Holistic Financial Leadership

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GUIDE TO

TRANSFORMATIVE INSIGHTS

Sustainable Finance, Tiny Changes, and Emerging Markets

Holistic Financial Leadership
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From

Brenda Santimano
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Regional Chief Executive Officer

Welcome to our new Autumn newsletter. I trust you are enjoying the change in seasons and are looking forward to the festive period!

I thought it would be a good opportunity to update you on just a few of the many activities here at Holistic Financial Leadership and highlight a number of topics relevant to clients within the newsletter that I hope you find interesting.

With our simplification of the business, it has meant that over the past few months we have had some new members to increase our Financial Planning team. I am pleased to welcome Simon Riley our Mortgage Specialist and Sophie Lil in mortgage support to the HFL family. Simon brings a wealth of experience to the team, having worked in mortgages for over thirty years and most of that time has been a qualified Financial Planner until more recently when he moved to specialise in secured lending.

Many of you know Helen Brown, who has been appointed our Head of Client Servicing, Claire Berry, who has been appointed our Regional Head of Operations, and Jane Ball who has been appointed Regional Head of Paraplanning.

We are also pleased to celebrate not one, but two engagements in our technical paraplanning team. Congratulations to Amy Rawlings and Andy Mutton!

After, what seemed like a marathon of electioneering, the financial markets responded to the Labour Party's landslide victory in the general election with relative calm. Investors had already anticipated a Labour victory, so extreme volatility was avoided. We certainly hope that the UK market growth seen over the last few months will continue and the Budget in October won't bring too many surprises.

We have significantly developed our investment proposition, which you will see when we have your next review - it is something we are excited by and is a result of having greater group resources available.

As a reminder, if you see 'IWP Financial Planning Limited' anywhere in our communications, that is because this is the company name used to bring together HFL and all the group's advisory firms.

I hope you enjoy our newsletter and, as autumn arrives and the heating goes on, take care and we will keep you posted.

Kind regards

Brenda

COP 29: A watershed moment for sustainable finance

With COP 29 just around the corner, the global conversations around climate action are intensifying.

Hosted in the city of Baku, Azerbaijan between November 11 and November 22, this year's Conference of the Parties has been dubbed the 'finance COP', with key decisions set to be taken around how to fund developing countries looking to develop ambitious emission reduction plans.

So what can we expect from the convention? And how could. discussions and decisions impact investors?

What can we expect?

Every year representatives from nearly 200 countries, all signed up to the United Nations Framework Convention on Climate Change, UNFCCC, meet to discuss the impact of climate change, and to negotiate and implement strategies to curb its effects.

Recent years have seen some significant developments, particularly since the Paris Agreement was signed by 196 countries at COP21 in 2016. The agreement made clear the central role that finance has to play in mitigating global warming through large scale investment, and by helping companies adapt away from their reliance on fossil fuels.

Source: United Nations Climate Change. Climate Finance in the negotiations, 12 December 2015

The expectations for COP 29 are high. Following COP 28 in Dubai, which emphasised the acceleration of decarbonisation, a speeding up of the transition away from fossil fuels to more renewable energies, COP 29 will likely push for even more ambitious commitments.

There is a growing consensus that we are running out of time to meet the Paris Agreement's goal of limiting global warming to 1.5°C above pre-industrial levels. This urgency will drive discussions on scaling up climate finance, increasing transparency in sustainability reporting, and addressing the socio-economic impacts of the green transition.

A focus on finance

Along with discussions about how to ensure a continued transition away from fossil fuels, and the anticipated announcement of new pledges on cutting emissions from individual countries, it is expected that money will be the main focus of this year's talks. Wealthy nations have previously pledged to deliver $100bn a year in climate finance to help poor countries cut their greenhouse gas emissions and adapt to the effects of the climate crisis. This pledge was formalised in the Paris Agreement, which means that a new goal for climate finance from 2025 onwards is on the agenda. Talks will go into sources of finance, as well as sums.

What does this mean for the sector?

There are mounting calls for the private sector to increase investments in clean energy and nature-based tools to cut emissions.

The Sustainable Finance Forum will be held for the second year during COP 29, bringing together 400 global institutional investors, asset managers, bankers, insurers, policymakers, and other leading finance stakeholders. Key discussions earmarked for the forum are portfolio alignment, risk mitigation, and the importance of investing for impact.

Investing in a sustainable future

We can all play a part in combating climate change. As investors, your money can change the world. Sustainable investing uses environmental, social and governance (ESG) criteria when weighing up potential investments. It considers an investment's impact as well as any potential financial return, and actively avoids those doing harm. Sustainable investing often includes green energy investments, such as wind or solar.

Increasingly, there's a recognition that companies who embrace and adapt to climate change are likely to more successful than those that don't. A wealth of research indicates that not only can the performance of sustainable investments keep up with those of their conventional counterparts, they can, and do, outperform them. Last year, research by the Institute for Energy Economics and Financial Analysis found that: "Sustainable funds generated better returns than traditional funds in 2023, with a median return of 12.6% versus 8.6% for traditional funds."

Source: June 10, 2024, ESG funds continue to thrive and outperform traditional funds across equity and fixed-income asset classes, Institute for Energy Economics and Financial Analysis

The road ahead

COP 29 represents a defining moment for the financial sector. The transition to a sustainable economy offers significant opportunities for growth, but it also demands vigilance and a commitment to integrity. As COP 29 approaches, we're reaffirming our dedication to responsible investing, ensuring that our strategies not only deliver financial returns but also contribute to a greener, more sustainable future. Get in touch with your financial planner if you want to talk about ethical investing that won't cost the world.

The transformative power of tiny changes

Small, strategic adjustments can go further than you think when it comes to financial planning. The first step to a successful strategy is to take the long view. What's most important to you? Whether that's leaving a lasting financial legacy for your family or enjoying an early retirement, it's important to look long-term, and to take small steps to reach your big goals.

Harness the power of compounding

Albert Einstein famously called compound interest the "eighth wonder of the world," and for good reason. Compounding is the process by which the returns on your investments start to generate their own returns, creating a snowball effect over time.

When you invest money, you earn a return, typically through interest, dividends, or capital gains. If you reinvest those earnings instead of spending them, your initial investment grows, and so do your future earnings. Over time, this growth accelerates as your returns generate even more returns.

Patience is key when it comes to making compounding work for you. Investing just £100 a month at a 7% annual return can grow to nearly £120,000 over 30 years. Increasing your contributions over time, even by a modest amount, can further amplify this growth.

Use your ISA allowance

The main benefit of stocks and shares ISAs is their tax-efficiency, which means your savings or investments are sheltered from tax and can grow more quickly. ISAs are exempt from:

- Income tax
- Dividend tax
- Capital gains tax

The maximum you can pay into an ISA is £20,000 each tax year, and making regular annual contributions can really add up. The highly coveted status of being an ISA millionaire belongs to around 2,000 ISA millionaires in the UK at the last count. Remember, investments in an ISA can go up and down and you may get back less than invested.

Maximise your pension

It's a good time to pay some attention to your pension. Since the abolition of the pension lifetime allowance and increase in the pension annual allowance in April 2023, the tax advantages of paying in have improved.
We can guide you through your options when it comes to your pension, making decisions with you in line with your life stage, age, needs over time and other sources of income.

Regularly review and adjust your strategy

Circumstances change, and so should your financial plan. Regularly reviewing your finances ensures that your strategy remains aligned with your goals. Whether it's adjusting your contributions, rebalancing your portfolio, or taking advantage of new tax breaks, staying proactive can lead to better financial outcomes.

Stay in touch

Making small, strategic adjustments to your financial habits can yield substantial benefits over time. The key is consistency and taking advantage of the tools available to you. Your financial planner will work with you to regularly review your finances and together we'll make minor tweaks which could add up to significant changes.

Understanding emerging markets

Historically, developed markets have been the dominant force in global stock markets. But are emerging markets – those on the rise and catching up to their more developed counterparts – worth considering?

Their potential for high growth and diversification makes them a tempting prospect for many investors. Let's take a look at some of the risks and rewards associated with these emerging markets, compared to those which are long-established.

Emerging vs developed - what's the difference?

Although there's no recognised metric for defining these markets, there are certain distinct characteristics which distinguish them; differences in their economic maturity, infrastructure, and regulatory environment.

Developed markets, such as the United States, United Kingdom and Japan, are characterised by stable economies, advanced infrastructure, and robust regulatory frameworks. These economies are typically more predictable, offering lower risk and more modest returns. Most developed markets are located in North America, Western Europe and Australasia.

Emerging markets include countries like China, India, Brazil, and South Africa. These economies are growing rapidly but come with higher levels of volatility and risk. Their fast growth is more vulnerable to interruptions, like shifts in global resource markets and political instability. However, they also offer higher growth potential, driven by infrastructure development, increasing consumer demand, and technological advancements.

Potential perks

Higher growth potential: Emerging markets are typically in earlier stages of economic development, which can lead to faster GDP growth. Countries including India and China have consistently outpaced developed economies in terms of growth.

Demographic advantages: Many emerging markets have young populations with a high percentage of people of working age, which can drive long-term economic growth. As these populations become wealthier, demand for goods and services increases, providing a tailwind for businesses operating in these regions.

Diversification: To be truly diverse, a portfoilio should be spread across the world's equity markets, encompassing different countries, industries and risk profiles. Investing in emerging markets can provide valuable diversification benefits. These economies often have different growth drivers compared to developed markets, which can help reduce portfolio risk.

Potential pitfalls

Despite the attractive growth potential, investing in emerging markets comes with significant risks.

Political and economic instability: Emerging markets are often more susceptible to political unrest, government intervention, and economic volatility. Changes in leadership, policy shifts, or social unrest can have profound effects on market performance.

Currency volatility: Fluctuations in exchange rates can erode returns for foreign investors. Regulatory uncertainty: Emerging markets typically have fewer established regulatory frameworks. This can lead to sudden changes in business conditions, such as new taxes, trade restrictions, or corporate governance issues.

A STRATEGIC APPROACH

Whether your focus is on growth, stability, or a blend of both, we're here to help you achieve your investment goals. If you have questions about emerging markets, want to reassess your overall investment approach, or just want to discuss your portfolio, please do let us know and we will arrange a call / Zoom or face-to-face meeting.

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