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RT FINANCIAL PLANNERS LTD

NEWSLETTER – JULY 2021

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Market Update

With the US Federal Reserve still able to control the narrative on inflation, risk assets had another good month in June. Global equities, broad commodity indices and diversified property all ended the month higher – and high-yield and corporate bonds continued to eke out positive returns. Elsewhere, and the key to this broad-based asset-price reflation, sovereign bonds rallied. This was, in large part, due to a favourable market reception of Fed policy guidance.

Guidance from the Fed's June policy meeting was initially viewed as hawkish and caused an unsettling spike higher in government bond yields and volatility in equities. Reflecting the recent surge in inflation, the Fed projected a much higher level for inflation for this year, with upside risk to its projections for next year. If we look below the surface of the equity markets for a moment, it's possible to identify a tug-of-war between opposing market views.

Up until the revised interest-rate guidance from the Fed, value stocks were very much in favour, but the decline in long-term bond yields and lower inflation expectations saw growth stocks outperform. The current tension between growth and value is only likely to be resolved once the debate around inflation is itself resolved.

If it becomes clear that this year's surge in inflation is transitory, reflecting supply-side bottlenecks, then any moderation in economic-growth momentum should see quality growth stocks perform relatively strongly as they did until the summer of last year. However, should there be a structural shift higher in inflation, and with it materially higher wage-growth and inflation expectations, then we would expect value stocks to outperform.

At this point of the cycle, and given the uncertainties around inflation and monetary policy, it makes sense to have a combination of both equity styles and a well-diversified portfolio both in terms of asset classes but also investment management methodology.

Turning to regional equity selection, Asian and Emerging Market returns have been disappointing in relative terms. Another wave of Covid-19 infections and low vaccination levels have been headwinds to growth. We have also seen tighter monetary policy in China, reflecting a desire to curb speculative excess, and active steps to limit the influence of some of China's biggest internet companies. These have combined to weigh on sentiment.

Notwithstanding these clear headwinds to performance, we feel the valuation gap that has emerged compared with the rest of the world makes them attractive from a long-term perspective. A catalyst for outperformance is likely to be the favourable narrowing of growth differentials with Western economies over the balance of this year.

If we turn to the overall equity market outlook, at present an unusually high number of uncertainties present themselves and, reflecting this, we expect more modest returns in the second half of this year. However, given that we have yet to see the peak in economic activity and corporate earnings momentum, we feel it is still too early to be overly concerned or to move to more defensive positions.

Decarbonisation: Seeking Stratospheric Growth?

Decarbonisation was one of the biggest themes of 2019 and 2020. Rightly so, we would argue. With the 2021 United Nations Climate Change Conference taking place in November, this could be another important year for this cleaning up the planet and economies. Yet the action required to decarbonise the global economy is not just a social imperative; we believe it is also an opportunity to align portfolios with climate objectives and invest in a growth market focused on effecting positive change. An estimated $130 trillion of investment is needed to achieve global net-zero emissions. An essential investment in our future world but also an investment opportunity.

So how can we invest in this theme in practice? The broad trend towards decarbonisation spans many sectors, it can be broken down into several categories. Each of these categories will be subject to its own economic dynamics and idiosyncratic factors, but in combination they represent the industries and technologies critical to meeting the world's net-zero ambitions. Decarbonisation as a theme for the medium to long term is based on the potential benefits it can offer to a portfolio, which may include:

• Exposure to a long-term secular growth trend. Renewables are set to account for 95% of the net increase in global power capacity through 2025
• Diversification potential, as the underlying available stocks are generally smaller than the largest names, the theme should be driven by secular growth dynamics rather than cyclical trends
• Tangible ESG impact and alignment to the UN's Sustainable Development Goals, such as 'Responsible Consumption and Production' and 'Climate Action'.

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News About Our Team

There have recently been some changes to our team, some more expected than others. The wonderful news is that Alex, who is usually based in our Winchcombe office has had a baby daughter, so congratulations to her and her husband.

Also based from our Winchcombe office, one of our advisers, Robert Tiffin, has chosen to move on and leave the firm, and although this was unexpected, and somewhat disappointing, there will be no impact on our ability to provide advice and to service your investments as we have done for so many years. We have a very loyal, enthusiastic and proficient team, who are all involved in providing you with the service you have had, and will continue to receive from our firm.

We have recently also recruited a new adviser who is experienced in the industry and highly qualified. They will be joining us shortly, and will hit the ground running, so we are all excited for the future and the opportunities this presents.

We continue to work strongly as a team with the excellent support we have in place. Members of our team that you may, or may not, have spoken with are:

Charles Homer. Based in both offices, Charles is very close to achieving Chartered Adviser status and is an excellent young adviser, a real asset to the business and clients.

Mel Stones: Assists the advisers in so many ways! She has been with the firm for over 15 years, and deals with all aspects of client administration and internal staff training

Alex Wilkins: Provides technical support, and has recently completed training to enable her to become an adviser, she is currently on maternity leave.

Morwenna Trenchard: Another key member of our team, who works from both offices, who also supports our advisers, and has become central to our day to day operations.

Matthew Errington: Based in our Winchcombe office, Matt is another very able member of our support team helping with all aspects of client administration.

Gemma Saunders: Based in our Cirencester office, Gemma also supports the advisers and administrators and is great at adapting to whatever needs doing that day!

Hazel Hill: Has been with the firm for its entire existence and does the important function of looking after our money! She deals with the accounts, as well as helping with client administration – as we all do.

Simon Fell: Our Operations Director, and investment specialist. Simon is fully qualified and supports the advisers with key aspects of the business and investment research. Simon has over 20 years' experience working in Financial Services, and still has another 20 years ahead of him!

Jackie Greenwood: A founder of the company having worked for the firm we took over in 2004. Despite having been around for so long, she plans on being here for a lot longer yet! As well as our most experienced and qualified adviser, Jackie is responsible for all regulatory roles and helping Simon run the business.

So, it definitely remains business as usual, with us being well positioned to continue with our uniquely personal and high quality advice from both offices for many more years yet.

Compulsory Registration of Trusts

For very many years, there has been a requirement to register Trusts with a Registration Service (TRS) but to date, only trusts which have UK tax to pay have to register on the TRS. But that is set to change and many trusts with no UK tax liabilities, including the likes of gift plans, loan plans, and discounted gift plans will also need to register. These are trusts commonly used in planning.

The deadlines for registration was originally set at 10 March 2022, but this has been further delayed, and will be pushed back to sometime in autumn 2022. HMRC do not expect the service to be updated to accept registrations until at least autumn this year.

When registering, the Trustees will need to identify the persons involved with the trust (i.e. settlor, trustees and beneficiaries). However, taxable trusts must also provide additional information on the assets held within the trust at the time of the registration.

The majority of trusts we set up with our clients with an investment bond as the sole trust asset will have no ongoing liability annually to declare.

We will keep you updated on this position so that the Trust can be registered to comply with the regulations at the appropriate time, this will not cause a liability to tax, or requirement to complete annual tax returns, it is just to register the trusts' existence.

New Green Bonds from National Savings & Investments

NS&I will launch Green Savings Bonds later in the year, which is a new savings product.

The Bonds will offer savers a chance to support green projects at a fixed rate over a 3-year term. The Bonds are available to anyone over the age of 16, with a minimum investment of £100 and a maximum limit of £100,000 per person. They will help finance the Government's green spending projects designed to tackle climate change and make the environment greener and more sustainable. These projects will include making transport greener, using renewable energy over fossil fuels, preventing pollution, using energy more efficiently, protecting natural resources and adapting to a changing climate.

Further details on NS&I's Green Savings Bonds, including the interest rate, will be available later in the year. Although we will not be able to arrange these, they will be available at www.nsandi,com, I know many of our clients are interested in new finance innovations to help the environment, so we will keep you updated when we know more about these new savings plans