



FINANCIAL MANAGEMENT LIMITED
INDEPENDENT FINANCIAL ADVISERS

9 Regent Gate
Waltham Cross
Hertfordshire EN8 7AF
01992 654654
altorfer@altorfer.co.uk
www.altorfer.co.uk

ALTORFER FINANCIAL NEWSLETTER – 17th NOVEMBER 2023

We are fast approaching the end of another year, one that has seen no resolution to the war in Ukraine and a new conflict in Israel and Gaza. Both have seen volatility across global stock markets, although the response to the Gaza conflict has been more muted than last year's when Russia invaded Ukraine. The good news is that global inflation has been falling in recent months with the October UK CPI figure being lower than anticipated. This may lead to the Bank of England starting to cut interest rates earlier than was previously expected, although there are still uncertainties about the effects the ongoing conflicts will have on the oil price and therefore inflation.

Client portfolios have been more resilient following the losses seen during 2022. There has been a small recovery in corporate bonds (large company borrowing), both because the fund managers have been able to purchase new securities offered at higher interest rates than those they are replacing and the expectation that cash rates will start falling in 2024 when a guaranteed income over a longer term becomes more important.

Most of the returns so far this year have been driven by equity markets, with technology companies, particularly those involved with Artificial Intelligence (AI), leading the way in the first part of this year. Oil companies have seen record profits and dividends for shareholders, but any reduction in the oil price will most likely see these fall in 2024. Larger companies have performed better than their smaller counterparts, which is often the case in this stage of an economic cycle, but we are starting to see positive news from a wider range of industries, some of which will benefit from falling inflation and interest rates.

We continue to plan for the medium to long term and do not intend to start chasing short term profits instead of long term gains. This may mean that our portfolios underperform in certain market conditions, particularly where returns are driven by a small number of companies or one sector, as we are not prepared to take that level of risk with your money. There are occasions, such as the 2008 credit crunch and the Covid pandemic in 2020, where global stock markets fall very quickly and it seems highly likely there has been an overreaction, when we will invest in tracker funds with the aim of benefitting from the recovery. This approach saw gains of over 50% in the 18 months after the Covid drop, with the funds sold by the end of 2021. We are expecting this recovery to be slower so have been investing your money in areas we expect to benefit over the medium to long term, including infrastructure, technology, renewable energy, Asia (except China), fixed interest and specific sectors in the property market, including distribution warehouses, digital infrastructure, children's nurseries, private hospitals and retirement and care homes.

It has also been a busy year for Altorfer. The new Consumer Duty was introduced in July, tightening regulations around the suitability of advice and recommendations, charges and ongoing servicing. It is unlikely that you will see major changes in the way we operate, as we have always put your needs first, although your adviser will need more information on your wider financial circumstances and likely future needs before they can provide recommendations for new products or top-ups to existing ISAs and pensions.

We now operate largely on a paperless basis, as do Transact, AJ Bell and most of their peers. This means that many of the forms we previously posted and required returning can now be emailed and signed electronically. We also recommend you make online payments for any new investment and pension contributions, as there are major concerns about the security of cheques sent in the post. For those clients where cheques remain the preferred option, we suggest that these are sent by registered post or courier. It is also possible to set up a one off direct debit payment to allow Transact or AJ Bell to collect contributions directly from your bank account if you do not use online banking, but we will need your confirmation that the money is available before requesting payment. We are

aware that not all clients are happy with electronic communication, so are happy to continue posting information if that best suits your needs. Please let our administration team or your adviser know your preference in this regard.

This year has seen some staffing changes. The largest one is the retirement of Lynn Webb after 22½ years with the company. Lynn was head of our administration team for most of those years and spoke to many of you on the telephone arranging meetings and dealing with queries. We wish Lynn all the best for her retirement.

We have two new staff members. Anthony Rensch joined us in March as a new adviser. Some of you will already have had meetings with Anthony and the intention is that he will look after many of the clients previously managed by Alex and Rowan, who both left in 2022. Anthony has over 30 years' experience in the financial services sector, having previously worked for HSBC and Scottish Widows, among others. Julie Ellis joined in July as the newest member of our administration team. Julie has worked in the financial services sector for more than six years and also volunteered for a charity, being involved in their fund raising, including being entrusted with the responsibility of counting the donations and banking them, event planning, administration work and recruitment of volunteers.

We plan to introduce our Model Portfolio Service (MPS) in early 2024. This is designed as a lower cost service for clients with less complex needs. We are aware that there are clients that do not need the bespoke ongoing advice we currently provide, but appreciate the ability to speak to an adviser when there is a change in circumstances, such as purchasing a house, having children, or approaching retirement. The MPS will offer advice and guidance when you need us, rather than annual reviews, although any meetings and advice provided will be billed on a time-cost basis. Details of the costs involved will be included in the MPS Introductory Pack.

If you decide that MPS is the right option for you, we will continue to manage your investments and pensions held with Transact or AJ Bell on a discretionary basis in line with your stated risk profile and objectives, which will be reviewed prior to making the switch. There will be three MPS portfolios available, Growth, Balanced and Cautious, with the option to move to a different option as your circumstances and/or needs change. The Growth portfolio is designed for clients with longer-term investment horizons, a moderate to adventurous risk appetite, and those who have no need of a regular income. Balanced is for those who prefer to take a moderate amount of risk and who are more likely to need income in the next five years or so. Cautious is for those already requiring income, have a shorter investment time horizon, or who prefer a cautious to moderate level of risk. A sustainable version of each portfolio will also be available. Further information will follow shortly, and we will write to clients we believe may find MPS of interest once we have completed our regulatory requirements.

We look forward to 2024 with optimism and the hope that we will return to more stable market conditions and positive investment returns.

Kind regards

A handwritten signature in black ink, appearing to read 'Daniel Wackett', with a stylized flourish at the end.

Daniel Wackett
Managing Director
Altorfer Financial Management Limited