Henson Aslam Financial Management

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Introduction

Henson Aslam Financial Management LLP was founded in 1994 by Nicholas Aslam and Valerie Elliott-Haig and is based in the West Bridgford area of Nottingham.

We are independent financial advisers and provide help for our clients in all areas of financial planning including investments, pensions, family and business protection, Cashflow forecasting and estate planning needs.

Nicholas Aslam, the senior partner, has been in Financial Services for over 34 years in various roles. Prior to starting the business Nick spent 6 years with a major national independent adviser as senior consultant for the East and South East Midlands with specific responsibility for corporate and high net worth pension and investment business.

In particular Nick specialises in pension advice to individuals, business owners and directors. We advise on a large number of self-administered/self-invested pension schemes, giving the pension owner freedom to invest in any acceptable asset including commercial property. We also advise a large number of individuals on personal and tax-efficient investments.

Nick holds the Chartered Insurance Institute G60 Advanced Financial Planning Certificate pension specialist qualification. This qualification is held by a minority of financial advisers and enables the holder to give advice on pension opt-out and transfers. Nick also holds the Personal Finance Society Diploma qualification which is a higher level than is required by the regulators.

Derek O'Connell joined Henson Aslam as partner/adviser in November 2018. Derek has been involved in financial services all his working life. He originally worked for a well-known life assurance and pensions company before forming his own advice partnership in 1984. This company became very well known locally. Among many areas of involvement was investment management, tax-efficient investments and compliance. Many of the clients that he deals with today are clients that he has known for over 35 years. Looking for a fresh challenge he joined Henson Aslam having known Nick Aslam for many years.

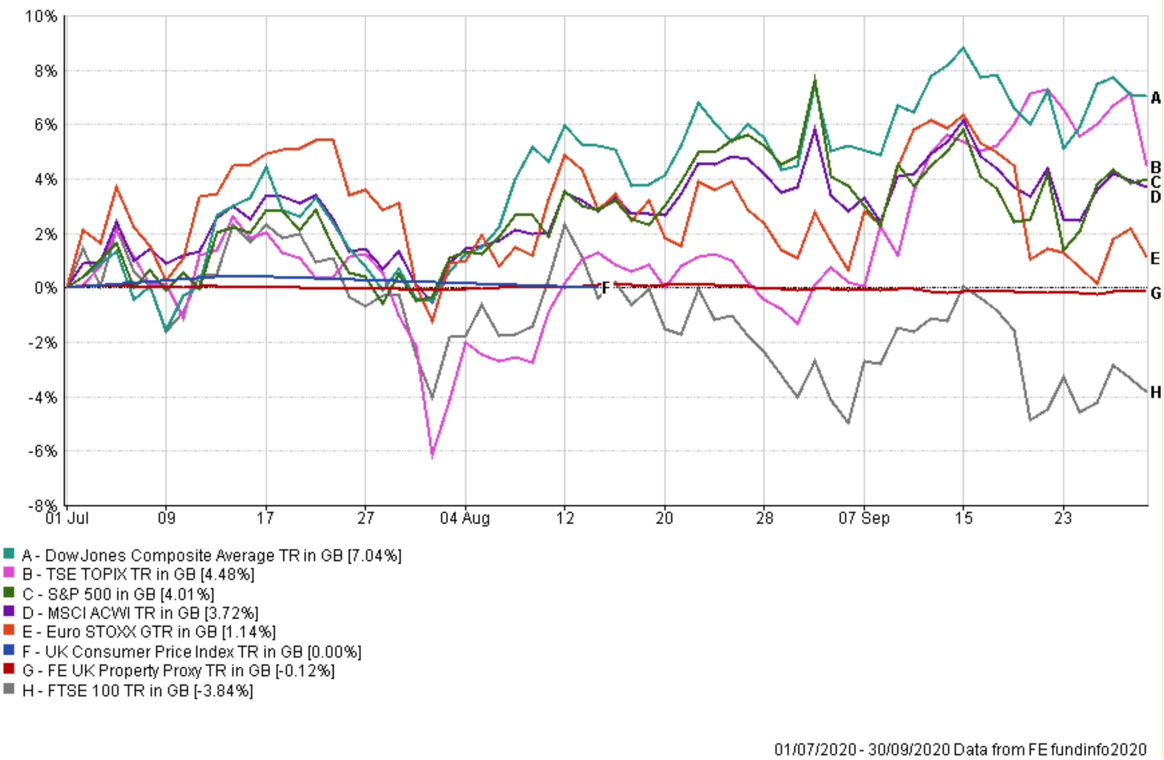
Valerie Elliott-Haig, the office manager/partner, has been involved in Financial Services for 30 years including periods in an independent advisory role and an in-house insurance operation. Val along with our administration staff manages the office.

We look after around £120million in assets under management on behalf of our clients, invested on industry leading platforms including Standard Life Wrap, Old Mutual Wealth and Royal London.

Market Commentary – October 2020

The ongoing COVID-19 pandemic shows no sign of letting up as we enter the final quarter of 2020. There have now been over 35million confirmed cases and the death toll has exceeded 1million around the world. The infection rate in the UK, which had slowed considerably over the summer has picked up again, although the death toll remains comparatively low. The Government's furlough scheme will end in October to be replaced by a more targeted and less generous scheme and this could lead to a spike in unemployment over the winter.

The UK economy shrank by a record -21.5% in the second quarter, but has recovered strongly since with growth of 8.7% in June and 6.6% in July buoyed by the release in business and economic activity, pent-up consumer demand and growing confidence from the drop-off in cases. This, combined with the additional economic policies announced in July (e.g. Eat Out to Help Out, the temporary cut in VAT for the hospitality and leisure sector), helped boost spending. The latest predictions for the global economy from the World Bank are a 5.2% contraction for 2020 before rebounding with growth of 4.2% in 2021. Top accountancy firm PwC expects a contraction of UK GDP of 11% for 2020 before returning to growth of between 4-10% in 2021. The economy returning to its pre-lockdown levels by the end of 2021 under the 'contained spread' scenario and in the middle of 2023 under the 'further outbreak' scenario.



Global stockmarkets continued with their recovery in the third quarter of 2020 since the lows in March. Of the major world indices, the Dow Jones rose by 7.40%, the TOPIX by 4.48%, the S&P by 4.01%, the MSCI World by 3.72% and the Euro Stoxx Index by 1.14%. The FTSE 100 Index continues to lag the main indices with negative growth of -3.84% over the quarter.

The UK public debt has now surpassed 100% of GDP for the first time since 1963 with the deficit expected to be a staggering £340billion this tax year or around 20% of GDP.

Risks are clearly weighted to the downside in relation to both the length and depth of the COVID-19 impact and the possibility of no UK-EU free trade agreement deal by the end of 2020, as well as wider global economic risks.

Inflation is expected to remain somewhat below target for the rest of 2020 mainly due to the continued impact of energy prices, the temporary reduction in VAT as well as subdued wage growth. Inflation is then expected to pick up again in 2021 as these effects unwind. The reversal in spare capacity, and the rise in consumer demand as economic activity recovers and wage growth picks up again will feed through an increase in domestic price pressures.

Sterling has marginally increased over the quarter against the US Dollar and now stands at $1.29 and fell marginally against the Euro over the quarter standing at €1.10.

Crude oil remained broadly neutral over the quarter with the current Brent price of around $40 a barrel. Demand is expected to remain sluggish in the short term and this could put downward pressure on prices in addition to the 'dash' to de-carbonise the global economy, which seems to be gathering pace. UK house prices rose to an all-time record during the quarter fuelled by the release of pent-up demand, a strong desire amongst some buyers to move to bigger properties, and the temporary cut to stamp duty.

Gold continued its meteoric rise during the first part of the quarter with the price exceeding $2,000 for the first time ever before falling back to around $1,900 as investors remain nervous of the global economy's ability to pull out of the crisis.

Outlook

The global market is in the early recovery phase of the business cycle following the COVID-19 recession. This implies an extended period of low-inflation, low-interest-rate growth - an environment that usually favours equities over bonds. But after such a rapid rebound, an equity market pullback would not be surprising. Tech stock valuations are elevated, and the US election create uncertainty around tax changes, government regulation and the re-escalation of China-U.S. trade tensions.

In the US the move by the Federal Reserve to target average inflation is a significant shift. It should lengthen the expansion and delay the day of reckoning for equity markets from higher interest rates. Key uncertainties include the upcoming November presidential election between Donald Trump and Joe Biden. A contested election, with destabilising implications for markets, is becoming a risk. A Trump victory would likely benefit U.S. stocks (i.e., tax hikes averted, more protectionism), while a Biden victory would probably benefit non-US equities (i.e., more harmonious foreign and trade relations).

Another main risk is a second wave of coronavirus infections that causes renewed lockdowns. At this time, however, it is expected that a second round of meaningful lockdowns will be avoided. In Europe, economic indicators have rebounded following the easing of lockdowns. While infections have been rising, hospitalisation and death rates remain low due to the shift in infections to younger age groups as well as more effective treatments.

In the UK, Brexit uncertainty dominates the outlook. There is a year-end deadline for a European Union-UK trade deal, but negotiations are at a stalemate. It is assumed a deal will be reached on at least a bare bones free trade agreement, but the risk of a hard exit is uncomfortably high.

The Value of Advice

There is much value in individuals seeking professional financial advice throughout their lifetime. Often there are significant life events that require specific financial advice but it is ensuring that the client stays on track during those events – the ongoing monitoring and adjusting – that can often determine the long-term success of an individual's future.

A number of studies undertaken by large investment companies such as Vanguard, Morningstar and Russell Investments have aimed to identify any additional 'alpha'* for members of the public seeking professional financial advice. These studies had landed on different figures but they all indicated an approximation of around 3% of additional returns above the market return each year. Even if this figure was only 2% what would the difference in return for clients be if the market return averaged 5% per annum?

According to Vanguard, the seven key components of Adviser's Alpha are as follows:

- Asset Allocation – The overwhelming factor in determining investment performance
- Rebalancing – Keeping a portfolio's risk and return profile on course
- Lowering Costs – The one factor guaranteed to improve returns
- Behavioural Coaching – Avoid the costly mistakes of giving in to fear and greed
- Tax allowances – Tax-efficiency is the key to getting the best results
- Spending Strategy – Crucial to maintaining the value of a portfolio in retirement
- Total return vs Income – Making the most of a portfolio for both income and capital

The table below shows the impact of this potential increased return of an initial £300,000 investment over various time periods.

	Market Return (%)	With Net AAV (%)	Market Return (£)	With Net AAV (£)
1 Year	5.00%	7.00%	£525,000	£535,000
3 Years	15.76%	22.50%	£578,800	£612,500
5 Years	27.63%	40.26%	£638,150	£701,300
10 Years	62.89%	96.72%	£814,450	£983,600
15 Years	107.89%	175.90%	£1,039,450	£1,379,500
20 Years	165.33%	286.97%	£1,326,650	£1,934,850
25 Years	238.64%	442.74%	£1,693,200	£2,713,700

Source: EDVOA Feb 2019

Net AAV – Net Adviser Added Value

*Alpha measures the value added by the fund manager in terms of his performance compared to his peers. Alpha is less difficult to achieve in rising markets and vice versa.

HA Investment Portfolios

Active vs Passive Investing

Investors have two main investment strategies that can be used to generate a return on their investments: active portfolio management and passive portfolio management. These approaches differ in how the account manager utilises investments held in the portfolio over time. Active portfolio management focuses on outperforming the market compared to a specific benchmark, while passive portfolio management aims to mimic the investment holdings of a particular index.

We have come to the conclusion, and the academic evidence supports this, that around 80% of long-term investment returns are generated from the asset allocation mix rather than market timing or stock picking. We therefore see little value for investors paying the additional charges for active management and they are better served investing in low-cost passive or tracker funds, and our core portfolios are constructed using this philosophy.

Income vs Total Return

We have previously operated portfolios where the objective is to generate a high natural yield, which can be distributed in the form of a regular income. After comparing the long-term returns of these ‘income’ portfolios against ‘total return’ portfolios, where returns are generated through a combination of capital growth and the natural yield, the evidence shows that the long-term returns are superior whether or not an income is taken.

As there are no passive equity income funds, an Income Portfolio is by nature actively managed and therefore the costs are a lot higher (up to three times) which will act as a drag on the performance. We see the benefits of a total return approach as follows:

– A total return approach maximises your investment choices
– Withdrawals can be set at a level consistent with client requirements
– Less danger of focusing unduly on income
– Current income levels are low
– Natural income is only part of the return
– Focusing on income to excess may reduce portfolio growth potential
– An income-only approach may be incompatible with an ‘absolute return’ approach

Risk Profiling

Our portfolios have been designed in line with the risk profiles used by Financial Express. We encourage clients to complete a risk profiling questionnaire to establish their attitude to risk and capacity for loss. The profiler asks a number of questions and based on the answers will place you in one of five risk categories. We use this as a basis of a conversation rather than a definitive decision. Please refer to the risk definitions set out later in this document.

Underlying Portfolio Construction

We have used three individual funds within each of the portfolios. The funds we use are managed by HSBC, BlackRock and Vanguard to provide sufficient diversification in terms of the assets they invest in and their investment strategies.

HSBC Global Strategies

The approach taken for each of the five multi-asset portfolios in the range is to build a strategic asset allocation to maximise the return for a given risk budget, with limited tactical asset allocation used to express more short-term market views.

The portfolios do not have target return objectives but do have specified volatility parameters that the funds aim to stay within over the medium to long-term. There are no formal benchmarks with the focus on generating attractive risk-adjusted returns. The long-term strategic asset allocation for each fund is determined through an optimisation process that uses long-term data on ten asset classes (US equities, European equities, UK equities, Japan equities, Pacific ex Japan equities, Emerging Markets equities, global government bonds, corporate bonds, property securities/REITs and cash) covering returns, risk and covariance and is run on at least an annual basis.

Tactical asset allocation is only expected to drive a small part of the overall return, so positions tend to be relatively small versus the strategic asset allocation, and these are the fund manager's responsibility.

BlackRock MyMap

The MyMap range is a suite of simple, risk-managed, cost-effective, multi-asset funds that provide a simple way to create a diversified portfolio.

The MyMap portfolios are made up of around 20 low cost internal iShares ETFs and index funds to provide access to a wide investment universe of stocks, bonds, alternatives and cash. The portfolios are rebalanced around 3-4 times a year on an ad-hoc basis.

The cost-effective MyMap range seeks to generate a total return over a 5-year period, while maintaining a pre-defined risk profile, as measured by the Fund's annualised volatility over a 5-year period.

Vanguard Life Strategy

The overall investment process behind the Life Strategy funds is relatively straightforward. Each fund in the range has a pre-determined strategic asset allocation split between equities and fixed income with an additional set of weightings at sub-regional and sub-asset class level.

There is no tactical asset allocation overlay and the funds are re-balanced on a regular basis within certain tolerance limits to allow for market movements. The funds are then populated with Vanguard index-tracking funds to match the asset allocations. Within the equity component of each fund 25% is allocated to UK equities, which Vanguard believes reflects a balance between the benefits of globalisation and an investor's preference for their domestic market.

The remainder is allocated as per the market capitalisation weightings within the global equity index, thereby giving a bias towards US equities but also an allocation to Emerging Markets.

The funds can invest in Real Estate Investment Trusts (REITs) and specifically allocates to them based on their market cap weighting within the relevant equity region.

Non-sterling exposure is left unhedged. Within the fixed income component there is a 35% allocation to UK fixed income, including any within a global bond allocation, again reflecting the same investment balance and the remainder is also split as per market capitalisation.

A summary of the five portfolios we operate with basic information on their charges, risk profile and sector can be seen in the table below:

FE Risk Rating	Name of Portfolio/Sector	FE Risk Score	OCF	MiFID	Total
1	HA Portfolio 1 - Cautious	-	0.18%	0.05%	0.23%
	Mixed Investment 0-35% Shares	33			
2	HA Portfolio 2 - Cautious to Moderate	-	0.19%	0.07%	0.26%
	Mixed Investment 20-60% Shares	46			
3	HA Portfolio 3 - Moderate	-	0.19%	0.06%	0.25%
	Mixed Investment 40-85% Shares	58			
4	HA Portfolio 4 - Moderate to Adventurous	-	0.19%	0.06%	0.25%
	Mixed Investment 40-85% Shares	58			
5	HA Portfolio 5 - Adventurous	-	0.20%	0.08%	0.28%
	Global	75			

Explanation of Terms

FE Risk Score

FE Risk Scores define risk as a measure of volatility relative to an index of the 100 largest UK companies (the benchmark), which has a risk rating of 100, and rebased to Sterling. Instruments more volatile than the benchmark have a score above 100 and vice versa giving a reliable indication of relative risk.

Ongoing Charges Figure (OCF)

The OCF is made up of the fund manager's fees for running the portfolio, along with other costs, such as administration, marketing and regulation but does not include certain other significant costs, such as trading costs.

MiFID

MiFID charges are transaction costs (broker commission, stamp duty and foreign exchange) and incidentals (performance fees). They were introduced as part of the MiFID II Directive in 2018 and are considered a truer reflection of the total costs to an investor.

Sectors

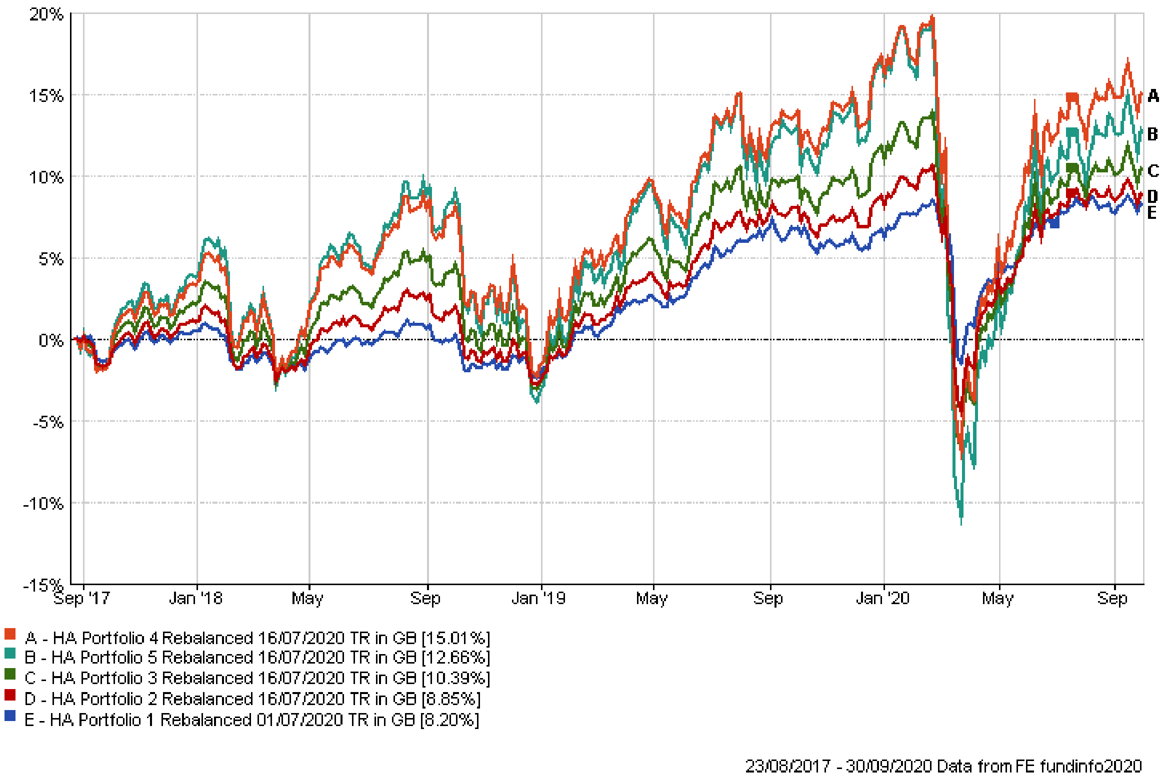
We use the Investment Association (IA) Sectors as a benchmark to the portfolios to provide an indication of the comparative performance.

The IA sectors selected represent a broad range of funds and are based on the percentage of underlying equities within the funds. The higher the percentage of equities in the sector, the higher its risk rating.

Each sector has a clear definition setting out the criteria a fund must fulfil. IA organise most sectors based on the main asset types the fund invests in. Funds in any sector may offer a wide mix of assets, strategies and risk profiles.

Performance Comparison

The below chart shows a performance comparison of the five Henson Aslam portfolios over a given period including annual rebalances:



The table below shows the annualised performance of one of the three component funds managers in the portfolio, which provides an example of the sorts of returns an investor can expect (but are not guaranteed) over different time periods.

Annualised return	1 year	3 years	5 Years	10 years
LifeStrategy 20% Equity	5.87	4.90	5.59	6.21
LifeStrategy 40% Equity	4.78	5.09	6.69	7.35
LifeStrategy 60% Equity	3.60	5.39	7.80	8.45
LifeStrategy 80% Equity	2.26	5.59	8.63	9.48
LifeStrategy 100% Equity	0.85	5.74	9.84	10.43

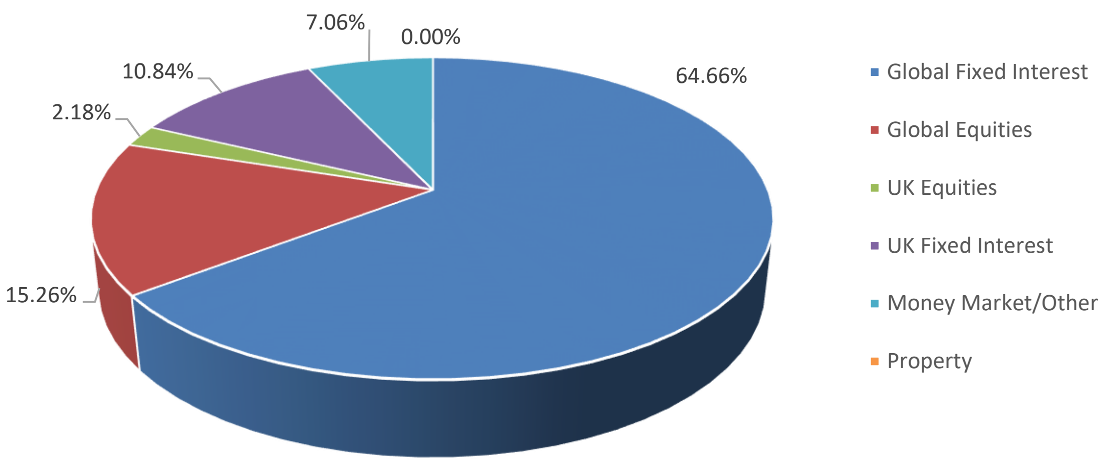
Performance: annualised to 30 June 2020

These figures are based on the returns net of the fund management costs and do not include any adviser or platform costs, which will reduce the overall returns.

HA Portfolio 1

Weighting	HA Cautious
40.00%	HSBC Global Strategy Cautious
20.00%	BlackRock MyMap 3
40.00%	Vanguard LifeStrategy 20% Equity

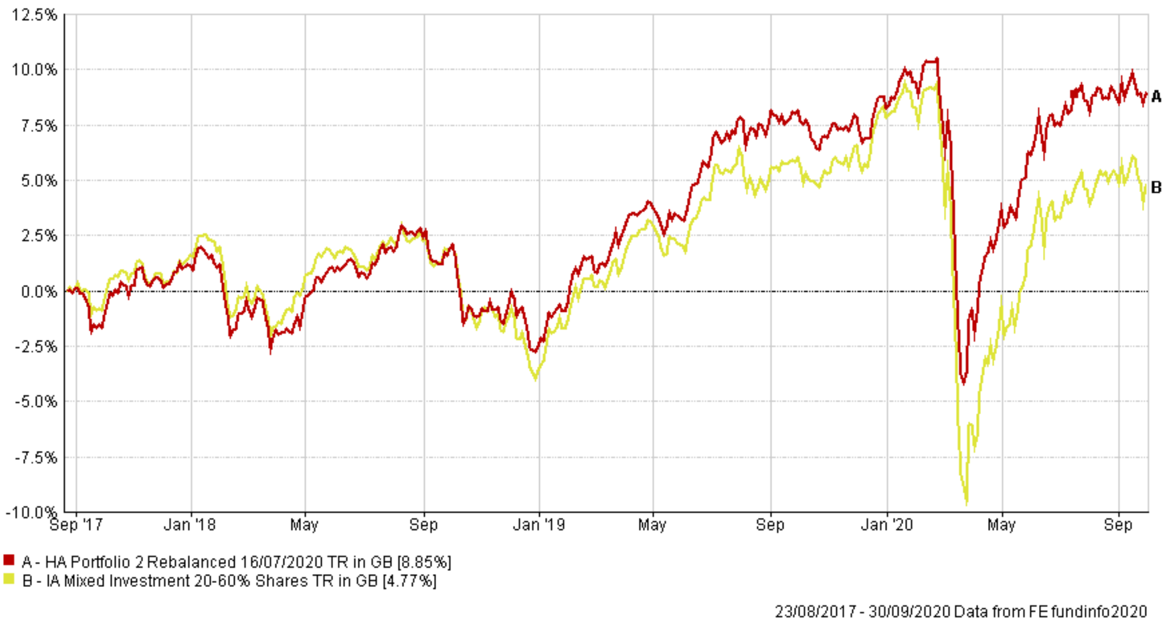
You are prepared to take only a small amount of investment risk and it is important to you that your capital is protected. This means that your portfolio will concentrate on investments that provide low returns in the long term but present lower risk to your capital. Only a small amount of riskier assets will usually be included in your portfolio in order to increase the chance of obtaining better long-term returns. A typical Cautious investor will be invested mostly in fixed interest gilts and bonds as well as in cash, with a small element in equities and property that can boost longer term returns but are associated with more risk. Using a broad range of assets gives you a varied portfolio and that diversification helps to reduce the overall levels of risk.

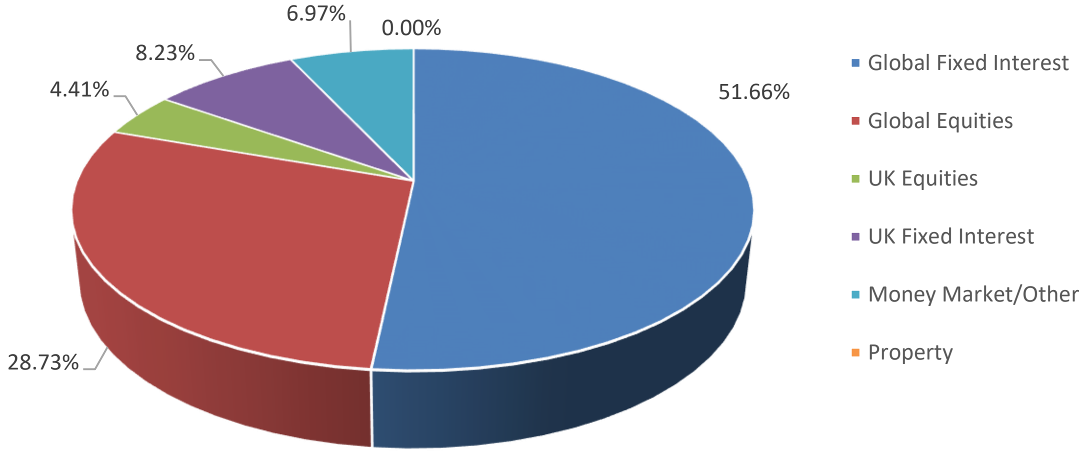


HA Portfolio 2

Weighting	HA Cautious to Moderate
40.00%	HSBC Global Strategy Conservative
20.00%	BlackRock MyMap 3
40.00%	Vanguard LifeStrategy 40% Equity

You are prepared to take limited investment risk in order to increase the chances of achieving a positive return but you only want to risk a small part of your capital to achieve this. A typical Cautious to Moderate portfolio will usually have the larger part of the portfolio invested in fixed interest gilts, bonds or cash that are low risk but offer only low returns. The remainder of the portfolio will usually be invested in equities and property which can boost longer term returns but are associated with more risk. Using a broad range of assets gives you a varied portfolio and that diversification helps to reduce the overall levels of risk.

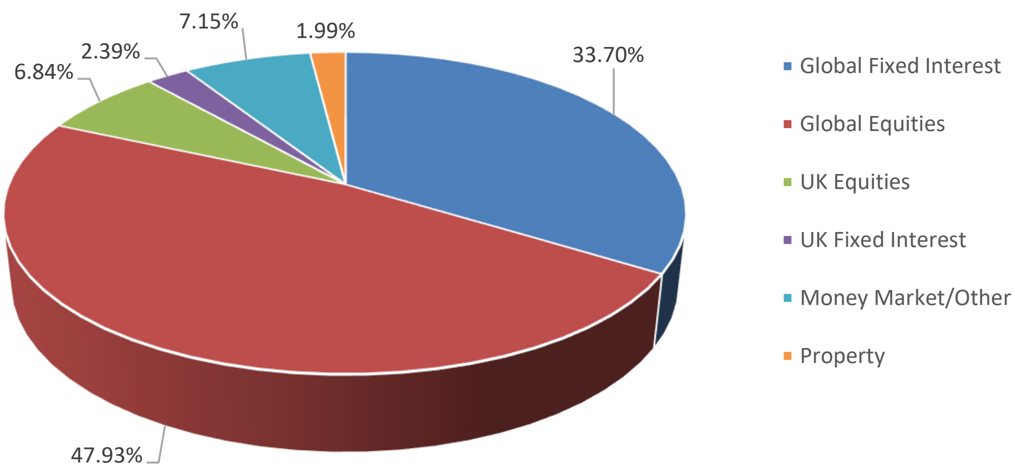




HA Portfolio 3

Weighting	HA Moderate
40.00%	HSBC Global Strategy Balanced
20.00%	BlackRock MyMap 4
40.00%	Vanguard LifeStrategy 60% Equity

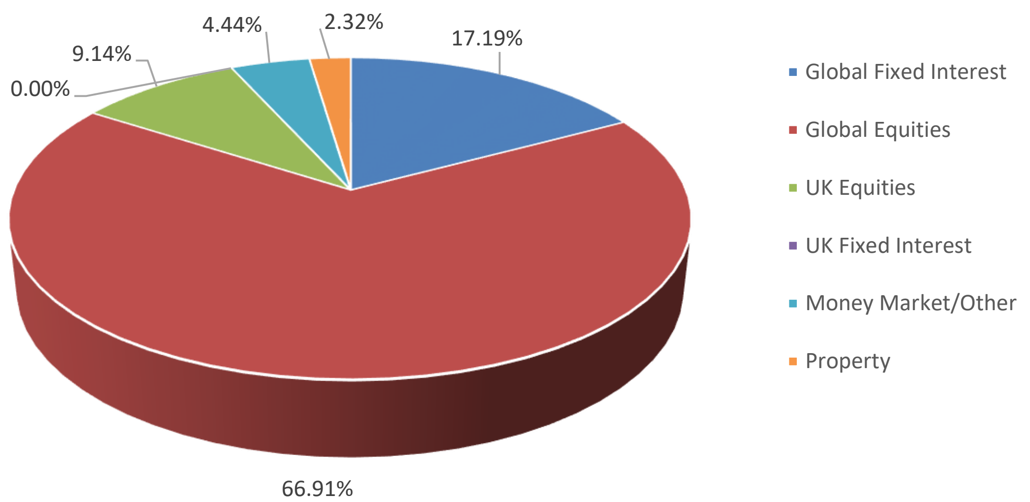
You are prepared to take a moderate amount of investment risk in order to increase the chance of achieving a positive return. Capital protection is less important to you than achieving a better return on the investment. A typical Moderate investor will usually invest in a variety of assets to obtain diversification and therefore reduce risk. Equities and property, which can boost longer term returns but are associated with more risk, would often account for a higher proportion of assets than fixed interest gilts and bonds or cash. At shorter investment terms the proportion of higher risk assets is usually reduced. The range of asset types helps reduce the overall risks while increasing the chance of better returns.



HA Portfolio 4

Weighting	HA Moderate to Adventurous
40.00%	HSBC Global Strategy Dynamic
20.00%	BlackRock MyMap 5
40.00%	Vanguard LifeStrategy 80% Equity

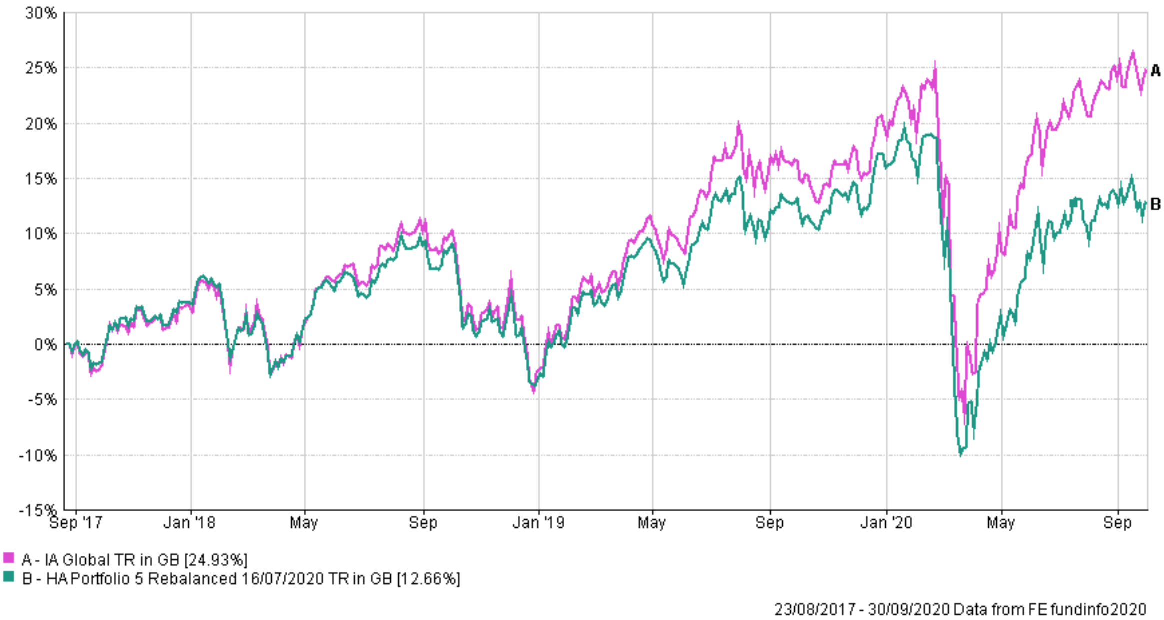
You are prepared to take a medium degree of risk with your investments in return for the prospect of improving longer term performance. Short-term capital protection is not important to you and you are willing to sacrifice some long-term protection for the likelihood of greater returns. A typical Moderate to Adventurous investor will be invested in equities but with other assets included to provide some diversification. There may be a small amount of specialised equities within the portfolio, which focus on a particular sector of the economy or relate to a particular market or industry. Specialised equities can boost longer term returns but are associated with more risk than standard type equities.

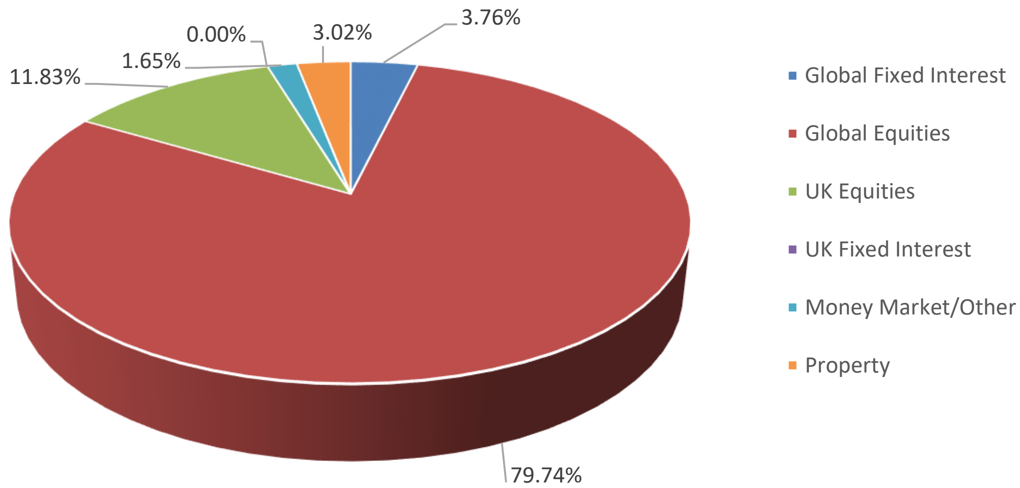


HA Portfolio 5

Weighting	HA Adventurous
40.00%	HSBC Global Strategy Adventurous
20.00%	BlackRock MyMap 6
40.00%	Vanguard LifeStrategy 100% Equity

You are prepared to take a substantial degree of risk with your investments in return for the prospect of the highest possible longer term performance. You appreciate that over some periods of time there can be significant falls, as well as rises, in the value of your investments and you may get back less than you invest. This strategy holds significant risk in the shorter term. A typical Adventurous investor will usually be invested entirely in higher risk assets such as equities. There may also be a proportion of the investment in specialised equities, which focus on a particular sector of the economy or relate to a particular market or industry. Specialised equities can boost longer term returns but are associated with more risk than standard type equities.





Risk Warnings

- Past performance is no guarantee of future returns.
- Inflation will reduce the real value of the capital invested if returns do not match or exceed the rate of inflation.
- An investment should be considered over a medium to long-term time frame and should not be entered into if the capital is required for other needs.
- The value of the investment is determined by units or shares, the price of which can fall as well as rise. The value could be less than what was originally invested, especially in the early years or if withdrawals are greater than the underlying returns.
- Please bear in mind that the outlook for asset classes and market sectors can change and as a result the asset allocation could become unbalanced.
- Investing in a single or limited range of asset classes or sectors may lead to greater volatility and therefore carry a greater investment risk.
- A certain fund or funds may have a higher risk rating than the agreed attitude to risk, but the overall risk applied of the combined funds or portfolio is designed to meet the agreed risk profile.
- Equities can significantly fall in value and in difficult times dividends may reduce or stop.
- Property fund investments may take significantly longer to sell. If market conditions are volatile prices may fall, exit fees could be applied or even a fund dealing suspension be imposed. This would delay any withdrawals and affect the rebalancing of a portfolio.
- Corporate bonds are not risk free as the bond issuer could default, interest rate rises could reduce the capital values and in adverse market conditions the fund could become illiquid making it difficult to sell.
- Where a fund invests in overseas markets, domestic upheaval and changes in currency exchange rates mean that the value of the investment can go up or down.
- Specialist funds which invest in emerging markets, niche industries, smaller companies or unquoted securities are likely to be more volatile and therefore carry greater investment risk.
- It is important to periodically review the value of an investment against expectations and the underlying investment strategy, particularly when close to retirement.
- The higher the charges applied to an investment the greater the effect of those charges on the performance.
- Changing funds or transferring excessively may erode the value due to transactional based fees.
- Any sale of investments held, including switching may give rise to a capital gains tax liability and any income generated will normally be subject to income tax.