Issue 11 | November 2014

holden™ and partners

bespoke financial & investment advice

review

personal finance commentary and opinion

fracking

what are the UK's energy options?

New pension changes to consider
Andrew Johnston

Demystifying absolute return
Jack Rawcliffe

Update to inheritance tax
Reece Biggadike

review

this issue...

If you have an idea for an article of something you would like us to investigate, please email the Holden & Partners Review team at:

review@holden-partners.co.uk

The International Monetary Fund (IMF) recently released figures showing that Britain's economic recovery continues apace with growth forecast to be 3.2% in 2014 and 2.7% in 2015.

Growth at these levels would place the UK at the top of the G7 Growth league and ahead of the US, Germany and Canada. Whilst these figures are welcome news, the IMF also notes that the UK economy is still too driven by property and the additional activity associated with property transactions. With property prices rising on average at 10% a year and more in London, a correction in the property market could do serious damage to the recovery. The other concern is that wage growth remains weak despite the rapidly improving employment figures.

On a global basis, the picture is perhaps slightly less rosy even though the IMF itself puts the chances of a global recession occurring over the next year at less than 1%. There are a number of significant threats to worldwide economic wellbeing which mean that the current environment is a febrile one. These threats include an aggressive Russian regime which seems determined to reassert itself on its Eastern European neighbours; ongoing tensions in the Middle East fuelled by the rise of Islamic extremism and western intervention; an overvalued Chinese property market; the continued indebtedness of major economies around the world, and of course, the worrying spread of Ebola, which is now present in both Europe and America.

As has always been the case, we live in an uncertain world. However, one thing we can be more sure of than ever is that climate change is going to eventually affect us all and perhaps sooner than we first thought. In September, world leaders gathered at a UN climate summit in New York and pledged to tackle global warming. Yet again, global greenhouse emissions have risen, partly because some politicians and citizens don't want more expensive renewable energy if it costs economic growth and prosperity. The British climate economist, Lord Nicholas Stern, who has just co-chaired a new report on the climate and economy, says it is not an either-or situation.

We currently see growth potential in areas such as advanced transportation, industrial efficiency, building efficiency and smart grids.

At Holden & Partners we have always believed that the changing environment offers investors opportunities from both a financial and moral perspective (the latter point being relevant to ethical investors). This is why we try to incorporate some exposure to EST (ethical, sustainable and thematic) funds in all our client portfolios. Energy efficiency, for example, should continue to be a driving force of investment performance as long as global energy prices remain structurally high. We currently see growth potential in areas such as advanced transportation, industrial efficiency, building efficiency and smart grids. The demand-supply environment for renewable energies, especially solar, also continues to looks attractive. The evidence is growing that things are beginning to change. In the US for example, wind and solar provided 80.9% of new installed electricity generating capacity for February 2014. For the first two months of 2014,

renewable energy (including biomass and geothermal) accounted for 91.9% of new electricity generating capacity. Incredibly, and perhaps as a sign of things to come, coal, oil and nuclear provided none at all (source: Resurgence Sept/Oct 2014).

In Germany, wind and solar PV will account for 52% of generation by 2030.

Bloomberg New Energy Finance foresee that by 2030 the world's power mix will have transformed: from today's system with two-thirds fossil fuels, to one with over half from zero-emission energy sources. Significantly, in Germany, wind and solar PV will account for 52% of generation by 2030 (source: Bloomberg New Energy Finance 2030 Market Outlook). Closer to home, on the morning of Monday 6th October, for the first time ever, Wind Power supplied more energy to the UK National Grid than nuclear.

Significantly, environmental policy is actually becoming stronger by the month, especially in China, (which has broad implications for the whole environmental sector) while the US has of late made dramatic strides in this area. In general, governments around the world continue to be faced with the huge challenge of reshaping their energy mix to include cleaner forms of power generation. This transition is still in its very early stages and consequently, in our view, the opportunities for investors in this sector are there to be taken.

In this latest edition of H&P Review, on the subject of energy we look at the costs and benefits of fracking in the UK, Andrew Johnston considers the latest changes to pensions, Jack Rawcliffe examines the role of absolute return funds, whilst we also feature articles on inheritance tax planning and the new laws of intestacy.

Steven Pyne
Financial Adviser
& Partner

when surrender means winning

Pension auto enrolment is a significant potential cost to owner managed businesses. Businesses with fewer than 50 employees start the process from 1 June 2015 onwards. Employers will seek to minimise costs and maximise tax reliefs. Employees, whilst appreciating the need to provide for a pension in retirement, will try to do this in a tax and cost efficient manner.

A salary sacrifice arrangement may therefore be an attractive option to consider in achieving this, as by October 2018 minimum pension contributions payable by employers and employees rise to 3% and 5% respectively. Salary sacrifice is legally separate to the automatic enrolment provisions, but an employer may run these processes in parallel.

What is salary sacrifice?

Salary sacrifice involves a contractual right to pay being reduced in return for other benefits.

Under auto enrolment, salary sacrifice arrangements can be used to meet the full 8% contribution, provided that active membership of the pension scheme can be achieved without the employee agreeing to the salary sacrifice before they become an active pension scheme member. Salary sacrifice cannot be the only payment method allowed for membership of the pension scheme.

Why is the arrangement advantageous?

Both the employer and employee save money because there are reductions in the individual's gross pay which is liable to employer and employee National Insurance contributions (NIC) in exchange for the pension contribution by the employer which is tax and NIC free. Therefore there are savings in:

- the employee's NIC payable on the salary sacrificed of up to 12% and
- the employer's NIC payable on the salary sacrificed of 13.8%.

There is no tax saving as the tax saved by giving up the salary is cancelled out by the tax relief top up from HMRC that would have been available on the employee's net contribution.

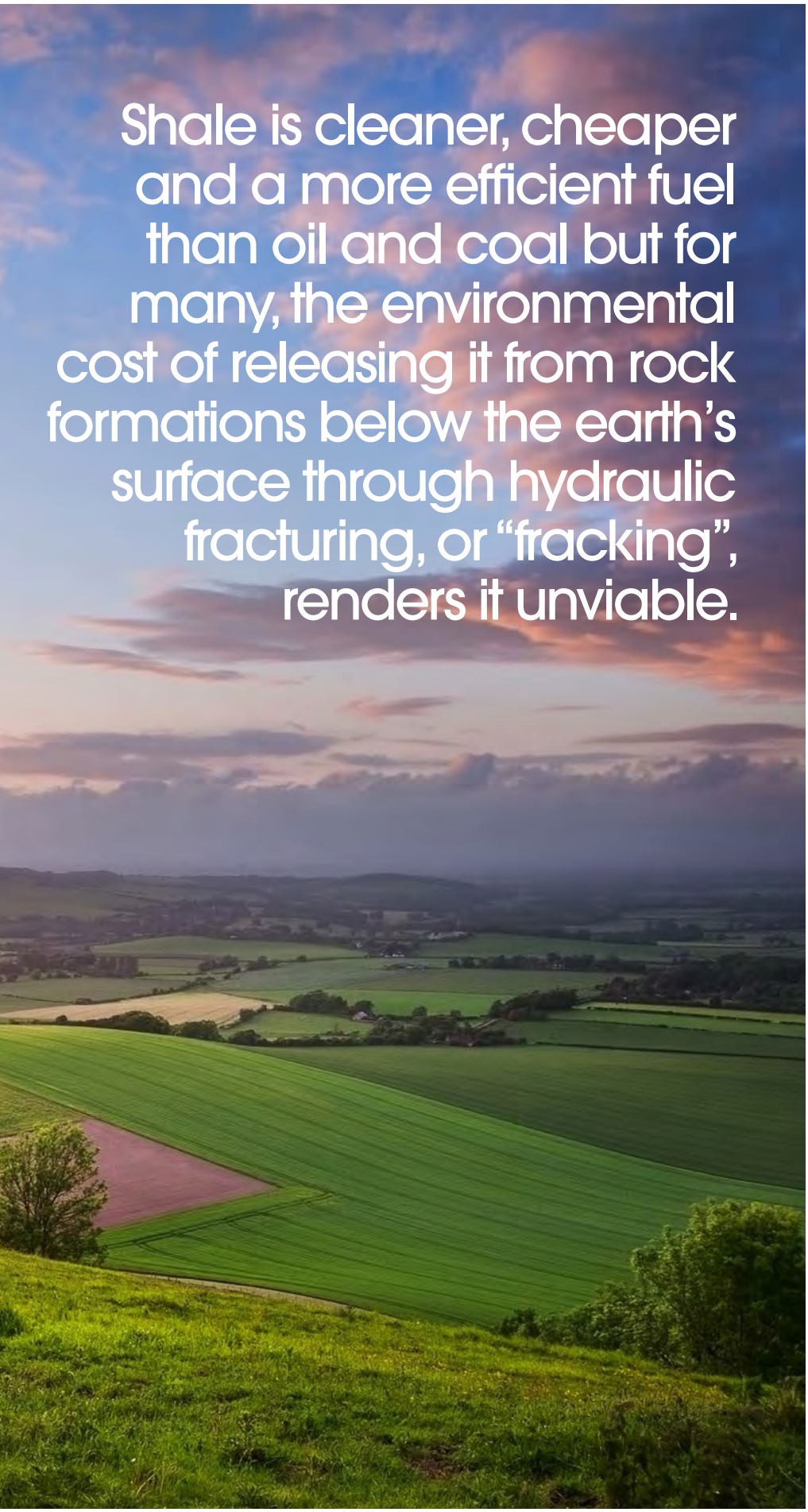
A salary sacrifice arrangement cannot reduce an employee's cash earnings below the national minimum wage.

What do employees need to consider?

When entering a salary sacrifice arrangement to replace part of pay with the tax/NIC free benefit, it is essential that employees understand what the sacrifice will mean in practical terms and consider carefully the effect that a reduction in their pay may have on state and employer benefits such as statutory maternity pay, death in service and income protection.

Businesses with fewer than 50 employees start the auto enrolment process from 1 June 2015 onwards.

Nick Chivers
Sully Partnership



The UK's energy options

focus on fracking

It is widely accepted that Britain needs new energy sources. Between 2003 and 2013, domestic production of oil and gas slumped by 62% and 65% respectively, while coal output decreased by 55%.

Despite sharp increases in the output of renewables, overall domestic energy production has fallen by more than half. A net exporter of energy as recently as 2003, Britain now buys almost half of its energy from abroad (with some coming from Russia). Worryingly, for the foreseeable future anyway, this energy "deficit" seems certain to widen.

So, from a purely energy supply point of view, the focus on shale gas has come at crucial time, as it could potentially provide enough energy to power the UK for decades. Significantly, it has been estimated that if the supplies are as large as thought, there could even be an energy surplus, which would allow Britain to export abroad, thus bringing in vital revenue to the Exchequer.

Shale is cleaner, cheaper and a more efficient fuel than oil and coal but for many, the environmental cost of releasing it from rock formations below the earth's surface through hydraulic fracturing, or "fracking", renders it unviable.

Fracking is the process of drilling down into the earth before a high pressure liquid is directed at the rock to release the gas inside. The liquid is made up from water, sand and

Aram Kupelian
Paraplanner

continued over

chemicals and is injected into the rock at high pressure. The rock then fractures and allows the trapped gas to flow out to the head of the well.

In 2012, the US recorded the largest oil and natural gas production increases in the world.

US shale revolution

The UK government has confirmed its support for fracking, surely with one eye on the US, where fracking has produced significant economic benefits. In 2012, the US recorded the largest oil and natural gas production increases in the world, and saw the largest gain in oil production in its history. This new industry is estimated as having the potential to create $1.7bn worth of new jobs by 2020.

The US is far less dependent on energy imports from abroad and is actually forecasting becoming an exporter of energy by 2035. So much gas has been produced that the market has actually been oversupplied, forcing gas prices sharply downwards. Gas prices in the US have fallen by nearly 75% from 2008 to 2012.

However, the immediate environmental effects are not insignificant, with the long term consequences still not fully known.

It is estimated that the total volume of shale gas in Northern England is 1,300 trillion cubic feet.

Difficulties in replicating the US Shale revolution

It is estimated that the total volume of shale gas in Northern England is 1,300 trillion cubic feet, which is the equivalent to 40 years of UK needs.

However, despite this obvious potential, for a variety of reasons, the pace of the US Shale Revolution is going to be difficult to replicate in the UK. The US shale industry has benefitted immensely from a unique set of factors – size, lack of population density, geology, demography, infrastructure and technology – supported by attractive drilling economics and a lenient regulatory environment.

Two small tremors in Blackpool, Lancashire were linked to fracking activity in the area.

Consequently, fracking in the UK will potentially be two to three times more expensive due to having less access to water resources, a higher population density plus a less developed pipeline, and less abundant refining facilities, all of which create additional barriers.

These issues highlight the reasons why opponents to fracking believe the benefits have been exaggerated.

Why oppose fracking?

With Britain sitting on a potentially huge shale reserve, fracking presents an obvious investment and economic opportunity; however there are very significant environmental and social impacts that cannot be ignored. These include:

- The threat of contamination of water due to a leakage of chemicals.
- The fracking process uses a huge amount of water – tens of millions of gallons of water are used during shale production.
- Increased chance of earthquakes – two small tremors in Blackpool, Lancashire were linked to fracking activity in the area.
- The vast amount of haulage involved in the fracking process which will create both noise and environmental pollution.
- Greenhouse emissions – the full carbon footprint of shale gas, although potentially lower than coal or oil, remains significant. The effect of methane on global warming is very significant. If the fracking process releases more methane than predicted, the CO2 gains compared with burning oil and coal could be wiped out.
- Estimates for methane leakage range between 1% and 9%.

Although many of these risks could be mitigated by stronger regulation than has been present in the US, there are undoubted and unavoidable impacts from this industrial activity on both local people and the environment as a whole.

Demand for energy is growing and the consequent exploitation of unconventional and new energy reserves will bring risks. There are enough potential risks associated with fracking and shale exploration, especially in the UK, to create significant uncertainty for responsible investors.

Proponents of fracking argue that the potential benefits outweigh the costs, and that if the UK wishes to consume energy at its current rate, it has no alternative but to exploit its shale reserves. Furthermore, it is argued, that fracking may even help the UK to transition to an independent energy supply and eventual carbon neutral energy production. However, those on the other side of the debate are convinced that the environmental costs are too great and that the focus from Westminster is too short term.

holden™ and partners

New pension changes to consider before April 2015

Looking back to December 2002, HM Treasury and the Inland Revenue (now HM Revenue & Customs) issued the consultation document "Simplifying the taxation of pensions, increasing choice and flexibility for all".

We are now seeing the next raft of 'changes' to pensions that look as if they provide everyone with additional choice, but these may turn out to be a step too far. We will have to watch this space.

The Finance Act 2014, which attained Royal Assent on 17 July, confirmed that from April 2015, soon to be retirees will now have:

- Greater flexibility to access their pensions.
- More options for small pots.
- New transfer options.
- Innovation in the annuity marketplace.

In this article, we will not be considering the full scale changes, but will touch on the interim changes that may need to be considered before April 2015.

Drawdown

As of the 26 March 2014 the following relaxations were introduced:

- Capped income drawdown – the capped income limit goes up by 25% to 150% of the GAD basis limit for the income year starting after 26th March 2014.
- Flexible income drawdown – the minimum income requirement to access flexible drawdown is cut from £20,000 to £12,000 for those wishing to access flexible drawdown from 26th March 2014.

Small Pots

If you are over 60 and have accumulated a small pension pot, the following options are available:

- Triviality rules – if you have total pension savings of £30,000 (previously £18,000) or less, you can now take it all as a trivial commutation lump sum, of which 25% is tax free, and the remainder taxed at marginal rates.
- Stranded pot rules – small stranded pension pots of up to £10,000 (previously £2,000) can also be taken as a lump sum. The number of small stranded pots that can be taken as a lump sum has also increased from two to three.

When combined, these changes can give immediate access to savings of up to £60,000 as a lump sum but it should be noted this may not be the most tax efficient method to access these smaller pension pots.

Protected Lump sums above 25%

Individuals with Executive Pension Plans (EPPs) and Section 32 (Buy out/Transfer Plans) that may include entitlements to tax free cash in excess of 25% may need to review their plans for taking benefits. It is likely many of these contracts will not offer the flexibility to take advantage of the new pension rules and would have needed to enact a transfer, resulting (in most cases) in the loss of the enhanced tax free cash limit, unless a transfer could be made under the 'buddy transfer rules'

An interim measure has been introduced to allow individuals looking to take their benefits soon, to transfer to access the new pension freedom without losing any protected lump sum; however certain conditions need to be met:

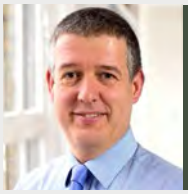
- Individual must be over age 55.
- They must transfer all their rights from the old pension in one go.
- The transfer must take place before 6 April 2015.
- All of the tax free cash which the individual is entitled to under the pension plan must be taken before 6 October 2015.

Pension Contribution limits

There have been a number of concerns raised that the new flexibility and current contribution limits could be used to avoid employer and employee national insurance contributions through passing salary through a pension to then be drawn by the individual. Anti-avoidance rules have been introduced to reduce this risk, namely:

- Those currently in flexible drawdown who have an annual allowance of £0 will now be able to contribute up to £10,000 per annum from April 2015.
- Those who choose to draw more than their tax free lump sum will have their annual allowance reduced to £10,000 per annum (from £40,000).
- Those who are already in capped drawdown before April 2015 will be subject to the £10,000 annual allowance limit when they withdraw more than their capped limit.
- The annual allowance will only apply if an individual accesses a pension worth more than £10,000.

As can be seen, if you are planning to access any pension funds in the near future and still wish to maintain the maximum annual allowance of £40,000, you may need to consider applying for capped drawdown before April 2015, to maintain the maximum flexibility, and with the announcement at the Conservative Conference on the tax on pension funds on death being amended, plans should be reviewed over the next 6 months.



Andrew Johnston
Financial Adviser
& Partner

UPDATE
inheritance tax

The potential IHT liability for many people has amplified due to increases in property and investment values in recent years.

This has been exacerbated by the freezing of the Nil Rate Band (NRB) at £325,000 per individual until 2018. Everyone has a tax free allowance called the Nil Rate Band (NRB). At present this is set at £325,000 (or £650,000 for a married couple or civil partners when taken together) and is frozen until 2018. Estates above this amount could be liable for IHT at the rate of 40% on death.

You can, if you wish, take steps to mitigate IHT. Typically solutions involve making gifts or the use of trusts which often results in loss of access to the assets and can take up to seven years to become effective. So planning for IHT is something that everyone should consider, the greater your assets, the greater the need.

Planning during lifetime

Effective IHT mitigation can be achieved by making lifetime gifts.

If a person makes regular gifts out of surplus income, which does not reduce their standard of living, such gifts will fall within the normal expenditure exemption.

Gifts of up to £3,000 per annum fall within the annual exemption. If a person has not used any part of their annual exemption for the last tax year, they can carry it forward and use it in the current tax year.

If a relative is about to marry, consider making a gift; up to £5,000 to a child, £2,500 to a grandchild or £1,250 to anyone else will be exempt within the marriage gift exemption.

Larger lifetime gift

It can be useful to make larger lifetime gifts. Provided the gift is a potentially exempt transfer (PET) there will be no immediate IHT, irrespective of the size of the gift. The gift will fall outside of the estate if the donor (settlor) survives seven years. The gift must be without reservation, so the person making the gift can no longer enjoy the benefits. For example, if a person was to make a gift of a property but continues to enjoy the benefit of the property free of charge, this will be treated as a gift with reservation of benefit (GWR). This means that for IHT purposes, the value of the gifted property will continue to be part of the donors estate and subject to IHT.

For a number of people considering making lifetime gifts, the ongoing control of who receives the benefit of the gift, and when, will be important. This control can be achieved by the use of trusts. Normally a discretionary trust is used as the donor (settlor) can be a trustee and will therefore exercise control over who benefits from the trust fund and when. The gift into a discretionary trust should not exceed £325,000, as it will give rise to an immediate IHT charge at 20% on the excess. It is also important to consider that the discretionary trust can be subject to IHT every 10 years at a rate of 6% on the excess over the available nil rate band.

Discretionary Trust offers:

- Control over who benefits from the assets in trust and when they will benefit.
- Control over the proportion of income, capital or assets paid to beneficiaries.
- Flexibility in case of changing family circumstances in future.

Discounted Gift Trust

For people who want to reduce their IHT liability but would like to retain the right for regular income, a discounted gift plan could work.

The Discounted Gift Trust offers:

- The opportunity to take tax-efficient regular payments during your lifetime of up to 5% annual withdrawals of capital amount.
- The potential for an immediate reduction in the inheritance tax liability on your estate.
- Capital for the settlor's family or chosen beneficiaries after death.
- Gives the option to be set up on single or joint settlor arrangements.

The Discounted Gift Trust is only appropriate for people who want a fixed amount from their investment and not for those who might need flexible access to the capital invested into the discounted trust. People need to be under the age of 90 and in good health to obtain the discount from the IHT liability.

Loan Trust

For people who do not want to lose control and access of a capital sum, a loan trust would be appropriate. While the capital sum is invested, any growth on it is outside their estate for IHT purposes. The loan repayments are flexible, so could be repaid on as a regular basis or a lump sum. The settlor can use the repayment of the loan to supplement other income requirements.

The Loan Trust offers:

- Regular payments which may be free of any immediate liability to income tax.
- Access at any time to all or part of the balance of the loan.
- No inheritance tax liability on establishing the trust.

For a Loan Trust to be effective for IHT planning, it relies on the settlor living for a reasonable amount of time to accrue investment growth on the loan and for the loan repayments made to the settlor to be spent. It is worth bearing in mind that any outstanding loan will form part of the settlor's estate for IHT purposes.

Protection Policies

An individual or married couple could consider making provision for the IHT liability. This can be achieved by affecting a whole of life policy subject to a trust. On death, the policy proceeds could be paid to the beneficiaries of the trust. The beneficiaries could use the cash proceeds to enable them to meet the IHT liability on the estate. This means that it may not be necessary to sell assets to pay the IHT.

Reece Biggadike
Financial Adviser

holden™ and partners

Charity Gifting
Another way to reduce one's estate for IHT is to leave 10% or more to charity. A reduced rate of inheritance tax from 40% to 36% may apply where 10% or more of a deceased person's net estate (after deducting inheritance tax exemptions, reliefs and the nil rate band) is left to charity.

It is important to establish whether you are maximising the use of all available IHT exemptions and inheritance planning options where possible, although this will be dependent on individual circumstances.

no will in place?

the rules are changing

It is quite shocking that a large proportion of the UK population do not have a valid Will.

Having a valid Will means you can dictate who inherits your assets on your passing and you decide who is appointed to ensure your wishes are carried out. You would imagine most, if not all, people would be keen to ensure the right people inherit their worldly goods. Yet a recent survey suggests that almost 30 million people in the UK don't have a valid Will. It is perhaps unsurprising that 84% of 18-34 year olds don't have a Will on the basis that you are immortal at that age! It is rather more surprising that 35% of the over 55's don't have a Will.

The main reason people don't make a Will is apathy. A quarter of people say they'll do it when they get older. 10% of the population says it has never occurred to them. We also suspect that cost is a barrier but a simple Will need not cost more than a few hundred pounds.

Mark Pate
Financial Adviser
& Partner

Tim Cosway, Rebecca Kennett & Emily Winn of Holden & Partners

If you die without having made a Will you are considered to have died Intestate. There are very specific rules that apply. These rules changed on October 1st 2014 as a result of the Inheritance and Trustees Powers Act 2014. The main beneficiary of these changes will be surviving spouse/civil partners.

The reform in this instance leaves a larger proportion of the estate to the surviving spouse and removes the trust structure where there are surviving children. If the deceased was married more than once and had children from more than one marriage this could cause some problems.

The new rules are an improvement and help simplify matters somewhat. But our advice is always the same – make a valid Will and don't leave anything to chance. Talk to your Holden & Partners adviser who can put you in touch with a suitable lawyer.

Comparison of the current and new rules

Deceased dies leaving	Old Rules	New Rules
A spouse and children	Spouse receives • Statutory legacy £250k • Personal chattels • Life interest in half of residue Children entitled to remaining half of residuary estate at 18	Spouse receives • Statutory legacy of £250k (index linked) • Personal chattels • Entitled to half estate outright Children entitled to remaining half of residuary estate at 18
A spouse but no children (parent and/or siblings survive)	Spouse receives: • Statutory legacy of £450k • Personal chattels • Half of residue Parents receive half of residue equally (or siblings if no surviving parents) residuary estate	Spouse receives the whole estate Parents/siblings receive nothing

demystifying absolute return

Many investors have grown accustomed to thinking of their investment portfolio in terms of the traditional asset classes, compartmentalising the overall sum into the usual suspects of equities, bonds and property.

In recent years the term 'absolute return' has forced its way into the ever-burgeoning investment lexicon, and forgiveness can be afforded to those who are not immediately able to comprehend its meaning.

In its simplest form, funds with an absolute return mandate aim to achieve positive investment returns irrespective of market conditions. Typically these investments target lower levels of volatility than traditional funds.

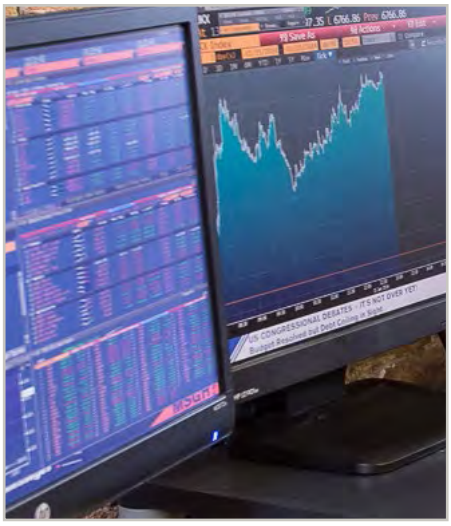
Historically the preserve of large institutional investors, a combination of modernised legislation and fluctuating markets culminated in absolute return first appearing on the radars of retail investors in 2007.

Since then it has unquestionably proved to be a popular choice for many on a consistent basis.

According to data from Winterflood Securities, the past five calendar years have witnessed absolute return attract a net retail inflow of £8.7 billion, dwarfing more conventional counterparts such as Property (£6.2 billion), UK Equity Income (£4.5 billion) and UK Gilts (£950 million). These statistics, as well as the fact that the first seven months of 2014 have borne witness to a further £1.1 billion net inflow, engender a logical question: why is absolute return so popular?

When examining the reasons behind the popularity of the absolute return sector, one's first port of call, should be to examine the main objective of the funds themselves.

This is in simple terms to record positive returns whatever the market conditions at the time. While this is, of course, not guaranteed, and absolute return funds can, and indeed do, fall in value, such a target inevitably endears itself to many retail investors. Most alternative investments do not operate according to such an overriding emphasis on consistently growing value. Significantly, there are a number of additional factors underpinning the apparent lure of absolute return, enabling it to be a relative winner in the ebb and flow of retail money.



Perhaps the most pertinent of these is the flexibility that managers within the absolute return arena possess. This follows the perception, whether correct or not, that greater investment freedom is more likely to result in better performance. After the reform in legislation has enabled managers to employ a myriad of sophisticated investment strategies in order to achieve their mandates, market neutral, long/short, multi-asset and fund-of-funds provide the briefest of glimpses into what is an extremely diverse investment toolkit.

Equalisation 'neutralises' the impact of the overall market movement on the portfolio.

Take the Market Neutral investment strategy. Such a strategy involves a fund manager purchasing, (or going 'long'), those shares they deem likely to appreciate in value, and selling, (or going 'short'), those shares they deem likely to depreciate in value, in equal measure. This equalisation 'neutralises' the impact of the overall market movement on the portfolio. Consequently, the manager is indifferent as to whether it moves up or down. The fund's return is solely derived from the accuracy of the manager's views on the shares that they either went long or short on. Managers of conventional funds housed within the traditional asset classes have far stricter guidelines, and, quite simply, do not enjoy the same level of investment flexibility. Granted, some do permit 'short' positions but to a much more marginal extent. Any exercise as such is capped and tightly controlled.

The average absolute return fund posted a gain of 0.17% whereas the UK equity market recorded a loss of 13.25%[1]

Looking beyond the aim of consistent capital growth and investment flexibility, absolute return funds possess highly prized and much cherished characteristics when the mechanics of portfolio construction are considered. They enjoy favourable relationships with the other major asset classes, which, in layman's terms, means that rather than simply mimicking the performance of other assets, they have their own, distinct behavioural profile and are not unduly influenced by events in other investment spheres. Incorporating absolute return as part of an investment portfolio, may have positive effects, principally by broadening the level of diversification and controlling and reducing overall volatility.

There is, however, no magic formula for guaranteeing positive returns.

The use of absolute return funds should be seen in the context of a diversified portfolio and is, in part, dependent on the risk mandate sought. The investment strategies of absolute return funds are complex and perhaps beyond that to which some retail investors are accustomed. Due diligence is of course required when investing in such funds. In addition, there is an added complication for investors who have strong ethical concerns, as absolute return funds do not currently incorporate a screen (whether positive vs negative or light vs dark). As a result their use can be limited by the ethical views of an investor.

At Holden & Partners, we are strong advocates of absolute return but only to the extent that a percentage of our lower risk portfolios are allocated to it.

The prominence given to consistently growing value, investment flexibility and portfolio-wide benefits make the case compelling for cautious-minded investors, in our view. As the performance of absolute return funds are referenced to a cash related benchmark, the purpose of such funds is to reduce the overall volatility of a portfolio and not to outperform traditional asset classes, such as equities.

If the case needed any further fortification, the simple yet powerful statistic that follows neatly encapsulates the argument in favour of absolute return: in the ten-month period following the collapse of Lehman Brothers on 15th September 2008, a period characterised by unprecedented financial market turbulence, the average absolute return fund posted a gain of 0.17%, whereas the UK equity market recorded a loss of 13.25% (source: Financial Express Analytics September 2014).

Jack Rawcliffe
Investment Analyst

Improved interest rate for over 65's?

With interest rates likely to remain low for the foreseeable future, and with savers now struggling to find a decent deposit account paying anything above 1.5% p/a, it will be interesting to see whether the new Pensioners Bonds, scheduled for release by NS&I in January offer an attractive rate of return. Initially, an interest rate of 4% was suggested, however this has yet to be confirmed. What we do know is that the bonds will available for savers over the age of 65 for fixed terms of one and three years. The maximum investment will be £10,000 per issue per person and interest will be taxable and paid net of basic rate tax. NS&I have said that further details will be made available in January.

By Steven Pyne, Financial Adviser & Partner

+ 44 (0) 20 7812 1460 hpreview@holden-partners.co.uk

Holden & Partners
The Piano Works
117 Farringdon Road
London EC1R 3BX

www.holden-partners.co.uk

holden™
and partners