



## Your Winter Newsletter 2021

Independent Financial Advisers and Wealth Managers since 1999

### Welcome to the first Newsletter of 2021

In this video I talk about what we were doing behind the scenes to manage your portfolios in 2020; some recognition we have received and a thank you to our clients.



I hope you find this useful and please do not hesitate to contact your adviser directly with any questions or comments.

**Piers Mepsted,**  
Managing Director

### *In this Issue*

- 2 Market Overview
- 8 Markets and Investments
- 9 Your Adviser Discusses
- 11 We are winning recognition
- 12 Andrew Grant Partnership
- 13 Domestic Abuse Awareness
- 14 The Last Word

*For questions and advice  
get in contact today..*

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### **The final quarter of 2020 rounded off what will undoubtedly go down as one of the most extraordinary years in history.**

While the resurgence of COVID-19 cases in almost all countries continued to provide the main challenge for risk assets, the majority of our client portfolios managed to generate positive returns through the quarter once again.

Perhaps of more importance is that all portfolios have now generated a positive return for the 2020 calendar year.

While growth in COVID-19 cases sadly persisted through the period, early November brought news the world had been waiting for. A successful vaccine.

The findings were enough to send global stocks soaring and, just one week later, US firm Moderna announced its coronavirus drug had been 94.5% effective in testing, providing yet another leg up for markets.

This news proved a critical counter to the broader negative sentiment brought about by the virus and its economic impact.

Investors were hopeful that the widespread vaccination programme would enable an eventual, and potentially faster, return to 'normality' for the global economy.

In the US, the presidential election was the main focal point for much of the period.

Following a tense week of counting in a number of closely contested states, markets rallied after confirmation that Joe Biden would become the 46th President of the United States.

Biden's election removed a sizeable amount of political uncertainty, and will likely result in an easing of trade wars, which should boost global growth and corporate earnings.

Additionally, there is the belief that stock market volatility could be lower under Joe Biden than Donald Trump, with less chance of market disrupting tweets catching investors by surprise.





## Market Overview | part 2

### Record breaking highs in the US

Considerable attention was also paid to the uncertainty over whether another COVID-19 relief bill would be passed by Congress.

While it was widely expected that more support would be forthcoming, any hints that the bill may be at risk or could be delayed certainly gave investors the jitters.

By the close of the quarter, the upcoming inauguration of Joe Biden and Kamala Harris was confirmed and, crucially for markets, the details of a second US stimulus package were agreed.

A combination of the election outcome, vaccine positivity and encouraging employment data meant the US markets ended 2020 breaking their all-time highs.







## A relief surge in the UK

On home shores, we once again experienced another quarter of Brexit uncertainty and shifting deadlines.

The deal may not tick all boxes for either side, but the importance of having some form of agreement in place to prevent the uncertainty of a 'no-deal' situation cannot be overlooked.

Equity markets in the UK and Europe experienced some volatility as the potential of a deal swung back and forth, but when the announcement finally came on Christmas Eve, equity markets found themselves in a 'relief-rally'.

On the UK economic front, things were looking up.

- UK construction order books rose at the fastest pace for more than six years, the IHS Markit/CIPS Purchasing Managers Index survey data for the manufacturing sector beat expectations, as did UK unemployment.
- The Office for National Statistics reported slightly higher than expected inflation, but with inflation still looking well contained, it is broadly felt there is little pressure on the Bank of England to raise interest rates anytime soon. The Bank's Monetary Policy Committee also added that its central inflation projection showed the 2% target would be reached in two years' time.







### Positive messages come from China

Exciting news came from China, with President Xi Jinping announcing at the United Nations that China would commit to net zero carbon emissions by 2060. His carbon neutrality pledge would be significant news for many industries.

Jinping also broke his silence on Joe Biden's US presidential election victory, telling Biden that he hoped to "manage differences" and focus on cooperation between the world's two largest economies.

The period also saw Chinese factory profits growing for the fourth consecutive month, supported by an increase in exports, as overseas markets opened following lockdowns.

Chinese industrial production beat expectations yet again and Purchasing Managers Indices (PMI) survey data for the manufacturing and services sectors also added to evidence that the region was continuing to bounce back from the COVID-19 pandemic, with the PMI reading suggesting the strongest level of growth since 2012.

More broadly, the quarter saw China and 14 other Asia-Pacific countries form the world's largest trading bloc after eight years of negotiations.

The multilateral Regional Comprehensive Economic Partnership (RCEP) covers almost a third of the world's economy and is expected to enhance China's influence in the Asia-Pacific region.







## Optimism from other markets

Concern about the depth of India's recession was slowly replaced by optimism over a recovery.

Economic data – from car sales to services sector activity – notched higher and alternative data signalled robust domestic demand in an economy primarily driven by national consumption.

Despite data showing Asia's third-largest economy fell into its first technical recession since 1996, it still experienced a sharp recovery from the 24% contraction of the previous quarter.

Japan continued along its positive trend, posting solid economic data.

Domestic private demand, service consumption, capital expenditure and consumer spending all climbed, helping the country recover losses caused by lockdowns in the spring.

This, combined with the buoyant macro vaccination roll-out news, meant Japanese stock markets climbed to some of their highest-ever levels.

In oil markets, OPEC+ agreed to gently ease output cuts in 2021, providing a welcome boost to the oil price.

The deal appeared to satisfy the oil market and most OPEC members, but strained the group's unity and set up testing times ahead. The price of Brent Crude oil subsequently touched its highest level since March.







### Taking all this into account, what does this mean for your investments?

Our investment teams have taken a measured approach to the optimism and a lot of hope had been taken into account following the vaccine-inspired November rally.

Therefore, they do not expect a straight line upwards for markets from this point.

While the news of vaccines being introduced across the world is a considerable step in the right direction, it will not put an immediate stop to the sharp increases in global infection rates.

With the depths of winter still to come in the Northern Hemisphere, and challenges over the logistical task of distributing a vaccine globally, there is still reasons to expect heightened volatility in risk assets for the foreseeable future.

More than ever, 2020 has proved that a well-diversified portfolio remains the optimal investment approach.

Our investment partners believe this will continue to be the case.





# Markets and Investments

Outlook	Asset Class	Reasoning
↔	UK Equities	A post-Brexit trade agreement was reached just days ahead of the deadline, with the avoidance of a 'no-deal' situation being extremely important for markets. The Bank of England voted unanimously to maintain interest rates at 0.1%, temporarily dispelling rumours of negative interest rates. Britain made history by becoming the first western country to administer the Pfizer/BioNTech COVID-19 vaccine and we monitor the effectiveness of the vaccine roll-out with interest.
↑	US Equities	The presidential election was the main focus of investors during the quarter, and markets rallied after confirmation that Joe Biden had defeated incumbent Donald Trump. The election removed a sizeable amount of political uncertainty and will likely result in an easing of international trade wars, which should boost global growth and corporate earnings. With the Democrats taking control of both houses of Congress, further stimulus packages can be passed without the political wrangling that we have seen in recent months.
↔	European Equities	As in many other parts of the globe, persistently high COVID-19 infection rates are limiting the scope to relax restrictions. However, markets reacted well as the European Central Bank (ECB) announced further stimulus measures, left interest rates unchanged and confirmed its pandemic emergency purchase programme would be extended "to at least the end of March 2022". This is an important step in supporting equity markets for the coming months, until such time as current lockdown measures can be relaxed.
↑	Asian Equities	Data from China continues to show a strong recovery from the pandemic, and the election of Joe Biden will hopefully pave the way for a stabilisation of relations between the countries. Japan continued along its positive trend, posting solid economic data. Domestic private demand, service consumption, capital expenditure and consumer spending all climbed. Combined with buoyant macro vaccination roll-out news, there is a positive stance to the region.
↑	Emerging Market Equities	After eight years of negotiations, China and 14 other Asia-Pacific countries formed the world's largest trading bloc, the Regional Comprehensive Economic Partnership (RCEP). Despite data showing India fell into its first technical recession since 1996, concern was replaced by optimism as data from car sales to services sector activity notched higher and indicated a sharp recovery since the 24% contraction experienced in the previous quarter.
↓	UK Gilts	UK Government bonds displayed high levels of volatility, as fraught Brexit negotiations played havoc with the value of sterling. The UK Government announced a reform to the retail prices index (RPI) which will take place by 2030 and will impact the calculation of both the income and capital repayments made on index-linked gilts, with no compensation being offered. Returns on offer remain low, and there are more attractive opportunities elsewhere in the fixed income asset class.
↑	UK Corporate Bonds	Active managers have been able to take advantage of the volatility in sterling to produce some attractive gains in recent months. While some of this volatility may now reduce, active management in this sector can produce meaningful gains compared to the low level of return on offer from global government debt.
↓	Cash	Cash continues to be a vital component of portfolio construction. In volatile markets cash can act not only as a buffer to protect on the downside, but also to allow for flexibility for investors to deploy should attractive investment opportunities present themselves. With a broadly positive outlook for 2021 our investment partners are actively seeking to invest our cash allocations.



## Your Adviser Discusses | part 1

### **Now more than ever, make sure you are taking advantage of tax allowances before April 2021**

2020 was certainly an unusual year and one which has had many people paying even closer attention to their investments. We have seen more than ever the importance of tax planning to ensure you do not pay more on your gains than is absolutely necessary. There is still time before the end of this tax year, 5th April 2021, to take advantage of these tax allowances.

We have outlined the allowances below, but to discuss your specific circumstances and how they relate to you, please get in touch now. This will also ensure anything that needs to be done is organised in time for the April deadline.

#### **Personal Allowance**

You can earn £12,500 in tax year 2020/21 before you pay any income tax. Most people know there is a tax-free band but are paid through their employment and don't need to think too much about it. However, if you have retired and draw income from a personal pension then you may want to ensure you have taken the full £12,500 in total income (including State pension), before it is lost at the year end.

#### **Marriage Allowance**

If one partner in a marriage or Civil Partnership earns below £12,500 per year and the other earns below £50,000 per year then it is possible to transfer up to 10% of the lower earner's Personal Allowance (of £12,500). This transfer can be done for the previous tax year so get it done before the tax year-end in order to take advantage.

#### **Pension Annual Allowance**

Each year every individual UK tax resident under the age of 75 can contribute to a pension and receive tax relief. There are various rules concerning the amount you can contribute however, you should always use the allowance if possible – please contact us to discuss.

#### **ISA Allowance**

We all have an annual allowance of £20,000 which can be put into an ISA. This allowance cannot be carried forward into the next tax year, so if you have not utilised it, please get in touch to ensure it is completed by 5th April.







### Capital Gains Tax (CGT) Allowance

The capital gains tax allowance is £12,300 for 2020/21. This allowance is often overlooked but can give significant benefits if you have investments and assets outside of Pensions or ISAs. You may want to consider realising some of the gains on non-ISA and non-Pension investments, in order to make use of this allowance. As with ISAs, the CGT allowance cannot be carried forward and must be used in each tax year.

There are a few other schemes promoted by HMRC, designed to encourage individuals to invest in the UK economy, with the incentive being a reduced tax bill.

### Venture Capital Trust (VCT)

A VCT is a listed company in which you invest. Upon investment, you will receive a tax rebate of up to 30% of your investment from HMRC up to the level of income tax you paid in that tax year. The maximum you can invest in any one year is £200,000 and you must hold that investment for at least five years in order to benefit from the Income Tax relief. Dividends paid from a VCT are tax-free. Although the risks of a VCT investment need to be considered carefully, this is an effective way to reduce your tax bill.

### Enterprise Investment Scheme (EIS)

The EIS is designed to help smaller, higher-risk companies raise finance by offering tax relief on new shares in those companies that qualify.

For the investor, it's a tax-efficient way to invest in small companies – up to £1,000,000 per year with Income Tax relief of 30% (again, restricted to a maximum of the value of income tax you pay).

The minimum holding period is three years.

EIS's have other tax advantages - they are exempt from CGT, you can obtain loss relief against other investments if your EIS makes a loss, and you can defer CGT on other investments if you invest the gain in an EIS.

What makes it even more attractive is the 'carry back' facility where investments can be applied to the preceding tax year i.e. the investment is treated as if it is made in the previous tax-year and you get relief on the previous years' Income Tax.

This is a very brief overview of some of the tax planning options available. To find out more please get in touch to discuss your alternatives and help you plan for a tax-efficient future.







## We are winning recognition

### Rewarded for the way we do business

We have been working very hard to lead by example in our industry and this approach was recognised and awarded in 2020.

#### NMA Award – Top 100 IFA Firm

We are pleased and proud to announce our business was selected by City Wire, New Model Adviser Top 100 for 2020/21.

This accolade recognises top IFA firms across the country. This is a huge achievement for our business and we were the only business in Worcester and one of only three in the West Midlands to be identified.

The award highlighted several of the charitable activities we have been involved with in the last 12 months and our fair-minded and ethical approach to business.

Firms awarded are recognised for their well-qualified staff, robust investment propositions, carefully segmented client bases, good use of technology, willingness to share best practice, client education, recruitment and contribution to professional standards to name just a few factors.







## We are winning recognition

### The way we work with vulnerable clients

Following our UK Top 100 Advisers Award we were then even more pleased to have our approach to vulnerable clients receive special mention in a dedicated article that went out after the awards were announced.

We don't charge for this work because we think that's the right thing to do.

In this article they explored how the UK top 100 IFA firms work with their vulnerable clients.

Read it [here](#)!



### Andrew Grant

### Asked to partner with local estate agents, Andrew Grant

After careful consultation and consideration Andrew Grant asked Financial Advice Centre Limited to act as the recommended mortgage advisers for their clients.

Andrew Grant relaunched in June 2020 as a new approach to estate agency, introducing a more responsive and dynamic approach to home sales and purchase.

They nominated Financial Advice Centre as a working partner in recognition of our 20 years of dedicated, local experience and pillars of commitment to clients.

We are exceptionally proud and excited to work with Andrew Grant. Their commitment to evolution and putting client relationships at the heart of what they do ties in perfectly with our ethos.







## Domestic Abuse Awareness

We are honoured to be part of a very important pilot programme being rolled out to businesses in Worcestershire to embed Domestic Abuse Awareness Champions within companies. This is part of efforts being undertaken by the Ministry of Housing, Communities & Local Government (MHCLG) and Public Health. Worcester Community Trust has been tasked with building community support in Worcestershire to provide a practical and resilient response to domestic abuse by training Domestic Abuse Champions.

This excellent community based project has been devised and rolled out to give businesses a very real opportunity to make a difference to those suffering Domestic Abuse. As Champions we nominated individuals within our organisation to participate in extensive training workshops to learn how to help support and seek appropriate assistance for those living with Domestic Abuse of any kind whether physical, emotional, financial or sexual.

The initial focus of the training was for business representatives to become more aware so they are able to better support their employees. **However, we are extending this role beyond just our team to raise awareness of these issues within our wider community.**

Piers Mepsted, Managing Director, recently completed the training and said:

“This training is exceptional and I would encourage every business with staff they care about to get involved.

With so many individuals currently working from home and confined to their houses levels of Domestic Abuse have skyrocketed. Domestic Abuse comes in so many forms including Financial control and for so many men and women – 1 in 6 men and 1 in 4 women. It struck me as we were learning to identify warning signs and how to help, that as a business we have over 4500 clients across the West Midlands, and are therefore uniquely placed to help. Through the process of learning and educating ourselves we have come to understand how pervasive a problem this is and we want to do what we can.

Many of us will suspect, or know someone who is living with and surviving domestic abuse because it is an issue that crosses all classes, professions, genders and regions. But it is also something that does not have to be endured with the right support - and there is a wealth of support available. Our doors are open and we are here to help.”

**Anyone who would like to find out more information our Champions' details are below. All conversations are strictly confidential.**



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Businesses seeking to get involved to support their employees should contact:  
**desley@worcestercommunitytrust.org.uk**



## The Last Word

When thinking back about 2020 we will all remember it for one big reason that impacted us all. But what about the good things that came out of this unusual time? We asked our team about some of the good things that came out of 2020 and here's what they had to say...



Piers



Craig



George



Adam



Edward



Steve

“Getting out in nature has been central to our surviving lockdown. We have been **exploring** our local area in the **Malvern hills** as part of our daily exercise.”

**Piers Mepsted**

“I was one of the early victims of Covid-19, I spent a week in hospital and was diagnosed with Pneumonia. Thanks to excellent care from our brilliant NHS staff I recovered well.

During my recuperation I took to cleaning my golf shoes, desperately waiting for the courses to reopen. When they did, I was lucky enough to realise a longstanding dream at **Royal Birkdale**.”

**Craig Gracey**

“The children and I have celebrated all of our birthdays out in **Golden Valley** where we live and love to have a **good old roast** which is our favourite followed by a gorgeous walk across the Valley. We have made some wonderful memories during 2020 despite the Pandemic and also had a new edition to the family – ‘Winston’ our Black lab who is loving it out here with us.”

**George Roberts**

“For me 2020 was **all about family** – we had the addition of our son, Ned in August, and working from home for most of the year meant I got to spend a lot of time with them – most of it was enjoyable – home schooling was not a highlight though!! Allowing Hattie to help make her birthday cake also ended up with a lot of mess! As like with most of us, **walking as a family became a regular occurrence** – Bethan loves to take a hot chocolate with her!!”

**Adam Smith**

“What a year 2020 was, a big year of change for me! I started my fantastic journey with Financial Advice Centre and I am loving it. The warm lockdown meant that I got to **spend more personal time with Bethanie**, we even got a Fox Red Labrador puppy called Hugo.”

**Edward Dalley**

“I haven’t done too much except work over lockdown. I did however learn to always check the weather forecast prior to going mountain biking though as even though this picture was taken in December it’s probably taken until now for me to feel my hands and feet again!”

**Steve Hemming**





## The Last Word



Kirsten



Martin



Jo Johnson



Jo & Steve  
Baker



Niamh



“I **volunteered** to do weekly shops for those shielding so unable to leave their homes. Along the way we met a wonderful retired musician who has since become a friend. When we came out of lockdown it was just in time for us to help him celebrate his 90th birthday, and he treated us to some music too.”

**Kirsten Palmer-Jeffery**

“2020 wasn’t all bad- **daily walks with the kids** became a staple and the dog and the horse have never been fitter.”

**Martin Febery**

“I **walked 1083 miles** from Lands End to John O Groats, we set off early November and made it to the final destination in time for New Year’s Eve 2020, Hogmanay style! This walk was ‘virtual’ of course tracking our way through subscribing to an app, and all for charity. I completed this walk with my fellow Rotarians, we are all members of the Pershore Rotary Business Club and we raised over £2800.00 for a local care farm.”

**Jo Johnson**

“We observed some very unusual events through lockdown and lots we never thought we’d see. One of the nicest was **discovering that teenagers can actually walk outdoors** (and smile!)”

**Jo Baker**

“I was unlucky enough to get COVID. But having had it, supporting the NHS and doing what I could to help felt even more important, so I **began giving blood** again and that’s a positive thing.”

**Steve Baker**

“We LOVE food in our house, we’re always trying new recipes and I’m now a self-proclaimed master in sushi making. Also living with a musician has started to rub off as I’ve been **learning to play the piano**...always like a new challenge.”

**Niamh Byrne**

“I am trying to teach myself how to play the guitar. I am not great at it... but I am enjoying it!”

**Doug Caldwell**



# About Financial Advice Centre Limited

Financial Advice Centre Ltd is a team of Worcestershire based Independent Financial Advisers (IFA's) and Wealth Managers. Founded in 1999, the team has grown to become a leading West Midlands based firm recognised for progressive thinking and a refreshing, transparent approach to managing and advising on client funds.

Our team of IFA's have deep technical expertise and offer an innovative approach to financial advice as seen through our proven pedigree of successful strategies in these areas:

- Bespoke Investment Strategies
- Retirement Planning Solutions
- Pension Drawdown and Freedoms
- Wealth Management
- Inheritance Tax Planning
- Mortgages
- Life Assurance and Protection

We are active Advisers with a unique charging structure focussed on building long term relationships and consistently adding value to clients' investment propositions. Our aim is to provide a service that is both forward-thinking and independent to help clients achieve their financial objectives.

Clients choose to work with us because we simplify a complicated financial environment and consistently deliver results in a way that's easy to understand.



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