WISE INVESTMENT

WINTER NEWSLETTER

Welcome to the Winter edition of our quarterly newsletter.

I would like to start by saying a warm-hearted thank you to those of you who came along to our Christmas Fair on 18th November.

We were a little nervous as to how many people would come, but we saw over 200 people through the doors, many of whom paused on their way out to say how much they had enjoyed it. We had an array of different local artists and traders in attendance, including our very own Tony Yarrow, selling his delicious Chipping Norton honey. He sold over 75 jars on the day and had to dash home mid-way through to get some more. The full list of all the stall holders can be found on our website. Following its success, we will probably look at hosting a festive fair again next year.

I'm also pleased to announce that we have made several charitable donations of late. We have made a sizeable donation to Chipping Norton Theatre, who we have a long standing relationship with. Our donation will primarily be used to fund free meals for local children during school holidays. The Theatre have done this for a couple of years now. Its saddening to know how many children in our local community are suffering food poverty, but heartening to know that we are able to do something to help.

Lastly, I wanted to extend my thanks to those of you who took the time to complete our client feedback survey earlier in the year. It has taken us a little time to consolidate and review the results, but the feedback has been so positive. We will be including some of the key points in our Spring newsletter.

Wishing you all a very merry Christmas.

Alex

Alexandra Rae
Chief Executive Officer

NEW HEAD OF INVESTMENT MANAGEMENT

As some of you may already know, our current Head of Investment Management, Robert Blinkhorn, has accepted a new role here at Wise.

More on this in due course. However, this did leave us the dilemma of sourcing a suitable replacement to head up the Investment Team. Someone with knowledge, experience, and most importantly, someone who understands the Wise ethos. We're incredibly pleased to welcome William Geffen as our new Head of Investment Management. Will joins us from Liontrust (and previously Neptune) where he managed a number of investment portfolios.

"I'm delighted to be joining Wise and helping build on the fantastic work Robert and the investment team have done. I look forward to getting stuck in and sharing what opportunities we see for investors in due course."

William

William Geffen
Head of Investment Management

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SAVE THE CHILDREN – CHRISTMAS JUMPER DAY

Thursday 7th December was national Christmas jumper day, in aid of Save the Children.

Over half the office took part, raising over £100 on the day. Here is a picture of us all in our festive attire.

MARKET UPDATE

Sitting here in early December, fast approaching the end of 2023, it's natural to begin to reflect on the year now ending and begin to anticipate what 2024 may have in store for us.

What's been happening in markets?

Generally financial markets this year have been remarkably... normal? At least in the context of recent history – there wasn't the pandemic crash, bounce and bubble of 20/21; or the war, rampant inflation and rapid rate rises like in 2022. There were some more rate rises but smaller slower and tapered off. Of course, there is sadly now some rising conflict in the middle east - but it would seem that markets have more or less shrugged these off.

In "Bond World" which sounds deceptively cool for what is supposed to be a fairly boring asset class (things tend to have gone pretty badly before bonds become exciting), its been another difficult year for investors as those central bank rate rises have kept nudging yields higher. The UK yield curve, which tends to look like a Nike swoosh (low rates in the near term and high rates in the longer term), started the year fairly flat just above the 3% yield mark and inverted with the middle parts (5-10yr) below the ends (1yr and 30yr). It now ends the year still oddly shaped but higher, with most of the "curve" above 4%, and the short end yielding nearly 5%.

We'll get to what that means in a moment but its effect has broadly been to depress fixed income returns, particularly for those with longer duration (longer lending/borrowing period). For stocks, it has been a tale of two markets – the US vs the rest. Or perhaps more succinctly 7 US stocks vs the rest. These 7 mega cap stocks, now named the "Magnificent 7", are Apple, Microsoft, Alphabet (Google), Amazon, Tesla, Nvidia and Meta (formerly Facebook). Their size and rapid gains, largely due to enthusiasm around AI and a return to growth, have led them to drive a shocking majority of the return in the US and indeed global market. The S&P 500 up to November was 19% higher, however smaller 493 stocks in the S&P 500 only delivered 6% of that return - the other 13% had been driven by the Magnificent 7, up a collective average of 71% - an impressive feat for trillion-dollar companies. Sadly, the UK is short of any "Magnificent" stocks and has had a pretty poor year in its equity market with the FTSE 100 down about 1% this year at time of writing, and the FTSE 250 down over 3%. Depressing stuff, but perhaps the UK market is now too beaten up even when accounting for the UK economy's rather bleak outlook.

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MARKET UPDATE (CONT)

Where are we now?

As mentioned, the yield curve is fairly inverted, meaning that for the first time in a long time, cash (or very short dated debt, the line blurs!) has a good yield – about 5%. Given there's a negative term premium and credit spreads are thin, it seems cogent to us to hold a decent wedge hold short dated securities where appropriate in our bond allocation – at least in the short term.

Put more simply, investors aren't being paid well to take risks in bonds… so why take any? Yes, if the yield curve comes hurtling down – we won't benefit as much (although we should then get a much bigger and better boost in our equity allocation) but:

a) This looks unlikely as central banks have made it clear they want inflation back down below 2% and will hold rates "higher for longer" to achieve this as necessary.

b) When the yield curve does come down (which it will soon, as inflation is coming down) it will likely also return to its usual Nike swoosh shape in which case the long end yields won't move much and short dated securities will benefit more.

In terms of equities – it's a case of where's good value and why? We have shifted the models to address the equity market with a much more global view, with every model investor now the (proud!) part owner of pretty much every company on earth that is listed on a major stock exchange (bar a few exceptions e.g. Russia). However, with this strong fully diversified core to the portfolios, we are now on the hunt for where we can add extra value and returns for investors. Two regions show some promise, one very familiar, one more exotic.

The UK has been "cheap" for a while, but for good reason. As a market it is heavy in "mature" businesses and sectors like energy and tobacco, it has bled away a lot of its earnings to dividends depriving it of reinvestment, and it is subject to a dwindling economy dealing with Brexit and a diminishing global presence. To make thing worse, even British companies don't want to list themselves on the London Stock Exchange anymore. Preferring toflee to warmer pastures on the US west coast and cash in on the Nasdaq at double the valuation – and who can blame them?

BUT everything has its fair price, and the UK stocks have now got to the point where they are so very cheap that it looks like pretty much everything that can go wrong has already been priced in – perhaps a dangerous sentiment but a compelling one. Similarly, EM (emerging markets) is showing signs of overly cheap prices and high prospective returns for more adventurous investors, particularly in parts of SE Asia and Latin America.

So what to expect from 2024?

Gazing into the crystal ball is a dangerous but alluring activity. Suffice to say it is usually more prudent to spend time gaining a clearer picture of the present rather than make lofty predications of the future because, you know, events… (???)

The picture we see now is:

1. A high flat yield curve that, if/when it normalises, should favour investors in short-dated securities and produce some credit opportunities.
2. Broadly fair pricing in equity markets, with pockets of value in certain geographies (like the UK) and sectors (such as Healthcare/Lifesciences) that offer compelling returns.

Importantly we remain mindful that the key to long term success in investing is humility and fortitude. I'm sure 2024 will reward both.

My very best seasonal wishes,

William

William Geffen
Head of Investment Management

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THE MGROUP CORPORATE FINANCE

As a business, we pride ourselves on forming long term relationships. Not only with our clients, but also with other industry professionals. These professional connections enable us to signpost our clients to a trusted expert for additional support.

Recently, our Financial Planners Joe & David teamed up with Ian Walker from The MGroup Corporate Finance, to discuss the complexities of retiring as a business owner, and the ways in which we can support each other's clients. Retirement and business exit planning are life events too significant to leave to chance, requiring a blend of both personal financial planning and strategic business considerations.

The MGroup Corporate Finance brings decades of specialisation in advising businesses on exit strategies and maximising company value for a successful transition. Working collaboratively, and combining our expertise, ensures the best chance of a smooth transition into retirement when the time comes. As a team of advisers rather than brokers, Ian and his team understand the emotional demands of buying, selling and growing a business. They draw on sector experience, market knowledge and key contacts to provide their clients with broad and insightful advice.

Like us at Wise, the MGroup Corporate Finance team help people who've worked hard over the years to make their business a success; people with entrepreneurial spirit, and people whose business is part of their family. The majority of owners we meet have spent years caught up in the day to day running of their business, perhaps imagining what they will do 'when I retire' without having time to plan for how and when they will step away. Alongside the financial planning aspects that we are able to assist with, The MGroup Corporate Finance team specialise in supporting business owners through the process of an exit.

This includes:

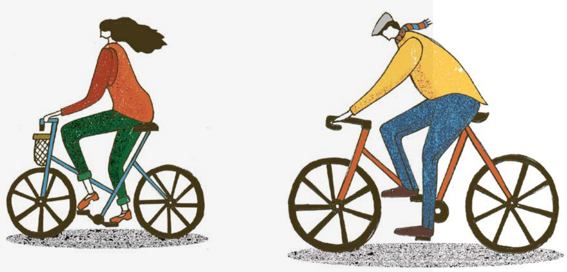
- Proactively matching buyers, sellers, founders and funders
- Working with owners & senior leadership teams to decide on the right exit route
- Supporting MBO, MBI & trade buyers
- Assisting with negotiating the deal
- Supporting the Due Diligence process
- Raising transactional finance
- Extensive financial analysis
- Producing marketing materials
- Providing support before, during & after the transaction

Whether you're in the early stages of considering an exit or have already embarked on the journey, Wise Investment and The MGroup Corporate Finance can collaborate and offer our joint expertise. Why not have a look at the recent case study that Joe and David did with Ian from The MGroup Corporate Finance on our website ***"Planning your Business Exit for Retirement"***

AUTUMN STATEMENT

The Chancellor delivered his Autumn Statement in November, announcing various measures designed to stimulate growth in the economy.

These included cuts to National Insurance and confirmation that the State Pension 'triple lock' will be maintained. There was also the announcement of a new 'pot for life' pension consultation, and further details on the speculated abolition of the Lifetime Allowance (LTA). Among the changes announced are some that may impact your personal financial situation. We have summarised these in a brief article on our website. Copy and paste the following link into your internet browser to view it: https://wiseinvestment.co.uk/news-and-views/autumn-statement-the-headlines



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TAX YEAR END - APRIL 6TH WILL SOON BE UPON US.

Planning is well underway on ensuring your tax year allowances are used in time for the end of the tax year. We generally commence our tax year end planning in late November with a detailed internal review of how smoothly things went last year, and whether any process improvements are needed.

We then hit the ground running after Christmas, compiling various reports, and analysing the data to determine which clients we need to be getting in touch with. We look at any potential ISA contributions, Junior ISA contributions, pension contributions and your Capital Gains Tax (CGT) position.

- The ISA allowance for 2023/24 is £20,000
- The Junior ISA allowance is £9,000.
- The Capital Gains Tax allowance for 2023/24 is £6,000, reducing to £3,000 for the 2024/25 tax year.
- The pension contribution Annual Allowance is £60,000 for 2023/24

One way to reduce the paperwork (and potential stress) associated with the end of the tax year is by signing up for our automatic ISA funding procedure, allowing us to fund your ISA from your existing investments. Once set up, this arrangement stays in place until such time as your investments have either been fully transferred into your ISA or you tell us that you no longer wish to use the service.

We offer a similar process for topping up your ISA if you have made withdrawals from it within the tax year. The service enables you to replenish one-off capital withdrawals, regular fixed withdrawals and dividends that have been paid to your bank account. There is no cost associated with using these services, and doing so can lessen the burden of paperwork and looming deadlines.

If you would like to register for either service, please contact your administrator to get set up.

FOLLOW US ON SOCIAL MEDIA

We have an active presence on our social media. Why not give us a follow to keep more up to date on what we're doing.

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WE VALUE YOUR FEEDBACK

What would you like to see in our upcoming newsletters? We'd love to include as much relevant information for our readers as possible. It's important to us that you enjoy reading them. If there are specific topics you would like us to include, please drop our marketing coordinator Jo an email on jo@wiseinvestment.co.uk

WISE INVESTMENT

The Great Barn, Chalford Park Barns, Oxford Road, Chipping Norton, Oxfordshire, OX7 5QR
Open 9am - 5pm Monday to Friday

T 01608 695100   **E** wise@wiseinvestment.co.uk   **W** wiseinvestment.co.uk