



FINANCE SHOP  
Independent Financial Advisers

# WEALTH MANAGEMENT QUARTERLY REVIEW WINTER 2019

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# WELCOME

## Welcome to the Winter 2019 Finance Shop Wealth Management (FSWM) Quarterly Review.

The aim of the Review is to give you a general feel for what's happened in the financial world over the last three months and how this may have affected your pension or investment.

A key part of the reporting is the colour coding. Each FSWM portfolio is colour coded to enable you to spot which category applies to you. The relevant information is then presented in a clear and easy to understand way. However, if you require any further clarification, please do not hesitate to get in touch.

The FSWM Team

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## MARKET OVERVIEW – QUARTER FOUR 2019

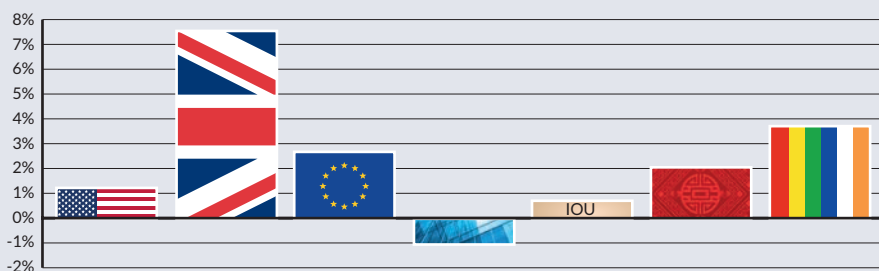
Markets rallied strongly over the final quarter as a number of headwinds receded. Chief amongst these was the improving dialogue between the US and China, leading to suggestions from both sides that conditions were in place to sign a phase one trade agreement.

Closer to home sentiment received a boost from the general election result, which saw the Conservative Party secure a much larger majority than expected. On one hand it removed the threat of a much less business friendly Labour Party agenda and on the other it provided the building blocks to move the Brexit process forward.

Predictably many of the more domestically focused sectors such as utilities, financials and real estate fared best.




The rally in the final quarter helped produce a stellar year, with all the portfolios producing strong returns. It is difficult to see markets in 2020 replicating last years rally, however with some of the headwinds reducing, little signs of inflation and central banks still supportive, conditions appear to support risk assets.

### KEY MARKET PERFORMANCE - QUARTER FOUR 2019



Powered by data from FE - 1/10/2019 to 31/12/2019

-  IA North America (1.2%)
-  IA UK All Companies (7.3%)
-  IA Europe excluding UK (2.6%)
-  ABI UK Direct Property (-1.1%)

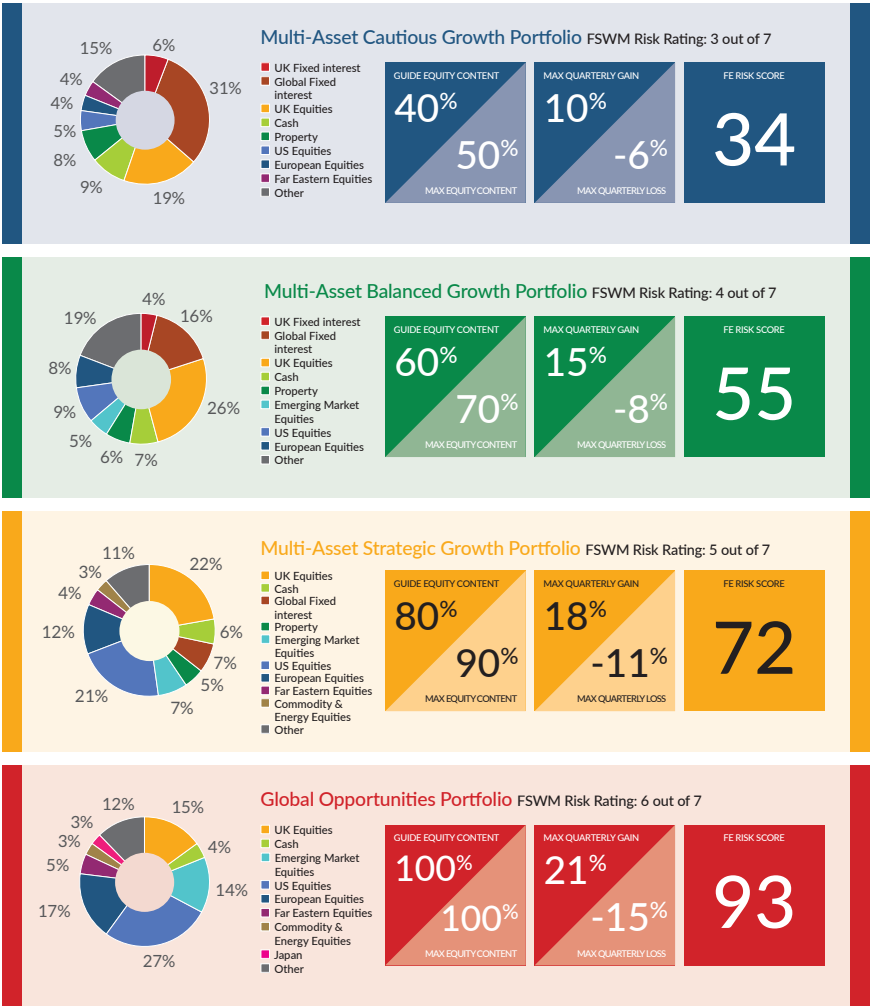
-  IA Sterling Strategic Bond (0.7%)
-  IA Asia Pacific excluding Japan (2.0%)
-  IA Global Emerging Markets (3.6%)

FSWM PORTFOLIOS – ASSET ALLOCATION

There are six portfolios in the FSWM range, four growth and two income which are detailed below. Your FSWM pension or investment will be invested in one of these categories. The tables show the aggregate composition of the portfolios with some figures to show the potential risk and return of each category.

For an explanation of the figures and the sources of the information, please see page 10.

GROWTH PORTFOLIOS

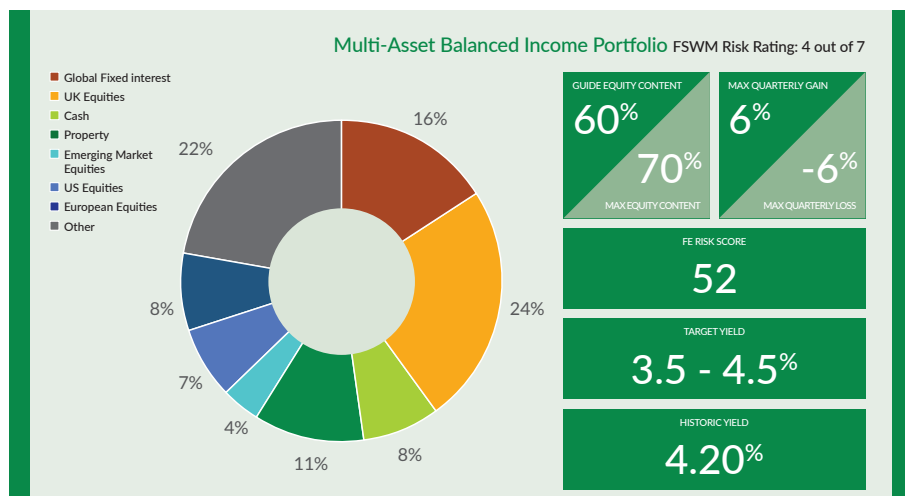
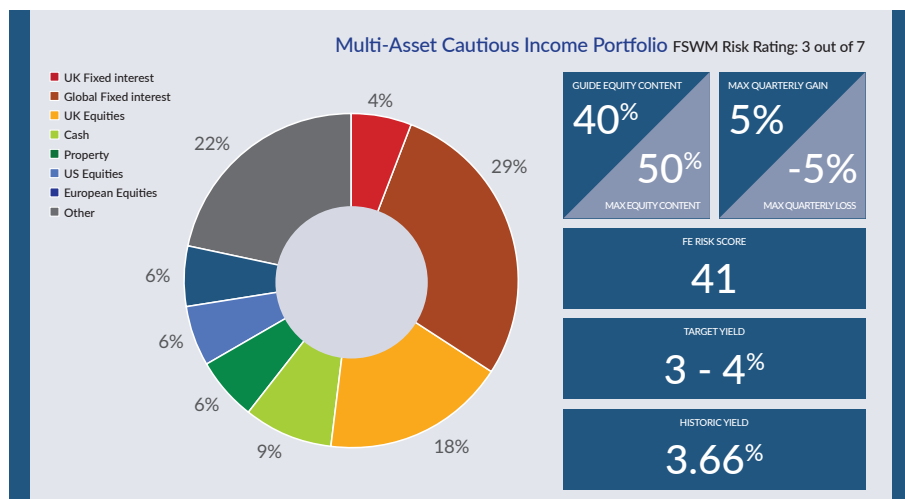


## FSWM PORTFOLIOS – ASSET ALLOCATION

There are two income portfolios which aim to produce an income within a target range as highlighted in the table below. The two portfolios cover the Cautious and Balanced Finance Shop risk categories.

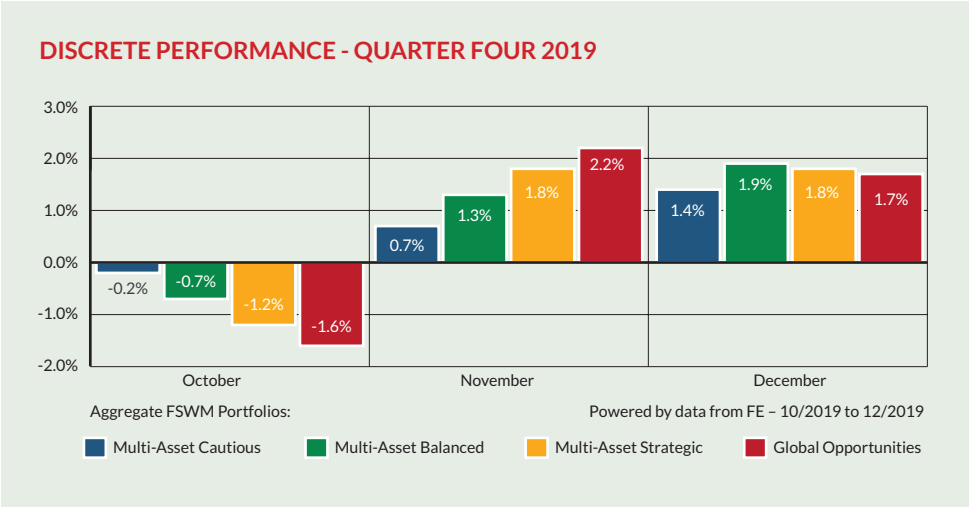
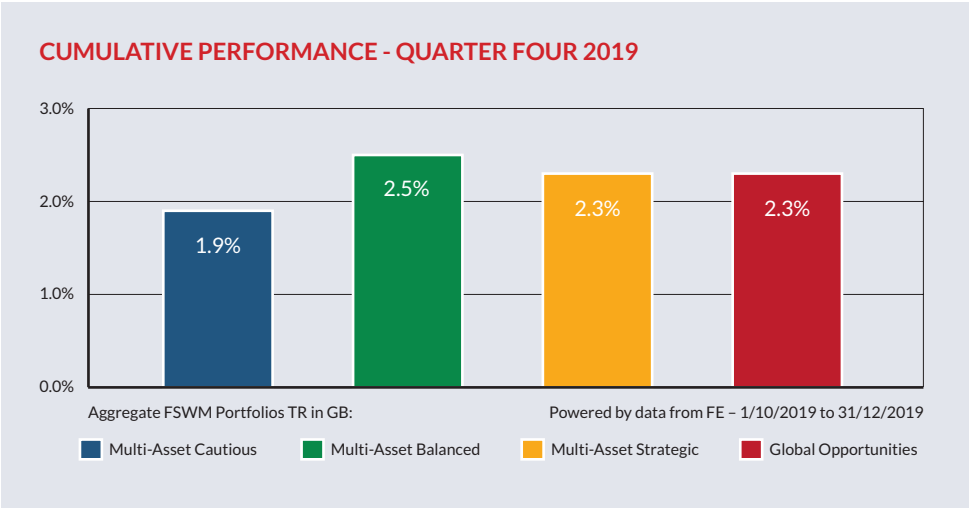
Please see page 10 for further information.

### INCOME PORTFOLIOS



## FSWM PORTFOLIOS – QUARTER FOUR 2019 PERFORMANCE

The graphs below show how the FSWM portfolios within the four Finance Shop risk categories have behaved over the last three months. The first graph shows the total return for the quarter whereas the second graph illustrates the "month by month" performance. The performance figures are aggregated so, for example, the green bar is made up of all the FSWM Multi-Asset Balanced portfolios across all product types. If you require specific performance figures for your plan, please contact your adviser.



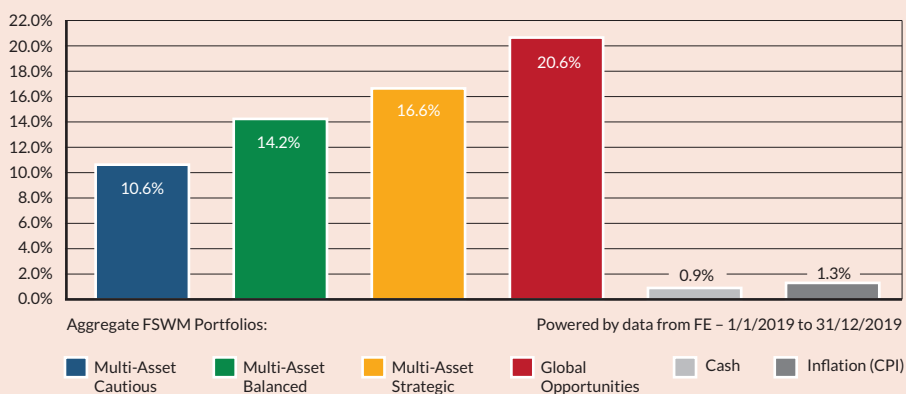
## FSWM PORTFOLIOS – LONGER TERM PERFORMANCE

The first graph below shows how the FSWM portfolios have performed over 12 months. For comparison, the returns of cash (MoneyFacts 90 days notice 10K) and inflation (UK Consumer Price Index) are also shown. As with the graphs on page 6, the figures for each category are aggregated.

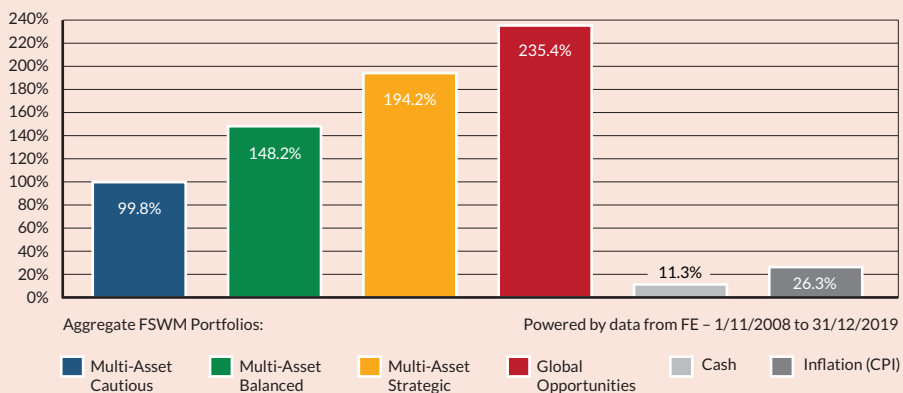
The second graph illustrates how the portfolios have performed since launch (1st November 2008).

Please refer to page 10 for further information.

### LONGER TERM PERFORMANCE - 1 YEAR



### LONGER TERM PERFORMANCE - FROM LAUNCH





## PERFORMANCE REVIEW

Performance for the portfolios was positive across all mandates over the quarter, and interestingly the balanced mandates produced the strongest returns. In the UK, assets played catch up in the final quarter

helped by the election result, but overall we were extremely pleased with the returns generated over 2019 with the portfolios delivering between 10 and 20 percent.

## FSWM FUND REVIEW POLICY

A key part of the FSWM service is to monitor the underlying performance of each fund within the portfolios for both risk and return. We have selected quality funds with strong track records and therefore do not envisage a high turnover of holdings. However, there will be occasions when the performance of an individual fund will lead to its expulsion from the portfolio(s). There are a number of factors that determine this decision, for example consistent under-performance, change of management team etc. It is also important, however, to have patience with a fund that is just suffering short-term under-performance.

We operate a “traffic light” system and will move a fund from a “green” to “amber” rating if the fund requires closer scrutiny at the next review. If a fund shows sufficient improvement, it will move back to “green”. If the fund consistently under-performs without good reason its status will change to “red” and the fund will be removed from the portfolio(s). A replacement fund will be selected and all clients holding the fund within their portfolio will be notified. Upon receipt of their authority, the client’s funds will be switched accordingly.



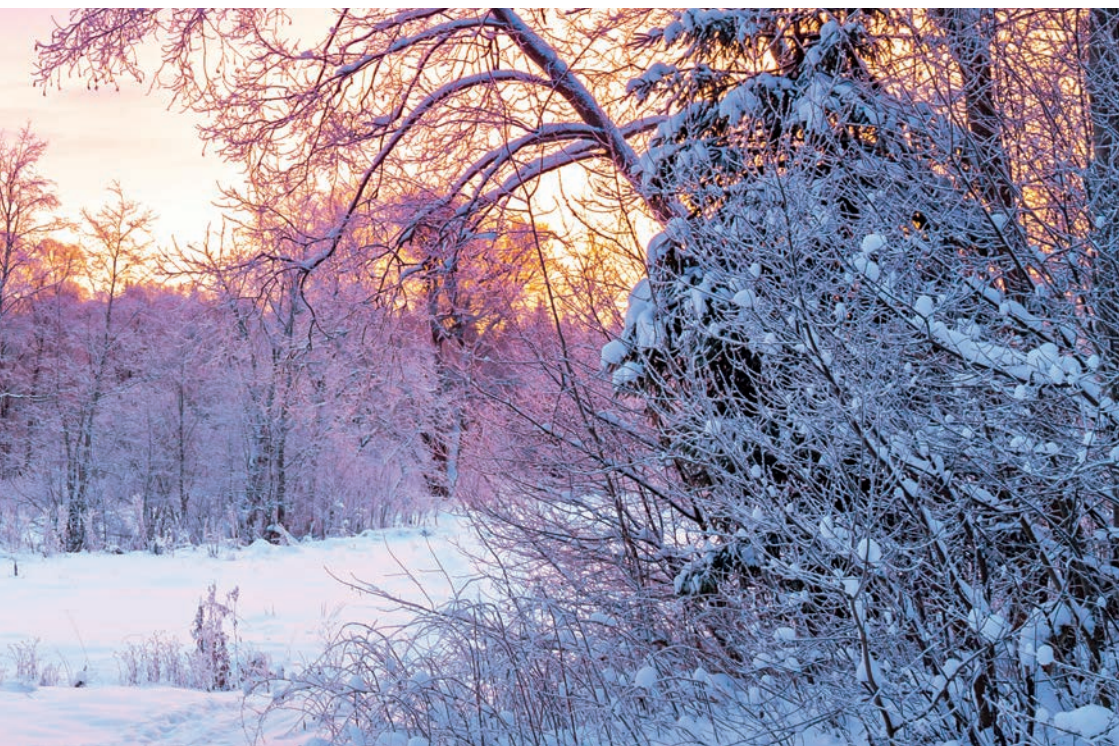


## RESULTS OF FUND & ASSET ALLOCATION REVIEW

The Investment Committee meets on a quarterly basis and one of its primary functions is to review our existing fund range. Within this meeting we scrutinise any funds which we feel are performing significantly differently to their peer group or benchmark, with a number then run against our internal performance and risk measurements.

There were several changes to the funds under review, with a number of funds added including BNY Mellon Global Income and M&G North American Dividend, whilst Ardevora UK Equity was removed, leaving the following funds under review:

- BNY Mellon Global Income
- Invesco Asian
- JP Morgan US Equity Income
- M&G North American Dividend
- Schroder Asian Income Maximiser
- Schroder Global Income
- Schroder Income Maximiser



## ASSET ALLOCATION TABLE PAGES FOUR AND FIVE – IMPORTANT INFORMATION

The maximum quarterly gain and loss figures in the asset allocation tables on pages 4 & 5 are taken from Financial Express based on the last 43 quarters of the longest running FSWM portfolios (up to August 2019). For the table on page 5, the figures are based on 24 quarters.

FE Risk Score: Financial Express have introduced FE Risk Scores to provide a single, easy to understand measure of risk across a range of investments. In the UK, Risk Scores measure the riskiness of any given investment in relation to the FTSE 100. Weekly volatility is measured over up to 3 years, with recent behaviour counting more heavily than earlier behaviour. The Risk Score is calculated weekly, and can be tracked over time. Cash type investments will have scores near zero, investment funds will tend to have scores in the 0 - 150 range.

The FTSE 100 is always 100. There is no upper limit to the scores.

The asset allocation figures on pages 4 and 5 are aggregated based on the current holdings within the FSWM portfolios for a new investor as at 12th August 2019. They will vary on a daily basis subject to market fluctuations. Rebalancing will be recommended if equity content exceeds the benchmark maximums. There is no guarantee that any of the model portfolios above will achieve their stated objectives. Each model portfolio may also experience more or less volatility than expected. The value of investments will fall as well as rise and are not guaranteed. Past performance is no guide to future performance. The Finance Shop Risk Categories are graded from 1 to 7. The above portfolios cover categories 3 to 6. For further information on all categories, please speak to your Finance Shop Independent Financial Adviser.

## ADDITIONAL IMPORTANT INFORMATION

This report has been issued by the Investment Committee of the Finance Shop Wealth Management team using data provided by Financial Express. Care has been taken to ensure that the information is correct but Financial Express and Finance Shop neither warrants, represents nor guarantees the contents of the information, nor does Financial Express or Finance Shop accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Currency fluctuations can also affect fund values. The above report does not constitute advice and you should speak to your Independent Financial Adviser before you make any alterations to investments or pension plans.

The instruments recorded above are weighted model portfolios created using Financial Express Analytics. Performance figures shown are based on the weighted models and may differ from the actual returns achieved by investors. Performance figures shown are based on bid to bid gross returns and do not include plan, contract or ongoing adviser charges / commission. Please refer to your policy documentation for further details.

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Finance Shop is authorised and regulated by the Financial Conduct Authority.

## ABOUT FINANCE SHOP

Formed in 1990, Finance Shop has grown to become one of the region's leading firms of Independent Financial Advisers.

As a locally owned, genuinely independent company, we pride ourselves on the quality of our advice and service to both personal and corporate clients. With over 150 years of financial services experience within the firm and over half a billion of assets under management, we have the expertise, experience and knowledge to be able to advise on all aspects of financial planning.

Our belief is that access to quality, independent advice is more important than ever and that is why we spend the majority of our time face to face with new and existing clients, explaining the key issues of today and helping them plan for the future.

## OUR SERVICES

- Retirement Planning
- Corporate Pension Solutions
- IHT / Estate Planning
- Personal & Business Protection
- Investment Planning
- Mortgages / Equity Release
- Trustee Investment

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Registered Office: North Wood Place, Octagon Business Park, Little Plumstead, Norwich, Norfolk, NR13 5FH

**FINANCE SHOP**  
William Fleming House  
Morton Peto Road  
Great Yarmouth  
Norfolk NR31 0LT

**FINANCE SHOP**  
North Wood Place  
Octagon Business Park  
Little Plumstead  
Norwich  
Norfolk NR13 5FH

**FINANCE SHOP**  
61 Alexandra Road  
Lowestoft  
Suffolk NR32 1PL



**WWW.FINANCESHOPGROUP.COM**