we be concerned that Brexit, the most complex negotiation ever attempted in peacetime, will be upset by challenges for the leadership of the Conservative Party? While a new French leader looks to capitalise on a chance for strategic economic gain to the disadvantage of our capital city. The cure to these jitters is just to step back and review some of the fundamentals.

Before the Credit Crunch, it was easier to draw one of the key distinctions in wealth management, that between saving and investing – because you were paid a reasonable amount of interest for putting your money on deposit.

In July 2007, Mervyn King raised rates to 5.75%. That summer the average Building Society account was paying 5.15%. When interest rates were cut to zero by government policy, ‘natural savers’ were put in a dreadful situation. They faced a choice between either a certain erosion of their purchasing power (getting no interest paid to compensate them for inflation) or having to take some form of market risk to make any return at all.

The rise in equity income funds and the credence given to risk profiling tools over recent years is telling in this context. Just as important a distinction is the one between investing and speculation – where speculation is defined as heavy commitment of capital to situations promising very high returns, often over the short term. The appeal of speculation is obvious, at least to some. It promises high excitement and high profit. The prospect of loss, if it is not simply disregarded outright, can even act as a source of encouragement, heightening the excitement.

**What investment is all about is diversifying portfolio risk to minimise the prospect of loss and maximise the return for the level of risk accepted. One can make this point without fear of contradiction by stating that whereas many speculators have gone broke, no-one with a 50/50 mixed portfolio of UK Government bonds and UK equities has ever lost all their money in the markets. Equally no saver has ever made an annualised return of over 9% a year for five years as mid-risk Parmenion portfolios have returned since 2012.**





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STUPIDITY IS EASY TO DETECT, AND YET HARD TO QUANTIFY...

CartoonStock.com

### Trouble for The Donald

Donald Trump Government's major challenge is to deliver tax reform in the USA, whilst simultaneously spending vast amounts on improving America's dire infrastructure whilst reinvigorating 'Rust Belt' heavy industries. This is mission critical to his re-election.

It is not likely that radical US tax reform is going to pass into law, but modest tax cuts might be possible. Nor is it likely that given the current state of American borrowing there is sufficient scope to produce the \$200 billion needed for infrastructure spending. The Rednecks are unlikely to remain unhappy. Yet confidence is all in American markets and they are booming.

Thus liable to sharp correction in either direction, dependent on Donald's news.

### THE LIFETIME ISA—DON'T LET YOUR KIDS MISS OUT

The Lifetime ISA became available to the youth of the UK, from April this year.

Contribute up to £4,000 each year. Get a 25% government bonus (up to £1,000 each year) on any contributions before your 40th birthday. Withdraw the money tax free with the bonus, when used to buy your first home or after age 60. Choose to save as cash or invest in the stock market. We IFAs can build portfolios with real and targeted returns. These are truly great value savings for our young people.

Seeking to give money to help your children or grandchildren? This is our recommended, tax advantageous, way of doing so.



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## Niche Investments

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For the overwhelming majority of our clients an asset allocated portfolio of equities and fixed interest securities is more than sufficient diversification. Yet we have some clients for whom more niche investments are suitable in moderation.

**Alternative Investment Market** - These are UK shares held for smaller UK companies listed on AIM. These shares may later be granted full listing on the UK Stock-Market. We recommend them as they qualify for Business Property Relief (BPR) and therefore these assets are outside of one's estate for Inheritance Tax after 2 years.

**Venture Capital Trusts VCT Investments** - Suitable for High Net worth investors, who have sufficient income to reclaim 30% Tax Relief on investment into a VCT, or have raised a taxable Capital Gain that they wish to roll over and who require no access to their capital for 5 years. Great for marginal rate tax payers.

**Enterprise Initiative Schemes (EIS)** - By way of money invested these are 4 times larger than VCT's, designed to help small companies raise money to grow their business. 30% Income Tax Relief on investment and Capital Gains Tax roll over relief. Minimum term 3 years. Great for marginal rate tax payers.

**Specialist Property Funds** - These funds invest in either commercial freeholds with ground rents or long leases. The funds produce a steady and undramatic income of around 4% per annum and are not affected by movements of property prices as they invest in land. They qualify for Business Property Relief, great for IHT.

**Cautionary Note:-** The above investment tools produce excellent results when used appropriately, but as they can be very volatile we recommend them as complementary to our normal Multi Asset / Multi Manager Investment Portfolios.



**"I'm not interested in minimum risk. I want long term gains without risk."**



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## Mortgage & Property News

Existing client? Don't forget our Prime and Executive Choice clients are entitled to a friends and family FREE Mortgage review and report, usual cost £387.00. Contact us to see if we can save them some money on their lending!

We offer to all clients free quotes for a variety of General Insurances through the award winning specialist Broker 'Uinsure'.

Lowest 2 year fixed residential rate @ 75% loan-to-value: <u>1.15%</u>	Lowest 2 year fixed buy-to-let rate @ 75% loan-to-value: <u>1.79%</u>	Lowest 5 year fixed residential rate @ 75% loan-to-value: <u>1.75%</u>	Lowest 5 year fixed buy-to-let rate @ 75% loan-to-value: <u>2.72%</u>
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### Average quoted mortgage rate

Two year fix, at 75% LTV



Source: BoE/Bloomberg. 07 Sep 2017

With a rise in interest rates looming, is now the time to 'fix' your mortgage rate whilst rates are rock bottom?

By James Williamson—Mortgage adviser



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# Don't get spooked!

## Halloween Wall of Numbers

**0.80%** Size of UK's share of  
World's tradeable  
investments. UK \$6.44  
Trillion, World \$800

**81%** Women in their 20s do not  
have a pension scheme and  
30% aren't saving for a  
pension because they don't  
understand them.

**8.5 million** ~ Number of UK  
adults with dependents who have no  
life cover with a life cover gap of  
£263 Billion

**25%** ~ Percentage of UK families  
with less than £95 in savings.  
High income families average sav-  
ings £62,885.00.

**144.20%** The difference  
in gains over 5 years between the best  
UK All Share fund and the worst.  
(209 funds)

**£40,000.00** how much better off those who receive  
financial advice are on average than their unadvised peers. Some good  
news for clients of Cornwall Finance & Investment Services!

**114%** The annual shortfall of money  
for costs of living in a care  
home is 114% of the average  
pensioners annual income.  
Costs for an average single  
room in a UK residential care  
home have risen by 5.2% up  
to £30,926.00 in 2016 which  
is more than double the aver-  
age pensioner's income of  
£14,456.00 leaving a  
£16,470.00 shortfall.

**£50,000.00** size of the aver-  
age UK pension pot at retirement.

**£479.00** Average annual

inflation adjusted loss made by a  
£20,000.00 Cash ISA.

THIS IS ONLY GOING TO GET WORSE!



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## **Are Cornwall Finance & Investment Services Ltd.** **Good Value for Money?**

In research conducted by Money Marketing, the following National IFA firms were asked about their maximum ongoing annual charge for funds under management.

Chase de Vere 1%, Bankhall 1%, Equilibrium 1.50%.

Cornwall Finance & Investment Services maximum annual management charge is 0.50%. Yes to great service, yes to great value.



### **Cornwall Finance & Investment Services:** **Our Ongoing Service Packages at a Glance:~**

#### **Prime Service**

The minimum annual fee for this service is 0.50% or £2,500.00

#### **Executive Service**

The minimum annual fee for this service is 0.50% or £587.00.

#### **Advanced Choice**

The minimum annual fee for this service is 0.50% or £387.00.

#### **Entry Level**

A "one-off" service, no annual fee.

**We hope you have a great Autumn and we look forward to speaking with you all soon.**

**Best Regards, Mark Ridgment & The Team at**  
**Cornwall Finance & Investment Services**  
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