equinox

half yearly investment magazine

Dull to dazzling - a pensions revolution

Pension death changes provide exciting tax boost

Take AIM with new portfolio

Front Cover Competition Winner Mike Harrison

equilibrium

April 2015

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Welcome

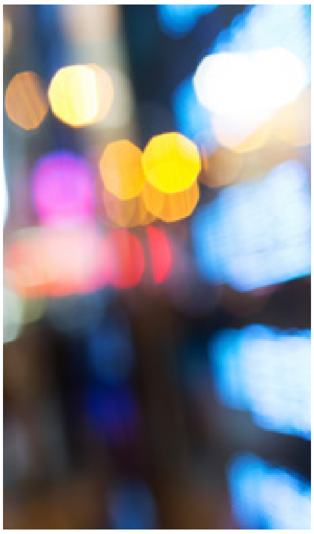
For the first time in history, the FTSE 100 has finally broken through the 7,000 barrier and stock-markets world wide continue their march upwards.

With markets rising so quickly, it's important not to be complacent and our approach, as always, is one of diversification and making sure that our portfolios do not take on too much risk in any one market, fund or sector.

The new pensions reforms that were revealed in last year's Budget have now come into force. These really do present some exciting opportunities and possibilities, some of which are covered in this issue of Equinox. The relaxed rules mean much greater flexibility when taking your benefits and the improved death benefit position means that pension funds can now well and truly be part of a lasting legacy for intergenerational planning purposes. I hope you find the articles interesting!

I'd be delighted to hear from you if you have any comments or queries. You can call me on 0161 486 2250 or email me at colin@eqllp.co.uk.

Colin Lawson
Managing Partner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Dull to dazzling - a pensions revolution

The new reforms have made pensions exciting again. Take advantage before they become more restrictive.

By Colin Lawson

If you still think pensions are boring and something to avoid, then where have you been over the last 12 months? Pensions are now exciting, which is not a description you often hear about a financial product.

The game changer was the rule allowing savers to withdraw as much of their pension as they want, whenever they want, from age 55. The subsequent announcement that if you die before age 75, you can pass the whole pension on tax-free, was equally sensational. Even after age 75, it can stay in a pension and your beneficiaries will only pay tax on the withdrawals at their marginal rate of income tax.

In short, the reforms give total freedom to spend as much of your pension as you want while you are alive; and to pass it on to future generations when you are gone.

An increase of 50% on his money with no risk whatsoever.
That is what I call exciting.

Here are a few examples to illustrate just how exciting pensions have become.

Steve is 59 and has never liked pensions for all the usual reasons. But he is retiring next year and has heard about the changes so is considering making a pension contribution. Steve earns £90,000 and therefore decides to make the maximum £40,000 contribution. He receives higher rate tax relief on it all, so it only costs him £24,000 net.

When he takes the money out of his pension on retirement - assuming no growth on the fund or other income - the £40,000 will break down as follows.

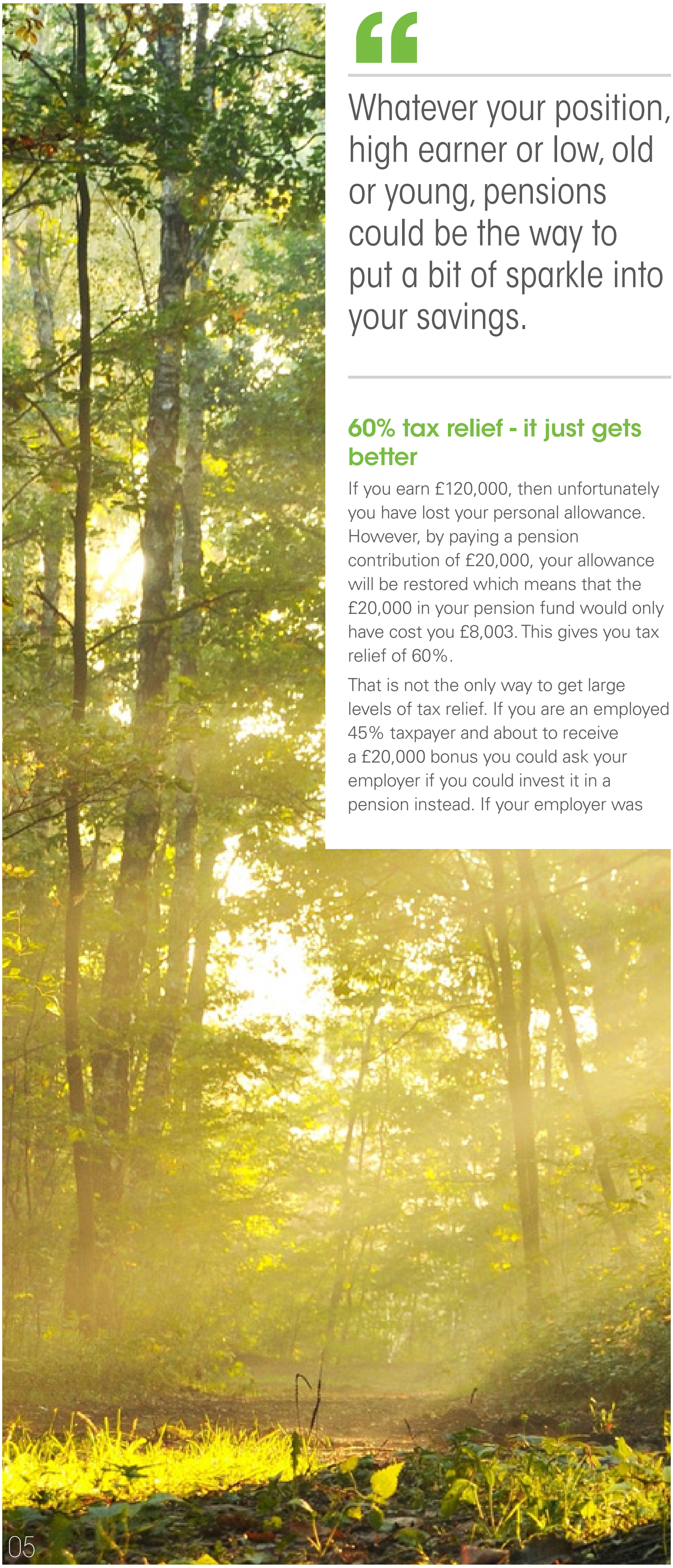
£10,000
Tax Free Cash (25%)

£10,600
Tax Free Income (Personal Allowance)
Fiscal year 2015-16

£19,400
Taxable at 20% = £3,880

Steve's net income will therefore be £36,120. So Steve paid in £24,000 and got back £36,120 with no growth on his fund at all. An increase of 50% on his money with no risk whatsoever. That is what I call exciting.

Steve could decide to leave the money in the pension for future generations. We look at the effect that could have in another article, on page 15, which explains the new rules on death benefits and strategies to maximise your legacy.



> Whatever your position, high earner or low, old or young, pensions could be the way to put a bit of sparkle into your savings.

60% tax relief - it just gets better

If you earn £120,000, then unfortunately you have lost your personal allowance. However, by paying a pension contribution of £20,000, your allowance will be restored which means that the £20,000 in your pension fund would only have cost you £8,003. This gives you tax relief of 60%.

That is not the only way to get large levels of tax relief. If you are an employed 45% taxpayer and about to receive a £20,000 bonus you could ask your employer if you could invest it in a pension instead. If your employer was kind enough to also invest the national insurance (NI), they would save as well. The calculation looks like this:

£20,000
Gross Bonus

£2,760
Employer NI at 13.8%

£400
Employee NI at 2%

£9,000
Income Tax at 45%

£10,600
Net Bonus

However, the pension contribution would be the gross bonus of £20,000 plus the employer NI of £2,760 giving a £22,760 pension fund instead of a net cash payment of just £10,600. This equates to 53% tax relief.

...and better

Not just high earners can benefit. Almost everyone from birth to age 75 should at least consider paying into a pension.

Steve's wife, who is 60 and has no earnings, could pay in £3,600. This would only cost £2,880 after basic rate tax relief. As she is not using all her personal allowance, she could then withdraw all the money and keep the whole £3,600, pocketing a profit of £720 a year. She is free to do this every year.

Even infants can pay into a pension. Given the effect of compound growth - which Albert Einstein referred to as one of the wonders of the world - it is well worth considering. If you would like to see how investing just £11,520 for a four year old has the potential to generate an income of £28,000 in today's terms at 65 then ask to see our guide: "Bill and Ben the pensions men".

Whatever your position, high earner or low, old or young, pensions could be the way to put a bit of sparkle into your savings. The rules are only likely to get more restrictive so take advantage while the tax relief lasts.

Take AIM with new portfolio

Equilibrium launches Alternative Investment Market Portfolio with a host of benefits.

By Neal Foundly

Equilibrium has launched its Alternative Investment Market (AIM) Portfolio, which provides exemption from inheritance tax (IHT) once it has been held for at least two years. HMRC allows this exemption for all AIM stocks that qualify for Business Property Relief and we base our selection on those companies.

All grown up

AIM started 20 years ago and currently has 1,100 companies quoted on the exchange. It was established originally to enable smaller companies to float and raise capital and was seen as a stepping stone to a ‘full’ main market listing on the London Stock Exchange. Today, it is an established market in its own right with large companies seeking to remain with the index. The two largest would be in the FTSE 100 if they were to list on the main market today.

In addition to its IHT advantages, stamp duty on purchases of AIM stocks was abolished last year and investors now have permission to hold them in individual savings accounts.

What is the catch?

The performance of the AIM index has compared poorly with the FTSE 100 and the other FTSE All Share indices. For example, over the three years to the end of 2014, the FTSE AIM All Share Index returned 4% compared to 31% for the FTSE 100.

Our secret sauce

However, such compromise is not necessary. We focus our AIM Portfolio on dividend-paying stocks, because those companies have good, established business models and generate more cash than they need to pay down debt and fund investment. They usually return this cash to shareholders as dividends.

In addition, managements that pay dividends generally align their interests with shareholders rather than run them as personal fiefdoms.

These stronger, more cash-generative businesses will be better investments in the long run.

We also use a ‘smart beta’ approach. This is a buzzword in the investment industry but all it means is that the portfolio is constructed differently than the norm.

The basis of good investing is to buy low and sell high. But the vast majority of funds tend to invest more in larger companies - the larger the company, the larger the investment. So when investors buy their fund, they are actually buying more of the stocks that have gone up the most. This is not buying low.

To give an example, suppose there were only two companies and both were worth 100p but one company’s share price rose 20p to 120p and the other’s price fell 20p to 80p. A typical fund would have a weighting after the price change of 1.2x in the riser and 0.8x in the faller. But the true value of both is still 100p, only the prices have changed. If you invested at that time, you would be buying the fund with those weightings and therefore more of the overvalued stock and less of the undervalued stock.

> “The new portfolio will provide a great opportunity to make tax savings.

Equal weighting

We use a different approach. We 'equal-weight' all the stocks in the fund so that the proportions are not distorted by price movements and size. After all, smaller stocks have as good a chance of rising as larger stocks - an even better chance if you look at the numbers.

As time passes, some of these stocks will rise, others will fall. About every six months, we will rebalance the portfolio. This means we will take the weightings of each stock back to an equal weight by selling the stocks that have gone up (sell high) and buying the ones that have fallen (buy low).

This also takes subjective judgement out of the portfolio management. We do not need teams of highly-paid research analysts visiting 1,100 companies and charging clients for the privilege. We undertake due diligence on the stocks before they are included in the portfolio and monitor the progress of all holdings daily.

We have tested this portfolio, over 10 years - through good times and through bad times, such as the 2008/9 global financial crisis. We are satisfied that this is the right approach for our clients for whom this type of investment is suitable.

First among many

There are AIM IHT products in the market, but we found major shortcomings with most of them.

- Many are opaque. They do not tell you much about how they are run and the investment process. In accordance with our open and transparent approach, we keep our clients informed about what we are doing and how.
- AIM stocks are small, volatile equities. Risk management is paramount and we structure portfolios to limit the associated risks. Most of our peers offer no insight as to how they do this. Our stocks have strong finances and our portfolio is diversified and equal-weighted to limit excessive risks, in addition to our normal portfolio risk intelligence process.
- Many AIM funds have a high minimum investment - sometimes in the £100,000s. This prevents clients from starting small and building up or even investing at all.
- Many are egregiously expensive. Initial fees can be as high as 5% on top of the annual management charge of around 1.5%. Then some even charge an additional 'dealing charge' for purchases and sales. These charges eat into the real returns that clients receive. It also raises the important 'principle agency problem'.

> We focus our AIM Portfolio on dividend-paying stocks and smart beta.

The principle agency problem

If a wealth management company offers a regular equity investment management service for a 1.5% annual charge, but suddenly has the opportunity to earn 5% initial fees plus dealing charges on top in a new fund, this can significantly change how the business operates.

For example, the senior management may see transferring to the new fund as a way of lifting overall profits; the investment division's management can see a way of beating internal budgets; and individuals can use it to seek higher bonuses.

These conflicts of interests have been the undoing of the finance industry's reputation in the recent past and we do not intend to repeat others' past mistakes.

The solution

Instead, we will not charge one penny extra for this service. The charge for the Equilibrium AIM Portfolio will be exactly the same as for your existing Equilibrium investments.

This is a win-win situation. It is a terrific deal for our clients, with no upfront or other funny charges added. It is good for us too – we have no pricing distortions to deal with, so we can just focus on providing clients with what they need, not what pays us most. This has the added bonus of keeping the regulator happy in seeing no conflicts of interest in product pricing or selection.

From vets to Vimto

We diversify the Equilibrium AIM Portfolio to reduce risk and to garner good returns from a variety of industries.

You may have heard of some of the big brand names such as Vimto, Majestic Wine and Jet2Holidays.

Others you may not have heard of. CVS Group, for example, is the largest provider of veterinary services in the UK with 256 surgeries across the country. In addition to treating your pet, it has diagnostic laboratories for clinical investigations, a range of pet food supplements and even three pet crematoria. Despite being the UK's largest operator, the company has only 11% market share. With an ageing pet population, there are good prospects for this business.

In these days of cyber-insecurity, GB Group provides products and services that allow companies to verify that people are who they say they are. Using a variety of solutions, the company can validate the identity of a customer or employee to ensure regulatory compliance and prevent fraud, theft and money laundering.

AIM to win

In conclusion, this new portfolio will provide a great opportunity to make tax savings and do so in a clear and straightforward way that manages many of the risks. If you are interested, please contact your adviser or ring us on 0161 486 2250. For more information, please see our website www.eqllp.co.uk

Financial 'Times'

In order to achieve and maintain long term financial health, a financial plan should be put in place early on. At each stage in life we will encounter changes in priorities, responsibilities and financial expectations and our goals and strategies should change in order to achieve financial happiness.

20's

In your 20's a financial plan may not be something you're thinking about, however this is the perfect time to start as it will probably be in its' simplest form

- Create a budget to figure out how much you can contribute toward your goals.
- As a top priority, create an emergency fund in an account which is easily accessible to avoid unnecessary debt.
- If you have any credit card debt, create a plan to tackle this.
- Even though retirement will seem distant, start paying into a pension, the earlier you start saving the higher your chances of reaching your financial goals.
- Start saving for a house deposit as this will probably be your next big step.
- Lastly, put money aside to have fun, enjoy the money you earn!

30's

Your 30's bring in a lot of other factors to your financial plans, a home, a family, retirement plans? This is the time to make sure you're covered for any major turn of events in the future.

- Pay off any remaining credit card debt as a first priority.
- If you have a home, look into home owners insurance.
- Look at insurance options to protect your family and you in case anything untoward were to happen.
- Seek advice and create a will to ensure you know exactly where your estate will go.
- Appoint an adviser to ensure your money is being invested in the best way to help you achieve your financial goals.

40’s

With your earnings potentially at their highest, you’re more likely to be tempted to indulge, however this new found wealth is probably your best opportunity to plan for the years ahead.

- Return to your adviser to reassess your portfolio aims with potential new found wealth from salary increases or inheritance.
- Re-evaluate your will to ensure that you’re still happy with the allocation of your estate.
- Look at your how much you’d ideally like in retirement, and calculate how much you will need to put away each month to achieve this.
- Your parents may be reaching retirement and may need long-term care; this will need planning to ensure the financial responsibility doesn’t fall on you.

50’s

With your children dependent on you along with, potentially, your ageing parents, this may seem like a tough time but aim to prioritise your finances and keep those goals in mind at every point.

- Investigate long-term care for after your retirement, maybe look at the costs of nursing homes and assisted living options.
- Once you have determined your retirement date, return to your adviser to review and ensure that your asset allocation and portfolio risk are in line with your retirement goals.
- Regularly speak to your adviser and assess your portfolio.
- Revisit your will and make any necessary changes.

60’s

It’s now time to enjoy all your hard work in previous planning and focus on enjoying life whilst still being able to pass on some of your estate to your loved ones.

- Pay off your mortgage if you’re in a place you wish to live during retirement so you are able the live debt free.
- Within your regular meetings with your adviser you should look to discuss inheritance tax planning to ensure your loved ones benefit the most from what is left to them.
- A great way to help with the future of your grandchildren is to start a pension for them to build on when they are able to contribute themselves.

70’s

After all the planning you should be living a comfortable retirement which will give you even more time to focus on loved ones and enjoy life!

- Ensure your will is up to date and ensure you have looked at options for inheritance tax planning.
- Consider sharing your financial planning tips with beneficiaries to ensure they continue to get the most out of their money.

The material above is intended for information purposes and does not constitute financial advice.

life should be enjoyed

Equinox cover competition

In our recent competition we challenged all photography lovers to send us images to represent our three company mottos, **life should be enjoyed**, **your future financial confidence** and **making a positive difference**. We received lots of wonderful and imaginative entries, and the winning entry from Mike Harrison is this edition's front cover. However as the other entries were so good, we thought we'd share a few of our favourites with you.


Albert Bowyer
Elizabeth Bowyer
Mike Harrison
your future financial confidence
making a positive difference
Paul Chad

Pension death changes provide exciting tax boost

Dramatic reform of the death and pensions rules could save huge amounts for families.

By Colin Lawson

The way that HMRC will treat pensions on death changed dramatically on 6 April this year. However, the pensions legislators have taken what should be simple rules and made them incredibly complex. It is almost as if they do it on purpose. But, with careful planning, the new rules have created huge opportunities to save tax through the generations.

The unjust "death tax" is dead and buried. You will no longer have to pay 55% tax on your pension fund when you meet your maker.

You will be able to pass your pension fund to anyone you choose and pay no tax at all in doing it.

Your chosen recipient will be able to keep the money in a pension, so they can continue to invest it and the growth will be sheltered in a tax efficient pension wrapper. Also, if you die before age 75, anything your beneficiaries take out of the pension wrapper will be entirely tax-free.

They can take a tax-free income without limit and even withdraw the whole fund tax free if they need to. It does not get much better than that.

The beneficiaries can also access the monies at any age. They do not have to wait until age 55, as they will with their

own pension plans. So you could leave a portion of your pension to a seven-year-old grandchild who could withdraw an income to pay school fees for example. They would pay no tax as long as they kept the income below their personal allowance of around £10,600 currently.

If you die after 75, your beneficiaries will have to pay income tax at their marginal rate but only on withdrawals from the fund. If they take nothing, the fund will continue to grow and they could leave it to the next generation again with no immediate tax payable. They could also only take income when they had no other income such as during periods of redundancy, childcare or early retirement. This could mean paying no income tax if the withdrawals were limited to the personal allowance.

Strategy changes

So far, so simple. The complexities come when applying these rules in practice. Let us look at a client and consider the changes we need to make to their strategy as a result of the new rules.

Michael and Jennifer – not their real names - have been clients for a number of years. They are both 73, have two sons - both also clients - and four grandchildren. They have investments of around £500,000 and Michael holds £850,000 in a pension plan, which is in income drawdown.

The strategy has been to withdraw the maximum annual income from the pension to avoid as much of the 55% tax charge on death as possible and to leave the personal portfolio to grow. The wills are simple and leave everything to each other, then equally to the two children.

The first change we recommend is to cease the income from the pension as they can now leave it to the beneficiaries with no immediate tax - a saving of £467,500. Instead, they should withdraw whatever income they need from the personal portfolio in order to reduce the inheritance tax (IHT) liability on this portion. This also reduces their ongoing income tax liabilities.

We then consider whether they need to make any changes given the new rules on death. If Michael leaves things as they are and dies before 75 then Jennifer can access the pension fund with no tax. This is where it starts to get complicated because, if she subsequently dies before 75, the children can also access the fund tax-free. But if she dies after 75 then it becomes taxable. So the tax status of the pension fund can change many times as it passes through the generations, depending on whether the owner at the time was under or over 75.

To recap, if Michael dies in the next two years and leaves the pension fund to Jennifer the withdrawals are only tax-free during her lifetime. If she subsequently died over the age of 75, they would become taxable again. She could withdraw the whole fund tax free in one go during her lifetime, but the pension wrapper would be lost. So future growth would be taxed and the whole amount would be subject to IHT at 40%, which is not an attractive proposition.

The key, as usual, lies in good financial planning and families working together. Fortunately as we also look after the children and the family talks about money - see article "Beating the barriers to helping your children" from Equinox October 2014 - we are in a good position to help them achieve the best possible financial outcome.

The first stage is to calculate how much of the pension fund Jennifer is likely to need during the rest of her lifetime. As the maximum income she is likely to need is £20,000 a year, we conclude that Michael should leave £250,000 directly to her.

If we use an assumed growth rate of 7.6% the fund should last for almost 20 years and the highest rate of tax on the income would be 20%. On her subsequent death, we recommend that she nominate the two children to receive the funds equally.

"We have potentially saved the family hundreds of thousands of pounds.

Michael and Jennifer are happy to leave the £600,000 balance of the fund equally between the two children immediately on Michael's death.

However, both of their sons have successful careers so any additional income they take from the pension would be taxed at 40% or more. We know from our meetings with the two boys that they still do not have enough income to be comfortable because they educate their children privately and neither of their wives are working. But their problem creates an opportunity and so we take a radically different approach with the balance of the pension fund.

Radical recommendations

We recommend that Michael leaves the £600,000 equally split between the boys' two spouses and the four children giving them £100,000 each.

The aim is for each individual to be able to withdraw up to the personal income tax allowance of circa £11,000 currently a year and pay no tax on the money at all as a result.

It seems strange that a seven year old can have a pension income but they can. So even the youngest grandchild can have a pension income in his own name that uses up his own personal allowance. If we achieve our target growth of 7.6% a year, then the fund would last for 16 years at this rate of growth. This should be long enough to put all the kids through school, university and hopefully have enough left over to help with house deposits.

This strategy could save the family hundreds of thousands of pounds in income tax. If Michael is unfortunate enough to die before 75 then leaving funds directly to daughter-in-laws and grandchildren would save even more as withdrawals for them will be tax free for life.

We even talk to Michael about refining things further to adjust the amount left to each grandchild to reflect their different ages - so rather than getting an equal amount of "money" they get an equal amount of "benefit". But for now, he wants to keep things relatively simple!

So it has been a great meeting. We have made sure that our clients are secure and have enough capital and income for life whatever happens; their children are likely to get financial support earlier than they would have before and we have potentially saved the family hundreds of thousands of pounds.

We will need to review the situation every year to assess the amount in the pension fund and the changing family situation. Hopefully Michael and Jennifer will live long enough to include great grandchildren in their pension legacy plan.

We complete the nomination forms for the pension to reflect the current wishes and we can update those every year. The clients are delighted that this is all part of our annual fee.

The new rules do offer some exciting planning opportunities. If you have funds in a pension please do take advice on the best ways to structure your death benefits.

In Profile:

Debbie Jukes

Partner

Equilibrium Asset Management LLP

Debbie Jukes has had a pivotal role at Equilibrium since she joined in 2001. Here she tells us about her new client relationship responsibilities and why the Managing Partner calls her EQpedia.

How has Equilibrium changed in the 14 years since you joined?

Staff numbers have gone from six to almost 50. As we have grown, the structure, the company name and the office premises have all changed. But the culture – such as the relationships with clients and our friendly expert approach – has not changed.

How has your role evolved and what do you like about it?

Colin Lawson, our managing partner, recruited me as practice manager because the team was getting too big for him to manage. I wore many hats in those days – for example, managing the administration team, the IT, the finances and compliance. As we have grown, others with much better skills than myself have taken over some of those areas. However, I retain overall responsibility for compliance and am also responsible for the marketing team and events – we now have three full-time marketing staff. In 2001, we did six events a year at most. Now we do 15 seminars, four investment briefings, six investment dinners and ad hoc functions each year.

I still wear many hats and another part of my role is to look after the legal side, such as property purchases, leases and the partnership documentation. And I am a trustee of the Equilibrium Foundation charity.

Perhaps it goes without saying that the best bit of the role is the variety!

What is the biggest challenge in your role?

Managing all its different aspects and delegating. I keep giving bits away but then taking more on.

You are set to take on more new responsibilities. What do they involve?

Clients are already familiar with their client manager and adviser. But as we grow, we need to strengthen client relations by letting them know that, if they have any queries, they can come straight to me at management level. This shows how seriously we take client relationships.

I will also contact all new clients to find out what their experience has been, so that we can keep improving.

You bought an extra share in the Equilibrium partnership in 2008 - why?

I already had a stake in the firm, but raising finance to buy an extra share of the business at the beginning of the credit crunch was a big personal challenge. I raised a hefty loan, sold virtually every asset I owned and persuaded my partner to max out the mortgage! But it wasn't a difficult decision because I believed in the future of the company.

Why does Colin call you the EQpedia?

If anyone asks a question about the company or our clients, going back as long as I have worked here, I generally know the answer. I am notorious for keeping bits of paper and referring to them for a long time afterwards.

> If clients have any queries they can come straight to me at management level.

You had some positive feedback from the Financial Conduct Authority recently. What did it say?

We took part in the regulator's thematic review into the retail distribution review (RDR). No issues were identified and no further action was required; however, the FCA did identify a number of areas of good practice, highlighting the format of our Client Agreement which makes it easier for a client to understand our services and costs; the systems we have in place to monitor ongoing reviews; and our promise to refund fees if clients aren't satisfied.

I was very pleased - you can't get better feedback than that.

Supercar hire provides thrilling drives

Paul Brown runs a supercar club and rental scheme that let members experience these exhilarating machines without having to buy them.

By John Warburton

As he stands admiring his £1 million fleet of supercars Paul Brown beams with pride.

As a young boy he'd dreamed of driving the Lamborghinis in the posters on his bedroom walls. Now he makes that dream come true for other people thanks to his exclusive car scheme.

Paul runs www.supercar-experiences.com - a members' club and www.supercarsondemand.com, a supercar rental hub, which gives people who don't want to spend £250,000 buying a McLaren 650S the chance to experience one first-hand.

Or members might prefer a £240,000 Lamborghini Huracán, a £215,000 Ferrari 458 Italia or a £157,000 Ferrari California convertible amongst others.

Through his 'Supercar Club', Paul arranges trips and tours for enthusiasts linking up with luxury hotels for rallies like the Ireland Cannonball Run.

"Many clients are now friends and take cars away to Italy, Germany, France and Belgium," he explains.

"They spend time planning routes out, thinking about what the car can do, how they can get the most out of it, because they really love driving and the car is part of an exhilarating experience they will treasure forever."

Paul, from Leeds, worked in car rental for many years before setting up his first business

www.carsondemand.co.uk with his wife Karen.

The idea of providing supercars came after he bought his first luxury car, a Jaguar XKR.

"It was sublime to drive but when I got home Karen rolled her eyes and said, 'What's that thing?'

"I told her it was a great investment and it would hold its value, which actually wasn't the case and it depreciated as cars do.

"That's when I had my light bulb moment. I thought there would be other people out there like me who'd love to drive a nice car but without the expense that comes with it."

The cars are also used for corporate and charity events and Paul says his most rewarding experience was when he took the cars along to a school for children with special educational needs.

www.supercar-experiences.com | www.supercarsondemand.com

> They love driving and the car is part of an exhilarating experience they will treasure forever.

He recalled: "We took all the kids out for a 15-minute ride and some of them knew more about the cars than we did.

"Seeing their faces light up and how excited they were was such a special moment."

Paul hasn't always had an impressive set of wheels – his first car was an Austin Allegro.

He recalled: "It was awful! It had a gas suspension system. Once, a gang of my friends piled into it and the suspension went.

"I spent months with the car lurching all over the road before I could afford to fix it! I guess it makes me appreciate what I have now."

Clients can take out 12-month membership to the Supercar Club which gives them a choice of six vehicles. Prices start at £9,495 for two drivers.

Stirk takes golf by storm

Sarah Stirk, Sky Sports Golf presenter and owner of Xclusive Golf, is a fast mover in TV and hospitality.

Tell us about your career to date.

I received a tennis scholarship in the US, but got a bad injury and was unable to play professionally. The next best thing was to write and talk about sport in the media. I started writing and fell in love with journalism.

My first job was Manchester United Television (MU:TV), which was exciting. Then I went to the BBC, then Setanta for two years, where I started specialising in golf. Then I moved back to the BBC, then to Sky Sports, where I have been for three years. It's my dream job.

When did you decide to work in golf?

I played golf after university, to fill the competitive gap left by tennis, and started to specialise as I got older. It's a nice sport. The people are lovely and you get to travel to nice places.

Describe your typical day.

There's no such thing and that's how I like it. With Sky, I do about 30 weeks a year - 20 in the studio and 10 on the road. In the studio, three hours before I go on air I'll chat with the producer and then spend an hour in hair and make-up. After that, I rehearse and voice the opener. In between that, I work on Xclusive Golf, so I'm working hard.

Tell us about Xclusive Golf.

Xclusive Golf is a luxury agency that delivers exceptional golf experiences, bespoke events and private concierge offerings. We also provide marketing and consultancy to high net-worth individuals, large corporate companies, global charities, wealth managers and private golf clubs.

Working in the sport means I know what golfers like. For example, we work with a resort in the Maldives, which has an Olazabal short game academy - we can also arrange for private lessons with Olazabal.

> When Gleneagles first got the Ryder Cup, I said: 'I want to work there' and it happened. It was amazing.

We can also provide access to other pros and top instructors. So you can get the best tuition, play in pro ams and on the best courses. We also work with luxury brands such as Standard Life and Santander and Bentley.

We also run Xclusive Life, which provides similar high-end experiences in, for example, football, Formula 1, the Oscars and Cannes Film Festival.

What was your golfing highlight of 2014?

The Ryder Cup. I learned to play golf at Gleneagles, so it was special to go back. When Gleneagles first got the Ryder Cup, I said: "I want to work there" and it happened. It was amazing.

What are your other favourite courses?

The Links at Fancourt, South Africa; Old Head in Ireland is stunning; the courses in Mauritius are spectacular; Port Royal in Bermuda is amazing.

What are you looking forward to most in 2015?

It's an exciting time in golf. There are some amazingly talented young players like Rory McIlroy, Jordan Spieth, Patrick Reed and Rickie Fowler - all battling for top rankings. Tiger Woods has returned. Can he respond to these young guys? That's fascinating.

What equipment should golfers have in 2015?

I'm sponsored by Nike who have lots of excellent equipment. Keep your eyes peeled for the new Nike VAPOR irons and MM Proto irons. The latter move the centre of gravity to the centre of the clubface, helping to produce purer strikes.

Property or pensions

Investing in commercial property can be an excellent way to secure a long-term income from your pension – here are some examples.

By Colin Lawson

Equilibrium's Evolution

Next time you visit Equilibrium for a meeting, you are not just visiting an office you are walking into a pension plan. Evolution House is owned by a group pension whose investors comprise four Equilibrium partners, one external investor and a bank loan.

When we first rented space here, we meant it to be temporary. However, we were so delighted with the quality of the premises that when the opportunity to buy them came along, we jumped at it. However, we wanted to commit the smallest amount of resources possible. It became clear that using pension funds was the way forward.

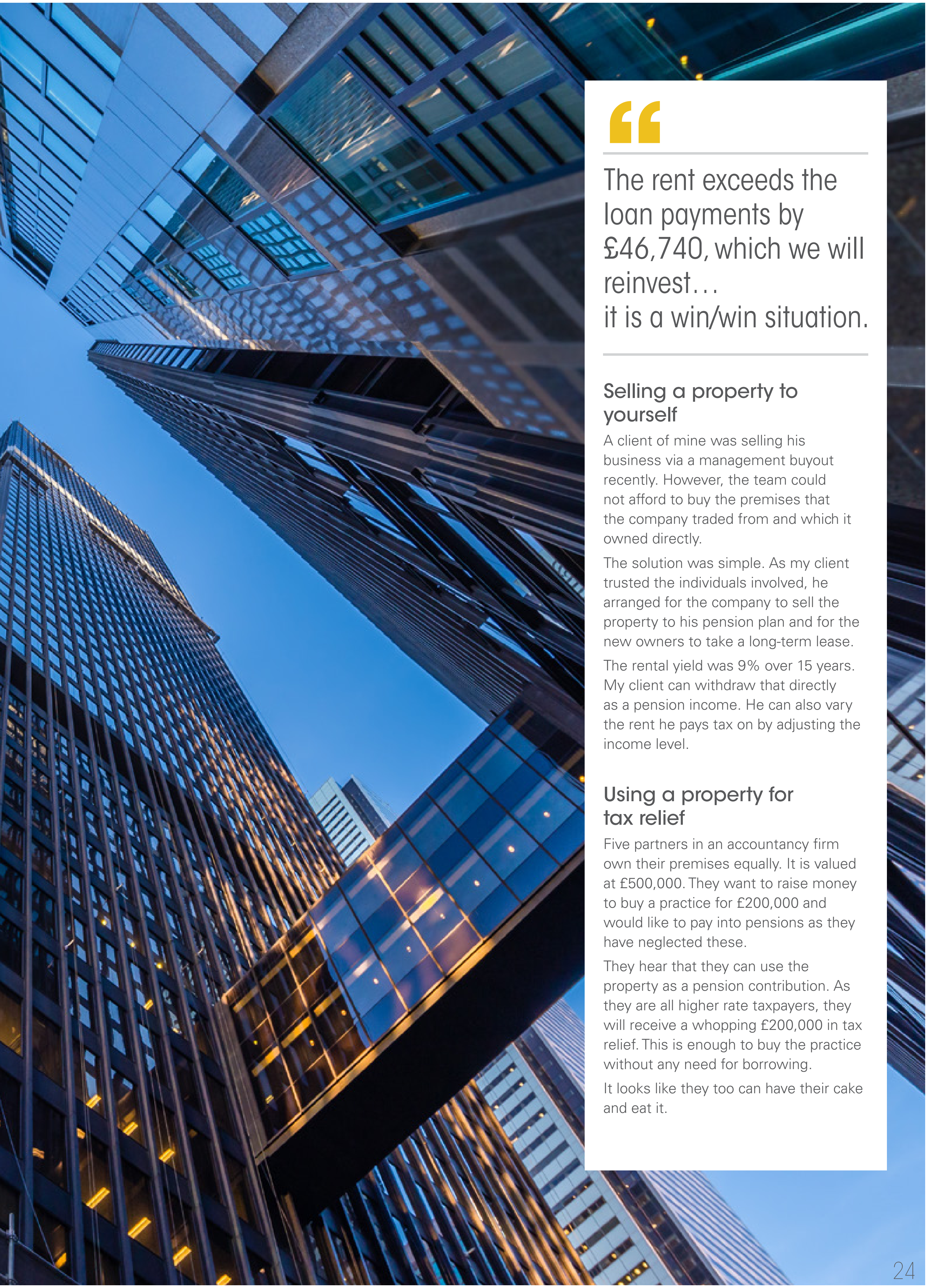
Some of the partners already owned our existing premises through their pensions. So we had to combine our remaining resources with an external investor and a mortgage from Lloyds.

The rules relating to property purchase via a pension are straightforward. The most important two are that the rent must be set at a commercial rate and that any borrowing must not be greater than 50% of the scheme assets.

We bought the building for £825,000. The combined rent from the two tenants totalled £72,000 a year, giving us an initial yield of 9%. We helped fund the purchase with a £290,000 loan from Lloyds at an interest rate of just 3.71% over 15 years.

The rent exceeds the loan payments by £46,740, which we will invest in Equilibrium's balanced portfolio to create some liquidity and enhance returns.

It is a win/win situation. The business has the space it needs for the long term. We deduct the rent against profits and reinvest immediately into the pension without further tax. The property can grow in the pension tax-free and should make a good long-term investment.



> The rent exceeds the loan payments by £46,740, which we will reinvest…
> it is a win/win situation.

Selling a property to yourself

A client of mine was selling his business via a management buyout recently. However, the team could not afford to buy the premises that the company traded from and which it owned directly.

The solution was simple. As my client trusted the individuals involved, he arranged for the company to sell the property to his pension plan and for the new owners to take a long-term lease.

The rental yield was 9% over 15 years. My client can withdraw that directly as a pension income. He can also vary the rent he pays tax on by adjusting the income level.

Using a property for tax relief

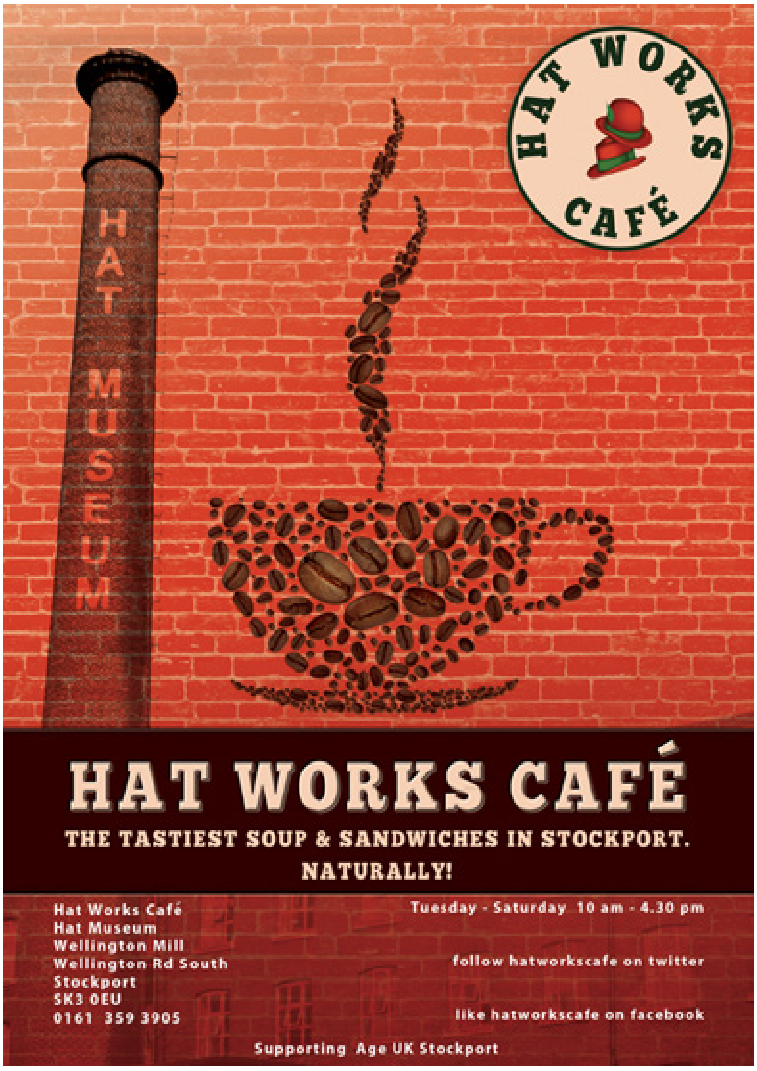
Five partners in an accountancy firm own their premises equally. It is valued at £500,000. They want to raise money to buy a practice for £200,000 and would like to pay into pensions as they have neglected these.

They hear that they can use the property as a pension contribution. As they are all higher rate taxpayers, they will receive a whopping £200,000 in tax relief. This is enough to buy the practice without any need for borrowing.

It looks like they too can have their cake and eat it.

Age UK Stockport celebrates 70 years

The charity that started with just one volunteer now has a team of 250 working positively for local older people.



Age UK Stockport is a local, independent charity that faces many challenges, including the austerity agenda and consequent council cuts. However, this year it will also celebrate 30 years since it became a registered charity; and 70 years since it all started.

The charity's roots go back to the end of World War II, when it began life as an

> We can all support the belief that everyone should have someone.

old people's welfare committee. Back then, it was just one volunteer providing advice and information for a few local people. The charity now employs nearly 100 people and has around 150 volunteers. In the last year, the team has provided information, advice and support to over 47,000 people.

Age UK Stockport has been through many changes and different names over 70 years. But the raison d'être - to work positively with and for older people in Stockport - has remained the same throughout, and is stronger than ever in today's challenging climate.

No one should have no one

Age UK Stockport also benefits from being part of something bigger - it is a brand partner of national charity Age UK. This enables it to share important campaigns like the 'No one should have no one' campaign launched in January 2015 - see www.ageuk.org.uk/no-one/ for more information.

This site also contains fantastic information and guidance on subjects from health and well-being to home, travel and money matters. Products and insurance of interest to people in later life are also available.

We can all support the belief that everyone should have someone. Not just to provide support through the bad times - but also in good times when we just want someone to share our happiness. Age UK has shown that nationally nearly 3 million older people feel they have no one to turn to for help and support. Many feel lonely or forgotten. That is why Age UK Stockport is committed to providing a range of services to support anyone who needs them in Stockport.

To help make sure no one has no one, you can also volunteer your time or offer a donation or legacy. Age UK Stockport guarantees that it will use all monies fully on services for local people.

In 2015, the charity will also celebrate the opening of a new café at the iconic Hat Works Museum.

Since the closure of Age UK Stockport's Pop In centre at Lower Hillgate and of the old Museum café in 2013, visitors have missed the activities and warm, friendly environments to visit.

These two closures led to this new café. It serves freshly ground coffee, teas, botanical drinks, and freshly prepared soups and sandwiches. It also has a new special Pop In menu! The Hat Works Café plans lots of exciting events and activities, so like it on Facebook or follow it on Twitter to stay updated. All monies raised support Age UK Stockport.

To find out more about the charity and products for sale; or to volunteer please contact **0161 480 1211** or visit **www.ageukstockport.org.uk**

Stockport Age UK

Views From The Frontline

In this feature we ask four prominent economists and strategists for their thoughts on the economy, inflation and what surprises could trip up unwary investors…

Andrew Milligan

Global Head of Strategy
Standard Life Investments

Although there are concerns about some of the smaller economies, we think global growth can achieve 3.0-3.5% in 2015.

The US and the UK are similarly placed with self-sustaining growth as company investment, a healthier financial system and the benefits of lower energy costs drive unemployment lower and wages higher.

The Eurozone will not see strong growth this year. Japan is slowly escaping the consequences of last year's consumer tax increase, and while China will not see a noticeable acceleration the authorities have the resources to ensure that the slowdown is moderate.

Headline inflation in the UK is the lowest since 1989 but we are some distance away from Japanese style deflation with weakness narrowly concentrated in food, fuel and energy. As unemployment drives towards 5% so we expect wage pressures to start to build. Average earnings growth is about 2% a year at present, so a shift towards 3% would worry central banks.

On balance, we see the Federal Reserve and the Bank of England raising rates modestly within the coming 12 months.

So what surprises do we need to watch for? Some are well known, such as Greek exit from the Euro, events in the Ukraine or political uncertainty after the UK election. A possible financial collapse in China or an emerging market debt crisis remain risks.

Less discussed is the periodic disappearance of trading liquidity across markets, including high yielding corporate bonds and even government bonds on occasion. All of these create market volatility and require careful portfolio construction.

Ian Heslop

Head of Global Equities
Old Mutual Global Investors

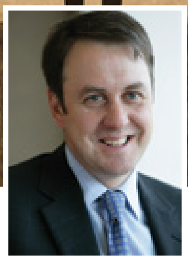
It is somewhat tempting to separate developed economies into two simple buckets: 'the post-Quantitative Easings (QEs)' and the rest. The US and UK sit relatively happy in the same bucket: QE's legacy has, so far at least, been a stabilisation of growth.

Yet with a UK General Election fast approaching, instability is surely on the horizon. There seems to be every chance of a weak minority government, a hung parliament or a rushed coalition: in other words, an unstable government. There is already evidence of equity investors shifting out of the UK and into Europe.

Globally, growth remains a mixed bag. Europe has finally turned on its QE taps but it looks set to be a long road to recovery from here. Japan is in the middle of the largest economic experiment ever seen and the jury is very much still out.

Inflation expectations are being pushed out by weaker commodity prices. Interest rate rises in the US and UK have also been been pushed back. An end-of-year hike looks likely in the US. In the UK, it would be little surprise if the Bank of England waited until at least 2016. And rate rises in Europe and Japan? My Microsoft Outlook calendar doesn't go that far into the future.

Potential surprises? Well, the oil price has historically fallen in periods of economic weakness and this has usually been reflected in equity market weakness. But we are currently witnessing oil falling and equities rising. If oil is falling because of weaker supply, then that is good for the global economy. If, however, the fall is a result of weaker demand then markets could well be heading in the wrong direction.



Keith Wade

Chief Economist
Schroders

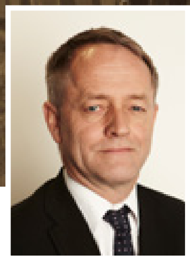
We expect the global economy to grow at 2.8% year on year in 2015, with accelerating growth in the advanced economies offset by a slowdown amongst the emerging markets. This reflects several factors including that the decline in oil prices generally favours the advanced over emerging economies.

This is certainly true for the UK where, with rising employment and real wage growth, the savings from lower energy prices are the icing on the cake for consumers. As such, we expect improved consumption to drive GDP growth of 2.6% in 2015.

However, there are some important headwinds. The first is May's general election. With so much uncertainty around which of the major parties is likely to win, or which ends up leading a coalition, we expect business investment to slow.

With regards to inflation, we expect the Consumer Price Index to start rising from the summer. The Bank of England assumes inflation will remain below its 2% target for the next two to three years. We disagree and forecast inflation of more than 2% from the middle of 2016.

Maintaining near-zero interest rates at present increases the risk of inflation being higher than expected. We forecast a 0.25% hike in November, followed by three more in 2016. However, we think this cautious approach will not be enough to stop the inflation overshoot. Indeed, although the Bank may not publically admit it, it would rather see a small overshoot than risk a significant downturn in the economic cycle.



Peter Westaway

Chief Economist
Vanguard in Europe

Trying to summarise the global economy is tricky with conditions varying significantly across economies. In summary we believe that growth is likely to be fragile in 2015.

We expect most major economies to be in slowdown mode over the next few years. The euro area and Japan are likely to be the weakest developed economies, and the US and UK the strongest.

This divergence is partly because the UK and US were both early in launching quantitative easing (QE). In the UK the result has been strong job creation, a recovery in the housing market, and growth in business investment. Inflation has remained muted, allowing the Bank of England to keep interest rates at all-time lows.

While there is some support on the Bank's Monetary Policy Committee for raising rates, the majority is still in favour of keeping them on hold. We don't expect that to change for at least the next six months.

In the Eurozone it's a different story where the European Central Bank has only recently embarked on QE. This sluggish response, together with deep-rooted structural inefficiencies, has caused the Eurozone economy to remain in the doldrums.

What could surprise us this year? It's an election year in the UK and the main parties have very different views on economic policy. On a brighter note the US and China, which between them make up 35% of the global economy, both seem likely to generate healthy levels of economic growth in 2015.

Equilibrium View

The UK economy is likely to be one of the stronger world economies this year, which could help support asset classes like UK commercial property and domestically focused UK companies. However, the election in May could bring volatility to UK bond and stockmarkets.

Inflation is likely to rebound from current lows and interest rates are most likely to start rising towards the end of 2015 or in early 2016.

Investment Review:
Hitting new heights

Portfolios take advantage of unprecedented market events.

By Mike Deverell

Over the six months since our last edition, we have seen several unprecedented events. These include:

- the FTSE 100 breached the 7,000 barrier
- inflation - as defined by the consumer prices index (CPI) - fell to zero
- government bond yields hit record lows in several countries including the UK.

We have seen very positive returns over the period, with a typical balanced portfolio returning around 6% after all fees over the past six months.

Equities have been one of the main drivers. For example, the FTSE 100 was at 6,527 on 3 October. It breached the 7,000 level before dropping back a little and closed on 2 April at 6,833, 5.8% higher than six months ago if you factor in dividends.

All asset classes have seen gains since October. This is good as it helps drive returns. But we are concerned that some assets that normally act differently - notably gilts and equities - have converged and risen together.

While convergence may be a theme of the past six months, another is the divergence between some major economies. The UK and US continue to grow well; have tightened monetary policy by stopping stimuli such as quantitative easing (QE); and are considering interest rate rises.

Meanwhile, the Eurozone and Japan have done the opposite in cutting rates to zero or even negative; and commencing or expanding QE over the period.

Political risk continues to be the other major theme. In the Eurozone, the Greek situation rumbles on. In the UK, what appears to be the most uncertain election in recent history approaches.

In the following pages, we will discuss the significance of these events and their potential impact on portfolios.

Six Monthly Review

Portfolios have seen some very pleasing returns since October 2014. The table below shows the returns of each of our main model portfolios over the period.

Portfolio	Total return 6 October 2014 to 2 April 2015 %*
Cautious	4.89
Balanced	6.00
Adventurous	6.76
Speculative	8.37

* After all fees and assuming dividends reinvested.

Over this period, the portfolios' returns have been in 'risk order' with the cautious portfolio producing the lowest return and the speculative portfolio returning the most. This is what we expect when equities rise strongly – the portfolios with more equity should outperform naturally.

In addition, the more adventurous the portfolio the more overseas equities it holds. This has helped the riskier portfolios as Japan, China and the rest of Asia did well. Meanwhile, in a cautious portfolio there is more exposure to the UK, and to more conservative funds that focus on dividends rather than growth.

Convergence

In absolute terms, performance is pleasing. However, in relative terms our portfolios have lagged slightly behind the average managed fund - the UT Mixed Investment 20%-60% Shares sector - over the period. This does not concern us because we do not benchmark portfolios formally, except against the returns required by our clients. However, it does require some investigation into why.

For some time we have held very little in fixed interest, preferring commercial property. In particular, we have had very little in government bonds such as UK gilts. In the last issue of Equinox, I noted how gilts had done extremely well since around June last year.

Currently, a 10-year UK gilt has a yield of around 1.5% a year. This is the return you will receive if you lend money to the government for the next decade. This is a low return but is still higher than the Bank of England base rate, which is still at 0.5% a year.

> "Portfolios have seen some very pleasing returns since October 2014.

If the Bank of England increased the base rate, we would expect that yield to increase because it will look less attractive in relative terms. For the yield to go up, the capital value has to fall. Many people were expecting rates to increase last year. When that did not happen, gilts rallied and yields fell.

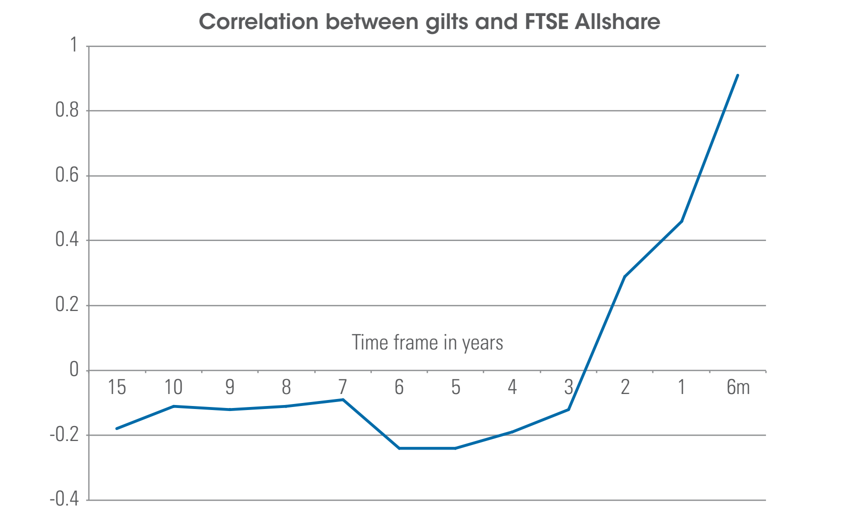
We think rates are likely to increase in the next 12 months, even if slowly. When that happens, gilts could sell off. We are therefore avoiding them, and have a much lower allocation than usual to other forms of fixed interest such as corporate bonds.

Another reason that people hold gilts is to protect a portfolio in a bear market. In normal conditions, they tend to act differently to equities and often go up when equities go down. For this reason, there is usually some rationale for retaining a holding, even if the potential returns do not look attractive.

A major reason for our concern about gilts is that this relationship seems to have changed. Gilts and equities have gone up together – their returns have converged.

The chart below shows the correlation between gilts and the FTSE Allshare equity index over the past 15 years.

Historically, there has been a mild negative correlation. For the statistically minded, the correlation has generally been around -0.2. To oversimplify, this means if equities went down 10% you might expect gilts to go up by 2% and vice versa. This shows why they have historically been a good way of diversifying portfolios.



Source: Thomson Reuters Datastream/Equilibrium Investment Team

However, over the past three years this correlation has risen steadily. It is now strongly positive at around 0.9, meaning there has effectively been a 90% correlation over the past six months. This worries us.

If the two assets have gone up together, they could go down together too. If equity markets dip, gilts may not provide the offset they have in the past.

We believe this is because ultra-loose monetary policies from central banks such as QE and interest rates of near zero have distorted markets. If rates go up, we could see a sell-off in equity and bond markets. While this would probably be short lived in equities and potentially provide a buying opportunity, the impact on gilts would last much longer.

As a result, we are unlikely to change our low exposure to fixed interest in the near future, even if it means we might underperform industry benchmarks in the short term. As always, we are just as focussed on reducing risk as enhancing returns. We would prefer to offset equity risk in other assets like property and even cash in the short term.

Divergence

We are starting to see more divergence between economies and stock markets.

In the UK and US, there is relatively strong and robust economic growth. While we are seeing low inflation - zero now in the UK - we think this is largely a temporary factor driven by lower oil prices. This could help the economy as lower prices mean we all have more money to spend.

However, the European economy continues to suffer and Japan has ongoing issues that will be difficult to turn around.

You might think this means you should invest more in the UK and US and avoid Europe and Japan. But it is not that simple.

While the UK and US have finished QE and may well increase interest rates in the next 12 months, Japan and the Eurozone have announced new or improved stimulus programmes.

One way that QE is meant to work is by pushing up the price of government bonds, which in turn pushes down the future return or yield. In theory, this means that institutions like banks and pension funds either lend the money out instead, or invest into other assets, thus stimulating the economy.

This stimulus could support equity markets in Japan and Europe. However, we have differing views on the two regions.

We have liked Japan for a while for the main reason that the market looks good value compared to its history and to other regions. Valuation is always the first thing we look for. For example, how well does the price of the market compare to the earnings of the underlying companies?

Another positive for Japan is that companies there are generally seeing strong earnings growth. This is partly because of the falling Yen, which makes profits overseas look greater when converted back to Yen.

> “The FTSE 100 jumping above 7,000 is great news for portfolios.

Buying Japanese companies is not the same as buying the Japanese economy. Companies like Sony or Toyota sell their products all over the world. This means that they benefit from strong economies elsewhere and the power of the Japanese economy only has a small effect.

You could make the same arguments about Europe but there are two main differences. Firstly, the ratio of the market price to underlying earnings is much higher, meaning the market is more expensive. Secondly, those earnings have generally fallen sharply over the past couple of years. Whilst QE might help turn this around, we do not think it will be enough to change our view on Europe.

Since the financial crisis, most equity markets have largely gone up and down together. However, with different regions now moving in different directions, it is more important to be selective and control regional allocation carefully.

We also think that actively managed funds are generally preferably to passive funds like index trackers in these markets. This is because there is likely to be more divergence between different companies and their share prices.

Political risk

We always have to factor political risk in to investment decisions. Historically this has been most relevant to emerging market investing, but recently it has been prevalent when considering investing in Europe. It is still an issue on the continent and we need to watch the Greek problem carefully.

Political risk has also emerged closer to home. Generally, in the UK we do not view political risk as particularly high because the UK has been stable whatever party is in power. Whether the Conservative or Labour party is in government does make a difference in lots of ways but usually these are not big enough to affect the stock market significantly.

By the time this is published, the general election will be imminent. It looks like being the most uncertain election in recent history and markets hate uncertainty.

Uncertainty may not end after the election either. It looks unlikely that any one party will gain a majority. One or more of the minor parties will probably have some say in government.

If the Scottish National Party (SNP) is involved in a future government, this brings back the possibility of Scotland leaving the UK. Both the Conservatives and UKIP have promised a referendum on whether the UK should leave the European Union (EU). Both of these possible outcomes could have a big impact on stock, bond or currency markets.

In short, we expect volatility around election time and possibly for some time afterwards. We hope it does not happen but it makes sense to be cautious.

In most portfolios, we are therefore holding tactical cash positions, for example, of around 8%. This should protect portfolio values if markets do fall and also allows us to take advantage of volatility.

If markets dip, we have two main plans for this cash. Firstly, we will buy an index tracker as a 'volatility trade' as we have done many times before. Secondly, we may purchase a new defined returns product.

> Gilts and equities have gone up together – their returns have converged.

Part of that tactical cash came from the 'kick out' of a previous defined returns product held with Credit Suisse. These products provide a set future return depending on what happens in the market. They will end on the anniversary of their launch, provided the market is not lower than it was at the start. If it is lower, it will roll on to the second anniversary and so on, until the sixth anniversary.

At that point, if the market is still down investors just get their money back unless the market is down by 40% or more at that point. If it is down 40%, then investors lose money on a one for one basis.

The Credit Suisse product kicked out in February providing an 11.5% return as the FTSE 100 was above the starting level of 6,449 and the S&P 500 was above 1,755. We could have reinvested into a new product at that point but with the FTSE pushing 6,900 at the time we felt we should wait.

These products work well in more volatile markets since the index does not need to gain to make a return – it only need not to drop. However, the entry point is important.

If markets do dip then we might get a better entry point and we might get a better rate of return. The rates offered tend to be higher when volatility is higher. As a result, a drop in markets could make the product doubly attractive. We therefore think it is worth waiting.

If the anticipated market volatility does not arise, then we will invest this cash elsewhere.

The 7,000 barrier

It is good to see the FTSE 100 finally breaching the 7,000 mark, especially as the first time we got close was more than 15 years ago. However, it is just a number and means little. If the companies in the index grow their profits well enough, the index will grow too.

At the start of 2000, the UK stock market was valued at more than 26 times the underlying earnings, which was expensive. Now, it is valued at more like 16 times earnings, so it is a very different picture.

The FTSE 100 only represents the largest 100 stocks on the UK market. The top 100 stocks today are very different to the ones of 15 years ago. The index is not that representative of the UK market as a whole.

> If rates go up, we could see a sell-off in equity and bond markets.

For example, the FTSE 250 index - the 250 next largest companies outside the top 100 - was also at just below 7,000 in 1999. On 2 April 2015, it was at 17,245. If you had reinvested the dividends, from 1 January 2000 to 2 April 2015 an investor tracking the FTSE 250 would have achieved more than a 308% profit.

We still prefer companies outside of the top 100 for their greater long-term growth potential, especially for those investors who can tolerate the extra risk of investing in smaller companies.

Outlook

Valuation remains key

Valuation can mean many things. In corporate bonds and property, it may mean the yield relative to more secure government bonds. In equities, we tend to refer more to the relationship between price and earnings.

These indicators are key in making investment decisions about asset classes. Only by using facts and evidence from history can we hope to avoid making decisions based on emotion.

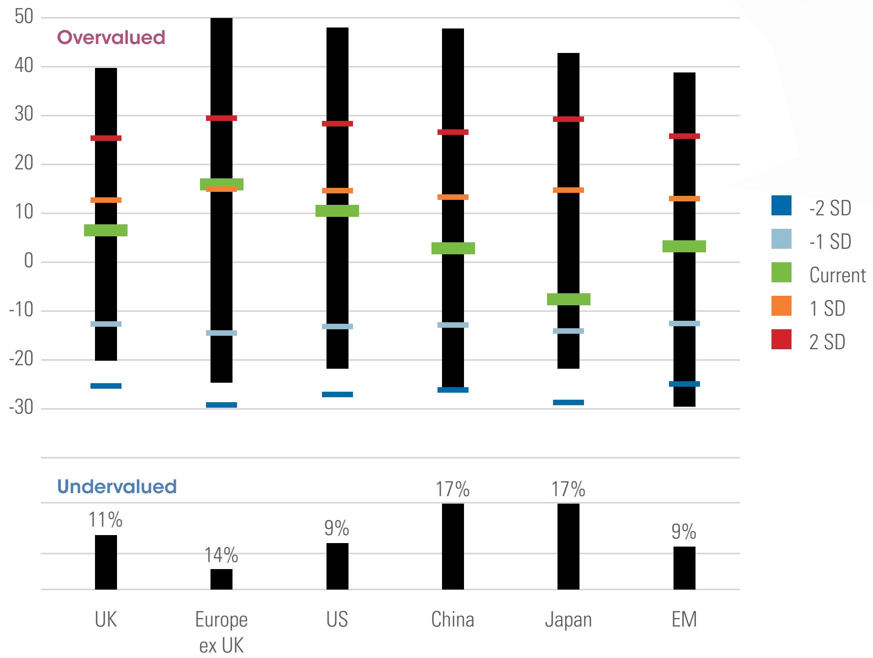
All too often, investors buy when they are feeling confident and sell when they are feeling depressed about their investments. This is often the wrong time. Often the best time to sell is after a strong run and the best time to buy is after markets have dipped.

We have developed our own composite indicator for the various equity market regions. This looks at different ways of valuing stocks and combines them. We look at the ratios of price to reported earnings (PE) and price to predicted earnings. We also look at price to cashflow ratio (essentially turnover rather than profit); and price to book ratio (the book value of a company, which is assets minus liabilities as shown in the accounts).

All of these have historically had strong correlations with returns. When they are lower, returns are more likely to be higher. However, in different markets each indicator has been more or less effective. We have therefore constructed our composite indicator by combining the four individual methods, weighted according to their historical effectiveness.

The results are above. The black bars show the range of valuations throughout our historic data. The small green block for each region shows where that valuation is now. The line through the zero is the long-term average.

Equity Market Composite Indicators and Subsequent Median 5yr Annualised Returns



This shows that four of the five major regions are overvalued relative to their historic average. However, overvalued does not necessarily mean bad. For example, the UK is above its average valuation using this metric. But in the past, the average return when we have seen valuations this high has been 11% a year over a five-year period. We would be very pleased to get 11% a year from equities over the next five years. However, we think that is too optimistic.

These are only some of the factors we take into account. History can be a good guide but things could also be different in future. We also need to consider factors such as expected economic growth and earnings growth.

You can see from this why we prefer Asia including China and Japan and - to a lesser extent the UK - to Europe or the US. Europe in particular looks expensive; the indicator is more than one standard deviation (SD) above average (for those who are mathematically inclined) and in the past when our indicator has been this high, we have seen returns of only 4% a year over five years.

While there is positive momentum in the European markets and quantitative easing improves the picture shown above, we would still prefer to keep European exposure light.

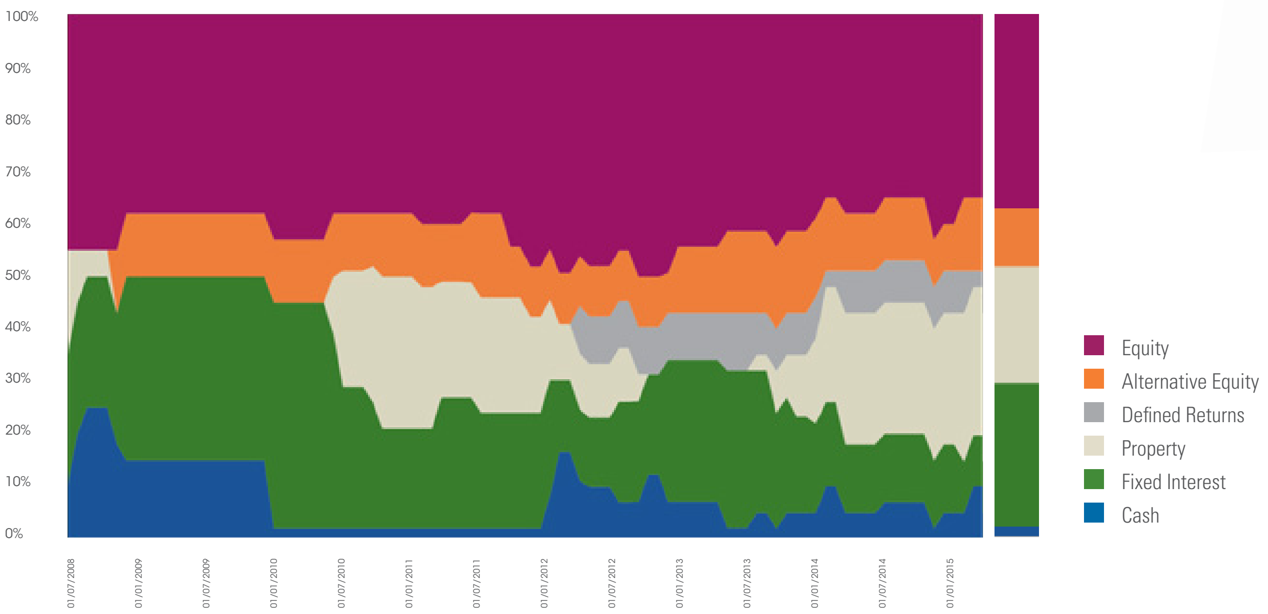
Overall, we are cautiously optimistic towards equity, but with the emphasis on 'cautious'. We have covered the outlook towards fixed interest in the section above. With regard to property, the yield on the property benchmark we use - the IPD All Property index - has come down a lot over 12 months but still stands at 5.3%.

This remains well above the yields you can achieve on most other assets classes. Demand for good commercial properties continues to increase while supply is becoming tight. With the UK economy continuing to grow robustly, we think this can continue and will help to drive property returns.

Asset allocation and added value

The chart below shows how the asset allocation of our balanced portfolio has changed since 2007. You can see that over the long term we have been active with changes, most notably having large periods of not holding property, and equity holdings varying considerably.

Balanced Portfolio Asset Allocation Changes



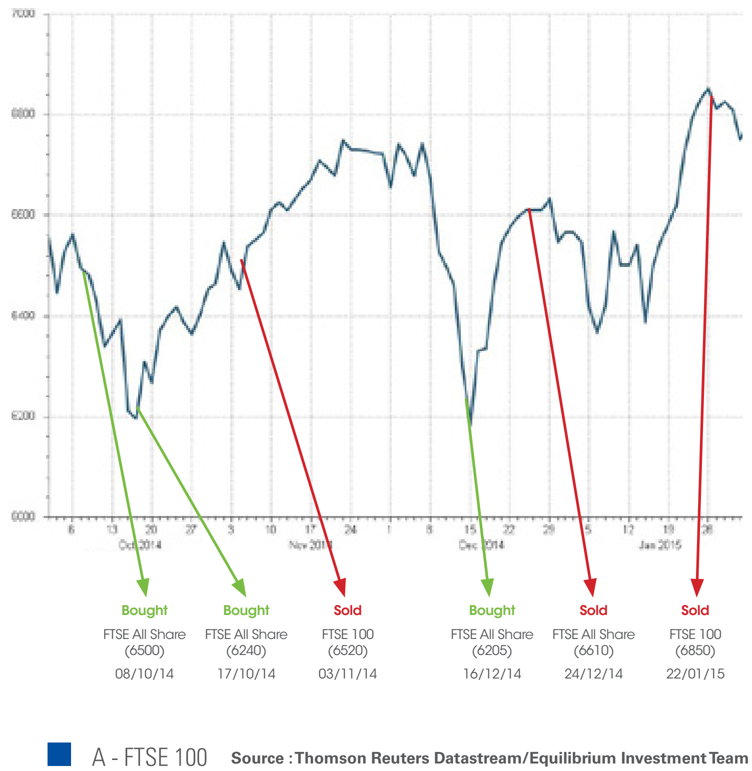
Over the past year, our asset allocation has been relatively stable. We have changed little with the exception of our volatility trading.

As equity markets have dipped, we have typically topped up equity, then sold again when stock markets recovered. The chart below shows the movement of the FTSE 100 for the period between 1 October and 2 February and the trades we carried out.

On each of these trades, we made a profit, which added significant value to client portfolios.

After concluding the final volatility trade, we invested some funds back into alternative equity, which we had previously taken funds from in order to trade.

The only other changes include a small reduction to fixed interest in January in favour of more property. Plus, we have had two defined return products 'kick out', one of which we reinvested into a new product.



Source : Thomson Reuters Datastream/Equilibrium Investment Team

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Currently, almost half of our funds are beating their benchmarks by more than 25%.

Change	Portfolio Weighting	Added Value	Contribution to Return
HSBC FTSE All Share Tracker to Tactical Cash	5%	-1.55%	-0.08%
Investec UK Special Sits to Royal London UK Equity Income	3%	-0.89%	-0.02%
M&G Inflation Linked Bond to M&G Property	3%	0.49%	0.02%
HSBC FTSE 100 Tracker to Tactical Cash	3%	-3.98%	-0.12%
Tactical Cash to HSBC FTSE 100 Tracker	3%	5.82%	0.17%
Cash from Barclays kickout to new Barclays Defined Returns	3%	1.05%	0.03%
HSBC FTSE 100 Tracker to Tactical Cash	3%	5.85%	0.18%
Tactical Cash to HSBC FTSE 100 Tracker	3%	3.99%	0.12%
Invesco GTR and Old Mutual GEAR to Tactical Cash	3%	0.88%	0.03%
Tactical Cash to HSBC FTSE All Share Tracker	5%	6.13%	0.31%
HSBC All Share Tracker to GTR and GEAR	4%	7.40%	0.30%
M&G Recovery to CF Miton UK Value Opps & Artemis SS Special Situations	3%	13.94%	0.35%
DBX China ETF to Invesco Perpetual Hong Kong and China	2%	-18.08%	-0.34%
			0.94%

The table above shows all the changes made to portfolios over the past year, their approximate weighting for a balanced portfolio and the added value or otherwise from that change - in other words, whether the new or the old investment performed better:

The changes we made added just under 1% to returns. Of this, around 0.6% came from the volatility trading - the purchases and sales of the HSBC funds detailed above. This illustrates why we believe asset allocation is the most important aspect of managing portfolios. We can usually add much more value making asset allocation changes than we can swapping funds within an asset class.

We have actually changed very few individual funds over the year, swapping one Chinese fund for another, and selling two UK funds in favour of others.

We also sold a fixed interest fund in its entirety when we reduced our weighting to this asset class, and added a new property fund as we increased property holdings. Other than that, fund selection within each asset class has remained stable.

We are generally comfortable with the funds we use. There are always one or two under review and they do not all perform well at the same times. However, if we look at all the funds we hold in portfolios, 88% of them are either outperforming or roughly equal to their benchmarks - defined as within 10% either direction - since they were added to portfolios.

Currently, almost half (46%) of our funds are beating their benchmarks by more than 25%. Only four of 26 funds are more than 10% behind their benchmarks since their purchase date.

We will not get all decisions right. Our aim is simply to get more right than wrong and, more importantly, make more profit on the right calls than we lose on the incorrect ones. If we can do that consistently, portfolios will do well as a result.

Sector Performance & Analysis

We group funds together into the following sector portfolios and combine these in different ways to make up the various overall portfolios. All clients will have some exposure to these sectors but the amounts will differ depending on their risk profile.

UK Equities

The FTSE 100 jumping above 7,000 is great news for portfolios and in particular the UK index trackers held within them.

However, it has been a more difficult few months for actively managed UK funds, as they have struggled to keep pace. For example, our UK Conservative Equity portfolio has returned 3.93% over 12 months compared to the FTSE tracker we use, which returned 5.97%. We expect this in a rising market. As the name implies, this portfolio tends to be more conservative and is designed to outperform in tougher markets.

Our more aggressive UK Dynamic portfolio normally outperforms in rising markets. It has a bias towards smaller companies, which tend to do better in the long run, although there is more risk. However, over the past year smaller companies have underperformed large ones. This means UK Dynamic has been disappointing, returning only 1.2% over 12 months.

Over the longer term, both portfolios are well ahead of the FTSE 100. For example, over three years the portfolios returned 47.7% (UK Conservative) and 43.6% (UK Dynamic) relative to our UK All Companies portfolio (FTSE tracker) which returned 37.5%.

Global Established

One of the recent success stories has been our weighting towards Japan, as that market has done extremely well since the turn of the year.

We have had lower exposure than usual to both US and Europe to accommodate this. For some time, the US has been the leading market but has slowed recently. Meanwhile, Europe has lagged despite a recent QE-fuelled rally.

Over 12 months, our two Japan funds have returned 26.4% and 27.3% respectively. These outperformed our US fund, which produced a 25.6% return, and European fund which returned 6.7% over the same period.

Each of our funds also bears up well against its respective benchmark, meaning the portfolio as a whole continued to do well. Over 12 months, the portfolio returned 21.4% relative to the benchmark (40% UT North America, 40% UT Europe ex UK, 20% UT Japan) which returned 15.7%.

The table below shows how well our funds in this area have done over all periods. Apart from the Baillie Gifford Japanese fund, which we bought last year after we increased our Japanese weighting, all these funds have been in the portfolio for more than five years.

	6 Months %	1 Year %	3 Years %	5 Years %
Equilibrium Global Established Portfolio	18.43	21.44	58.88	64.47
Global Est. Benchmark	14.46	15.72	57.83	63.61
BlackRock European Dynamic	16.84	6.77	65.85	77.57
Sector : UT Europe Excluding UK	13.64	8.91	51.74	47.25
Baillie Gifford Japanese	22.46	26.41	72.73	73.57
Schroder Tokyo A	18.68	27.39	44.17	47.49
Sector : UT Japan	18.58	24.31	44.48	38.28
Vanguard US Equity Index	15.72	25.6	66.72	94.9
Sector : UT North America	14.44	22.21	59.18	80.16

Global Speculative

Global Speculative - our portfolio that invests in emerging markets - has been our second best performing equity sector after Global Established over the past year.

The portfolio returned 18.5% over 12 months compared to the UT Global Emerging Markets sector, which returned 12%. All three funds in the portfolio beat the sector over this period.

Within this portfolio, we have a bias towards Asian and especially Chinese stocks. These areas have done much better than other emerging markets such as Russia and Brazil, which have had various issues.

We are pleased with our decision to invest in China, but we have been slightly frustrated that our Chinese position has not added even more value. Shares in mainland China have shown phenomenal growth of late, with the Shanghai Composite Index returning 108.4% in a year.

Unfortunately, it is very difficult to buy mainland China shares as the Chinese government operates a strict quota system for foreign investors, and most funds invest mainly via Hong Kong. This means our Chinese fund - the Invesco Perpetual Hong Kong & China fund - has returned 'only' 20.3% over the same period.

However, Hong Kong listed Chinese companies currently look more attractive than Chinese listed stocks, so we hope our fund might catch up.

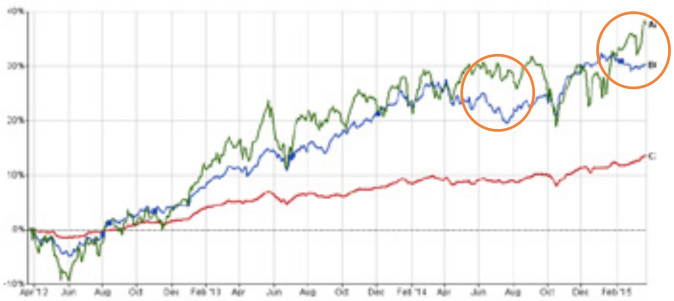
Alternative Equity

Alternative equity has had a mixed period. The aim of the portfolio is to provide returns over the long term that are similar to equity but with much greater protection in falling markets.

The funds typically badge themselves as 'absolute return', although we prefer not to use the term. They can often make money from many different strategies, including from stocks going down as well as going up.

The aim of the portfolio is to add diversification as well as returns. That means it should perform well at different times to the equity portfolios. Given that, it has underperformed recently when markets have been strong.

The chart below shows the performance of our alternative equity portfolio over three years. As you can see, it has been successful over this period in achieving both objectives, returning not far below the FTSE Allshare but with much less volatility. I have also included the UT Targeted Absolute Return sector for comparison.



Source : 23/03/2012 - 25/03/2015 Data from FE 2015

- A - FTSE All Share (37.72%)
- B - Equilibrium Alternative Equity (30.23%)
- C - UT Targeted Absolute Return (13.54%)

There are two notable periods when the market has gone up strongly and alternative equity has dipped. These are circled on the chart - the first is April last year and the second is in the past two months. Overall, this has meant that the portfolio is up only 2.5% over a year compared to the FTSE All Share at 6.04%.

Being optimists, we prefer to think that this shorter-term blip is evidence of the portfolio achieving the other main objective – diversification. More seriously, we hope that were equities to dip back, the opposite may happen and alternative equity should protect value or even benefit from a dip.

Fixed Interest

Gilts and corporate bonds have done well over the past 12 months with the 10-year gilt yield reaching record lows. It now stands at around 1.5% a year.

We believe the next interest rate move will be an increase. This could have a negative effect on gilts and corporate bonds, so we have positioned our portfolio very defensively in terms of its interest rate risk. As a result, our portfolio has returned only 4% over 12 months whereas the benchmark, the UT Sterling Corporate Bond sector has returned 10.8%. The FTSE Allstocks Gilt Index returned an astonishing 13.3%.

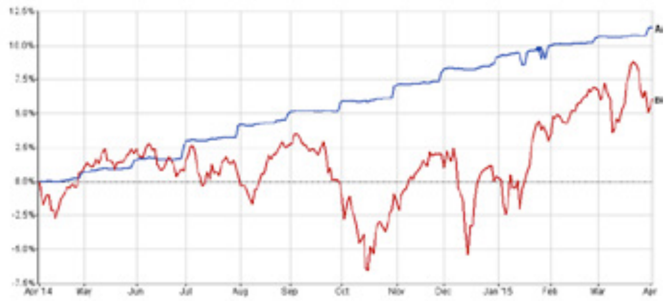
We have held much less fixed interest than usual in portfolios, preferring property instead. While we acknowledge the returns we could have obtained from gilts, now is not the time to change our approach and we remain very cautious

Property

Property has had a very good 12 months and remains one of our favoured asset classes.

Over the past year, our property portfolio has returned 11.3%. This was marginally above our benchmark, which returned 11.1%. Our benchmark is a composite of all the eligible funds in the UT Property sector, excluding those that invest in property shares. After recent mergers and closures, there are only nine funds in our benchmark sector. Given our current high weighting to property and our desire to diversify to reduce risk, six of those funds are in our portfolio.

One of the benefits of property is that events in the equity markets do not affect it generally. The chart below shows our property portfolio compared to the FTSE Allshare over 12 months. While both have made good returns, you can see that property continued to go up even during the period in the autumn last year when equity markets dipped substantially.



Source : 04/04/2014 - 02/04/2015 Data from FE 2015

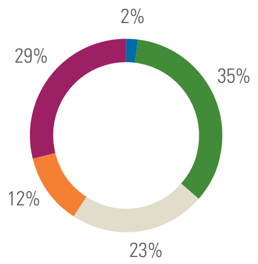
- A - Equilibrium Property Portfolio (11.32%)
- B - FTSE All Share (6.04%)

We could see property continue to perform well, although it will probably be slightly slower this year than it was in 2014.

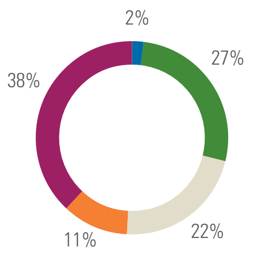
Model Portfolio Returns

Whilst in the shorter term, our cautious and balanced portfolios are slightly behind the relevant mixed asset sector, it is pleasing to note that they are generally well ahead of both the average managed fund and average discretionary manager over the longer term.

Strategic Asset Allocation

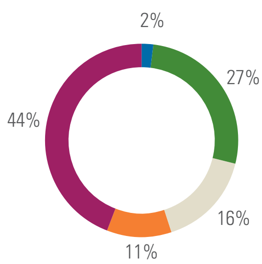


Cautious Model	6 Months %	1 Year %	3 Years %	5 Years %	Since Launch* %
Cautious Portfolio	5.62	6.91	26.92	34.24	47.27
Mixed Asset 20-60% Shares Sector	7.11	8.63	24.41	31.92	34.89
ARC Sterling Cautious PCI	n/a	n/a	15.47	22.51	30.17



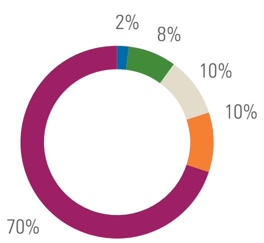
Balanced Model

Balanced Portfolio	6.77	8.17	29.01	35.72	47.98
Mixed Asset 20-60% Shares Sector	7.11	8.63	24.41	31.92	34.89
ARC Sterling Balanced PCI	n/a	n/a	22.45	30.92	34.51



Adventurous Model

Adventurous Portfolio	7.61	9.32	28.82	34.87	46.33
Mixed Asset 20-60% Shares Sector	7.11	8.63	24.41	31.92	34.89
ARC Sterling Balanced PCI	n/a	n/a	22.45	30.92	34.51



Speculative Portfolio

Speculative Portfolio	9.51	11.14	32.62	37.38	55.68
Mixed Asset 40-85% Shares Sector	9.08	10.29	30.12	37.75	57.27
ARC Sterling Steady Growth PCI	n/a	n/a	27.72	37.14	53.7

- Cash
- Fixed Interest
- Property
- Alternative Equity
- Equity

Six month and one year returns compared to ARC are shown in the table below. These are given to 31 March 2015:

	6 Months %	1 Year %
Cautious Portfolio	4.59	6.31
ARC Sterling Cautious PCI	4.24	5.89
Balanced Portfolio	5.62	7.39
ARC Sterling Balanced PCI	5.85	7.78
Adventurous Portfolio	6.35	8.46
ARC Sterling Balanced PCI	5.85	7.78
Speculative Portfolio	7.80	9.93
ARC Sterling Steady Growth PCI	7.27	9.28

* Launch date 1 January 2008 except Speculative Model AA 10 launched 1 September 2009.

All data to 2 April 2015 except ARC indices are to 31 March 2015 as they are published monthly. ARC figures not given for six month and one year periods as different reporting dates distorts performance.

Figures are highlighted in green where they are in excess of the relevant 'Mixed Asset' sector.

Sector Portfolio Returns

	6 Months %	1 Year %	3 Years %	5 Years %	Since Launch* %
Equity Portfolios					
UK Conservative Equity	8.27	5.33	47.76	64.11	53.46
UT UK Equity Income Sector	10.43	9.19	46.97	61.68	50.78
UK All Companies	8.67	7.82	37.51	49.16	43.63
UK Dynamic	6.63	3.25	43.64	55.16	50.30
UT UK All Companies Sector	9.91	7.08	42.91	55.56	47.46
Global Established	20.13	25.13	58.88	66.37	69.49
Global Established Benchmark **	17.06	19.09	57.83	65.61	66.46
Global Speculative	12.24	18.78	17.43	9.18	20.60
UT Global Emerging Mkts Sector	6.63	11.98	9.92	10.01	20.72
Cautious Equity Mix	11.22	11.15	42.82	53.62	48.82
Cautious Equity Benchmark ***	11.37	10.76	43.66	53.94	47.67
Balanced Equity Mix	12.53	13.34	44.06	51.00	49.94
Balanced Equity Benchmark ***	12.80	12.95	45.34	53.69	50.09
Adventurous Equity Mix	12.98	14.90	41.14	45.61	48.07
Adventurous Equity Benchmark***	12.55	13.17	41.52	48.18	47.28
Alternative Equity	5.39	4.27	32.38	46.37	53.88
UT Mixed Asset 20-60% Shares	7.11	8.63	24.41	31.92	34.89
Fixed Interest Portfolio	2.86	4.02	22.39	35.20	55.71
UT Sterling Corp Bond Sector	5.83	10.45	24.31	38.97	47.54
Property Portfolio	5.11	11.33	21.65	29.27	42.38
Composite Property Benchmark ****	4.69	11.29	19.64	27.01	44.40

* Launch date 1 January 2008 except Property Portfolio 1 July 2009.

** Global Established Benchmark is 40% UT North America, 40% UT Europe Ex UK, 20% Japan

*** Cautious, Balanced and Adventurous Equity benchmarks are an appropriate composite of the benchmark for each component of that equity mix

**** Composite Property Benchmark is an equal weighting of all eligible funds in the UT Property Sector. Property portfolio switched to cash 15 June 2012 to 11 April 2013 as we did not hold property funds in this period.

Market Returns

	6 Months %	1 Year %	3 Years %	5 Years %
Equity Markets				
FTSE 100 Index (UK)	7.21	7.41	33.19	42.88
FTSE Allshare Index (UK)	8.68	7.89	37.81	49.43
FTSE 250 Index (UK Mid Cap)	16.78	10.75	64.60	90.15
MSCI Europe Ex UK Index	16.46	9.51	54.17	42.24
S&P 500 Index (USA)	14.61	27.84	65.02	92.80
Topix (Japan)	21.43	30.67	47.77	40.98
MSCI Emerging Markets Index	8.69	13.70	10.42	11.49
Fixed Interest				
IBOXX Sterling Corporate Bond Index	6.55	12.66	31.69	50.14
UT Sterling Corporate Bond Sector	5.83	10.45	24.31	38.97
FTSE British Government Allstocks (Gilt) Index	7.14	13.44	16.44	41.23
UT Gilt Sector	8.25	14.75	16.85	40.97
UT Sterling High Yield Sector	2.11	2.15	22.53	35.78
Property				
IPD UK All Property Index	6.17	16.80	36.51	61.16
Composite Property Benchmark*	4.69	11.29	19.64	27.01
Other Measures				
Bank of England Base Rate	0.24	0.49	1.50	2.52
RPI Inflation	-0.35	0.75	6.60	16.31

* Property benchmark is a composite of all eligible funds in the UT Property sector.

Risk Warnings and Notes

Past performance is never a guide to future performance. Investments may (will) fall as well as rise.

Any performance targets shown are what we believe are realistic long-term returns. They are never guaranteed.

None of the information in this document constitutes a recommendation. Please contact your adviser before taking any action.

Unless stated otherwise:

- All performance statistics are from Financial Express Analytics on a bid-bid basis with income reinvested.
- All performance data is to 2 April 2015.
- Model portfolio performance is stated after a 1.5% Equilibrium fee and a 0.35% platform charge, but with the discounts we receive from fund managers factored in.
- Your own performance may vary from the model due to dividend pay dates, transaction dates, contributions and withdrawals.
- Actual performance may also differ slightly due to constraints over how we can reflect fees and discounts from fund managers. These are assumed not to change over the whole investment period. In reality, discount levels change as we change the funds in which we invest.
- Individual sector portfolios are shown with no charges taken off or fund manager discounts applied.

For details of your own portfolio performance, please refer to your half-yearly statement from the wrap platform on which you are invested. We will also provide personalised performance information at your regular reviews.

Ideal Funds

Below are the funds currently in our different portfolios and the charges that apply to each fund.

Portfolio	Fund name	Initial Charge %	Annual Management Charge %	Total Expense Ratio %
Fixed Interest	Invesco Tactical Bond	0	0.815	0.815
	Jupiter Strategic Bond	0	0.630	0.870
	TwentyFour Dynamic Bond	0	0.750	0.850
Property	Aviva Property	0	0.620	0.750
	Henderson UK Property	0	0.750	0.870
	Ignis UK Property	0	0.750	0.770
	M&G Property Portfolio	0	0.750	1.220
	Standard Life UK Property	0	0.850	1.000
	Aberdeen Property Trust	0	0.675	0.795
Alternative Equity	Odey Absolute Return	0	0.750	0.930
	Invesco GTR	0	0.870	0.870
	Old Mutual GEAR	0	0.750	0.980
Equity - UK Conservative Equity	Royal London UK Equity Income	0	0.620	0.670
	Miton UK Multi Cap Income	0	0.750	0.890
	Vanguard FTSE UK Equity Income Index	0.4	0.220	0.220
Equity - UK All Companies	Vanguard FTSE All Share Index	0.2	0.080	0.080
Equity - UK Dynamic	Artemis UK Special Sits	0	0.750	0.810
	Miton UK Value Opportunities	0	0.750	1.120
	Marlborough Special Sits	0	0.750	0.800
Equity - Global Established	Baillie Gifford Japanese Co.	0	0.650	0.700
	BlackRock European Dynamic	0	0.750	0.930
	Schroder Tokyo	0	0.750	0.920
	Vanguard US Equity Index	0	0.100	0.100
Equity - Global Speculative	Invesco Hong Kong and China	0	0.940	0.940
	Schroder Asian Alpha	0	0.750	0.940
	Vanguard Emerging Markets Index	0	0.270	0.270

These are the funds in our standard portfolios at 2 April 2015. These will change periodically and have not all been held throughout the period covered by this document.

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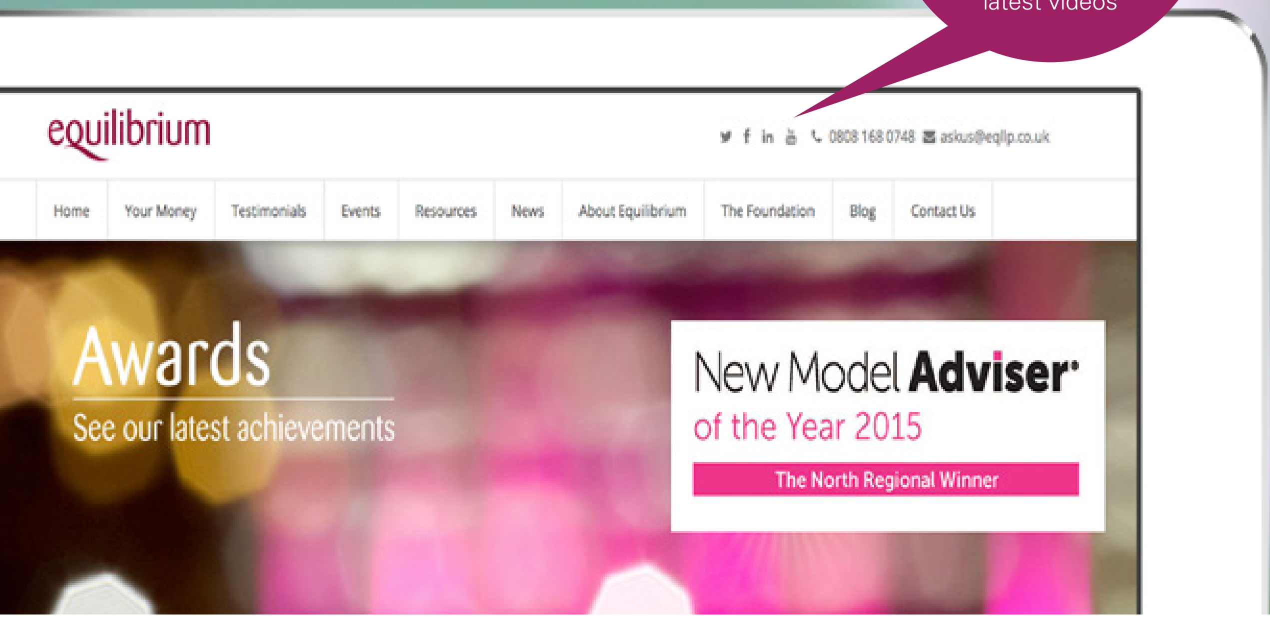

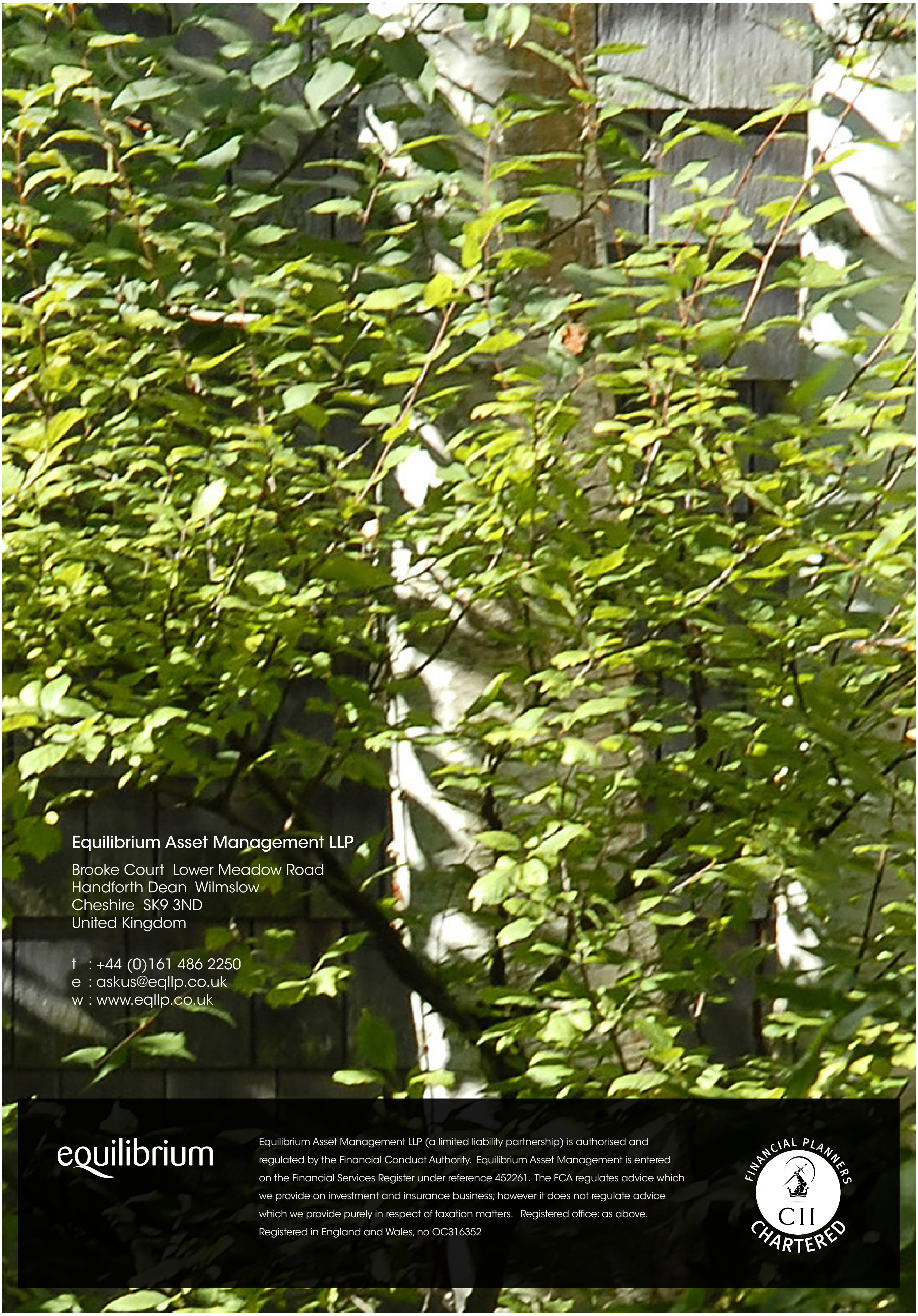

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