Issue **105**

"Change always comes bearing gifts."
Price Pritchett

INSIDE TRACK

Lowes 2017 Competition winner

FOR THE LOWES 2017 CLIENT COMPETITION WE ASKED you to predict the price of the main US stock market, the S&P 500 at the end of December.

The index started the year at 2,238.83 and climbed steadily throughout the year. On 29th December, the last trading day of the year the S&P 500 was at 2673.61, as indicated by the chart.

Congratulations to the winner of the competition, Mr Pettifer, from Kent, who made the closest prediction to the final figure of the index and wins £250 of Marks and Spencer vouchers.

See page 11 for this year's Lowes Client Competition.

Scammers target the retired

WE CONTINUE TO HEAR OF INCREASINGLY INNOVATIVE and more devious methods that fraudsters are using to con people out of their hard-earned money. Elderly individuals are particularly vulnerable to such attacks, as they target retired people who may have access to pension funds, or are more susceptible to cyber-crimes.

One of our clients contacted us after choosing to invest with a firm who contacted our client at random. They were then approached by another 'firm' and bought in, which led to further requests for extra money for 'taxes'. At this stage, we were alerted and became involved, quickly ascertaining that one of the investment firms did not exist. It was a scam and as a result that money has been lost.

It appears that once someone invests, their name is sold on to other scammers. This particular investor was at one point receiving up to four cold calls a week.

The government intends to ban these cold calls but that will never be 100% effective. Vigilance is crucial. If an investment seems 'too good to be true', it usually is. Our advice is to be extremely wary of unsolicited calls from firms offering investment solutions. Before investing always fully check the firm's credentials.

Grandparents support Millennials

GRANDPARENTS IN THE UK are twice as likely to provide regular financial support to the struggling millennial generation than the grandchildren's parents, according to a report by financial mutual One Family.

Their research found that almost twice as many grandparents (13%) provide regular financial support to their adult grandchildren, whereas only 7% of parents were in a financial position to do so. The research also indicated that 10% of grandparents have given their adult grandchild a hefty lump sum – £15,000 on average.

If you're retired, your future earning capacity is limited. We advise that before giving any money away, speak to your Lowes Consultant, who will have a greater experience of typical future needs and will be able to work out with you what you can reasonably afford if you want to help out family.

Follow us online for company articles, blog posts and updates.

Lowes Financial Management

@LowesFinancial

Lowes Financial Management

Make your money work Best bank & building society accounts

Type	Amount	Provider	Account	Gross Rate	Contact
Unrestricted instant access accounts					
Online[1]	£1+	Ford Money	Flexible Saver	1.17%	www.fordmoney.co.uk
Online	£1,000+	The Nottingham	eSaver Instant Issue 8	1.25%	www.thenottingham.com
Accounts with first year bonus					
Online	£100+	AA	Easy Saver	1.32%[2]	www.theaa.com
Fixed rate bonds					
Online	£1,000+	OakNorth	1 Year Personal Fixed Term Deposit Account	1.77%	www.oaknorth.com
Online	£1,000+	Paragon Bank	2 Year Fixed Rate Account	2.05%	www.paragonbank.co.uk
Online	£1,000+	Charter Savings Bank	3 Year Fixed Rate Bond	2.21%	www.chartersavingsbank.co.uk

Notes
[1] This account can be opened online or by telephone, but it can only be managed online.
[2] Includes fixed bonus of 1.12% for the first 12 months.

Measures of inflation - The average change in prices of goods and services over a 12 month period to November 2017

Retail Prices Index (RPI) 3.9%	Consumer Prices Index (CPI) 3.1%

Sources: Providers' websites, Office for National Statistics, www.thisismoney.co.uk, www.moneysupermarket.com, www.moneyfacts.co.uk, 04/01/2018. All accounts subject to terms and conditions.

Where now for NS&I Bond savers?

SAVERS IN NATIONAL SAVINGS AND Investments' (NS&I) three-year 65+ Guaranteed Growth Bonds launched in 2015, which offered a market beating 4% return, are going to be hard placed to find another deal offering such great returns on their cash as the bonds mature.

Announced in the Chancellor of the Exchequer's 2014 Budget speech, the Bonds were only eligible to those over age 65, and had a minimum investment of £500 and a maximum of £10,000. Alongside the 4% over three-years return offered, the bonds benefited from being backed by HM Treasury.

The bonds started maturing on 15 January 2018 and the last will mature on 15 May 2018. Bond holders have to tell NS&I what they want to do with the returns, cash them in or roll them into currently available NS&I bonds, which are not offering the same rate of interest.

As the default is that the money is automatically rolled into another product, if you hold one of these bonds make sure you tell NS&I what you want to happen.

If you hold a bond and need advice on investing the returns please contact your usual Lowes Consultant or call 0191 281 8811.

Sudoku

Welcome to the first of our Sudoku puzzles for 2018. These brain teasers require logic and concentration to get them done.

To complete the puzzle, fill the grid so that each row, column and nine block square contains the numbers 1-9. The solution is on page 11.

Source: www.printmysudoku.com

						5		1
3					5		7	
			9	4				
			5		8	9		
	3	1	2					
					7		3	4
9			1	8				3
				2			8	
			4			2		

COMMENT

A sea of change is coming

IS THIS THE BEST TIME TO BE ALIVE? ACCEPTING THAT THOSE OF US READING THIS article will, by default, be amongst the wealthiest 4% of the world's population and so, are very much the fortunate ones, for us at least it is almost indisputable that there has never been a better time to be alive. Whilst such a statement may have been true, at the time, for all previous generations, I think it's fair to say that during our lifetimes we have enjoyed an unprecedented period of the exponential rise in improvements in communications, technology, healthcare and the like, coupled with a reduction in war and conflict. The result is surely that there has never been a better time to be human. But how will we be viewed by future generations?

Early last year in our client magazine, I highlighted the growing concerns arising from the amount of plastic pollution in our environment and this is now, thanks to David Attenborough and others, a widely publicised issue. I previously suggested that technological innovations, leading to solutions to the problem, may be just around the corner and these might, ultimately herald good investment opportunities but it seems that to a large degree, we're too late.

All of the plastic ever produced was created in the last sixty to seventy years and most of it still exists in one form or another. Approximately 9% is recycled, 12% incinerated and the rest, around 79% stays in the environment, ending up in landfills and the oceans. Plastic that isn't recycled breaks down into micro-particles which then find their way into the food chain. Even plastic in use is a problem; fibres from fleece and polyester clothing, and particles from urban dust and car tyres are major sources of microplastics in the air, which have become so widespread that, according to one report we may be inhaling up to 130 particles a day potentially causing asthma, heart disease and auto-immune conditions.

A Newcastle University Study published in November uncovered evidence that not only have plastics now reached the deepest chasms of our oceans, they are being ingested by the animals that live there – all of the creatures collected from the bottom of the Mariana Trench were contaminated!

Plastic production is predicted to increase by 40% over the next decade and much of the contamination to date is irreversible. The planet and everything on it will have to evolve with the plastic already in the environment and its hard to imagine this is going to be anything but detrimental in the short to medium term.

Solutions will have to be found if we are to carry on producing and using plastic at the levels we have been and I have no doubt that fortunes will be made by those at the forefront of technological innovation and waste management. Such enterprises could represent very significant investment opportunities in the future.

But who is going to pay to clean up the mess and stop it getting worse? It occurs to me that, in the same way that the tobacco industry was forced to pay for misleading the public about the dangers of their product, have those at the forefront of plastic production, including the oil industry, been guilty of profiting from something they knew, long before the rest of us, was going to become such a problem? Could we see the coffers of oil companies and the like being raided with huge levies in the not too distant future and what impact would such a move have on the share prices of companies such as BP and Shell, which make up over 15% of the FTSE 100 Index?

In the November Budget, Chancellor Philip Hammond proposed the introduction of a Single-Use Plastic Tax (SUP) to help bring about a sea change to our polluting habits and drive the UK towards becoming a world leader in tackling the scourge of plastic. This is clearly a step in the right direction but could still be some time away. In the meantime, just consider the amount of disposable plastic that passes through your household every week and the extent of your own plastic footprint. How much SUP tax will you be able save in the future?

Ian H Lowes,
Managing Director

Covershot: Milkyway
By: Shutterstock

This magazine is not personal advice. If you are unsure as to the suitability of any intended course of action, please contact your usual Lowes Consultant or this office.

If you would like to receive further information on any of the subjects featured in this issue of **LOWES** please call:
0191 281 8811, fax: **0191 281 8365**, e-mail: **client@Lowes.co.uk**, or write to us at:
Freepost LOWES FINANCIAL MANAGEMENT.

The challenges of a centenarian society

THE UK POPULATION IS AGING. THE REPORT FOR government published by John Cridland in March 2017, estimated that the number of over 65s in the UK is set to grow from 17.8% of the population to 24.6% by 2045.

What does this mean for society and our savings culture? There has been much debate around the UK state pension age (SPA). Until the recent changes, which equalised the SPA between men and women, the state pension age had remained the same since it was introduced in 1945. At that time, a man retiring at age 65 had, on average, another five years to live – making it a sustainable system for government. Now, that man could expect to live, on average, 20 years or more.

Indeed, the latest figures from the Office for National Statistics show that the average person in the UK is living longer than ever before. Those born in 2016 are predicted to live until 91.9 years for females and 89.3 years for males. By 2066 this is expected to have increased to 98.1 years for females and 96.1 years for males, while half of new born baby girls and 44.2% of boys will be projected to live to at least 100 years old.

World Health Organisation figures back up this trajectory, predicting that by 2030 life expectancy for men in the UK will be 82 and for women 85.

This poses significant implications for the state, as well as challenges and questions around individual capability, quality of life and, importantly, personal finances.

The state pension age has risen to 68 but, given the demographics, it is almost inevitable that future generations will have to wait until they are 70 or more before they receive their state pension.

The average size of a pension fund at retirement in the UK is £30,000 and numerous research studies have shown that most people underestimate their longevity, by up to 20 years or more, eliciting a serious risk that people will easily run out of money in retirement.

Society's perception of retirement may have to change. Can we continue to base our retirement on the age set in 1945, when the average lifespan was some 25 years less?

We are already seeing people having to work into their 'retirement years' in order to supplement their state and pension incomes. It is suggested that, in future, our working lives will likely increase with more people working into their 70s or 80s.

There are already apocalyptic predictions for Europe, Japan and China, where there will be an ever heavier layer of older people being supported by an increasingly smaller number of younger citizens, potentially leading to the collapse of social and welfare support structures.

It may take a bold decision by governments to deal with the issues faced by the state. Based on the current economic system, a priority must be for a sustainable savings culture in the UK, supported by government with suitable incentives, alongside people taking things into their own hands with sensible, long-term financial planning.

Lowes Consultant Chris Large says:

The UK's demographics are a problem of which, as these figures show, we have only seen the tip of the iceberg. While it has always been important to save for our future, with the gradual demise of the final salary pension scheme in the UK and the raising of the State Pension age, individuals are having more and more responsibility thrust upon them. Starting to save and invest as early as possible is going to be ever more crucial, as is proper tax planning – utilising tax incentives and exemptions as fully as possible – if people are to accrue sufficient wealth to see them through their retirement years, as well as prepare for the unexpected eventualities of life, such as long term care needs.

As people accrue more wealth, this is where sound Independent Financial Advice can help navigate them through the investment and savings environment and tax regime.

If you know anyone who would benefit from Independent Financial Advice, your Lowes Consultant will be pleased to help, or have them call us on 0191 281 8811.

Beware DIY drawdown

SINCE THE INTRODUCTION OF THE PENSIONS FREEDOMS in April 2015, many more people have moved away from annuities and have taken greater control of their retirement wealth, often via self-invested pensions.

With greater control comes greater responsibility – managing your own retirement money and getting the strategy and tactics right, particularly when it comes to drawing money down from the retirement fund.

A report recently published by Retirement Advantage took a case study and modelled five different strategies to see how different drawdown approaches perform when used for the average period of retirement.

The case study was based on a 65-year-old, with a pension pot of £200,000 (after they had taken 25% of the pension in tax-free cash), which was invested in a mixed portfolio of 60% equities and 40% bonds. The target income per year was £10,000 (considered to be on the high side given the size of the pension pot).

The five strategies were:

1. Cashing in units of investment for income
2. Cashing in units of investment while also keeping a cash buffer
3. Living off the natural yield or income of the investments
4. Using drawdown now and buying an annuity at age 85
5. Buying an annuity at retirement.

It found that there is no magic "one size fits all" investment strategy that would deliver the required outcome for the duration of retirement.

The main challenges for anyone trying to manage their own investments were underestimating their longevity, investment risk and having a realistic assessment of not just how much loss they are willing to take with their investments but also their capacity to accept a loss, which are not the same thing.

Drawdown is complicated and requires careful management, based on the personal circumstances of the individual involved. There is no one strategy that will create the ideal outcome.

It pays to take professional advice from an Independent Financial Adviser in order to try to ensure sustainable and consistent income and avoid some of the unseen pitfalls along the way.

Directly funding long term care

WHILE FIGURES CAN DIFFER, IT IS ESTIMATED THAT ONE in three women and one in four men will have long-term care needs. About 40% of people aged over 65 have a longstanding illness, and that rises to almost 60% for the over 80s.

In addition, nearly 50% of those in UK residential care are fully self-funded. Worryingly, given that local councils that run social care have financial issues, this total is expected to rise in future.

A big issue for individuals looking at funding their own care is the lack of products available to help. Insurance products have been priced out of the market, leaving immediate care annuities as the only real option. While a single payment annuity guarantees to pay a set sum each month to cover costs, it removes from the person's estate what could be a large sum of money which they would otherwise want to pass on to loved ones and other beneficiaries, if they were to pass away earlier than expected. Money paid into a care annuity, of course, is non-refundable.

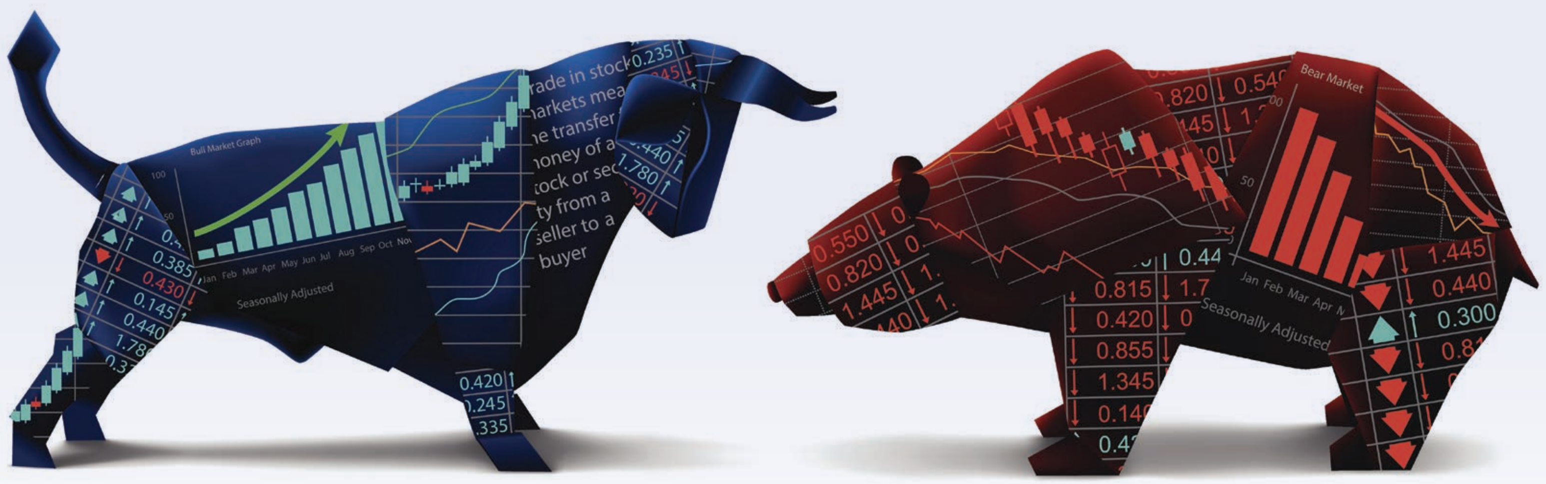
An option is to look at meeting the care fees directly from savings and investments, so the money earns interest or remains invested, with the ability to draw down from it as required. This provides the potential for that money to grow and the amount needed to cover care costs could be less than an annuity and so retain more of a person's wealth to pass on. However, there is also the danger that the money could run out.

The right solution for any individual will be dependent upon their personal circumstances.

If you are concerned about funding care fees, or know someone else that is, a discussion with a Lowes Consultant can help. Please contact your usual Consultant or call our office on 0191 281 8811.

Why we use structured products

Structured products can be a useful tool in delivering positive returns as well as diversifying portfolios



LOWES HAS LONG BEEN RECOGNISED WITHIN THE FINANCIAL services profession as an expert in structured products. As such we have become the 'go to' source for the financial media for independent data and comment on the structured products market.

That expertise has been built over a number of years not from simply analysing the marketplace but by successfully using products within portfolios, our own and our clients.

We use structured products primarily because they are an alternative means to deliver positive returns for investors and help build wealth over time.

We invest for the long term, recognising that markets do not travel in a straight line and there will be ups and downs along the way.

If we look at the performance of the FTSE 100 (see chart), from its inception in 1984 to the present day, we can see that journey. While past performance is not an indicator of future performance, common sense says that it is best to have a strategy in place to deal with these market undulations.

The primary strategy used is to diversify a portfolio. This will spread investments across a range of asset classes and sectors, ideally ones that are uncorrelated to one another, so that the negative performance of one asset is offset by more positive performance in another. This is a sensible strategy and generally worked until the Financial Crisis in 2008, when, as markets fell, it was found that asset classes were far more correlated than expected.

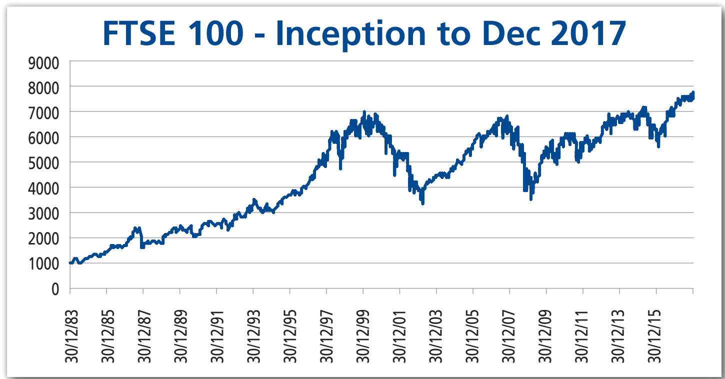
We are firm believers in diversification – it is still the best strategy available in our view – but not just across bonds and equities, which is where portfolios came unstuck in the Financial Crisis. There are options, which can help build in alternative diversification tactics via regulated investment vehicles.

Structured products offer investors that alternative. They provide the potential for a known outcome, delivered on a set date, depending on the position of the underlying benchmark – typically in the UK, the FTSE 100 – at that date.

They can be used for both income and capital growth and, because the maturity date is defined, can help when tax planning.

They also offer a useful means of preserving capital in set situations, such as during corrections in the markets. For example, a six-year product might offer a return of 9% a year, potentially maturing on any anniversary if the FTSE is up, and protecting capital from losses unless the FTSE is down on every anniversary and over 40% lower at maturity.

We will always look for investments to make positive returns for clients but having that capital protection built in, means that in the event of a market fall, as long as the index has not fallen below the set barrier, the investor will receive their capital back when the product matures. The money can be reinvested when the market is at a lower level, potentially increasing returns in the future.



Structured product performance

In investing, the theory is all well and good but how have structured products performed over the past year, for example?

Lowes collects data across the structured product market and we publish regular reviews of the sector. We have just published our 2018 review, showing the results for all products which matured in 2017.

The table below shows the results for those products, whether they delivered a positive return and the percentage they returned on an annualised basis, i.e. per annum over the number of years they ran to maturity. This is important as many products are able to mature earlier than the full term of the product (these are known in the industry as Auto-calls).

We use our expertise gained over the many years researching and investing in structured products to analyse all the new products promoted through Independent Financial Advisers in the UK, from which we produce a list of our 'preferred' plans. These are the products which, through their structure and terms, we believe offer the best prospect of delivering a positive return for our clients – as well as for ourselves, because we put our money where our mouth is, personally investing in a range of our selected 'preferred' plans, as a means of achieving positive returns and diversifying portfolios.

As can be seen from the table, 658 products matured in 2017. Of these we had selected 193 as Preferred Plans.

Overall, 36 of the plans which matured in 2017 returned capital but had no gain and 5 lost capital. So, 94% of all structured products which matured gave a positive return to investors.

We are very pleased to say that all of the plans selected by Lowes as 'preferred', delivered excellent results for our clients. In addition, across all products the Lowes 'preferred' plans delivered an average annualised return above that of the general market – in all subsectors.

Of course, past performance is no guarantee of future returns, but one of the benefits of structured products is that as investors we know what we will receive under various market conditions and that can be a valuable tool when putting together investment portfolios.

A copy of the full 2018 structured product sector review can be obtained by visiting www.Lowes.co.uk/spreview

All Products	2017 Maturities	Lowes 'Preferred' Plans
658	Number of Product Maturities	193
617	Number of Generated Positive Returns	193
36	Number that Returned Capital Only	0
5	Number that Lost Capital	0
3.65	Average Duration / Term (Years)	3.35
	Average Annualised Returns	
7.03%	All Products	8.75%
10.88%	Upper Quartile	10.94%
2.67%	Lower Quartile	5.98%

Turn to the back page to find out more about our latest structured product, the 8:8 Plan.

We challenged the Investment Management Association and won

In 2011, the Investment Management Association (IMA) published a report which sought to compare tracker funds with structured products, using an example which we and others in the industry believed to be a flawed comparison. Lowes countered the IMA research with our own, using real world examples, and showed a very different story.

We felt structured products were being portrayed in an unfair way, so we offered the IMA the friendly challenge of pitting the FTSE 100 index tracker it had used in its research against a basket of structured products selected by ourselves.

At conclusion of the challenge, in December 2017, the IMA's tracker had risen by 62.55% and our portfolio had risen by 81.11%, and they gracefully conceded defeat.

We agreed with the new chief executive of the IMA, Chris Cummings, that we would convert the champagne into a charitable donation. We received this message from Chris. "Congratulations to Ian and his team. It's important that we all encourage good savings habits and help people to start investing. We are donating £250 to a charity of Ian's choice to congratulate him and all at Lowes."

While the wager was made as a sporting challenge, we see it as a great fillip that as Independent Financial Advisers we were able to prove not only the value of structured products – but verified our own knowledge, skills and experience in selecting structured products.

SP-Perspective

LOWES HAS BUILT ON ITS EXPERTISE IN THE STRUCTURED products market in many ways, including the development of SP-Perspective. This is software, purpose-built by Lowes, which helps investors keep a visual track of the products they hold. It includes key items, such as the duration of the investments, who the counterparties are, next and final maturity dates, and where each product is in terms of potential returns, etc.

We have been running it for a while now, serving a group of investors. As the market has changed so we have developed the platform further, also taking on board users' comments.

We have recently made some major enhancements, as well as fine tuning elements. We have received very positive feedback from both industry insiders and individual investors, who have been impressed by SP-Perspective's concise delivery of all the information investors' need, and the ability it gives to dig down into the data if wanted – all in a way that is intuitive to use.

What does SP-Perspective offer?

The key benefits of SP-Perspective are:

- Portfolio summary makes it very easy to view all the structured products you hold in one place.
- Information on each individual investment is easily brought to hand.
- You can easily see the extent of the capital protection.
- Key dates are quick to view on a calendar.
- Pie charts show counterparty exposure.
- You can easily see when your investments will mature and in which tax year.
- You can access past maturities and results.
- Notifications keep you apprised of important information relating to each investment.

The chart opposite is a visual breakdown, taken from SP-Perspective, of a portfolio of typical structured investments, showing the percentage exposure to each counterparty.

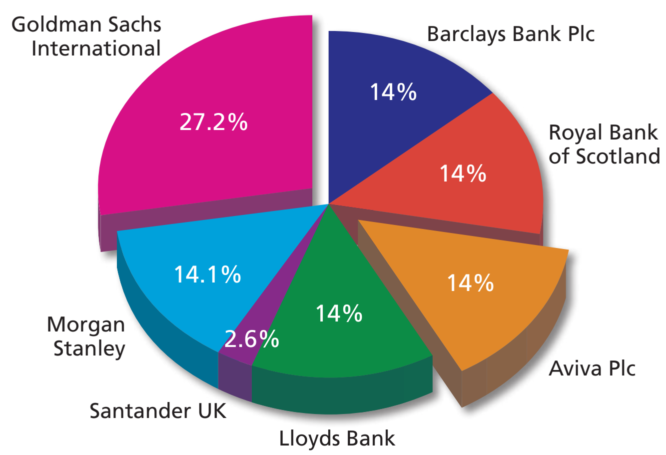
We believe Lowes' clients holding structured products within their portfolios will benefit from SP-Perspective. But don't take our word for it; below are some comments from investors already using the software.

"Everything is there on one concise easy-to-follow and understandable page. There is the ability to easily sort by product type and counterparty, and by tax years – which is invaluable – as well the time line facility for future maturities alongside the necessary index levels. Also useful is the ability to see the barrier levels for each index and each Plan. All in all, it's a complete one stop shop for the structured product investor!"
Paul O'Hanlon, Meteor Asset Management

"I think it's great! It gives all the information a client would want, does so in a concise way, and has the ability to delve further so easily... and it's intuitive in use."
Mr F Davies, Lowes Client

Easy to read charts

Using SP-Perspective, it is easy for investors to see their percentage holdings with each counterparty.



Our software is available at SP-Perspective.com

How robust are UK defined benefit pension schemes?

UK DEFINED BENEFIT OR FINAL SALARY PENSION SCHEMES have frequently been in the news, and despite the decrease in the number of defined benefit schemes there are still many people that rely or will rely on private sector defined benefit/final salary pension schemes for their income in retirement.

Since July 2007 the Pension Protection Fund (PPF) has published the latest estimated funding position for PPF eligible Defined Benefit schemes in its PPF 7800 Index, and as of November 2017 total liabilities were £1,692.8 billion, with some 4,030 schemes in deficit and 1,764 schemes in surplus.

Defined benefit schemes are highly susceptible to changes in the gilt market and interest rates. This has made trustees of the schemes look at the assets they hold and whether they should move into riskier areas to help reduce the deficit.

The Pensions and Lifetime Savings Association (PLSA) has produced a report highlighting concerns regarding the sustainability of defined benefit schemes in their current format and the ongoing liabilities they present to sponsoring employers.

There are various proposals being discussed to help schemes improve their performance and the probability of members seeing their benefits paid in full. This includes changes to legislation regarding the way benefits are valued before and after they come into payment, as well as a rationalisation of the number of schemes to reduce running costs of the schemes.

Lowes Retirement Planning Manager Keith Hanna says:

These figures are clearly of concern to individuals who have been saving into defined benefit pension schemes and who may be in schemes which could struggle to meet their requirements.

The Pension Protection Fund (PPF) was set up to pay compensation to members of eligible defined benefit schemes, should they be unable to pay benefits beyond a minimum level. Should the scheme be taken into the PPF, there are caps in the level of compensation that can be paid. If a member has not yet reached their Normal Retirement Age, the cap at age 65 is 90% of £38,505.65, which equates to £34,655.05 per annum. From 6 April 2017, a Long Service Cap came into effect for members who have 21 or more years of service. The cap is increased by 3% for each full year of pensionable service above 20 years to a maximum of double the standard cap.

The ability of a pension scheme to meet its future liabilities is one of several areas looked at when assessing whether someone should transfer from a final salary scheme to a personal pension plan. There are many important factors that should be taken into consideration, such as a deferred member's circumstances, their objectives in retirement and any additional assets and pension funds.

Transferring money out of a final salary scheme means the responsibility for managing the retirement fund lies with the individual, therefore it is vital that financial advice is sought to establish whether a transfer is an appropriate course of action.

Since April 2015, anyone seeking to transfer benefit from a defined benefit pension scheme, with a Cash Equivalent Transfer Value of £30,000 or greater, must take financial advice prior to any transfer of benefits.

If you or someone you know wants to learn more about pensions transfers, a Lowes Consultant can talk through the options and, based on personal circumstances, help define whether a transfer could be beneficial or not.

Is it Good to Invest?

WHEN I FIRST STARTED WORKING IN FINANCIAL SERVICES, which is now longer ago than I care to think about, ethical investing was considered a niche area, where you had to accept poorer returns in exchange for taking a moral view. Over the intervening years, however, like most things, ethical investing has evolved and now comes in a variety of guises, depending on just how 'green' you want to be.

Originally, ethical investing was based on negative screening, where companies in certain industries were excluded from consideration based on analysis of ethical, social, environmental and corporate governance criteria, such as oil, mining or tobacco. As these were some of the better performing areas, removing them from the investable universe meant that portfolios with an ethical remit would tend to underperform.

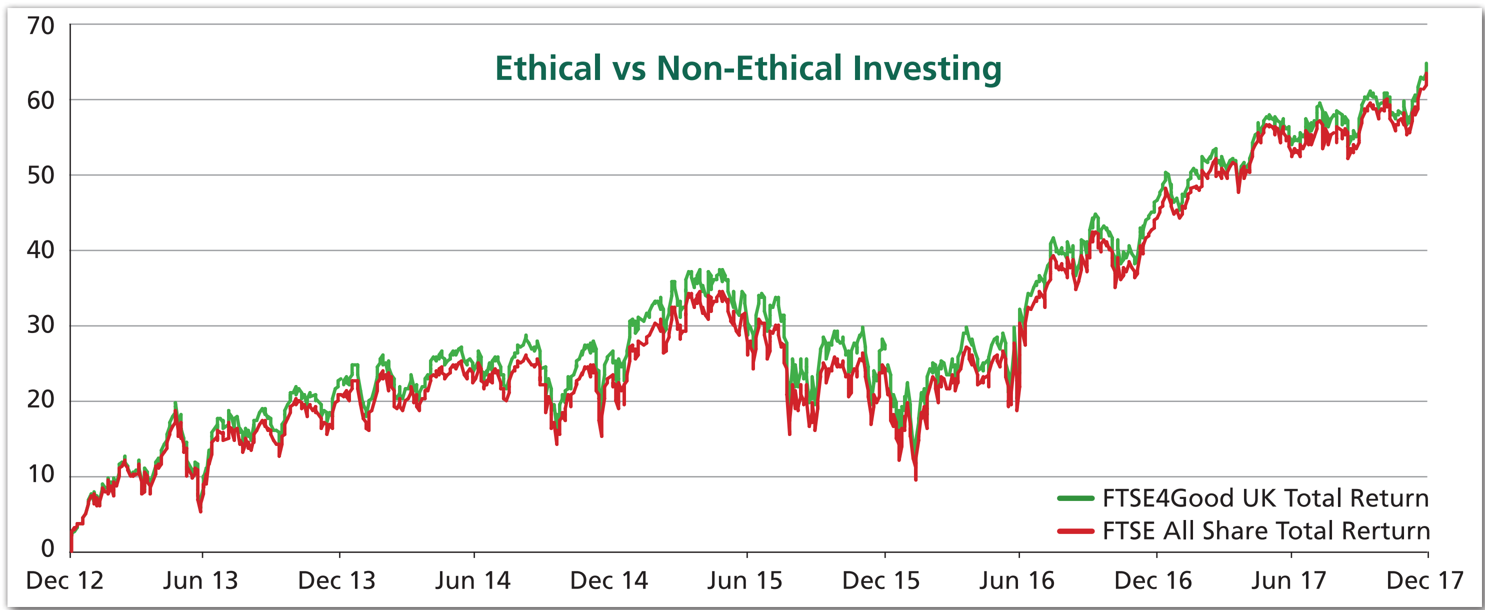
Over time, however, the approach to ethical investing has broadened. It now includes positive screening, where companies are only considered for inclusion in a portfolio if they score highly enough on the chosen criteria, and impact investing, where institutional investors and fund managers use their powers as shareholders to encourage companies to change their culture and encourage more corporate responsibility. To reflect this broadening of approaches, the naming convention has also changed with ethical investments now sometimes referred to as "green", "socially responsible", or "sustainable".

In practice, funds tend to apply their own variations of the above, maybe even combining two or more approaches to their investment process. Even then, there is a lot of room for different interpretations of what qualifies and what does not. For example, in a recent meeting with a Sustainable fund manager, they discussed how they were investing in Fever-Tree, a producer of "premium tonic water and mixer drinks". We questioned the suitability of that stock, as the majority of their products will be used as a mixer, making their business dependent upon people consuming alcohol. They countered that their drinks could be consumed on their own, and they felt their sustainable and responsible approach to running the business was reason enough for its inclusion. I am sure both arguments will be seen as valid depending on your point of view, but it shows how there can be a lot of grey areas in 'green' investing.

When it comes to investment performance, the accompanying graph shows the performance of the FTSE4Good UK index, which gives a measure of UK companies which pass a series of Environmental, Social and Corporate Governance screens, and the FTSE All Share index, which gives a measure of the UK stockmarket as a whole. Over the last five years there is very little difference on the performance. Looking at the table, however, you can see that on a discrete calendar year basis, both indices have better years than others.

So, applying an ethical or socially responsible overlay to an investment portfolio does not necessarily mean sacrificing performance but, as with all investing, it is important to understand the investment process of the fund, and how they fit with others when constructing a portfolio.

Ethical investing is a growing area and can now no longer be considered a niche style. When combined with the rise of social media giving people the opportunity to quickly highlight the failings of businesses in terms of their environmental or social practices, companies are now finding it simply good business to take their wider responsibilities seriously, and that can only be a good thing.



	2017	2016	2015	2014	2013	2012	2011	2010
FTSE All Share Total Return	13.10%	16.75%	0.98%	1.18%	20.81%	12.30%	-3.46%	14.51%
FTSE4Good UK Total Return	12.30%	15.62%	1.13%	2.11%	22.67%	14.09%	-3.17%	11.84%

Source: FE Analytics. Bid-Bid. Net Income Reinvested

Lowes Client Competition 2018

	2013	2014	2015	2016	2017
CPI	2.1%	1.0%	0.1%	1.2%	3.1%
RPI	2.60%	2.00%	1.10%	2.20%	3.90%

Source: ONS

FOR THIS YEAR'S LOWES COMPETITION WE ARE FOCUSSING on inflation. At time of writing, CPI sits at almost one percent above the Bank of England's 2% target, which means inflation is likely to be a dominant factor for the UK economy in 2018, affecting at what level the Bank sets the interest rate.

For savers, who have seen paltry interest on their cash deposits in the past few years, high and/or rising inflation cuts ever further into the spending power of their savings.

But what will happen to inflation in 2018? Has it already reached its peak? Will the Bank take action to try to curb inflation and bring it back down to its target?

For this year's Competition, we want you to guess the published rate of inflation for the preceding 12 months as of the end of December 2018.

So that we have more chance of an outright winner, we want you to predict the percentage change for the Consumer Prices Index (CPI) and for the Retail Prices Index (RPI), to one decimal place.

Each index measures the changes in the cost of buying a basket of goods but each uses a different formula and, as a result, typically CPI is often lower than RPI. We have provided a table of rates for the past 5 years above.

You can enter the competition by completing the section of the tear out card with this issue of the magazine and returning it to Freepost LOWES FINANCIAL MANAGEMENT.

Sudoku solution

Here is the solution to the Sudoku grid on page 3 of this issue of the Lowes magazine.

4	9	8	3	7	2	5	6	1
3	1	2	8	6	5	4	7	9
5	7	6	9	4	1	3	2	8
7	6	4	5	3	8	9	1	2
8	3	1	2	9	4	6	5	7
2	5	9	6	1	7	8	3	4
9	2	5	1	8	6	7	4	3
6	4	3	7	2	9	1	8	5
1	8	7	4	5	3	2	9	6

RETURNING TO OUR SERIES EXAMINING THE PROGRESS of investment products featured in Lowes Magazine five years ago, we report on the Morgan Stanley Accelerator Bonus Plan 4, which, in 2013, we saw had the potential to do well for our clients.

The product was a maximum 6-year plan, offering 45% return if the FTSE 100 had risen by 5% or more from the closing level of the FTSE 100 recorded on 22 March 2013. The plan was able to mature on its anniversary date in either years three, four or five, with investors receiving back their capital and the stated return. If it did not mature on any of those dates, at the six-year anniversary the return would be calculated as the rise of the FTSE 100 from the initial level times ten, capped at the 45%.

A loss would only arise at maturity if Morgan Stanley became bankrupt, or the FTSE didn't rise enough to trigger a maturity and fell over 50%, failing to recover over 6 years.

So how did the plan do? Well, it matured last March, on the 4th anniversary, giving investors the full 45% gain, equating to an annualised return of 9.12%.

The gain for many clients was tax free as it fell within their annual capital gains tax allowance.

See page 12 for the latest 'Preferred' plan, which has been created with Lowes clients in mind.

The 8:8 Plan

A FTSE 100 INDEX LINKED INVESTMENT

The 8:8 Plan from Investec Bank Plc has been developed in co-operation with Lowes, drawing on our detailed understanding of the retail structured investment market garnered over more than twenty years.

Designed to mature on the first of 12 potential maturity dates, where the FTSE 100 has risen by any amount, or even fallen by up to 8% from commencement, and utilising an extended maximum potential term of up to 8 years to provide greater protection against a short to medium term correction, this is a unique investment solution that we believe 'sets the bar' for the structured product sector in 2018.

7.5% per year potential (3.75% semi-annual)

Matures on the first six monthly observation date from the second anniversary onwards, provided the FTSE 100 Index is no more than 8% down, as recorded on the 8th March 2018.

Capital at risk investment

If the FTSE 100 Index is more than 8% below the Initial Index Level at each relevant six monthly observation, and at the end of eight years, the plan will mature without generating a gain.

The plan is designed to return capital at this juncture unless the FTSE is more than 40% lower at the end of eight years, in which case the capital will be lost in line with the fall in the Index.

On 8th March 2018

The closing level of the FTSE 100 Index is recorded to give the Initial Index Level

On 9th March 2020 is the closing level of the Index at or above 92% of the Initial Index Level?

Yes → The plan matures returning original capital, plus a gain of 3.75% for each six month period the plan has run

No → On each six monthly observation date thereafter is the closing level of the Index at or above 92% of the Initial Index Level?

Yes → The plan matures returning original capital, plus a gain of 3.75% for each six month period the plan has run

No → Has eight years elapsed?

No → Plan continues to the next observation

Yes → Is the closing level of the Index above 92% of the Initial Index Level?

Yes → The plan matures returning original capital, plus a gain of 3.75% for each six month period the plan has run

No → Is the closing level of the Index above 60%?

Yes → Original capital will be returned in full but with no gain

No → Capital will be lost on a 1 for 1 basis

Counterparty Risk

If Investec Bank Plc fails, or becomes insolvent you could lose some or all of your investment.

Closing Date for ISA Transfers:
8th February 2018

Closing Date for Applications:
1st March 2018

The 8:8 Plan has limited capacity and may close early if oversubscribed.

If you have any doubts about the suitability of this investment for you or if you require advice or, would like to explore alternative investment opportunities currently available, please do not hesitate to contact your usual Lowes Consultant.

Only the Plan literature, which contains full details of the investment, including all its features, risks, terms and conditions, should be relied upon when deciding whether the investment is right for you.

Disclosure of Interests & Charity Benefit: Lowes has provided input into the concept, development, wider promotion and distribution of this Plan and has a commercial interest in its success. We will not however be paid any share of Investec fees for any investments made by our clients but Investec will instead make a donation to the Charities Aid Foundation (Registered Charity 268369) for subsequent re-allocation to various UK registered charities at the direction of the Lowes Charity Committee.