

Agenda

- Speakers
 - Patrick McIntosh – KMG
 - Paul Feeney – CEO Skerritts
 - Julian Jessop – Independent Economist
 - Charlie Lloyd & Wayne Nutland – Investment Team Skerritts
 - Q&A
 - Buffet Lunch

Patrick McIntosh

What does the future hold?



9th October 2024



Our vision



Purpose

Our purpose is to create financial freedom for the people of Britain, by providing enduring financial advice that safely supports their goals and aspirations.



Mission

Our mission is to be Britain's Premier Chartered Financial Planner, with expert in-house investment management, by 2025



Core values

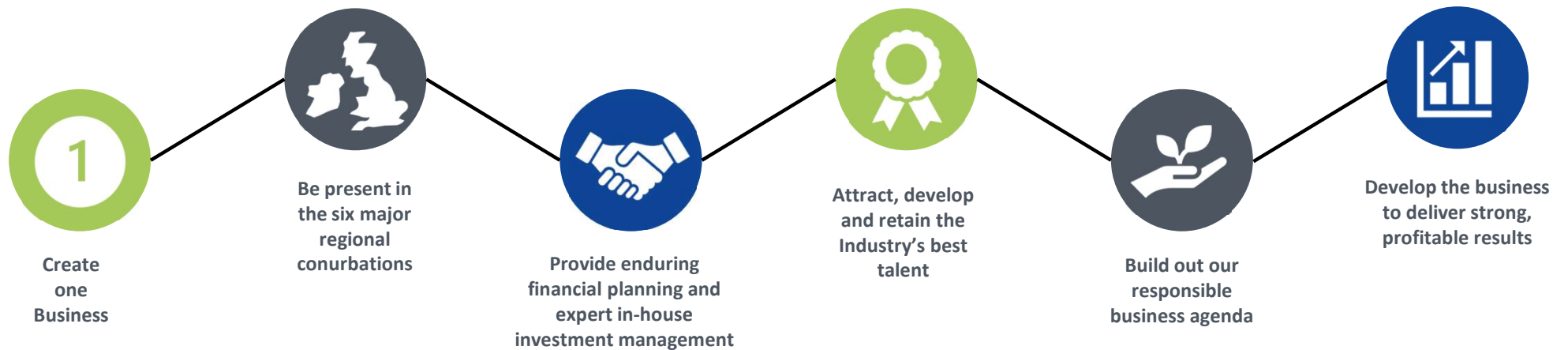
Our guiding principles, are how we do business and treat our clients and each other:

1. Above and beyond
2. Enduring
3. Giving back
4. Dependable
5. Warm and inclusive

Our mission and strategy

“Our mission is to be Britain’s Premier Chartered Financial Planner,
with expert in-house investment management, by 2025”

Our Strategy is built on six pillars



Goal

Strategic goal – Establish ourselves at scale in Britain’s major regional conurbations by acquiring high quality businesses and through organic growth.

* Businesses we presently have in Due Diligence/Change of Control with the FCA.



Client Benefits



- Access to a broader array of investment instruments
- Greater choice of cost-effective solutions
- Advisers work closely with our investment managers, giving them a thorough understanding of our clients' expectations
- UK wide coverage
- Transactional advice – mortgages and protection
- Invest in technology to expand the ways we can deliver our services
 - New back-office system
 - Client Portal

Personal Finance Portal (PFP)

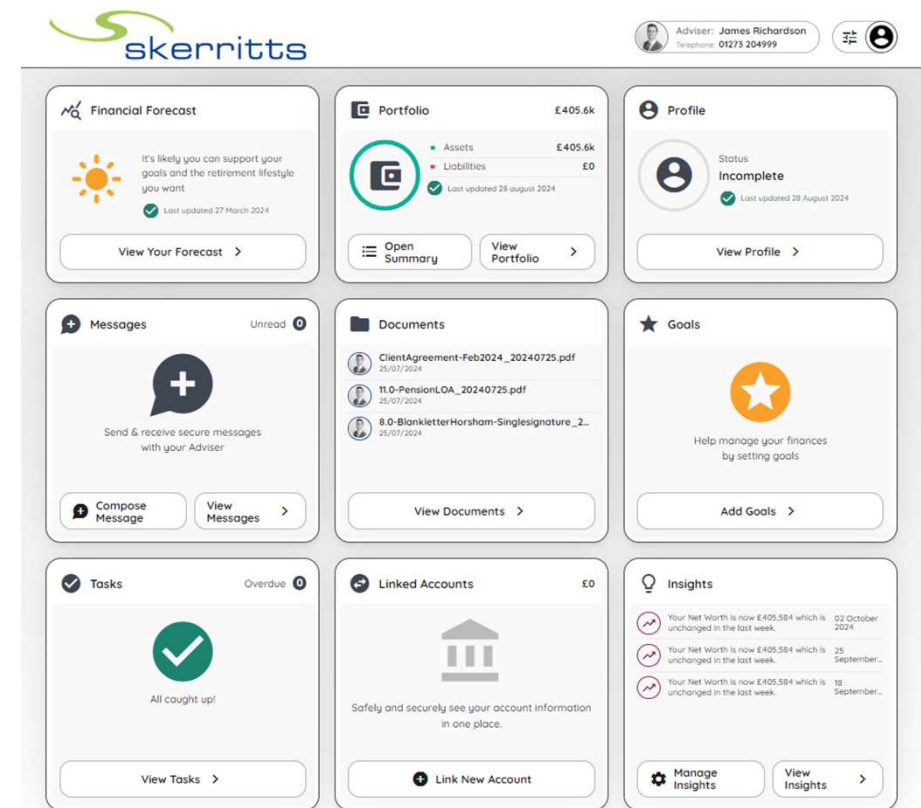
The PFP is our client's one stop hub for their finances and advice related communications



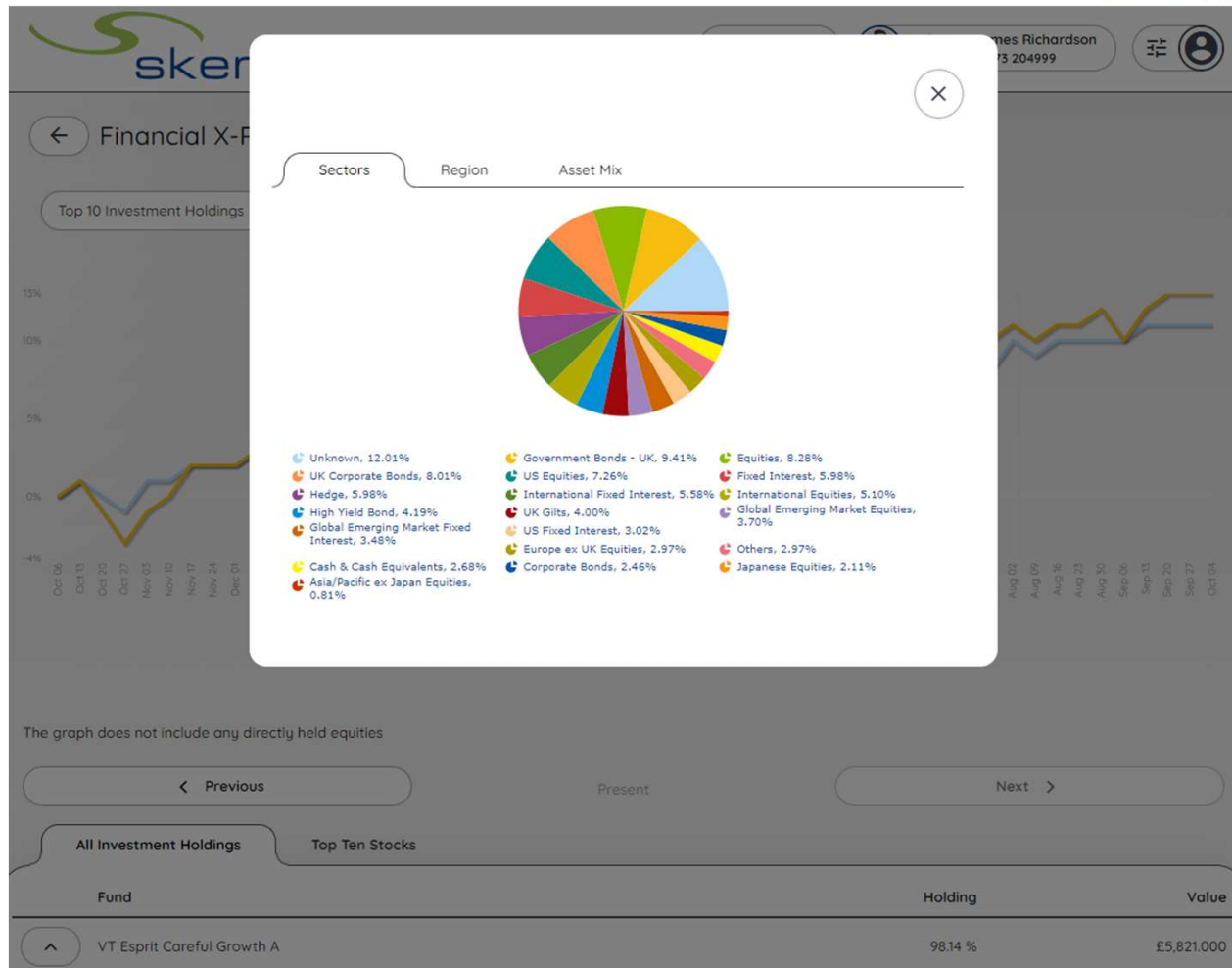
Personal Finance Portal

As a client of Skerritts, you have full access to the PFP, which provides a snapshot of your finances and allows us to share documents securely.

- Allows clients to see and update their Fact find information digitally
- Includes portfolio look through, updated asset valuations and access to open banking, making it an all encompassing financial hub, which updates within 10 to simplify factfinding even further



Personal Finance Portal (PFP)



Economic Overview

Julian Jessop

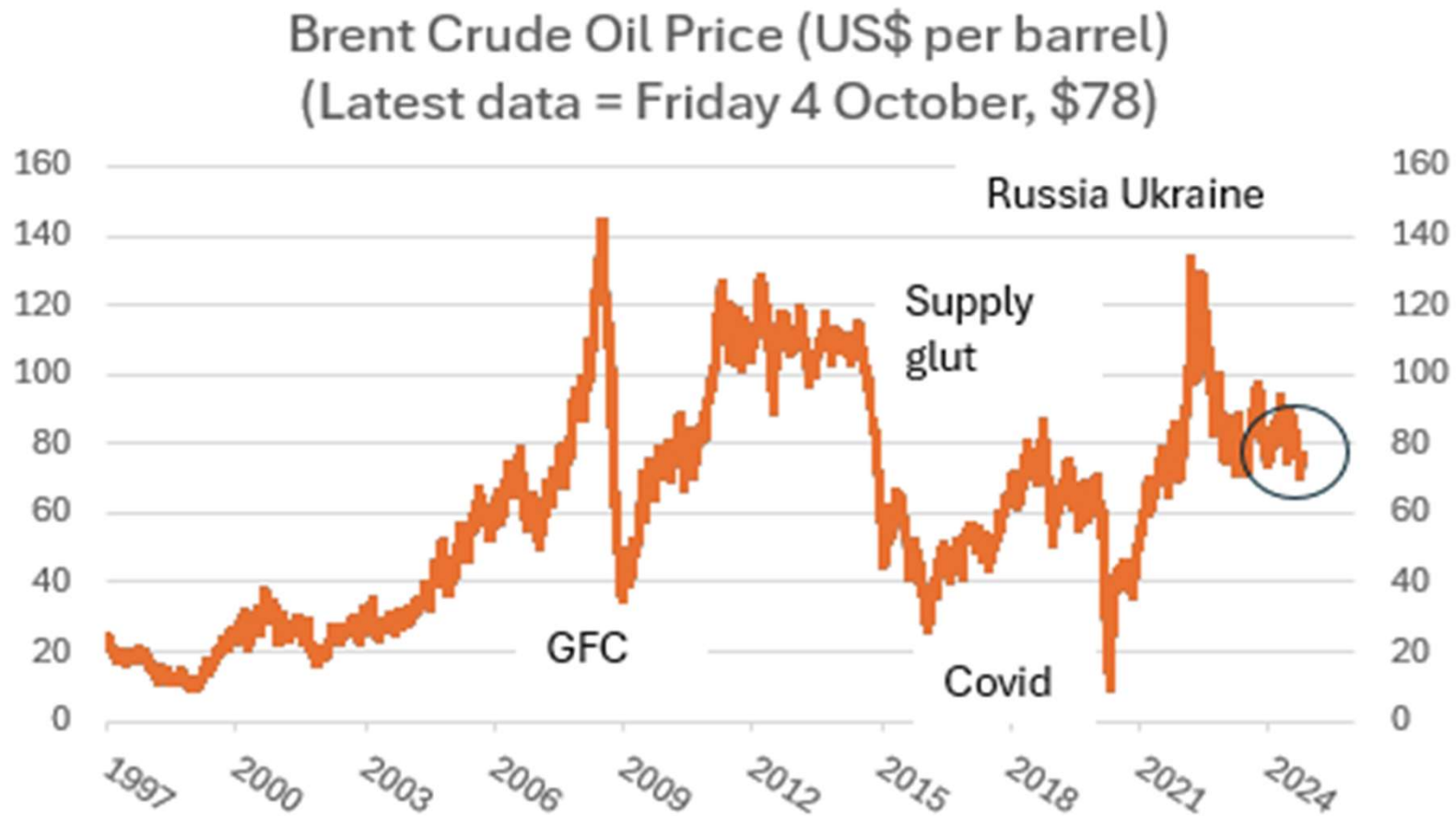
9th October 2024

1. Outline

- Global backdrop
 - Geopolitical risks
 - US politics and economy
 - What's gone wrong in Germany?
- UK focus
 - Worst inheritance since WW2?
 - Labour's economic policies
 - What might be in the Budget?
 - Outlook for inflation and rates
 - Something positive! (AI)

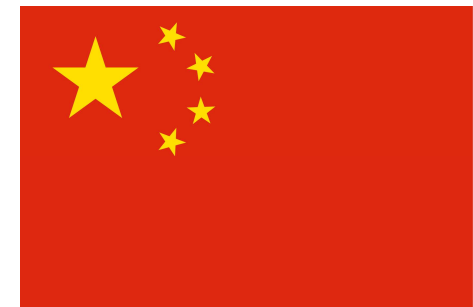


2. Oil prices as a measure of geopolitical risks (also agricultural commodities, shipping costs, and gold)



3. The geopolitical worry list...

- Backdrop: diverging demographics + climate change
- Example... **India**
- Russia / Ukraine war
- Middle East
- Number 1: **China**
 1. Military – Taiwan, South China Sea
 2. Economic – technology and trade
 3. Financial – China as an investor

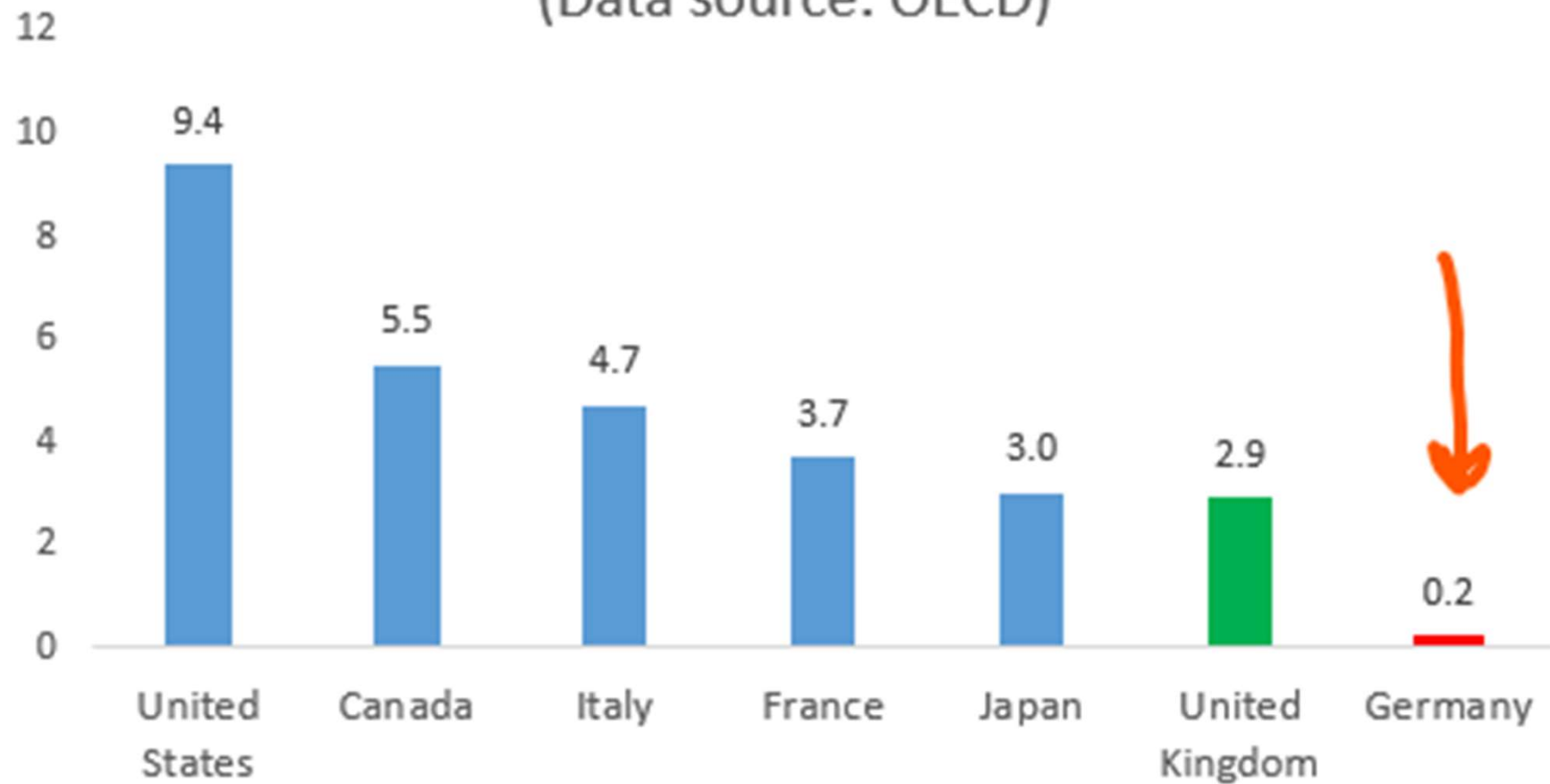


4. United States

- US economy has boomed on the back of cheap energy and large fiscal stimulus, but is starting to slow
- The stock market's performance has been flattered by a handful of tech companies ('**the Magnificent Seven**')
- Both potential Presidents are economically illiterate (e.g. Harris' price controls, Trump's import tariffs)
- Trump 1.0 wasn't too bad, but the world is now even riskier (**Trump 2.0** might see earlier end to Russia – Ukraine war, but escalate tensions with China?)

5. Problems nearer to home too

Economic Growth from Q4 2019 to Q2 2024
(Data source: OECD)



6. What's gone wrong in Germany

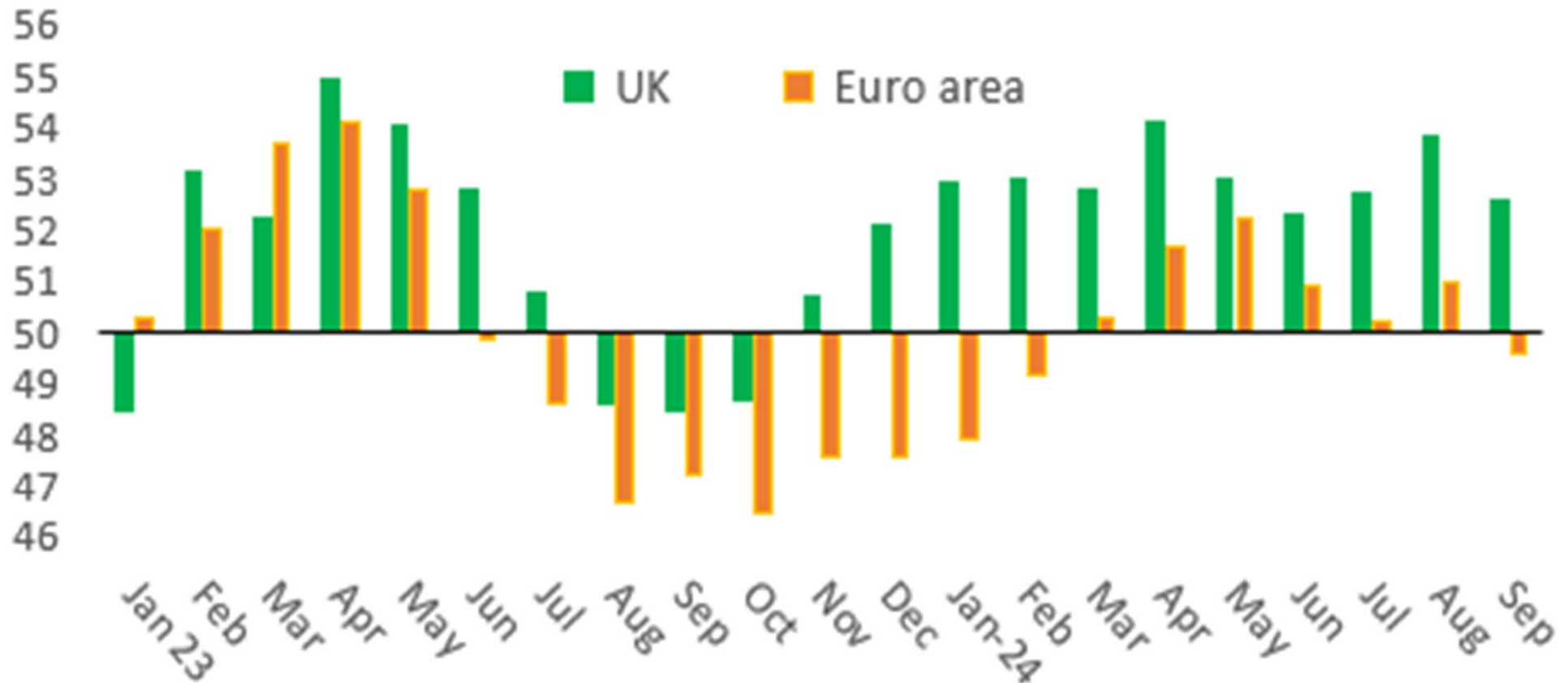
- Painful transition in auto sector
- Dependence on (Russian) fossil fuels
- Dependence on China for exports
- Dependence on cheap migrant labour
- Inflexible **fiscal policy**
- **“Corporate capitalism”**

7. Worst economic inheritance since WW2?

- In terms of where we are in the **economic cycle**, things were looking good
 - business and consumer confidence recovering
 - corporate and household savings
 - inflation and interest rates falling
 - economic growth picking up
 - unemployment low
 - annual government borrowing set to decline

8. Near-term outlook still bright

Composite PMI Output Indices (Source: S&P Global)



Index from 0 to 100 where 50 = 'no change' in output from previous month

9. But...

- Lots of **structural problems**, including
 - failing public services
 - large numbers of 'economically inactive'
 - high level of public debt (100% of GDP)
 - high energy costs
 - lingering Brexit uncertainties
 - long period of sluggish **productivity**

10. The 'productivity puzzle'

UK Productivity (Output per hour worked)
(Index where Q1 2008 = 100) (Data source: ONS)



11. Labour's economic policies

- Emphasis on planning reform and housebuilding
- Greater latitude to fix the NHS (or just pay more?)
- Limited renationalisation (rail)
- 'National Wealth Fund' (just rebranding?)
- 'Great British Energy' (ditto?)
- More taxes on the 'rich' (school fees, non-doms)
- But a very brief **honeymoon period!**

12. The fiscal backdrop

- The current **fiscal rules** are bonkers!
 1. The main rule is that one measure of debt has to be falling as a share of national income by the fifth year of a rolling forecast made by the OBR
 2. Progress against this rule depends on how quickly the Bank of England is assumed to crystallise the losses on its bond purchases
 3. It is clearly right to treat borrowing for investment differently from borrowing for day-to-day spending, but the existing rules do not do this

13. What might be in the Budget?

- Anything from £20 billion of fiscal tightening (mainly higher taxes) to £50 billion of additional stimulus (mainly investment), depending on the fiscal rules!
- Obvious targets are more taxes on wealth(y)
 1. CGT
 2. IHT
 3. pensions tax relief
 4. VAT base?
- May not be as bad as feared? (new fiscal rules, growing doubts about amount of money that can be raised from wealth taxes anyway)

14. Outlook for UK inflation and interest rates

- Bank of England has been slow to cut rates and the uncertainty ahead of the Budget has not helped
- But the **downside risks to inflation** are building as the labour market cools, and energy and food prices could fall outright next year
- My best guess – two more cuts this year (to 4½%), then down to **4%** by early next year
- 4% would also be a good level for rates to settle (think 2% inflation, 2% real economic growth)
- Any lower would not necessarily be a ‘good thing’

15. Something positive - AI

- Next 'Industrial Revolution'
- UK in a relatively good position to benefit (especially if decouples from EU instinct to over-regulate)
- IMF research suggests this could add over 1% to annual GDP growth in the UK
- Particularly important in public services - like NHS
- Usual caveats apply: highly disruptive
- Temptation to over-tax?

16. Conclusions

- The worry list
 - demographics and climate change
 - wars, including trade wars
 - government finances
- Reasons to be cheerful
 - prizes for solving the productivity puzzle
 - UK as a (relative) 'safe haven'?
 - Budget may not be that bad!

A background image showing a person's hands planting small green seedlings into a wooden planter box filled with soil. The scene is set in a greenhouse with a visible grid structure and bright sunlight filtering through the glass panes.

Responsible Model Portfolio Service

What is responsible investment?



Terminology can be confusing!

ESG Integration

Sustainable

Stewardship

Exclusion

Impact

What is responsible investment?



ESG Integration
(Environmental, Social & Governance)

Including ESG analysis into an investment process, e.g.

- Quality of a company's management, capital allocation and stewardship of the business
- The risks of climate change to a company's operations
- The impact of a company's actions on society, could the company be building long term reputational risks?

As investors in funds, we usually expect the funds in our MPS to integrate ESG factors into their investment processes or to track recognised ESG indices

What is responsible investment?



Exclusion

Excluding certain companies from one's investment portfolio in order to reflect one's values or encourage certain activities, e.g.:

- Sectors – e.g. tobacco, gambling, certain fossil fuels
- Behaviours - companies engaged in severe corporate controversies

We aim to limit exposure to companies considered unethical or unsustainable by applying a screen to all eligible asset classes. We may make exceptions for funds we deem to be sustainability themed or transition strategies

What is responsible investment?



Sustainable Investing

Investing in companies whose characteristics or behaviours support sustainable objectives or themes

- Clean Energy, Clean Water
- Companies with best-in-class governance

We may invest in funds which invest in companies whose products and services may help to develop a more sustainable economy

What is responsible investment?



Impact investing

Investing in companies or financial securities where capital is directed to specific projects with clear impact outcomes

- Green bonds
- Capital for a clean energy project

We may invest in funds which invest in companies or securities that deliver or facilitate a measurable positive environmental or social impact. This will typically be a relatively small part of our MPS

What is responsible investment?



Processes where asset managers demonstrate oversight and engage with the companies they invest in to ensure the company is managed in a way that accords with their views or tries to persuade the company to change in a certain way

As investors in funds, rather than in companies directly, this is something we expect of the managers of the funds we invest in

Our responsible investment objective



Invest in a manner which reflects a range of ethical and sustainability values



Potentially benefit from sustainability related investment opportunities



Invest in companies or financial instruments which facilitate the delivery of environmental or social benefits



Our responsible investment policy



Negative Screening

Minimising exposure to sectors we deem unsustainable or unethical



Sustainability Themed Investing

Develop a more sustainable economy



Transition Strategies

Strategies and companies that reflect or enable the transition to a lower carbon world

Exempt investments

Some investments are exempt from our policy, e.g. developed market government bonds

Our responsible investment policy



Negative Screening

We aim to limit exposure to sectors we deem unethical or unsustainable

- Adult Entertainment
- Alcohol
- Controversial Fossil Fuels
- Controversial Weapons
- Gambling Operations
- Tobacco

Different thresholds may apply to different activities, e.g. for tobacco production maximum company involvement is 5%, but for tobacco retailing maximum company involvement is 25%

- Thermal coal extraction & power generation
- Arctic oil & gas exploration
- Oil sands extraction

- Land mines
- Biological & chemical weapons
- Cluster weapons
- Depleted uranium ammunition
- Nuclear weapons
- White phosphorus weapons

Our responsible investment policy



Sustainability Themed Investing

Investing in companies whose products and services may help to develop a more sustainable economy

- The UN SDGs are a useful guide
- A measurable positive impact
- Improving business practices

Examples can include clean energy or clean water companies

Our responsible investment policy



Transition Strategies

Investing in companies or financial securities that are enabling the transition to a low-carbon world

Examples include:

- Paris Aligned Benchmarks
- Climate Transition Benchmarks
- Green Bonds

We may allow exposure to companies which we usually exclude if they are part of transition strategies

Responsible MPS – fund examples



Goldman Sachs Global Green Bond ETF

Green bonds can be issued by governments or companies

The monies raised from Green bonds must be allocated to one of 10 broad categories recognised by the Green Bond Principles, e.g. Renewable Energy, Pollution Prevention & Control, Green Buildings

There are ongoing standards in terms of reporting, management of proceeds, sustainability characteristics etc.

Rather than investing in all Green Bonds, Goldman Sachs analysts vet each bond with about a third of Green Bonds failing to meet their criteria

Criteria include various business sector exclusions and compatibility with a 2oC warming scenario. Thermal coal issuers can be included if thermal coal represents <5% of a company's revenue to assist large utilities to transition

Responsible MPS – fund examples

BNY Responsible Horizons Emerging Market Debt Impact fund

The fund invests in bonds issued by emerging market companies and governments

Companies operating in certain sectors are excluded, e.g. Gambling, Tobacco, Coal Mining

Governments are excluded based on criteria such as human rights and corruption. **Countries such as Saudi Arabia and China are excluded**

The fund invests in three broad areas

- Impact bonds, e.g. Green bonds
- Impact issuers, companies where more than 50% of activities are aligned to key sustainability themes
- Improving issuers, companies with core investment plans designed to improve their sustainability footprint

Responsible MPS – fund examples



iShares MSCI USA ESG
Enhanced ETF

This fund tracks a broad index of US companies (about 500)

The index is a Climate Transition Index, which has a lower carbon footprint than a standard index and must reduce its carbon footprint each year. This falls into our 'transition' category

Companies associated with various activities are excluded, but there are some exposures to areas we usually exclude. As this is a 'transition' strategy we allow these

Once the member companies of the index are decided, they are subject to a quantitative programme to weight the companies in a way to achieve a similar performance profile to a standard US equity index

Responsible MPS – fund examples



L&G Clean Water ETF

This fund tracks an index designed to represent the performance of companies engaged in the international clean water industry

This includes the provision of engineering, technological, digital and utility services. The index is constructed with the input of Global Water Intelligence

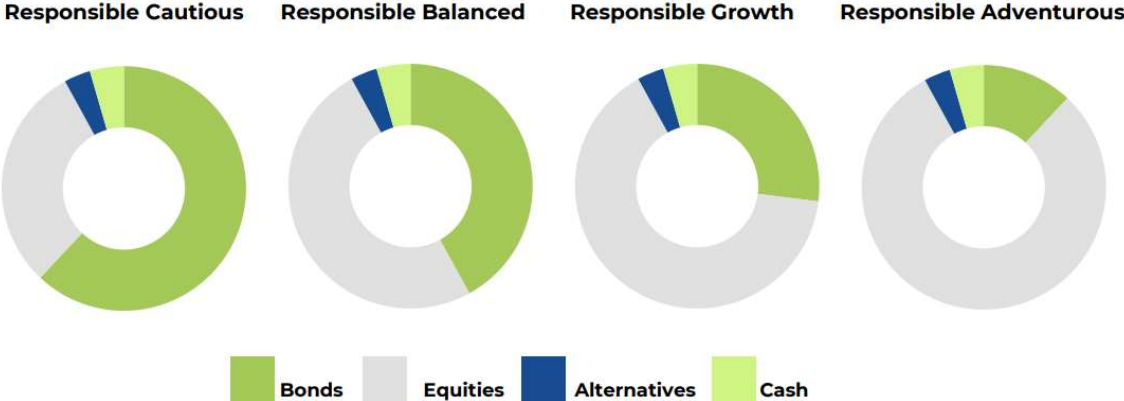
We regard the clean water theme as a strong long-term theme, which hasn't been susceptible to 'hot money' flows which impacted some other themes, e.g. clean energy

Being a thematic fund, it is naturally more concentrated than a broad fund, it also has a higher exposure to smaller companies. Consequently, we deem this fund to have higher levels of risk than a broad equity fund and give it lower weightings in our models

Responsible MPS



4 portfolios to choose from

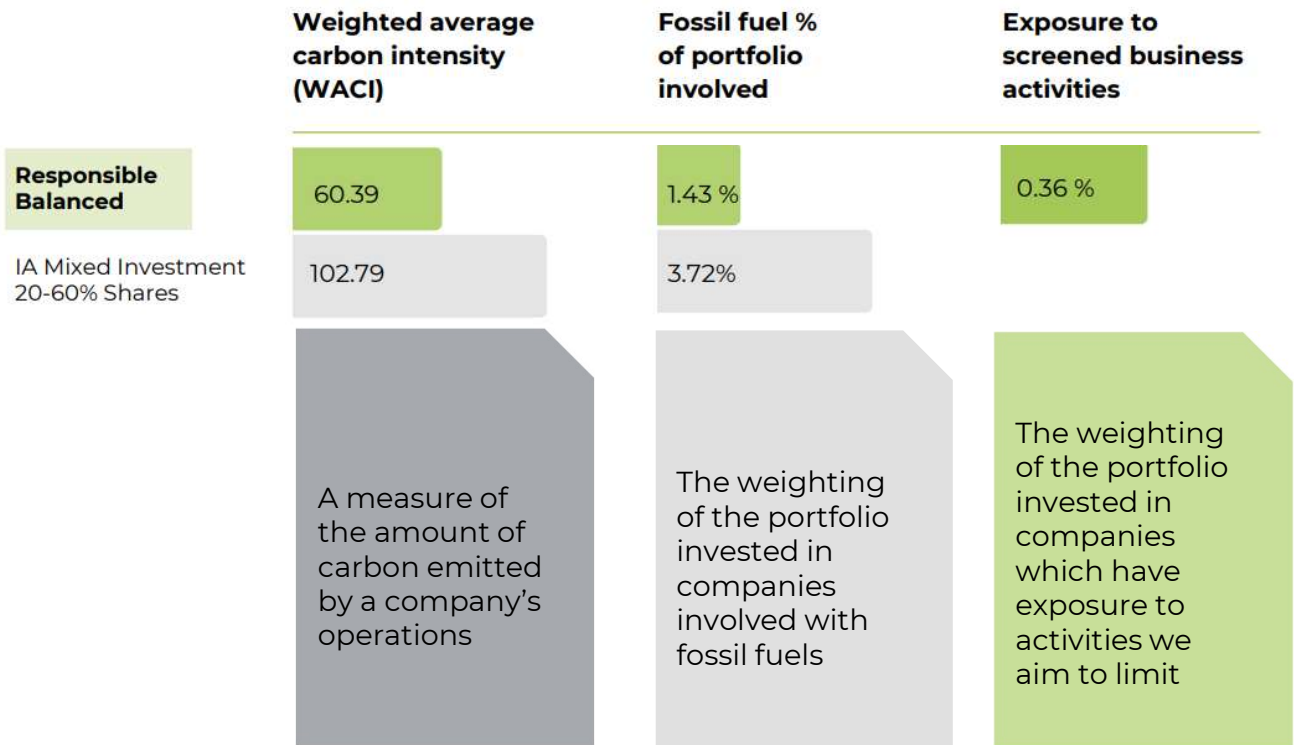


Our Responsible MPS is available in 4 different risk-profiled asset allocations

Responsible MPS



We report on metrics associated with responsible investment



Data as of 16/04/2024 and calculated by Morningstar Direct. The IA Mixed Investment 20-60% Shares sector is shown as a comparator

Summary



Responsible investing
and ESG can be
confusing and unclear



We have a clear
Responsible investment
objective and policy to
implement it



Available in 4 risk-profiled
asset allocations



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Question and Answer Session

Panel

Patrick McIntosh

Julian Jessop

Charlie Lloyd

Wayne Nutland

Thank you for coming
Please join us for lunch!

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