Welcome to your **Autumn 2018** quarterly newsletter. We have packed in a lot of information for you in this edition and hope it makes insightful and thought provoking reading.

Your regular articles:

- **Market Overview**
- A detailed look at performance of **Markets and Investments** in the third quarter of 2018 and what is happening across different asset classes.
- **Your Adviser Discusses** the main features and benefits of ISAs, LISAs and pensions.

Quarterly special feature:

- How Brexit is shaping the investment marketplace.

The last word:

- New seminar series.
- New website - coming soon!

We hope you find this information useful and as always, please let us know if you have any feedback by emailing us at: office@face-uk.com.

Piers Mepsted,
Managing Director

In this Issue

For questions and advice get in contact today...

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Market Overview | part 1

An increasing number of Americans, along with many others around the globe, may not agree with Donald Trump's claims that he is responsible for the resurgence of the US economy. It is, however, difficult to deny that his policies, along with the odd Tweet here and there, are having an impact on global financial markets.

The S&P 500, America's primary stock exchange, reached an all-time high on the 29th August, rounding out a run of positive market growth that has officially become the longest bull market on record. But looking back further over the last 3,500 days, the market has been forging its upward trend since early 2009, long before Trump's term in office commenced.

Not wanting to be pessimistic – there is a natural tendency to wonder, when is it all going to come to an end?

Throughout 2017 the global economy found itself in an unusual period of synchronised growth, but in this last quarter the first indications were that markets are moving back out of sync. This does not necessarily mean we are closing in on the end of the global bull market, just that investors may want to be a little more selective than they have had to be in recent years.

"Volatility has returned to global equity markets in 2018, presenting investors with attractive opportunities."

Market Overview | part 2

When the UK voted to leave the European Union back in 2016, it had been a long time since we had seen newspaper front pages dominated by talk of global trade deals.

Little did we know that within two years barely a day would go by where talk of import tariffs and fraught trade negotiations would dominate headline news and financial markets around the world.

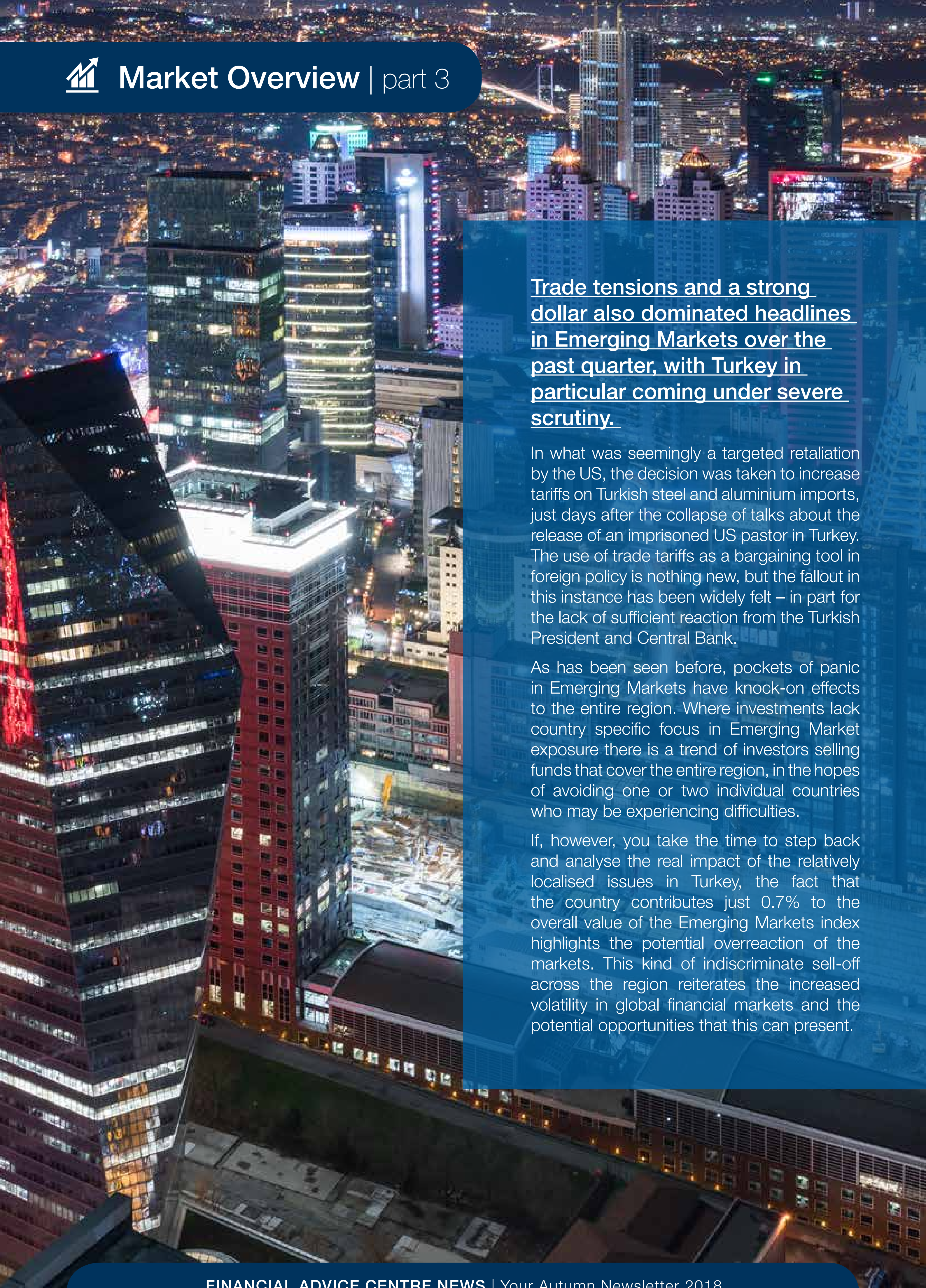
As trade deals are thrashed out around the globe, we now wait for each new shred of information suggesting brinksmanship may be coming to an end. Yet all the talk of trade deals is starting to bring about some key differentiators between the world's largest economies.

The US is seemingly disengaging itself from worldwide trade and becoming more domestically orientated. Tax reforms and the strength of the US Dollar, coupled with an increase in mergers and acquisitions and share buy-backs, have all helped to boost the US market in recent months.

On the flip side is the impact on the fortunes of Europe and China, both of which, are engaging more with the wider world of talks of trade. This may be a direct result of the US approach, and whilst understandably, could lead to short-term slowdown as deals are negotiated, should, in the medium to long term, lead to stronger economies all-round.

In the UK, the Bank of England (BoE) raised interest rates in August for only the second time in over ten years. Comment from BoE governor Mark Carney that future rises would be 'gradual' and 'limited', helped dampen any potential impact on both fixed income and equity markets. Confirmation that Mr Carney will stay in post until 2020 also helps to provide consistency to the current monetary policy.

The greatest interest to UK markets remains the impending deadlines for Britain's departure from the European Union. August saw the UK Government publish 'advice for people and businesses' ahead of a potential no-deal Brexit. Guidance on items such as tobacco companies needing to source new pictures for their health warnings, due to the EU owning the copyright to the current ones, may seem to trivialise matters. However, the fact remains that whilst the chance of a no-deal Brexit is slim, should ongoing negotiations collapse, then 30 March 2019 will come round all too quickly.



Trade tensions and a strong dollar also dominated headlines in Emerging Markets over the past quarter, with Turkey in particular coming under severe scrutiny.

In what was seemingly a targeted retaliation by the US, the decision was taken to increase tariffs on Turkish steel and aluminium imports, just days after the collapse of talks about the release of an imprisoned US pastor in Turkey. The use of trade tariffs as a bargaining tool in foreign policy is nothing new, but the fallout in this instance has been widely felt – in part for the lack of sufficient reaction from the Turkish President and Central Bank.

As has been seen before, pockets of panic in Emerging Markets have knock-on effects to the entire region. Where investments lack country specific focus in Emerging Market exposure there is a trend of investors selling funds that cover the entire region, in the hopes of avoiding one or two individual countries who may be experiencing difficulties.

If, however, you take the time to step back and analyse the real impact of the relatively localised issues in Turkey, the fact that the country contributes just 0.7% to the overall value of the Emerging Markets index highlights the potential overreaction of the markets. This kind of indiscriminate sell-off across the region reiterates the increased volatility in global financial markets and the potential opportunities that this can present.

Markets and Investments

Outlook	Asset Class	Reasoning
↔	UK Equities	As we move ever closer to the UK leaving the EU, the current state of trade negotiations and the impact on Sterling is having the greatest single impact on UK markets. Whilst the chance of a no-deal Brexit remains a possibility, the consensus now lies on a final agreement being in place before the end of the calendar year. However, the slim possibility of a no-deal scenario leads us to a neutral position on UK equities.
↔	US Equities	Donald Trump's tax reforms have started to play their part in the continued strong performance of US markets. However, strong economic growth doesn't appear to be winning Mr Trump any new voters, despite consumers continuing to benefit from the tailwinds provided by fiscal reform and the strong labour market. With the mid-term elections on the horizon, it is looking highly likely that after November 6th the Republican party will no longer have complete control of Congress.
↑	European Equities	Second quarter GDP has been revised upwards, suggesting that some softness seen in the first half of the year may make way for a rebound of sorts in the second half. Politics may put a dampener on solid fundamentals, with tensions between the Italian government and EU Officials set to come to a head with the upcoming release of the first budget since the M5S and Lega parties took joint control of the country earlier in the year.
↔	Asian Equities	Exports from China to the US understandably fell in the first half of the year. The Chinese authorities are aiming to counter this drop with further measures to stimulate domestic consumption, continuing the trend that has been developing in recent years. In Japan, the economy seems to have stabilised and Prime Minister Shinzo Abe has seemingly ridden out the dip in his popularity earlier in the year. The proposed increase in Consumption Tax next year, and its wider implications, does provide a reason to tread carefully.
↑	Emerging Market Equities	Turkey is a problem that doesn't seem to be leaving us any time soon, however in other parts of the region local fundamentals remain good. Currency issues caused by a rising dollar are currently limited to a small number of countries at present, and their importance relative to the global economy is minimal. Whilst concerns over trade deals may continue to weigh on the region in the short term, there are reasons to be optimistic, such as the agreement on trade reached between the US and Mexico in late August.
↓	UK Gilts	The impact of the Bank of England raising interest rates in August was limited due to the commentary coming from Mark Carney about future rate rises. Of greater concern is the significant drop in foreign investment in UK Government Bonds, with July seeing the lowest level of investment since the early 1980s. The main concern and cause for this fall is, of course, the prolonged Brexit negotiations and the inherent impact on the value of Sterling.
↑	UK Corporate Bonds	As with UK Gilts, the appetite for Sterling based corporate debt has waned a little over the past few months. Credit spreads, the additional yield on offer for holding corporate debt over government debt, have risen significantly from their low point in January. Whilst valuations still look expensive on a historical basis, we are gradually moving towards a time where some pockets of value will present themselves.
↔	Cash	Despite the increase in UK Interest Rates, returns on cash are still negligible. Cash does, however, form an important part of a portfolio in a volatile market environment, both to help reduce overall portfolio volatility and to provide investors with the ability to deploy funds quickly as attractive investments materialise.

	FTSE 100	S&P 500	Eurostoxx 50	MSCI Asia Pacific ex Japan	MSCI Emerging Markets
1M	-3.29%	3.98%	-3.36%	-0.21%	-1.81%
3M	-2.05%	9.80%	2.00%	-1.52%	-2.43%
6M	5.40%	13.34%	2.62%	-0.13%	-4.79%
1Y	4.13%	16.38%	0.37%	2.19%	-1.54%
2Y	18.68%	34.68%	26.57%	27.95%	24.63%
3Y	34.06%	74.09%	42.02%	70.29%	63.67%
4Y	27.34%	85.06%	39.10%	49.31%	36.18%
5Y	40.24%	111.47%	56.43%	68.30%	52.19%

Source Bloomburg Aug 2018

ISA, LISA or PENSION?


Piers Mepsted
Managing Director and
Independent Financial Adviser

In this guide your Adviser compares the main features and benefits of ISAs, LISAs and pensions.

When it comes to saving for retirement, which route is best? When helping clients plan for retirement we are often asked what savings options are worth considering and how they compare.

In addition to a pension, savers can put money into an Individual Savings Account (ISA), and since 6th April 2017, a Lifetime ISA (LISA). Below we compare the advantages and disadvantages of each option.

ISA	LISA	PENSION
What it offers:	**What it offers:**	**What it offers:**
The ISA is an account to shelter savings and investments from tax; there is no capital gains tax and no UK tax on income within an ISA.	The LISA offers a 25% tax-free Government bonus on savings up to £4,000 (maximum bonus of £1,000) per year.	A tax-efficient long-term savings plan specifically for retirement.
Eligibility:	**Eligibility:**	**Eligibility:**
Anyone aged 18+, but 16+ for Cash ISAs.	Between the ages of 18 and 40.	No age restrictions, although tax relief on personal pension contributions are not available for those aged 75+.
Conditions:	**Conditions:**	**Conditions:**
In the 2018/2019 tax year, the maximum amount you can save into ISAs is £20,000. This includes contributions to cash ISAs, stocks and shares ISAs and innovative finance ISAs.	The bonus only applies up to age 50 (this means a maximum of £33,000 of bonuses). Savers can withdraw their own contributions for retirement purposes at age 60. The amount put into the LISA counts towards their £20,000 ISA limit. It is also designed to help savers buy their first home.	Most personal pensions are unable to be accessed before age 55 (57 from April 2028). There is an annual allowance of £40,000; however, you can carry forward unused allowances from the previous three years.

Below is a summary table outlining the tax positions of each option.

	ISA	LISA	PENSION
Funds In	No tax relief on contributions	25% Government bonus equates to 20% tax relief	Income tax relief on contributions at highest marginal rate(s)
Investment Returns	No tax paid on income and gains	No tax paid on income and gains	No tax paid on income and gains
Funds Out	Not subject to income tax or capital gains tax	Tax-free if used towards first home in the UK after at least 12 months; the house can be worth up to £450,000 Tax-free from age 60 or on diagnosis of terminal illness Can access earlier, but subject to 25% deduction	25% of fund paid as tax-free cash Remaining fund subject to income tax at highest marginal rate(s)
Death Benefits before age 75	Forms part of estate and subject to inheritance tax (IHT) if estate exceeds nil-rate band and not left to exempt beneficiary Spouse/civil partner can inherit additional ISA allowance based on value of deceased's ISA funds	Forms part of estate and subject to IHT if estate exceeds nil-rate band and not left to exempt beneficiary Spouse/civil partner can inherit additional LISA allowance. It will count towards the LISA payment limit but not the annual overall ISA allowance	Paid as a lump sum, annuity or drawdown to nominated beneficiary free of all tax. Lifetime allowance restrictions can apply Does not normally form part of member's IHT estate

As shown in the table above, the tax position of all three options is the same while funds are invested, as no tax has to be paid on the funds on any income or gains. The differentiating factor is that pensions receive income tax relief on the contributions, but then pay income tax when funds are taken out, whilst ISAs and LISAs are paid in using taxed income yet receive tax-free withdrawals (note restrictions for withdrawals in LISAs).

HOW DO THE NUMBERS COMPARE?

Christine is 32, self-employed and earns £55,000 per annum and expects to be a basic-rate (20%) taxpayer in retirement. She aims to retire at age 63. She pays in £4,000 gross, and her fund grows 4% net every year.

	ISA	LISA (one-off contribution)	PENSION (higher-rate to basic-rate)
Investment (+relief/bonus)	£4,000	£5,000	£6,667*
Fund value after 31 years	£13,492.53	£16,865.67	£22,488.68
Value on withdrawal	£13,492.53	£16,865.67	£19,115.38

*The contribution is higher because it anticipates higher-rate relief which is received through self-assessment tax returns.

Here, a pension brings the highest returns. If Christine were to be employed by a company, then the pension figure would be significantly higher, as she would be in a workplace pension within which her employer has to contribute at least 3% by 2019 under auto-enrolment rules.

How Brexit is shaping the investment marketplace

Brexit was never going to be straightforward, but as we move into the final six months before the UK will officially leave the union, most people assumed that the landscape of post-Brexit Britain would be a little clearer by now.

Understandably this uncertainty is having a knock-on effect on financial markets, leading some investors to raise questions about exactly what action they should be taking. In this article we look at some of the most common questions we get with the intention of demystifying some of the wider implications of Brexit and how investors should react.

Why is the investment market currently so volatile?

Volatility isn't necessarily a bad thing. Throughout 2017 countless economists and investment managers bemoaned the lack of volatility in markets. A lack of volatility may cause some to think the market is becoming complacent. We would say It is somewhat reassuring to see the stockmarket react to both positive and negative news in the way that you would expect, as long as we understand the reasons behind it.

If we look at the UK stockmarket, Brexit is definitely playing its part. As we get closer to the deadline, the UK's negotiators are going to have to decide which demands they are willing to let bend, or even break, in order to reach an agreement. From a business perspective, the vagaries of the 'deal' are becoming less important as the deadline gets closer. It is more important that any agreement is reached removing the uncertainty that has been responsible for much of the recent volatility.

Not all the recent volatility has been caused by Brexit and there are many other issues currently playing their part in market volatiilty. Trade tariffs around the world, along with isolated issues in certain Emerging and European countries are all contributing to current uncertainty around the globe. However, none of these issues in isolation will be sufficient to bring about a global sell-off in markets. When we look below the surface noise and seek out the fundamental economic and company data, there remain many reasons to be positive.

How Brexit is shaping the investment marketplace

How is Brexit going to affect my investments?

There are two very distinct possibilities in terms of the outcome of Brexit, each with their challenges, but also both with their potential benefits to the UK stock market. Most importance now is that we see a conclusion to the negotiations and we map out what both the UK and Europe will look like in the years ahead.

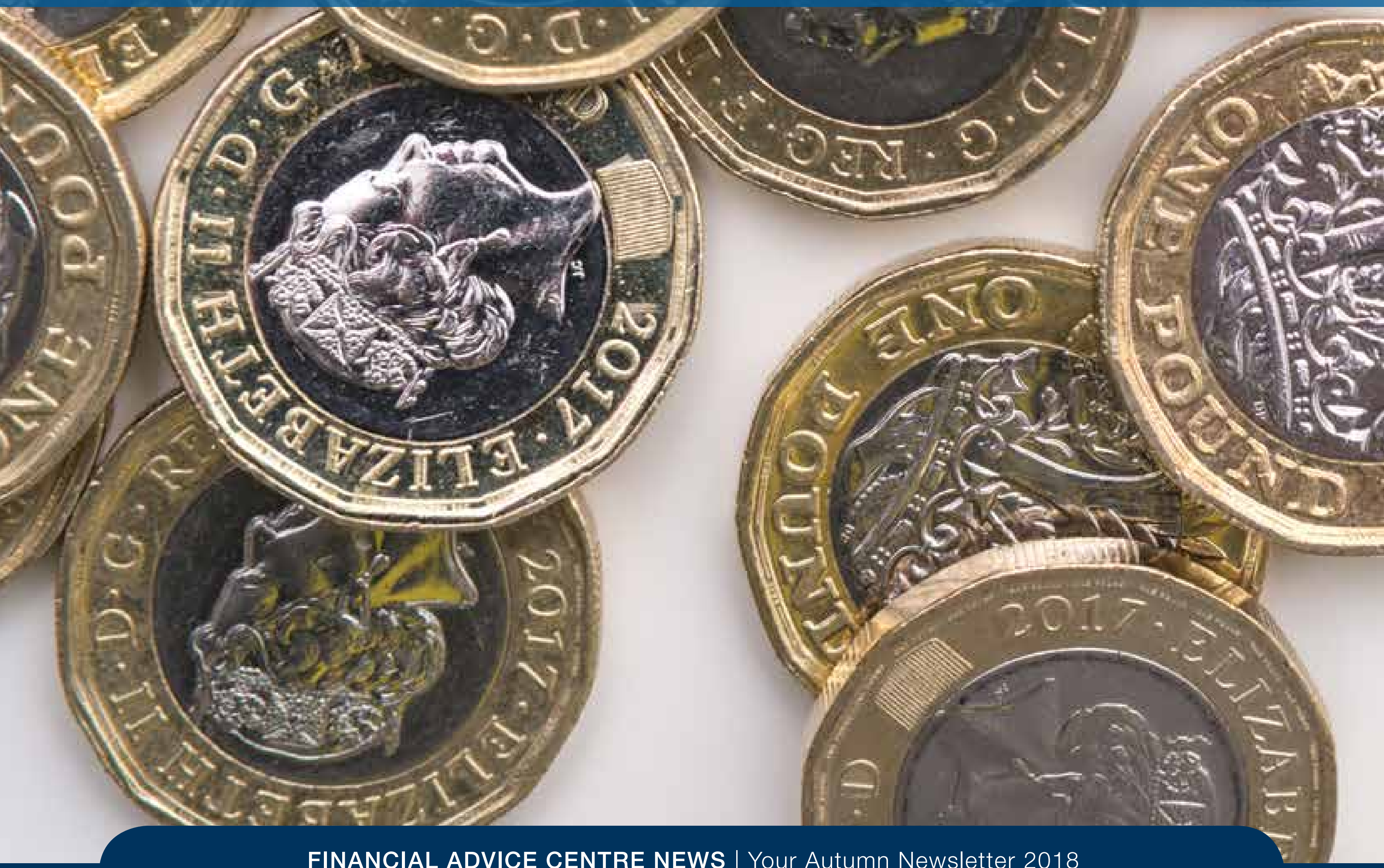
An important point to note is that many companies listed on stock exchanges around the world are not entirely domestically focussed in their business operations and therefore affected by domestic events. For instance, over three-quarters of the revenues of companies listed in the FTSE100, are not generated in the UK.

Should we see a soft Brexit, which continues to look most likely, then businesses can begin to enact action plans to reorganise accordingly with the lowest level of upheaval for companies and markets. Companies will have plans in place for either outcome, and there will be very little, if any, desperate scrambling in boardrooms around the country in reaction to any Brexit agreement.

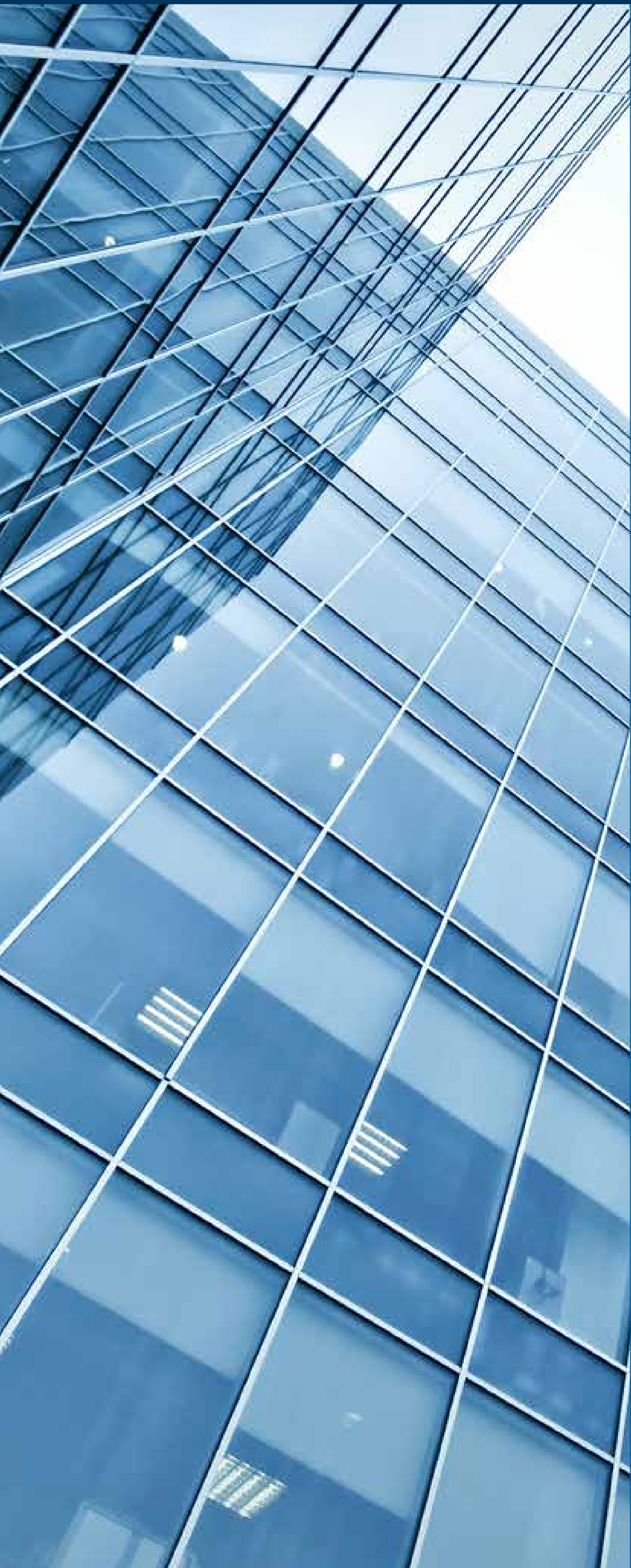
If negotiations go the other way and we end up with a no-deal or 'hard Brexit', then it is likely we will see more volatility in the short term. However, this should not be viewed as an event coming out of the blue and catching the investment world completely unaware. Yes, March 29th is the 'deadline', but this is not a repeat of the EU Referendum with immediate shockwaves. Should we be heading towards a no-deal Brexit then we would expect that fund managers will have enough forewarning to react accordingly.

The more likely impact of a no-deal Brexit is a continued devaluation of Sterling. Whilst this may sound like an ominous warning, it actually presents good news for those international exporters in the UK, who's products suddenly appear that much cheaper versus global competitors.

No matter what the result of the Brexit negotiations, we have not seen the end of the volatility in UK markets. The best news we can hope for is a swift conclusion to the talks and the end to all of the uncertainty currently hovering over the UK.



How Brexit is shaping the investment marketplace



What is the short / medium / long term outlook for my investments?

As much as it may sound counterintuitive, short term volatility is of little consequence to the long-term investor. If you have no intention of drawing on your capital to meet a specific financial commitment in the near future, then all of this volatility becomes unnecessary noise. The more important aspect of volatility is to attempt to spot a trend below the surface.

Financial markets move in cycles, but some cycles take longer than others. There will be another global downturn at some point on the horizon, this fact is unavoidable, and the exact timing and likely cause is the subject of much debate. Likewise, a recovery from the next downturn is also a given, and as such investors concerning themselves with the immediate, rather than the long term, can lead to rash decisions that can come back to haunt them.

The recovery from the 2008 financial crisis has undoubtedly gone on longer than most economists predicted. In the medium to long term we remain confident that global growth will continue, and investors will reap the rewards. Downturns have several negative short-term implications, but they also have some positive effects. Companies look closer at their operations and balance sheets in order to remain solvent, putting them in stronger positions for when the recovery comes to fruition.

Throughout all of this, the important aspect is to ensure your investments are well diversified portfolio that is reviewed and actively managed within your agreed risk profile focussed on your medium to long term objectives. Focussing on the overall strategy will help tune out the short term noise.

How Brexit is shaping the investment marketplace

Should I come out of the market, or invest more?

It is never advisable to invest beyond your means, or to break a long term financial plan to chase short term gains. If you have excess capital available for investment, then there may well be an argument for increasing your investments, but only if it complements your existing financial plan.

On the flip side, as we have established, short term volatility is no reason to panic or withdraw funds if markets have fallen. This only serves to capitalise the losses.

History shows the benefits of an actively managed portfolio, and the importance of diversification in your investments and the importance of not 'having all your investments in one basket'. Diversification in most portfolios is through different asset classes and geographical regions. The benefit of these diversified portfolios is that they combine a variety of uncorrelated assets, removing focus solely on the stock market. This ensures your investments can tread a smoother and steadier path, as some asset classes (such as Absolute Returns and Fixed Interest) generate positive returns when the stock market is falling.

At Financial Advice Centre we continue to meet in our monthly investment committee, to review and analyse the performance of the vast array of fund managers available ensuring all our investments are actively managed and adhere to the principles outlines above. For more information regarding your own investments, their risk and asset allocation please contact your Adviser who will be pleased to discuss this further with you.

The last word

Spreading the news about Financial Advice Centre

We continue to be delighted and flattered that so many of our clients recommend us to friends, family and colleagues. Our customer care surveys rate us as overall 'excellent' with particular mention of our low cost fees and transparent charging structure. On behalf of all the advisers and support team we would like to pass on our warmest thanks to you for your recommendations and feedback.

We are always looking for opportunities to develop our business and pass on our wealth of expertise and extend the personal, high quality service we have become known for after nearly two decades.

In our last issue of the Newsletter we introduced you to a new member of our growing financial advice team, Martin Febery. This means we are able to invite new clients to our company and engage in additional ways with you from this Autumn, our first two are highlighted below.

New seminar series

For our clients and those looking for an independent financial adviser, we are considering hosting a Worcester based seminar in late November to discuss the impacts of Brexit on investments.

Please email your adviser or **office@face-uk.com** to register your interest or send us the details of those who may be interested in attending.

New website - coming soon!

Look out of our new look website which we hope will make keeping in touch with us and accessing information about your investments even easier.

About Financial Advice Centre Limited

Since inception in 1999, Financial Advice Centre Limited has grown to become a leading firm providing progressive thinking, independent financial advice and wealth management.

Our team of Independent Financial Advisers have deep technical expertise across a range of areas including wealth management, inheritance tax planning, bespoke investment strategies and public sector pensions. We offer financial advice of the highest standard as seen through our proven pedigree of successfully managed pension and investment funds.

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

Our clients choose to work with us because we demystify the increasingly complicated financial environment and consistently deliver results in a way that's easy to understand.

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