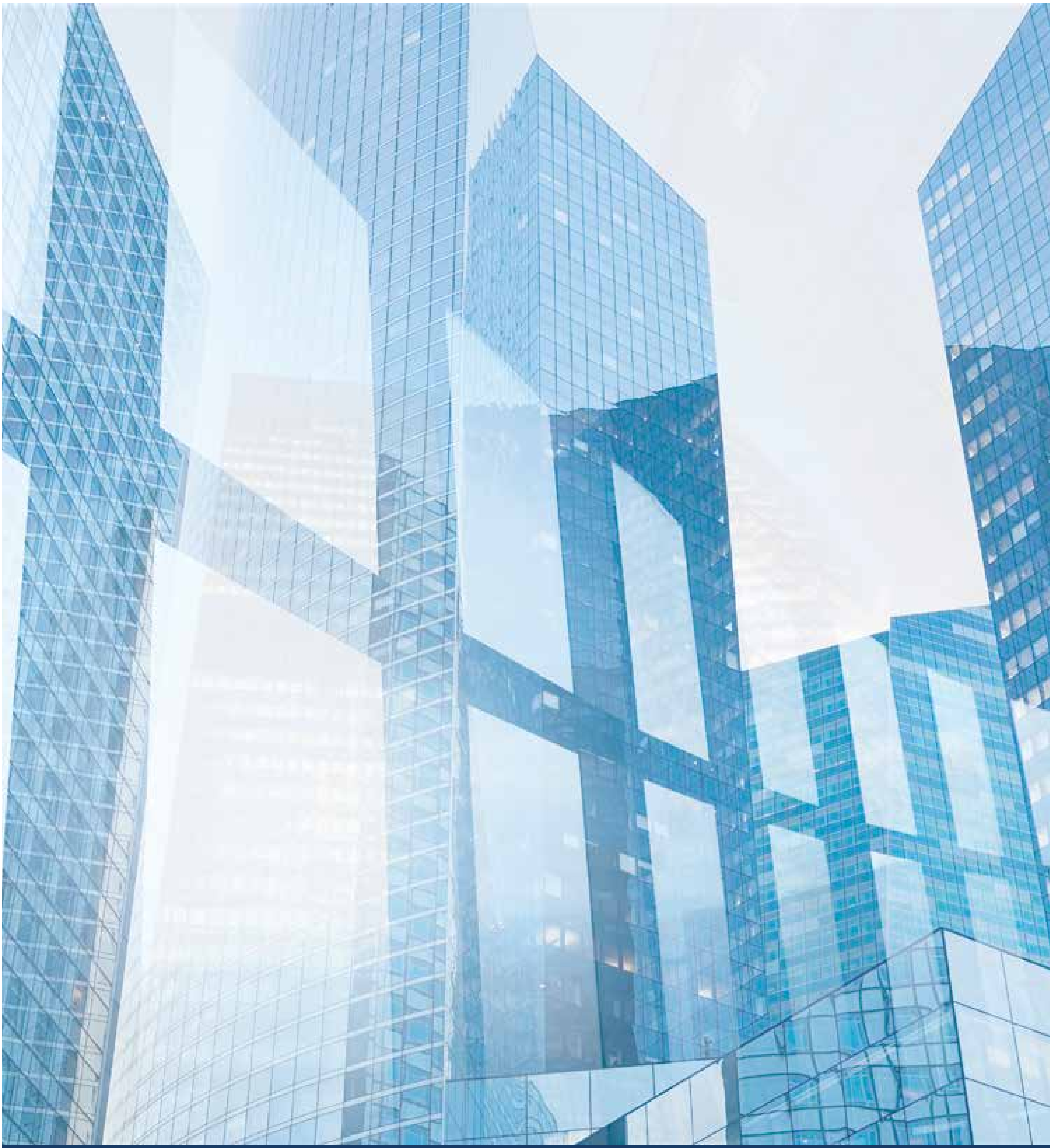
BRI Wealth Management PLC

BULLETIN

January 2019

We hope you enjoy our **Newsletter**



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INVESTORS IN PEOPLE

Market Commentary

In our January 2018 market con several questions to our Chief I Vince Hopkins. Twelve months o remain just as pertinent as they we Here are Vince's views for 2019.

2018 finished with significant stock market falls across the globe. How do you view the prospects for 2019?

Recent falls have been significant, and the UK market has had its worst year since 2008. This has not been a UK specific event, with many global markets now lower than they have been for several years. In January 2018, one worrying aspect was that most commentators were very positive about the outlook for markets and were not concerned about the potential challenges 2018 could bring. The opposite situation now applies, with many commentators feeling excessively negative about the prospects for stock markets. However, even though there are concerns for 2019, equity valuations are relatively attractive and global GDP growth is slowing but still relatively robust. Sentiment can often overtake fundamentals, but it is important to take a long-term perspective when investing.

The famous investor Benjamin Graham summed up the market by saying, 'In the short run, the market is a voting machine but in the long run it is a weighing machine.'

How do you view the coming year in the UK?

2018 was a year of political turmoil in the UK, with most of the turmoil being a result of our impending exit from the European Union. The uncertainty that this has caused has started to feed through into the underlying economy, with consumer confidence dipping, house price growth slowing and GDP growth softening. The uncertainty that has caused this weakness is unlikely to abate until there is clarity about the terms on which we exit the European Union; and so the first few months of 2019 could be challenging.

Coupled with this, there has been significant turmoil in the retail sector due to the structural shift to internet-based shopping coinciding with a cyclical downturn in consumer confidence and consumer spending. It is unlikely that the sector will get any respite from these two factors and so we expect that 2019 will continue to be challenging for retailers and certain commercial property companies that have a reliance on high street retail properties.

UK stocks have been weak as a result of these factors and this weakness could easily continue for a period of time. However, valuations for UK companies look compelling and the 4.7% dividend yield that the market offers is higher than interest rates and prevailing inflation rates.

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n these questions
ere a year ago.

What would you highlight as your main economic worry in 2019?

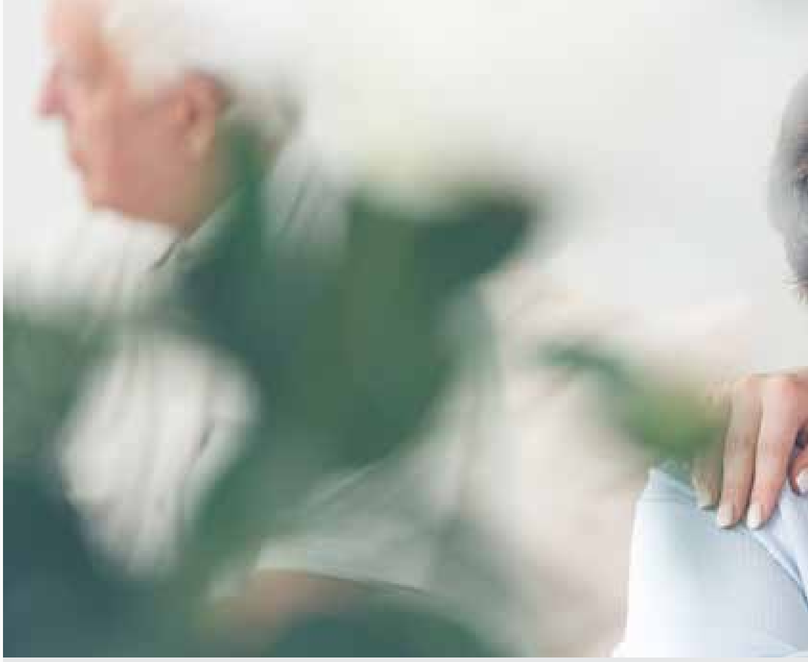
Last year I highlighted that a growing US economy might lead to more interest rate increases than expected and that this would impact on bond and equity markets. The anticipated pace and quantum of interest rate rises in the US came to the fore in the final quarter of 2018 and this will continue to perturb markets in 2019. The market is concerned that the Federal Reserve will raise interest rates too quickly and that this will stifle US economic growth and lead to economic challenges across the globe.

Coupled with this, the market is – as ever – concerned about any potential slowdown in Chinese economic growth. China has been successful in the past at managing weakness in the domestic economy, but markets will want to see tangible evidence of this before investors can regain confidence.

Can you highlight any major investment themes for 2019?

Last year I wrote about technology and despite the recent weakness in technology shares, the continued evolution in technology and the benefits it brings to society continue to make it an attractive long-term investment.

Two investment themes that we are positive about are the growth in the Indian economy and the growth in the healthcare sector. We are excited by the long-term potential of these two areas and will continue to monitor their developments over the course of 2019.



Spotlight on Hea

The world's ageing populatior or investment opportunity?

This global phenomenon ensures rapidly rising healthcare costs and a surging demand for drugs and medical procedures of all types. In the UK, the NHS is the political "hot potato" that seemingly can only be resolved by increasing funding year on year; but still there is never enough.

In the US, patient bills are paid in part by medical insurance which those on low incomes struggle to afford. You may recall that 'Obamacare' came into effect in January 2014 making healthcare more affordable for those on low incomes. President Trump reversed this in 2017 and cut the governmental support, thereby ensuring that healthcare became more expensive again.

With healthcare costs rising, governments cannot simply keep throwing money at the problem to resolve these many issues. This therefore provides businesses with opportunities to develop new techniques which can help individuals stay healthier for longer.

One company within the healthcare sector is a world leader in providing physician consultation services via a videophone app. Approximately 86% of the US population now use smartphones and this app helps reduce costs for GPs, especially those whose patients have missed appointments. Obtaining doctors' appointments is also becoming increasingly difficult, both because of the rising demand as well as the challenge of fitting in with doctors' availability. This app provides users with access to GPs and referral services conveniently and at a much lower cost (approximately 30% lower).

In the UK, the NHS operation waiting lists are now reported to have reached a ten year high at 4.3 million patients, with the average waiting time currently eighteen weeks for non-urgent consultation-led treatments (such as hip or knee replacement), many, though, waiting for more than six months. To help reduce these times, some companies have developed robotic-assisted surgical systems designed to improve the clinical outcomes for patients through minimal invasive surgery.

althcare

n: economic concern

These systems have also allowed surgeons to operate remotely on soldiers wounded on the battlefield. This technology is continually improving with significant research and development with the result that these units are now being installed in hospitals worldwide.

Such healthcare companies highlight the continuing opportunities that the ageing population and medical advances bring. Globally, the expectation of living longer and the rapid progress in science and technology are to be thoroughly welcomed. Our view has been to use this background to invest in vehicles that allow our clients to benefit from exposure to these areas over the long term.

50 years and counting!

BRI celebrated its 50th birthday on 20th November 2018. To celebrate, our staff members were each given a token of thanks on behalf of the company.

A lot has changed in the 50 years we have been in business. Of particular note are the vast technological advancements and the rise in regulation. Throughout these many developments BRI maintains its core offering, providing bespoke wealth management solutions to individuals, families, companies, trusts and charities. BRI has not faltered in its values – knowledge, service and trust – and we are excited to see what the future holds.

Satisfaction survey highlights

HOW SATISFIED ARE YOU WITH THE CONTENT & QUALITY OF THE REPORTS THAT YOU RECEIVE FROM US?

VERY SATISFIED

87%

HOW SATISFIED ARE YOU THAT WE TAKE INTO CONSIDERATION YOUR INDIVIDUAL CIRCUMSTANCES & REQUIREMENTS WHEN WE MANAGE YOUR PORTFOLIO?

VERY SATISFIED

88%

DO YOU FEEL THAT WE CONTACT YOU REGULARLY ENOUGH TO DISCUSS YOUR PORTFOLIO OR THE STOCK MARKET?

ENOUGH

95%

DO YOU FEEL OUR STAFF ACT PROFESSIONALLY & WITH INTEGRITY AT ALL TIMES?

YES, I DO

99%

Is it the end of our high streets?

One in every five pounds spent in the UK, is spent online. New data from the Office for National Statistics shows online sales rose by 15.3% over the past year and now make up a record high of 18.2% of all retail sales. In 1994, only 0.5% of the UK population had access to the internet. In 2016 we spent £81.55bn on online retail. How has this affected our high streets?

A total of 1,772 stores disappeared from 500 of the UK's biggest town centres last year, meaning that about five closed every day. More than 50,000 retail jobs have been lost in 2018. Since 2008, a Centre for Retail Research report says, 409 large and medium sized retailers have gone into administration, affecting 23,378 stores and 280,425 employees.

House of Fraser's creditors voted in favour of closing more than half of its stores in a move that will also see cuts of 600 jobs. Even online retailers like ASOS have warned of weak profits this financial year after "unprecedented" discounting hit its trading in November.

Retailers are fighting back through their own internet sites. John Lewis now have 25% of their sales through the internet; that is more than its Oxford Street flagship store sells. Tesco's revenue is £2.9 billion online, second only to Amazon.

You will find charity shops on every high street in the UK. Many of these will be entitled to rate relief if they sell only second-hand items, which means that they are able to fill spaces that other retailers can't afford to rent. There are currently 11,200 charity shops across the UK; British Heart Foundation has the most, with 724.

Around 12,000 banks have closed over the past 30 years and around 1,500 town centres currently have no bank. In 1993, there were 19,953 post offices in the UK; now there are 11,600, many of these inside other shops.

One in every ten retail spaces in UK town centres is currently unoccupied. However, with change also comes opportunity. Research and experts point out that since the functional transactional purchases are carried out online, people are visiting high streets for more experience-led activities. This has given rise to the explosive growth of coffee bars, tattoo studios, nail bars and E-cigarette shops, all of which offer a service which cannot be bought online.

There was a 6% growth in 2015 of coffee shops and there is a predicted 26% increase by 2020. The biggest in the UK is Costa, with 2,218 shops. A deal has been reached with Coca Cola and Costa's parent Whitbread to sell off this business for £3.8bn.

Two E-cigarette stores are opening each day; more than 1,700 shops have opened, half of which in 2016.

The number of beauty and grooming salons grew at a faster rate than any other sector of independent businesses. We have seen a huge rise in spend in beauty salons; female spend is up 19% and male 23%. Hair and beauty is predicated to see an increase of 16% and the health and fitness sector 15%, whilst independents offering entertainment services such as cinemas and escape rooms are set to grow by 17% in the period to 2023.

So it seems it is the personal touch drawing customers to the high street, with experience-led services helping to generate sales.

Long-term care: Understanding your options

The average stay in a UK care home is estimated to be three years at an average cost of £32,000 in the first year – usually increasing over subsequent years – with Local Authority funding only being awarded to those with savings below the current threshold of £23,250.

What are my options?

If a regular income stream is required to cover a shortfall in care costs and you would like the peace of mind of knowing this will be paid for the remainder of your life, one option to consider putting in place is a Long-Term Care Annuity (also known as an Immediate Needs Annuity).

This is a special annuity which is purchased with a capital lump sum in exchange for a guaranteed income usually paid direct to the care home. This is typically paid monthly although it can be less frequent, and is payable for the rest of your life. The annuity rate achieved is dependent upon the following factors:

- Your age;
- Current annuity rates;
- The level of income required; and
- Your health and life expectancy (usually you will secure a better annuity rate if your health is poorer).

There are advantages and disadvantages which must be considered prior to making such a commitment. These are some of the advantages:

- Guaranteed income for the remainder of your life;
- If paid directly to a care home/care provider, it is entirely tax-free;
- It can also be used to cover the costs of care within the home. This is becoming an increasingly popular method of providing care and is also free of tax;
- As it is one payment made at the beginning of the plan, it effectively caps the cost of care and gives certainty around future finances, and
- The annuity can increase each year, if required, and a level of capital protection can be applied. These options will cost more; however, they can provide peace of mind.

There are some disadvantages

- ✕ The cost may use up the majority, or all, of your free capital;
- ✕ There is no underlying cash value and therefore you are unable to change your mind once the annuity has been purchased; and
- ✕ If no capital protection is selected, the annuity essentially dies with you.

Annuities can be put in place as part of your overall care funding strategy to run alongside an investment portfolio and/or savings to ensure that not all your eggs are in one basket.

If you would like to talk to one of BRI's financial planners about this article, then please get in touch.