



Cornwall Finance & Investment Services Ltd.
Independent Financial Advisers

Harlyn House,
Bonython Road, Newquay,
Cornwall, TR7 3AW
Tel. 01637 839098
Email: mark@cfislive.co.uk

New Investment Horizons

Dear One and All,

We present the latest edition of our newsletter. In this edition we will :-

- Update on the way forward for the World's Economies and the likely path of Investment and Capital Markets, over the rest of this year and beyond, caused by the Coronavirus Pandemic.
- Analyse the position of Asset Sectors.
- Provide an update on the Mortgage Market.

Thank you for reading this electronically. We hope to resume sending you printed versions when this is available. Cornwall Finance & Investment Services have been included in the Times Newspaper list of the UK's top 1000 IFAs, by customer satisfaction, for the 2nd year running. Thank you for rating us on www.vouchedfor.co.uk the "Trip Adviser" for Financial Professionals.

Please continue to rate our service, it means a lot to us.



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



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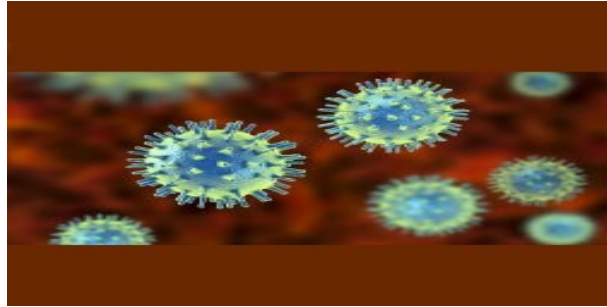
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Coronavirus Covid-19

The Coronavirus is a human tragedy and our deepest sympathy goes out to all affected. In March we sent you our thoughts on the unfolding crisis. As we now start to emerge from isolation, what have we learnt & what economic effects will there be?



Medically:~ This is the first wave Covid-19 will be with us for years. A vaccine is at very best over a year away and the only way to tackle this disease is by Testing, Tracking and Isolating house holds and groups when they become infected. In the pandemic of 1918 it was the 2nd wave that killed the most people.

Economic repercussions and effects on markets:~ Population lockdowns have caused supply and demand shocks a combination has not been seen since the globalization of the World Economy in the 1990s. The great fear is that the pandemic will cause a Global sustained depression, indeed we are already in a deep recession. In the USA 25% of the working population are unemployed. The Bank of England predicts that the UK economy will this year shrink by 14 per cent – the worst crash in 300 years. The UK economy shrank by just over four per cent in 2009 amid the financial crisis. The effects on certain industries will be profound especially in tourism & travel, hitting Cornwall hard.

Yet the economic support that has been rolled out by governments around the World has been unprecedented, jaw dropping in its scale. The USA has committed to \$2 Trillion dollars of support, the European Union \$826 Billion and the UK's Governments borrowing has risen (ratio of debt to national income) to the highest level in 57 years. The Bank of England says the economy will pick up quickly at the end of the year and grow by 15 per cent in 2021 regaining its pre-coronavirus size in the second half of next year. How quickly this can happen will depend on how well we can control the pandemic. The US, UK and other Governments want to get us out of lockdown as quickly as possible. But this can only be achieved safely with the correct Testing Tracking and Isolating in place. There may be several more frustrating weeks of lockdown and likely many years

of partial lockdowns to come. There will be political repercussions especially in nations that are perceived to have handled the pandemic poorly, (the USA & the UK).



Adam Kelly

CartoonStock.com

It will be interesting to see the political effect of this ineptitude in the US election in November and the UK EU trade negotiations over Brexit in January 2021.



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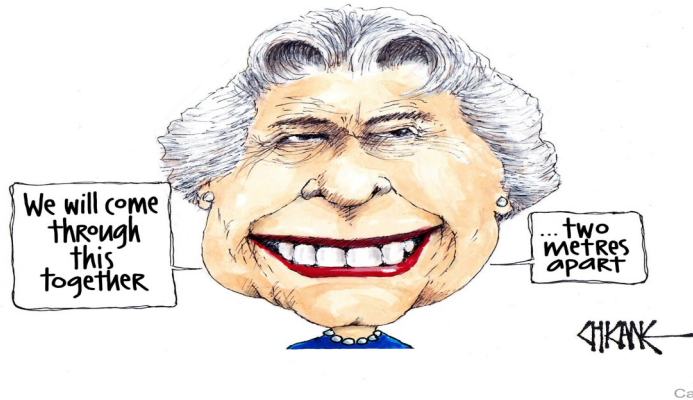


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There is one thing more contagious than a virus, hope.

The World changed so quickly for so many. It is interesting to see how in the few short months since the pandemic hit, how adaptable people and business have be-

come to the New Normal. For example how many had even heard of Zoom before this year, not me. Now for many it is an essential tool of communication.

In March the World's Stock Markets fell more quickly and more globally than at any time in history as the full extent of the economic interruption of the pandemic was understood. Many people were then mystified as the pandemic news worsened how quickly the World's stock markets bounced back from their lows. This is because the markets function is to see what the economies will be doing in 18 months time and what effect this will have on company profits. Markets are currently assuming, that economic activity will return to sort of pre Covid 19 levels by mid summer 2021. As certainty over the course of the pandemic increases and good news comes out on our ability to control the spread of this disease, this will be the driver of further stock market gains. Although the situation is and has been far from good, it has been a matter of pride for us, to see the protection we have been able to achieve for our clients, from the worst of the volatility, through our asset allocation models.

In recessions companies do not usually issue shares options, but increase their borrowing. Over the last 20 years we have recommended that clients hold more Equities than Bonds as the yield from Corporate Bonds and Strategic Bonds has been like bank interest rates, very small. This has proved successful. As companies seek capital to get them through this crisis, the level of interest they will need to pay will be much higher than of late. At your portfolio reviews we will be increasing client allocation to bonds, especially quality International Bonds.

We continue to be very concerned over the outlook for the UK, the UK's Governments handling of the pandemic has not been what we should expect. This leads us to believe that their handling of Brexit will not be any better and feel that this will negatively impact UK based assets. Unless we hear any patriotic protests from you to maintain your position, we will be reducing your portfolios UK Equity exposure and increasing holdings in International Bonds and International Equities.



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World Asset Allocation Review Sector Returns



UK CASH - Our least favoured asset class, Best rates for our clients through Octopus Cash 12month Fixed Rate 1.36% Inflation rate 1.94% = A Guaranteed loss of 0.58%. We do not anticipate this changing anytime soon, with the Bank of England posting its first ever negative interest rate.



UK FIXED INTEREST - For those who wish safer returns UK Government Gilts are seen as the logical choice. UK Corporate Bonds we see as higher risk than International Bonds.



INTERNATIONAL FIXED INTEREST - Government Bonds, Corporate Bonds, Emerging Market Bonds, as companies have to pay more to the funds they need so the potential returns to investors will increase. We see Emerging Market Bonds offering great potential for those with a higher risk profile



UK EQUITIES - The government's ability to handle actual Brexit on 31st Jan 2021 is very much in question. This and better opportunities available around the World has led us to recommend a reduction in allocation to this sector. However the UK market is relatively cheap and if Boris can pull off a workable Brexit trade negotiation then its fortunes may change, we certainly hope it does, but it is likely to be a bumpy ride.



USA EQUITIES - The US economy is in recession, however the US economic growth out of this dip is likely to be more rapid than most. This is an election year and Donald Trump said he wants his Presidency to be judged on the performance of the US Stock Market. He will therefore do everything he can to boost the American people and financial markets. It seems that the markets believe him as US Equities are back to 86% of their post crisis peak.



CHINA EQUITIES - Emboldened by perceived weakness in Western Governments China's government seems to have its own agenda and pursuing alarming policies such as abandoning the "One country, two systems" policy that gave economic and political freedoms to Hong Kong. This may lead to a resumption of the trade war with the USA. That said for long term capital growth, inclusion of Chinese Equities is essential.



EUROPE EQUITIES - Europe was one of the best performing asset class in 2019 and whilst we expect weaker growth in 2020 we can expect greater cohesion within the Eurozone boosting the prospects for higher returns. The long term effects of BREXIT and sustainability of the Euro remains a lingering question over this sector.



JAPAN EQUITIES - Greater corporate governance is helping Japanese company credibility, we believe Japanese Equities will emerge from the pandemic stronger relative to other sectors, e.g. UK Equity



GLOBAL EMERGING MARKETS (GEM) - After being suppressed for a long time we expect strong returns from this sector for the rest of 2020. Those who seek investment for higher long term growth, inclusion of this sector is essential.



COMMODITIES - Contraction of Worldwide economic activity has caused suppression of all commodities. Oil prices have been worst hit, with West Texas Crude recording its lowest ever price of -\$47 a barrel. Demand and prices are likely pick up with economic activity. For most of our clients this sector is too volatile for us to recommend direct holdings.



PROPERTY FUNDS - To reduce the risk from BREXIT and to aid diversity we now typically recommend funds that only invest in international properties across the World this sector is likely to be badly hit by the changes in working practice during lockdown. The lack of ability to make physical valuations has led most funds to stop all monies in or out, although this is now changing as lockdown eases.





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Mortgage & Property News

Our Prime and Executive Choice Service clients are entitled to a friends and family FREE Mortgage review and report, usual cost £387.00. This is proving popular and it is great for us to help the next generation.

General Insurance Services. We offer to all clients free quotes for Home and Contents Insurance, through the award winning specialist Broker 'Uinsure'.

Lowest 2 year fixed rate @ 75% loan-to-value 1.25%	Lowest 2 year fixed buy-to-let rate @ 75% loan-to-value 1.55%	Lowest 5 year fixed residential rate @ 75% loan-to-value 1.46%	Lowest 5 year fixed buy-to-let rate @ 75% loan-to-value 1.92%
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Is the Mortgage market on the mend? Over the past couple of months we have gone from a market with an abundance of high loan-to-value mortgage products to a market with many products capped at 65-75% loan-to-value depending on the lender. All the higher loan-to-value products were removed meaning the products that have helped so many of our clients onto the property ladder were no longer available. In January we were arranging 95% loan-to-value mortgages for clients with adverse credit and recently such lending has been hard to come by. Certain mortgage lenders such as Accord mortgages have now reintroduced mortgage products up to 90% loan-to-value again which is hopefully a sign of confidence as lockdown restrictions are starting to be eased.

Is it time to make your residential property a bit more Coronavirus lockdown friendly? Even if you have a current mortgage that is in a fixed period, we can look at second charge mortgages to avoid having to redeem the fixed rate mortgage and possibly incurring a big early repayment charge.

Business Loans We have been disgusted by the attitude of the High Street Banks in their lack of support to business through lockdown, even with the Government backing. If you or anyone you know has been affected, do not despair there are sources of lending very willing to offer the support you need, simply contact us, a World of financial support is there for you business.



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Cornwall Finance & Investment Services Ltd. Coronavirus Operating Restrictions

We are available by phone, email or Skype.

Cornwall Finance & Investment Services have temporarily stopped all direct client meetings.

We will continue to process our clients business and monitor our clients financial plans as usual.

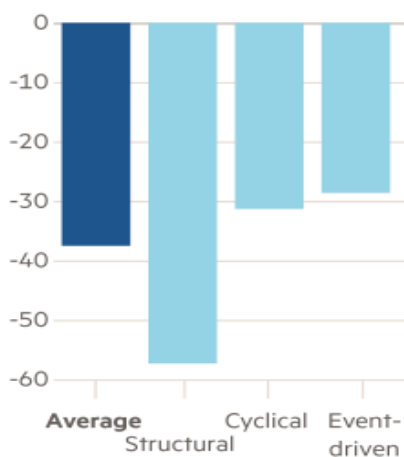
We will naturally keep you informed of developments and how they will effect you.

Please see the chart below which confirms our belief that the economic and stock market effects of the pandemic crisis will be short-lived.

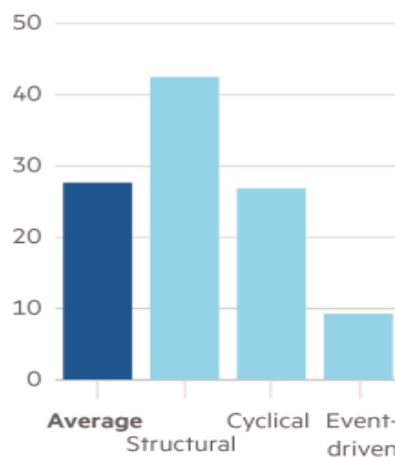
Stay well, we look forward to speaking with you soon. Mark and all the Team.

US bear markets and recoveries since the 1800s

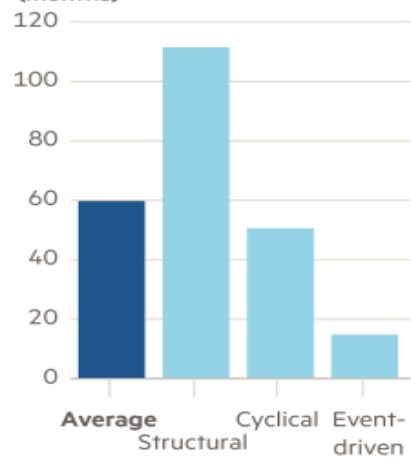
Average decline (%)



Average length (months)



Average time to recover (months)



Source: Goldman Sachs Global Investment Research
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