# ASSET Advantage

Your quarterly newsletter from

ASSET Investment Management Ltd

*wealth management specialists*

Autumn 2015

## Global Stockmarket Turmoil

The slowdown in China has sent shockwaves through global markets. For months, speculators had worried themselves about when the US Federal Reserve would start to raise interest rates. When the Fed didn't raise rates in response to worsening news from China, they worried about that too.

It is fair to say that most people receive news from the media in terms of "Today, the FTSE-100 plunged 2.65%, wiping £20bn off the value of shares. Over to Robert Peston....", who then proceeds to murder his vowels and pronounces that Armageddon could, indeed, be here.

There is a difference between market froth and hysteria and the real economy. Also, none of our clients are invested in FTSE-100 trackers. So, when you read that the FTSE has plunged by xx% over the year, what does this mean to you? Clearly, it will mean different things depending on what investment risk you are taking and therefore where assets are invested. However, looking at a chart comparing two of our templated portfolios, one level 5 (conservative) and one level 6 (balanced) against the FTSE-100 (one year to 31st August 2015) we see a quite different picture.

Cumulative Returns Portfolio Comparison


Summer has been and gone - blink and you could have missed it though!

Most recent on the domestic stage is the election of Jeremy Corbyn as head of the Labour Party. There are another 5 years of the current regime and the contrast will be fascinating.

All eyes were on Greece in the summer but since then China's domestic market has come crashing down, partly as the result of a bubble and partly because of its own economy slowing and changing.

We have tried to put this in some context for our clients.

### Our Services

We are able to offer qualified advice in areas other than pure investment, such as:-

- Care Fee Planning
- Equity Release
- Mortgages
- Income Protection
- Life & Critical Illness cover
- Pension Planning
- Inheritance Tax Planning
- Wills and Estate Planning
- Lasting Powers of Attorney

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## The Euro and the FSCS

The Financial Services Compensation Scheme (FSCS) was set up to compensate investors if their investment provider went "bust".

It has taken more and more upon itself, foisting huge levies on financial advisers such as ourselves to pay for the misdemeanours of others in unregulated schemes which we wouldn't have touched with the proverbial bargepole. The latest of these levies will seemingly come to compensate people who sought to avoid tax in dubious film partnerships, but who found that the schemes were bogus. Hardly a case for compensation?

That aside, as the £ has rallied against the € the deposit protection scheme, which mirrored the European scheme of €100,000 giving £85,000 in the UK, will reduce to £75,000 from the 1st January 2016.

## Care Fees Cap

In the September 2013 issue we reported on the proposed changes to come in under the Care Act 2014 in respect of a cap on fees of £72,000.

We said that it would not apply to accommodation costs, so this would still leave people with the cost of "board and lodging" to find at care homes.

Under the government's care reform plans, those with assets of up to £118,000 would have qualified for some State help. Currently the limit is set at £23,250.

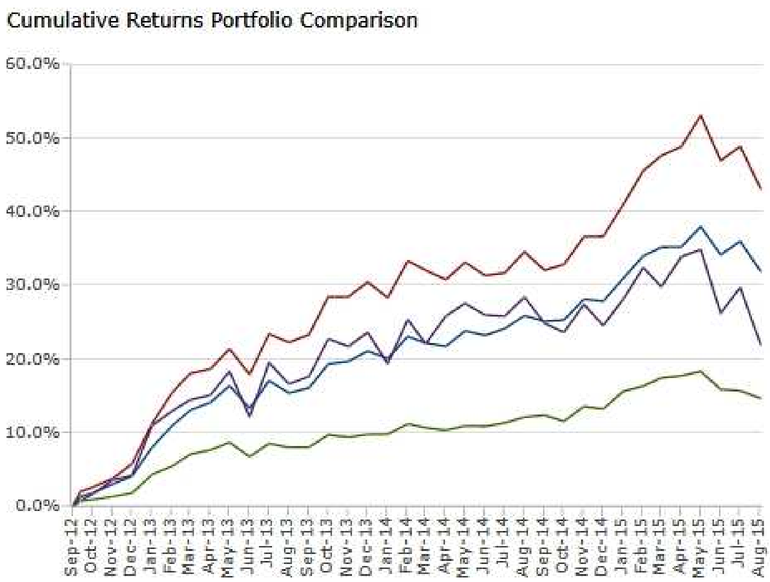
The last budget saw these proposals shelved indefinitely as being too expensive, instead the Inheritance Tax threshold was increased to £1,000,000 for couples who own their own properties.

Clearly this leaves people of moderate means - e.g. with a house worth say £200,000, potentially worse off as the entire value of the property could be swallowed up by fees.

Planning for the impact of care fees should therefore be back on peoples' agendas.

## Global Stockmarket Turmoil - continued

If we look at the performance over 3 years (same legend):-




Obviously, short term returns have been disappointing but on the fundamentals of economies such as Japan, the UK (especially in the smaller and mid-cap sectors), active fund managers see the current volatility as a buying opportunity. The same is true for Emerging Markets, but on a very selective basis - the potential impact of the deferred Federal Reserve interest rate rise having largely been priced in already.

Indeed, on most valuation metrics, equity markets such as the UK, US and Europe do not appear to overpriced, but do appear to be offering "fair value" at the moment.

Our message would be, therefore, not to panic - all portfolios are diversified and hopefully placed to take advantage of markets when they rise - but do expect volatility in the short to medium term.