Connection

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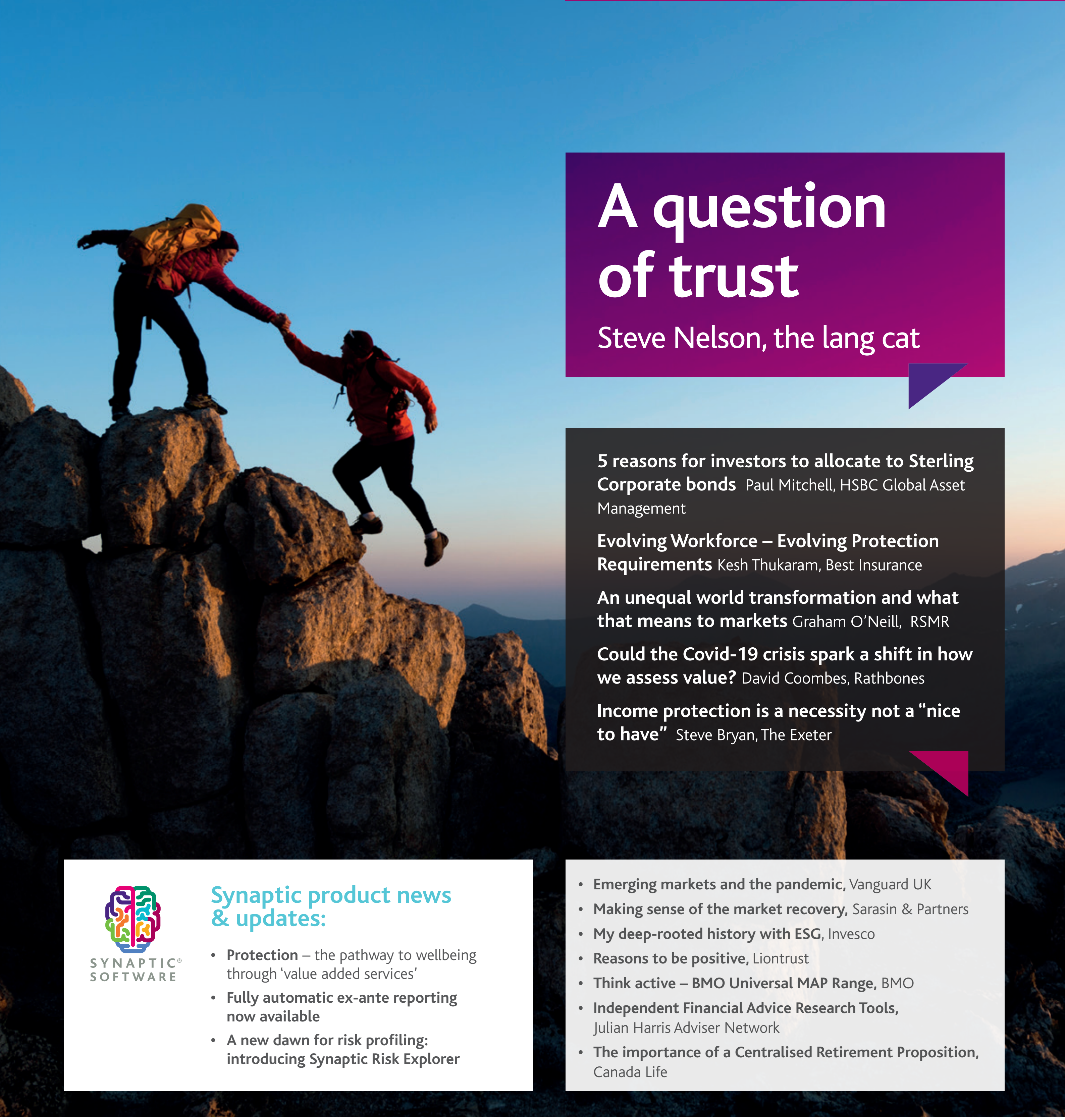
Selection of industry features for the professional adviser



A question of trust

Steve Nelson, the lang cat

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Valuing independence

Some months ago, I alluded to the backing of our parent to fund the evolution of the Synaptic research and due diligence suite. The fruits of the investment are beginning to appear.

The first milestone for the company was the creation of a range of APIs for our services and databases that could support a wider range of deployment than offered by standalone tools. Our improved infrastructure includes the ability to supply data to generate ex-ante and ex-post suitability reporting, to a standard that will remove the necessity for firms to perform additional MiFID II disclosures. We have also rebuilt our valuations service and created new databases to allow our customers access to data to perform research on discretionary managed portfolios.

The second objective was to redesign the research capabilities of Synaptic for the post MiFID era, and we are delighted to have started testing the first release in our product upgrades, Risk Explorer, details of which are included inside. This will in time replace Synaptic Modeller and extends the ability of Synaptic users to access research via the peerless Moody's Analytics risk model.

The third objective was to finalise our plans for a new suite of research tools capable of fixing the shortcomings of the previous generation of adviser research tools; principally addressing interoperability of systems and the challenges of MiFID II compliance in an easy-to-use application. Within an improved framework, we will be offering our customers the ability to conduct all their research in line with the PROD (MiFID II) rules, namely employing segments and building and managing CIP / CRPs with full product governance capabilities. There will be more announcements in regard to the latter later in the year.

An independent status is one of the great strengths of Synaptic. We believe that this is the key attribute that firms can rely on us for, to allow them to objectively demonstrate that they are always acting in the client's best interests, which is ultimately the purpose of all good research.

You will also notice that we are supplying the risk tables independently to the magazine (though still delivered together). This reflects the success of the Synaptic risk ratings which has now grown to include over 50 providers and asset managers.

We hope you enjoy this edition, and hope that it communicates the pride we feel as we participate in and observe the work of advisers up and down the land who are delivering fantastic results for their clients.

Eric Armstrong
Editor

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A question of trust

Steve Nelson

Head of Research

the lang cat

I've been thinking a lot about trust the past few weeks. But first, a story.

A few years ago, back when the lang cat was more of a kitten I guess, we put together an informal list of members of the advice community. A handful of fine individuals that we had a really good relationship with for whatever reason. Chiefly, it was folk we could lift the phone to and pester every now and again and vice versa. In truth, these good people acted as a really important filter between some of the marketing bumf that we all receive from product providers, platforms and asset managers. A translation from marketing spiel to the truth if you like. In head office, this became known as 'the lang cat friendly adviser list'.

Over time, that list of people grew. I recall quite vividly being chuffed when that list reached 100. (We all like round numbers!) Soon, we launched our online platform directory and started asking users if they'd mind joining the lang cat research panel. We also started asking everyone we met at conferences, seminars, webinars, you name it. "Would you like to join the lang cat advice panel?" became one of our go-to conversation pieces.

Fast forward to 2020 and I'm thrilled (and mildly overwhelmed) in equal measure to say that we now have over 1,200 members of the advice profession who have given us permission to contact them on a regular basis and ask them stuff. I'm also dead chuffed to say that most of the original members of that first friendly adviser list are still here with us.

Which brings me back to that original point about trust. Members of the advice profession entrust us with their opinions & data, safe in the knowledge that we will act with integrity. That why as the list has grown, we've had to grow up with it. We're now members of the market research society (MRS) and we carry out our research with its code of conduct at the forefront of our minds.

Back to the point, Steve

Oh yes, so right before thinking about what to write for the good people at Synaptic this time round, I was putting together a big data pack of insight gathered from our various research exercises conducted recently. A big chunk of the insight we've managed to gather simply wouldn't have been possible had we not built up those relationships over time. At least I don't think so anyway. Consider the following questions:

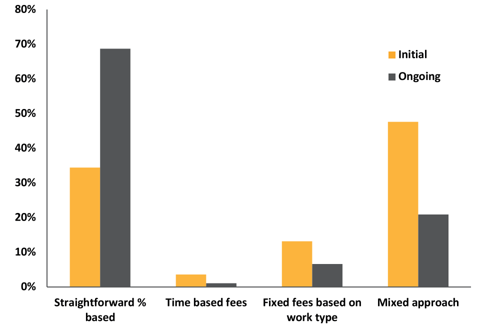
- Tell us your fee structure please.
- How do you attract new clients?
- Is your experience of Covid-19 going to change the way you work?

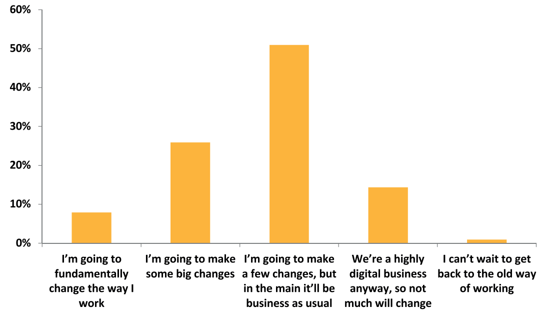
Let's look at each in turn.

Fees please

In our 2019/20 Omnibus study, State of the Adviser Nation, we asked 404 members of the advice profession to share their fee structure with us. Often a point of fierce sector debate, we were humbled to receive a large stack of insight in return when the easier thing would have been to skip this question with a quick "none of your business Mr or Mrs Cat."

You can see from the chart below that an interesting pattern emerges. Straightforward %-based charging still dominates ongoing firm revenue but a potentially larger-than-you-think portion state that they have a mixed or hybrid approach. From analysing individual responses over time, we're starting to see an emerging trend of firms moving to a combination of fixed and percentage-based charging, often with minimum or maximus rates in place. Definitely one to keep an eye on, particularly against the seemingly perpetual regulatory focus on value for money.





Growing pains?

Back in February, we were commissioned to conduct an in-depth exercise looking at the growth of the advice sector. As part of the project, we asked our advice panel some rather intrusive questions about how they targeted new clients and to what extent their businesses were growing.

My biggest takeaway from this is the stat that around 80% of client growth (as a pure mean average from respondents) was attributed to a combination of existing client and family referrals and partnerships with specific professions.

Set against the backdrop of all the hellish uncertainty we're living in right now, that painted an extremely reassuring picture to me insomuch that (1) existing client satisfaction is clearly underpinning new referrals and (2) firms seem well protected against the 'footfall' volatility of other sectors.

Speaking of which...

Back in the height of lockdown, we asked our adviser panel a range of questions relating to how it had affected their respective businesses and their view of the future. Perhaps the biggest question of all was how they were feeling as they (hopefully!) approached the end of lockdown.

You can see here that over a third of respondents indicated they're going to fundamentally change the way they work, or at least make some big changes. Looking at the supporting verbatim comments and most stated a desire for a better work/life balance. I reckon that's understandable. We all have busy lives and an 'always on' culture can be difficult to keep up. Lockdown has given many of us time to re-assess our priorities.

So, there we have it. Walk up to any advice professional cold and ask them what their fee structure is, how they attract new clients and what they're going to do with their business once the pandemic ends and see how you get on. I bet the depth of response will hinge on your relationship with that individual. We're blessed to have built up so many of those over time.

I'll be back next quarter with some fresh insight. You'll have to trust me on that.

> "Walk up to any advice professional cold and ask them what their fee structure is, how they attract new clients and what they're going to do with their business once the pandemic ends and see how you get on."

Visit www.langcatfinancial.co.uk for more from Steve and the rest of the lang cats.

HSBC Global Asset Management

5 reasons for investors to allocate to Sterling Corporate bonds

I am joined today by Mohamed Siddeeq, senior portfolio manager at HSBC Global Asset Management and a 30-year plus industry veteran, who also specialises as a Sterling Corporate bond manager.

Paul Mitchell

Senior Product Specialist, Global, Securitised and Sterling Fixed Income

HSBC Global Asset Management

Mohamed Siddeeq

Senior Portfolio Manager

HSBC Global Asset Management

Q. Why should an investor consider buying Sterling Corporates now?

Now is a good time to buy corporate bonds - simply put, better returns for less risk. Bonds can provide a better risk adjusted return than those of equities. In fact, Sterling Corporates have outperformed the FTSE 100 year-to-date in 2020 on a total return basis, and also over the last 5, 10 and 20-year periods.

Going forward, whilst total returns may be lower than in the past, we could see this relative outperformance pattern repeated, as given the pressure that companies are under, equity dividends are uncertain and can be cut during times of financial weakness. Bond interest is a more consistent income stream as it is contractually paid and senior to dividend income. So in volatile markets, bonds can be more attractive on a relative return basis – locking in returns and helping investors to preserve capital.

The available Sterling Corporate bond market universe is significant with around £690bn and this is one of the largest bond holdings by UK investors, demonstrating that bonds remain a popular allocation. And whilst popular, Sterling Corporate Bonds is not an asset class that is at the top of the market. Undoubtedly, performance has rebounded strongly this year on the back of Global Central Bank liquidity provisions and the strong support of the Bank of England's Corporate Bond purchase program. The recent market dislocation in the first quarter really created a great opportunity for investors, especially if they allocated at the end of March – spreads have retraced somewhat but not to pre-Covid levels, so there is still value in this market.

Also, interest rates are extremely low and are not expected to increase any time soon. Cash rates are close to zero, so on that basis Sterling Corporates are an attractive asset class on an incremental yield basis.

Q. What about allocating to Global Corporates rather than Sterling Corporates?

Firstly, whilst many investors may not be aware of this, the Sterling Corporate market is global in nature. More than half of the issuers in this market are international companies, and many of the UK issuers are companies with regional or global footprints (for example one of the largest sterling issuers is EDF - the French energy company). Secondly, this broad nature results in a market that is linked more to global rather than to local news and risks. Thirdly, the sterling corporate market has offered historically higher yields and returns than those found in Euro or US dollar corporate markets.

We believe that HSBC's strong expertise in credit with a team of over 45 credit analysts based around the globe, has the resources and approach that would likely add value in a sterling corporate portfolio. Our global approach gives us an information advantage by having analysts closer to the companies they cover and to the news flows.

Q. How should Sterling Corporates be viewed on an asset allocation basis?

Really this is top down investing, with investors relying on the skills of a professional specialist manager to provide their bottom-up expertise. I rely on my large credit team for ideas – but this is a balancing act between risk and return, and security selection is key.

I believe that a Sterling Corporate manager should focus on exactly that rather than trying to game returns by allocating to High-Yield, Emerging Markets and or Securitised Credit. Those managers who had sizable esoteric allocations during the recent crisis would have suffered larger drawdowns than those of us who are more pure-play Sterling Corporate managers by nature.

Sterling Corporates should be a core bond allocation for any UK investor. This provides a steady, reliable income stream and potential for capital growth. Predominately investment grade in nature this can offer a higher expected return than government bonds – with the reward coming from the extra credit risk undertaken.

Overall, given the global nature of the Sterling Corporate market, investors can achieve good diversification, benefit from a higher yield and keep a low exposure to idiosyncratic UK-related risk by staying invested in Sterling Corporates with no obvious benefits from moving towards global credit strategies.

Q. What are the risks that investors are concerned about and should be aware of?

Investors are concerned about risks such as Brexit or indeed what happens if there is a second Covid-19 wave. We are clearly cognisant of these issues and have made moves to protect our client's portfolios, firstly in the short-term by reducing exposure to REITS and Retail – areas where behaviour has fundamentally changed – such as shifting consumers shopping habits, and in the longer-term by reducing exposure to Banks, in case the economy experiences a deeper recession. Equally, we have increased our exposure to defensive sectors such as Telecommunications and Utilities, where we still see value and which would be more protected from a second Covid-19 wave and a deeper recession.

Equally, whilst central bank actions have been supportive for the market – the market momentum itself has been generated by liquidity and not fundamentals – we could quite easily see tighter spreads even as corporate credit quality deteriorates. The support given to the corporate market by the Bank of England's QE programme and their willingness to continue to do so, gives substantial downside protection to the market should the above risks materialise.

Q. Where and how are investors allocating?

Corporate debt in general has continued to see inflows in Europe, with active funds capturing the bulk of these flows as investors look to navigate the effects of Covid-19.

To date, UK retail investors have shown a preference for Global Corporates instead of Sterling Corporates. Brexit uncertainty is very likely to be behind this trend, as investors logically want to protect their portfolios from this perceived risk. Yet institutional investors have been adding in Sterling Corporates, as there is extra value in this market offering a higher spread versus US and EU corporates. Additionally, as Gilt yields approach zero, there has been an increase in interest from investors who have large Gilt holdings to move into credit to achieve higher returns. Pension schemes who are in a position to de-risk their investment portfolios, continue to move out of equities into long dated credit in order to match liabilities.

Whilst I have sympathy for investors gaining their equities exposure via passives vehicles, the case remains very compelling for an active allocation within Sterling Corporates. Passive fixed income is harder to replicate and requires investment in more indebted companies as they are more likely to have larger amounts of bonds outstanding. An active manager can avoid this trap as it is clearly not prudent to invest in highly indebted companies. Asset managers that have a large global credit research team with sufficient resources to analyse the large number of issuers in the Sterling Corporate market, are better placed to generate added value to their portfolios and so outperform those investing solely in index funds.

Visit **www.assetmanagement.hsbc.com/uk** for more information.

> "Bond interest is a more consistent income stream as it is contractually paid and senior to dividend income. So in volatile markets, bonds can be more attractive on a relative return basis – locking in returns and helping investors to preserve capital."

An unequal world transformation and what that means to markets

Graham O'Neill

Senior Investment Consultant

RSMR

The world is enduring the deepest peacetime recession in the past 150 years. Many investors have been surprised at the continued strength in equity markets and in this context, it could help to consider the market framework over three different time frames.

In the short-term, news flow will drive market direction and volatility, as will the existence of vaccines/treatments, and economic data such as PMIs. Technical factors such as whether markets are overbought or oversold and the ratio of puts to calls are also important over shorter timeframes.

A return to trend growth

Over the medium term, 2021 and 2022 could remain a positive period for markets. Previous eras of financial repression (when governments hold real interest rates below zero) have often been profitable for equity investors, especially in the early stages. In other words, markets front run negative real rates with a lower discount rate, driving equity valuations higher. Next year, the global economy is likely to return to trend growth, especially with the prospect of vaccines and better treatments being widely available.

Drug treatments and stimulus

The UK has seen reduced mortality rates from use of the dexamethasone drug and Gilead have announced that their remdesivir treatment, currently administered intravenously and successful with less severe cases, is being trialled in an inhaler form. Gilead also claims that the drug is helping reduce mortality in more severe cases.

Next year, there will still be huge stimulus in the financial system, both monetary and fiscal, and this will coincide with improving corporate earnings. With a backdrop such as this, it is unlikely to be a time to be too bearish on the medium-term prospects for equity markets.

Longer term, from the mid-2020s, threats could emerge to valuation levels in the form of higher inflation, the withdrawal of stimulus, both monetary and fiscal, and less globalisation, but these are not an immediate concern to markets.

Pandemics and risk aversion

There is no doubt that Covid-19 has transformed the world in an uneven and unequal way. The global economy has seen only muted growth in the 10 years post the Financial Crisis and 'secular stagnation', as described by Lawrence Summers, the former US Treasury Secretary, in his address to the IMF in 2013. Since then, there have been stronger arguments for a Keynesian response to downturns.

He argued that a chronic excess of savings relative to capital investment was developing in the global economy, forcing down long-term interest rates and threatening a persistent shortage of demand. Interestingly, work by academics at the University of California Davis, looking at long term economic implications from pandemics, demonstrates that previous pandemics have resulted in an excess of savings at a time when a savings glut had not been a pre-existing condition in the world. Pandemics have also historically increased risk aversion in the private sector, resulting in higher savings rates, both by households and by businesses who invest less. In other words, both individuals and corporates will require higher levels of 'rainy day' money. Until an effective vaccine is found, consumer spending in sectors requiring high levels of personal service will remain under pressure and way below pre-pandemic levels. Covid-19 is only likely to increase the trend towards secular stagnation that manifested itself in the post GFC period.

Paying for debt down the road

In the short term, the rise of populism demonstrated by concerns over inequality, which resulted in the vote for Brexit, the election of Donald Trump, and the global spread of the Black Lives Matter movement, strongly suggests that austerity policies will not be adopted. How debt is paid for over the longer term will become more of an issue down the road, but it is likely to involve some form of higher taxes, together with debt monetisation. A consistent positive is that the annual cost of servicing debt is likely to remain negative in real terms and below the nominal growth rate of an economy and central banks seem set to keep rates at these levels, which is a form of financial repression.

With interest rates below the growth rate, the debt/gross domestic product ratio is likely to eventually stabilise and, as long as an economy is growing, the post Financial Crisis period has shown that markets will become less concerned about fiscal deficits, as long as governments run primary budget surpluses. In other words, a surplus pre-debt servicing costs.

Politics and the 3Ps

The US election is likely to be of increasing importance to the stock market. Trump is losing ground in opinion polls due to what some would describe as increasingly erratic actions, potentially over fears of an end to his term in office, which could result in prosecution.

Investors should focus on 3Ps in the campaign. The first P is for 'pandemic' which is the number of cases/deaths; this will be a judgement on how Trump has responded to the coronavirus. The second P is for 'production', in other words the state of the economy at the time of election. The third P is 'personality', how each candidate comes across. Compared to Biden, Trump has a strong presence on social media. There is no doubt that he will attack Biden as an 'establishment figure' and Biden has been known to struggle in events with live questioning. As the election moves closer, the difference in tax policies for corporates between Republicans and Democrats will also attract attention.

Recovering markets

Markets are now once again entering a period of financial repression, where central banks deliberately hold interest rates below the level of both inflation and nominal economic growth, which will aid deficit reduction over the medium term. Post the Financial Crisis, periods of financial repression have provided positive returns for equity investors, although these returns have been front loaded with recovering markets benefitting from the lower discount rate applied to corporate earnings. Markets have once again proven this year that it is better to buy when the price is right and the news is bad than when the news is good but the price is high.

If you'd like to find out more about our approach and how we can add value to your business, please contact us on **01535 656555** or email us at **enquiries@rsmr.co.uk**

"Previous eras of financial repression (when governments hold real interest rates below zero) have often been profitable for equity investors, especially in the early stages."

"Markets have once again proven this year that it is better to buy when the price is right and the news is bad than when the news is good but the price is high."

Communication is key:

Could the Covid-19 crisis spark a shift in how we assess value?

> "I passionately believe in active management and feel that allocation of every pound of capital should be made carefully rather than just 'sticking it in the market'. I believe we shouldn't reward poor management teams or companies acting inappropriately, for example. If you invest passively, you almost certainly will."

David Coombs

Head of Multi-Asset Investments

Rathbones

Silence is not always golden.

Are returns and price the only metrics for measuring value? What about communication?

Informative, timely, and insightful comment can add huge value, and its power should not be underestimated, particularly so in times of crisis when the outlook appears challenging at best. This is something that has become increasingly clear to us as we settle into our 'new normal' of home offices and indulgent afternoon snacking.

There has been an influx of people wanting greater and better forms of communication to stay connected during this crisis. More than just fund factsheets and pages of reports, people are eager to make the most of the technology available to stay informed.

Really, there is little excuse for companies not to be using tools such as Zoom or Microsoft Teams to help stay in touch with investors – not even a lack of high-brow titles in their bookshelf backdrop – and now could well be a good time to take a step back and think about the quality of the interactions you have with those managing client cash.

Yes, the price may seem right, but are they communicating with you quickly and effectively? Are they explaining how they are navigating the crisis, and what the potential impact could be on your portfolio? Do they come to you with answers before you even realised you needed to ask the question?

Silence is not golden in times like these, and communication could well prove an effective measure on which you can judge the quality of a manager.

As managers of multi-asset funds, we are particularly aware that our funds can make up a large proportion, even all, of a client's savings. With that comes a big responsibility to be transparent and available to our investors when the world tips upside down, arguably more so than a single strategy fund that is likely to be a component part of a portfolio and account for only a small percentage of a client's savings.

Importantly, fund managers should be tuned into the relevance of the information and updates they share with you. Now is not the time to become an armchair epidemiologist, nor is it the time for them to pretend to know what state the world will be in this time next year. It is the time for honesty and sticking to the facts in a language that is easy to understand. Underlying clients are unlikely to be overly interested in the likes of PMIs or yield curves. In the past, many have made use of glittering studios and cameras but with everyone filming or recording from home, the playing field is now level and it's the quality of content that counts, not flashy production values.

No one size fits all, of course. Some will be happy with a quarterly report or simple performance update; others want one-to-one time on a video call and a blow-by-blow account of how the market slump affected their portfolio - a manager which is flexible enough to offer different levels of interaction depending on your needs is a keeper.

Proper communication is powerful. It builds trust and understanding, ensuring investors are well-placed to make informed decisions about their investments and help them form that value judgement the Financial Conduct Authority is so keen on. The quality of those interactions can often separate the wheat from the chaff when it comes to managers.

Managers should be going above and beyond in their attempts to communicate effectively, and we urge wariness of managers that bury their heads in the sand and are resistant to change. Once this crisis has passed, as it must surely do, it will be those managers who reached out and offered support that stand out for all right reasons. As we move forward, perhaps communication will become one more metric on which clients can judge the success of a manager. This crisis could well prove to be a turning point.

The benefits of being pro-'active'

The press has been pouring over the new value statements that asset managers have been producing, leaping on those that have underperformed – quite rightly, too. It will be interesting to see those statements a year on when they include performance over the Covid period.

Communication is just one of many benefits of good investment management that you can't tie to a direct cost, like transparency and corporate engagement levels. How should we measure these criteria? Should we? Are they quantitative or qualitative? What should be the order of priorities and are they the same for every client? Clearly, these areas are very difficult for retail customers to make judgements, so this is where advice has a big role to play.

I will also be keen to see if the passive industry comes under more scrutiny on some of these softer issues when their value statements are pored over. For example, how were the constituents selected in specialist ETFs? What are the full transactional costs included in ETFs charges figures? How well did the 'managers' communicate with investors during the worst days of the crisis? When they say they are engaging with companies – how active are they really or are they just ticking boxes and filing reports?

I passionately believe in active management and feel that allocation of every pound of capital should be made carefully rather than just 'sticking it in the market'. I believe we shouldn't reward poor management teams or companies acting inappropriately, for example. If you invest passively, you almost certainly will."

For more information, contact the team on **020 7399 0399**, **rutm@rathbones.com** or visit **rathbonefunds.com**

David Coombs is head of multi-asset investments and joined Rathbones in 2007. He is a member of our Investment Executive Committee as well as the Strategic Asset Allocation Committee . David is responsible for developing our investment propositions for national financial advisory firms and networks. He is the lead manager for the Rathbones Multi-Asset Portfolio Funds and the offshore Luxembourg-based SICAVS.

David previously worked at Barings for almost 20 years where he managed institutional and private clients via pooled vehicles and segregated accounts. He joined Barings in 1988 from Hambros, where he managed multi-manager portfolios for private clients.

Vanguard

Emerging markets and the pandemic

Jonathan Lemco

Senior Investment Strategist

Vanguard UK

The Covid-19 pandemic has dealt emerging markets a great challenge. The way out won't be easy, but all is not lost for patient investors.

The Covid-19 pandemic presents emerging markets with a colossal challenge. This challenge is not of their own making, and the way out won't be easy. The International Monetary Fund (IMF) said as much in late June, lowering its forecast for growth in emerging and developing economies for both 2020 and 2021, even as it raised its 2021 forecast for advanced economies.

Of course, individual emerging markets are more different than they are alike, and the pace and trajectory of recovery is likely to vary, perhaps significantly, from region to region and country to country. The progression of Covid-19, more than anything else, will dictate the terms.

But all is not lost for emerging markets, or for patient investors who embrace the greater risk/reward trade-offs that these markets can provide.

A disease-progression story first

Any economic forecast these days is fraught with uncertainty, dependent on the degree to which the pandemic spreads and countries curtail activity to keep it from doing so. The IMF's especially pessimistic near-term view for Latin America and the Caribbean is telling, and reflects the disease's spread there.

As recently as April, the IMF had foreseen the region's economy contracting by -5.2% in 2020. In its June forecast, the IMF sees the region contracting by –9.4%. That's a difference of more than 4 percentage points, compared with a reduction of less than 2 percentage points in the outlook for all other emerging and developing regions - and for advanced economies - in the same time frame.

2020 and 2021 emerging markets growth outlooks

Brazil, Latin America's largest economy, trails only the United States in confirmed cases, with more than 1.3 million, and deaths, with more than 58,000. Mexico, the region's second-largest economy, is second among emerging-market nations in Covid-19 deaths - ahead of India, Russia and China. Peru and Chile rank in the top ten among confirmed cases globally[1].

So much about virus progression and economic recovery depends on the difficult decisions governments make. Early containment measures in many countries in Asia appear to be paying off in reduced disease incidence.

Lingering challenges

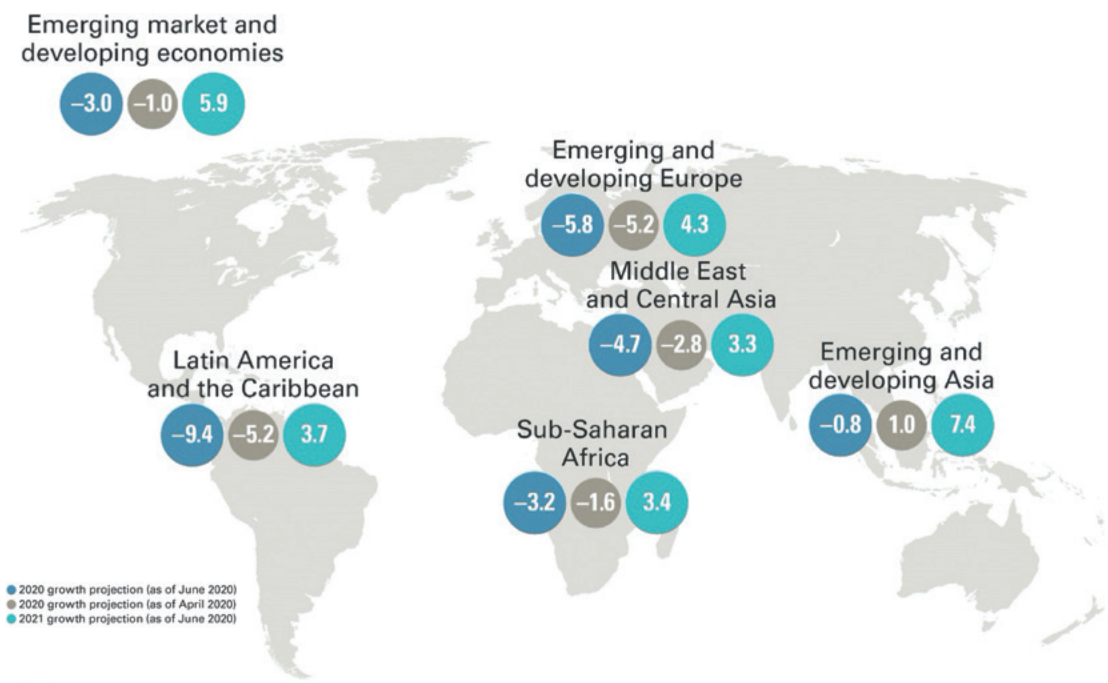
Beyond efforts to contain the virus, policymakers in most of the world's largest economies adopted a "whatever it takes" fiscal approach to prop up vulnerable businesses and individuals. Central banks' liquidity provisions helped stabilise financial markets. Where emerging markets lack the capacity, if not the desire, to respond at a similar scale, they benefit from the spillover effects of functioning markets.

In fact, portfolio flows to emerging markets that had collapsed in recent months have begun to return. New bond issues are increasingly being met with more demand than there is supply, an indication that international investors are hungrily chasing yield. They acknowledge that emerging economies face serious challenges but are nonetheless attractive when the best-yielding developed markets - the United States, Canada and Australia - are barely positive and most others have negative yields.

Many emerging markets depend on commodities exports, particularly oil, and would welcome a rebound in prices. Oil has bounced back in the last two months

[1]Johns Hopkins Coronavirus Resource Center as of June 30, 2020.

Emerging markets growth outlooks



Note: Numbers reflect full-year GDP growth or contraction percentage compared with the previous year. Sources: Vanguard, using data as of June 24, 2020, from the International Monetary Fund. Any projections should be regarded as hypothetical in nature and do not reflect or guarantee future results.

from prices that had briefly turned negative when broad virus-induced market disruptions were at their greatest. But they're not back to where emerging markets need them to be amid diminished demand and a supply dispute between Russia and Saudi Arabia that has subsided but not disappeared.

Another challenge for emerging markets - the US / China trade dispute - predates the coronavirus. Some emerging markets, such as Vietnam, Indonesia and Mexico, may benefit as supply chains are reconfigured. But the lack of a stable economic relationship between the world's two largest economies carries widespread lost-opportunity costs.

Implications for investors

In the years since emerging-market countries were punished in the 1997 - 1998 Asian financial crisis and Russia's 1998 debt default, many have learned some valuable lessons. They've acknowledged the economic hazards of corruption, patronage and unconstrained infrastructure development, and embraced the importance of low debt loads, sufficient reserves, adequate growth, low inflation, flexible exchange rates and political stability. Some have done better than others.

The pandemic aside, the attributes that have attracted investors to emerging markets, such as their growth potential amid favourable demographics, remain intact.

To the extent investors believe that an active approach is best-positioned to capitalise on the differences within emerging markets, we espouse low-cost active as a way to remove headwinds. Whether investors choose actively managed or index funds, Vanguard believes in the benefits of global diversification, including a portion of portfolios in emerging markets, and investing for the long term.

Visit Vanguard's adviser briefings content hub to view their latest live CPD webinars, in-depth articles, and regularly updated commentary designed to guide you through the crisis:
www.vanguard.co.uk/advisers

"All is not lost for emerging markets, or for patient investors who embrace the greater risk/reward trade-offs that these markets can provide."

Investment risk information:
The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.
Past performance is not a reliable indicator of future results.
Some funds invest in emerging markets which can be more volatile than more established markets. As a result the value of your investment may rise or fall.
Any projections should be regarded as hypothetical in nature and do not reflect or guarantee future results.

Making sense of the market recovery

Many investors are probably feeling uneasy contemplating the extraordinary recovery in world financial markets, as are we. The global equity index climbed by almost 18% last quarter, with the Nasdaq index rising by nearly double that[1], but still global COIVD infections remain at or close to their daily highs, with lockdowns in some cases intensifying. As the IMF announces another major downgrade to global growth it is difficult to recall a time when sentiment across financial markets felt so at odds with economic and social pressures on the ground.

Guy Monson

CIO and Senior Partner

Sarasin & Partners

It is not only short-term economic damage that concerns investors. COVID-19 has dealt the harshest blows to the weakest in society – the poorest countries, the lowest paid, many minority groupings and the elderly all have and will suffer disproportionately. African economies, for example, will feel the 'heaviest hit since the 1970s' according to the IMF, while, in the UK, a recent McKinsey study showed that the regions of the country with the lowest hourly pay-rates also face the worst economic impact from lockdown. A long-term agenda of 'levelling up' to try and mitigate this rising inequality implies higher regional subsidies, greater onshoring of supply chains and, at some point, higher taxes – all critical issues for financial markets.

The speed and scale of the policy response still dominates

So, in the face of these challenges, what does the fact that US and many global markets just recorded their best quarter in 20 years tell us about the wisdom (if any) of markets?

First, of course, it reminds us just how awful the previous quarter was – in the darkest days of early March this year there were near breakdowns in the functioning of almost every financial asset. Illiquidity and extreme volatility simultaneously engulfed oil, commodity, credit and real estate markets and, for a few days, even threatened the liquidity of US treasuries and UK gilts.

Second, it reinforces the dramatic scale, speed and determination of today's central bankers in their efforts to reverse this. Led by Jerome Powell at the Federal Reserve, they copied much of the 2008/9 playbook but this time acting faster and in greater size (bond purchases today are running at three times the rate of the financial crisis). But it was also sheer inventiveness that saved individual markets. Take just two examples: the Federal Reserve rapidly established swap lines with a wide range of foreign central banks, preventing the terrifying prospect of the dollar liquidity crunch seen a decade earlier. Meanwhile, the decision not only to buy corporate bonds directly *but also in the primary market*, was itself revolutionary. It helped restart bond issuance as early as mid-May, with companies soon raising funds and plugging balance sheets, in near record volumes, across all major markets. Together they helped turned the March sell-off from one of the sharpest in bear market history to one of shortest.

> "It is not only short-term economic damage that concerns investors. COVID-19 has dealt the harshest blows to the weakest in society."

[1]Source: Bloomberg, Macrobond

SARASIN & PARTNERS

Decile Position in Sector over 1, 3 and 5 years

Fund	Synaptic Risk Rating	1 Year	Sector Decile	3 Years	Sector Decile	5 Years	Sector Decile
Sarasin Globalsar Strategic P Acc[1]	SYNAPTIC RISK RATING 2.9	7.45%	1	17.13%	1	37.03%	1
Sarasin Globalsar Dynamic P Acc[2]	SYNAPTIC RISK RATING 3.7	7.43%	1	19.28%	1	42.64%	2
Sarasin Global Equity Real Return P Acc[2]	SYNAPTIC RISK RATING 4.4	8.90%	1	27.73%	1	55.90%	1

Source: FE Analytics, Cumulative Performance Net of Fees up to 14.07.20. Fund Sector: 1 IA Mixed 20-60% Shares, 2 IA Mixed 40-85% Shares.
Past performance is not a guide to future performance.

Third, after a shaky start, the politicians started spending, with the single-minded aim of protecting jobs and saving businesses – again they moved in size and at speed. Each deserves credit; in the UK Chancellor Sunak led the move to furlough jobs and to support the self-employed with effectively *no limit*. The US administration made direct income support payments to individuals in extraordinary size (it is estimated that 68% of recipients received payments in excess of lost income), while the Japanese, as so often, delivered the largest programme as a percentage of GDP. But, it was Europe that perhaps surprised the most – a revitalised German Chancellor (Angela Merkel), a newly appointed Commission Head (Ursula von der Leyen) and a lawyer turned central banker at the ECB (Christine Lagarde), together formed a remarkable team. Through their Next Generation EU Fund they promised that 750 billion euros, in addition to the EU Budget, would be distributed as loans and grants to needier countries. The details will be fiendishly complex and the pushback from frugal nations strong, but the common platform and the funding by EU bond issuance is a hugely positive step for the stability of the Euro, and one that would not likely have emerged, but for the crisis.

Finally, the global quest for a vaccine and for therapeutic treatment for COVID-19 are also happening at warp speed. News continues to rapidly accumulate; there are currently 194 vaccine candidates and over 300 other therapy candidates to tackle COVID, but the leading three candidates appear to be Moderna, Pfizer/BioNTech and the Oxford Jenner Institute, which are all pursuing RNA-based vaccines. The optimism in a complete cure could still be misplaced given there has never been a coronavirus vaccine, but there are good grounds to believe that there is likely to be a stream of incrementally helpful therapies that build on the early base of Remdesivir and Dexamethasone to better tackle the virus.

Monetary and fiscal policy will need to be synchronised for many years to come

These four events all go some way to explaining the contradictions we see today in the financial world and the real economy, and they underpin our decision to keep our equity weightings at neutral, despite the extent of the rally. Going forward though, if long-term economic and social scarring is to be mitigated, massive spending programmes and generous central banks will have to operate arm in arm, and in scale, for many years to come.

Our multi-asset fund range offers exposure to our best thematic ideas, taking advantage of opportunities across the spectrum of asset classes. You benefit from our long track record in managing multi-asset portfolios and the fact that stewardship analysis is embedded into our process, meaning we assess every investment from an ESG perspective.

> "Going forward though, if long-term economic and social scarring is to be mitigated, massive spending programmes and generous central banks will have to operate arm in arm, and in scale, for many years to come."

To find out more about our multi-asset funds visit our website **www.sarasinandpartners.com** or contact **sales@sarasin.co.uk**

My deep-rooted history with ESG

Randy Dishmon

Senior Portfolio Manager

Invesco

ESG is not a separate process – it is inherent in what good investing is all about. The best companies need to look after the environment, the communities they serve and their shareholders.

I've had two distinct careers in my professional life. Starting out as a civil engineer, working on large-scale commercial projects across the country, I realised pretty quickly that this couldn't hold my interest. With some boredom setting in I went back to school and got a Master's degree in Environmental Engineering. Contaminated groundwater flow was a problem I had encountered several times before; now it was my specialty and I spent the next ten years remediating Superfund sites across America. I was responsible for designing the process and overseeing the clean-up of several environmental disasters. The E in ESG is something I have deep experience in.

As a kid growing up in a textile mill town, I remember the excitement around the arrival of a major chain retailer known for low prices. Several years later the excitement was gone and so was main street. I witnessed at close range my hometown nearly wiped off the map by corporations that acted in a less than socially conscious way. ESG is something we get. If you are polluting a river, destroying small towns, and treating employees or shareholders poorly we will know it, and it will carry significant importance in how we choose our investments and how we engage with management.

Much of what we see today on the topic of ESG looks like "check the box activism", being reduced to a set of numbers or rankings that can make a tobacco company or an oil company look good on ESG measures. That is what is known as greenwashing, and we believe its use to be disingenuous. How a company performs on ESG has to do with how it interacts with and respects its stakeholders. If you addict your customers and harm their health you are not a good business on ESG metrics, in our view. Moreover, ESG factors involve the same degree of judgement as most other investment decisions. Rankings overlook a lot. For instance, a dual share class is fine, in the hands of a governance structure that treats its stakeholders the right way. Some companies that don't have dual share classes, in our experience, treat outside shareholders poorly, yet they might score higher simply because of their corporate structure. We repeat, ESG has everything to do with how a company interacts with and respects its stakeholders.

ESG is not a separate process – it is inherent in what good investing is all about. The best companies can't win without the environment, the communities they serve, and their shareholders having to lose. Those are the investments we look for. We implement ESG principles in an independent minded, forward looking, and fully integrated way. These are foundational issues for any comprehensive business analysis. To believe otherwise leaves us wondering about how comprehensive the rest of the analysis is. Our decades of experience shows us that our approach is, and has been, the right way to approach these issues, and the world will move towards us as time unfolds.

More information

To learn more about Randy's investment process and the portfolio he manages, please visit **invesco.co.uk/globalfocus**

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange-rate fluctuations) and investors may not get back the full amount invested.

Important information

This article is for Professional Clients only and is not for consumer use.

Where individuals or the business have expressed opinions, they are based on current market conditions, they may differ from those of other investment professionals and are subject to change without notice.

This document is marketing material and is not intended as a recommendation to invest in any particular asset class, security or strategy. Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication. The information provided is for illustrative purposes only, it should not be relied upon as recommendations to buy or sell securities.

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"Much of what we see today on the topic of ESG looks like "check the box activism", being reduced to a set of numbers or rankings that can make a tobacco company or an oil company look good on ESG measures."

Our Global Focus approach to ESG

- Like all active investment criteria, ESG considerations require judgments about the future.
- Our judgments about ESG help us get the correct answers to the three questions which underpin our investment process:
  - Is the business worth owning…ever?
  - At what price?
  - Is the management team working for shareholders?
- As with everything we do, our approach to ESG is independent and forward-looking.
- ESG is fully integrated into the investment process and is inherent in what we do.

How ESG ratings providers get it wrong

- Providers use one-size-fits-all analysis to produce quantification of ESG-friendliness.
- Ratings capture what has happened in the past, not how sustainable a business is in the future.
- Evaluating ESG factors should not be a standalone exercise.

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Reasons to be positive

"Capitalism is adaptive by nature and people working together with companies, putting capital to work towards a common purpose, has delivered immense good in many areas."

Peter Michaelis

Head of the Sustainable Investment Team

Liontrust

Over the past few months, country after country around the world has gone from business as usual to lockdown. Deserted streets, closing businesses, mass unemployment and a rising death toll are a harsh counter to any positive view of 2020 and beyond.

The Covid pandemic, climate emergency and Black Lives Matter movement are critical challenges to our model of capitalism. They show starkly where it is failing: prioritising efficiency over resilience in healthcare, not accounting for the enormous cost of carbon emissions, and allowing persistent inequalities to develop within societies.

The parlous state of our natural world was summed up in a recent podcast by Inger Anderson, head of the United Nations Environment Programme (UNEP), in which she gave a dismal report card on the effect of human impacts on land, sea and air.

In each area, we have drastically decreased the resilience and abundance of the natural ecosystems upon which we ultimately rely. We are altering the chemistry of our atmosphere and oceans in ways that will negatively impact future generations, and on land we deplete our soil more rapidly than it can possibly replenish.

We do not ascribe a financial value to our forests, oceans and atmosphere, in spite of understanding how essential they are to our livelihoods as well as those of future generations; the system is definitely not working for our environment.

On a social level, we know the model is definitely failing when in a country as wealthy as ours, those essential nurses, carers and teachers cannot afford housing in the areas they work and particular ethnic groups are persistently disadvantaged.

And yet despite all this, I believe our system of capital markets and competition between companies has to be a major part of the solution. Capitalism is adaptive by nature and people working together with companies, putting capital to work towards a common purpose, has delivered immense good in many areas.

Much of the progress towards the higher quality of life and reduction in poverty has been at least partially driven by this, leading to the vaccines and cancer treatments, solar and wind generators, electric vehicles, LED lighting, the internet and modern communications, and countless other products and services that make our lives better and more sustainable.

Therefore, on reflection, I still believe we should be optimistic about the future. The crisis is terrible but the response shows how we can overcome challenges through co-operation, applying ingenuity to positive ends and investing in businesses to deliver a positive impact.

There are stark parallels with how we have to deal with the climate emergency, loss of biodiversity on land and sea, and sharing prosperity more widely and more fairly. I believe that, after we have suppressed this pandemic, we will intensify our response to these challenges, underpinning key sustainable trends.

We believe the crisis will result in major changes to how society behaves and this should support and accelerate some of the trends and themes integral to sustainability. We would hope to see shifting priorities in many areas, from realising a good healthcare system is worthwhile, to remunerating key workers properly and addressing inequality, to understanding supply chains and how things get to supermarket shelves. Trends toward improved diets and more exercise, as well as better air quality, will also persist.

Our investment process – developed and honed over two decades – begins with 20 investment themes, all focused on the structural shift towards a more sustainable economy. Our emphasis is on identifying and understanding the changes that will make the world cleaner, healthier and safer, and our process is designed to highlight companies that are on the right side of this transition.

We continue to believe that sustainable companies have better growth prospects and are more resilient than businesses not prioritising ESG – and these advantages remain underappreciated by the wider market.

While Covid-19 and its fallout will have short-term impacts on many of our 20 themes, both positive and negative, we feel they will be all the more relevant longer term as the economy recovers.

Connecting people: This looks at how we can be better connected through the infrastructure that helps us communicate and the service providers we use to do this: think about mobile tower networks and internet, data and voice providers. Companies exposed to this theme have performed well, as have those within our **Increasing cyber security** theme, as remote working and the need to protect end users increases.

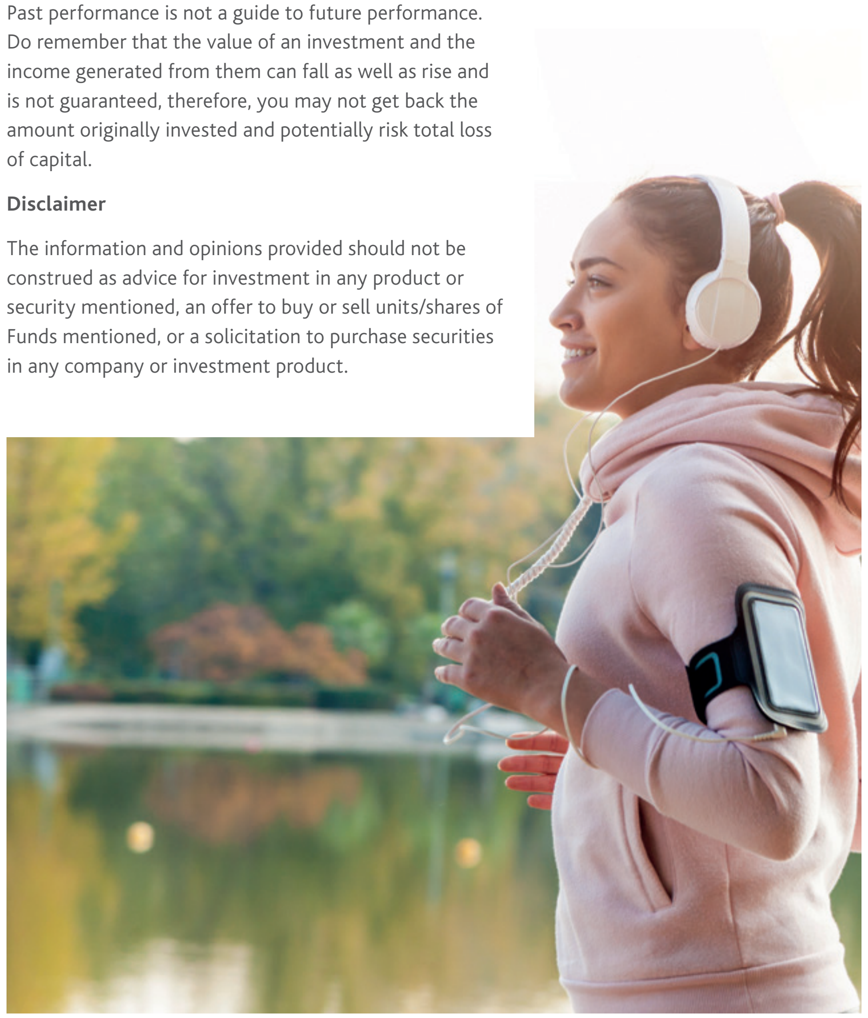
Consumption and behavioural changes: While slowing the spread of the virus, lockdowns have had a negative impact on consumer-facing businesses (travel, dining/going out, collective pursuits, non-essential bricks and mortar retail). For our **Enabling healthier lifestyles** theme, which promotes exercise through affordable gyms and gym equipment, social distancing has hit businesses hard but we are confident demand will come back quickly post-lockdown, with people potentially even keener to get fit.

Our **Making transport more efficient** theme, through a modal shift away from driving cars to safer and more efficient public transport (trains and buses), has also taken a hit as these services have all but shut down although, again, we feel this is temporary.

Moving to our themes focused on improving quality of life – **Enabling innovation in healthcare** and **Providing affordable healthcare** – these have benefited from the broad focus on who can solve this crisis and come up with an effective treatment.

We should feel emboldened by our collective efforts in response to the virus and go further to make our economy cleaner, healthier and safer, as well as striving to make it fairer, and we will continue to invest in companies at the vanguard of these changes.

To read more articles like this visit
www.liontrust.co.uk/insights



Think active – BMO Universal MAP Range

Mark Parry

Director, Head of Strategic and Technical Sales

BMO

Cost considerations have led many investors to herd together in passive solutions. At BMO, we're firm believers in active management – an ethos that led us to launch our Universal MAP range, a suite of risk-targeted multi-asset solutions offering investors active management at a low price.

At a glance

- **Price considerations have pushed passives to the fore.**
- **Many investors aren't tapping into the potential of active investing.**
- **Active benefits – grabbing opportunities and managing risks.**
- **Our BMO Universal MAP range means wider choice - active investing at a passive price point.**

Opportunities for the active investor

When it comes to investing, we believe it pays to think actively. Why? Because there's scope to add value (or outperformance) by finding potential that isn't recognised nor reflected in valuation. Invest at that point then there's scope to reap greater rewards as the broader investment community recognises that potential. In a well-diversified portfolio, this 'active' value can be added at multiple levels – it may be by selecting individual companies or assessing the relative merits of geographies and asset classes.

Active defence

There's a strong argument for active investment from a risk management perspective too. If an asset or market is looking expensive then doesn't it make sense to trim exposure, lock-in gains and allocate where valuations are more appealing? The merits of diversification are well-recognised, so does the passive replication of a heavily concentrated market really make sense? And, what if the economic outlook appears clouded? Perhaps a more defensive stance overall is required. In all these scenarios there is scope to manage risk exposure through active management.

Nevertheless, factors like regulatory change and a shift in the financial advice pricing model has moved passive investing firmly to the fore in many instances. As a result, some passive solutions have seen their assets swell to billions in size as thousands of individual investors herd together.

Active investing at a passive price point

At BMO, we don't think investors should miss out on active investing simply because they're in a 'cost constrained' mindset so just under three years ago we did something about it! Our BMO Universal MAP Range is a suite of actively managed risk-targeted multi-asset portfolios with an OCF capped at 0.29%. This price point brings it close to passive strategies and means that advisers and individuals seeking cost effective options now have a truly active proposition to choose from. The concept's been a popular one and the range now stands at over £500m and has seen it expand from three to six funds, including a dedicated income offering.

"We don't think investors should miss out on active investing simply because they're in a 'cost constrained' mindset".

Active from the top and bottom

Our multi-asset team manage the portfolios. They make the strategic and tactical asset allocation decisions in terms of asset class and geographic positioning. To construct exposures to underlying asset classes they call on the skills of investment desks right across BMO. Here again the emphasis is on active investing – stock picking drives portfolio composition with factors like competitive position, management talent and valuation determining whether a company is held – not their weighting in a benchmark! We'd argue that our performance since launch underlines the merits of this approach, but we also believe that there's a strong case from a diversification perspective too.

Time to get active?

Prior to the emergence of COVID-19, markets had enjoyed an extended period of gains – an environment in which passive strategies have been able to deliver gains to investors. Looking forward though, the situation appears more uncertain. What will be the long-term impact on economies? Which businesses will survive in the future? And will heightened volatility remain a feature? Against this backdrop perhaps it makes sense to complement broad based market exposure with a more tactical and active approach – one that emphasises quality companies through selective investment? Our Universal MAP range provides such an option – its price point making it an ideal low-cost complement to passive solutions.

Actively engaged in responsible investment

Greater awareness together with regulatory change have brought consideration of environmental, social and governance (ESG) factors into focus for individuals and the investment and advice industries.

Our heritage in responsible investment spans back over 35 years to the launch of Europe's first ethically screened fund. Since then we've continued to develop a range of ESG solutions, including our recently launched Sustainable Universal MAP Funds. Like their counterparts, the funds are actively managed multi-asset funds but as the name suggests, sustainability sits to the fore.

Alongside an emphasis on sustainability related investments the funds seek to drive improvement through our active engagement activities. Our 19-strong Responsible Investment team has been engaging with investee companies for over 20 years and we use our role as a shareholder to challenge negative practices and drive improvements. Investors can read our 'ESG Profile and Impact Reports' to see the actions we've taken and the results we've achieved – the first of these reports will be available for the Sustainable Universal MAP range in 2021. In the meantime, why not look at our BMO Sustainable Universal MAP fund guide?

Want to know more? Get in touch with your usual contact at BMO Global Asset Management or visit **bmogam.com**.

Key risks

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested. Screening out sectors or companies may result in less diversification and hence more volatility in investment values.

"Factors like regulatory change and a shift in the financial advice pricing model has moved passive investing firmly to the fore in many instances. As a result, some passive solutions have seen their assets swell to billions in size as thousands of individual investors herd together."

FOR PROFESSIONAL ADVISERS ONLY

TILNEY
FOR PROFESSIONALS

PLANNING | ADVISING | INVESTING

Help your clients navigate the green maze with Tilney

At Tilney we believe that the key themes associated with sustainability are now the mainstream for businesses and consumers. They also provide an attractive investment opportunity as the global economy becomes more focused on sustainability.

As consumers, how we think and how we act all point towards a greener, cleaner and more transparent environment. Whether it is reducing our plastic waste, considering our daily carbon footprint or questioning the diversity of company boards, the themes of sustainability are all around us.

However, investing in this area is not always straightforward, with advisers and clients often facing a green maze of approaches and buzzwords, which can cause confusion and damage relationships if not managed carefully.

A 10-year track record in ethical and sustainable investment from Tilney

That's why at Tilney we aim to keep our approach as straightforward as possible and let our track record of running ethical and sustainable mandates before they were fashionable do the talking.

Tilney has a track record over 10 years of ethical and sustainable investment and our Sustainable Managed Portfolio Service (SMPS) offers clients a range of risk-rated, diversified managed portfolios suitable for the most cautious of investors through to those prepared to accept risk with the potential for higher returns.

The aim of each portfolio is to achieve, over the long term, an investment return of capital growth via a multi-asset portfolio of investments, demonstrating Environmental, Social, Governance (ESG) and Sustainable credentials. We also spend significant time and resources avoiding certain areas of the market, which we believe pose the greatest risks to both value and values.

Our fund selection process

Our sustainable portfolios feature the best ideas from our dedicated and experienced in-house research team, who are actively engaged throughout the year with companies and fund managers. The fund selection process combines our proprietary research framework with additional screening techniques and due diligence that analyses Environmental Social Governance policies to identify funds that meet our sustainable criteria. Our portfolios also include a range of positive impacts such as helping to fund renewable energy projects, improving health care provision and supporting many of the United Nation's 17 Sustainable Development Goals.

When your clients invest with Tilney, they are investing with an organisation that is itself committed to developing a more sustainable environment and recognises the importance of taking a proactive stewardship role. We expect all of our underlying investments to be actively involved in shareholder engagement – both with us as investors and with the management teams of the companies that they invest in on our behalf. We believe that strong governance plays a key role in delivering good returns over the long term.

We are proud to be part of a company that contributes to their local communities through fundraising and volunteering. The Tilney Charitable Trust was established in 1979 and since then has donated over £3million to local and national charities. Giving Back, our community investment programme, allows us to share our exceptional talent and skills with other organisations and charities; helping them to achieve their goals and helping us to build and develop our teams.

To find out more about Tilney's Sustainable Managed Portfolio Service (SMPS) please contact **Mark Coles**, Head of Key Accounts on **07870 851180** or email **mark.coles@tilney.co.uk**

Alternatively visit the Tilney for Professionals website at **professionals.tilney.co.uk/smps**

Important information

This advert is solely for professional advisers and should not be construed as investment advice.
The value of investments can go down as well as up and investors may not get back the amount invested. Please note that some ethical funds may, by definition, have a limited investment universe; this may affect performance.

Independent Financial Advice Research Tools

Case study: Julian Harris Adviser Network

Synaptic Suite is the chosen tool to provide comprehensive independent advice research for member firms seeking to evidence their delivery of compliant independent advice.

Background

Julian Harris Adviser Network has been providing its services to IFAs and Mortgage Advisers since 1992.

We plan to continue to expand in a risk-controlled steady manner with like-minded advisers from sole traders to multi-adviser AR firms, whom we help to grow bigger. Our primary ethos is to enable our members to offer totally independent advice to their clients, providing products and services selected from the whole marketplace at the best possible rates.

No restricted panels, no loaded premiums and no mandated Investment Platform or CIP. We assist our members to achieve this goal in an FCA compliant manner. Our next key ethos is to use technology to enhance and optimise our performance and that of our members. We were looking for a software tools which we could recommend for our investment and pension advisers to provide comprehensive suite of tools.

The Solution

Julian Harris Adviser Network chose Synaptic Suite because it offers a large range of comprehensive modules, covering all the areas that an IFA needs when coupled with their in-house compliance services. It enables IFAs to assess a client's attitude to risk and capacity for loss, survey all the options and compare all providers within the whole marketplace (platforms and providers direct) and produce professional reports for new business as well as AC Servicing files, all in a time efficient manner. A system working for the best interest of the client and the adviser, not just compliance.

The A2R Attitude to Risk Questionnaire is an integral part of the Synaptic proposition and maps to the Moody's risk framework within the toolset. This provides the basis of a consistent risk profiling of clients and investments. For Suitability and optimum advice outcomes, it is important that we can offer the industry's leading risk management, which we believe Moody's to be. We also require research that is proven and above all independent; values that underpin our network's ethos and practices. We are also interested in the software launches that form part of the Synaptic road map over the next 12 months.

The Impact

- Improves the compliance standard of client files.
- Improves efficiency and time for advisers.
- Assists with protecting advisers and the network from future complaints.
- Provides a robust and repeatable research process.
- Technology to support independence and unbiased research.

For further information on Synaptic products, contact: sales@synaptic.co.uk

For further information on Julian Harris Adviser Network, contact: directors@julianharris.net

Director,
Julian Harris

"For Investment and Pension advisers, we recently chose to recommend the full suite of Synaptic Software. It is my view, and that of our IFA compliance and training personnel, that this would improve the compliance standard of our client files, improve efficiency and time for advisers, assist with protecting them and the network from future complaints, and provide advisers with easy-to-produce, professional reports."

The importance of a Centralised Retirement Proposition

Andrew Tully

Technical Director

Canada Life Investments

With the retirement market expanding rapidly, and an increased focus from the regulator as a result, Andrew Tully, Technical Director at Canada Life, discusses why it's time to think seriously about implementing a Centralised Retirement Proposition (CRP) to evidence your retirement advice approach.

In its 2018 Product Intervention and Product Governance Sourcebook (PROD), and its 'Dear CEO' letter in early 2020, the FCA made it clear that advisers are expected to demonstrate why a particular retirement solution was chosen for a client. And if you can't evidence your thinking, it will be a rule breach. While the regulator stopped short of providing a compulsory framework to adhere to, it's becoming increasingly clear they want to see a well-documented, robust, repeatable process for retirement advice, which is where the CRP comes in.

What are the benefits of a CRP?

Apart from meeting a clear regulatory need, a CRP can also help de-risk your business and enable better client outcomes. It can help you efficiently:

Manage expectations on how much income your client can expect

By modelling the amount of income a client can reasonably expect to take over a period of 25 to 30 years, you can manage their expectations and flag any gaps or surpluses that exist. While it's impossible to predict the future, you can also factor in likely future events, such as paying for a wedding or university fees, and allow for any unexpected expenses.

Demonstrate a client's capacity for loss

Understanding a client's attitude to risk is not as simple as it was in the accumulation phase. A client might consider themselves to be very risk averse, but in the decumulation phase this could leave them under-invested and in danger of not being able to sustain their income levels over time or suffering large irrevocable losses through investment underperformance. Equally, if they take too much risk, they are open to volatility and sequencing issues. By modelling different scenarios whereby clients lose a percentage of their fund through poor investment performance, you can help them better understand the amount of risk they NEED to take, rather than the amount of risk they WANT to take. It's this understanding of your client's capacity for loss that should underpin the investment strategy.

Assess if your client is, or could become, vulnerable

As their adviser, you are very well placed to understand how vulnerable your client is or could be in the future. This is of particular importance to the FCA and is one of the reasons they so vehemently advocate the need for regular reviews, and documentation of conversations and recommendations. Vulnerability comes in many different forms, and spares no one. It could relate to your client's health, certain life events (such as divorce), how resilient their finances are to unexpected losses, or even their level of financial knowledge. By assessing your clients against each of the FCA's drivers of vulnerability – both at outset and at their regular reviews - you can ensure your advice is tailored accordingly.

Ensure your recommendations are cost appropriate

All costs should be clearly documented and included within any income modelling. You must ensure your client fully understands the costs involved and the impact they will have on their future income.

Offer regular income reviews

Every individual in retirement has evolving needs. These needs can change gradually over time, or they could change in an instant. Providing regular reviews is beneficial for them, and you.

Building a CRP

There is no regulatory requirement to have a CRP, and there is no right or wrong way of going about it. You can start by segmenting your clients and detailing your views on the appropriate strategies to help each of these segments. To do this, we advocate taking a 5-step approach:

1. Business advice and risk management:

Document your firm's strategic views on key matters such as which platform or products you use for each client segment, your views on sustainable withdrawal strategies and investment proposition, and links to any company policies, such as for vulnerable clients.

2. Your review process:

Detail your firm's review process and the client focussed review process. What are you doing on a regular basis to ensure your processes are up to date, and what do you offer your clients at their regular review (and how often are these carried out)?

3. The tools and calculators you use:

What tools and calculators do you use, when are they used and by whom (e.g. paraplanners or advisers)? This section should also detail how often any assumptions are reviewed and by whom.

4. Your investment philosophy

Detail your investment strategy for different client segments. It is likely to differ based on whether clients are taking a regular income, what other assets they have, the balance between income and legacy planning and so on. If you have an investment committee or use your own model portfolios, details would be included here.

5. Advice support

Detail the documents you use within your retirement process, such as the fact find, how you measure attitude to risk and capacity for loss, a safe withdrawal strategy and client engagement letter. You should also detail any assumptions you follow, how often these are reviewed and by whom. If third parties are involved, then appropriate reference should be made.

Working together in partnership

We can help you construct your CRP, as well as provide as much product and marketing support as you need – not just around our products, but for the range of products on the market. It's in all our interests to ensure that advisers are well equipped to help their clients achieve a sustainable retirement income, with as little risk as possible for all concerned, and we're here to support you.

For a copy of our practical guide to developing a CRP: **"The why, the what and the how of a Centralised Retirement Proposition"**, please contact the Canada Life Account Management team on **0800 912 9945** or email **sales.ra@canada-life.co.uk**.

> "By modelling the amount of income a client can reasonably expect to take over a period of 25 to 30 years, you can manage their expectations and flag any gaps or surpluses that exist."

The future of advice…
is in the cash-flow analysis

John Warby

Senior Relationship Manager
Synaptic Software Limited

The cash-flow and retirement modelling tool Synaptic Analyser sits at the heart of the strategy Synaptic is adopting for the future of its research suite. Several trends are making the use of cash-flow modelling increasingly influential.

The outstanding trend marks the move of the adviser from a financial services retail salesperson to a professional whose care of clients is characterised by financial planning. Financial planning requires a client's circumstances and goals to be mapped into the future, and the only way to represent this as part of a discussion or plan is by some kind of cash-flow model.

Cash-flow modelling, Suitability and financial planning are inextricably linked

The FCA have signposted that future thematic reviews will be revisiting Suitability, specifically in the short term, in the arena of 'long-term savings'. This will include a review of the impact of RDR and MiFID, all of which supported an over-arching objective to separate advice from investment management, and to force advisers to charge for the value they add through advice transparently, itself a challenge for many who were used to earning from the invested assets. The removal of commission from the equation was the gamechanger for many, signalling the need to consider fees, and foresee a time where adviser charging may be removed in its current form, where charges can be applied ad valorem.

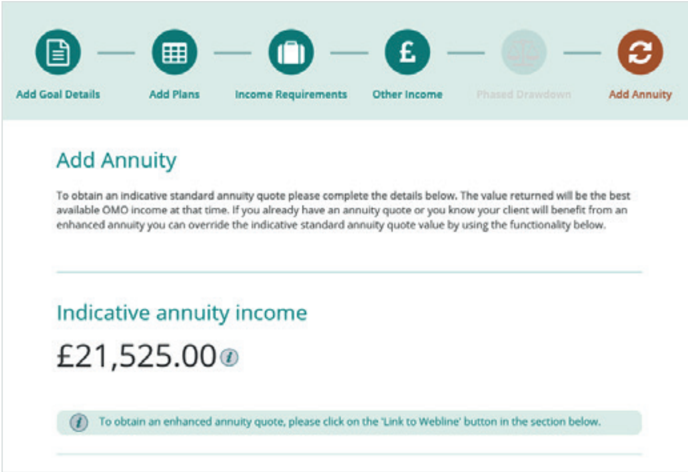
Broadly, it is impossible to address Suitability without engaging in financial planning on behalf of the client, including knowing your client and formulating goals and strategies with them. Regulatory proof of Suitability is demonstrating the alignment of a plan or a goal with an ensuing recommendation.

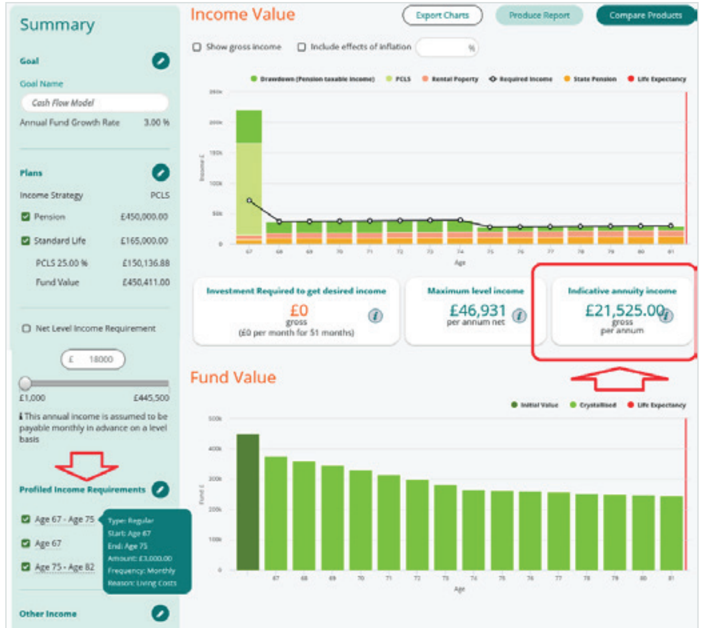
The components of the Synaptic suite all provide the research to support a firm's demonstration of suitability, for the client's benefit as well as compliance. It is the financial planning capability within the firm that will be relied on in the future to stay ahead of regulation and drive success as an advisory-led business.

An insight into Synaptic Analyser

The importance of research in the consideration of DB pension transfers is well known, including the FCA's directives around the 'Appropriate Pension Transfer Analysis', which requires the TVC (or Transfer Value Comparator) to be calculated. A simple calculation, for example critical yield, is no longer sufficient – the adviser is now on the hook for a recommendation – and therefore needs to indicate a financial plan. This of course requires the adviser to provide research to prove all aspects of Suitability.

It is difficult to imagine any DB transfer business conducted without a cash-flow analysis, nor in our view should any pension switching be considered without a level of financial planning supporting the recommendation, again, preferably with a cash flow analysis to support the Capacity for Loss assessment and the basis of the 'need to take risk'.





Synaptic Analyser has the following attributes:

1. Uses a state-of-the-art cashflow modelling tool to frame all advice in terms of objectives and strategies.
2. Illustrate fund longevity, mortality and impact of inflation.
3. Demonstrate sustainable withdrawal rates.
4. Layer income from multiple pensions and other sources of income, whether state benefit, property, investments or DB scheme – no need to buy multiple tools.
5. 'Red route' which creates a model from minimum inputs – simply set the slider.
6. Explore alternative scenarios 'on the fly' from a single web-based view.
7. Get accurate quotes, including Reduction in Yield calculations drawing on charges information that is up-to-date and verified by the providers.

Synaptic Analyser and live annuity calculations

In addition to the above, we draw your attention to Synaptic Analyser's ability to benchmark income against live Annuity income quotes obtainable via the results page dashboard, sourced from Webline. As the majority of retirees are entitled to some kind of 'enhanced' terms, Synaptic Analyser will pass the user through to the full Webline journey to capture details to acquire enhanced annuity quotes. (see screen above).

The screenshot above shows a client's profiled income requirements for retirement and the resulting fund values throughout the term, in this case on a nominal basis.

The three panelled, dynamic calculations are i) **the investment required to get the desired income**; ii) the **Maximum level income** achievable from the scenario (including additional income and; iii) the **Indicative annuity income value**, calculated from converting the savings pot at retirement into an annuity.

Capacity for loss assessments are predicated on the possible impact of portfolio losses on the client's future standard of living, which in turn depend on cashflow analysis. If there is 'head room' in the plan, the client can afford the risk, according to the regulator's definitions, so the plan can develop options.

If your firm is embracing financial planning to meet the regulatory challenges of the future, Synaptic's suite, including Synaptic Analyser, may be of interest. Harnessing the power of data in financial planning is an area that will help advisers succeed in the future.

Call 0800 783 4477 for a demo of Synaptic Analyser, or to discuss your firm's wider research requirements.

> "Broadly, it is impossible to address Suitability without engaging in financial planning on behalf of the client, including knowing your client and formulating goals and strategies with them. Regulatory proof of Suitability is demonstrating the alignment of a plan or a goal with an ensuing recommendation."

SYNAPTIC

Fully automatic ex-ante reporting now available

Ben Rogers

Software Development Director

Synaptic Software Limited

The outstanding piece of work produced by the lang cat and Origo in 2019 called 'The Disconnected World' documented with some emphasis, the failure of software providers in our industry to deliver effective integration.

There are no effective 2-way, real time integrations, and its costing businesses. The report indicates that the inefficiencies in the way data is collected, shared and used requires administrators to re-key data multiple times in multiple systems creating a ceiling to the value of assets-under-advice an administrator can manage. This puts a break on productivity and growth and limits the potential of firms to expand and improve profitability.

Even since the (advisers') reality was described so graphically in the report, things have stepped up for firms, whose responsibilities to deliver accurate proof of suitability and disclosure on investments is doubling down with Mifid II. Evidence of 'providing a service' is being replaced by obligation to revisit suitability in the context of two challenges: the first is ex-ante and the second ex-post, relying on the ability to access accurate holdings information. Manual workarounds for multiple clients with multiple holdings is too costly, inaccurate and too time consuming.

The technological dependencies of the past are simply not going to improve sufficiently to meet this challenge in our view, which is why Synaptic have built all the data and analysis required for ex-ante and ex-post reporting, including access to model driven (rather than analyst) risk profiling and full valuations service, into simple to access APIs, that can be linked to any existing I.T. arrangement.

It's all about Suitability

Suitability is the proof that an investment strategy aligns with the objectives of the financial plan. In order to prove suitability, a firm must be able to identify goals and set out a financial plan for the client, establish a client's appetite for risk, need for risk and propose credible projections for the growth of the investments. For ex-ante, Synaptic automatically combines 16 data look-ups to provide the full analysis, at the touch of a button via a modern API. We believe that this is the best route for firms to emerge from the evolutionary cul-de-sac they find themselves in as evidenced in the recent report.

Offering the solution in this way also means that firms can take the data that they need in a consistent methodology that will apply to any and all investments, supporting any back office arrangement. Whatever the 'source of truth' that a firm employs can easily link a client record to the ex-ante reports required.. on a fully automated basis.

The next phase of technology

Gone are the days where you need to upgrade from scratch or build on that existing monolithic system – taking district pieces functionality from external supplied (and that can be from anywhere or anyone!) is where technology is moving. You do not need to re-platform; you need to build sideways and upwards. From the existing problems and issues, to being able to consume new green field systems - without throwing the baby out with the bathwater.

[1]P27 'A Disconnected World: The Adviser's Reality'

> "There is roughly one support member of staff to every £10m of assets under advice in this business; that figure should certainly be closer to £20m if not £30m. In a time when the demand from clients for advice is so strong, that feels like something good to aim for."

Synaptic Pathways.

We bring the research data, the 'gold standard' cost and charging data, the industry standard MiFID II disclosure data along with modelling and risk. That's the power of Synaptic wrapped up in one request with all the data you ever need, where you want it: including in front of the client at the touch of a button.

Our vision is to take process that took hours to take minutes. Gone are the days of onerous resource, manually prepared ex-ante and ex-post reporting and most importantly gone are the wasted hours which could be spent looking after clients.

We would be delighted to discuss how this new world may be relevant to your business.

Call us on **0800 783 4477.**

The following is a list of the principle APIs available from Synaptic

People familiar with Synaptic tools will recognise the product terminology, but these are now brought to life as a set of distinct APIs with a huge amount of data, knowledge and skill all hidden away behind the scenes.

Modeller, Comparator, Product & Fund and Analyser now exist as functional APIs that can help 'power-up' your existing systems. Added to that, in the new Pathways product, are illustration and suitability tooling to help you on your MiFID II compliance journey for both ex-ante and ex-post requirements.

Ex-ante illustration API
will return an illustration of costs and charges, risk and MiFID II disclosure for a given on or off platform product including funds, growth and charge data to produce a new business illustration.

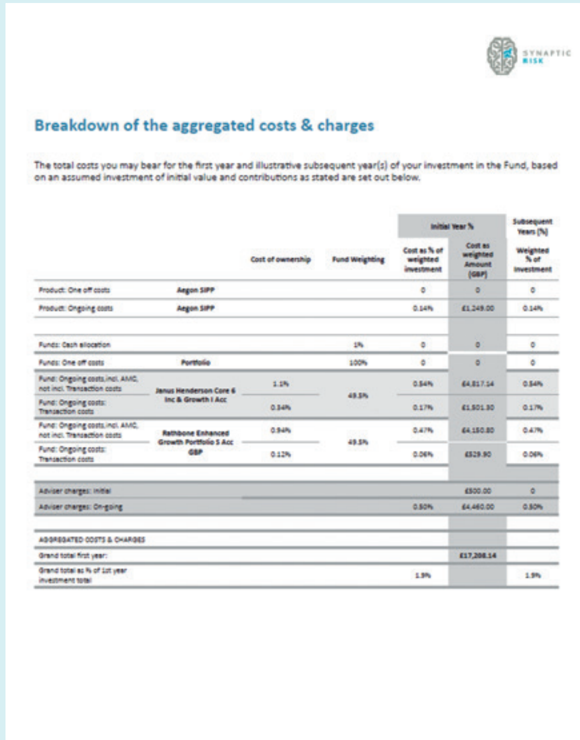
Product and Fund Data API
will return a host of provider, product and fund data helping support high quality back-office data, portfolio builder services and product/platform/fund support.

Modeller API – Risk and Projection
Risk: will return a risk profile of a given investment based on underlying asset allocations. Projection: will return the probable outcome of a given investment, or will solve contributions required to meet an investment goal.

Comparator API – Reduction in Yield (RIY) Illustration
will return an RIY calculation, to illustrate the effect of enhanced costs and charges applied and overall reduction in yield (for total solutions cost).

Fund Fact Sheet API
will return a product or fund fact sheet as part of research process in PDF or HTML format.

Ex-post illustration API
will procure a valuation for a holding and risk rate the current position of that holding for review purposes, including fund target market data, to allow the disclosure of costs and charges for compliance purposes.


SYNAPTIC RISK

Breakdown of the aggregated costs & charges

The total costs you may bear for the first year and illustrative subsequent year(s) of your investment in the Fund, based on an assumed investment of initial value and contributions as stated are set out below.

				Initial Year %		Subsequent Years (%)
		Cost of ownership	Fund Weighting	Cost as % of weighted investment	Cost as weighted Amount (GBP)	Weighted % of investment
Product: One off costs	Aegon SIPP			0	0	0
Product: Ongoing costs	Aegon SIPP			0.14%	£1,249.00	0.14%
Funds: Cash allocation			1%	0	0	0
Funds: One off costs	Portfolio		100%	0	0	0
Fund: Ongoing costs,incl. AMC, not incl. Transaction costs	Janus Henderson Core 6 Inc & Growth I Acc	1.1%	49.5%	0.54%	£4,817.14	0.54%
Fund: Ongoing costs: Transaction costs		0.34%		0.17%	£1,501.30	0.17%
Fund: Ongoing costs,incl. AMC, not incl. Transaction costs	Rathbone Enhanced Growth Portfolio S Acc GBP	0.94%	49.5%	0.47%	£4,150.80	0.47%
Fund: Ongoing costs: Transaction costs		0.12%		0.06%	£529.90	0.06%
Adviser charges: Initial					£500.00	0
Adviser charges: On-going				0.50%	£4,460.00	0.50%
AGGREGATED COSTS & CHARGES						
Grand total first year:					£17,208.14	
Grand total as % of 1st year investment total				1.9%		1.9%

Evolving Workforce - Evolving Protection Requirements

Over the last few months, some new words have become an integral part of our daily vocabulary. Unprecedented, Zoom, furlough, Microsoft Teams, asymptomatic, R-factor, flatten the curve, PPE to the newfound habit of home working. But what does this mean to Accident, Sickness and Unemployment Insurance?

Kesh Thukaram

Co-Founder
Best Insurance

In 2017, according to Lancaster University's Work Foundation, over half the organisations in the UK said they are likely to have adopted flexible working practices and in three years i.e. by 2020, this figure was predicted to rise to 70%. Little did we realise that in 2020, working from home would become almost the standard working practise for most people and that it would be imposed upon us rather than making a choice.

In its '*Working anywhere - a winning formula for good work*' report, the Foundation outlined how flexible working – defined as something that gave employees flexibility on how long, where and when they work – would benefit UK PLC with increased productivity, improved employee well-being, talent attraction/retention and lower office space costs. It is true, most people would wholeheartedly agree to this and tend to sing the virtues of home working. It is abundantly clear that given a choice, most people would prefer to work from home and believe that returning to a pre Covid-19 office environment is a remote possibility.

Feedback from the 500 managerial respondents who participated in a survey suggested that; 54% reported flexible working allows them to get more work done, 49% said it made them feel more trusted and 46% considered this way of working improves the work/life balance.

The negatives, such as working longer hours, feeling disconnected from your team and being unable to manage others' work, appear to be outweighed by demand for the positives associated with this way of working.

> "As advisors who understand the protection range of products, we have a duty of care to our customers to offer products that offer a financial safety net for workers with responsibilities."

With facilitators such as high-speed internet, cloud computing, online meeting platforms, social networks for inter-office communications and instant messaging already in place, it is no surprise to find that people now, prefer home working.

But are we viewing these radical changes to our working environment through rose-tinted glasses?

As the common adage goes, be careful what you wish for. Many of these preferences do come with challenges and may impact several parts of the working population in unimaginable ways for a long period of time.

To accommodate this 'evolving workforce' and make it sustainable for the longer term, organisations face several challenges. In many instances, IT infrastructures will have to be overhauled to provide sufficient wireless speeds and cloud data storage capacity for employees who come into the office via 'hot desking' arrangements and changes need to be made to management performance processes and employment terms & conditions.

Employers keen to embrace flexible working as their normal working model are rapidly moving to internet-based service models (cloud technology and mobile internet) and breaking up tasks which leads to a fragmentation of jobs. This inevitably results in a change in the skill requirements of existing roles.

There was already a lot of prediction that the fourth industrial revolution which heralds an increasing use of robots, big data and artificial intelligence in the economy would lead to permanent redundancies of several job roles. This drastic shift in working practices is bound to create a significant churn and leave an irreparable scar on economic and mental well-being of several individuals and sectors.

As we get used to the new working practices, businesses will be busy evolving over the next few months, perhaps years. It is inevitable that every business will have to continuously adapt until everyone in their ecosystem settles into the new methods of working. Cost competitiveness will inevitably be a big competitive advantage, and this will force every business to find savings and people costs will be a constant focus.

When there are more people available than jobs, competitive advantage of every individual becomes the reason as to why some people have a job, and some do not. The physical, mental, and financial well-being and ability to continue to meet financial commitments when facing changes in employment starts becoming more important than ever.

Call me myopic or lacking creativity, but the hybrid income protection which covers loss of income due to accident, sickness and unemployment can be a financial lifeline and answers to many challenges that the current Covid-19 has exposed and to several unknown that may surface in the future.

Over the last decade, the hybrid accident, sickness and unemployment policies have been refined, terms more transparent, simple to transact, better IT platforms that makes sales processes efficient, reduced administration time and commission models that pay until the policies are in force.

In a survey conducted by Best Insurance in June 2020, it was clear that the recent pandemic has increased the need for the hybrid accident, sickness, and unemployment policies right across the working population. There is a remarkable shift in the lower age groups such as 25 to 35 years, who are now keener to get themselves protected. People in the 45 to 55 years age group and those on the first rung of the housing ladder - are hard-pressed more than ever. As advisors who understand the protection range of products, we have a duty of care to our customers to offer products that offer a financial safety net for workers with responsibilities.

We can achieve this with renewed confidence as soon as the insurers resume the sale of such hybrid policies. Best Insurance is at the forefront of identifying the changing habits of customers and developing products that will appeal to these evolving protection requirements and resonate with audiences who desperately need some form of financial protection now and in the future.

For more information and to get your agency set up, please call Best Insurance on **0330 330 9465** or email **info@bestinsurance.co.uk**

The Exeter

Income protection is a necessity not a "nice to have"

Steve Bryan

Director of Distribution and Marketing

The Exeter

Sometimes in life, we all need a helping hand. This is particularly true when it comes to financial planning. Financial decisions are made every day, whether it's budgeting for the weekly shop, paying bills, buying a home, or planning for retirement.

However, too many of us still don't realise the importance of protecting the one thing that underpins all these financial decisions – our income. A sudden loss in income due to illness or injury could happen to anyone and have a potentially devastating impact on their financial situation.

The value of good advice

Arguably, the need for income protection (IP) insurance has never been greater – particularly for the near five million people who are self-employed[1].

Self-employment can offer several benefits, however, it also comes with risks. Having to take time off work due to illness or injury can result in a complete loss of salary, with little or no support (such as the Government's statutory sick pay scheme) to fall back on.

The self-employed labour force represents a growing protection opportunity for advisers. IP provides a valuable financial safety net for everyone, but despite the need, our research has revealed that only one in ten self-employed workers has purchased an IP policy[2].

Making the case for protection

Common barriers to selling IP include clients not understanding the need for cover, a perception that it's costly or that it's too complicated to sell. Advisers can raise awareness of the need for IP by asking clients how much they have saved for a rainy day, or how they would support themselves if their income suddenly stopped.

Many of us would like to believe that ill health or misfortune is something that only happens to other people, or the elderly. The truth is that financial hardship can affect anyone at any time – regardless of age, income, or employment status.

The average claimant on The Exeter's Income Protection Plus policies is in their early thirties - an age where people may be thinking about saving for a house or starting a family. Many IP policies also offer increased flexibility, allowing advisers to tailor cover to suit individual needs and budgets, meaning the argument for cover being too expensive can quickly be overcome.

It's time to put income first

We believe that IP should be the starting point for every client conversation. It's inclusion as part of a holistic financial planning recommendation allows advisers to give even greater value and peace of mind to clients and their families. Together we can demonstrate that IP is a necessity, not just a 'nice to have'.

To find out more about '**Ill Prepared 2020 – the self-employed financial resilience report**', book a short webinar with one of our Adviser Account Managers at **www.the-exeter.com/adviser**

> "Many of us would like to believe that ill health or misfortune is something that only happens to other people, or the elderly. The truth is that financial hardship can affect anyone at any time – regardless of age, income, or employment status."

[1]www.ons.gov.uk [2]TBC? next to IP policy?

Protection – the pathway to wellbeing through 'value added services'

Impact of remote working to wellbeing

Mental health and wellbeing has been talked about a lot more during the past 12 months than ever before, and is finally getting the level of awareness and openness that it needs. Long may the discussion continue.

The most recent challenge facing many employees globally is working from home and managing a situation which may be totally or partially new. Ladders[1] survey found that 49% of remote workers noted their biggest struggle with location flexibility was wellness related. More specifically, 19% felt lonely, causing distraction in their work[2]. TSheets[3] found that constant working from home can put people in jeopardy of poor health and cognitive decline. The risk of lack of sleep and depression is a risk too. How can our industry support our customers who may be struggling with wellbeing, mental health and generally managing feeling out of control?

Value-added services helping customers

Enter value-added services. Value-added services are services offered to policyholders outside of the insurance contract. They are not based on an insurable risk or event, but are benefits of enrolment. They are typically not linked to a claim on an insurance policy and are often offered to increase the "tangibility" of otherwise intangible policies (covering infrequent events than may never occur while a policyholder is insured). As such, they can be important in adding value of the policy and improving the satisfaction with and renewals of these policies.

The value-added services can be categorised into the following four categories[4]:

Self-service

Includes services where insurers provide tools and techniques for customers to better manage their insured risk, for example by providing education on preventative health, safety or other topics, such as or financial education, linked to health outcomes. Discount cards to pharmacies, retail outlets, gym memberships or other businesses are often used. Customers can feel more empowered to manage their own risk and consequently reduce the cost of service for insurers.

Advice and assistance

Includes services that provide timely assistance in case of need, as well as information which can help better manage lifestyles. Services are often tailored towards mitigating risks as well as engaging with customers. Various types of assistance including legal assistance or assistance with employment issues or legal helplines, cyber support, and disaster recovery for business insurance. Health screenings, preventative consultations and telemedicine can be used as an example.

Anticipation of customer needs

Some value-added services are designed to fill gaps in the customer's overall journey by anticipating their needs and catering to those needs by providing life staged based offerings.

Collaboration and engagement

Value-added services for collaboration and engagement are primarily focused on fostering deeper relationships between the insured and the insurer.

Value-Added or Added Value?

Insurance customers value integrated, omnichannel propositions and tailored offerings designed to meet their core needs.[5] A study from Accenture found that specifically health and wellbeing related services are valued. "Value-added products & services are worth more because they have been improved or had something added to them" according to the Cambridge English Dictionary. Life insurance has come a long way since the innovation that made the first policy available in the 18th century from Amicable Society for Perpetual Assurance Office, founded in London in 1706.

For customers, value-added services provide access to services which they would not usually have access to. For example, discounted fitness trackers, access to online video GP appointments and health apps, which provide information on how to manage your mental and physical health.

When comparing the primary benefits of term, mortgage decreasing term, critical illness or income protection policies available from the providers available in the market, it is typically the primary benefits that are focused on first. When researching critical illness cover for a client, ensuring the providers offer cover for the top 10 diseases would be of primary concern.

[1] https://www.theladders.com/career-advice/why-dressing-for-work-at-your-home-office-is-important

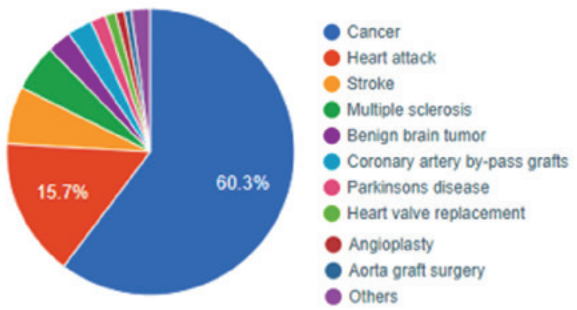
[2] https://www.capita.com/our-thinking/more-than-just-a-virus

[3] https://www.tsheets.com/oa?utm_campaign=QBT_UK_GGL_Brand_Brand-Core_Exact_Search_Desktop_Camelot&utm_medium=pay-per-click&utm_source=adwords&cam_id=sem_71700000057697740_246068754_p47381202870&country_code=UK&gclid=EAIaIQobChMIyM-lnNGw6AIVhrTtCh0urwiiEAAYASAAEgIHxPD_BwE&gclsrc=aw.ds

[4] https://www.capgemini.com/wp-content/uploads/2017/07/value_added_services_in_insurance_2017_2_web.pdf

[5] https://www.accenture.com/us-en/insights/insurance/consumer-study-2019

Paid Out Claims



Female Claims	Male Claims
1. Cancer (81%) 2. Multiple Sclerosis (7.5%) 3. Heart attack (3%) 4. Benign brain tumour (3%) 5. Stroke (2%) 6. Others (3.5%)	1. Cancer (44%) 2. Heart attack (26%) 3. Stroke (10%) 4. Coronary artery by-pass grafts (5%) 5. Multiple sclerosis (4%) 6. Others (11%)

Percentages are for total paid claims per gender
Source [https://www.criticalillness.org.uk/]

Innovation over the last couple of years has seen an increase in "added value benefits" becoming a core component of many protection plans. Insurers now offer wider benefits that can help consumers stay healthy both in mind and body, as well as benefits that can improve recovery or lessen the effects of injury or ill health. Such added benefits might not always be part of the primary research, but may well be worth reviewing as part of the overall research. Monetisation, whether in the form of additional revenues or reduced claims, will flow from the right customer value proposition, so it is essential to keep the customer in the centre of the product and value-added service innovation. Many adviser businesses are also offering their own value-added service wrap around products they sell.

For example, if a provider offers support if a child is hospitalised, it would not necessarily form part of the primary research and would clearly depend on the client's circumstances, but these added benefits are available from providers on the Synaptic Webline Portal, with **Aviva, Legal & General and Vitality** offering hospitalisation benefit for the children of the life assured on critical illness plans. However, a wider number of insurers offer this for the adult within their Income Protection plans.

The same would be true for clients who perhaps primarily see their financial adviser as their pension/investment adviser, but they will have forgotten the added value their adviser brings from a holistic advice perspective, offering insight and solutions to protect their health, mortgages and income.

> "The most recent challenge facing many employees globally is working from home and managing a situation which may be totally or partially new. Ladders survey found that 49% of remote workers noted their biggest struggle with location flexibility was wellness related."

Table 1. Sample of Value Added Services available from Providers on Synaptic Webline

Provider	Value Added Service	Product Name
Aviva	Global Treatment available at £4 per month	Aviva Life Protection Solutions
Legal & General	GP24 is available at an extra cost of £3.25 a month. Giving your client access to a GP 24 hours a day, 365 days a year, from anywhere in the world	CI (Standard + Child CI Extra)
Royal London	Helping Hand included	Personal Menu Plan 2 year payment
Vitalitylife	Discounts on health partners such as annual health checks and devices	Essentials Plan

Protection the path to wellbeing through value-added services

Value-added services are nothing new, over the last 10+ years, the conventional insurance policy has had many iterations moving from a mere product-led proposition to a service-led proposition, providing additional value for the consumer which they may not be able to or would not engage through other means. The last couple of months have shown us the importance of wellbeing and mental health, and services providing support and guidance on maintaining good mental and overall health are invaluable right now. Do your customers know which services they have access to through their mobiles? If the answer is "not sure", now is a great time to remind them.

There are so many added-value benefits we should all be reviewing, such as Synaptic Webline; Synaptic's free protection 'quote and apply' portal. Contact sales@synaptic.co.uk for your free licence.

SYNAPTIC

A new dawn for risk profiling: introducing Synaptic Risk Explorer

> "The Moody's model provides metrics for loss and for growth, meaning that reliable inputs are always available for financial planners, whose management of 'informed consent' with clients will always be simple and credible."

Eric Armstrong

Client Director

Synaptic Software Limited

Synaptic has designed and is launching a risk profiling solution that we believe will become the gold standard for firms looking to use risk to improve the advice they give, conquer the challenges of modern compliance, improve their businesses and establish more efficient and repeatable method of working.

Our belief is that the new capabilities go beyond the scope of any combination of risk tools currently available to firms. This ground-breaking tool is part of a suite that has access to the full range of Synaptic data, including MPS portfolios, and removes the need to perform expensive additional MiFID II reporting by automatically delivering comprehensive ex-ante and ex-post reports with full disclosure.

It's a bold claim, and represents the culmination of two years of work to create a solution for firms that provides a way of working in what may be the most challenging area of financial planning. MiFID II is uncompromising about suitability and risk. Our insight was the opportunity to provide the retail advice sector access to the finest institutional-grade research and methodology. Most risk propositions reference Moody's research into their models, but only Synaptic has developed a way of providing complete access to the Moody's stochastic engine, ensuring that objective, repeatable and reliable risk profiling can be performed.

Similarly, risk ratings tend to include qualitative overlays by analysts. In contrast, Synaptic follows Moody's approach of removing these distortions of 'qualitative overlays', which should remain within the domain of the firm, relying instead on the mathematical performance attributes of the asset classes under consideration. There is no way to maintain objectivity unless quantitative and qualitative considerations. They are equally important of course, but should be treated separately. Synaptic hands off to RSMR for much of the qualitative research accessed through our tool set, whilst owning the automated, model-driven 'quant' analysis for our customers – we think, the best of both worlds.

Above is one of a series of documents from the regulator explaining the central role of suitability in advice.

What has changed?

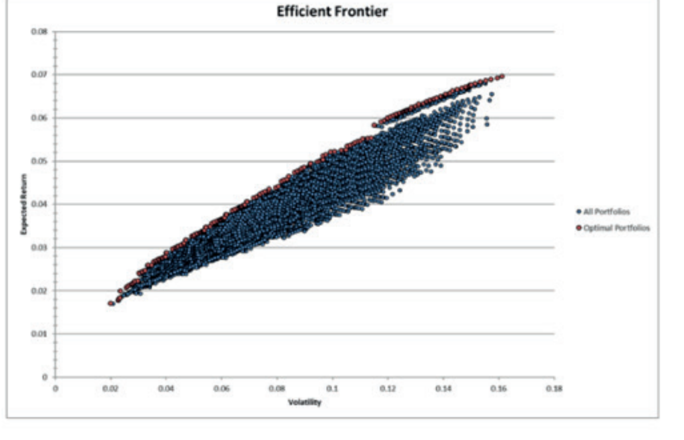
Risk has always been a hot potato. When Rory Percival published his influential report on Risk Profiling in 2017, there were a lot of concerns raised regarding the role of risk profiling in the modern age, and the reliance on 'tools'. We believe our solution has answered all of these concerns and promoted the role of independent research in general. Regulation requires a robust framework, but it is equally important that the experience and knowledge of advisers is not eclipsed. A good research tool helps evidence the adviser's expertise, not dictate outcomes. This is what advisers mean when they refer to risk profiling as the 'basis of the conversation', and Risk Explorer takes the role of illustrating a range of outcomes, on the basis that comparison is an important part of achieving the correct fit. Risk profiling customers only works if there is a transparent and reliable mapping to an investment strategy via asset allocation, and this is where Moody's is peerless.

Risk profiling is entirely the responsibility of the adviser and is an integral part of suitability, increasingly identified by FCA directives as the main proof point, along with value (for suitability). As firms take increasing responsibility for the custody arrangements of funds under advice, their liability for things that could go wrong increases. The determination of the regulator to enforce suitability is constantly increasing, with warnings of more Thematic Reviews down the line.

Moody's Analytics and Risk

Risk in investment terms equates to loss, and must be quantified to have any meaning (a medium tolerance for loss is meaningless without comparative values). It is impossible to predict the future, but mathematical models have been built that can ascribe probability with great accuracy. It is through the crisis of 2008, and more recently, that the reliability of stochastic modelling has been recognised by advisers. That's not to say that all stochastic modelling is great as it's not, but Moody's are exceptional. (Their 'forecast' for a 1 in 20 year loss on an adventurous portfolio, for example, mirrored the exact extent of losses from those portfolios in 2008 (the Great Financial Crisis), namely 23.5% over a rolling 12-month period, the insight which is what their 'Value at Risk' or Min gain' metric offers. 24% was the Min gain value ascribed to the Adventurous risk category in the in the Moody's investment strategy at the time).

The Moody's Economic Scenario Generator models economic conditions across the globe and is able to provide probability-based forecasts for asset classes that can be mapped to client's portfolios. To capture the full extent of 'viable' outcomes for investments, a mathematical simulation is done, on top of the rules within the engine, capturing the full power of a probability-based model. Thus, there is not an assumption for interest rates or inflation as 'capital market assumption' as in some models, the whole range of variables is modelled and outcomes are presented in a probability-based graph, that can be easily understood, including by clients. The Moody's model provides metrics for loss and for growth, meaning that reliable inputs are always available for financial planners, whose management of 'informed consent' with clients will always be simple and credible. An audit trail will always support any recommendation.



Cash	60%
UK Corporate Bonds	30%
Property	0%
UK Equity	5%
Global Equity ex UK	5%
US Equity	0%
Emerging Markets Equity	0%

Example of results of a simulation performed by Moody's to map the outcomes of thousands of possible investment scenarios, to plot the 'efficient frontier' between risk and reward.

> "This use of a Value at Risk (or VAR) metric sidesteps the significant issues that reside with the more common use of volatility as a proxy for risk. Investors are interested in returns."

What else is Synaptic offering?

Reduced MiFID research and reporting

- No need to perform expensive, time-consuming and error prone additional MiFID II reporting as instigated by many firms, in addition to the ex-ante and ex-post illustrations that are required for suitability as a means of fulfilling their obligations around disclosure (including the full costs and charges analysis and the target market analysis).
- If the ex-ante and ex-post reports automatically complete these disclosures, there is no need for the additional work.

Access to MPS discretionary portfolio data

- This is made possible by the collation of data by the Synaptic research team to populate the reports. In addition to comprehensive data from Providers, Platforms and Funds (accurate to share class), Synaptic now collects data on discretionary managed portfolios, not previously available to standalone research tools.
- This includes asset allocation data necessary for risk profiling, costs and charges data used for accurate illustrations and target market data for compliance purposes. If Risk Explorer is used in conjunction with Synaptic Comparator, the firm will be able to do the full range of projections, including accurate costs to explore the role of investment risk on behalf of the client.

New and improved Portfolio Building area

- Ease of creation, import or export of portfolios, access to portfolios by 'Investment Pathways': I.D.D. (Insured portfolio), Discretionary Portfolios, Model Portfolios, Bespoke Portfolios, Multi Asset Funds, Unitised Funds;
- Automatic, 'on-the-fly' risk profiling of portfolios by asset allocation using Moody's model driven rating of Asset Allocation.

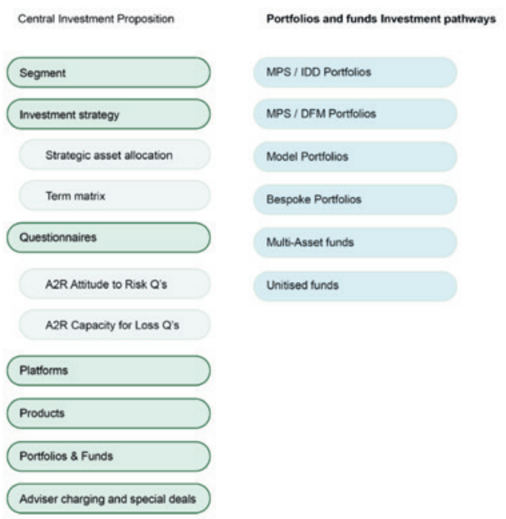


Table above shows the configurability of the new Synaptic suite and the Investment Pathways available in Risk Explorer on the right.

Illustrate the relationship between risk and investment term

- Synaptic Risk Explorer is also designed to illustrate the relationship between investment risk and term, both of which are fundamental to considerations of Capacity for Loss. A well-defined, dynamic asset allocation model underpins investment decisions.
- The Moody's model provides tables and graphs showing the likely outcome of any real or notional investment scenario, including the impact of increasing or decreasing term. There is a short questionnaire included to audit the adviser's exploration of the appropriate term commitment made by the client.

Summary of what you can do with Risk Explorer

Full risk governance

Built around the regulator's requirement for proof of suitability using the classic risk governance model, combining:

1. Client's risk profile.
2. Need to take risk.
3. Capacity for Loss.

Built in ATRQ

From A2R which can be deployed across multiple devices, remotely, with clients or in paper format.

Strategic asset allocations

Map your clients' risk profiles to strategic asset allocations maintained by Moody's Analytics

- Transparent risk model with simple boundaries for mapping, in 1-5 or 1-10 strategy;

  Any portfolio can be mapped using Moody's Value at Risk metric, at 95% certainty for losses in worst year of 20-year sequence:

Cautious	up to 7.5% losses in a bad year (1 in 20)
Moderately Cautious	up to 12.5% losses in a bad year (1 in 20)
Balanced	up to 17.5% losses in a bad year (1 in 20)
Moderately Adventurous	up to 22.5% losses in a bad year (1 in 20)
Adventurous	up to 27.5% losses in a bad year (1 in 20)

SYNAPTIC

Project investment outcomes – gain and loss in one profile for any investment

The Moody's model provides the 2 key metrics for effective compliance and financial planning:

1. Likely outcome on a probability basis for any investment scenario for which an asset allocation is available;
2. Profile possible investment loss as the extent a portfolio is likely to lose in a bad year (in a 20 year term), allowing for accurate and meaningful alignment of an investment strategy to of a client, within a plan, based on their Capacity for Loss and risk profile. This use of a Value at Risk (or VAR) metric sidesteps the significant issues that reside with the more common use of volatility as a proxy for risk. Investors are interested in returns.

Quantitative approach to investment risk profiling

What makes this approach unique is that a purely objective, model-driven assessment that avoids any qualitative overlay, a shortcoming of most risk rating systems which depend on analysts' assessments. This means that the growth and potential loss metrics can be dealt with apart from the myriad of qualitative considerations that may influence an investment recommendation. This means that a genuinely repeatable and robust methodology can be applied, as required by regulation.

How does this fit into the wider mission for Synaptic?

Risk Explorer is the first of a wider suite of suitability tools. The following releases will provide full integration of the Synaptic platform and product layer to allow a full range of research and client facing illustrations to be initiated from one place. This will also allow complete control within the firm for product governance and creation and deployment of C.I.P. and C.R.P.

Prompted by regulation, we believe that one of the key roles that firms are looking to fulfil is product governance. The MiFID II and PROD rules are uncompromising about the due diligence that is required to match segments, or client types with suitable investment solutions. Where this departs from the past is that due diligence needs to be delivered at proposition level, not on a case-by-case basis (that is left to the suitability assessment). Synaptic has designed an automated, friction -ree process with access to all the relevant data.

What should firms do next?

There will be an opportunity for existing Synaptic customers to test drive Synaptic Risk Explorer. Any firm wishing to assess the capabilities of the new software can arrange a trial by contacting us on **0800 783 4477** or email **sales@synaptic.co.uk**

> "What makes this approach unique is that a purely objective, model driven assessment that avoids any qualitative overlay, a shortcoming of most risk rating systems which depend on analysts' assessments."