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Capital City Media

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Forward Look

September 2020

Back to school and triple lock jeopardy: what could possibly go wrong?

Schools finally look set to welcome back children in September, while markets will also be ending their summer hiatus (albeit from staycations only for many investors this year). The latter should be braced for a flurry of activity this coming month as the extraordinary measures taken by the government - including the extension of the furlough taper (for now) - the government has several issues to deal with.

First on the agenda is the coming of age of the very first Child Trust Funds (CTFs) as swathes of holders start turning 18 from 1 September onwards. It could perhaps be coming at no worse time than in the middle of a never-before-seen health, economic and financial crisis. Teenagers up and down the land will be smarting from the A level results fiasco. Those who failed to secure university places, or did not wish to, will now be faced with a ferociously tough jobs market while simultaneously receiving a financial windfall. One can only hope sensible decisions will be made and, dare I say it, the government offers some sort of constructive advice.

We're also set for St. Leger's Day on 12 September. The old adage refers to aristocrats, bankers and merchants who would leave the City of London for summer and return in time for the St Leger's Day race. Fortunately, the race is - at the time of writing - going ahead this year. But it would seem, with all the activity over summer, St Leger's may just not matter too much as far as markets are concerned. Judging by the S&P 500 erasing all its losses, some investors will be fuming if they ended up following that time-worn tip.

On 15 September, the latest employment figures will give us further insight into the state of the jobs market as the furlough tapers. Most experts are worried that the positive signs of growth we've had will be sandbagged as unemployment rockets. Ultimately consumption drives the UK economy, and the less people who have incomes, the less they can spend.

On the 16 September, we have the latest inflation figures. Like August's set of data, September's numbers carry extra weight, as these figures will help us decide by how much the State Pension is uprated by.

The new State Pension uplift is decided every year by the higher of three figures: wage growth, inflation, or 2.5%. It is fairly well recognised this deal was a giveaway that never should have happened. Theresa May even attempted to downgrade it to a double lock in her failed 2017 election manifesto. The whole issue has simmered on, booted into the long grass by politicians reliant on older people to vote for them or unwilling to seem like they're harming the elderly (the BBC is learning what that feels like after the free TV licence for over 75s was scrapped).

Coronavirus has been a year of change though. The triple lock is woefully unfair to a working-age population that has experienced years of stagnant wage growth, so could this moment be the cataclysm that brings change? Either way, wages aren't just sluggish – they're actively decreasing, so handing a 2.5% pay rise to pensioners (who are portrayed in the media as vulnerable but as a cohort typically hold more wealth than any other age group in the UK) could further fan the flames of resentment towards the government.

Elsewhere in the month we have the latest interest rates decision from the Bank of England on 17 September. Talk of negative rates goes on but whether we are there yet is unclear. Meanwhile, on 8 September an FCA consultation on how to help so-called mortgage prisoners closes. August turned out to be quite a busy month, particularly on the political front. I wouldn't expect any less from September. As ever, all the best from us here at MRM and CCM.

Edmund Greaves, consultant - news and content, MRM

The end of summer, and optimism, now looms for Boris

Paul Montague-Smith, senior counsel - public affairs, MRM

What a month it has been. The exam results season was such a mess that it dominated media and public discussion. It also badly damaged the Government. You don't mess with children's futures without blowback.

Most of us will know someone who was affected by the turmoil and will have been perplexed as the fiasco unfolded. Any sense of Government competence appeared to go out of the window, with it seemingly being blown about by events. One legacy could be that confidence in algorithms of any kind has been dented, with suspicion being a default starting point for the public and politicians alike. Their application and effects across business as well as the public sector might well come under the spotlight in the months ahead. The political upshot of the shambles is that the Government's approval rating remains in the doldrums and Conservative backbenchers have become more overtly critical of their government. Public approval has dropped 20 points since April to only 30%, with 49% unhappy with the Government's record and a majority thinking Boris Johnson is performing badly.

When Parliament returns Labour leader Sir Keir Starmer will almost certainly be aiming to make the most out of the exam fiasco at the first Prime Minister's Questions. Schools are set to remain a political battleground for the time being. The Government is desperate to get all pupils back to their classrooms, not least because it means more people can go back to work. But teaching unions aren't playing ball and, while they no doubt have genuine concerns and frustrations, some see it as an opportunity to force more u-turns, damage the Government and secure a high-profile scalp in education secretary Gavin Williamson. Normally there would only be two weeks before MPs head off for another recess so the autumn political party conferences can take place. This year, though, with conferences scrapped or virtual, Parliament is set to sit through until the last week of October. In that time Labour will be driving home its campaign to extend the Government's furlough scheme as swathes more job losses are probably announced before its withdrawal. We haven't had much more to go on in the last few weeks to give us a clear steer on how the economy is performing. There have been some encouraging signs, with retail sales rising above pre-pandemic levels in July and the PMI index the highest it's been since 2019. But with unemployment forecast to possibly hit 12% by the end of the year and the CBI saying manufacturing orders remain severely depressed, betting on a v-shaped recovery still requires a leap of faith. A big problem for the Government – that is likely to intensify with time – is that its performance in handling the pandemic looks poor compared with other countries. The UK is an outlier in terms of both excess deaths per million and expected loss of GDP. Nerves in Downing Street and the Treasury will therefore be frayed as we head into autumn and winter.

The Chief Medical Officer has emphasised that "going into winter we are going to have real problems with this virus" and it is a "very, very substantial challenge", which he believes will last at least another nine months. He clearly expects the infection rate to increase in the months ahead, probably to a point where more local lockdowns will be needed and perhaps nationwide restrictions re-imposed. Boris Johnson was elected nine months ago on a manifesto of optimism. Coronavirus has fundamentally changed that and the outlook for the Government is stormy.

Another big cloud on the horizon remains our future trading relationship with the EU, which is as uncertain as it was months ago. Michel Barnier is now downplaying the prospects reaching a deal too. For the financial services sector, even if the big differences on things like state aid and fishing are resolved, progress on assessing equivalence has been excruciatingly slow. The EU is now saying new regulations in some areas need to bed down before equivalence in them can be assessed, meaning UK based firms are facing the cost and complexity of securing country-by-country authorisation to do business.

One final silver lining – international law firms (which the UK leads in across Europe) are set to do well. What's the phrase – the lawyers always win?!

The 11 asset management firms that spent more than £100,000 on advertising during lockdown

Mike Richards, director, Capital City Media

Some 11 asset managers spent more than £100,000 on advertising during lockdown, according to figures from AC Nielsen. It is those bold firms that keep their head above the parapet that will benefit in time, says Mike Richards, director of Capital City Media.

It was Pliny the Younger who reported his uncle, Pliny the Elder, as having said: "Fortune favours the brave" (they said it in Latin, obviously). With the UK recently going into recession, the same motto can be applied to any company. We've seen lots of research which shows that this is highly relevant to FS brands too.

At rate card values, during Q2 2020, 11 asset management companies spent over £100,000, according to AC Nielsen advertising expenditure figures. Five of these 11 were investment trust companies. Their spend would have been aimed directly at the consumer – the key target audience according to a recent FCA report on asset management.

	Grand Total	Digital	Outdoor	Press
Advertiser	Expenditure	(%)	(%)	(%)
	4,034,703	49.7	0.2	50.1
Baillie Gifford & Co Ltd	617,466	33.5	-	66.5
Fidelity Investment Services Ltd	516,696	74.1	-	25.9
Martin Currie Investment Management	401,613	97.4	-	2.6
Liontrust Investment Funds	333,663	43.2	-	56.8
Ninety One Uk Limited	314,912	3.9	1.8	94.3
Artemis Fund Managers Ltd	281,619	13.5	0.2	86.3
Aberdeen Standard Investments	208,759	69.7	-	30.3
Alliance Trust	199,445	87.2	-	12.8
Witan Investment Trust	152,282	90.9	-	9.1
Fisher Investments Europe Ltd	117,427	79.5	-	20.5
Schroder Investment Management Ltd	106,820	18.3	-	81.7
Vanguard Asset Management Ltd	77,487	10.7	-	89.3
Lyxor Asset Management (Fr)	71,016	28.7	-	71.3
Orbis Investment (International)	70,954	3.7	-	96.3
Asset Value Investors Ltd	68,569	6.5	-	93.5
Jpmorgan Asset Management Ltd	62,753	31.0	-	69.0
Blackrock Investment Management (Uk) Ltd	60,516	24.2	-	75.8
Octopus Investments	59,162	36.3	-	63.7
Pimco Europe Ltd	54,010	8.3	-	91.7
Bmo Global Asset Management	39,704	80.7	-	19.3
Allianz Global Investors	32,336	52.4	-	47.6

Source: AC Nielsen, Q2 2020.

> What constructive message can I tell my existing and potential customers? Have I made sure I am not taking advantage of the current crisis?

With the FCA also keen for equity ownership to grow (at the right price according to their Value For Money directives), these are the companies who are being 'brave' during this time and who will be the companies who profit in the end (although hopefully not too much, to avoid going against VFM requirements!)

Normally out-of-home (OOH) would have a larger share of the budgets. However, with lockdown and fewer people travelling, OOH would not have been the correct medium. That being said, after TV, it is well-known that OOH is the second-best branding medium. As things ease and people travel more, a better case for OOH activity can be made.

Marketing during a recession or crisis has been proven time and again to have a beneficial long-term effect on market share and sales. The research firm Kantar, stated in its Covid-19 Barometer that 'strong brands recover nine-times faster after a crisis compared to average brands.'

Media is also cheaper as fewer companies spend money on advertising and share of voice can increase dramatically as others cut back.

However, consumers are not interested in companies that seem to just be trying to profit from the pandemic. Customers want solid advice from firms they can trust with recognisable, visible brands.

Given that none of the companies in the above chart have high-street distribution of their products, they are reliant on media brands which potential customers already trust – media like the Telegraph, Mail and The Times publishers. This is the asset managers' method of high street distribution.

Most national press media owners have had their print circulations stay static, some have slightly dipped, but this would be down to people staying home and not picking up a paper as usual.

Websites of the national press, such as thisismoney.co.uk and telegraph.co.uk, have seen growth on top of early gains made in Q1 through Q2. The 'Money' channel on telegraph.co.uk, for example, saw the third-highest gains of viewers and unique users within the overall site.

Indeed, the Mail/Metro media group (which includes the Daily Mail, Mail on Sunday as well as thisismoney.co.uk) has released research undertaken during the current crisis showing that people are looking for company brands for leadership and many investors are looking longer term.

The survey also found people don't want to see their trusted brands 'going dark' and failing to communicate.

Without wishing to use the word unprecedented, there is no escaping that these are strange times. The questions asset managers should be asking are:

What constructive message can I tell my existing and potential customers? Have I made sure I am not taking advantage of the current crisis? With more people thinking long term, which vehicles have we got to offer?

And am I wearing my "What Would Pliny the Elder do?" bracelet?

> Consumers are not interested in companies that seem to just be trying to profit from the pandemic. Customers want solid advice from firms they can trust with recognisable, visible brands

Future Finance: It's time advisers were given access to institutional quality investment solutions

MRM associate director, head of news and content, Nick Paler talks to David Ferguson, chief executive of Nucleus on everything from passive funds to the spiralling cost of investing for advisers.

There have been many criticisms levelled at the investment solutions available to advisers and their clients over the years, many of them around fees and what investors are getting in return for higher cost products run by professional investors.

Whether it's a fund or a DFM service, fees have only one way to go from here, says David Ferguson, the CEO of cutting edge wrap platform Nucleus which he founded in 2006.

"Retail asset management is overpriced, oversupplied and tends to underdeliver for the end user," Ferguson says.

The head of wrap platform Nucleus is not one to mince his words when it comes to the range of investments being sold to advisers and their clients.

"Not only has it not delivered for clients, and we can point to example after example of that this year alone, but it's not even the right way to approach the investment question anymore.

"Financial advice is about plans, not products, and the asset management and DFM industries should be fitting around that if they want to help advisers. We think it could be done a lot better, and at much lower cost without simply going passive."

Ferguson, an incomplete actuary by trade before he launched Nucleus some 14 years ago, believes change is coming in this field, especially with advice in retirement becoming far more important to clients as people live longer and traditional solutions like annuities face challenges.

"Most advisers we talk to nowadays are not having conversations about a 10 or 20-year plan to get a client to age 65. It goes far beyond that now. They are trying to build plans for clients that last 30/40 years, and that are flexible enough to meet changing goals in retirement, and unplanned life events.

While plans can obviously change, it's possible the so-called accumulation and decumulation phases could be better aligned.

"That is the future, but if you look at the product set available to advisers – particularly in the DFM market – that's not what they are getting."

Part of the problem facing advisers is lots of choice but little variety when it comes to the options available.

They can buy a cookie-cutter risk-rated solution and consign a client to an inflexible model which tries to deliver to a single dimensional risk measure (short-term volatility) or they can opt for an expensive full-fat DFM.

> Financial advice is about plans, not products, and the asset management and DFM industries should be fitting around that if they want to help advisers

Ferguson says what he finds most galling is that fees are only high to protect inflated margins, although he expects this to change as the regulator keeps the pressure on costs.

"What is hard to swallow is the fact that institutional products already offer far lower fees for the same products, be that a DFM solution or a standalone multi asset fund," he says.

"We therefore all know that it's possible to do these things for clients at a lower cost, but many market participants are too busy protecting their inflated margins. Even if you assumed there was more administrative burden to handling smaller portfolios for clients, for example, there's no evidence anywhere that says it should be 3 or 4 times the cost of doing the same for an institution, which is today's reality"

"The regulator knows this, and is pushing for more reductions to be made, and we expect lower cost active portfolios to emerge to sit alongside passives."

One other debate still raging which he thinks no longer has relevance is the age-old argument between whether advisers should use actives or passives.

"It would be simple to say everything in a client's portfolio should be passive, because it would bring costs right down. But the truth is, a combination can deliver more.

"For some asset classes, like broad equity exposure in developed markets, a passive is a great solution, but to access other asset classes sometimes it makes sense to use an active manager."

He says a shift in mindset is needed to support advisers, using institutional-like solutions to give advisers access to portfolios which are set up to invest in the best source of alpha for the best price, be that a passive or an active solution.

"Parts of the market have moved so far beyond these debates, and they are purely focused on delivering the best possible return in the most efficient way, for the best possible price.

"That hasn't come to the retail adviser market yet, and it's time that changed."

> It would be simple to say everything in a client's portfolio should be passive, because it would bring costs right down. But the truth is, a combination can deliver more

MRM Summer internship 2020: Two mins with...Dana Raer

We get the lowdown on intern life at MRM from one of our summer interns, Dana Raer, who is currently studying for her degree in journalism at the University of Sheffield.

Tell us about yourself. What are you studying at university?

I am an optimistic and ambitious third year journalism student at the University of Sheffield. I moved to the UK two years ago by myself, a huge step for any 19-year-old to take, with the hopes of enriching my cultural horizons and becoming more independent.

What was it that interested you about the MRM internship? What did you hope to gain from the experience? How did you find working remotely?

What attracted me to this internship was the prospect of learning more about business and the economy in the UK. I have felt at absolutely no disadvantage working in a digital internship instead of being face-to-face with the team. That is mainly down to my 'buddy' who arranges meetings for me with almost everyone from the company, and who always replies to every inquiry I have. I have had the opportunity to take part in workshops, presentations, client meetings as well as amazing weekly sessions with interesting people.

What positives on a personal level have you taken from the internship?

I have learned how important it is to be involved in every meeting and ask questions. Even if it seems trivial in the beginning, if you voice an opinion or a thought it won't go unnoticed.This internship helped me understand the importance of speaking up, sharing news and opinions and building relationships with others.

What financial tip or fact have you learned during your internship?

I have learned to be more persevering when asking for refunds for airplane tickets (constructive advice from Mouthy Money's Paul Beadle!).

What did you find most surprising about financial services during your time at MRM?

Financial services have their own language, to understand it you need to learn it.

What is one tool/gadget/app you can't do without for working/studying?

I cannot do without my laptop, a simple HP that can withstand the memory consuming programs that I use for my journalistic endeavours (the Adobe suite specifically). Nothing can be done without the help of a clever gadget.

What three things would you do if you were Prime Minister for the day?

Stop Brexit/ have another referendum. Invest in the NHS, better salaries for NHS workers. I would not reopen schools in September.

What is the one column or website that you read every day?

Every single morning, I sit down with a cup of coffee and read BBC News or The Independent website. Occasionally, I also inspect the Financial Times website.

What would you do if you received a windfall of £10,000?

I would, without a doubt, invest it in my education.

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Dates for your diary...

01/09/2020 FCA Annual Report expected this month

01/09/2020 Bank of England effective interest rates

01/09/2020 Bank of England Monetary & Financial Statistics

01/09/2020 Bank of England Money and Credit - Lending to Individuals, Lending to Businesses, Broad Money and Credit

01/09/2020 Govt continues tapering its contribution to the furlough scheme

01/09/2020 Teenagers get access to Child Trust Funds for first time

02/09/2020 ONS UK House Price Index

02/09/2020 BRC Shop Price Index

03/09/2020 Pension and Investment Provider Awards (PIPA)

03/09/2020 CIPS / Markit Services PMI

03/09/2020 Women of the Future Awards nominations deadline

03/09/2020 ONS coronavirus and the latest indicators for the UK economy and society

KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
- Pensions & Benefits
- Other

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Dates for your diary...

04/09/2020 U.S. Employment Report

04/09/2020 UK Finance Household Finance Review

07/09/2020 Halifax House Price Index

08/09/2020 Risk Awards entry deadline

08/09/2020 Barclaycard Consumer Spending Data monthly figures

08/09/2020 Oil & Gas UK Economic Report launch

08/09/2020 EU reveals latest growth figures

08/09/2020 Investment Life & Pensions Moneyfacts Awards winners announcement

08/09/2020 UK-Switzerland financial dialogue begins

08/09/2020 FCA consultation closes on mortgages

09/09/2020 KPMG and REC UK Report on Jobs

10/09/2020 ECB interest rate announcement

KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
- Pensions & Benefits
- Other

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Dates for your diary...

11/09/2020 Bank of England Quarterly Inflation Attitudes Survey

11/09/2020 NIESR Monthly GDP Tracker

11/09/2020 ONS Monthly GDP estimates

14/09/2020 ESG & Sustainability Virtual Summit

15/09/2020 UK monthly unemployment figures

15/09/2020 IEA Oil Market Report

15/09/2020 Nielsen publishes latest UK supermarket share figures

15/09/2020 U.S. Federal Open Market Committee meeting

15/09/2020 OECD Interim Economic Outlook Report

16/09/2020 UK House Price Index

16/09/2020 Visa's UK Consumer Spending Index

16/09/2020 ONS UK monthly inflation figures

KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
- Pensions & Benefits
- Other

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Dates for your diary...

17/09/2020 Pensions Age Annual London Conference

17/09/2020 UK interest rate decision

17/09/2020 Bank of England Governor Andrew Bailey speaks at International Conference on Sovereign Bond Markets

18/09/2020 UK monthly retail sales figures

18/09/2020 ONS report: coronavirus and the social impacts on Great Britain

21/09/2020 Rightmove Monthly House Price Index

21/09/2020 Markit Household Finances Index

21/09/2020 Investment Week Women in Investment Awards finalists announcement

22/09/2020 HMRC Number of property transactions

22/09/2020 CBI Industrial Trends Survey

22/09/2020 HM Treasury coronavirus (COVID-19) business loan scheme statistics

23/09/2020 Business Roundtable CEO Economic Outlook Survey

KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
- Pensions & Benefits
- Other

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Dates for your diary...

23/09/2020 CBI Distributive Trades Survey

24/09/2020 FCA Annual Public Meeting virtual event

24/09/2020 FCA consultation closes on driving value for money in pensions

25/09/2020 Z/Yen Partners' Global Financial Centres Index

25/09/2020 Bank of England Quarterly Bulletin

25/09/2020 Zoopla House Price Index

25/09/2020 GfK UK Consumer Confidence Survey

25/09/2020 Professional Pensions Investment Awards entry

27/09/2020 CBI Growth Indicator Survey

28/09/2020 Pensions Expert DB Forum held virtually

29/09/2020 CBI and PwC Financial Services Survey

29/09/2020 Nationwide House Price Index

30/09/2020 U.S. final growth figures for Q2

KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
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- Other

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