WEALTH PERSPECTIVES

Autumn 2015

PRIORITISING *pensions*

will help women close the gap on their male colleagues

Objectives Analysis & Solutions

"Every financial decision taken can be guided by sophisticated and robust systems."

WHAT AN AGEING POPULATION REALLY MEANS

"The issue of later life care is significantly more important."

Ethical Investing

"According to ethical research specialists, 38% of the public now have a strong interest in ethical products and services."

Campbell Alexander Financial Management Ltd
Personal and Corporate Financial Planning

CAERUS Capital Group

WELCOME TO THE LATEST EDITION *of* WEALTH PERSPECTIVES

Welcome to the latest issue of our Client magazine, Wealth Perspectives. In this edition, Industry experts from leading Pension and Investment companies share their views on the issues that affect your finances.

Keith Carby, Chairman and CEO of CAERUS Capital Group, explains how expert Advice is crucial to finding suitable financial solutions, with the increased flexibility and choice now available.

Rachel Atkinson, Key Relationship Manager at Legal and General Insurance, shares statistics that highlight the real need for protection planning against illness, injury and death.

Richard Purcell, Head of Technical Marketing at VitalityLife, considers the impact of increasing life expectancy on the provision of later-life care.

Angela Seymour Jackson, Managing Director of Workplace Solutions at Aegon, reveals how women's lack of pension prioritising could have a serious impact on their retirement plans.

Nicola Robinson, Corporate Communications Manager at Parmenion Investment Managers, describes ethical investing and demonstrates the opportunities available when constructing a portfolio.

Simon Brett, Chief Investment Officer at Parmenion Investment Managers, looks at the key events that have shaped the market since our last edition.

If you wish to discuss your finances or any of the issues raised in this edition, please do get in touch.

Best wishes

Derek Campbell

Derek Campbell
Campbell Alexander Financial Management Ltd

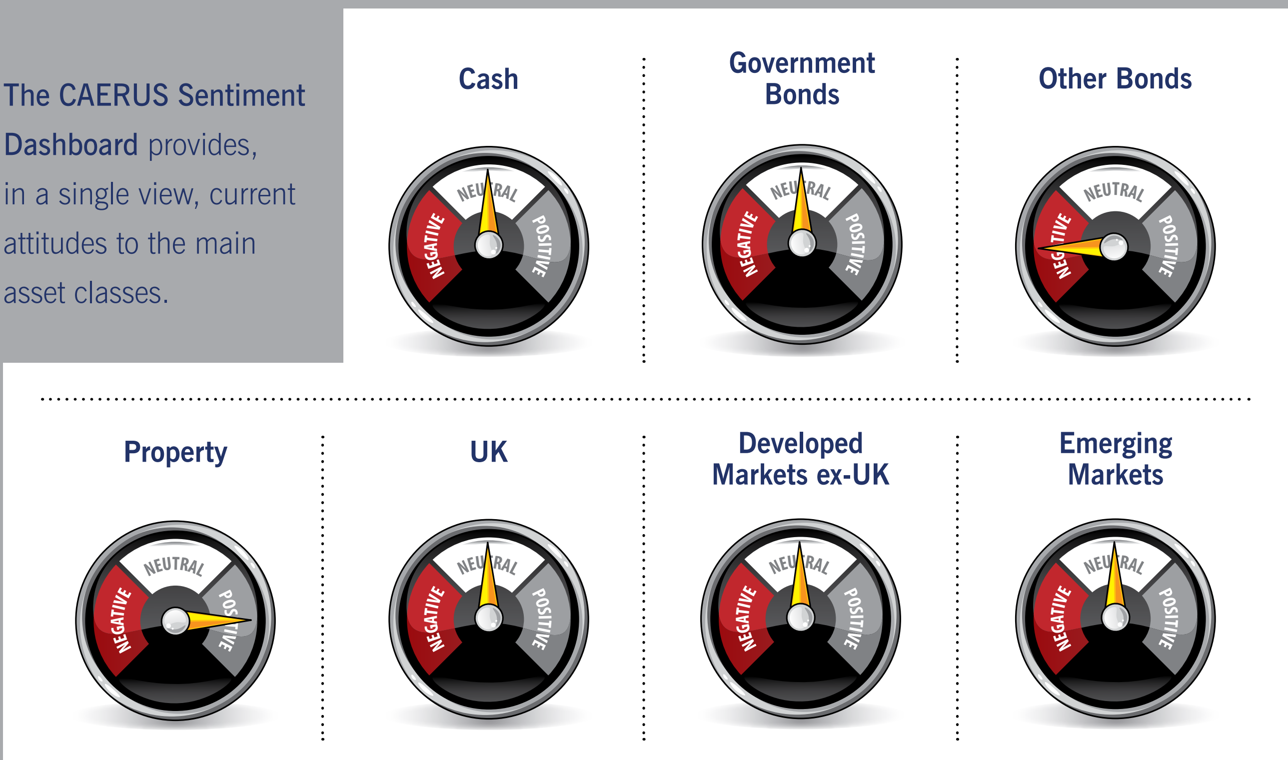
Derek Campbell

In this issue:

THE CAERUS SENTIMENT DASHBOARD

CAERUS Portfolio Management

The CAERUS Sentiment Dashboard provides, in a single view, current attitudes to the main asset classes.



Please note, this information is for indicative purposes only.


Objectives
Analysis &
Solutions
HELLO!

In Financial Services, there is a very old saying which encapsulates the core of what Financial Advisers do. Ultimately, Advisers set out to help their Clients deal with the financial consequences of 'living too long or dying too soon'. In the second half of the 20th Century, the statement was extended to include morbidity as well as mortality. Financial Advisers became able to help their Clients cope with 'living too long, dying too soon or becoming unable to earn their living as the result of illness or injury'. We can refer to this statement as 'the fundamental financial needs'. All the many financial matters which will enter most of our lives – paying for private education, buying a house, funding a wedding, starting a business, etc. – are shorter-term sub-sets of those fundamental financial needs

The pace of change in our Industry grows ever faster, driven by market forces (what Clients want), legislation, technological innovation, globalisation and other factors. In theory, all these drivers of change should lead to better and more cost-effective ways of meeting the 'fundamental financial needs'.

The vast and diverse range of product Providers continues to release new and more flexible solutions, potentially satisfying an ever wider range of consumer needs. The Government makes changes, which invariably mean either new opportunities or new problems for consumers. For example, the recent policy changes embraced by 'pensions freedoms' have immense and far-reaching implications. Dealt with sensibly, pensions freedoms can be of great benefit to the lives of millions. Dealt with less than sensibly will mean more miserable later years for many.

In these circumstances, getting good Advice on Personal Finance is now more vital and more valuable than ever before.

All consumers should be reassured by the fact that the processes now available to help Advisers identify appropriate solutions for each consumer means that each and every decision taken can be guided by sophisticated and robust systems. Moreover, the level of knowledge and experience quite rightly demanded by the Regulator of Advisers in Financial Services is extremely high and constantly monitored to ensure those standards are maintained. It is a criminal offence for anyone to offer Advice without having the necessary regulatory permissions, professional qualifications and indemnity protections.

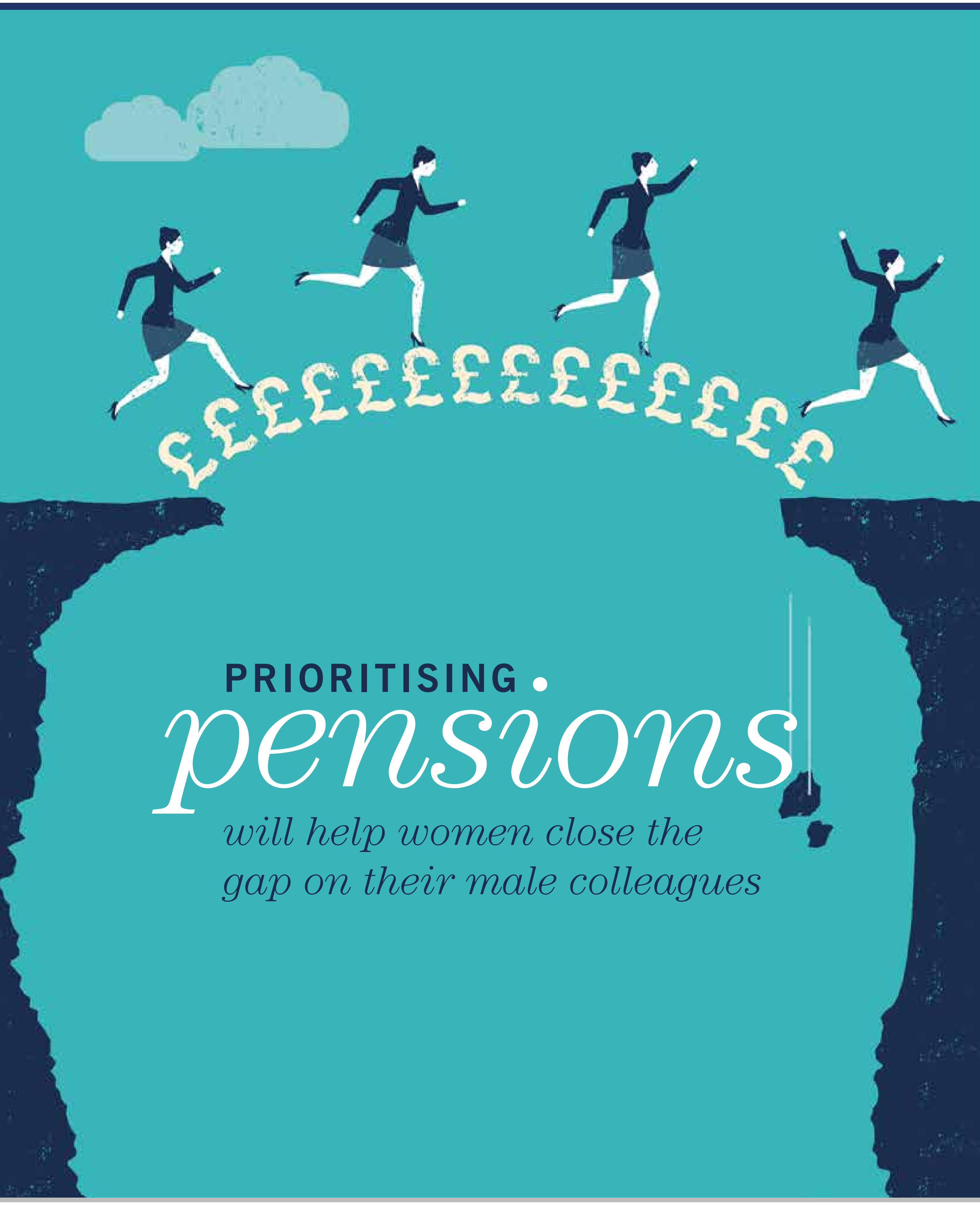
Whether the requirement is for family or business protection, for medium to long term Investment for savings, or to provide the required income in retirement, the processes and systems available to Financial Services Advisers can provide the most appropriate solutions for each individual.

Whether they will or not is, however, heavily dependent on some other factors. And those factors can be summarised as the nature of, and the relationship with, the individual Financial Adviser. Is he/she clearly committed to understanding and then to helping achieve the Client's objectives, needs and wants? Does he/she demonstrate a rigorous approach to analysing all the factors involved in finding the most appropriate solutions? Does he/she communicate extensively, and always in a way which is easy to understand? Does he/she stay in touch to the extent and in the way required by the Client? Does he/she always do what they said they would do? Does he/she represent value for money?

In CAERUS, all of our Firms have committed to (and are required to) deliver this standard of relationship for their Clients. In consequence, the chances of a Client enjoying a positive outcome are optimised, meaning that those fundamental financial needs, and the shorter-term goals they include, are more likely to be satisfied.

CAERUS Capital Group

Keith Carby
Chairman and CEO
CAERUS Capital Group



PRIORITISING *pensions*

will help women close the gap on their male colleagues

Nobel laureate Sir Tim Hunt lit a fire under the gender equality debate and the flames of discussion are still burning across the national media's front pages.

In the pension market there's also a passionate discussion on gender equality taking place and particularly around the need for women to get the best out of their workplace pensions. But, unfortunately, I think a lot of female workers don't prioritise their pension, making it difficult to then generate the income they'll need in retirement.

Our latest Readiness Report found that half as many women as men were financially on track for the retirement they'd like and that only 29% of women felt confident about being able to retire when they wanted to.

But for me, two of the most unsettling findings were that almost two thirds (64%) of employed women don't know how much their employer is contributing to their workplace pension and that 61% have never checked the performance of their retirement savings. In short, they're not taking an interest.

This lack of knowledge about the funds flowing into their pension creates a series of problems. The first is that without knowing what's going in, it's impossible to understand what might come out of the pension at a later date. Operating blind also makes it difficult to set targets that are realistic or to implement the right savings and Investment strategies to achieve them.

But why have so many women put their pension on the back burner? Younger workers tend to be less interested in pensions and motherhood comes at a time when many women would be starting to think about them.

Where women decide to return to work after maternity leave, a lot opt to come back on a part-time basis as they juggle their professional and family commitments. The reduced salaries and added pressures that this brings push pension planning further into the background.

Another hurdle facing employed women saving for later life is the pay gap between men and women that still hasn't been bridged. Salary equality is slowly being tackled, but to get the best of what women have today it's essential they engage with their workplace pension as early and as fully as they can.

Employers should also be driving this agenda so they can show staff how much they're investing in them and the difference it makes to their long-term savings.

Some companies have started issuing annual benefit statements that outline pension contributions and other benefits provided over the year, and by detailing them in this way it becomes easier for employees to genuinely value them. If more employers took this approach it would raise awareness and drive better engagement with what's on offer.

There are already rules in place about scheme governance and member communications, but sometimes it's difficult to keep part-time and remote staff at the centre of a firm's communication strategy. Putting an emphasis on communications to these staff is another measure that firms could employ to improve pension awareness and engagement.

Then they could provide digital tools to enable staff to engage easily with their workplace pension and actively manage their savings for retirement. The need for these tools was one of the major drivers behind the launch of Retiready in the Workplace, our online digital planning service for employees.

For women, the challenge is to find time to understand exactly what's going into their pension and to then make it work

"...without knowing what's going in, it's impossible to understand what might come out of the pension at a later date."

as hard as possible for them. The more women engage with their pension, the more likely they'll be to hit their goals for retirement.

But these improvements will only come if employers are pushing from one side just as hard as their female employees are pushing from the other, and the effort they put in will bring benefits for both sides.

AEGON

Angela Seymour Jackson
Managing Director, Workplace Solutions
Aegon

Parmenion
It's your future.

Nicola Robinson
Corporate Communications Manager
Parmenion Investment Managers

Are there any ethical, social, environmental or religious issues that you would like considered in relation to your Investments?

Ethical investing is not a new concept, yet many Investors are unaware that it even exists. Essentially, it is just an opportunity to combine one's financial objectives and ethical preferences within an Investment portfolio. It goes beyond financial returns, allowing for the incorporation of ethical, social and responsible values within one's Investments, in keeping with personal lifestyle, principles and interests.

In short, you decide how your money is managed, with a focus on organisations that make a difference in the areas that you consider important.

The problems of the past

Historically, whilst a few entrepreneurial Financial Advisers have specialised in this market, most have approached the subject with scepticism, highlighting concerns around the depth of the market as well as costs, risks, complexity and performance. Therefore, the ability to offer ethical solutions to Investors was constrained and it was prohibitively expensive for many Investors except high-net-worth individuals and charities.

Ethical funds were often concentrated around renewable energy sources, which were vulnerable to subsidies ultimately controlled by politicians. Cost was also a concern for many Financial Advisers, as given a limited fund range, providers were able to levy additional fees for the ethical research involved. The final barrier was the complexity across the Industry, given varying terminology, acronyms and masses of documentation.

Today's ethical Investment market

According to ethical research specialists, 38% of the public now have a strong interest in ethical products and services. So it's not difficult to understand why socially responsible Investment assets in the US have spiralled to $5.67 trillion (USSIF 2014), €127bn in Europe (Good Money Week) and £13.5bn in the UK (EIRIS).

There is no longer a cost premium associated with ethical investing as more and more companies are reporting their Environmental, Social and Governance (ESG) ratings in response to mounting pressure from increasingly educated consumers and Investors.

The ethical market has developed considerably over the last few years. An astute Investment manager is now able to combine some of the best fund managers and diversify portfolio exposure across a wide range of asset groups, sectors and companies. Ethical portfolio performance is no longer a concern and in many cases, ethical portfolios have even outperformed. Perhaps, the simple fact that the management of certain companies are more focused on looking after their stakeholders rather than just the next earnings cycle, can positively impact a share price over the medium term.

Individual ethical profiles

There is a wide range of views as to what determines an 'ethical' profile, with over 30 different ethical criteria available. Ultimately it is a personal decision and boils down to individual preferences.

Just in the same way as risk means different things to different people; some Investors have a cautious approach, fearing the risk of potential loss, whilst others are excited by the opportunity of positive returns, ethical investing is exactly the same. It's just as important to identify the right Ethical Profile, as it is to identify the most appropriate risk grade.

Fortunately, whilst we each have slightly different views on the individual criteria, there is actually a high degree of commonality amongst people's preferences in general. By focusing on areas such as armaments, the environment and animal welfare, portfolios can be structured that satisfy the vast majority of Clients' ethical preferences.

Our approach

Our experience shows that in broad terms, Clients generally fall into one of four categories, which either vary by the style in which monies are invested or by specified screening criteria.

Some Clients for example, adopt a strong positive bias, focusing on companies with a responsible and sustainable approach to a wide range of environmental, social and governance issues. Whereas traditional Clients may feel more comfortable adopting specific screening criteria, to ensure underlying companies are in line with their personal values.

By partnering with long standing ethical specialists, Parmenion has been able to offer a wide of range of discretionary managed ethical portfolios for some time. The portfolios offer a close fit to Investors' risk and ethical preferences, which makes it easy to find the right portfolio and provide comprehensive ongoing monitoring to ensure it continues to remain appropriate.

Ethical investing doesn't need to be complicated. For full details of Parmenion's approach, please contact your Financial Adviser.

MARKET *Commentary*

Simon Brett
Chief Investment Officer
Parmenion Investment Managers

The latter half of August has seen Investors' attention lurch across the Globe to another 'crisis' in China. Global equity markets fell anywhere from 4.73% (S&P 500) to 8.84% (MSCI Asia Pacific ex Japan) over the month. In environments such as these, the importance of holding a balanced and well diversified portfolio comes to the fore, as UK Gilts rose by 1.14% with Index Linked Gilts falling by 0.61% and Corporate Bonds by 1.16%, protecting capital to a degree.

We would note that the bull market we have enjoyed since March of 2009 has been relatively benign with little volatility. However, there have been some substantial pull backs along the way, which felt uncomfortable but were relatively short lived as the chart from Goldman Sachs shows opposite.

Their data suggests that pull backs of more than 5% have taken, on average, 28 days to bottom and then 30 days to recover. Therefore, there may be further discomfort to come before we see a sustained recovery in markets.

Chart of the Week: Selloffs – Short and Almost Sweet

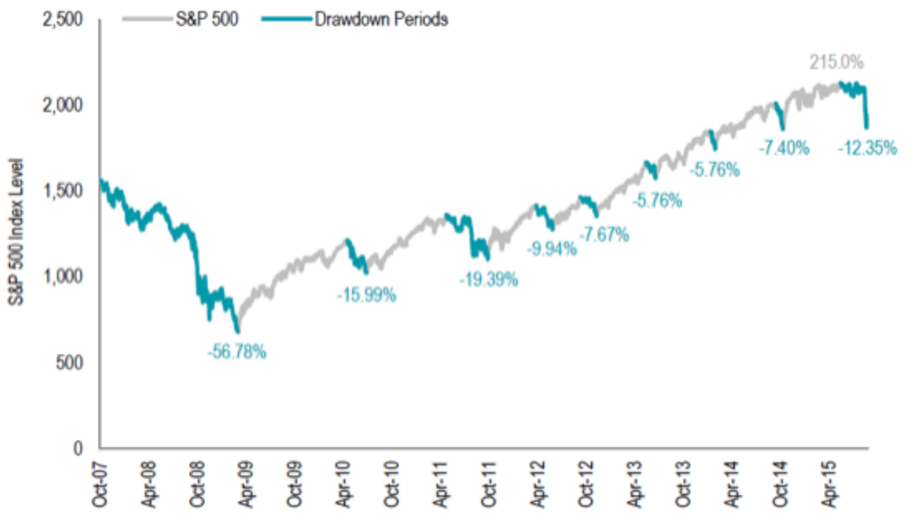


Chart Source: Bloomberg and GSAM from Oct 9, 2007, most recent major drawdown, to Aug 26, 2015. Drawdowns are defined as a period when equities fall. Market and Economic Summary Source: Bloomberg and GSAM. Key Economic Releases Source: Goldman Sachs Global Investment Research and Bloomberg. Please see end disclosures for definitions. **Past performance does not guarantee future results, which may vary.**

Has anything changed?

In our view, the short answer is “no”. The decision by the Chinese to devalue their currency was a reasonable step in the transition of their economic model, although the market appears to have taken it as a cue to fret over the pace of the slowdown in the economy.

However, the Chinese equity market is much smaller relative to the size of the economy and Chinese consumers are far less exposed. Therefore, we would be surprised if recent events derailed growth completely resulting in a ‘hard-landing’. We are of course, cognisant of the very high levels of outstanding debt, the housing bubble and the risks that these pose.

Generally speaking, the developed market economies appear to be doing quite well and whilst equity values are not cheap, they are not overly expensive either. However, markets are highly likely to become more twitchy as the era of Quantitative Easing and ultra-loose monetary policy comes to an end in the US and UK.

United Kingdom

Growth in the UK continues to do well with 0.70% growth for quarter two, compared with 0.40% for the previous three months. This was an improvement of 2.60% over the same period last year. This would all suggest that the Bank of England will be looking to raise interest rates in the early part of next year, although the potentially deflationary effect of the slowdown in China could push this back.

United States

The US economy appears to be firing on all cylinders, posting 3.70% growth in the second quarter, sharply higher that the initial estimate of 2.30%. Consumer confidence also improved in August and the housing market also continued to improve with new home sales increasing 5.40% in July, from June.

Despite the positive news on the economy, the market turmoil emanating from China means that the market has pushed back expectations for the first rate rise, yet again. Federal fund futures indicate a 24% chance of a September hike, down from 50% in early August.

Europe

Similarly, the Eurozone economy continues to recover, particularly in Spain, which is now enjoying strong GDP growth. Unemployment is at the lowest level since early 2012 and business confidence is improving.

Quantitative Easing in the region, combined with improving corporate earnings, bode well for the equity markets although valuations are not quite as attractive as they once were.

Japan

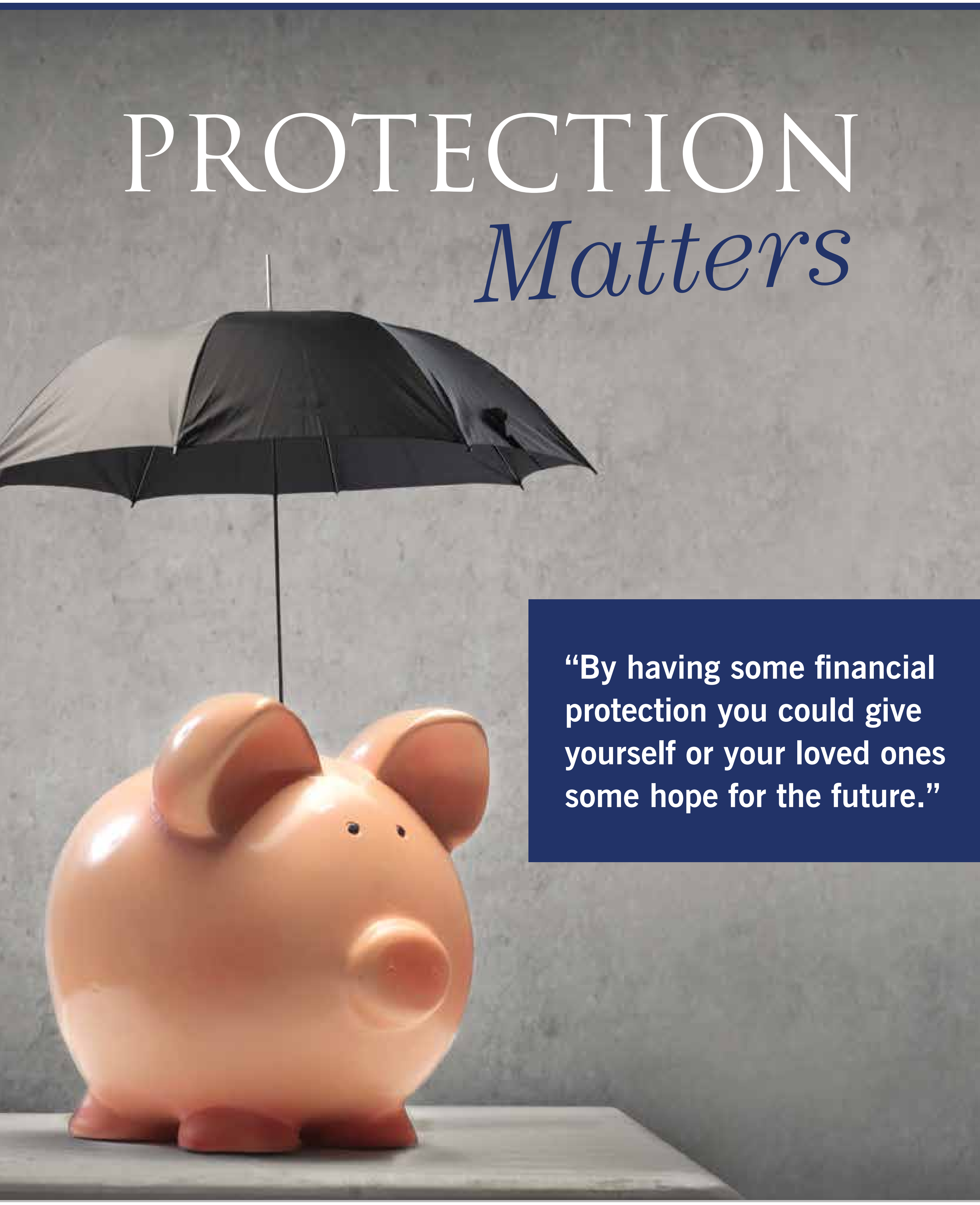
Japan’s economy posted a disappointing contraction of 1.60% in quarter two, as exports slumped and consumers cut back spending. This is a blow to Prime Minister, Shinzo Abe, and his policy drive to end deflation. Whilst the initial economic and market reaction to ‘Abenomics’ has been positive, wage growth has not been sufficient to bolster private consumption, which is approximately 60% of the economy.

The Japanese market is still relatively attractively valued, particularly after recent moves. This, combined with increasing equity allocations in Japanese pension schemes, should provide support, despite the economic data.

Emerging Markets

The Emerging Markets have been hit by an almost perfect storm of the bursting Chinese equity bubble, rapidly falling commodity prices and a strong US Dollar. Sentiment has become extremely negative towards the region and cash has been pulled from Emerging Market funds, both equity and bonds, at an alarming rate. The impending tightening cycle in the US will also place pressure on the Emerging Markets, although certain areas of the region look like very good value, a trait which is hard to find in today’s financial markets.

PROTECTION *Matters*



"By having some financial protection you could give yourself or your loved ones some hope for the future."

Helping to make sure your family and future finances are protected is important to all of us.

Most of us don't realise just how quickly the money could run out if anything happened to us or our partners, as a result of long-term sickness, injury, a critical illness or if the main breadwinner died. It's worth asking yourself what if you were suddenly unable to work? Do you have any savings and how long would they last?

Legal & General's 2014 Deadline to the Breadline research shows that, on average, people in the UK could be on the breadline in just 29 days. Shockingly, this reduces to just 14 days for families of working age (18-64 year olds). And whilst you might like to think you could rely on employee or State benefits, do you know just how little you could be relying on? For example, Statutory Sick Pay is only £88.45 for a maximum of 28 weeks*.

It won't happen to me

We all like to think that getting ill won't happen to us, but sadly experience shows it can and does happen. You may be surprised to learn that Legal & General's 2014 claims figures show the following:-

- The average age of people who made critical illness claims in 2014 for conditions such as cancer**, stroke, MS and heart attacks was just 45 years old.
- The average age of people who made income protection claims for conditions such as severe back pain or long-term depression was just 41 years old.

Hope

By having some financial protection you could give yourself or your loved ones some hope for the future. In 2014, Legal & General paid out over half a billion pounds in claims for critical illness, terminal illness, income protection and life claims. For these customers that unfortunately needed to claim, it's likely that the cover they had in place would have made a real difference.

After all, it's only at this point that the true value of insurance becomes more than just a piece of paper and it proves its worth. Take Leighton, for example, who is a self-employed photographer with a young family. In 2011 he was diagnosed with bowel cancer and had a critical illness policy with Legal & General. You can view his video here[1], where he tells how a smooth claims process and payout made a real difference to him and his family at a difficult time.

Get in touch

If you would like to discuss your protection needs, please contact your Financial Adviser.

Legal & General

Rachel Atkinson
Key Relationship Manager
Legal and General Insurance

* The Department for Work and Pensions. Rate correct as of April 2015.

** Please note, not all types of cancer are covered under critical illness policies.

[1] http://mediazone.brighttalk.com/comm/landg/e603fe8b8d-34851-3496-39637

WHAT AN

AGEING POPULATION

REALLY MEANS

Richard Purcell
Head of Technical Marketing
VitalityLife

It's good news that people are living longer than they used to. Male life expectancy at age 65 in the UK increased by 40% in the last 30 years to 18.2 years, while female life expectancy improved by 23% to 20.7 years[1]. The number of people in the UK aged 65 and over is set to increase by 2 million by 2020, however, an increasingly ageing population means the issue of later life care is significantly more important. We're seeing an increase in the number of people suffering degenerative illnesses that get worse over time and for which there is no cure. These illnesses, such as Dementia and Parkinson's Disease, are more prevalent at older ages.

Currently in the UK, around 4 million people, nearly half of the over 65 population, have some form of care need[3]. There's a misconception that the State will pay for care, with 33% of people still under the impression that the Government will pay for most or all of their care needs. However, of the 4 million older people with a care need in the UK, only 850,000 are entitled to any help[3]. The NHS is perceived as the default care for people who can't afford to pay for care. But with Government cuts to welfare and the number of people surviving illnesses increasing, relying on the State alone is a risky strategy.

The cost of care

- It costs, on average, £532 per week to stay in a residential care home. Over the course of a year, that's £27,664[4].
- To stay in a nursing home, it costs an average of £750 per week, or £39,000 over the course of a year[4].
- It costs £30,000 a year to have full-time care[4].
- Around 50% of people over the age of 65 in the UK require some form of care need[3].
- Household expenses increased for 58% of stroke survivors, including heating, transport, care and household adaptation costs[5].

The Care Act – how much will the State help?

The Care Act, which came into effect in April 2015, is the biggest shake up in care legislation for over 60 years. It includes legislation addressing the rights of those receiving care and those who provide it to their loved ones. Some of the main changes that have been brought in are:-

- **The creation of national eligibility criteria** to establish, for the first time, when someone should be entitled to help. Previously, it was down to local councils to set their own criteria.
- **A duty on councils to offer schemes**, where those who need to pay for residential care can get a loan from their local council, which is then paid back from their estate after death.
- **Giving carers the same right to assessment and support as the people they care for**. Previously, they had to provide "substantial care on a regular basis" to get an assessment.
- **Those who pay for care themselves** will be entitled to go to their local council to get advice and information about the care system.

An important component of the Care Act, called The Care Cap, was due to come into effect from April 2016 but has now been delayed until 2020. At this point, care costs will be capped at £72,000. This is designed to limit the amount that individuals will need to contribute towards their own care costs, and help people plan for their future needs. However, there are a few points to note:-

- The cap only applies to the cost of providing care itself. It does not include the cost of food or accommodation, so these would still need to be self funded.
- The state will only help people with assets worth less than £118,000.
- The cost of care itself varies between local authorities, meaning that if you live in an area where the rates are lower, then it may take several years before you even reach the cap of £72,000.

So, although the Government has moved to make planning for future care costs easier, there will be a lot of people who are not eligible for any support at all.

Have greater control of your later life care costs

There are a number of different ways to make financial provisions for later life care. For example, VitalityLife's LifestyleCare Cover can help protect you financially if you suffer from a later life condition, by giving you early access to your Whole of Life Cover if you can no longer look after yourself.

To find out more about LifestyleCare Cover, please speak to your CAERUS Adviser or visit www.vitalitylife.co.uk.

1 **ONS** – http://www.ons.gov.uk/ons/rel/lifetables/national-life-tables/2010---2012/stb-uk-2010-2012.html

2 **Age UK** – http://www.ageuk.org.uk/london/about-age-uk-london/media-centre/key-stats/

3 **BBC News** – http://www.bbc.co.uk/news/health-30922484

4 Money Advice Service

5 **Stroke Association** – https://www.stroke.org.uk/sites/default/files/stroke_statistics_2015.pdf

Cost of care homes – http://www.bbc.co.uk/news/business-21507462

LEADING *Indicators*

United Kingdom Stock Markets	3 months	6 months	1 year
FTSE 100[1]	-4.85%	-2.65%	1.60%
FTSE 250[1]	-1.55%	5.94%	15.45%
FTSE All Share[1]	-4.13%	-1.03%	3.94%

Source: Financial Express Analytics 18th Aug 2015

American Stock Markets	3 months	6 months	1 year
NASDAQ 100[1]	1.93%	4.70%	15.88%
S&P 500[1]	-0.43%	1.12%	9.77%

Source: Financial Express Analytics 18th Aug 2015

European Stock Markets	3 months	6 months	1 year
CAC 40[1]	0.34%	6.95%	22.52%
DAX[1]	-3.12%	2.32%	23.29%
DJ Euro Stoxx[1]	-1.30%	4.12%	19.07%

Source: Financial Express Analytics 18th Aug 2015

Other Stock Markets	3 months	6 months	1 year
Hang Seng[1]	-12.24%	-0.88%	-0.64%
MSCI Emerging Markets[1]	-11.33%	-6.13%	-5.29%
Nikkei[1]	4.50%	14.64%	34.61%

Source: Financial Express Analytics 18th Aug 2015

Gilts	3 months	6 months	1 year
FTSE British Government 10 – 15 years[1]	1.37%	0.31%	8.65%

Source: Financial Express Analytics 18th Aug 2015

Property	3 months	6 months	1 year
Halifax Property Index[1]	1.29%	3.07%	6.88%
IPD UK All Property[1]	2.62%	5.88%	14.90%

Source: Financial Express Analytics 31st December 2013

Savings	3 months	6 months	1 year
Moneyfacts Instant Access[1,2]	0.17%	0.33%	0.67%
Moneyfacts 90-days notice[1,3]	0.19%	0.37%	0.74%

Source: Financial Express Analytics 18th Aug 2015

Inflation	3 months	6 months	1 year
UK Consumer Price Index	0.00%	0.63%	-0.08%

Source: Financial Express Analytics 18th Aug 2015

Interest Rates	3 months	6 months	1 year
Bank of England	0.13%	0.25%	0.50%

Source: Financial Express Analytics 18th Aug 2015

Notes

1 Gross return Bid-Bid, annualised (ending 18th Aug 2015).

2 Moneyfacts average of Instant-Access accounts, £10,000 invested, total return, gross.

3 Moneyfacts average of 90-Day Notice accounts, £10,000 invested, total return, gross.

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