financial advice centre

Independent Financial Advisers

Your Summer Newsletter 2021

Award Winning Independent Financial Advisers since 1999

We hope this latest issue of the newsletter finds you keeping cool in these record breaking temperatures.

We have some interesting articles for you this quarter. In this issue you will see the usual investment summary and outlook articles as well as some informative content about cryptocurrencies and financial abuse.

Please look after yourselves and as always, do not hesitate to contact us with any comments, feedback or requests for future articles on office@face-uk.com

Piers Mepsted,
Managing Director

In this Issue

For questions and advice get in contact today...

Head Office
Financial Advice Centre Ltd
7 Sansome Place
Worcester WR1 1UG

T 01905 731 864
E office@face-uk.com
www.face-uk.com

LinkedIn ltd_financial

Market Overview | part 1

Global equities have enjoyed a fairly strong quarter, rising in almost all regions against a backdrop of less volatility which currently sits around the lowest level seen so far in 2021.

This drop is mostly attributed to markets managing to better digest both the positive and negative implications for higher growth and inflation across the global economy. It also comes from a greater understanding around the implications of the spreading of COVID-19 and of course, the all-important supportive language that continues to come from central banks and governments across the globe.

The delta variant

Despite a generally more buoyant mood, the spread of COVID-19 remained firmly in focus and is still making headlines for the wrong reasons.

The spread of the 'delta' variant has impacted many countries, particularly India and Japan.

At one point India reported a world record one-day jump in cases and infection rates in Tokyo and Osaka also raised the question whether the Olympics would go ahead as planned.

Investment markets have so far taken this in their stride, buoyed by the vaccination roll-out successes of many nations, in particular the UK who at one point recorded no new daily COVID-19 deaths for the first time since the pandemic began.

Crucially for everyone however, is the emerging evidence showing the link between rising case numbers, hospitalisations and deaths is starting to break down, suggesting that the vaccine is working as intended against the variant.

Market Overview | part 2

Inflation

Of greater focus for markets continues to be inflation, reiterated further by the published results of a global survey of fund managers that showed for the first time since February 2020, inflation topped COVID-19 as the biggest threat to the world economy.

A net 93% of managers forecasted higher inflation over the coming 12 months (the highest percentage of respondents ever recorded).

Predicting inflation has been notoriously difficult and despite best efforts from forecasters, confirmed prints have often wildly missed expectations.

Just this quarter, we have seen U.S. inflation jumping by near record amounts, well ahead of expectations at the time. As expected though, the gains were largely attributable by price increases in categories linked to the broader reopening of the economy.

Outside of the U.S. inflation has been lower, but still in focus. At one point, UK inflation actually came in below expectations but has subsequently breached the Bank of England's 2% target for the first time in two years driven by rising household utility, clothing, and motor fuel prices. Eurozone inflation accelerated too with energy costs being the main culprit once again.

It wasn't just inflation data that was proving difficult to estimate, unemployment figures were also surprising markets, in particular the U.S.

April's Non-farm payroll report showed a spectacular miss adding just 266k jobs against expectations of 1m. A more recent payroll report reiterated this as the actual number of jobs added came in below expectations once again. Perversely markets took this as a positive as it boosted expectations for support measures and stimulus to continue as well as easing inflation fears.

Market Overview | part 3

Away from inflation, the quarter welcomed significant milestones for the main indices in the UK and U.S.

On home shores, the topflight FTSE 100 broke through the 7,000 level for the first time since February 2020 on the back of positive economic data and a buoyant commodities market.

The Bank of England further lifted sentiment thanks to their prediction that the UK faces the best year of growth since the second world war.

In the United States, the S&P 500 tipped the 4,000 mark for the first time when President Biden unveiled his $2.2 trillion infrastructure investment proposal which was billed as as the most sweeping economic investment since the original U.S. space program.

Later in the quarter saw yet more record highs set when we received confirmation that President Biden had reached agreement with a group of bipartisan senators on a carve-out of the original bill which totalled in the region of $579 billion.

The plan focusses heavily on road and rail upgrades, with the latter actually getting more spending than broadband.

More broadly, this announcement helped to underpin a sense of optimism that the U.S. recovery will continue to push ahead.

Market Overview | part 4

Chinese sanctions

Tensions between China and the West came into focus during the period after the UK, the EU, the US and Canada all imposed sanctions on Chinese officials involved in the mass internment of Uighur Muslims in Xinjiang province.

In retaliation, China imposed sanctions on several EU officials for "harming" the country's sovereignty.

On the data front, China posted solid growth figures confirming a big rebound in their first quarter GDP numbers as well as strong retail sales numbers.

This certainly served to add fuel to the fire of general optimism in equity markets at the time.

Market Overview | part 5

Japan

Stronger than expected domestic and external demand led the Bank of Japan to raise its projected growth rates, particularly for the 2022 fiscal year.

The bank now expects 2.4% growth, compared with the 1.8% expansion predicted in January.

Japanese retail sales rose ahead of the median market forecast which marked the first positive growth in four months, as consumer demand showed signs of recovering from the pandemic.

The country also embarked on a mass vaccination programme of people aged 65 or older in Tokyo and Osaka, scheduled to stretch over the next three months.

The introduction of two mass vaccination centres highlights the government's willingness to play a more active role, but municipalities will remain responsible for the majority of the nation's vaccine rollout.

The country still significantly lags other developed nations in its vaccination efforts, and its healthcare system is struggling to cope with the latest surge in cases which has hampered market returns notably from the region.

As we continue into the post-COVID-19 world, we acknowledge that the recovery will likely be bumpy, creating opportunities along the way.

Of key importance to all this is the acknowledgement that any moves from central banks relating to interest rate hikes or supportive measures being reduced, will be communicated well ahead of time to markets and it is reassuring that banks want to give as much transparency as possible and see real value in communicating their moves well in advance.

Markets and Investments

Outlook	Asset Class	Reasoning
↑	UK Equities	The UK economy grew at its fastest monthly rate since July 2020, having jumped 2.3% in April as lockdown restrictions continued to ease. In a year-on-year comparison, GDP in April grew by 27.6% compared to the same month last year, although the UK economy was still 3.7% smaller than it was in February 2020. Economies continuing to reopen more broadly supports a buoyant commodities market which should continue to be supportive for UK equities.
↔	US Equities	U.S. headline inflation jumped at a month-on-month pace of 0.6%, the second-largest advance in more than a decade. CPI jumped 5% in May from a year prior which was the largest annual gain seen since August 2008. U.S. stocks also touched new highs following President Biden's agreement with a group of bipartisan senators on a $579 billion infrastructure package. The widespread view is that the U.S. economy will continue with its recovery.
↑	European Equities	European inflation has also been in the spotlight but confirmed prints have done little to spook markets so far. The European Central Bank reiterated its pledge to support the economy and ECB President, Christine Lagarde, said that accelerating U.S. inflation will have only a limited impact in the euro area. European stocks continue to play catch-up after the pandemic-induced volatility they suffered last year; yet even tighter lockdowns in markets such as France and Germany have not slowed the rally. Indications are that the market is pricing in a strong improvement in vaccine progress, and an overall global growth lift to European economies.
↔	Asian Equities	Japan suffered its second main wave of infections despite largely handling the pandemic well during 2020. The two largest waves of infections, and a slow vaccine rollout that lags world averages, has created discontent in the country, leading to protests over the upcoming Olympics. Taiwan – a powerhouse in terms of chip manufacturing – has seen a surge in virus cases more recently which adds doubt to any global synchronised growth regime as well as adding to supply chain pressures more broadly. Sentiment in the interim will likely be driven by abilities to control the spread and improve vaccination rollouts.
↑	Emerging Market Equities	Emerging Market countries continued to broadly recover thanks to their heavy reliance on export markets which is improving as global economies reopen. Two key factors for Emerging Markets are business conditions and funding stress, being so reliant on dollar funding, which have both been heading in the right direction. However, certain regions, notably India, have been particularly hard hit with COVID-19 cases.
↓	UK Gilts	Gilts have had a slightly better month however wider inflation concerns continue to act as a headwind for the asset class. Our investment partners expect volatility to remain high while the inflation outlook remains uncertain.
↑	UK Corporate Bonds	Inflation concerns have also hampered returns from corporate bonds, but we believe this volatility is a positive environment for active managers. While this volatility will likely continue through the second quarter of the year, we maintain our stance that active management in this sector can produce meaningful gains, and provide downside risk protection, 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. Our investment partners broadly positive outlook for 2021 has seen them gradually investing cash allocations.

Your Adviser Discusses | part 1

There is a general feeling of positivity with lockdown restrictions slowly lifting and the better weather returning, however, the main sentiment coming from the market is around inflation.

Inflation, the general rise in the price level of an economy over a period of time, reflects a reduction in the purchasing power per unit of money – a loss of real value. High rates of inflation can be harmful and are caused by excessive growth of the money supply. There is a feeling in the investment community that we are seeing this today, with the likes of President Biden pumping trillions of US Dollars into the economy.

Inflation affects economies in various ways and if rapid enough, shortages of goods can occur with consumers excessively buying products and services in fear of future price hikes, which compounds the issue further. Today, most economists favour a low and steady rate of inflation. However, in times where fiscal policy dominates, inflation is the risk all investors should now be guarding against.

For years, market participants have been told that inflation has been too low. Now that it has smashed through the Federal Reserve's 2% target, there is a prospect of much higher prices for goods and services.

When we talk to clients about investments, for many the first thing they think about is the risk involved. What we aim to explain is that in order to make a reasonable return, you need to take a reasonable risk.

However, what many do not think about is the risk of doing nothing. Inflation erodes the purchasing power of the pound in your pocket and even money in a savings account is unlikely to bear enough interest to keep pace with the change in prices. This problem is exacerbated when increasing inflation is accompanied by low interest rates over time.

Just to illustrate this a bit more effectively let's say you have £5,000 in the bank getting interest of 0.5% per annum and inflation is 1.5%. After 10 years you will show £5,255 in your bank account but it will only pay for £4,500 worth of goods or services in today's money. If we increase the inflation rate to 2.0% (the target rate for the Bank of England) then the purchasing power of your savings over the 10 years has decreased to £4,300. All without taking a single investment risk.

Your Adviser Discusses | part 2

In order to retain the purchasing power of your hard-earned savings, it is exactly at times like this that investment makes sense. There is simply no other effective way to retain value.

Let's look at investment risk on a scale of 1 to 10, where 1 is putting the money into a savings account and 10 is taking a trip to the casino.

An investment at a level 3/10 should be enough to keep pace with inflation over time after charges, and perhaps exceed it, over the economic cycle.

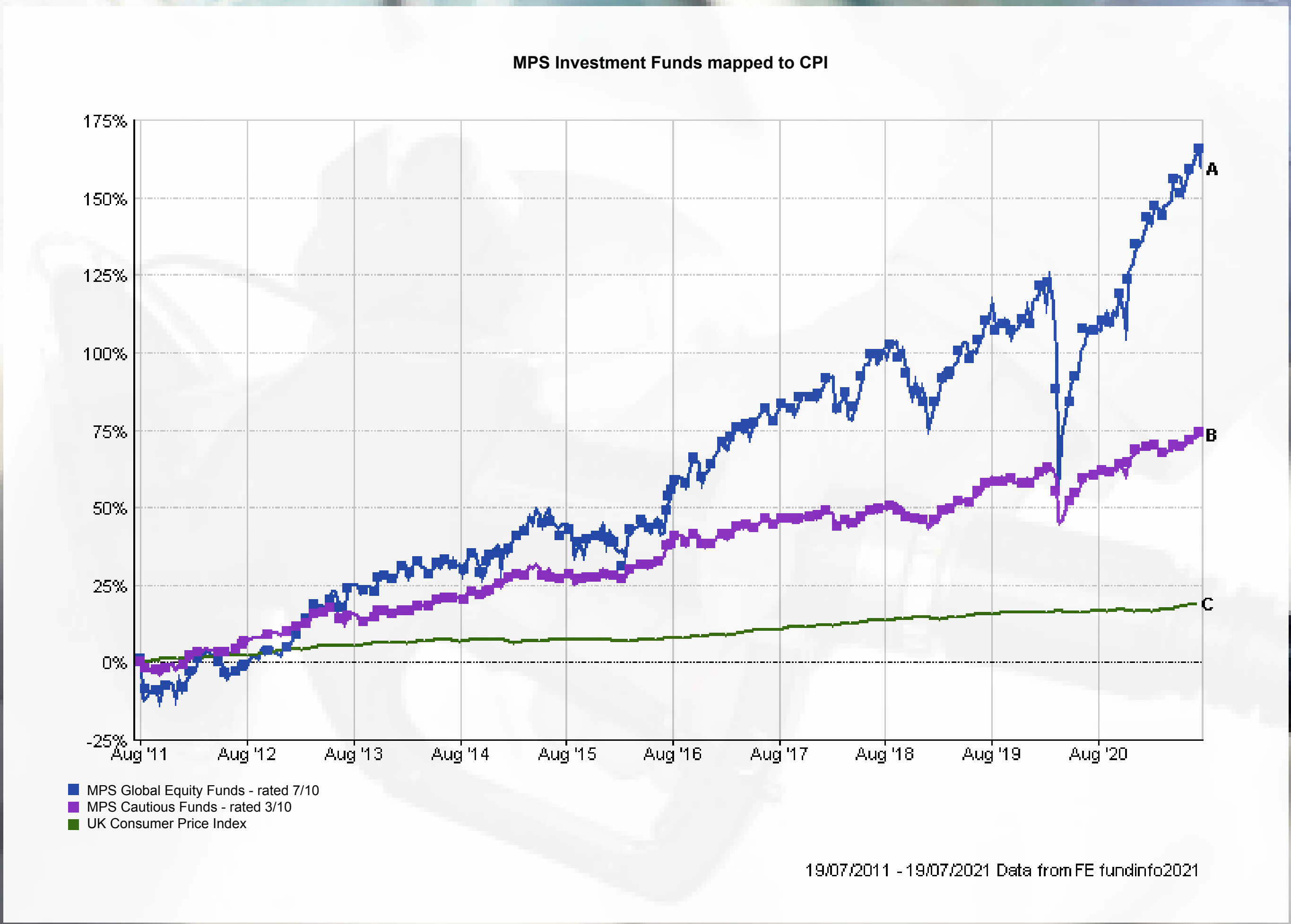
This comparatively low risk portfolio which is well diversified, with the risk spread over many asset types helps to smooth out the volatility of the markets.

We would always suggest keeping an amount of cash in the bank, for emergencies, but beyond this it is worth considering investment as a hedge against the inevitable march of increasing prices.

Please look at the chart we have provided below which shows the difference over time of the last 10 years.

We have mapped the CPI (to show inflation); an investment portfolio (10 being the highest) with a risk profile of 3 out of 10. and a risk portfolio rated 7/10 to show the returns over time.

You can clearly see the difference in the value of these funds over time.



Cryptocurrency | part 1

Cryptocurrencies are in the news at the moment, so we thought we would explore what they are and what they mean for investors.

What is cryptocurrency?

A cryptocurrency is a digital currency that uses cryptography as a means of security.

Cryptography is the process of converting ordinary plain text into unintelligible text and vice-versa. It is a method of storing and transmitting data in a particular form so that only those for whom it is intended can read and process it.

Even though the general public has only stumbled upon cryptocurrencies over the past few years they date back more than a decade. Most cryptocurrencies operate without the need for a central authority such as a bank or government and operate instead through a distributed ledger to spread power among its community. A cryptocurrency has a set, defined monetary policy, whether it be a fixed limit of tokens or allowing the creation of new tokens based on predetermined rules.

When was Bitcoin created?

In October of 2008, a white paper by Satoshi Nakamoto was released. This paper described a decentralised network used to fuel a new cryptocurrency called Bitcoin. Over the next several years, more cryptocurrencies would be launched on the back of Bitcoin and ride the emerging cryptocurrency wave.

Cryptocurrencies go global

By 2014, there were already dozens of cryptocurrencies. Some of these, like Ethereum, would continue to grow and thrive over time, yet others would go bust as quickly as they came into existence. By 2017, cryptocurrencies were becoming the darling new niche of the financial world, hailed as a saviour from a "corrupt" financial system. They were bought and sold on new trading platforms. By the end of 2017, Bitcoin had skyrocketed in price from $900 to $20,000, and then to over $30,000 currently.

How does it work?

The distributed ledger that holds cryptocurrency transactions is known as a blockchain. A blockchain consists of blocks, which hold individual transaction information. This information is timestamped and posted to the ledger so that each transaction can be verified by other blockchain stakeholders and never be altered.

Cryptocurrency | part 2

Let's say you want to send your friend a small amount of Bitcoin. You create a transaction using your Bitcoin wallet and request to send Bitcoin to your friend's wallet. After you make the transaction request, your transaction gets grouped with other transactions into a block on the Bitcoin blockchain. This block is verified by miners and posted to the blockchain, making the transaction complete.

Through this process, you can send cryptocurrency to anyone, anywhere around the world, with low transaction fees. Not only will the transaction usually be completed in a matter of seconds or minutes, it will only cost you a fraction of the fee you would have paid using a traditional money transfer service.

What is cryptocurrency used for?

One of the early appeals of cryptocurrency was that it offers you the opportunity to transfer large amounts of your wealth anonymously without any government or institutional interference. These days, cryptocurrency is used by some owners to take care of routine matters such as paying bills. Others use it as collateral to obtain online loans.

Still others put their digital currency to use by investing in business start-ups. The combination of innovative tech ventures and cryptocurrency seems like a natural fit. You can also use your digital currency to travel the world. Arrive at your destination in the luxury vehicle you purchased with your cryptocurrency or on the airline that readily accepted your Bitcoin.

What is cryptocurrency mining?

Cryptocurrency mining refers to the reward gained from verifying transactions on a blockchain. Blockchain transactions are encrypted when added to a block. Therefore, these transactions need to be verified for accuracy before the blockchain can continue adding transactions to the next block. This is where miners come in. Miners use their computing power to solve complex mathematical problems to verify transactions in a block on the blockchain. The first miner to solve the problem and verify all of the transactions in a block is rewarded with a fee for their services. This method of securing a blockchain is known as proof of work (POW).

Why do cryptocurrencies have value?

It seems strange to some people that cryptocurrencies have value when most of them are not official products of a sovereign nation. However, the misunderstanding goes hand in hand with a misunderstanding of the definition of currency. Simply put, currency is anything that buyers and sellers agree will serve as a form of exchange between them.

There are enough investors and traders of cryptocurrency to make it an attractive form of currency to people around the world.

Cryptocurrency | part 3

What might the future hold for cryptocurrency?

First, cashless and mobile payments will continue to grow globally, helping in cryptocurrency adoption and usage. Cryptocurrencies, like Bitcoin, will see their technology advance and use cases grow, leading more and more merchants to accept cryptocurrencies as a form of payment.

The main issue with cryptocurrencies is their ease of use. Today, it still requires some level of technological understanding to utilise cryptocurrencies to their fullest potential. As more projects and developers work on user interface and design, cryptocurrency offerings will become easier to use for the average person with little to no technical knowledge. Once this happens, watch out, because there will be no limit to how high cryptocurrencies can grow.

Investing in cryptocurrencies

The technology behind cryptocurrencies, including Blockchain, are here to stay and proving to have many uses in the secure custody and transfer of assets.

However, cryptocurrencies themselves- rather than the infrastructure- are a different beast. As with all investments, it is worth exercising caution and remembering a few pointers:

- Do not invest more than you can afford to lose. This goes for any investment but especially for cryptocurrencies which have no intrinsic value. Ideally, your investment would come from disposable income rather than your savings.
- Consider your investment like gambling. There has been plenty of money made, but also plenty lost. Bitcoin investing is not a “skill” when something like a Tweet from Elon Musk can wipe 10% from the value.
- Expect volatility. The price of a Cryptocurrency largely depends on supply and demand, as there is no underlying asset. This means you can see huge fluctuations on the slightest whim. This volatility includes increases, as well as decreases, in value.
- Warren Buffet is famously critical of Bitcoin saying “It’s ingenious and blockchain is important, but Bitcoin has no unique value at all. It doesn’t produce anything. You can stare at it all day and no little Bitcoins come out or anything like that. It’s a delusion, basically.” However, Mr Buffet has been wrong before and there are plenty of opposing views.

If you are interested and feel that cryptocurrency is the future, then a modest investment is understandable. However, the market is very high risk, highly volatile, unregulated and not well-understood and it is essential that you understand this before you part with any of your hard-earned money.

We are Financial Advice Centre are not able to provide advice or recommend our clients invest in cryptocurrencies.

Domestic Abuse Champions update

You may recall in our January newsletter earlier this year we mentioned being part of a pilot programme to educate business professionals about Domestic Abuse to help support their staff.

This is part of efforts being undertaken by the Ministry of Housing, Communities & Local Government (MHCLG) and Public Health.

We have extended our involvement in this programme by identifying another Champion to provide mortgage support to those experiencing Domestic Abuse.

Mortgage specialist, **Niamh Byrne** has been trained to understand the particular challenges of facing those experiencing financial abuse and providing confidential free of charge support.

We asked **Desley Whillians**, Independent Domestic Violence Adviser, a few questions about Financial Abuse.

What is Financial Abuse?

When one person deprives their partner of financial resources or the ability to make money.

This creates financial dependency, which is a way to control them or prevent them from leaving the relationship.

This could involve, but is not limited to not letting him/her know about or have access to family income; making him/her ask for money; giving him/her an allowance or taking money and/or property without consent.

Is it a money issue or financial abuse?

Expecting your partner to stick to a budget could just be wise money management and limiting spending or designating a person to handle the finances is okay IF both parties agree to the arrangement.

However, unreasonably withholding funds by using phases such as "I'm just trying to be smart with money" is financial abuse.

Vastly uneven resources, especially if only one person is deciding the allocation, is an indication of excessive financial control.

How should we think about money in a relationship?

In a healthy partnership, both individuals should have access to the resources they need and both partners should have access to resources and an equal say in financial decisions.

Desley, a personal question, tell us about the song you've recorded making waves online?

Yes, I have written and recorded a song and video about Domestic Abuse to raise the profile of what it is, who it affects and how to get help.

I wanted to try to reach those harder to reach who maybe aren't going out regularly to work and school or seeing friends and family.

The song has been picked up by local radio stations and is already having a positive impact which I am so very pleased to see.

Please do listen to it and feel free share it on your platforms too.

You can access Desley's song **here**.

To reach out for Financial Support please do not hesitate to contact any of our Champions or Desley directly.

Desley Whillians (left) Niamh Byrne (right)

Niamh Byrne | 01905 723 058
niamh@face-uk.com

Piers Meptsed | 01905 731 864
piers@face-uk.com

Angela Whillians | 01905 731 864
angela.whillians@face-uk.com

The Last Word

Our team have been making us proud again this quarter.

Jo Johnson took an ‘alternative holiday’ this year and walked 100 miles from Chipping Campden to Bath, along the Cotswold Way.

Katrina Williamson completed two wing walks in aid of charity for the Grace Kelly Childhood Cancer Trust raising £1000.

Craig Gracey cycled 50 miles for the land mines charity MAG (Mines Awareness Group) to raise money for this exceptional cause.

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
- Wealth Management
- Pension Drawdown and Freedoms
- Life Assurance and Protection
- Inheritance Tax Planning
- Mortgages

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.

financial advice centre
Independent Financial Advisers

E office@face-uk.com
www.face-uk.com

Head Office
7 Sansome Place
Worcester
WR1 1UG

T 01905 731 864

Bromsgrove Office
3 Birch House,
Harris Business Park
Hanbury Road, Stoke Prior
Bromsgrove B60 4DJ

T 01527 362490

Wolverhampton Office
Hilton Hall Business Centre
Hilton Lane, Essington
South Staffordshire
WV11 2BQ

T 01902 939150