Wealthsmiths™

The Sanlam magazine – Summer 2019

Seeing through the fake news
How our analysts tell reality from fiction

Sport of kings
Could you afford to invest in a racehorse?

Beyond Europe
The opportunities for UK firms in Africa

Passion for the past

TV's Eric Knowles tells us of his love of antiques and how you can become a collector

Sanlam Wealthsmiths™

Welcome to another issue of *Wealthsmiths* magazine. This time we've included several articles focusing on smart ways that you can grow or protect your wealth. Pensions are among the best of these because of the generous tax relief available, which means that the government pays into your pot every time you do. Another important topic for savers and investors is compound interest, which Einstein supposedly called the "eighth wonder of the world." Our feature on page 32 explains this process and how the snowball effect of reinvesting dividends can give your portfolio a boost.

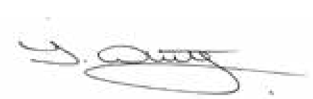
But once you've built your wealth you need to plan carefully to protect it for the next generation. More and more estates are being caught in the inheritance tax (IHT) net, but the government has provided ways that you can reduce your liability and these are discussed on page 21. A couple can leave up to £650,000 tax-free, for example, and you can give away some money to your offspring now and it will be removed from your estate for IHT purposes.

But it's not only money that flows through the generations. Treasured possessions that are kept and loved year after year eventually become antiques and their value, in both financial terms and as items of wonder, begins to rise. In this issue, *Antiques Roadshow*'s Eric Knowles tells us about his passion for the subject and how you can become a collector – and the antiques to look out for whatever your budget.

As Brexit uncertainty continues, we've also spoken to Geoffrey de Mowbray, Co-Chairman of the British Exporters Association (p13), who says there are lots of opportunities for British businesses outside of Europe, in the countries of Africa, for example. He started his entrepreneurial career at the age of 18 when he began exporting old computers from the UK to Cameroon. He's still doing business on the African continent today.

We've also taken a look at what it's like investing in a world of 'fake news'. These days rumours and lies can spread around the world at lightning speed on social media, but at Sanlam our analysts are charged with finding out the truth about companies to help boost our clients' portfolios. On page 29, analyst Louis Jamieson explains how he tells actual facts from 'alternative' facts.

I hope you enjoy this issue of our magazine.



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CEO, Wealth Management

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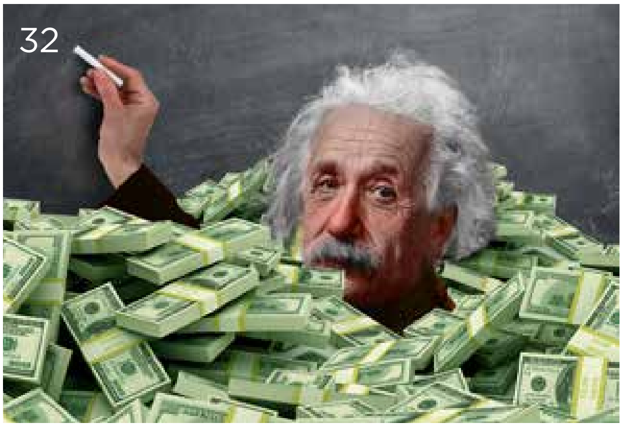
18


13


32

News and analysis

Our view of the markets

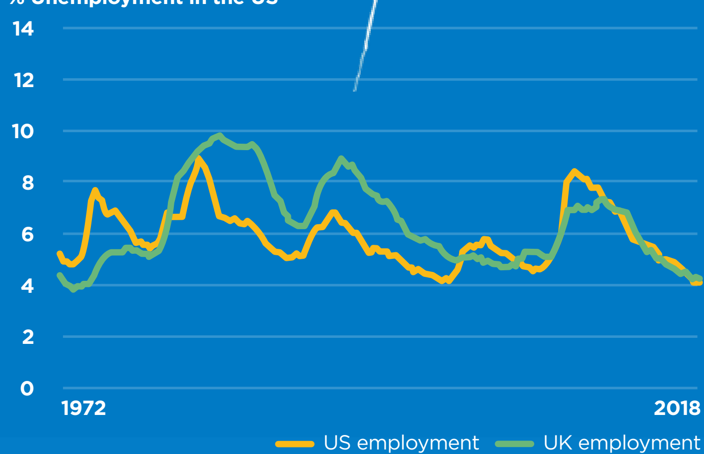
The ISA (nearly) comes of age

The ISA celebrated its 20th birthday in April, and it has certainly come a long way since it was launched in 1999. But has it come far enough? Back then, you could invest a total of £7,000 a year tax-free. Now the maximum investment limit is £20,000, making it an increasingly important component of a diversified portfolio. Yet many higher-rate tax payers don't appear to have cottoned on. Only 1.43 million people earning more than £50,000 a year subscribed to an ISA in tax year 2015/16 (the most recent publicly available figures).[1] Given that there were 4.5 million[2] higher-rate tax payers in the UK that year, it's clear that ISAs haven't yet reached their full potential.

Sources:
[1] https://tinyurl.com/y2ee67x6
[2] https://tinyurl.com/yyu2ag7f

Inflation risks continue to build

The fact that unemployment in the US and UK has been at its lowest level since the early 1970s, and wage growth is on the increase, is surely a healthy sign for the economy. Perhaps for now, but there's no doubt that inflationary pressures are building, which could force further interest rate increases. As the cost of borrowing continues to look uncertain, businesses are less likely to take on more credit, which ultimately leads to a slowing economy. As the graph (right) shows, periods of low unemployment can be closely followed by sharp increases, as businesses hunker down amid weaker economic conditions. We're watching closely as these trends unfold.



Source: Bloomberg

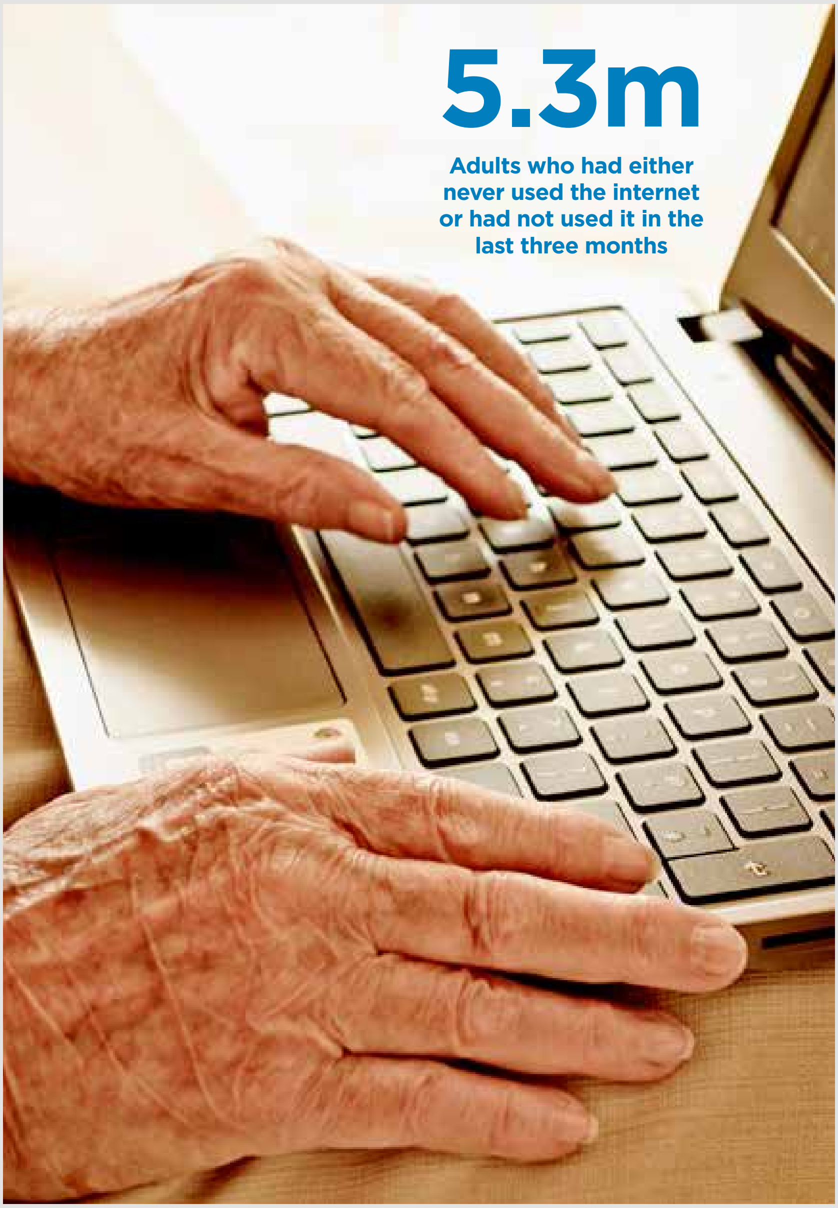
The digital divide

In 2018 there were 5.3 million UK adults who had either never used the internet or had not used it in the last three months. That's 10% of the adult population. As the world rapidly moves 'online', these people are risking becoming digitally excluded from life.

This can mean:

- becoming unemployable
- spending more money and time on accessing goods and services
- being less, or not, connected to friends and family

While 79% of those who don't use the internet are of retirement age, 21% are under the age of 65, and 9% are under the age of 55, meaning this so-called 'digital divide' is not just an issue for the older generation. As technology advances, the UK must ensure that everyone can participate in the many opportunities it brings.



Check your beneficiaries

According to a study by Phoenix Life, 54% of adults in the UK don't know that their pension will typically pass to the person nominated as their beneficiary on their pension policy, rather than in their will. And 65% have failed to review the person they have nominated. This also applies to life insurance, critical illness, income protection and redundancy cover. Make sure you check your beneficiaries so the right people benefit.

The rise of Netflix

As investors, there's nothing more fascinating than watching a new company disrupt an established market. The technology revolution is making this a regular occurrence, but the story of Netflix is particularly fascinating. When original film *Roma* was nominated for 10 Academy Awards, and won three of them, Hollywood was affronted. How could a film made for television be allowed to compete with the movie theatre elite?

The politics of Hollywood aside, it's fascinating to watch Netflix turn a well-established business model on its head. To all intents and purposes, the product is the same, and Netflix has proven it can make great films. But its approach to distribution could not be more different. Large movie studios continue to take the well-trodden path of a staged release, whereby people who want to be the first to watch the movie at the cinema will pay a premium (and buy popcorn), while those who are happy to wait will pay less by buying the DVD, or even waiting for it to screen on TV. Holding back the release of movies creates anticipation and demand, which turn profits.

Netflix, on the other hand, gave *Roma* a very limited theatre release, then gave it to their subscribers at no extra cost. It seems that Netflix is less interested in the individual profit-making of *Roma*, and more interested in the part it plays in attracting subscribers through regular high-quality content. As far as movies go, this is a completely different business model but one that appears to have Hollywood both shaken and stirred.

The Netflix original film *Roma* won three Academy Awards

Photos: Alamy, Netflix

Powerful pensions

Of all the tools you can use when planning your retirement, the pension is undoubtedly the one to keep your savings plan fully charged, writes **Jill Insley**

Recent changes to the rules governing pensions mean that generous tax relief is now combined with flexible access to your money when you eventually draw on your pension funds – an unbeatable combination.

However, successive governments have already reduced the amounts investors can contribute tax efficiently to pensions on an annual and lifetime basis, and there is constant speculation there will be further cuts to pension tax relief in an attempt to balance the Treasury's books.

Pension contributions benefit from tax relief at an investor's marginal rate – potentially worth up to 45% in England, Wales and Northern Ireland and up to 46% in Scotland. Your investment grows free of tax, and you can take 25% of the eventual fund as tax-free cash.

Pensions can also provide a very attractive solution for ▶

those trying to reduce the inheritance tax bill on their estate, says Michael Angus, Wealth Planning Director and Chartered Financial Planner at Sanlam in Edinburgh. "An investor can nominate a particular person to get the money from their pension pot after they die, and depending on their age at death, the money can be tax-free," he says.

You can also use a process called 'carry forward' to increase your pension contributions. "Carry forward allows unused annual allowance from the three previous tax years to be used in the current year," says Angus. "This means that if you have not contributed to a pension at all in the three previous tax years, and you have sufficient earnings, you may be able to boost your pension fund by up to £160,000."

"The best way to deal with uncertainty about the future is to make the most of the allowances and tax reliefs that are available"

Much of that money would be contributed by the government, so a higher-rate tax payer on a marginal rate of 40% could add £96,000 to their pot and receive £64,000 from the Treasury. These figures would be even more attractive with Scottish tax rates.

Reduced benefits

However, every year there is speculation that the Chancellor of the Exchequer will cut pension tax relief. Before last October's Budget, for example, it was rumoured that Philip Hammond would reduce higher-rate pension tax relief to help generate £20 billion in additional funding promised to the NHS.

It would take a brave government to do something as radical as scrapping or even reducing the very popular tax-free lump sum, or introducing a flat-rate tax relief system for contributions. But Angus says that previous governments have already reduced the amount of tax relief available to investors through a less obvious route – by cutting the amount they can invest.

The annual allowance, which is the amount you can save into a pension each year for which you can claim tax relief, has fallen from £255,000 in 2010/11 to £40,000. This limit is tapered for those who earn more than £150,000 a year, reducing to a maximum of £10,000 for those earning £210,000 or more.

Lifetime allowance

The lifetime allowance – the amount that you can withdraw from your pension schemes through lump sums and retirement income without triggering an extra tax charge – has also been reduced, from £1.8 million in the 2011/12 tax year to just £1.055 million. If you exceed this limit you could incur tax charges of 55% or 25%, depending on how you take the money. As a result, the amount of tax collected because of breaches of this allowance has risen by 2,000% in a decade.

Some investors, including members of the NHS pension scheme, pay contributions based on their salary band and do not have the flexibility to reduce the amount they contribute. According to the British Medical Association, increasing numbers of doctors are breaching pension savings limits and are facing hefty tax bills. The *Financial Times* reported in January that this issue is contributing to some GPs deciding to take early retirement.

"It's impossible to predict what the government will do next when it comes to pensions"

Tax facts

Here are a few of the numbers that show the true cost of pension tax relief and how the government has already begun to limit this generous tax break.

£43.7 billion
the expected cost of pension tax relief for 2018/19 according to HMRC

£34.6 billion
the cost of pension tax relief in 2014/15

"Eye-wateringly expensive"
Chancellor Philip Hammond's description of pension tax relief

£561 million
the tax collected for annual allowance breaches in 2016/17 (the year that the tapered annual allowance was introduced for higher earners), compared with £179 million in 2015/16

£102 million
the tax collected for lifetime allowance breaches in 2016/17, compared with less than £5 million in 2006/7

However, there are ways to avoid having to pay additional tax, says Angus. These include different 'protection' schemes offered from 2006 onwards, when the allowance was first introduced. Earlier schemes are no longer available for new applicants, but Angus says: "Those investors who did apply for these protections at the time should review them regularly with the help of their financial adviser to make sure they are still suitable for their purposes."

Two forms of protection are still available – fixed protection 2016 and individual protection 2016. You can find out more about the protection available on the government website,* but the process is complicated and it is best to seek professional financial advice.

In addition to applying for protection, Angus says investors could consider investing in alternative tax-efficient investments, or, if they belong to an occupational scheme, stopping their own pension contributions or talking to HR about taking benefits in a different form. Those who opt out of further pension investment and who are employed should beware being auto-enrolled into their employer's pension scheme – it could cost them dearly, warns Angus.

Be proactive

Given the current political and economic uncertainty surrounding Brexit, it is quite likely that there will be speculation about further cuts to pension tax relief and allowances during this year.

Angus says: "It is impossible to predict what the government will do next when it comes to pensions. But investors should not let this deter them from using an incredibly flexible and tax-efficient way of saving.

"The best way to deal with uncertainty about the future is to make the most of the allowances and tax reliefs that are available right now. Talk to your financial adviser about how to maximise – and protect – your pension contributions, and look forward to reaping the benefits when you retire." ■

*https://tinyurl.com/y5yqlxry

Find out more
To find out how you can make the most of pension tax relief, talk to your financial adviser, or visit **www.sanlam.co.uk**

Past master

Antiques expert Eric Knowles became a household name on TV's *Antiques Roadshow*. He tells Jess Unwin about the industry and gives some advice to anyone considering investing in antiques

The one object that antiques expert and television personality Eric Knowles would really like to collect is a crystal ball. Best known for his role on the BBC's hugely popular *Antiques Roadshow*, he jokes: "If one ever came up at auction I'd certainly be bidding for it!"

With a special interest in ceramics and a career in antiques that includes 32 years with auction house Bonhams, he can tell you what's 'hot' and what's not right now. But seeing into the future, trying to predict whose work might become the next fashionable must-have, is tougher.

Knowles has a good example: "Back at the beginning of the 1990s someone brought a French Japonisme enamel and bronze jardinière to the *Antiques Roadshow*. I quoted £10,000 for it on the show, but the owners kept it and 20-odd years later they sold it at auction for £668,000!"

After that sale, the jardinière made a special reappearance on the TV show in 2014 and presenter Fiona Bruce asked Knowles why it had sold for so much. "I told her that a market had simply appeared for it that wasn't there before. That's how it goes – the trick is to try to sell on a rising market."

Youthful fascination

Knowles might not have a crystal ball himself, but perhaps someone at his first job – as a travel agent back in 1971 – did. "I got the sack and when I told the people in the office I was going to work for a local antiques dealer, they said: 'Oh well, we'll probably see you on the telly with Arthur Negus one day.'"

> *"Oh well, we'll probably see you on the telly with Arthur Negus"*

Ten years later, Knowles was indeed on the small screen with legendary furniture expert and broadcaster Negus: "It was a standout moment of my time on *Antiques Roadshow*. He brought antiques onto the national stage and he was a mentor to me."

As a boy in north-east Lancashire he was "fascinated by the past", but could never have imagined he would make a career out of that interest. He remembers: "It's maybe in the DNA passed on from my parents because they would take us to so many historic places."

One such venue was Towneley Hall, near Burnley: "It's a treasure house of history. I was fascinated by, say, a chair that a Cavalier might have sat on, or a helmet that a Roundhead might have worn. It took over my childish imagination."

Walks in the countryside inspired a love of natural history and he was also a youthful member of local history and architecture societies. "As far as my mates were concerned, I might as well have had the word 'nerd' tattooed on my head!" he chuckles.

His career in antiques took off when he became a porter with Bonhams. After a decade, he'd been made a director. Knowles says: "I was just in the right place at the right time. You couldn't compete with Sotheby's and Christie's back then, so I became a bit of a niche merchant – I would have a sale dedicated just to Lalique glass and so on. By doing that I prospered and so did the company."

By the time Knowles left Bonhams in 2008 he had already been 'seduced' by media work. He was recruited to the *Antiques Roadshow* in ▶

"I was fascinated by, say, a chair that a Cavalier might have sat on or a helmet that a Roundhead might have worn"

1981 and has appeared on dozens of TV programmes since then, including *Crimewatch UK*, *Bargain Hunt*, *The Generation Game*, *Countdown* and *This Morning*. "People tell me I seem to be a natural, and that I'm able to be myself. I enjoy TV – it gets the adrenaline pumping."

Popular potters

Knowles is delighted that contemporary, British-based potters are popular at the moment. "The market has really boomed in the past four or five years. People like Bernard Leach, Hans Coper, Lucie Rie and Elizabeth Fritsch. John Ward is another name: five years ago, one of his pots would cost you between £300 and £400, today it's £2,000."

He says jewellery and gold are also doing well: "We live in uncertain times and that's when they come to the fore." Chinese porcelain – "to Chinese taste, not Western taste" – is also 'in', while Art Deco objects are keenly sought after.

However, the 'brown furniture' market is still "a little in the doldrums", says Knowles. Watercolour paintings, unless they're by the top artists, and table silverware are also out of favour.

Knowles believes the antiques world has changed dramatically since he came into it with fewer antiques shops because so much business is done online.

He adds: "At auctions, there aren't many people in the room because everyone's bidding online, and from Australia, the US and all around the world. People also now have access to information about antiques through the internet. There's still a place for specialists like me, though – I hope!"

He continues: "What concerns dealers most is the lack of younger people interested in antiques – we have a generation who aren't that interested in collecting things. There have been crazes like Pokémon cards, but millennials are more into experiences – they want to travel."

Eric Knowles on *Antiques Roadshow*

"Make sure it's something you actually like, otherwise you may as well buy shares. It's got to touch a nerve"

Touching a nerve

For anyone who is considering investing in antiques, he has the following advice: "Make sure it's something you actually like, otherwise you may as well buy shares. It's got to touch a nerve. You have to be prepared to live with the fact that if you spend £2,000 on an item it might be worth only £500 in a couple of years."

So where can you find great antiques? "Get out to the big fairs – Newark, Newbury, Malvern, Ardingly, Kempton Park Racecourse. The idea of being in front of a screen night and day is not for me, but some of my friends trawl the internet and have found bargains.

"I love a car boot sale and it's a great place to start, but the best thing you can do is go to one of the hundreds of auctions across the country every month. It's free and you can pick stuff up and handle it. If that gets you interested in something, go out and buy the best book available on that subject and learn all you can."

Knowles combines his broadcasting work with the roles of Non-Executive Director at Moorcroft Pottery in Stoke-on-Trent, Chairman of The Hoard Limited and consultant to Swan Fine Art Auction House in Kent. He also lectures in antiques and has a one-man Antiques Antics stage show. ■

Antiques for all pockets

Antiques Roadshow's Eric Knowles describes some antiques for every budget and gives an indication of what they might cost you.

- A ceramic bowl from Halima Cassell was recently priced at £15,000 – a testament to her popularity.
- A lustreware charger combining the talents of Sussex potters Jonathan Chiswell Jones and Kerry Bosworth is amazingly reasonable in the region of £450.
- A stylish frosted and engraved glass champagne flute by Marc Lalique, whose distinctive work is undervalued, sold at auction last year for £100.
- A pair of 1803 Georgian silver sugar tongs by Peter, Ann and William Bateman, or similar vintage items, can be bought for as little as £50.
- A colourful ceramic tile dated to about 1910 by Sherwin and Cotton will set you back in the region of £40 but similar unmarked tiles cost £15 or less.

Photos: Simon Clay, Alamy

Opportunity knocks in Africa

As future trading relations with the EU remain uncertain, **Jess Unwin** talks to Geoffrey de Mowbray, Co-Chairman of the British Exporters Association

With the latest available World Trade Organization figures[1] showing the UK ranked 10th in the global league table of exporters, there's certainly room for improvement when it comes to selling our goods and services overseas.

So, while future trade relations with the EU are uncertain, British businesses need to find alternative, growing markets and that could mean renewing their focus on Africa, says Geoffrey de Mowbray, Co-Chairman of the British Exporters Association (BExA).

Economic growth in sub-Saharan Africa – the area south of the Sahara desert – is expected to be around 3.6% in 2019/20[2]. Favourable demographics, an increasingly innovative culture and a taste for British goods and services make it a very promising export market, says de Mowbray.

Ready for growth

He says: "Some might argue that we are late to the party in Africa behind the likes of China, but I don't agree. In fact, the timing is almost perfect. I believe the continent is ▶

where major global growth will be in the next 20 to 30 years, possibly longer. It's very populous, very young and there's lots of innovation.

"In the mining sector, which is where my company is focused, you can sell pretty much anything from machinery and generators to domestic products for the accommodation built for the miners – but there are opportunities in most sectors.

"Most importantly, a lot of people there are keen to work with the British. There might be benefit in cheap Chinese products, but lots of people like the quality of British products and are attracted to UK firms' reputations for good business ethics and trustworthiness."

And de Mowbray knows what he's talking about, having started exporting old computers from the UK to the central African country of Cameroon at the age of 18. These days he's the founder and CEO of London-based Dints International, a supply chain management company that predominantly services mining companies operating in the region.

In his role at BExA – a trade organisation working with the UK government to provide support to British exporters – he encourages trade with countries all around the world. "I don't think everyone is in an export frame of mind yet, but I hope that a change in mindset will be one of the positives that come out of Brexit, because there are a lot of opportunities – we just have to go out there and get them."

Leading exporters in world merchandise trade, 2017

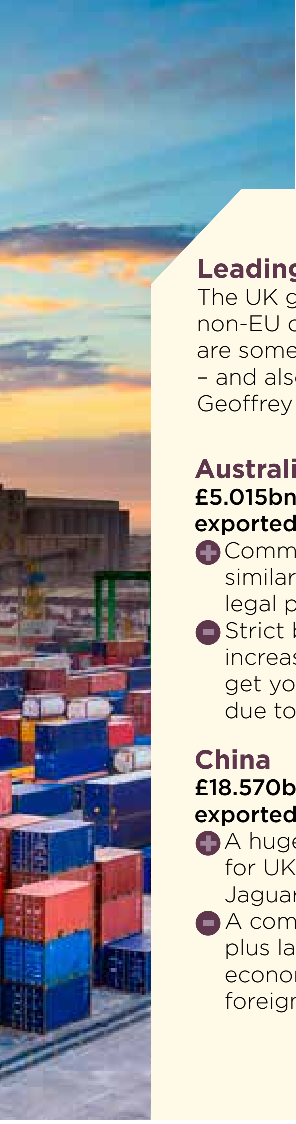
• China	**$2,263bn**	12.8%
• US	**$1,547bn**	8.7%
• Germany	**$1,448bn**	8.2%
• Japan	**$698bn**	3.9%
• Netherlands	**$652bn**	3.7%
• Korea	**$574bn**	3.2%
• Hong Kong	**$550bn**	3.1%
• France	**$535bn**	3.0%
• Italy	**$506bn**	2.9%
• UK	**$445bn**	2.5%

Passion for Africa

However, de Mowbray has a special place in his heart for Africa: "It has the right time zone and historic ties with many English-speaking countries, so yes, I'm very passionate about trade with Africa."

His experience of Africa began as a teenager when he visited Cameroon to see his parents, who were working there. He got a job teaching IT but then became involved in importing old computers from the UK for students

Photos: Alamy



Leading markets for UK exporters

The UK government wants to strengthen trading ties with non-EU countries like Australia, China, India and the US. Here are some details[3] about export opportunities in those locations – and also in Ghana, the African country recommended by Geoffrey de Mowbray.

Australia

£5.015bn of UK goods were exported to Oz in 2018

- \+ Common language and similarities in business and legal practices
- − Strict biosecurity regulations, increased costs and time to get your products to market due to the distances involved

China

£18.570bn of UK goods were exported to China in 2018

- \+ A huge and expanding market for UK businesses such as Jaguar Land Rover
- − A complex business culture, plus large parts of the economy are still closed to full foreign participation

Ghana

£344m of UK goods were exported to Ghana in 2018

- \+ Large consumer base with a growing middle class and a regional hub for opportunities in other west African markets
- − Erratic power supply nationwide and obstructive bureaucracy

India

£5.524bn of UK goods were exported to India in 2018

- \+ English is widely spoken in this fast-growing economy, with rising personal incomes creating a new middle-class consumer market
- − Taxes on imports can be 35% or higher, while extreme weather conditions can affect business

US

£54.991bn of UK goods were exported to the USA in 2018

- \+ The world's largest economy, and the UK's top export destination, with access to a global supply chain that can lead to exports for other markets
- − US litigation can be challenging, so hire legal and insurance experts based in the US

to use. He then "fell into" selling spare parts for machinery, expanded his customer base and the rest, as they say, is history.

De Mowbray believes Africa's lack of infrastructure, perceived as a drawback by some, means it is an exciting place to bring innovation to market. "For example, Africa has leapfrogged its lack of telephone cable infrastructure through mobile phone use. Look at M-Pesa in Kenya – they were using mobile payments before we were in the UK. Africa is a deeply entrepreneurial region and technology is the key enabler."

Meeting the challenge

He admits there are challenges in exporting to Africa: "You need to have patience, you can't pull off a deal overnight. And I personally avoid government contracts because I find them more complicated. Getting paid is obviously important so you want to make sure you've got your finance lined up, so you have insurance. That can be mitigated by choosing the right partners to work with."

Research to find the right market in Africa is advisable, says de Mowbray, but he recommends Ghana in west Africa as one good entry point: "I joke that it's Africa for beginners because it's quite a straightforward place to operate. It has direct flights to the UK, an expanding economy, a growing middle class – and plenty of Ghanaians live in London."

The British businesses that are already operating successfully in Ghana include Barclays, Vodafone, G4S, GlaxoSmithKline, beverages firm Diageo, food company Blue Skies and oil and gas exploration company Tullow.

Talking to people who are already exporting is also an important way to learn, and de Mowbray's always happy to pass on what he's learned. One of the most important tips he has is that the key to success is spending time in Africa itself. "Nothing can replace time in your target country, it's the only way to understand the culture and what works."

His final message on exporting is simple: "Enjoy it – you get to travel the world and there's a definite excitement about exporting, meeting new people and seeing new places." ■

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[1] www.wto.org/english/res_e/statis_e/wts2018_e/wts2018_e.pdf
[2] www.worldbank.org/en/region/afr/overview
[3] Information from Department for International Trade and the Office for National Statistics. Figures shown are for UK goods only and don't include services

7 London Stock Exchange facts

The London Stock Exchange has grown into arguably the world's greatest financial market since its birth in a 17th century London coffee house. It's a place where companies go to raise capital to fund expansion and create jobs, and where investors go in the hope of growing their personal wealth. But how much do you really know about it?

1

A history of growth

By its nature, it's impossible to say how much an investor will make on the London Stock Exchange, and investments can fall as well as rise. In the years between 1917 and 2016, the average annual return of the FTSE All-Share Index was 7%, but there were significant fluctuations, with positive returns in 65 of those 100 years. *This is Money* recently reported that if you had invested £10,000 in the average UK savings account in 1986, it would have been worth £28,196 30 years later in 2016. If, on the other hand, you had invested the money into the FTSE All-Share Index and reinvested the dividends, it would have been worth £121,466.

2

Coffee house beginnings

The London Stock Exchange can trace its roots back to Jonathan's Coffee House in 1698, when a broker called John Castaing began issuing a list of exchange prices for different currencies, stocks and commodities. These included prices for gold, ducats, silver staters and pieces of eight. The Exchange is now home to more than 2,600 companies from 60 countries. Its main market is measured by indexes, including the FTSE 100 index of the largest UK-listed companies, the FTSE 250 index, which is made up of the next largest 250 companies, and the small cap index, comprising those outside the top 350.

3

Playing by the rules

One of the world's most established financial institutions, London Stock Exchange Group had an income of more than £2,135 million in 2018, up from £1,955 million in 2017. These days there are extensive rules to control trading, but in the early days there was no clear set of regulations. In February 1812, the General Purpose Committee confirmed a set of recommendations, which later became the foundation for the first codified rulebook. These rules were extremely thorough, covering everything from settlement to prohibiting fireworks and footballs in the Exchange.

4

Joining the war effort

The London Stock Exchange has operated through some of the most turbulent periods in British history. The government would have found it impossible to fund the £831 million cost of the Napoleonic Wars without the markets. In 1914, at the start of the First World War, the exchange closed for six months and 1,600 stockbrokers joined up – many never returned. During the Second World War, the exchange remained open despite the constant bombing of the city and only closed for one day, when it was hit by a V2 rocket.

5

Rise of the FTSE 100

Now one of the world's best-known indexes, the FTSE 100 was launched on 3 January 1984 with a combined value of around £160 billion. Today this figure is over £2 trillion, proof of the significant growth of the UK's global capital markets. At its launch, the FTSE 100 replaced the first major UK share index, the FT 30 Share and was designed to provide a pioneering real-time index of the largest 100 companies listed on the London Stock Exchange.

> *"The government would have found it impossible to fund the £831 million cost of the Napoleonic Wars without the markets"*

6

Starting with a 'Big Bang'

On 27 October 1986, the 'Big Bang' took place. This was the name given to the deregulation of the financial markets in the UK. The New York Stock Exchange had already experienced deregulation just over 10 years before, on 1 May 1975, 'Mayday', leaving the London Stock Exchange unable to compete. However, after much resistance, some of which came from the Council of the Stock Exchange who didn't want to upset the status quo, the financial markets were deregulated by Margaret Thatcher's government. This rapidly increased the strength and prestige of London and it soon became, perhaps, the world's most important financial centre.

7

Supporting smaller companies

In 1995, the London Stock Exchange launched the Alternative Investment Market (AIM), its second attempt at a market targeted towards smaller companies that didn't meet the requirements to be fully listed. AIM has seen 3,600 companies join from across the globe, helping give them access to the capital they need to develop and grow. Today, AIM's most successful businesses include companies such as Fever-Tree and ASOS. AIM gives investors access to these potentially high-growth stocks and also offers some inheritance tax benefits because many of the companies qualify for business relief.

Find out more
To find out how you can invest your money with confidence, speak to your financial adviser or portfolio manager

From the horse’s mouth

Buying your very own racehorse takes the racing experience to a whole new level, and it’s surprisingly affordable, writes Lulu Trask

This year, the UK will see more than 1,500 recognised horseraces taking place across 60 courses. The world of horseracing is one of exhilaration, majesty and glamour, and, perhaps surprisingly, is suited to more budgets than you might think.

“The thrill of ownership is one of the best experiences. Once it’s got hold of you, it’s rare you can let it go,” explains Charlie Liverton, Chief Executive of the Racehorse Owners Association. “Many people become owners because of their love of the thoroughbred, the competitive spirit and the experience the race day itself brings, as well as the non-race-day experiences such as visits to the training yards and engagement with fellow owners at events up and down the country.”

Quite simply, owning a racehorse is fun. This is certainly the opinion of Tom Dascombe, a winning racehorse trainer who for the past 10 years has held the position of Trainer at Cheshire’s Manor House Stables, home to 90 horses and co-owned by ex-England footballer Michael Owen.

“I would always advise someone new to the industry to buy half of two horses, because you’re doubling your chance of having fun,” says Dascombe. “If you’re an individual owner and you go to the races and your horse runs badly, you’ve got nobody to commiserate with, and if your horse wins you’ve got nobody to celebrate with. If you have half a horse with somebody else, then the chances are you’re going to have a better day out.”

The trainer

Regardless of whether you go for sole, partnership or syndicate ownership, the trainer will be the most important part of this journey, and that includes the purchase. In Liverton’s words: “The trainer should come first.”

The horse’s programme will largely be down to the trainer; your involvement as an owner is being kept abreast of the horse’s progress and, of course, race entries – but you can really be involved as much or as little as you want. “Some owners want to know every time their horse blows its nose, and some are very happy for you to just ring them up and say the horse is running next week,” Dascombe says.

“Some will want to be involved in where you plan to run the horse, some just want the horse to have the best opportunity to run in the right race and others simply own a horse because they want it to run at their local track.”

Those considering ownership because of their love of the animal need not be concerned when it comes to its welfare, with some of the best stable staff in the world working in this industry. “We’re very lucky that British racing is one of the best regulated horseracing jurisdictions in the world, and that’s both during the horse’s racing career and afterwards,” says Liverton. Each race entry comes with a fixed levy that funds Retraining of Racehorses, an organisation that supports the welfare of horses after their racing career.

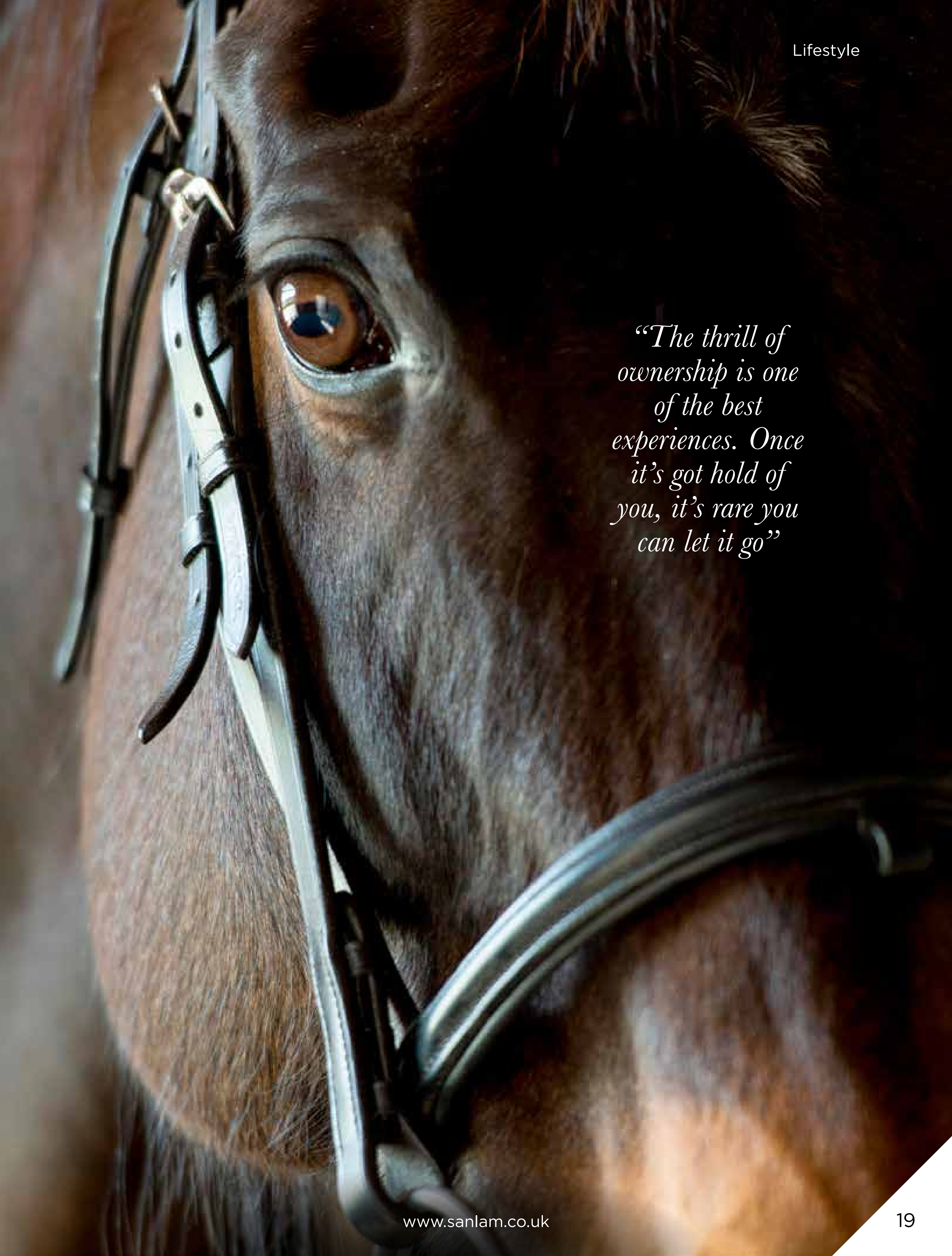
Ownership models

The beauty of owning a racehorse is financial accessibility. You can enter into some form of ownership by spending as little as £5,000 or as much as £1.5 million.

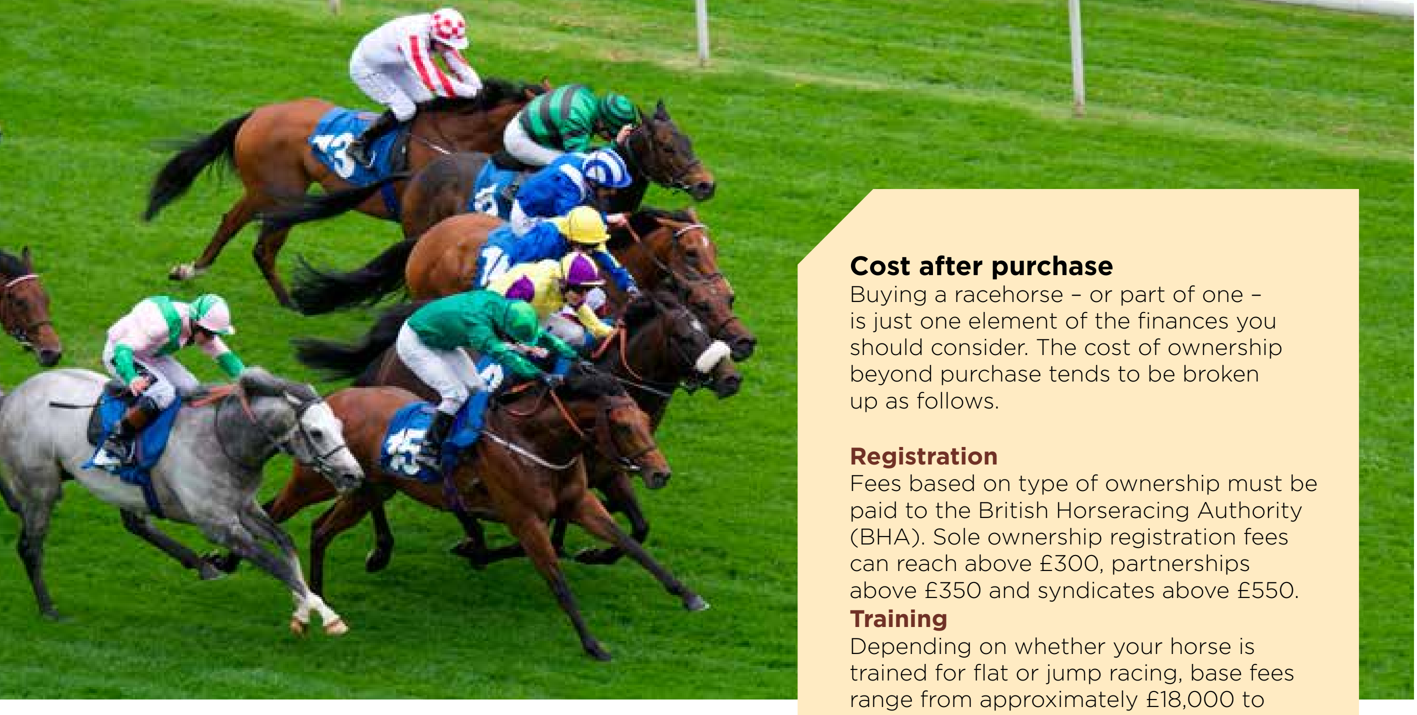
Sole ownership – the more expensive option – gives you complete control of your experience, from what type of horse you buy, whom you want as its trainer and your choice of jockey colours – something that can get complicated when you have a group of 10 owners.

If sole ownership isn’t for you, though, partnerships and syndicates offer lower-cost options for those wishing to club together, but there are some key differences between the two, namely when it comes to registration, to which fees apply.

Partnerships require all members to register ownership – which comes with the added benefit of multiple owners appearing on the race card – and while registration is cheaper than for a syndicate, it is per horse. Syndicates dictate that all members are treated as co-owners, though only require the syndicator(s) (those who actually manage ▶



"The thrill of ownership is one of the best experiences. Once it's got hold of you, it's rare you can let it go"



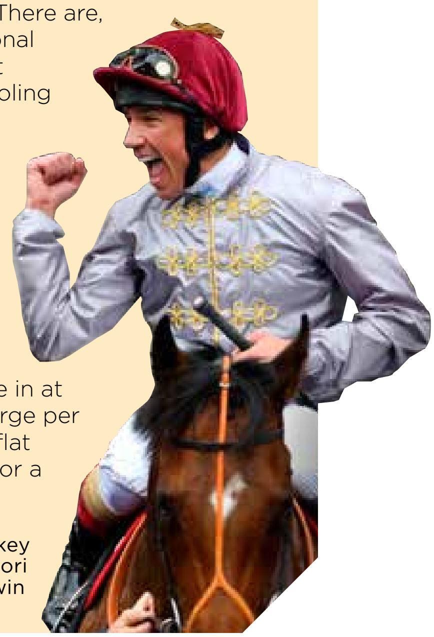
Cost after purchase

Buying a racehorse – or part of one – is just one element of the finances you should consider. The cost of ownership beyond purchase tends to be broken up as follows.

Registration
Fees based on type of ownership must be paid to the British Horseracing Authority (BHA). Sole ownership registration fees can reach above £300, partnerships above £350 and syndicates above £550.

Training
Depending on whether your horse is trained for flat or jump racing, base fees range from approximately £18,000 to £28,000, according to trainer Tom Dascombe. There are, of course, additional costs, such as vet fees, jockey schooling fees and trainers' commission.

Racing
In 2015, the average flat entry fee was £2,283 (the fee for jumps was significantly lower at £773). Jockey fees come in at an additional charge per race – £127 for a flat jockey and £173 for a jump jockey.



Champion jockey Frankie Dettori celebrates a win

the syndicate) to register ownership, and while registration is considerably more expensive, it is not horse-specific.

And there's no reason to suggest these multi-owner structures offer a too-many-cooks culture – in fact, quite the opposite. "Multiple ownerships are often easier to deal with, because you can't be expected to communicate with 10 people via telephone," explains Dascombe, who adds that in syndicates or partnerships with large numbers of people, communication often takes place through a simple voice message on WhatsApp – this way, the trainer can guarantee every owner gets the same message and information.

Co-ownership structures can also be used as a risk-reducing factor, if you're really after that race-day win. Lots of people will group together, but instead of buying one horse, they'll buy three or four. "They've got the equivalent of a horse each, but by spreading that risk they've got more runners, and four chances of finding a really good horse, instead of one," explains Liverton. "The view often is, 'if we club together, we'll have more fun.'"

Ready, set, buy!

Owning a racehorse isn't something you do with the expectation of a return on your investment, so if you're looking to make money, this isn't the opportunity for you. At best, the prize money will contribute towards – not offset – operating costs and reduce your annual expenditure. Alternatively, if you're lucky, you may make a significant return with the sale of your racehorse, either in the UK or the burgeoning markets of Hong Kong, Singapore, Australia and the Middle East.

Prospective owners must first understand what they're looking to get out of their ownership experience. If the off-course element – going to see the horse in the yard – is the appeal, finding a trainer within your vicinity is important. If the race-day experience is the pull – as is the case for those whom Liverton terms "the City-based owner of tomorrow" – then geographical location becomes less of a factor.

You should also consider whether you prefer national hunt racing (jumps) or flat racing, and choose a trainer based on your preference. "Then go and talk to that trainer and build up a level of comfort, whereby the experience provided by that trainer and their team will match what you're looking to get out of your ownership experience," says Liverton.

Dascombe's final piece of advice? Do it for fun. "To any person who comes to me and says they'd like to buy a horse, I'd say make sure you make the most of it and enjoy it, because you can't guarantee that you're going to get a winner. Lots of horses do make an awful lot of money for people, but the higher percentage just cost people, so go in with your eyes open," advises Dascombe. "And if you do have a great racehorse, well, that's a bonus." ■

Inheritance tax: is it fair?

It's one of the most disliked taxes but there are plenty of ways you can reduce your liability, says Ruth Jackson

The taxman has been taking death duties in one form or another since 1694. In its earliest form, inheritance tax (IHT) was known as probate duty, a tax on personal property passed on in wills.

The modern IHT emerged in 1894, when the government of the time brought in estate duty to clear a £4 million government debt. Since then, death duties have proven to be a valuable income stream for the government.

Back in 1993, IHT revenues rose above £1 billion for the first time. Since then, soaring property prices, combined with a stagnant inheritance tax threshold, have meant the government has made more and more money from this much maligned tax. In fact, in 2018 inheritance tax receipts exceeded £5 billion.

Frozen threshold

Inheritance tax is a duty on the assets you pass on after you die. Everyone has a £325,000 nil-rate band. Assets up to that amount can be passed on tax-free, but anything above that is taxed at 40%. ▶

The inheritance tax threshold has been frozen at £325,000 since 2009. Since then, revenue from the tax has risen by an average of 10% a year. In 2015/16 alone, 24,500 estates were caught in the net, paying an average of £179,000.

Tax is rarely popular, but inheritance tax has long proved to be a particularly hated duty.

"Most people accept that tax is a fact of life, and that, while there might be ways to minimise it, the more you earn, the more you owe," says Carl Drummond, a wealth planner at Sanlam. "But when it comes to inheritance tax, many clients feel a sense of injustice. After all, they've paid taxes their whole life, and diligently saved so as not to be a burden on the state. Why then does the taxman have to take another 40% of their estate when they die?"

Inheritance tax is also seen as unfair because the government is consistently increasing its revenue, while the thresholds for inheritance tax have been frozen for a decade.

The nil-rate band has sat at £325,000 since 2009. If it had been increased in line with inflation, it would now be £437,000. Worse still, the £3,000 gift exemption hasn't been increased since 1981. Again, if it had moved with inflation, we would now be able to give away over £11,500 a year without incurring inheritance tax.

The actual rate of inheritance tax, 40%, hasn't changed since 1988. But over that time the revenue received has rocketed, thanks to the allowances not keeping pace with rapid rise in house prices and inflation.

While all of this may be annoying, far more people worry about inheritance tax than ever actually pay it.

Photos: Alamy

In the 2015/16 tax year, only 4.2% of deaths resulted in an inheritance tax bill.

"With careful planning, there are ways to minimise your IHT liability," says Drummond. The first thing is to understand the rules.

Tax-free allowances

By 2020/21, you may be able to pass down up to £1 million free from inheritance tax by utilising two nil-rate bands. The first is the inheritance tax allowance. Up to £325,000 of your total estate can be passed on free from inheritance tax. Married couples can pass this allowance to their surviving spouse. This means when the second spouse dies, they can pass down up to £650,000 without any inheritance tax being owed.

On top of this, there is now the residence nil-rate band. This allows you to minimise the tax bill on your main residence when you pass it down to children or grandchildren. At present you can pass down up to £150,000 (£300,000 for couples) of property without attracting inheritance tax as long as it is your main home. This allowance is increasing steadily each tax year until it hits £175,000 in 2020/21.

Just be aware, though, that the residence nil-rate band tapers off if your estate is worth more than £2 million. For every £2 over £2 million that your estate is worth, the residence nil-rate band reduces by £1.

Using these two allowances will allow individuals to pass on £500,000 tax-free in 2020/21, or married couples £1 million.

Before you start worrying about a future inheritance tax bill and giving money away to minimise it, get an idea of what you might be facing. Make a list of all your assets, what they are worth and how they are invested.

Then consider what you are going to need in the future. "Completing a budget on your current expenses is essential," says Drummond. "In addition to this, you should also complete a budget on other options, which could include additional holidays and completing the goals you want while you still have the option to." Also, factor in possible care costs.

Once you know how much you have and how much you are likely to need (and spend) in the future, you will have a much clearer idea of what your estate could be worth when you die.

"If you are lucky enough to have an estate worth more than £1 million then the rest is liable to be taxed at 40%," says Drummond. But there are ways you can minimise your bill. ■

Find out more
To find out how we can help with your inheritance tax planning, speak to your financial adviser

Five ways to limit your liability

"No one wants to think about dying, but it's important to organise your estate to plan for inheritance tax," says Sanlam's Carl Drummond. Here are five ways to cut a potential IHT bill.

Spend, spend, spend

If you want to cut your inheritance tax bill, shrink your estate. "Spend any excess savings you're confident you won't need in the future," says Drummond.

Give your money away

You can give away up to £3,000 a year without any tax implications. Give away more than that and the excess will still count as part of your estate if you die within seven years. You can also give away as many small gifts of up to £250 as you like.

Take advantage of special occasions

On top of the gift allowance you can also give away up to £5,000 before a wedding or civil partnership. If the couple aren't close relations you can give them £1,000, rising to £2,500 for grandchildren or great-grandchildren, and £5,000 if they are your child.

Use your pension wisely

When you die, your pension drawdown fund can be handed on to your beneficiaries without forming part of your estate. This means you can pass untouched pensions on without incurring inheritance tax.

Put assets into a trust

Placing an asset into a trust means it leaves your estate so won't count towards your inheritance tax bill, provided you live seven years from when the transfer was made. There are numerous types of trust and which one is right for you will depend on your circumstances and intentions. A financial adviser can help you choose.

From the Sanlam Art Collection

Sheep Shelters and Car Wrecks
by Walter Meyer (1965–2017)

Born on 31 January 1965 in Aliwal North, Eastern Cape, Walter Meyer grew up, and studied fine art in Pretoria and was living in Upington in the Northern Cape at the time of his death.

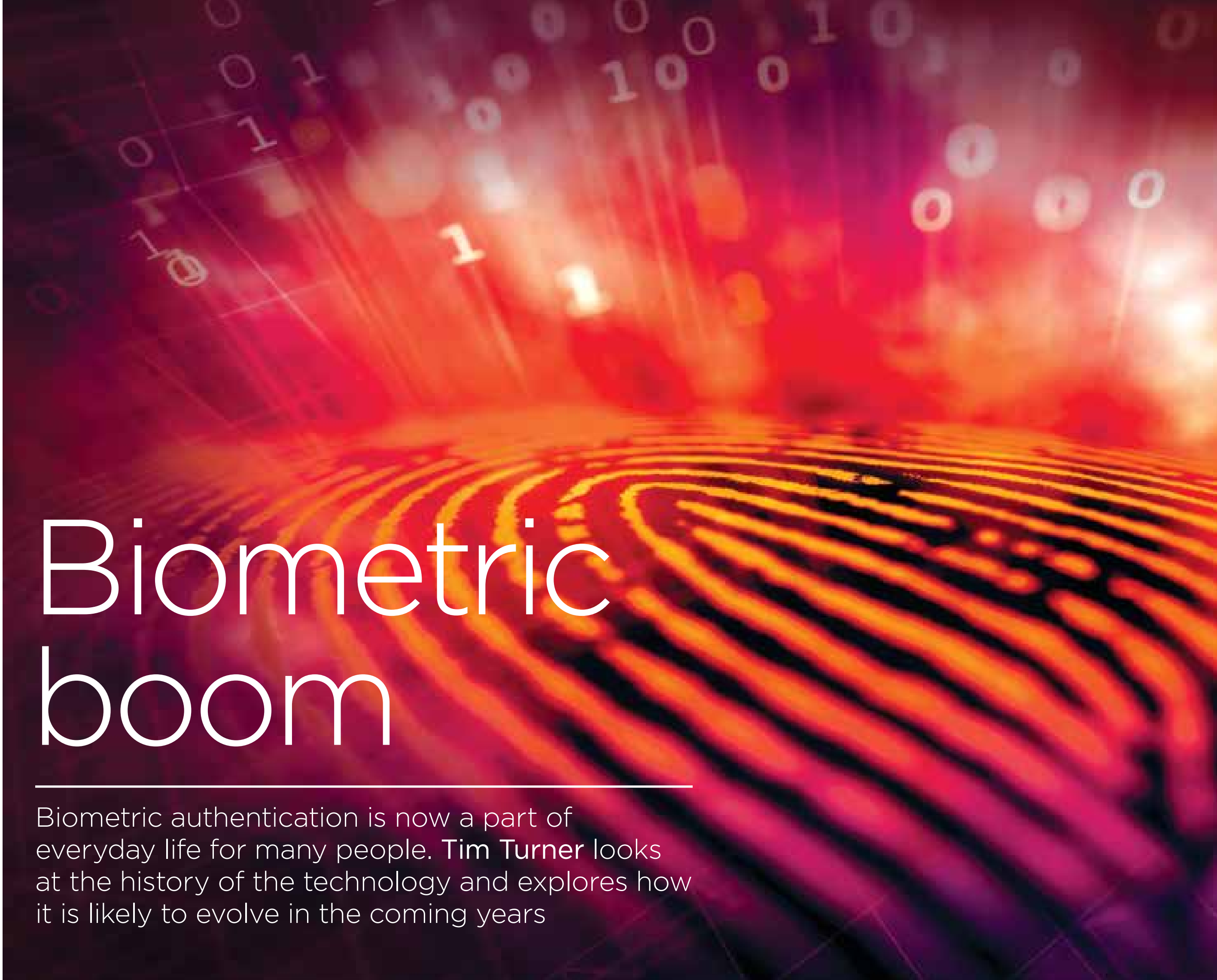
Meyer rose to prominence in the early 1990s with his distinctive landscape studies. Writing in 2009, Sean O'Toole described his work as: "Eschewing the romantic idealism typical of so much local landscape painting, Meyer's work, at its best, lingers on what is distinct and intrinsically banal about small-town South Africa. Although stylistically diverse, Meyer is best known for his photorealist renderings of desolate country scenes. In a 1997 article on his work, art historian Liese van der Watt argued that it was 'through the kind of realism which he utilises now that Meyer manages to break away from the medium of traditional landscape painting'."

In a 2005 essay, artist Cobus van Bosch took an in-depth look at Meyer's subject matter: "The landscape – being continuously transformed by nature or human activity – has many faces, and many stories to tell… As we inhabit and transform the landscape, the terrain and its elements also impact on us – physically and emotionally. This interplay of forces has a major influence on the identity and condition of both the landscape and the people who inhabit it. Instead of depicting beautiful and serene scenes – as so many decorative artists do – Meyer has become known for expressing at best the mundane and at worst the less

desirable side of reality. Meyer's paintings speak little of the rural world as an exotic holiday destination where time stands still and life is free, easy and uncomplicated. Instead, through his eyes the remote countryside is for the most part dotted with empty and lonely places. Here the relatively few human inhabitants are seldom seen, and very little seems to happen. But signs of human drama – of physical and mental struggle, shattered dreams and often complete failure in a virtually hostile landscape – are everywhere: in derelict old houses and bare and neglected backyards, rusted cars, empty town streets and deserted Kalahari plains where the struggle to survive is seen in the crumpled shapes of dry trees and shrubs.

"These melancholy depictions of largely forgotten and deserted worlds furthermore linger in the memory because we not only distinctly recognise these landscapes as physical parts of Southern Africa, but are also reminded, as we have specifically realised in the last decade, that the old must eventually give way to the new. We also see another side of ourselves in these works: that we are also drifters through time and space – sometimes accepted by the land, and often rejected by it. On both accounts, this leaves marks on us, as we leave our tracks on the landscape." ■

This piece belongs to the Sanlam Art Collection, which holds more than 2,000 paintings, drawings, graphics and sculptures by South African artists, from the 19th century to the present.



Biometric boom

Biometric authentication is now a part of everyday life for many people. Tim Turner looks at the history of the technology and explores how it is likely to evolve in the coming years

The results of the most effective technological breakthroughs become so much a part of our lives that we soon stop noticing them, and biometric authentication is a good example. Around the world, millions of people are so used to pressing a finger to their smartphone to activate it, or holding it up to their face for the same purpose, that they're blissfully unaware of the huge amounts of research and development that got us to this point.

In fact, while biometric authentication technology is a product of the digital age, the concept of using unique physical characteristics to prove that someone is who they say they are has a long history. The word derives from the Greek 'bio' (meaning life) and 'metric' (to measure), and there are records of fingerprints being used to authenticate business transactions as early as 500 BC.

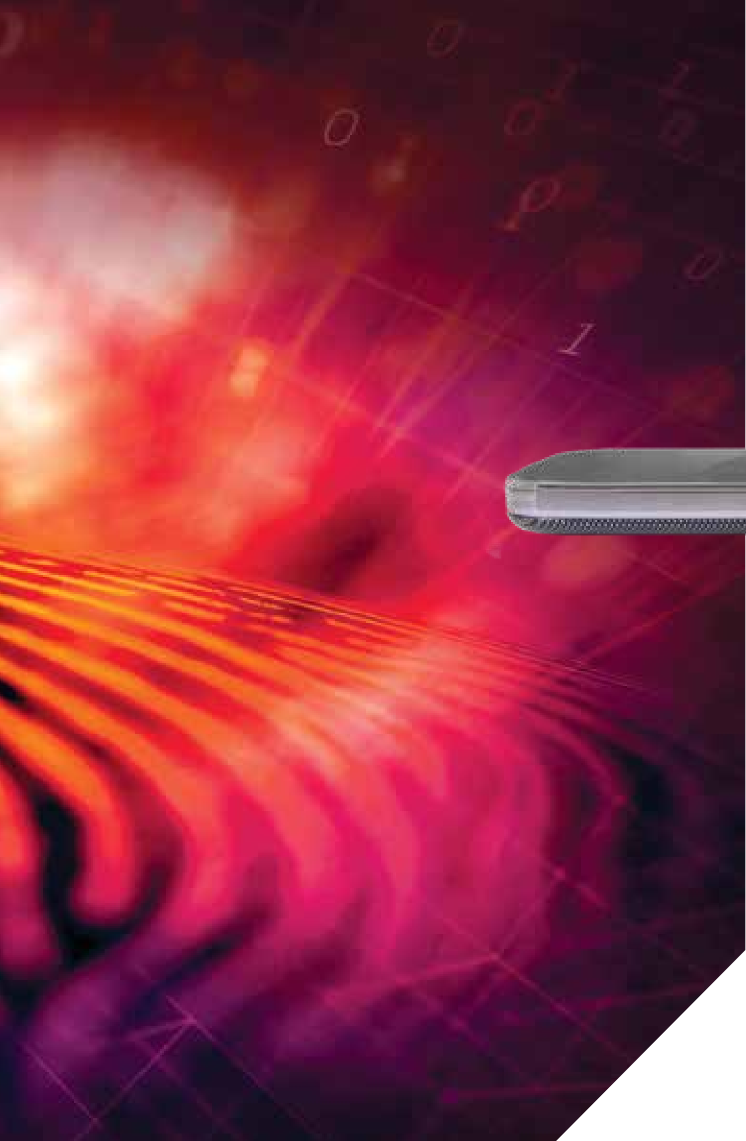
Moving forward a few centuries, a British civil servant called William Herschel started using palm prints on the back of contracts while working in India in the 1850s. The New York police force pioneered the use of fingerprints to identify criminals in 1903; automated facial recognition was developed in the 1960s; and the basis for iris recognition technology was patented in 1994.

But it was the rapid spread of the internet, and the growth of services such as online banking and e-commerce that spurred the development of biometrics as we know them today. These services rely on accurate and secure methods of authenticating the person using them, and the initial solution – the password – has proved to be seriously flawed. Put simply, a password is something you know, and if you know it, other people can discover it and use it for their own ends. But a biometric is something you are – part of your body – and thus much more secure.

From public to private

Steve Pannifer, Chief Operating Officer at digital security consultancy Consult Hyperion, explains that there are two main uses of biometrics. "The first is identification, where the aim is to identify which member of a population a person is," he says. "The second is authentication, where the aim is to show that the person is a specific, known member of a population."

Up to about five years ago, you're most likely to have come across biometrics at an airport. Passports containing biometric information first appeared nearly 20 years ago and more than 120 countries now issue them. This has



Fingerprint recognition was introduced into mobile phones in 2013

spurred the development of ePassport gates at airports and other border crossings, which speed up the processing of travellers.

Similarly, a number of governments have incorporated biometrics in their national identity cards, while biometric voter registration has been successfully used to combat electoral fraud in several countries, particularly in sub-Saharan Africa.

Various biometric methods have been developed and tested, including palm veins, palm prints, earlobes, irises and DNA. Dr Richard Guest, Reader in Biometric Systems Engineering at the University of Kent, says that use of these methods ultimately comes down to "the balance between security and convenience". In other words, people won't use an intrusive authentication method unless it's absolutely necessary.

For this reason, the most common biometrics today are the fingerprint and the face – despite some cultural issues, as Guest explains. "Fingerprints used to have an 'acceptability' problem," he says. "In many countries they had criminal connotations; the only time you had your fingerprints taken was when you were arrested."

"It has even been suggested that criminals could cut off people's fingers to gain access"

That all changed when Apple introduced its Touch ID fingerprint recognition system on the iPhone 5S in 2013. More recently, Apple has moved on to facial recognition, while Samsung has introduced an iris verification system on its Android phones. "It's partly driven by marketing," says Guest. "Every year, when the latest phone comes out, the makers want to put a new spin on it to make you want to buy it. That new spin is often biometrics."

Moving story

A growing area of biometrics tackles the problem from a different angle; behavioural biometrics (also known as behaviometrics) uses the unique way you do something to authenticate you. The main examples currently being developed analyse your gait (the way you walk) and ▶

your typing style (speed, keypad pressure and so on).

Pannifer explains that "behavioural biometrics are often used in the background to ensure the device is being used by the correct person. Measuring the accuracy of biometrics takes a large volume of test data which may not always be available for newer methods – hence the need to use them in more of a supporting role."

Guest agrees that behavioural systems are harder to develop. Nevertheless, he believes this will be the big growth area in biometrics in the next five years, driven in particular by the continuing development of smartphone technology. "There is a dream of 'continuous authentication'," he says. "When I'm using my phone, it will know it's me just because of the way I'm using it."

Secure solutions

So are biometrics completely secure? Unfortunately, in the digital world, wherever there are security systems there will be hackers looking for ways to penetrate them. For instance, it has been shown that fingerprints lifted from drinks glasses can be used to fool fingerprint detectors, and it has even been suggested that criminals could cut off people's fingers to gain access to their prints.

Luckily, it's unlikely to come to that, for the simple reason that biometrics are usually only part of the security solution. "For mobile payment and mobile banking apps, for instance, most of the security comes from ensuring the app and the device are not compromised," Pannifer explains. "Biometrics are often only used locally to unlock the app – and crucially, no biometric data ever leaves the device. In these cases, compromising someone's biometric is unlikely to be enough."

Guest adds that a technique known as hashing also helps to ensure security. "When you capture a fingerprint, you encrypt it, and it's this code that is used when matching the print with the database. If that is compromised, all you have to do is reset the encryption, or hash, of your original sample. So you can still use the raw data – the fingerprint – because it has been encrypted in a different format."

That's no reason for complacency, of course. As the use of biometrics continues to spread through areas such as banking and payments, healthcare and government, the need to focus on security and privacy will become all the more important. In another five years, we may all be accustomed to proving our identity by a method we haven't even heard of yet. ■

Photos: Alamy

Investing in a world of fake news

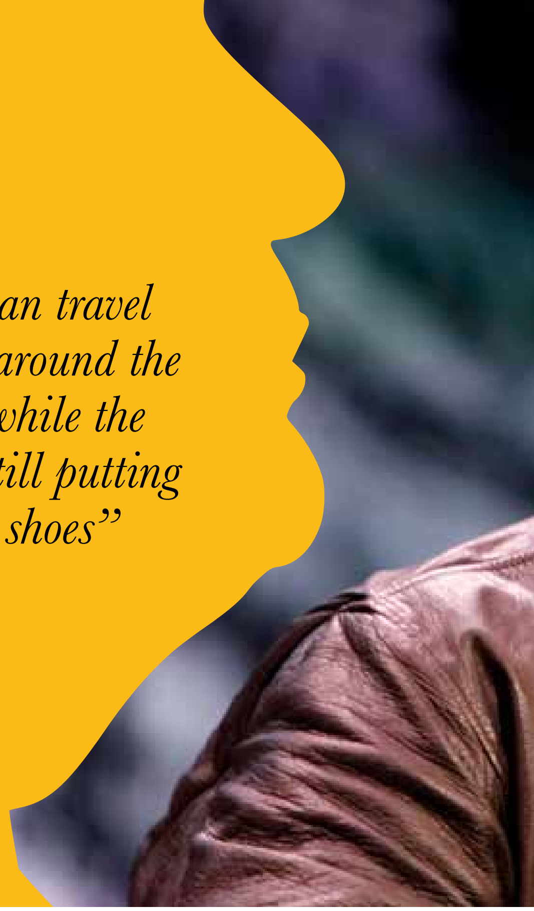
In a world where fake news threatens to supplant the truth, telling one from the other is becoming increasingly tricky. So how do investment analysts ensure the information they gather is accurate? **Tim Turner** investigates

There is an old saying that "a lie can travel halfway around the world while the truth is still putting on its shoes", and this has never been more true than in the modern world of social media. A 2018 study carried out by the Massachusetts Institute of Technology in the US found that falsehoods travel further, faster, deeper and more broadly than the truth on social media; on Twitter, for example, false news stories are 70% more likely to be retweeted than true ones, and it takes true stories about six times as long to reach 1,500 people as it takes for false ones to reach the same number.

These falsehoods are generally grouped under the heading of 'fake news', although the term has lost its original meaning since US President Donald Trump started using it to refer to any story he didn't like (particularly those showing him in an unflattering light). ▶

In fact, Counselor to the President Kellyanne Conway coined a new phrase, 'alternative facts'. Traditionally, fake news was any untruth that was deliberately spread with the intention to mislead – often with a financial or political motive.

Russia has been accused of issuing state-sponsored fake news that enabled it to meddle in the US election. With social media being the easiest way to spread falsehoods, tech entrepreneurs like Facebook's Mark Zuckerberg have found themselves defending their technologies.



"A lie can travel halfway around the world while the truth is still putting on its shoes"

Investing in truth

So what has all this got to do with the world of investment? Quite a lot, says Louis Jamieson, an equity analyst for Sanlam. "Let's say I've bought some shares in a company, and because I own those shares, I want the price to go up," he explains. "So if I spread a rumour that a larger company is going to buy it at a 30% premium, and people believe this, then suddenly the share price will go up, because it's supposedly worth 30% more. And I make money – especially if I sell my shares at the new, higher price before everybody finds out the rumour wasn't true."

As an equity investment analyst, Jamieson spends his working life researching listed companies – specifically, looking for those that have been misvalued by the market and thus offer an opportunity to invest and make a profit for Sanlam's clients.

He explains that it's a three-part process: "The first thing is understanding what the business does – which is often more complicated than meets the eye. Then you look at the investment case: is the strategy they're following one we think will be successful? And the last thing is the valuation: you might identify a company you think is fantastic, but if everyone else has also identified that, the price will be higher than it should be and it's probably not worth investing."

Given the amount of detail that this research involves, it's not surprising to learn that he and his fellow analysts don't base their decisions on what they read on social media. So what sources of information do they trust?

"The number one information source is what the company itself produces," says Jamieson. "That includes audited financial statements, which are released quarterly, and company investor presentations. You can also talk to their investor relations teams and attend meetings where the management are speaking.

"Of course, the company in question will be presenting itself in a positive light," he continues. "It wants analysts to recommend it so that our clients will buy their shares. They'll never be dishonest – that's illegal – but one way of checking whether they're being overly positive about one aspect of the business and hiding negative aspects is to look at a competitor and see what they're saying. If the general information the competitor is giving about the industry doesn't tally, you can ask questions as to why that is."

Jamieson's second most trusted source of information is sell-side analysts. "I'm a buy-side analyst, which means investment decisions that I make go straight into portfolios for our clients," he explains. "Sell-side analysts sell their ideas to people like me, and then they get paid on commission for trading. It's a subtle difference, because we're both looking at companies, but our aims and motivation can sometimes be different."

Sell-side analysts are valuable because they tend to be more focused than their buy-side counterparts, specialising in a particular sector or country. This means they have a closer relationship with the companies they analyse, and a greater knowledge of industry dynamics.

Photos: Alamy

Left: Tesla CEO Elon Musk. **Right:** Counselor to the President Kellyanne Conway

"I find it very useful to visit companies. Seeing a factory or plant brings a company to life"

But again, they have a natural tendency to paint a rosy picture. "Their motivation is to get you to trade," Jamieson says, "so the information they give can sometimes be a bit sensationalist."

The golden rule

As Jamieson says: "the thing about information is that you've got to understand the inherent biases involved. Every piece of information has biases, and you get closer to what you believe is the truth by understanding them."

That's particularly true when it comes to other information sources lower down the food chain. A good example is the popular website Seeking Alpha, read by millions of investors, which says it curates investment content from "a network of stock analysts, traders, economists, academics, financial advisors and industry experts". Authors are legally required to disclose whether they own any of the stocks they write about, but even so, Jamieson says that when he reads the articles there: "I'm very, very careful to check everything they've said."

Coming back to Twitter, he points out that rumours about companies do appear on social media, with severe consequences for those who transgress. In August last year, Tesla CEO Elon Musk (who has 22 million followers) tweeted: "Am considering taking Tesla private at $420. Funding secured." The tweet started a trading frenzy, pushing Tesla's share price up by more than 6% in a day.

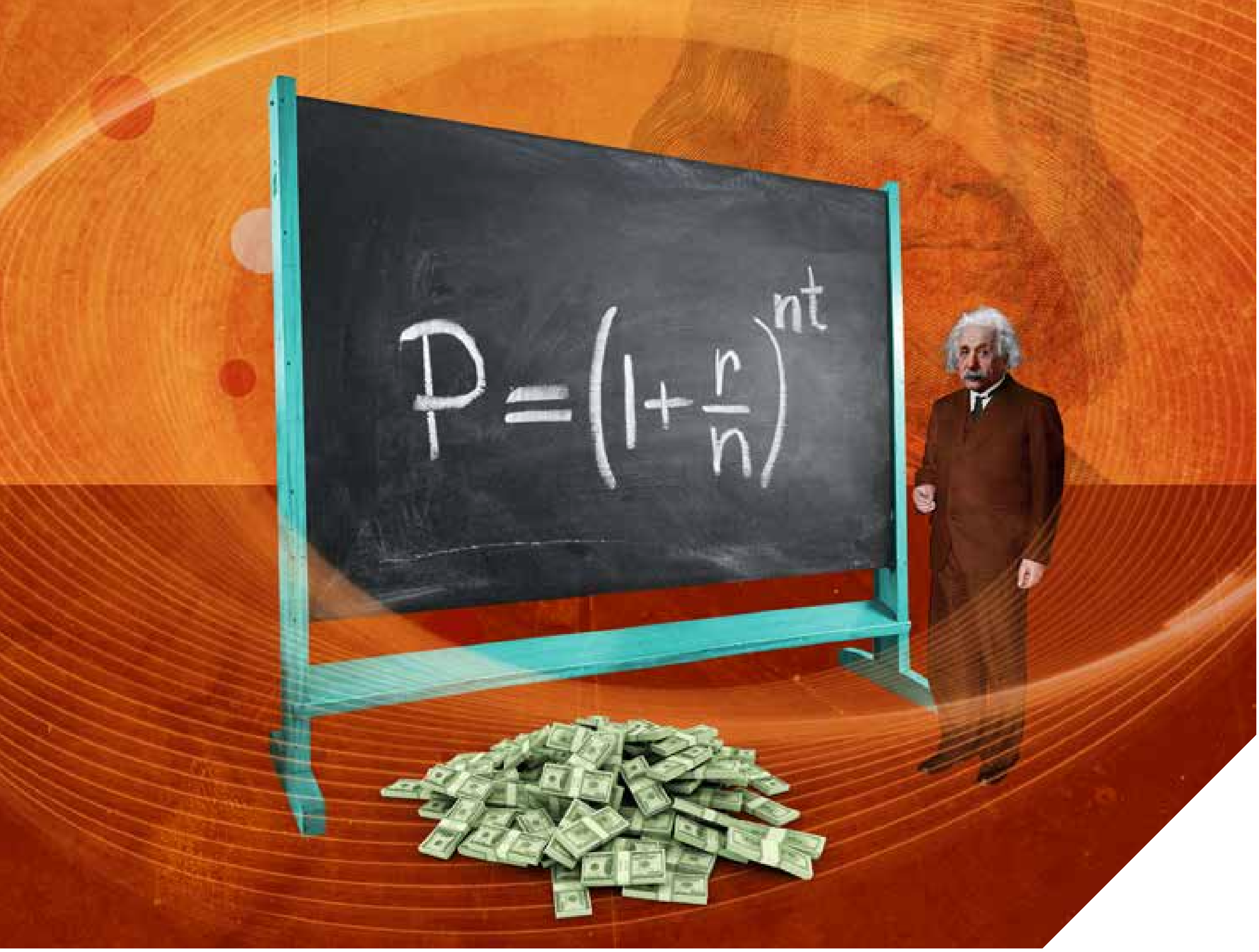
The problem was that it wasn't true. Musk explained afterwards that he was trying to trick investors who'd been short-selling Tesla shares (short-selling is complex, but it essentially involves profiting from a fall in the value of a stock). Nevertheless, it is illegal for companies and executives to give misleading information about potentially meaningful corporate events, and the US Securities and Exchange Commission duly fined Musk and banned him from serving as an executive or board member of any public company.

Face to face

So if you can't believe the CEO of one of the world's biggest technology companies, who can you trust? Jamieson suggests that the answer lies in getting out from behind a desk and meeting people. "I find it very useful to visit companies," he says. "Seeing a factory or plant brings a company to life, much more so than just reading about it. If they're willing to show you around and talk face to face, you learn a lot."

Similarly, he spends time travelling to industry conferences, hearing from specialists who don't have an axe to grind and learning about the latest trends. "In terms of inspiration, it's good to get out and talk to people and see what else is going on," he concludes. "After all, you don't want to be stuck in the office the whole time." ■

Find out more
To find out more about investing, talk to your portfolio manager or visit **www.sanlam.co.uk**



The power of compound interest

Investing early and harnessing the force of compound interest can lead to rapid gains, writes James Cash

Albert Einstein reputedly once said: "Compound interest is the eighth wonder of the world. He who understands it, earns it, he who doesn't, pays it." That's not the only thing he is reported to have said about compounding; when allegedly asked what the most powerful force in the universe was, his response was: "compound interest."

Whether or not Einstein uttered these words is moot – it's generally considered unlikely. However, savvy investors have long applauded the sentiment. Compounding means reinvesting interest or dividends to create a snowball effect that can see your money grow faster.

The good news is you don't need to be a Nobel Prize-winning theoretical scientist to grasp the basics. While the mental arithmetic involved to calculate compound interest can seem mind-boggling – taking into account the principal sum, the interest rate, period of investment and any top-up savings you might make along the way – online compound calculators can always help.

Interest on interest

Eleanor Ingilby, Portfolio Manager at Sanlam, says: "The best way to explain compound interest is that it is the ongoing interest paid on the interest. That means that

Illustration: Rob Patterson

interest increases over time, as long as no money is withdrawn from the portfolio or bank account."

The snowballing effect of compounding makes a case for long-term investments and biding one's time as the interest escalates. Ingilby adds: "The main lesson investors can take from this is that the earlier you start to save, the greater the effect of compound interest. However, compounding only works if you keep the initial sum originally invested and reinvest any interest or dividend returns applied to it."

"Compound interest is the eighth wonder of the world. He who understands it, earns it, he who doesn't, pays it"

With interest rates currently low, savings bank accounts are not very attractive. However, the compounding principle works just as well with investments if you reinvest the dividends. You can leave funds in your portfolio and let time and compounding do the work.

When markets turn volatile it can sometimes distract investors from their long-term objectives. Ingilby adds: "When markets drop it scares investors, and they often get a natural desire to pull their money back out again, but a part of compounding is going through the ups and downs."

Compounding in action

One of the best ways to show the power of compounding is to look at how an investment performs over different time periods. (See the graph on the right.)

Three people, Sally, Anne, and John, invest £100,000. Sally starts saving at the beginning of a 20-year period; she invests her sum with a 6% annual rate of return, and then adds in £5,000 each year after that. Ingilby explains: "If you look at the graph it shows the dramatic difference of saving early, not taking anything out, and letting that interest mount up. Sally, who started in year one with £100,000 would have accrued £471,359.91 at the end of 20 years."

Anne, who started investing in the seventh year, saved the same principal amount. Adding £5,000 at the same level of interest, she would end up with only £307,000. And then John, who invested in the 12th year (again putting in the same amount), ended up with £208,000, which is a vast difference in comparison to Sally's balance at the end of 20 years.

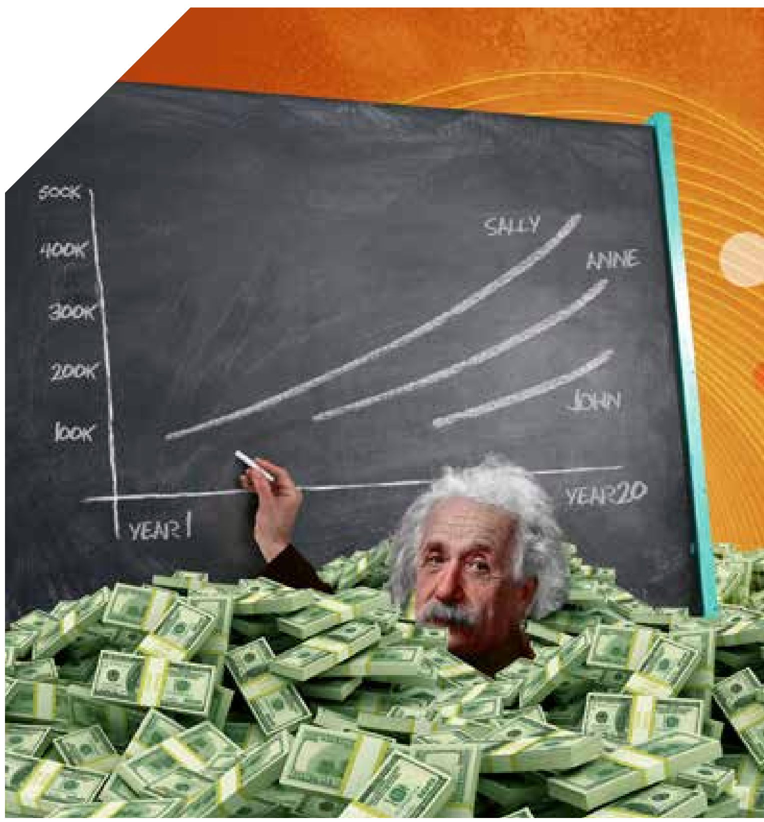
If Sally were not to add in the extra £5,000 each year, the annual interest alone just on the initial £100,000 in year 20 would be £18,153, while the balance would be £320,713. Ingilby says: "Even if you don't pay in the annual amount, it is about taking advantage of your initial investment."

Conversely, compounding can also increase debt. Ingilby adds: "While compound interest works well for investors, it can also work against those who have debts and liabilities. Say you take out a loan and the interest on it is 6%, and you don't pay anything back on the loan, that 6% is added to the amount owed and then you get charged another 6% already added to the amount. Your debt slowly increases by doing nothing. It shows the effectiveness and advantage of paying off your debts as soon as possible."

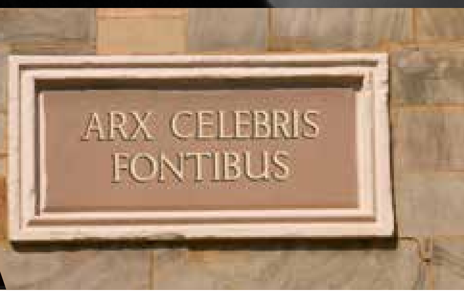
Research carried out in the US by the George Washington University in 2016 found that only a third of Americans understand how compounding works. While there is no equivalent study in the UK, research by the Pensions and Lifetime Savings Association in 2018 revealed that 80% of Britons are not saving enough for retirement. Could a proper grasp of compounding's power change that?

Ingilby explains: "I don't think many people fully understand the massive impact it can have to start saving early, even if it is just an initial amount and just letting that money grow. Compounding is an incredible concept."

On that basis it is worth heeding the advice of another formidable scientist; this time from the polymath and one of the US Founding Fathers, Benjamin Franklin: "An investment in knowledge always pays the best interest." ■



Far left: Harrogate's Turkish Baths. Left: Novelist Agatha Christie. Below: The town motto, meaning 'citadel of the famous springs'



Taking the waters in Harrogate

In the second in our series about the historic locations of Sanlam's offices, we look at the Yorkshire spa town

For centuries the parishes of Low and High Harrogate went largely unnoticed. But in 1571, William Slingsby discovered the first of the town's many mineral wells. This sparked a rapid rise to notoriety, and over the next 300 years the area's reputation as an English spa town grew.

Just over 50 years after Slingsby's discovery, a book was published by the physician Edmund Deane, in which the natural healing properties of the water were described. It wasn't long before people were travelling from all over England to investigate the springs for themselves.

To support this sudden influx of visitors to the town, inns and spa buildings were hastily opened and in 1778, the Stray – 200 acres of common land – was created to link Harrogate's springs together in a designated area. As the number of visitors grew, a Georgian theatre was added in 1788 to entertain them.

One Harrogate

The two Harrogates finally merged in the 19th century. The Bath Hospital (later the Royal Bath Hospital) was built in 1826 and the Royal Pump Room in 1842, offering an all-weather facility where guests could drink water pumped from a natural spring. At its peak, the Royal Pump Room (now a museum) attracted 15,000 visitors each summer, including Tsarina Alexandra of Russia in 1911.

By the end of the 1830s, 10,000 people were visiting Harrogate each year, by the end of the 1860s the number had trebled to 30,000 and by 1903 it had reached 75,000. Charles Dickens, who visited the town in 1858, said: "Harrogate is the queerest place with the strangest people in it, leading the oddest lives of dancing, newspaper reading and dining."

Agatha Christie mystery

He wasn't the only literary figure to visit the town. In 1926, novelist Agatha Christie went missing for 11 days, and was found alive and well but suffering from amnesia at the Swan Hydro hotel.

In 1885, engineer and inventor Samson Fox moved into Harrogate's Grove House and soon perfected the process of making 'water gas'. This invention allowed Grove House to become the first house in Yorkshire to have both gas lighting and heating, and soon after he was able to introduce some of the earliest street lighting to the town.

The Valley Gardens were opened in 1887 to commemorate Queen Victoria's Golden Jubilee and the Duke of Cambridge opened the Royal Baths in 1897. This was the most advanced hydrotherapy centre in the world, employing bath attendants and masseurs and facilities including Turkish Baths, Vichy douches and electric shock therapies.

Harrogate's spa industry began to decline in the depression of the 1930s and new medical treatments and opportunities for foreign holidays saw the process continue.

But the town continued to develop, and work began on the Harrogate International conference centre in 1976. The first event it hosted was the Eurovision Song Contest in 1982. It was won by German high school student Nicole with 'Ein bißchen Frieden'; British pop duo Bardo finished seventh with 'One Step Further'.

Visitors still flock to this fascinating town in the Yorkshire Dales, and it is still possible to enjoy the water in the Turkish Baths or have lunch at the famous Bettys Tea Room, which is a stone's throw from the Sanlam office in Cornwall Road. ■

Photos: Alamy

Sanlam has offices across the UK. To find your nearest Sanlam office, simply visit **www.sanlam.co.uk/contact-us**

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