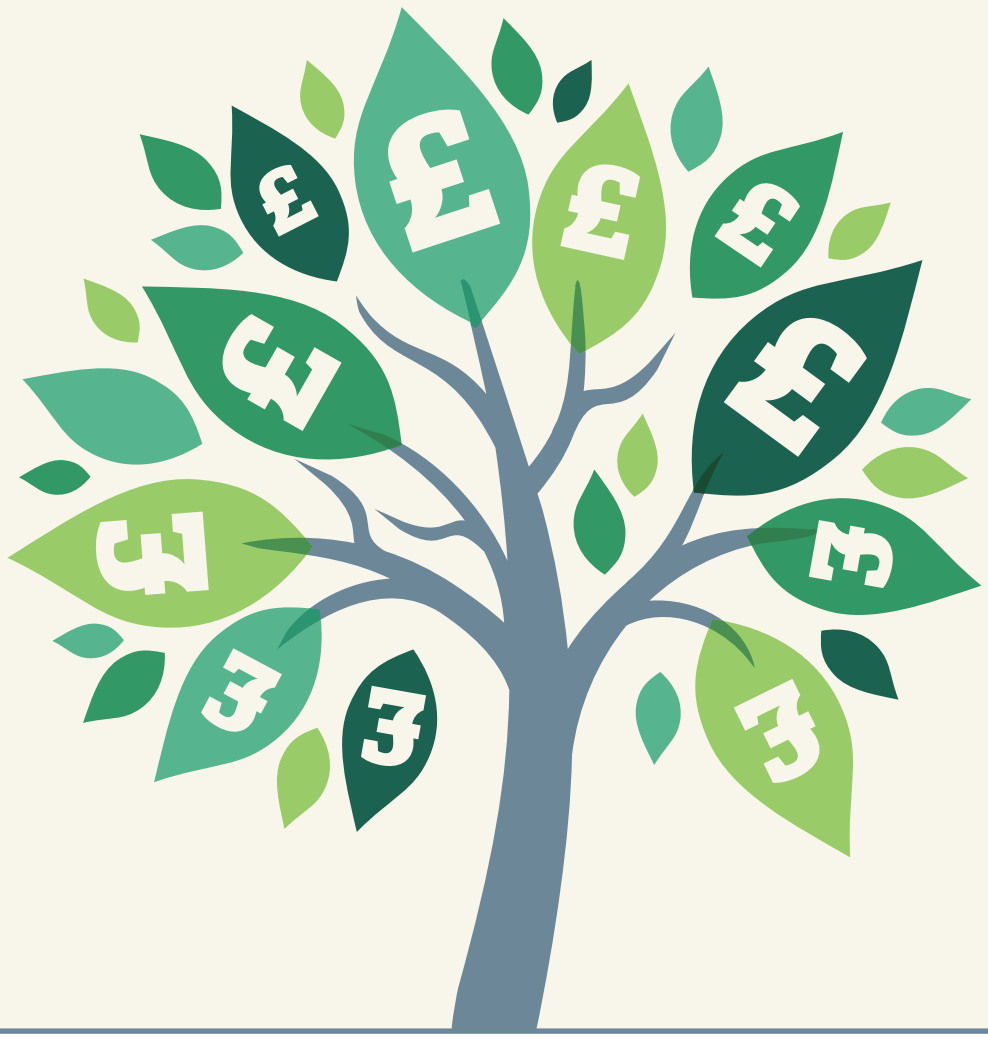
NewStatesman

Spring investment special

ECONOMIC OUTLOOK PENSIONS PROPERTY STOCKS THE BREXIT



ASTON LOVELL

Fine wine at the touch of a button

Buying and selling fine wine has never been easier or more cost effective, explains Bruce Aston of Aston Lovell Ltd

When considering fine wine as an addition to your investment portfolio, there are many positive aspects of the market that are tempting. There are numerous examples of wines that have made substantial gains for investors. Take the Lafite Rothschild 2008 for example, which was released onto the market in the spring of 2009 at less than £2,000 for a case of 12 bottles, and rose in value to over £15,000 by the spring of 2011. There are countless other examples.

The very best fine wines have always been a stable and, in the main, profitable investment. Yet balancing out the potential gains are also negative factors inherent to the market, which may make investors think twice before dipping their toe in the water. These include the large margins that merchants add to their wines before selling to investors and consumers (as high as 40 per cent), the huge fees (typically between 15–25 per cent) that specialist brokerages charge, the lack of an immediate exit route, the perception that the market is perhaps somewhat opaque.

With the incorporation in 2006 of Aston Lovell, we aimed to change this perception by putting into place systems that would make the buying and selling of fine wine safe, transparent, cost-effective and efficient. Now, almost a decade later, we believe that we offer investors and consumers by far the most satisfactory method of buying and selling fine wine that is available in the market place.

Liv-ex is the fine wine market's equivalent of the stock exchange

Our fine-wine platform works hand-in-hand with the London International Vintners Exchange (Liv-ex) which is the fine wine market's equivalent of the stock exchange. It is the only platform in the market that allows private investors and consumers to buy and sell wines on the exchange, which is otherwise only directly available to the trade.

There are many advantages to this system: our clients are able to buy wines at trade prices; in other words the same prices at which the merchants purchase their stock. That is because the exchange is where the merchants buy their wines before adding their margin and selling on to the public.

Our clients enjoy all the benefits of a fully interactive online portfolio, which gives them a plethora of information, from the current values of their wines, to performance charts, to streaming news and more. And they have access to the Fine Wine Platform, which displays the bids and offers on 7,000 wines live on the exchange.

Of course, when buying any commodity, it is extremely important to know that you can sell when the time is right. With the Fine Wine Platform, when you want out, you simply hit the SELL button, and it's done.

Our clients benefit from all of this, and they also pay some of the lowest fees available anywhere in the market. When purchasing fine wine our clients pay a fee of only 6 per cent – which means that when compared to buying from a merchant or broker, the potential savings could be as much as 30–40 per cent.

If you would like to find out more, just visit www.astonlovell.com or call us on 020 8858 9990

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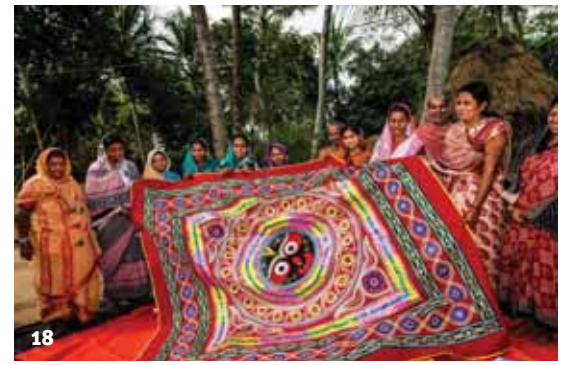
Monetary policy and the economic outlook



Investing capital for social good

The search for stability

It is difficult in times of economic uncertainty to prepare financially for the future.

With the general election, a possible "Brexit" and the eurozone crisis all in view, this instability is amplified. We are living through a period of "shifts and shocks", as Martin Wolf has termed it. Yet in a world that changes fast, investing for stability is vital.

This supplement brings experts together to reveal major developments in consumer investments to keep an eye on in the coming months. And it is not all doom and gloom. We are entering "a new era of flexibility and choice" in how we take our pensions, says pensions expert Ros Altmann (p 12), although understanding the risks is critical.

Meanwhile, "the British love affair with property continues", writes Andrew Power (p 9), and – with models such as peer-to-peer lending and crowdfunding increasing in popularity – opportunities to invest in property are more diverse than one might think.

And with consumers increasingly concerned with where and how their money is spent, social-investment funds and ethical banking (p 18) are a growing market, writes Phil Caroe.

Whatever your investment strategy for the coming year, this guide offers ideas and principles that readers can use to guide their thinking.

Articles express the views of the writers and are not intended to be advice. The writers may or may not have an interest in all or any of the investments mentioned. l

This supplement, and other policy reports, can be downloaded from the NS website at newstatesman.com/page/supplements

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COVER: STASSJA MROZINSKI

The post-election economic outlook

By Greg Opie

Economic challenges will face whatever government is formed after the election. What can be done to improve performance?

The election in May is the most interesting one in decades. Not only is the winner unclear, but it also looks increasingly unlikely that either of the main parties will win a majority. We may see another coalition, or the single biggest party might try to form a minority government, but either way election promises are going to be diluted by the realities of politics. Economic policies in the next parliament are therefore hard to predict, but there are a number of economic certainties that the next government will have to face, whatever party or parties take part in it.

The blasted budget

The first is that high levels of government debt will constrain any government's options. The budget deficit has been a key issue since the financial crisis, and even after the programme of austerity we've seen so far, public sector net borrowing remains at 5.7 per cent of national GDP. Economist Paul Krugman recently argued that the UK media is making too much of the deficit, and in a sense I agree with him. But whether you support or oppose budget cuts on political grounds, high debt levels remain an economic burden that can't be ignored. Even at record low interest rates, annual interest payments by the government are forecast to be £46bn this year. Reducing the debt ultimately means more money is available to be spent elsewhere.

Despite his talk of a "long term economic plan", George Osborne's real strength has been in his willingness to quietly change that plan to fit the circumstances. His initial promise of eliminating the deficit by 2015 didn't happen because spending cuts slowed down as the UK economy looked like it might slip into a double-dip recession. While this was probably the right call at the time, it means that whoever is in charge of the Treasury in the next parliament is going to have to continue the deficit reduction programme.

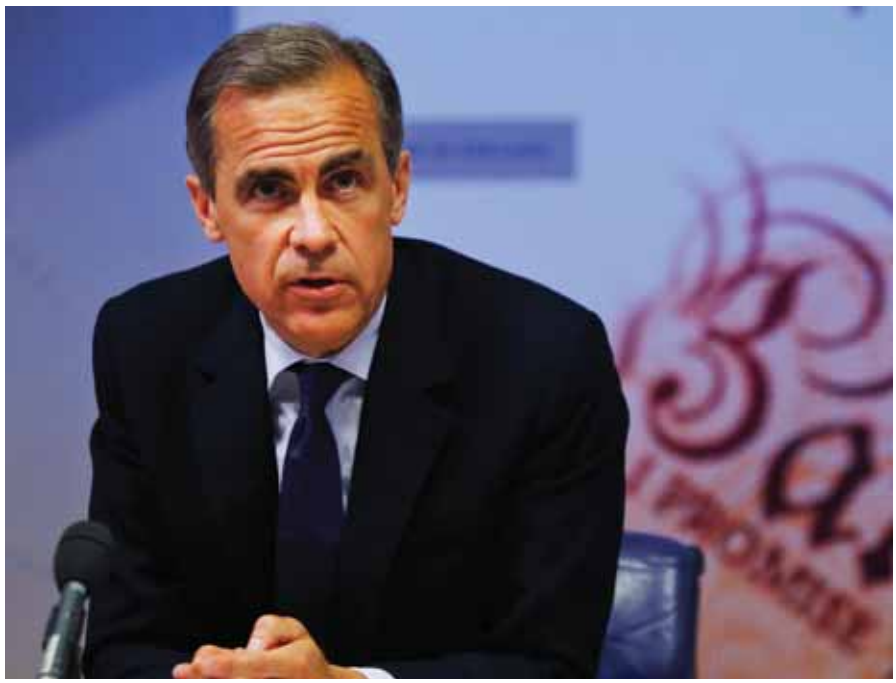
In practice, that means either cutting spending (not an easy task given that most of the obvious cuts and efficiency gains have already been made) or raising revenue (also not as simple as it sounds, with recent levels of low pay leading to disappointing tax receipts). Neither will be easy or popular, and will severely restrict policy options while also placing a strain on the economic growth we've seen over the past year or two.

Productivity plummeting

One of the reasons why the deficit has remained such a problem is that consistently low productivity results in lower-than-expected government tax receipts.

The "productivity problem" is probably the biggest challenge facing the UK economy right now, and there is no sign that it won't continue to be an issue for the next government. Put simply, the current problem with the UK economy is that each worker is not as efficient as they should be (or have been in the past). In 2013, the UK was 17 per centage points less productive per hour than the G7 average, and 31 per centage points less productive than the US. This is one of the reasons why nominal wage growth has been lower than it was before the financial crisis – employers can't afford to pay less productive workers as much money – and hence why tax revenues have disappointed.

Low productivity isn't all bad news, though. It is closely tied to the relatively low unemployment rate that the UK has experienced in the post-crisis period (at least, relatively low compared to what we might have expected from such a severe recession). The theory goes that instead of firing workers when demand dried up, companies kept them on in anticipation of the recovery, even if there weren't really jobs for them to do. But if the next government really wants to get the UK growing strongly (especially as the unemployment rate bottoms out), they'll need to deal with this issue by encouraging businesses to invest more in making their employees more productive.



Mark Carney, Governor of the Bank of England, where the base rate has been at 0.5% for six years

GETTY IMAGES

Europe troubles

Deficit reduction and the productivity problem might be the two biggest direct economic challenges the next government will face, but there are also a couple of external challenges too.

The first is Europe. The rest of the European Union represents roughly half of our total exports. This is hardly surprising; as our nearest neighbours, it makes sense that the eurozone economies would be our main trading partners. However, it means that our economic fate is bound tightly to that of the rest of the EU. This was most obvious back in 2012, when a severe slowdown in the eurozone, coupled with the threat of their currency collapsing, led to the UK almost entering a double-dip recession. The threat of a euro break-up seems to resurface frequently, but with the recent Greek elections result rejecting the principles of fiscal austerity, and a Spanish election coming up that may go a similar way, fears of a currency collapse (and subsequent economic catastrophe) are once again making headlines. There are some initial signs that the eurozone economy is starting to pick up, but despite the €1 trillion of quantitative easing set in motion by the European Central Bank, the prospects for our main trading partners are bleak.

There is not much that any government can do about this problem, and leaving the EU is unlikely to make a difference. After all, it isn't the political chains that bind the UK to the continent that threaten to pull us under with them, but the economic ones. The only policy that might weaken this bond is to make a concerted effort to diversify our export market, which is never a bad idea but would be a long process and not one that will have much effect before 2020.

Financial uncertainty in Europe could be positive for the UK though, as European investors may be searching for safer destinations for their money. If the next government can convince them we are the safe haven they are looking for, it would lead to much needed business investment and a continuation of low borrowing costs for the government (both of which would address the challenges laid out above).

> In 2013 the UK was 31 percentage points less productive than the US

However, any political party hoping that the UK will experience serious export-led growth over the next five years is deluding itself. To keep the UK on track for another few years of reasonable growth, the domestic market will have to lead the way.

Monetary policy

The second external theme that will underpin the economic situation facing the next government is monetary policy. The Bank of England's official base rate has been at a record low of 0.5 per cent for six years now, and there has been a lot of speculation about when they might raise it. Not so long ago it was thought that it might come before this election, but very low inflation rates (driven by the low oil and food prices since last summer) have made raising the rate very difficult for the Monetary Policy Committee.

At the Economic Research Council's "Clash of the Titans" forecasting competition in December, 60 per cent of forecasters thought the rate would rise before October 2015. That is now looking less likely, but the financial markets expect that the rate will rise within a year of the election.

When interest rates eventually do rise (as they doubtless will at some point this parliament), this will have a range of knock-on effects. The primary one is that if commercial interest rates move in line with the base rate, savings may increase, depressing consumer spending. This would put a dampener on economic growth, and in the extreme case could push the economy back into recession.

Finally, low inflation has eased the "cost of living crisis" narrative in the past six months, but prices will start to rise faster after the summer when the oil price recovers and previous discounts are no longer included in the yearly inflation figures. The small increases in real wages we've seen so far have been due to low inflation rather than high nominal pay, and as prices begin to rise the next government will find itself under pressure to do something about wages.

There will undoubtedly be other economic challenges facing whoever wins the election in May, but in my opinion these five will define the early part of their time in office.

Nothing can be done about problems in the eurozone, so finding a way to boost productivity should be the priority; this will help cut the deficit without the need for any difficult decisions and at the same time provide a lift to growth and earnings in the face of rising inflation and interest rates. ●

Greg Opie is programme director and editor at the Economic Research Council

BURLINGTON PARTNERS

"Specialising off-market is what gives us our niche"

David Silver
Partner

Adam Velleman
Partner

George Collins
Investment Surveyor

Since forming in early 2012, Burlington Partners has become one of the leading boutique commercial property investment advisers in central London, and has transacted in excess of £300m on behalf of its clients. Co-founders David Silver and Adam Vellemen share the inside story.

What's the story behind Burlington Partners?

We had respectively been immersed in the property world from an early age, working for a variety of niche practices that included residential developers, City fringe commercial specialists and central London investment practices. This provided us with a very strong and valuable platform to create a young, dynamic and bespoke investment and development advisory service.

How does your "boutique" service differ from that of larger advisers?

Our personal approach is what defines us. Consequently, this has helped us cultivate some extremely close and trusting relationships with our clients. These relationships enable us to transact 90 per cent of our deals off-market, saving clients the hassle of embarking upon an exhaustive marketing campaign.

A recent example of this was an off-market portfolio in Clerkenwell that we acquired for £25m. People come to us because we're off-market specialists, and because of the special network of relationship we've built up around London.

What are most of your clients looking for when they come to you?

We represent private investors, property companies and institutional investors. Our clients are looking for an enduring service and a real understanding of their requirements, which means really getting to know the personalities involved.

We believe that while it is important to maintain a professional approach, it can and should be an enjoyable and personable experience.

> "We source opportunities people are genuinely excited about"

What is the process of sourcing a property opportunity?

Similar to stocks and shares, investing in successful property-related opportunities relies on trends. We are constantly looking at emerging areas. These are often defined by an exciting new occupier for instance, that suddenly resonates with people to create a real statement.

Infrastructure, transport links, retail, new homes and office developments all influence our sourcing of deals. It could be something you hear through the news or word of mouth, that encourages you to start exploring a certain area. We have acquired an instinct of what catalysts create exciting environments.

Is property investment only for the super-wealthy?

What we find is that ideas and opportunities can be born out of the most obscure places. We often find the most successful investors are not necessarily the ones with the greatest access to money, but the ones who are the most passionate; those who strive to create the most desirable working and living environments. Once you establish this, there are plenty of super wealthy people/practices that will invest in these ideas, concepts and ultimately properties.

A perfect case study is a client of ours, who now has a significant portfolio. He started out as a postman walking the streets, noticing interesting looking buildings in quirky areas. He used his personality and persistence in order to gradually become a real success story.

What areas of London should we be keeping an eye on?

We have worked in areas not traditionally considered strong, desirable and established, such as Southwark, Kings Cross and Clerkenwell. We find it is often the case that markets are created by occupiers (be it a gallery, fashion house, advertising company or global institution) making a bold move into an "unknown" territory, which suddenly puts them on the map. For these reasons, areas such as Vauxhall, Bow, Abbey Wood and Whitechapel are a few locations to keep a close eye on!

Website: www.burlingtonpartners.com
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The Brexit and investments

By Bill Robinson

It might save money now, but leaving the EU could have consequences for businesses and share prices

If the Conservatives win the coming election, there will be a referendum on whether the UK should leave the European Union (EU). Some polls put nearly half in favour of exit, probably because, first, it would save the £11.3bn contribution to the community budget, an average cost of £180 per household (which is more than the £145 BBC licence fee); and second, it would allegedly free business from tiresome Brussels regulation; and third, it would give us back the power to stop immigration from the EU. The possibility of Brexit is all too real.

The benefits of EU membership are considerable, but much harder to quantify than the costs. Ironically, although the EU is often portrayed as an institution that limits the freedom of British businesses, what lies at the heart of the EU project is the four freedoms: the free movement of goods, services, labour and capital.

Free movement of goods and services means the UK is part of a single market covering 28 countries and over 500 million people. Academic studies suggest these benefits are worth, on balance, some 2-3 per cent of GDP – enough to pay the membership fee five times over. But there is no certainty here. Some studies suggest a negative impact of 4 per cent. Others a gain of 5 per cent.

Supporters of Brexit assume the UK can continue to enjoy these benefits after leaving the club. But can it? The all-important exit terms will be decided, in our absence, by the remaining members who might be quite angry at our departure. It is this (considerable) uncertainty that spooks business: what will happen to the four freedoms?

Can we leave the club and keep the benefits?

SHUTTERSTOCK

Probably the most important consequence of Brexit would be on the movement of capital. Britain is attractive to foreign investors because it offers tariff-free access, under a single regulatory regime, to the huge EU market. In the boom, annual inflows of foreign direct investment rose to over £80bn, of which over £60bn came from the EU. The annual inflows today are only half that level, but there is still a lot of money at risk.

These inflows come mainly from large international companies based in the UK expressly to serve the entire EU market, which they can do by complying with a single set of regulatory standards. This is the positive aspect of "Brussels red tape". Goldman Sachs and Nissan have already gone public with their concerns that Brexit would deny them access to the EU market. The solution – relocation – would mean a loss of investment and jobs in the UK.

The alleged offsetting gains – freedom from irksome regulations – are a mirage, because not all regulations come from the EU. The UK has been a leader, not an EU follower, in environmental regulation, signing up early to UN-driven global agreements. Banking regulations are driven by the G20 and originate in Basel, not Brussels. And those regulations that did come from Brussels are now part of UK law. They will not disappear overnight if we leave.

So Brexit could damage Britain's economy. But, make no mistake, the impact on markets, and investors, would be very different from Grexit.

If Greece leaves the eurozone it will be because the austerity measures, needed to put its public finances in order and restore competitiveness, have proved politically insupportable. A Grexit would be a major crisis for the eurozone, introducing a long period of market turbulence driven by speculation about which currency might be the next to leave.

Brexit, by contrast, has no currency implications, because the pound is not in the eurozone. Nor would it be a sign of weakness. The UK's public finances are slowly but surely being restored to health, and the economy is growing. UK government bond yields will remain low whether the UK is in or out of the EU.

Nevertheless, Brexit would be unwelcome to businesses, which would hate the uncertainty it engendered. Investment would fall as a result, especially by footloose multinationals who would find the UK a less attractive location. The resulting damage to the UK's long term prospects for growth in national income, and hence company revenues and profits, could have a negative impact on share prices.

Bill Robinson is chief economist at KPMG

Student property is 2015's asset of choice

Safe as houses

It's not the most obscure of idioms. In fact, its meaning is concrete. Whenever anybody has any doubts, a simple utterance of "don't worry, it's safe as houses" has often been enough to put anxious minds at rest. The phrase alludes to property as a safe investment and although it may have originated more than 150 years ago when the railway bubble burst, it is more apt than ever.

Bricks and mortar rise higher than other classes

Whether you're prepared to take a two-century-old view or want a more recent perspective, real estate is performing well, and over the short, medium or long term, residential property has delivered far greater returns than stocks and gilts.

Last year saw index after index chart yield rise and tenant demand increases, while the UK property market provided a solid foundation of capital growth. Consequently, the average property investor with UK assets generated a total return of 11.7 per cent over the past year.

Of course, past performance is no reliable predictor of future performance and diversification decisions can be tricky at the best of times. However, against a rocky backdrop of crashed oil prices, possible interest rate rises and eurozone chaos, the stable investment criteria offered by UK property will continue to act as a beacon of security to global investors. At Select Property Group we've seen this first hand. The first few months of 2015 have been characterised by investors looking to secure safehaven UK property assets.

What is safer than houses?

Houses proven to appeal to a pre-defined tenant base. A tenant base that generates growing demand; a demand linked to another of the UK's crown jewels – its prestigious universities.

British universities are offering a first-class education and young people – domestically and internationally – want to benefit from it, with enrolment levels at record highs. The demand is totally disproportion to the supply and almost unanimously, every university city in the UK needs more purpose-built student accommodation (PBSA). The current scenario has led property consultant Knight Frank to conclude the sector is outperforming all other traditional investment asset classes.

Low correlation and high returns

In fact, the industry's investment potential is universally lauded and more than £6bn has been spent on UK student accommodation in the past three years. But what makes it such a good diversification option? The key is its status as a low-correlation investment. Student property investment came to prominence in the recent economic downturn and it is a rare non-cyclical asset.

If Janet Yellen, chair of the Fed, ushers in an early rate rise, students still need housing in the UK. If eurozone creditors lose patience with Greece, students still need accommodation in the UK.

If tuition fees rise further (despite a recent Labour election pledge to reduce them), students still need accommodation in the UK. The tripling of annual tuition fees from £3,000 to £9,000 in 2012 briefly saw enrolment figures dip a few percentage points. However, the two years since have seen a continuation of the long-term growth trajectory.

Speaking of growth trajectory, PBSA yield rises are outpacing those of the wider property market, with students willing to pay up to a 70 per cent premium.

Build the foundations in 2015 and enjoy long-term rewards

Any investment will always retain some element of risk, but Select Property Group's Vita Student brand mitigates much of this risk – and this has developed a much sought-after diversification product. If investors are identifying the UK property market as the safehaven refuge, and the student sector as the brightest light, then Vita Student is the friendly face at the door.

The experience-led brand has a proven history of full occupancy, driven by its end user focus and an unrivalled ability to provide student accommodation that is aligned with a more savvy customer base. Investors recognise this potential and know that Vita Student property may be a certain diversification option in 2015, but it will be a stable, income-generating asset for years to come.

Safe as houses.
Safe as student houses.
Safe as Vita Student.

Whether you're just thinking about diversifying your portfolio or looking to make 2015 the year you become a property investor, Select Property Group can provide a selection of projects that may well be of interest.

For further information contact us on +44 (0)207 123 4000 or email info@selectproperty.com

For an overview of past projects and new opportunities, please visit SelectProperty.com.

Select Property Group

Bringing Investments to Life

How we invest

By Andrew Power

Where we put our money is driven by a mix of personal preference, government incentives and economic trends

Investing habits in the UK change every generation, driven by the underlying returns of various investment instruments, by government and other savings incentives, and by popular perception around the efficacy of different types of investments. So what have some of the latest trends been in key investment areas?

Pensions and ISAs

Even 15 years ago, the majority of private sector employees were covered by defined benefit pension plans. Individuals did not have to worry about where to invest their pensions; it was done for them by their employer, and the individual got a guaranteed income stream.

Nowadays, most companies have closed their defined benefit plans to new members and often to ongoing accruals for existing members. As a result, over the past 15 years active membership in private sector defined benefit plans has fallen by two-thirds. Instead, pension savings are through defined contribution plans where the employer pays a fixed percentage of compensation into the pension plan, and the employee determines where that money is invested and takes on the investment risk. More than 80 per cent of these defined contribution flows go into the default funds offered.

In order to reduce the burden on the state pension system, the government has tried to encourage savings with tax-incentivised savings schemes, of which ISAs are the most prominent. Over time, the importance of ISAs has increased relative to individual pensions due to their flexibility, and ISA rules have generally been made more favourable (in terms of deposit amounts, and freedoms on investments). As a result, more than twice as much money is put into ISAs annually compared to personal pensions.

Property

The British love affair with property continues. For most, property is their largest source of wealth and surveys show the majority aspire to home ownership, unlike countries such as Germany where renting is much more common. However, inter-generational differences are emerging. Due to the cost of housing, particularly in the south east, and the tightening of bank mortgage lending criteria, home ownership among the under 35 year olds has declined. Meanwhile, the wealthier are increasingly looking to expand into buy-to-let, as the tax treatment is still favourable.

> More than twice as much is put into ISAs annually compared to pensions

Post-crash behaviour

The initial response to the financial crisis was for individuals to be more conservative in their investments. However, with the continuing period of low interest rates, people have begun to diversify their holdings. In particular, multi-asset or managed funds have become popular given their higher yield yet relative stability. The wealthier have also looked to increase exposure to alternatives, such as hedge funds, private equity and commodity funds.

There has also been significant de-risking by many institutional investors, particularly pension funds and insurers, in light of increasing employee longevity and capital/funding requirements associated with holding riskier assets. Given accounting and valuation rules, these investors have increased substantially their holdings of fixed-income instruments in order to minimise volatility, despite the fact these instruments have low (and in some recent cases even negative) yields .

Looking ahead

Going forward, what can we expect to see? Recent changes in legislation around annuities, ISAs and inheritance tax treatment of investments will alter behaviour. Already, with the announcement that "nobody needs to buy an annuity" from this April, individual annuities sales have fallen more than 50 per cent. Further restrictions on pensions' annual allowances or lifetime limits are likely, given the value of the tax break to higher rate tax payers. As a result, the affluent will begin to look at alternative investments, particularly those that might have tax advantages, such as venture capital trusts (VCTs). Changes in housing incentives from a proposed mansion tax, changes to stamp duty calculations and any introduction of capital gains on primary residence sales will all affect, at least temporarily, the public's view around property.

Finally, the future path of interest rates and inflation will have a major impact on savings patterns. Higher interest rates will affect how much people can save, given higher mortgage rates will lower disposable income, and will make fixed-income instruments (or even annuities) more attractive vehicles. In contrast any prolonged period of low or negative inflation will see people searching for yield, and perhaps taking more risks than they realise.

Investment and savings patterns are in constant flux with economic conditions. Regulatory and fiscal changes are the biggest driver of shorter term changes in asset preferences, however, over time, it is the longer term factors that will have the greatest influence. ●

Andrew Power is a partner at Deloitte

A smarter way to invest in property?

Would you like to use your savings to invest in secured, high yielding UK property?

If so, then meet Stuart Warren. Like many people, Stuart was earning a derisory return on his savings account. He always liked the idea of property investment but was put off by the large deposits required and the hassles involved of being a buy-to-let landlord. But after a little research, he found that there is now a smarter way you can invest in property.

Property crowdfunding enables investors to earn excellent returns from property with no active involvement in managing tenants or properties. Stuart decided this was a great way to use his savings to provide a decent retirement income.

Stuart is a semi-retired music tutor from Cumbria. Having been self-employed for more than 30 years, he is meticulous about his finances. Stuart and his wife knew they couldn't rely solely on his pension to support them in their old age. He said: "I don't have limitless means and I wanted to explore investment opportunities which would allow me to inject smaller amounts as and when I was able to. Having explored a few different options, I came across The House Crowd and their property crowdfunding model. As an area of investment, property has always interested me.

Stuart Warren in Cumbria

It's easy to understand and having something tangible like bricks and mortar means you can physically see where your money is going. I had looked at buy-to-let previously, but not only is it expensive, I didn't want the hassle of managing the property and tenants myself over a long time frame."

Stuart approached The House Crowd in 2012 when the company was working on its 10th project. He was looking to inject regular amounts that could produce both income and capital growth. He was initially cautious about investing in a new company and a new investment model but, he said: "The House Crowd is very upfront and open with its investors. They have a personal approach unlike many of investment firms or banks. I think whenever you set out to make an investment you need to be 100 per cent confident who you're investing with and The House Crowd very quickly put me at ease. I love the fact I can spread my money over a number of properties and mitigate the risks."

Stuart says: "My investments to date have seen good returns. The dividends have been paid on time and have been completely in-line with my expectations."

Over a period of two years, Stuart has invested a total of £65,000 with The House Crowd spread across 61 different properties and plans to invest more money with The House Crowd in the near future.

If you would like to read about others who have invested with The House Crowd simply visit our website where you can read case studies, watch explanatory videos or download a brochure. So in summary, what are the reasons to invest?

- Invest from just £1,000
- Earn excellent returns
- Fully secured against UK property
- 100 per cent passive investment
- Spread your risk
- Benefit from income and capital growth
- No banks, no mortgages

Website: www.thehousecrowd.com
Telephone: 0161 667 4264

FundingSecure
PEER-TO-PEER ASSET BASED LOANS

Secured P2P lending

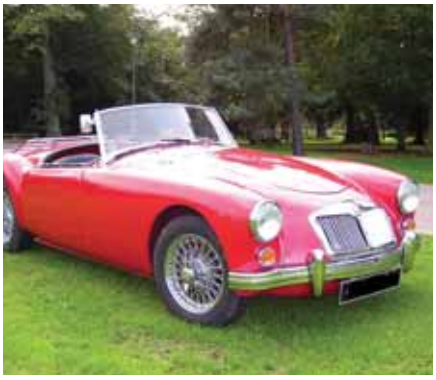
Viewers cannot have escaped the explosion of television programmes devoted to valuables: from The Auction House to Posh Pawn, from Antiques Roadshow to Flog It. The nation seems to be obsessed.

Now, investors have an opportunity to take a stake in these assets. How? By investing in loans secured against valuables.

FundingSecure is the only peer-to-peer platform that specialises in loans secured on the personal assets of borrowers. "We lend against anything we can value, secure, and ultimately sell if we have to," says co-founder Richard Luxmore. Since launching in July 2013, FundingSecure has seen a rapid expansion in business, having issued loans of £5m.

"Our loans are generally to people who are asset rich and cash poor. Borrowers come to us because of the personal service and the lower rates that our funding model offers. In many cases, they are also disenchanted with the banking system and much prefer to deal with people. "

"Aside from jewellery and watches, we've also lent against a 16th century library, a 17th century clock, racing yachts, an 18th century replica of the Magna Carta, some beautiful cars including a 1934 Ford Model B, and a rare comic. The comic is the first edition of Superman from 1938. There aren't many around. One copy, reportedly owned by Nicholas Cage, sold for more than $2m. Richard Luxmore says: "FundingSecure advertises the loans on its website with full details of the security behind it. Investors then choose which loans to invest in.



Classic cars offer great security

We've lent against a 16th century library and a 17th century clock

"We have more than 500 investors and they are interested in two things: the security being offered, and the interest rate," he adds. Rates are typically 12-13 per cent but can pay as much as 16 per cent on some loans. Marketing director Nigel Hackett says: "There are a lot of peer-to-peer platforms around. However, some platforms are now so automated that you don't know what you're investing in. It's just like depositing funds in a bank, except with a higher interest rate. We like to stick to the true peer-to-peer principles of investors choosing their loans."

Loans are for a fixed period of six months but can be renewed by paying interest due. If the loan is renewed, investors can opt to rollover their investment – but in any case they still get the interest.

If the borrower fails to pay, the assets are sold to settle the debt. "Overall we've been very successful at realising sufficient funds to pay off capital and interest," says Hackett.

"We work with a number of auction houses, traders and metal companies to dispose of the asset as quickly as possible. We aim to deliver a minimum net return (after default but before tax) of 11.2 per cent. In fact, to date, we've delivered an actual net return of 12.56 per cent."

With the government announcing recently that peer-to-peer investments will soon be available for inclusion in ISAs, the future of peer-to-peer lending looks even more secure.

Disclaimer: Your capital may be at risk

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Here comes the revolution

By Ros Altmann

The new pensions system will usher in an era of freedom and choice. But what are the risks?

A revolution is taking place in UK pensions. From April 2015, the old inflexible system gives way to a new era of flexibility and choice.

The previous tough restrictions on what you can do with your pension fund are being swept away. Under the old system you could take one quarter of your fund tax-free from age 55, but you were forced to buy an inflexible annuity with the rest (unless you had more than £50,000-£100,000, in which case you could use an income drawdown fund). An annuity is an insurance policy that takes your pension fund and pays you back a taxable regular monthly income until you die. If you live to a ripe old age, the insurance could offer good value, but if you die earlier the insurer keeps your remaining fund.

Annuity income depends on long-term interest rates, with lower bond yields meaning less annuity income. Therefore, as yields plunged in recent years, annuities paid much lower pensions. Yet still, the majority of pension savers were forced to buy them.

Unfortunately, the way annuities were sold also caused consumer detriment. Most people do not understand how annuities work, how much they were being charged, nor what type of insurance annuities actually provide. They had no help, no proper risk warnings before buying, and no controls on charges or pricing. Worse still, they were irreversible; once bought you could not change it. Most companies offered standard annuity products with no partner's pension insurance, no cover for poor health and no inflation protection. Therefore, many people are stuck in products that do not suit their needs.

Those with the largest pension funds could choose income drawdown, instead of annuities. Capped drawdown allowed you to take money out each year, but withdrawals were strictly limited by government rules. A tiny minority of pension savers with vast pensions actually had freedom to take as much money as they liked in the old system, or could even move their fund offshore to avoid tax. The overwhelming majority, however, had to convert their pension savings into a tightly controlled taxable income.

New rules

In future, all pension savers will be treated the same, regardless of wealth. From age 55, you will be trusted to use your pension money as best suits your own needs. You will have several options – and more should be available over time as the new market develops:

- Just take your tax-fee cash and leave the rest invested – with no tax to pay;
- Take your tax-free cash and put the remaining fund into new "Flexi-Access Drawdown" (hopefully with lower charges than old capped drawdown), taking money out when you need it, with the withdrawals being taxed as income that year;
- Put your pension fund into the new type of "pension bank account" (snappily named "uncrystallised pension fund lump sum" – UFPLS for short). This should enable you to take money out whenever you like, with one quarter of each withdrawal tax-free and three-quarters taxed as income;
- Cash-in your whole fund. Beware that a very large fund could lose up to 45 per cent in tax as only a quarter is tax-free, the rest is taxed as your income;
- Leave your pension fund alone. Just because you reach 55 or your fund's "pension age", if you are still working, have other pensions or do not really need the money, there are significant tax advantages to just letting the fund benefit from potential future investment returns.

The new system offers other exciting changes too. Previously, any money left in your pension fund when you died was taxed at 55 per cent, incentivising you to minimise the money left in your fund at an older age.

This draconian death tax has been abolished. Any remaining assets can be passed on tax-free – no inheritance tax,

The open road: from age 55 you'll be trusted to use your pension as you see fit, but cashing in should be done with caution

no income tax – as a pension for your heirs. Keeping money in your pension for longer could help you fund long-term care if the need arises, or could be passed to future generations tax-free as a "family pension fund". This was not possible with annuities and the 55 per cent tax.

Risk and reward

The new system offers new opportunities for pension savers, but also new challenges. You must take more responsibility for your decisions, rather than being dictated to by others. After so many years of disengagement, few people are properly prepared for the new choices they face. The government has therefore set up a free, impartial financial guidance service called "Pension Wise", to provide essential information to help you decide what is best to do. You can check Pension Wise online (www.pensionwise.gov.uk), over the phone or face-to-face.

Make sure you take the time to use this service to help you understand the new opportunities. Ideally paying for financial advice may be the best way to avoid irreversible mistakes, because you will also face new risks too.

What are the significant risks? First, you must understand the tax implications of any decision. Don't think that having, say, £100,000 in your pension fund means you will have £100,000 to spend – you will lose a significant amount of this sum in tax. And you will lose the significant tax advantages of pensions too. ISAs or property are subject to inheritance tax and buy-to-let investments face income and capital gains tax - money kept in pensions is tax-free.

So don't be in a rush to take money out of your pension fund. Just because you are allowed to, does not mean you should. Most people have not saved enough to see them through several decades of retirement, so putting more into your fund should give you a better lifestyle later.

> Just because you're allowed to doesn't mean you should

You should also be aware that although, in theory, the new rules give you more choice and control over your pensions, in practice many pension firms may deny you the new freedoms. They may force you to switch to another company and may even charge you a penalty to move. Check this with your provider.

It is also important to note that members of the "unfunded" public sector schemes – including teachers, NHS workers and civil servants – have no fund for each person, so they cannot cash-in their pensions. Local government workers are in funded schemes so they can transfer money out, but of course most would not want to.

Don't forget

There are two important final points you should note. First, make sure you notify your pension company whom should inherit your pension in the event of your death; if you have not nominated a beneficiary, your fund will go into your estate and face inheritance tax.

Finally, make sure you do not fall prey to the myriad of fraudsters trying to snatch your pension money. These bogus companies operate plausible-sounding schemes promising high returns on your money, but they usually end in tears. If you receive any unsolicited phone calls, emails, texts or letters, steer well clear. Again, using Pension Wise or an independent financial adviser can help you avoid these scams.

Overall, these reforms have the potential to revitalise pension savings and attract much more money into pensions. The new flexibilities mean money you contribute will be able to work better for you, and has greater tax incentives to retain it for advanced old age. As we are all hoping to live longer, that is surely the right aim for pension savings. ●

Ros Altmann is an independent pensions expert and campaigner

GETTY IMAGES

London Stone Securities

Playing the market

An interview with veteran stock broker Ranjeet Singh Sandhu, founder of London Stone Securities

What are the origins of London Stone Securities?
I founded London Stone Securities in 2008 after spending many years learning my trade at various global investment banks. It was rewarding but very hard work, because I was constantly battling with hierarchy, red tape and unnecessary bureaucracy. As a powerless employee, trying to implement change was a thankless and near impossible task.

Inevitably I ruffled a few feathers along the way with senior management, because I always wanted what was best for my clients. In the end the realisation dawned on me that the only way I could genuinely offer the level and quality of service that I wanted to was by setting up on my own. So that's what I did. The rest, as they say, is history.

What makes London Stone different to other stock brokering and wealth management firms in the city?
I think there are a few things that make us unique. However, the main thing that sets us apart from our competitors is that we offer a completely bespoke and tailored service to our clients. After all, that was my motivation to set up the firm in the first place – to be able to listen to my clients and do what is right by them. I always believed that in the long run this would mean a stronger and more profitable business.

"The financial crash? It was a pretty crazy time"

One of the main reasons we have been able to follow this business model is because we are small and nimble enough to react quickly to changing market conditions and client requirements. At the same time, we are also large and established enough to be able to offer the full range of products and services – just as any large investment bank can.

You've been a stock broker for more than 20 years. Has much changed?
I guess that the main thing that has changed within the field of wealth management is that it has opened up to the masses, rather than remaining the preserve of just the elite few. When I first started, the barriers to entry were huge because independent firms found it difficult to compete in terms of access to reliable information, live data feeds or speed of trade execution. However, through technological advancements – particularly with the internet – we now have a level playing field. This now means that firms like mine can not only compete with the multinationals but can actually beat them at their own game. It's great fun to be in this position now, because I didn't expect things to change as quickly as they have.

What impact did the financial crisis have on London Stone, considering you set up just a year after the crash?
It was a pretty crazy time. I remember sitting at home watching the morning news as Lehman Brothers' employees were being escorted out of their building as they carried cardboard boxes full of their personal belongings. That very moment the postman delivered the mail; it was a letter from the FSA (as it was known then) saying that my application for London Stone had been approved. I didn't know whether to laugh or cry.

Looking back at it now the timing was great, because the stock market has only gone up since then, although at the time most people thought that the world was coming to an end. We suffered only a few months of uncertainty before things started to pick up again, and we haven't looked back since.

Did you see a big impact in the way that investors and stockbrokers played the market after the crash?

Not really. Most of our clients are either retired or approaching retirement age and so they have experienced these types of moves before. They know that in the long run (and if they are patient) the stock market will always eventually recover; that's why they mainly tend to be longer term buy and hold investors.

That said, the more astute investors recognise that with careful timing they can use hedging strategies or go into cash when things are bad, and switch back into equities once the storm has settled. And of course with our help, and assuming that we get the timing right, there's a huge potential upside for them.

Are there any basic rules that an investor should keep in mind when investing in the stock market?

Yes, there are some simple rules of investing which should always be followed. I would say that the three fundamental rules of investing are:

1) Follow an investment strategy with a proven track record;
2) Ensure that you are getting the right return-to-risk pay off; and
3) Always stay disciplined, even when the world around you is panicking. At London Stone Securities we run training courses for aspiring traders, and these are the basic building blocks from which everything is built.

What is the most common mistake that investors make?

I don't think that there is one mistake that I could single out. However, we analyse many private investor portfolios and there are always things that they could have done better. Since 2008 when London Stone Securities was founded, I have only ever seen one portfolio that I would be proud to own myself. Every other portfolio needed some work. Perhaps the one lesson that I could offer is not to follow the crowd. The herd mentality gives investors reassurance, through the "safety in numbers" ideal, but it rarely ends up being fruitful.

City living: "Always stay disciplined, even when the world around you is panicking"

What is the biggest opportunity that your average investor might not know about?

Most of our clients want high income on their portfolios and so it stands to reason that bonds should be an obvious option. However private investors seem to have a lack of understanding about the fixed income market, which doesn't exist when it comes to equities. I always think that investors are missing out so much by simply not having the knowledge or expertise to invest competently in the bond market, particularly the corporate bond market.

> "Investing in emerging markets is dead money right now"

Do you think emerging market portfolios have been overhyped, or will disappointing returns pick up?

Investing in emerging markets is dead money right now. Yes, of course it offers diversification, but there are many risks attached and right now the downside outweighs the benefits. A lack of credible information flow and poor transparency mean that most investors really don't know what they are getting themselves into. However if investors believe that they need emerging market exposure then there are some unknown quantities, including Panjab (Punjab) in India, which could offer investors sizeable returns.

And finally, what do you hope to be doing in 10 years time?

The financial markets are continually evolving and 10 years from now seems like an eternity away even though I know that it is just around the corner.

To be honest I can't tell you exactly where I will be in a decade's time. However, and unlike some of the bigger corporations with visions of taking over the world, I believe that our biggest selling point and the reason that our clients choose us over our competitors is because of the niche service that we can offer them. Whatever happens and however big we may grow as a business, it's my job to make sure that we never lose sight of this. We believe in putting the client first, always.

For more information please email info@londonstonesecurities.co.uk or call 020 3697 1700

SHUTTERSTOCK

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AVANTIS WEALTH
THE RICHER RETIREMENT SPECIALISTS

Property as your pension

Investment in property is often termed "alternative investment" despite the ancient use of this asset class to enhance and preserve wealth.

Property includes residential property which may be owned or rented for income, but also commercial property: shops, offices, warehouses, factories, student accommodation, self-storage, car parking spaces, hotels and more.

Is property-backed investment a high risk?

Investors are naturally concerned about risk. Conventional wisdom is that if you want high returns then you have to accept high risk. This model is, I believe outdated. There are in my opinion many property-backed investments that combine high returns with low to moderate risk.

Consider investment in shares, which are not supported by any type of security that can be relied upon if the company runs into trouble. By contrast, much property-backed investment offers security via a first legal charge over land or property.

This is an incredibly powerful benefit which substantially reduces risk, and is one of the strongest reasons why my company Avantis Wealth favours property-backed investment strategies. A core principle in building a diversified portfolio is that you can and should reduce risk by including a range of non-correlated assets. By non-correlated assets, I mean assets that don't share common characteristics and that are therefore unlikely to fall in value at the same time.

Share investors talk about investing in different sectors (such as energy and pharmaceuticals) in their quest for non-correlated assets.

Though it's true to say, if there are major upsets at national or international level it can impact the entire market.

> Many property-backed investments combine high returns with low risk

However, if you were to invest in a portfolio of carefully selected commercial property – varying in type and location, then you really will own a portfolio of non-correlated assets. For example, investments in a UK care home, a building renovation project in the US and a car parking space in the Middle East.

There are two further key reasons why I favour property-backed investments in the search for high income:

- First is improved return on investment, as typically investments that are backed by property or land as security offer returns of 7-15 per cent net per annum. When you consistently achieve returns in this range, then you can truly begin to plan for the income you need now and in retirement;
- Second is certainty of returns, as many property-backed investments offer fixed returns which they are contractually bound to pay.

Should I be including property-backed investments as a part of my future retirement plan?

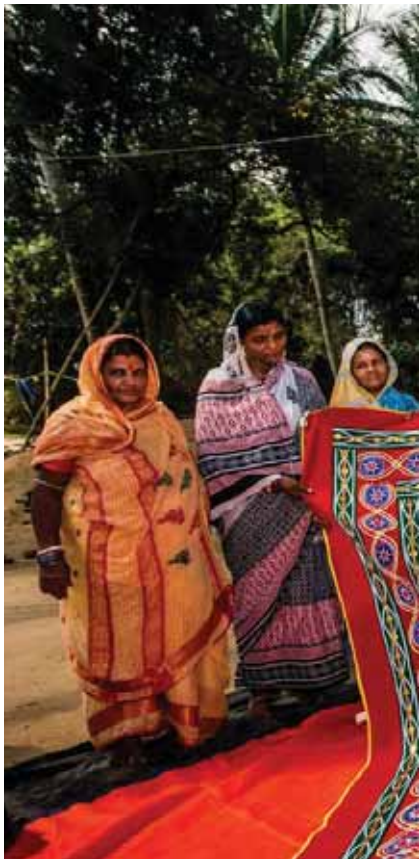
This is an enormous question that simply can't be answered in a brief introduction.

But to help guide you, I've written an insightful 36-page report *Property As Your Pension*. The report covers in detail how to use property as part of your investment strategy. Whether you plan to retire some years from now, or are at or near retirement, it is essential reading.

Rod Thomas FCA is managing director at Avantis Wealth

To claim your complimentary copy of *Property As Your Pension*, call +44 01273 447299, email invest@avantiswealth.com or register on our website at the folloing address: www.avantiswealth.com/newstatesman

Capital with a cause



By Phil Caroe

Many of today's investors want to see their money make a social, not just a financial return

There is a growing trend of people wanting to be more connected to the impact of their money. As consumers, for example, we are increasingly concerned about more than just the taste of our food; we're concerned about how crops are grown and animals are treated, too. That same trend is now gaining ground in how people think about savings and investments. Often, the process of investing is a bit like putting money in a black box – it is easy not to worry too much about what goes on inside, as long as the right numbers come out again. But in recent years, as some of the practices inside the box have come to light, we haven't always liked what we have seen. As a result, more people are begining to think about what their money does, as well as what return they get.

The first step in this direction is often referred to as "negative screening". This is where a fund manager will apply a list of ethical criteria and screen out those companies that could be considered to do social or environmental harm, such as those in industries like tobacco or weapons manufacturing. Most of the "ethical" or "socially responsible" funds available today adopt this approach to varying degrees. The best take a step further, adopting a positive screening approach. This means they don't just weed out the unwanted companies, they actively seek those with strong ethical practices.

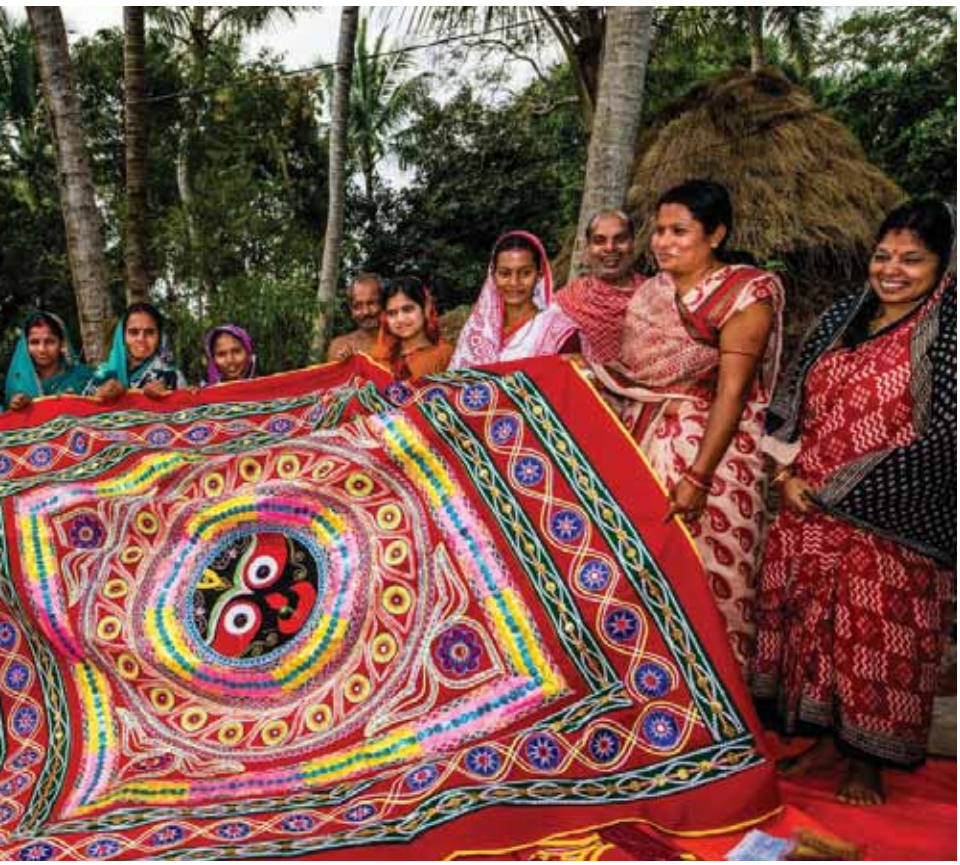
Social investment is another step on again. It means investing in organisations whose primary purpose is not creating shareholder value, but addressing particular social or environmental issues. Yet unlike making a donation, it is still an investment and should be expected to return the investor's money at least in full, if not in some cases with a comparable market rate return.

The concept of investing for social benefit isn't entirely new. Almost 500 years ago Sir Thomas White, a prosperous clothier and later Lord Mayor of London, used his wealth to provide loans to apprentices who were too poor to buy their own tools, helping them into a trade and out of poverty. But over the last 15 years or so, the social investment market has significantly accelerated. The infrastructure has become far more developed, while also – and most importantly – more charities and social entrepreneurs are exploring ways of using investment capital to generate more income and to deliver their mission. Here's a look at some of the options currently on offer:

Social banks

An easy way into social investment is to open an account with an ethical bank such as Charity Bank or Triodos. Both offer savings accounts and ISAs, and both will use your money to make loans to charities and social organisations. Deposits with Charity Bank benefit from the protection of the Financial Services Compensation Scheme (FSCS), while savers with Triodos (part of Triodos Bank NV in the Netherlands), are covered by the Dutch guarantee scheme up to the equivalent of €100,000. Both banks currently offer savings rates of up to 1 per cent gross, with Triodos offering higher rates if you lock your money in for up to five years.

Unlike the "black box" approach of



Global impact: temple carpet weavers in India who have benefited from Oikocredit loans

OIKOCREDIT INDIA 2014

most other banks, Charity Bank and Triodos have sections on their websites providing information about the organisations they lend to. One such organisation is Lake District Calvert Trust, which offers people with disabilities access to outdoor activities in the national park.

In 2009 it began a major £3.8m investment to increase capacity and build a new hydrotherapy pool and sensory room. Charity Bank provided a loan as working capital over five years while the take-up of the recently extended facilities increases.

Community shares

Community shares are a unique form of share capital that can be offered by co-operatives and community benefit societies to raise finance.

Unlike ordinary shares in a company, community shares don't fluctuate in value, but may pay a rate of interest and can usually be withdrawn in accordance with the rules of the society. Shareholders are also the members of the society, with each having an equal vote regardless of the amount of shares held.

Organisations with this legal form benefit from an exemption under the financial promotion regulations, making it possible for them to promote these shares directly to the public to raise capital. Often these societies have a focus in a particular local community, for example running community-owned shops or facilities. Many renewable energy initiatives are also formed as co-operatives to enable them to raise capital directly from the public. One example is Plymouth Energy Community, which installs solar panels on community buildings and schools, thereby reducing energy bills and using the surplus funds to tackle the challenges of energy costs, fuel poverty and climate change. Its first share offer in 2014 raised over £600,000.

Ethex and Microgenius are both investment portals that provide information on live community share offers.

Charity bonds

The public perception of charities is often that they rely entirely on money given to them through grants or donations. Many charities, however, also generate income by providing services under contracts with public sector bodies, or through trading. And where reliable revenue streams exist, raising debt finance can enable charities to expand their activities and create greater social benefit.

Recently, a number of charities have launched bond issues to raise finance from their supporters and the public, and as an alternative to a secured bank loan. Most of these have been "mini-bonds" which are unlisted and don't require a prospectus to be approved by the UK Listing Authority. Some mini-bonds are transferable on a matched-bargain basis, and Ethex (mentioned previously) aims to provide a market place to help sellers find buyers. In 2014, Retail Charity Bonds was launched by Allia as an issuing platform to raise finance for charities through bonds listed on a recognised stock exchange. The bonds can be purchased through a broker and can be held in an ISA and traded in a formal secondary market. The first bond, issued in July last year, raised £11m for Golden Lane Housing, a subsidiary of Mencap which provides homes for people with a learning disability.

International development

For investors wanting to make a global impact, two options are investing with Shared Interest or Oikocredit.

Shared Interest lends funds to fair trade organisations around the world, mainly in more remote areas where they are unable to access fair finance. Its borrowers include organisations such as Huatusco, a coffee co-operative in a small rural town in Mexico. Shared Interest offers the opportunity to open a share account from £100. It currently pays 0.5 per cent interest to its shareholders.

Oikocredit is an international co-operative which makes loans and investments to enterprises that help people build sustainable livelihoods in developing countries across the world. Around 20 per cent of its loans and investments go directly into cooperatives and other social enterprises, with the other 80 per cent going to microfinance institutions that provide financial services to people who would otherwise have no access to them. Oikocredit currently pays 2 per cent on investments in its depositary receipts. ●

Phil Caroe is director of social finance at Allia

LANDBAY

Trust in people-powered finance

Ever since the financial crisis of 2008, savers' personal finances have been caught in an unfortunate catch-22. After banks were rescued by massive bail-outs, they were highly reluctant to lend to borrowers and slashed interest payments to savers as fast as the Bank of England cut base rates to try to save the economy.

Furthermore, just when we wanted to walk away from the big banks to find better returns, the anxiety caused by the banking crisis left most of us too scared to look seriously at the alternatives.

However, with most banks still stubbornly refusing to improve their customer offerings, people are looking for something better. And an increasing number have discovered that a quiet revolution has been going on, started even before the crisis kicked off.

Enlightened financiers turned entrepreneurs were creating innovative new ways to use technology to cut out the banks, allowing people and businesses to "do money" with each other directly, with both parties getting a far better deal.

This movement is called peer-to-peer lending (P2P). It was kicked off a decade ago by the launch of Zopa, a platform that allowed frustrated savers to lend to creditworthy borrowers. Lenders received a much better return than from bank savings accounts, borrowers enjoyed lower interest rates than the banks were offering, and the platform took only a modest fee for managing the whole process.

Since then a plethora of new players has entered the market. Some lend to other individuals, while others involve individuals lending to small businesses. Although smaller than the older P2P lenders, the fastest growing platform currently out there is Landbay.

The alternative finance industry has thrived on its openness

Landbay offers arguably the lowest-risk P2P lending. Money is lent as three to five-year mortgages for professional buy-to-let landlords, secured on highly vetted, carefully valued existing, tenanted residential property in the UK.

A range of safety measures, and the low risk nature of buy-to-let mortgage lending, means that lenders can currently get a 4.4 per cent fixed annual return through Landbay without exposing their money to much risk at all.

But from Zopa to Landbay, all of these new businesses have faced the same challenge. How does an unknown, innovative new player, offering a whole new way to earn returns on the customer's money, gain the trust of a public that is deeply shaken by seeing even the biggest of banks nearly collapse?

The answer is transparency. Inspired by an absence of transparency within banks, the alternative finance industry has thrived on its openness. Both lenders and borrowers can now quantify the risks involved, the prices charged for the service and the margins taken by the provider.

Being this open stands in stark contrast to old-style financial services and will remain a vital ingredient for any successful P2P player. It has even become a weapon in competition between P2P providers, with Landbay recently setting even higher standards of transparency by publishing full details of its entire loan book. This level of openness would leave the average banker needing therapy.

Continued P2P growth is almost a certainty, but to achieve this everyone in the sector needs to stay as committed to transparency and openness as those that lead the way.

John Goodall is the chief executive and co-founder of Landbay

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Follow us on Twitter @LandbayUK

Should I invest in bitcoin?

By Jan Skoyles

It could usurp the monetary system as we know it, but getting to grips with the basics is essential

Should you invest in bitcoin? Like all investment opportunities there are conflicting answers, but with bitcoin the difference of opinion is split in an interesting way. If you look at the behaviour and opinions of the traditional investment industry (such as banks, investment managers and independent financial advisers), then the answer is a resounding "no". Many cite fraud, money laundering and high volatility as the main risks. If you ask tech entrepreneurs, dot.com billionaires and those embracing the sharing economy then the answer is a very loud "yes". They cite decentralisation, the limited supply and its potential as the opportunity.

If you look for guidance from the government and regulators here in the UK, then things are a little more open minded. The Bank of England believe the currency shows "considerable promise" and George Osborne is committed to making the UK the global bitcoin hub. However regulation is coming and there are warnings of fraud and damage to the economy.

Personally, I don't know if you should invest in bitcoin or not, but I do know that we are on the cusp of a major financial technology revolution and this baby of a currency is going to play a significant role.

Bitcoin epiphanies

It was a 17-year-old coder who introduced me to "the bitcoin", back in 2011. I was sceptical to say the least.

At the time I had just joined The Real Asset Company, a gold investment platform. I believed (and still do) that gold is money. So, imagine my reaction when I was told that something "as good as gold" had been created seemingly from thin air and was going to usurp the monetary system as we know it.

The BoE expressed support for digital currency

Fast forward four years and I have watched as bitcoin has shocked its way into the public consciousness. According to the Government Office for Science, "digital currencies such as bitcoin have the potential to replace traditional currency and, by extension, the need for central banking and regulatory systems".

How can I invest in bitcoin?

At the moment the most common approach to investing in bitcoin is to just buy some. You can do this easily without going through a broker, an independent financial adviser, or otherwise. There are some well-established and well-managed bitcoin exchanges out there who make it easy for you to start trading. First you need an online bitcoin wallet, which you can use to make payments. The website blockchain.info is a popular provider.

There are also some exchange traded fund and hedge fund offerings coming onto the market. In these cases, check their regulatory stays and security measures. Cold storage, effectively an offline vault for bitcoin, must be used by these organisations and make sure holdings are insured. Elliptic is a popular cold storage provider, as is Armoury.

What can I do with my bitcoin?

Here in the UK there is still so much apprehension within banks about holding bitcoin-touched funds that there are a limited number of businesses who are prepared to accept them.

You can do far more online. Companies such as BitPay and CoinSimple make it very straightforward for online businesses to accept bitcoin funds. Large companies such as Dell and Microsoft made headlines when they announced they were accepting the currency.

Is it safe?

Can you lose all your money? Yes; but find me an investment where that can't happen. As with all investments, you should not invest what you can't afford to lose.

Bitcoin is not regulated. Does that mean it should be avoided? Not if that same logic applies to your investments in property, gold and cash. Those assets also aren't regulated, however the businesses offering you such investments very often are.

Never invest in something you don't understand. For those unfamiliar with bitcoin and its origins, I highly recommend Dominic Frisby's *Bitcoin: the Future of Money?* By understanding what makes bitcoin unique, you are taking steps to protect yourself from the risks surrounding bitcoin investments. ●

Jan Skoyles is former chief executive of The Real Asset Company

SHUTTERSTOCK

Inertia versus momentum

The UK wealth management industry is highly fragmented, with hundreds of different businesses operating in the sector, offering clients different levels of service. It is quite surprising then to realise that only 30 of these businesses manage assets of more than £5bn.

It is clear that the wealth management industry is a sizeable and fast growing industry dominated by a few large players. Yet new wealth management firms continue to enter the market and clients continue to support those that can adapt to their needs and take a more dynamic approach to investment management.

One of the biggest challenges that faces new entrants can be inertia, not only of the most established firms, but also their clients. This is also the biggest opportunity for those entering into the market.

Inertia is a measure of the resistance to change in motion or direction. In business, as in physics, it will come as no suprise that intertia is a function of size, and that it is bad for our industry and ultimately for clients and investors. It impedes innovation and reinforces those who support the status quo. Signia Wealth is an example of a business that is gathering momentum, is aware of the opportunities that exist for clients, and is innovating rather than being being complacent.

Signia Wealth is fortunate to have the critical mass needed to provide first-class advice and investment management to clients. The business is more innovative in its approach to working with clients, without compromising on the core service of providing these expert investment services.

Intertia manifests itself in poor products and services for clients

An example of this is the way in which Signia Wealth approaches private equity. Rather than selecting large funds, we partner with successful entrepreneurs and talented fund managers to create sector-focused private equity opportunities.

By doing this, clients are able to access the best opportunities in a sector alongside an industry veteran who has their own capital invested. This is done in partnership with an investment professional from the same sector, providing a well considered, disciplined and innovative way of investing.

At Signia Wealth, the client is in control and at the centre of every decision made. Clients are more international than ever before, and it is important that the wealth management business supports that.

It is important that businesses are not just UK centric, but understand the tax implications and jurisdictions that clients may be based in. This is also reflected in how clients are advised and communicated with.

For anyone looking to choose a wealth management business to work with, be it to grow or to protect their wealth, then looking at how innovative and forward thinking the firm is should be a first step. Momentum is the key to growing wealth.

Greg Malone is head of wealth management at Signia Wealth

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Hunter Jones
INVESTMENTS

It's a simple truth

Identifying the earnings potential of your investments is the first step in any successful investing for income strategy. It's a simple truth: people want to invest in structures that deliver reliably and sustainably for their future.

For most, the starting point is equities. And while over a long period of time the returns on carefully selected stocks and shares can be attractive, they are coupled with the uncertainty of the market and a degree of speculation.

Over the last six months, for instance, the once safe haven of oil has taken a pounding. And a low inflation environment means that yields on government bonds have been less than attractive.

People want to invest in structures that deliver sustainably for the future

So how can you avoid the highs and lows and invest in vehicles that will provide, for example, a fixed 10 per cent over at least the next five years? While the housing market remains volatile, and hampered by a lack of new stock, those seeking a combination of return and stability may want to consider innovative yet proven property investments. Specialist knowledge and a strategic approach can ensure investors achieve short, medium and long-term objectives by investing in highly researched solutions.

Hunter Jones is an innovative property investment company headquartered in London, and founded in 2013 by a group of international investors with unblemished investment track records.

Dean O'Neill, director and co-founder of Hunter Jones Investment, say: "We have noted a definite trend of investors diversifying their portfolio by shifting to products offering the guarantee of fixed-income returns via investing in property, such as asset-backed residential property bonds. This is considered by some as outside the norm, but can provide assured returns along with peace of mind."

There are also products available that capitalise on the benefits of the buy-to-let market, without the hassle of being the landlord. One of the strongest performing asset classes in the country, the UK student accommodation sector, can be one of the most secure and lucrative investment opportunities around. With higher tuition fees, the quality of university halls of residence is no longer adequate for today's students, allowing private landlords who can provide a more attractive package to capitalise.

Hands-off investments, such as airport parking, offers a unique chance to invest in commercial property that otherwise may be unattainable. Investments can be easily added to or sold at any time, making them incredibly flexible, as well as financially rewarding.

Meanwhile, the listed building sector offers a secure short-term investment opportunity, as well as a unique opportunity to play a part in restoring historic buildings.

The listed building sector offers a secure short-term opportunity

While past performance cannot be a guaranteed guide to the future, small and medium-sized property developments and opportunities in the UK have proved over and over again that they can perform better, in value terms, than their larger counterparts. Additionally, this outperformance tends to be magnified over the longer term.

That's why it makes sense for investors to explore how such property-based solutions can help them successfully invest for income.

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