

# Prospects

The JM Finn Quarterly Periodical

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**US onshoring**

America repatriates supply chains

**Passing wealth on**

The importance of early estate planning

**A family affair**

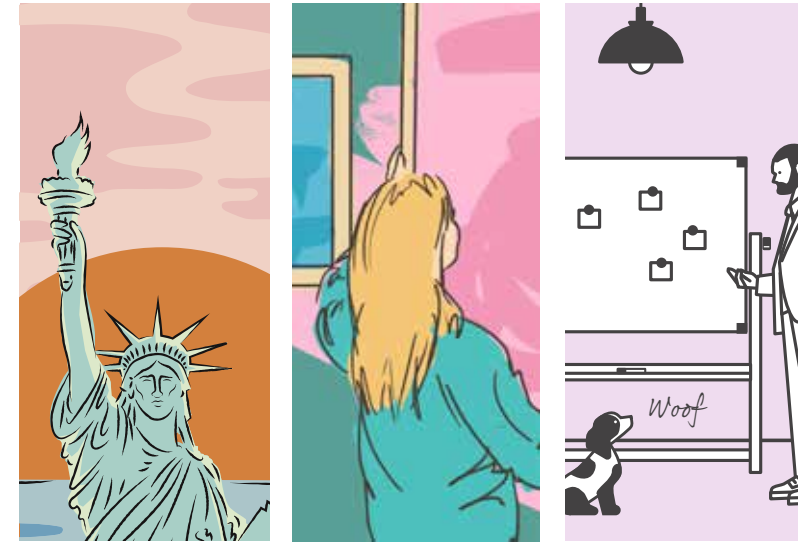
How to resolve family business issues



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# No.48

Autumn 2024



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### Editor

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# Welcome

**Welcome to your autumn edition of Prospects. The summer months have traditionally marked a quieter period in the markets, but this year has proved to be anything but.**

Equity markets across East Asia saw sharp drops in the first week of August and the Japanese Nikkei 225 Index erased all its gains since its rally earlier in the year. Indices in other markets in the Far East, including South Korea and Taiwan mirrored the declines; fortunately, most have recovered to early summer levels and Western markets have since found a firmer footing.

Among the key reasons for the tumble in Asian markets were concerns about lacklustre US economic indicators, and the potential for a recession in America that could impact other countries – a reminder of the wide-reaching effect that America's fortunes can have on the rest of the world. This delicate link is a theme explored in Charles Bathurst-Norman's editorial on page 4, which covers the growing phenomenon of US 'reshoring' – the repatriation of supply chains that were previously outsourced predominantly to emerging markets.

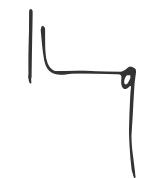
A key question that will be answered between now and our next issue of Prospects, is who will emerge as the winner in this extraordinary US election campaign. Whatever the result, we continue to monitor market and economic developments and will keep our clients fully up to date. By the next edition, Labour's Autumn Budget will also have been announced. Chancellor Rachel Reeves has already warned that the Budget may entail "difficult decisions", also recently endorsed by the Prime Minister. While we of course cannot predict the changes it could bring, it is safe to say that tax rate increases are on the cards. As highlighted in our last issue of Prospects, Capital Gains Tax is in the spotlight and we are encouraging Investment Managers to look at possible action on portfolios on this front.

It can also be prudent to look at the timing of action plans if you are considering passing wealth on to your family and loved ones, as Charles Barrow from our Wealth Planning team explains on page 18. The subject of inheritance and estate planning can be tricky to think about, let alone broach with family, but early planning can give you more options to maximise the amount that is passed on.

This November marks the 25th anniversary of The Affordable Art Fair – and the fifth year of JM Finn's partnership as lead sponsor. In our guest editorial on page 10, Will Ramsay, Founder of The Affordable Art Fair reflects on the changes in creating and buying art over the last 25 years – and the role the Fair has played in this, driven by the growth of the business to a global presence.

Scaling a company is among the challenges that will be familiar to the many clients who are business owners – and family-owned companies in particular can come with their own issues. In our Independent View article on page 28, The Family Business Company tackles some of the most common hurdles that family firms can face, such as succession, governance and conflict management.

I hope you have all had a good summer despite the ordinary weather. Our Investment Managers have thoroughly enjoyed meeting many of you at the various client events we have hosted. We have many more in the pipeline for 2024 and 2025, so hope to welcome you to an event in the near future.



Hugo Bedford  
CEO





## Editorial

# Bye Bye Miss American Pie: The rise of US onshoring

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Charles Bathurst-Norman  
*Investment Director*

**Charles Bathurst-Norman, Investment Director, discusses why so many American companies are moving their supply chains closer to home, and the impact this is having on the US economy.**

In recent years, the United States has witnessed a significant trend toward 'onshoring' and 'nearshoring' supply chains – i.e. moving production back to, or closer to home shores. This movement is driven by various factors including geopolitical risks, energy security concerns, tariff impacts, advancements in automation, and the disruptive effects of global events like the Covid pandemic and the Russia-Ukraine conflict.

**What is the economic and environmental impact of US onshoring or nearshoring?**

Nearshoring can significantly improve working capital by reducing shipment lead times and inventory in transit, thus enhancing financial health and operational efficiency, allied with enabling companies to respond more swiftly to changes in market demand. Moreover, companies see nearshoring as a key strategy for safeguarding supply chains. This also makes alternative locations such as Mexico more attractive compared with Asia due to their competitive labour rates and proximity to the US market, evidenced by the fact that Mexico overtook China to become the number one exporter to the United States in 2023. One could also argue that nearshoring aligns with broader environmental goals, as shortening supply chains reduce the carbon footprint associated with long-haul transportation, making production processes more environmentally sustainable.

### Which factors have played a contributing role to the onshoring/ nearshoring trend?

The pandemic exposed significant vulnerabilities in global supply chains, leading to increased interest in localising production to ensure stability and responsiveness.

In addition, the China trade war, coupled with geopolitical uncertainties like the Russia-Ukraine war, has prompted companies to reconsider their reliance on distant suppliers. The response from the US government has been to dust off the old US Federal Policy playbook and introduce incentives in the form of subsidies. This has led to a reshoring renaissance as US federal policies have provided financial incentives for domestic manufacturing and procurement of US-made products. Furthermore, the United States-Mexico-Canada Agreement (USMCA) provides a stable trade environment, encouraging companies to relocate production within North America. All these laws, subsidies and incentives encourage the domestic production of critical components and offer tax credits and other benefits to companies that relocate production to the US or nearby countries.



## Advances in robotics, artificial intelligence and other technologies are reducing dependency on manual labour.

### Which industries are nearshoring their operations the most?

Several industries are at the forefront of the nearshoring trend. The automotive and electronics sectors have been actively shifting their supply chains closer to home, primarily due to the need for greater control over production and reduced lead times, announcing significant investment in domestic manufacturing facilities. Furthermore, investments in automotive manufacturing facilities in Mexico have surged. Numerous companies, such as Tesla's expansion in Nuevo Leon, are establishing or growing their manufacturing capabilities and reducing producing costs. This has also been the case for certain elements of the aerospace industry, such as Honeywell and Eaton Corporation, whose specialised trade agreements and incentives make nearshoring a strategic move for the aerospace sector.

Consumer goods manufacturers and retailers are increasingly sourcing materials and products from nearby countries to enhance supply chain resilience and react to changes in consumer demand more swiftly. Both Walmart and Procter and Gamble's strategies to optimise their supply chains and source more products from nearby regions help to ensure better pricing for consumers. Within the pharmaceuticals and healthcare sector, the pandemic underscored the critical need for reliable medical supplies, prompting companies such as Eli Lilly to push towards domestic production of pharmaceuticals and healthcare equipment.

### Is automation making nearshoring a more viable option?

Automation plays a crucial role in making nearshoring economically viable, by offsetting higher labour costs associated with domestic production. Advances in robotics, artificial intelligence and other technologies are reducing dependency on manual labour, which can be more expensive in nearshoring locations compared to traditional offshore locations. This is lowering overall production costs, increasing efficiency and making nearshoring more viable for many industries than in previous decades. Furthermore, automation allows for a more flexible and responsive manufacturing process, rapidly adjusting production levels and reducing the need for capital to be tied up in inventory, improving the overall cash flow of company balance sheets.



## Both Republican and Democratic administrations have recognised the strategic importance of strengthening domestic supply chains.

### Which listed companies stand to benefit from nearshoring?

A number of companies are already showing evidence of increasing order books, growing revenue and margin expansion for those companies with pricing power. Within the manufacturing and industrial sectors, firms like Caterpillar, Eaton Corporation and 3M are poised to gain from investments in domestic production facilities and the resultant operational efficiencies. Technology companies are expanding their US-based semiconductor manufacturing capabilities, driven by both government incentives and the strategic need to secure supply chains, reducing their dependency on Asia, especially Taiwan, in addition to helping companies avoid tariffs and benefit from regional trade subsidies. Logistics and supply chain management companies are also likely to benefit from increased demand for nearshoring-related services, as will other transportation equipment manufacturers, including those producing parts for commercial vehicles. Some firms outside America also stand to benefit from the nearshoring trend. Schneider Electric for example has exposure to the nearshoring theme in the US and it should also be a beneficiary of longer-term global trends of data centre infrastructure, electrification, digitalisation and decarbonisation.

### What impact could the outcome of the US Presidential Election have?

Both Republican and Democratic administrations have recognised the strategic importance of strengthening domestic supply chains, albeit with different approaches. Republican policies typically emphasise reducing regulatory burdens and lowering taxes to encourage domestic manufacturing. Trump's "America First" agenda has focused on reducing dependence on foreign supply chains, particularly from China. The previous Trump administration's tariffs on Chinese goods and the renegotiation of the North American Free Trade Agreement into the United States-Mexico-Canada Agreement are examples of such policies aimed at protecting and promoting US industries. Tariffs especially have raised the cost of many products, making it more expensive for countries to import goods and maintain competitive pricing.

Democratic policies primarily focus on providing direct incentives and subsidies to spur domestic production. The Biden administration's infrastructure investments, the CHIPS and Science Act, and the Inflation Reduction Act include substantial funding for boosting US manufacturing capacity and technological innovation. A potential Kamala Harris administration might approach nearshoring with a different focus. While Harris is likely to support strengthening US manufacturing, her administration might prioritise sustainability, labour rights, and multilateral cooperation. Policies could include incentives for companies to nearshore operations while adhering to environmental and labour standards, possibly offering tax breaks or grants for companies that move closer to the US and maintain high standards.



While Harris is likely to support strengthening US manufacturing, her administration might prioritise sustainability, labour rights, and multilateral cooperation.



Political uncertainty remains elevated in the US in the wake of Biden's withdrawal and narrowing of Donald Trump's lead in opinion polls, with Kamala Harris even moving ahead in some national polls at the time of writing. One could argue that a second Trump presidency would differ from the first, both because the world is messier and because Trump is less likely to tolerate official obstruction of his agenda. He has proposed a tariff of 10% on all imported goods, and some members of Trump's circle have floated a 60% tariff on imports from China. The biggest negative impact would fall on textiles and electronics, industries where China currently dominates and where single-digit profit margins make it impossible for factories to absorb the tariff impact.

On a related note, a Trump administration would also grant lots of permits for new drilling, and oil production would increase. His policies on oil, as in other areas, are considered by some to be pragmatic, recognising the energy transition as just that. If re-elected, he has promised to remove all obstacles to massively ramping up drilling in the US for oil and natural gas. Trump stated: "When I am back in the White House, I will bring back a pro-American energy policy at long last." He's also vowed to speed up the approval of natural gas pipelines into the Marcellus Shale. Another priority, and a potential negative for the renewables sector are his promises of doing away with incentives to nudge the US in the direction of electric vehicles and clean energy.

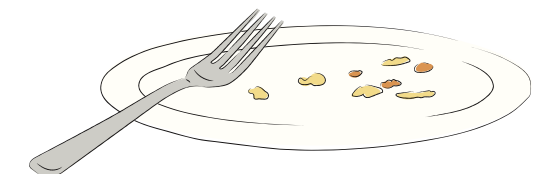
US trade tariffs on imported goods will meet domestic and international resistance. But an easier way to achieve the goals of such a tariff — in terms of rebuilding domestic production — is to weaken the dollar. Like Richard Nixon with his proposed import surcharge, Trump, if elected, may drop his tariff and focus on the exchange rate, possibly by putting political pressure on the Federal Reserve. The risk of more inflation would surge, exacerbated by more tariffs, which would also slow growth.

### Conclusion

As the onshoring and nearshoring movements continue to gain momentum, America's economic security and industrial robustness will be enhanced for years to come. The onshoring and nearshoring of supply chains to the United States are driven by a combination of geopolitical tensions, pandemic-induced disruptions, government incentives, and advancements in automation. Key industries like automotivess, electronics, consumer goods, and pharmaceuticals are leading this shift, supported by companies that are strategically positioning themselves to capitalise on the trend. Both Republican and Democratic policies would play crucial roles in the US economy and trade relations to ensure that the US remains competitive and resilient in the global market. The details of how this trend is encouraged and implemented, however, would differ based on the administration's priorities—whether focusing more on protectionist measures and economic nationalism, as might be expected from Trump, or on collaborative and sustainable approaches, potentially emphasised by Harris.

The election result will undoubtedly shape the economic landscape, consumer confidence and foreign policy. To mitigate the risk of this evolving political and economic environment, our focus remains on investing in a diversified range of businesses with strong competitive positions in good and growing industries, management teams with track records of value creation and strong balance sheets.

• **Please read the important notice on page 1.**



## Guest Editorial

# Celebrating 25 years of accessible art

Will Ramsay  
CEO and Founder of the Affordable Art Fair

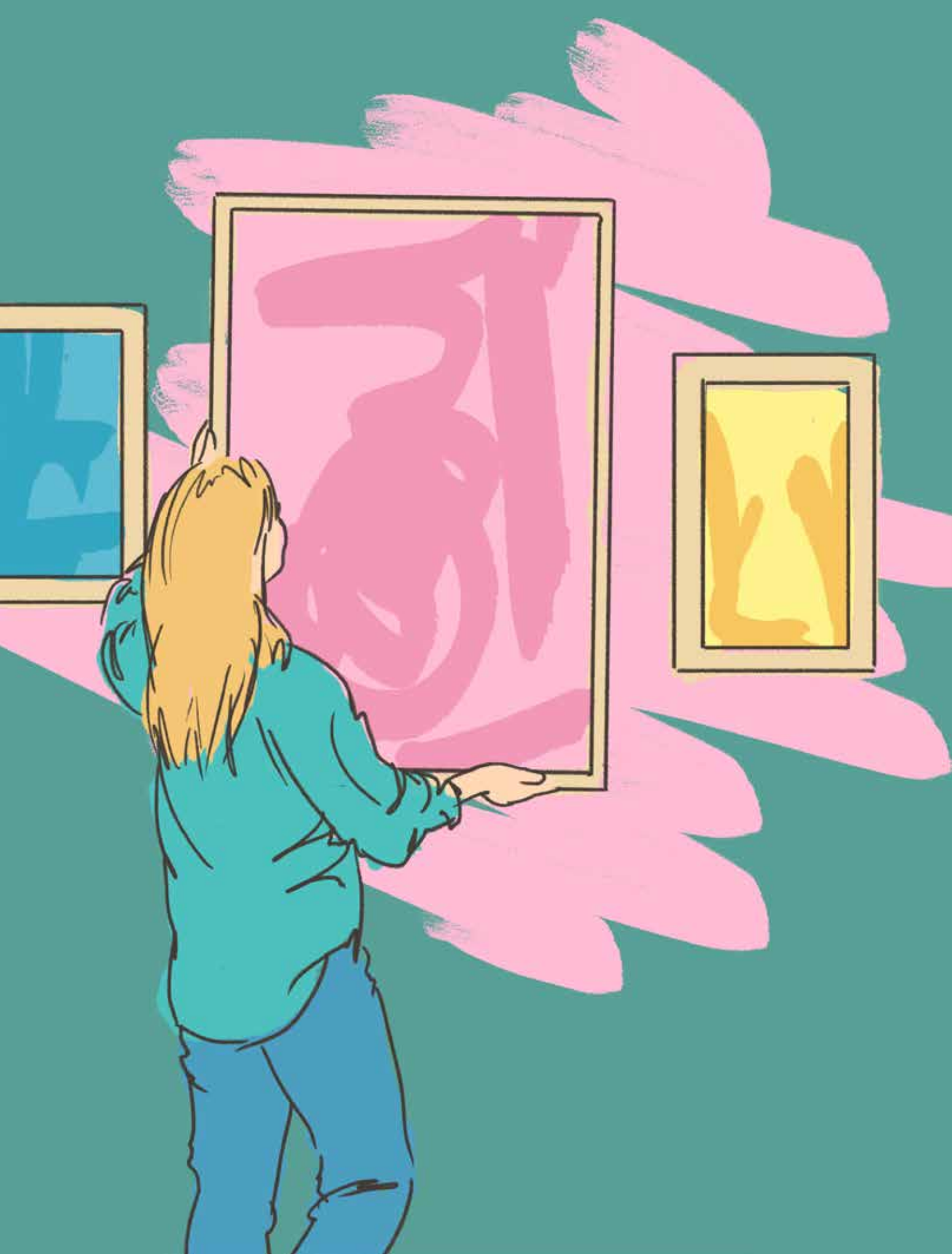
**The Affordable Art Fair Battersea Autumn 2024 marks 25 years since the first Affordable Art Fair in 1999, and the fifth year in partnership with JM Finn. Reflecting on this journey, I can't help but marvel at how far we've come since those early days.**

Back in 1999, I founded the Affordable Art Fair in London's Battersea Park. My vision was to revolutionise and democratise the art market, making it more fun and accessible. The idea was simple: bring contemporary art to people in a way that wasn't intimidating. We now have editions in 13 cities around the world (and counting), including three fairs a year in London's Battersea Park and Hampstead Heath, with the others spanning four continents: New York, Hong Kong, Amsterdam, Sydney, Brussels, Berlin, Brisbane, Austin, Hamburg, Melbourne, Singapore, Stockholm and launching in Vienna for the first time in 2025.



*Will at the first fair in 1999 with radio, wine and his wife Natasha.*

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Twenty five years ago, art buying was quite different.”



Our success can be attributed to our amazing team, who are dedicated to supporting artists, galleries, and art lovers.

Each fair has over 100 leading national and international galleries showcasing thousands of contemporary artworks in all styles and mediums. Along the way, I also became involved in other art fairs like Art Hong Kong (now Art Basel Hong Kong), Taipei Dangdai, and PULSE Art Fair. We acquired VOLTA Art Fair in 2019 and British Art Fair in 2021.

Twenty five years ago, art buying was quite different. People often felt that art was out of their reach, both financially and conceptually. Our aim was to show them that original art could be affordable and to educate them about contemporary art. The reason behind starting Affordable Art Fair was personal – I used to feel intimidated visiting art fairs and galleries some 30 years ago. I wanted to help break down those barriers and make it more accessible: inclusive rather than exclusive, to help people learn more about contemporary art and dispel the myth that you have to be a billionaire to buy it.

I had no idea what an impact it would have had globally: 16 fairs each year on four continents with 250,000 visitors. Since the beginning, 3.1 million visitors have bought over 600,000 artworks, valued at over £500million – that's a lot of help to artists and galleries – and we have been able to give £7million to charitable causes and young artists. Placing living artists and independent galleries at its heart, Affordable Art Fair has helped support the careers of over 40,000 artists.

I still remember the first fair vividly. We were three months away from the opening, and we didn't have nearly enough exhibitors. The nerves were palpable; I wasn't sure if anyone would show up, let alone make a purchase. But thanks to the word-of-mouth buzz among galleries, we managed to pull it off.



*Affordable Art Fair Battersea Spring 2024. (Photo by Graham Turner)*



*Affordable Art Fair Battersea Autumn 2023. (Photo by Graham Turner)*

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The journey hasn't been without challenges. The Covid pandemic was particularly tough. We lost 96% of our revenue and had to make difficult decisions.





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I have loved discovering art from around the world over the years. At the fair in Battersea we aim for roughly a third of the exhibitors to be international.

The journey hasn't been without challenges. The Covid pandemic was particularly tough. We lost 96% of our revenue and had to make difficult decisions, including laying off staff and reducing salaries. The uncertainty and constant re-planning were emotionally taxing, but we managed to survive and are now on a path of growth and recovery.

Over the past 25 years, the art buying process has evolved significantly. The range of mediums has grown: photography has bloomed thanks to its digitalisation. Many of the best and most forward-thinking artists have chosen video art as their medium. One piece I own is *The Blue Fairy* by Davy and Kristin McGuire. A miniature Kristen, with butterfly wings superimposed behind, taps the jar with her wand, hoping to escape.

Another piece of video art is behind me in our dining room – the perfect place for Jonathan Hillson's video derived from Caravaggio's *Supper at Emmaus*. I was lucky to find a fabulous antique frame in the correct dimensions of a TV. We asked our electrician to put some 13amp sockets on walls, so helping the illusion.

I have loved discovering art from around the world over the years. At the fair in Battersea we aim for roughly a third of the exhibitors to be international. I would never have seen this sculpture "*The Paratrooper*" by Roberto Reuli without being exposed to international artists at London's Affordable Art Fair.



*The Blue Fairy* by Davy and Kristin McGuire.



*"The Paratrooper"* by Roberto Reuli.

To ensure we maintain a good proportion of affordable art, we curate our exhibitions carefully. We highlight affordable works, such as artist-made prints available from around £75, and feature an "Art under £500 wall" to help new collectors find accessible pieces.

What makes me most proud is the impact we've had on gallery businesses and artists' careers. We've built a vibrant community of galleries, artists, art lovers, and partners like JM Finn, who support the visual arts through our collaboration. Creativity is essential, both at work and at home, and it's gratifying to see how we've inspired people.

Looking ahead, I hope the next 25 years will be just as transformative. We aim to continue inspiring the world to own art, with a goal of reaching 1 million artworks sold by 2030. We plan to launch in at least one new city each year, further supporting galleries, artists, and art lovers globally.

As we prepare for the next edition of the Affordable Art Fair from 16 – 20 October 2024 in Battersea Park, I reflect on our journey with immense pride and excitement for the future. This fair will not only celebrate our 25th anniversary but also bring together over 100 leading galleries from the UK and around the world, continuing to make contemporary art accessible to all.

For more details on the upcoming fair, you can visit our website. Join us as we celebrate 25 years of making art accessible, and here's to many more years of inspiring the world to own art.

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[www.affordableartfair.com](http://www.affordableartfair.com)

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## Company Meetings

# A spotlight on three of the companies we've met during the past quarter.

We met or spoke with the companies below and you can learn more on any of these by contacting the person at JM Finn with whom you usually deal.

Jack Summers, *Research Assistant*

William McCubbin, *Assistant Research Analyst*



**CONSUMER DISCRETIONARY**  
Kering



**CONSUMER STAPLES**  
Archer Daniels Midland,  
Cranswick



**FINANCIALS**  
Aviva



**INDUSTRIALS**  
BAE Systems, Bodycote,  
Diploma, DiscoverIE, Halma, IMI,  
GXO Logistics, Spirax Group



**INFORMATION TECHNOLOGY**  
Kainos Group



**MATERIALS**  
Croda International



**REAL ESTATE**  
Shaftesbury Capital



**UTILITIES**  
Pennon Group



## 1. Halma

Equity Market Cap (M) £9,776

**Industrials**

CEO Marc Ronchetti, CFO Steve Gunning

Halma is a highly acquisitive industrial holding company that owns a diversified portfolio of c.50 underlying businesses. The portfolio is angled towards the themes of 'safer, cleaner and healthier', providing critical products and services often required by regulation such as fire detection systems, emergency shut-offs, food and water analysis testing and disease diagnosis.

Halma completed eight acquisitions across the portfolio in the 2024 financial year, a mix of smaller bolt-ons and larger standalone businesses. Despite representing a record spend, Marc doesn't see this as the beginning of consistently higher annual acquisition spends, nor does he see a requirement to increase the average size of business acquired. Many of Halma's businesses have now grown large enough to conduct their own bolt-ons.

Halma has compounded revenues at a double-digit rate over the last 10 years, with contributions from organic growth and mergers and acquisitions. During this time, it has been rare to see all three business segments perform strongly all at once. This, Marc says, is a testament to the resilient through-cycle portfolio Halma has built and continues to evolve. We saw this in the 2024 financial year, where strength in Halma's Environmental and Analysis segment more than offset weakness in Healthcare to deliver +6% group organic growth.

There is however a price to pay to own a company of Halma's quality. Its forward price/earnings ratio of 29.1x makes it one of the most expensive UK industrial companies on a relative basis. And, whilst Halma has a very strong acquisition track record, acquiring 5-8 businesses per year carries execution risk regardless of the due diligence and integration infrastructure Halma has in place.



## 2. Kering

Equity Market Cap (M) €32,059

**Consumer discretionary**

Julien Brosillon, *Investor Relations Manager*

Kering is the second largest global luxury group. Through its houses, it offers apparel, leather goods, shoes, watches, jewellery, perfumes and cosmetics products globally. The group has a vertically integrated supply chain, ensuring quality and control of the design, manufacturing, marketing and retail of luxury goods.

Kering has been focusing on buying real estate to build solid foundations for the future of the company. Recently purchased properties include a building in Milan's iconic Via Montenapoleone for €1.3bn, and two others in Paris and New York. This has been funded by debt, which has risen significantly to also fund its recent acquisition of Creed and a 30% shareholding in Valentino.

This is happening in the context of a slowdown in China and reduced demand: Chinese aspirational consumers, who helped drive Kering's growth during the last two decades, are now keeping their purse strings tight. The weakening Chinese economy has meant consumers are more cautious and have reverted from the revenge shopping trend which we saw post China reopening after Covid. This led to Kering reporting in July that operating income could fall as much as 30% in the second half of the year. Other luxury companies have seen slower growth, but the transitional brands have been hit the hardest – with profit warnings issued by Gucci and Burberry this year.

Kering is trading at a discount to its peers, at a forward price/earnings ratio of 18x, with LVMH at 22x, Hermes at 49x and Richemont at 21x. This is due to operating margins being tighter and a less certain global economy, with leverage elevated. Times remain tough in the sector, but this seems appropriately reflected in the valuation.



## 3. Pennon

Equity Market Cap (M) £1,713

**Utilities**

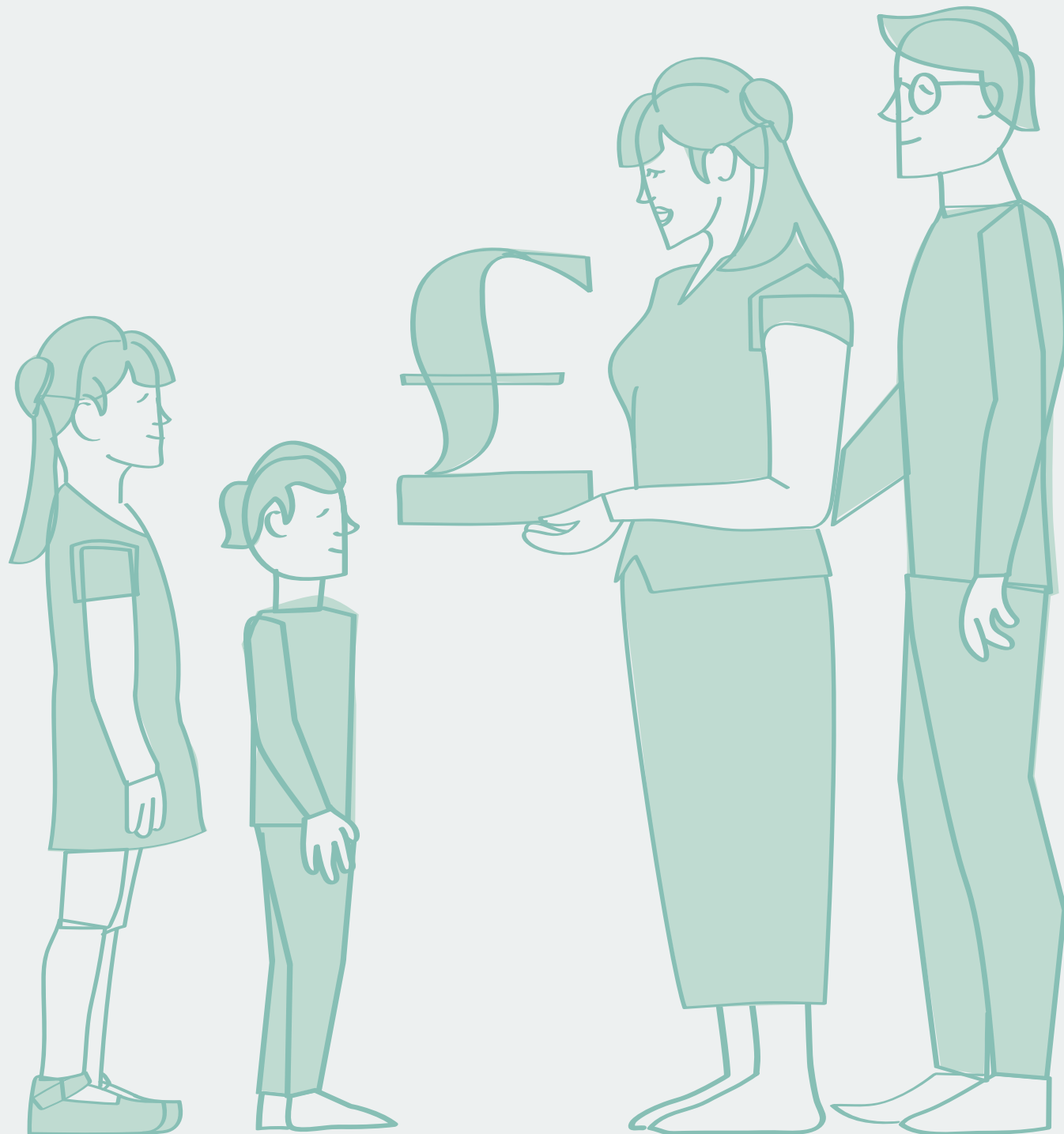
Steve Buck, *CFO*

Pollution and overflows from the UK's creaking and under-invested water infrastructure have been an easy target for the national press in the last two years, bringing heightened public and regulator scrutiny onto water companies.

Pennon, which owns Southwest Water and Bristol Water, has not been exempt from the challenges experienced by the UK water sector. At its 2024 financial year results in May, Pennon missed analyst estimates for both net debt levels and dividends, two metrics that are keenly watched by investors. UK water and sewerage companies are graded by how well they protect the environment through the Environmental Performance Assessment (EPA). The scoring system ranges from 1\* to a 4\* maximum. Pennon had hoped to achieve a 4\* rating in 2024 after consecutive 2\* ratings in 2022 and 2023, but has had to push this ambition back to 2025.

The new regulatory period, known as 'AMP8' will commence on the 1st April 2025. The regulator Ofwat published its draft determination of Pennon's proposed business plan in July classifying it as 'outstanding', one of just two companies to achieve this classification. This was a good achievement for Pennon and the regulator's allowances for cost of capital and price increases were better than feared. However, the onus is now on the company to deliver on its lofty promises for AMP8.

**Please read the important notice on page 1.**



## Wealth planning in focus

# Estate planning

Charles Barrow  
Associate Wealth Planner

**Charles Barrow, Associate Wealth Planner, discusses the importance of early planning for inheritance and speaking to loved ones about where assets are kept in order to pass on as much of your wealth as possible to the next generation.**

While it is often considered a taboo topic to discuss financial matters with your immediate family, we believe it should not be, and we want to normalise the need for these conversations to occur sooner rather than later – especially when approaching the later stages of your life.

Prior to having these discussions, it is sensible to consider the following questions:

**Who** do you want to receive the assets?

**What** do you want them to receive?

**When** do you want them to receive the assets?

The reason we believe conversations are particularly important is that you may have spent decades accruing the assets only for them to be 'lost' on death because of family, beneficiaries or trustees not having complete knowledge of the assets. This is validated by research<sup>1</sup> that shows an estimated £15 billion of assets are currently lying unclaimed in UK accounts of deceased persons.

WHO?

WHAT?

WHEN?

1. £15bn worth of inheritance goes unclaimed, figures show | The Independent

# £15bn

of assets are currently lying unclaimed in UK accounts of deceased persons.

In the modern era, the use of paper statements and hard copies of documents has diminished and the paper trail to track down assets has become more difficult than ever. This further enhances the need for conversations to occur to ensure at least one party, whether that be a family member or financial professional, has a holistic understanding of your financial position.

While we advocate these conversations, we also note that it is important to ensure that they are handled in the appropriate manner. This may mean not disclosing specific details such as your intended beneficiaries or monetary values to avoid possible family rifts or discouragement to continue working for beneficiaries.

### Putting plans in place early

As stated above, your estate is often a cumulation of assets accrued over the entirety of your life and, where possible, people tend to prefer to mitigate the effect Inheritance Tax (IHT) would have by putting plans in place and commencing IHT planning as soon as possible.

The most common form of transfer of capital is a gift to children known as a Potentially Exempt Transfer or “PET” at which time a 7-year clock commences. Only once the 7 years have elapsed will the gift be determined to be fully out of your estate (although there is the benefit of tapering relief) and as such thinking about this at an earlier stage in life may be appropriate to avoid it being retrospectively included back in the estate for inheritance tax purposes.

### IHT mitigation

While there are several ways to mitigate an IHT liability, some of the more popular routes currently available are as follows:

Pension products – assets held in pension products are currently not included in your estate for the purposes of IHT.

Gifts/gifting allowances – removes assets from your estate which ultimately would have been liable to IHT if retained.

There are allowances/exemptions as follows:

- An annual gifting allowance of £3,000 per annum to one individual. The allowance can be carried forward to the subsequent fiscal year, if unused.
- Gifts up to the value of £250 to as many individuals as you like.
- Gifts out of surplus income subject to being proven that it does not affect your standard of living.
- Charitable donations – removing assets from your estate for philanthropic purposes.
- Trust structures – removing assets from your estate into purpose-built structures, which reduce the size of your estate liable to IHT. It should be noted that not all trust structures will be considered exempt from your estate.

# “

The most common form of transfer of capital is a gift to children which is known as a Potentially Exempt Transfer or “PET”

### IHT taxation

IHT is levied at 40% on all assets included in your estate, net of any available nil rate band and residential nil rate bands. However, it is possible to reduce the figure to 36% if you leave 10% or more of your estate to charity.

There are some notable assets which are potentially exempt from IHT and would reduce the value of your estate:

- **Businesses** - depending on how a business is owned and the type of business, you may be able to obtain either 50% or 100% Inheritance Tax relief on the business assets. It is possible for these assets to have been passed on while the owner was alive or as part of the distribution of the estate through the Will, but the business must have been owned for at least two years before death. This is known as Business Relief.
- **Agricultural property** — you can pass on a farm free from Inheritance Tax if it meets certain conditions. This is known as Agricultural Relief. Some particular assets however, such as farm machinery, are not exempt from tax.
- **Woodland property** – woodlands used for commercial purposes could get up to 100% Business Relief.
- **Heritage assets** – This generally only applies to stately homes, land of outstanding natural beauty, or famous works of art. There are certain conditions that must be met to get this relief.

### Potential succession planning changes following the next Autumn Budget

We prefer to avoid jumping to conclusions and instead provide guidance and recommendations based on current legislation. However, we note that with the new Labour government there has been speculation of some radical changes to taxation which would affect succession planning such as the inclusion of pension assets in the estate for IHT, but until such a time as this is confirmed we would recommend that this is considered hearsay, and any actions are implemented with current legislation in mind.

It is worth bearing in mind that areas that could be subject to change include pension allowances, capital gains tax rates and IHT, all of which would impact any planning. As and when any changes are implemented, we will ensure our guidance is updated, as appropriate.

## Stock in focus

## Melrose

Henry Birt  
Research Analyst

**Established in 2003, Melrose has historically operated a “buy, improve, sell” model where it bought underperforming manufacturing businesses, aiming to sell them later for a premium.**

This strategy proved lucrative for investors, with Melrose delivering an average total return (share price + dividends) of 18.42% per year over the last 20 years versus the FTSE All-Share Index's 7.54% p.a. over the same period.

Melrose has changed its stripes regularly over the past few decades but its most recent incarnation stems from the acquisition of GKN, completed in 2018. GKN was an industrial business operating in the aerospace, automotive and powder metallurgy industries. Melrose has since spun out the legacy GKN Automotive and Powder Metallurgy businesses (now listed on the London Stock Exchange as Dowlais Group), leaving the GKN Aerospace business under Melrose's control.





As such, Melrose now considers itself a pure-play aerospace business. The business is split into two segments: Structures and Engines. The Structures business accounts for 64% of Melrose's revenue, yet it accounts for only 26% of the segmental adjusted operating profit. The Structures business provides lightweight composite and metallic structures, electrical distribution systems and components to both commercial and defence aeroplane manufacturers such as Airbus and Boeing. The Engines business accounts for 36% of revenue but provides 74% of the segmental adjusted operating profit. The Engines business is engaged in the production of structural engineered components for aerospace engines. They are a supplier to engine makers such as Pratt & Whitney and GE Aerospace and provide parts for commercial engines such as those powering the A320 fleet, but also fighter jets such as the F-35.

Melrose has moved away from its historical playbook towards a model where it expects to retain ownership of the aerospace businesses for the long term, with limited near-term mergers and acquisitions activity expected. This decision is largely driven by the attractive stage that the Engines business is about to enter. Commercial aeroplane engines typically have a 20–30-year lifespan – and over this period the engine will need at least three services. This period once the plane comes off warranty is called the 'aftermarket'. Melrose is in revenue and risk sharing partnerships (RRSPs) with the engine makers, where it contributes an agreed percentage of total annual programme costs and in return receives an agreed

“Melrose now considers itself a pure-play aerospace business.”

percentage of total annual programme revenue and profit. Melrose provides engine makers with non-rotating parts for their engines which tend to last for the lifespan of the engine. This means that its costs in the aftermarket phase are fairly minimal, but it is still entitled to a share of the revenue. This makes the aftermarket a very lucrative phase of the Engines business's cycle. Melrose has these RRSPs in place on the two main legacy narrow-body engines, and so expects significant cash flow generation to stem from these agreements.

These economic dynamics also provide a fairly high barrier to entry for competing industrial firms. The upfront investment required to design the parts which will go into the next generation of aeroplane engines is large and the revenue received is initially limited. It is only once the design is complete and these engines begin flying, that Melrose begins to recoup these costs. For firms that do not have another source of cash to fund this initially loss-making endeavour, this represents a significant hurdle. In addition, the nature of aerospace, especially post the Boeing 737 Max crashes, is that safety will be prioritised over cost and so Melrose's reputation in engine part building would make displacing them difficult.

	<b>Equity market capitalisation (m)</b> £6,260
	<b>52 week high-low</b> £681 - £434
	<b>Net dividend yield</b> 1.14%
	<b>Price/earnings ratio</b> 18

These lucrative agreements, in conjunction with high barriers to entry, give management confidence in their ability to collect significant cash from the Engines business. Management estimate a net present value of future expected cash flows from the Engines business of £5.5bn, which would represent 86% of the current market capitalisation.

However, whilst performance has so far exceeded management's expectations, this is an industry prone to manufacturing issues and delays. The widely published supply issues in aerospace engines could lead to lower deliveries.

In addition, the Engines business's success is dependent on the trajectory of commercial aerospace and flying hours specifically. Aerospace traffic levels, as measured by revenue passenger kilometres, have been recovering following the pandemic impact and in the narrowbody market are ahead of the levels seen pre-pandemic. Of late, there are signs this post-pandemic boom might be slowing, as evidenced by the rare profit warning issued by Ryanair recently, and any slowdown here would affect both of Melrose's businesses. The outlook provided by management then, is not without execution and macroeconomic risk.

• **Please read the important notice on page 1.**

## Collectives commentary

# It's time to take a look at India



Spike Hughes  
 Founder & CEO at Cohesion Asset Management Limited

**In recent years, some of the world's leading CEOs, investors, and economists have identified India as one of the most promising investment destinations. Many international companies have already committed significant amounts of long-term capital to the country.**

While many Western economies are burdened with debt and struggling to achieve growth, akin to running up a down escalator, India presents a stark contrast. Previous high-flying emerging markets like Russia and China have faced well-documented challenges. In contrast, India continues to outperform expectations, driven by robust local and global trends that have been developing for years and are projected to accelerate in the coming decades. Importantly, India is seen as having the most predictable growth trajectory, thanks to the strong forces propelling its economic expansion.

Domestically, India's growth is supported by some of the most favourable demographic trends in the world. Unlike many other countries, India boasts a young and ambitious population that is expanding rapidly. As the population becomes increasingly urban and middle class, there is a rising demand for consumer goods, healthcare, financial services, and entertainment. This growing affluence creates significant revenue opportunities for companies meeting these needs. Additionally, India is poised for decades of infrastructure investment, with the government focusing on upgrading its railway, power, water, and road networks.



**India is seen as having the most predictable growth trajectory, thanks to the strong forces propelling its economic expansion.**

Internationally, India has firmly established itself as the 'Office to the World,' providing outsourced solutions to numerous Western companies. This role is expected to expand, with India increasingly becoming the 'Factory to the World' as well. The country benefits from a highly skilled and technologically advanced workforce capable of producing globally demanded products in sectors such as pharmaceuticals, aerospace, and automotives at competitive prices. Additionally, India is well-positioned to capitalise on the world's growing demand for renewable and sustainable energy.

This momentum is being rewarded by terrific returns in stock markets. Whilst there will doubtless be volatile times ahead as with all stock markets, we at Cohesion Asset Management Limited believe the future for long-term investors is bright. India is already the 5th largest economy and 4th largest stock market in the world and that's before it is forecast to generate more growth in the coming decade than in its entire history. In many ways India is simply too big to ignore, as it is now more akin to a continent in terms of its size, population or stock market capitalisation.

For many years, investors have often avoided making a separate allocation to Indian equities, opting instead for exposure through general emerging market or global equity funds.

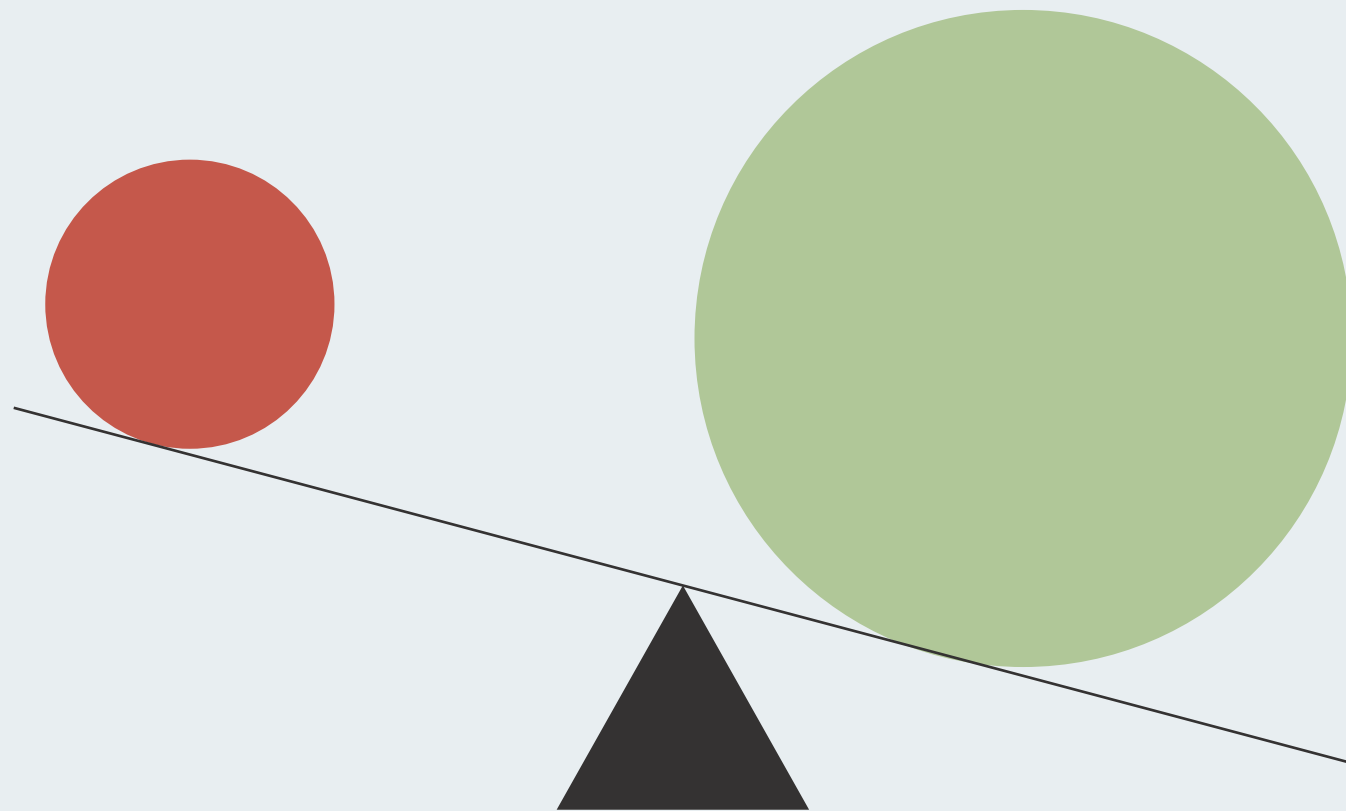
We believe this approach is flawed for two main reasons. First, India typically constitutes only a small portion of such funds. Given the bright long-term prospects for India, it seems unwise to allocate only a minimal amount of a growth-focused portfolio to the country. Second, a manager of an emerging market or global fund, no matter how skilled, can only maintain a broad, generalist understanding of the Indian market. They might spend a few hours each week researching or visit the country annually, but this level of engagement is limited. This is why we advocate for considering a specialist fund with exposure to Indian equities. This could offer investors exposure not only to major companies with dominant positions in key industries poised for significant growth but also to promising, lesser-known opportunities.

The Indian political landscape also appears notably stable. It is certainly more so than in many major Western countries. Recently, Narendra Modi secured a historic third term as India's Prime Minister, bolstered by a strong majority and enduring coalition partners. This solid political footing gives him a robust platform to advance his agenda for the country's growth and modernisation. His campaign slogan, "The past decade was just a trailer. There is plenty more to come," encapsulates his vision for the future. At Cohesion Asset Management, we share his optimism about what lies ahead.

**The value of securities and the income from them can fall as well as rise. Past performance should not be seen as an indicator of future returns. All views expressed are those of the author and should not be considered a recommendation or solicitation to buy or sell any products or securities.**

## Bond Focus

# No risk, no reward?



Henry Birt  
Research Analyst

Henry Birt explores the perception of risk in investing, and the link between government bond yields and other asset classes.

A key concept in finance is the 'risk-free rate'. Most financial valuation models begin with the assumption that there is a rate of return, which an investor can gain access to, that carries no risk. Risk in these terms is defined as the likelihood that the returns we expect to achieve are in fact the same as the returns we achieve. The more the returns I generate from an asset might differ from those I expect, the riskier that asset is.

In the US, the risk-free rate is conventionally taken to be the 10-year treasury bond yield. This approximates to the expected return an investor can expect to receive per annum for lending money to the US government for ten years. The assumption is that the US government has 100% probability of repaying investors who have lent it money via treasury bonds.

The conceptual basis for the use of risk-free rates as the starting point in valuation is relatively intuitive. If an asset has some risk, it must provide a return that is greater than that offered by the risk-free rate. If a risky asset was to provide a return lower than the risk-free rate, then a rational investor would buy the risk-free asset instead and receive in return the risk-free rate. Here an investor – we would argue rationally – has chosen a higher return whilst taking less risk. The result of the investor forgoing the purchase of the risky asset is that demand for said asset falls. As demand falls, so will the price of the asset. As the price of an asset falls, all else equal, the expected return on the asset increases. Only once the risky asset provides a return greater than the risk-free return, will investors consider buying the asset.



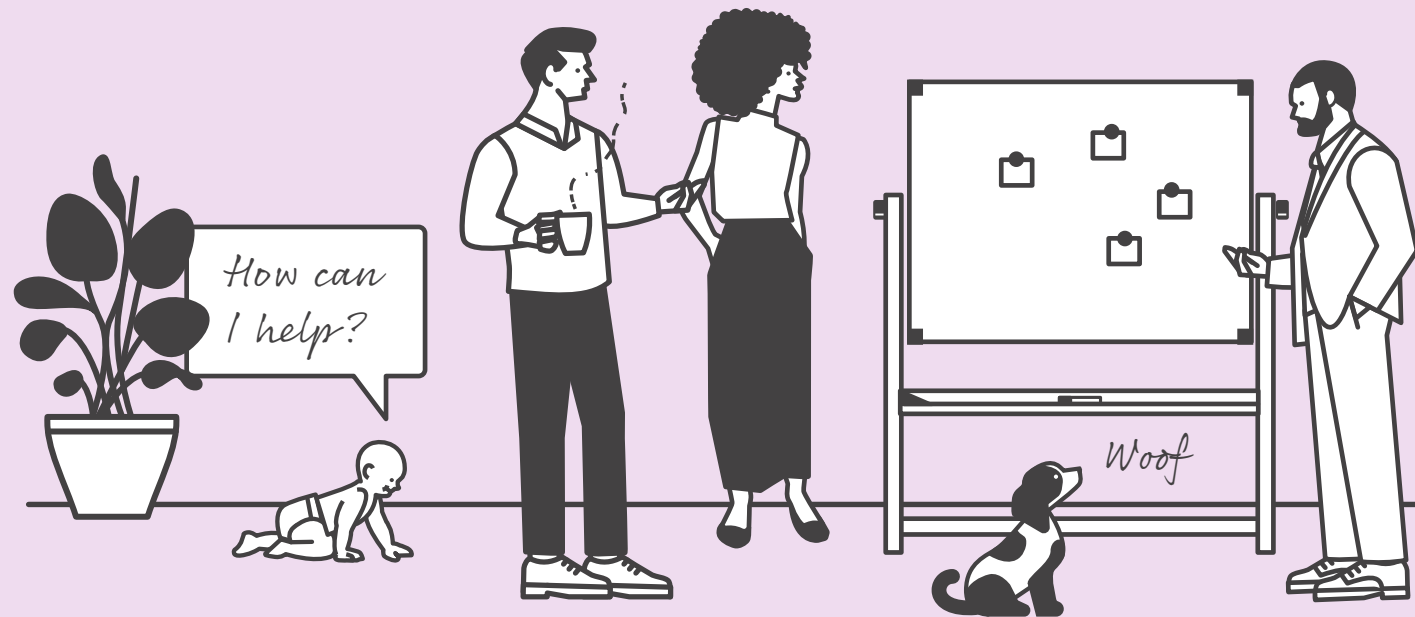
If an asset has some risk, it must provide a return that is greater than that offered by the risk-free rate.

The extra return which an asset provides over the risk-free rate is referred to as a spread or premium and the magnitude of this spread or premium is controlled by the riskiness of the asset. If an asset is only a little bit riskier than risk-free, the extra return an investor will demand (the spread) will be relatively small. If an asset is very risky and much riskier than risk-free, an investor will demand a much greater return than that offered by the risk-free asset to compensate her for the additional risk she is taking.

This intuition is the basis of the valuation of other asset classes. For example, corporate bonds are riskier than government bonds and as a rule provide a greater return than risk-free bonds. This additional return is referred to as yield pickup in excess of the risk-free rate. Elsewhere, stocks are generally considered a riskier asset class than bonds and typically provide an even greater return than bonds. The difference between this return and the risk-free return is referred to as the 'equity risk premium'.

It therefore follows that as the risk-free rate increases – and if extra risk premium demanded by investors for risky assets remains stable – the return provided by risky assets must increase. To provide this increase in expected return, the price of the asset must fall. This explains why government bond yields are so closely watched and why risk-free bonds are so crucial in the valuation of all assets.

## Independent View



# A family affair

Nicholas Smith and Emma Fordyce-Rudge  
The Family Business Consultancy

**Nicholas Smith and Emma Fordyce-Rudge from The Family Business Consultancy provide an overview of common challenges faced by family run businesses – and possible solutions.**

Every family is different and every business is different, so logically every family business will be (at least) doubly different. Family businesses potentially have many advantages, including agility (taking quick decisions), flexibility (being able to do things differently) and being able to tell a story from the heart which means they capture the hearts (and business) of their customers and employees.

Being a family in business together involves complexity, with each family member bringing a different agenda, perspective, personality and skills, underpinned by common familial history and strong emotions. This can be a strength. But where there is light there is also shade – and family businesses may also experience challenges that their nonfamily counterparts do not.

Although every family business is different, there are nevertheless issues that families in business together frequently encounter. We are often asked to help when at least one of the following has arisen.

“

Although every family business is different, there are nevertheless issues that families in business together frequently encounter.

## What issues do family businesses encounter?

### Succession

What we mean by succession is transitioning the business from the management and/or ownership of one generation to the next. Some family businesses manage this process perfectly well without the support of a family business consultant or other advisers.

But for some, the process of transition is difficult and painful. Often family businesses can become bogged down in indecision, inertia and conflict. Issues around what is fair and what is best for the business may predominate.

You will have no doubt heard the phrase, 'shirt sleeves to shirt sleeves in three generations' and we have found that the transition from second to third generation can be particularly challenging. At this stage, the business has typically reached a reasonable size and so has the family, greatly increasing the complexity of the challenge. However, if a family business can manage this transition, subsequent transitions can be easier for the family to manage.



## Governance

Governance does not necessarily involve putting restrictive constraints and paperwork in place. A leading academic described the essence of governance as "bringing the right people together at the right time to discuss the right things." Fault lines that need some governance attention often show up in family business as:

- challenges with finding a voice for the family who may be growing in number and dissipating both geographically and in other ways;
- creating an appropriate line in the sand for what is a business matter and what is a family matter;
- managing the dynamic between the insiders and the outsiders (by which we mean those who are working in the business and those who are not.)

How do family businesses ensure that their future success is not derailed by these issues? By shining a light on the issues, normalising them (they are common problems) and working together to create a governance framework that works for both their business and family. This takes time and commitment on the part of the family members involved but families often find a renewed sense of harmony, vigour and direction at having faced up to the underlying issues and established a governance framework that works for them.





### Conflict management/communication issues

The issues briefly outlined above are a breeding ground for tension and resentment to build.

The other challenge that some families experience is that their family culture is one that doesn't lend itself to communicating well or openly, particularly on difficult or taboo subjects. Issues that have plagued previous generations, plus the ups and downs of family life can also impact a family's ability to manage conflict and to communicate effectively.

Almost always, the family businesses we work with are experiencing more than one of the above problems.

### The consultant's role

#### How can involving a specialist family business consultant help family owned businesses?

#### Normalising

Part of our role is to normalise what is happening. We often hear from family business members that they feel very alone. They feel that their issues are unique or more extreme than is typical. We can help by reassuring families that what they are experiencing is not out of the ordinary and, in most cases, a product of operating in a very complex system, rather than the fault of the family.

#### Impartiality

The benefit of impartiality cannot be underestimated. Our clients find that having someone that is acting for the whole system and not just one party or faction of the family is enormously helpful. We offer an opportunity for everyone to be heard and everyone (to the extent they wish to) to join in the process.

### Bespoke solutions

Our process means that the family are supported to reach their own decisions on the route forward. No one is imposing a 'one-size-fits-all' solution on them. As we said at the start of this article, every family business is different – and therefore families will come up with their own route forward, which will be bespoke to them.

We share our knowledge and experience of working with countless families over decades. We also share very practical techniques to improve communication amongst family members. Our ultimate goal is to empower a family business to develop the skills to move forward confidently and effectively without us.

- 

The Family Business Consultancy is a specialist consultancy designed to support family businesses with succession, governance, family dynamics issues, next generation engagement and more.

It provides consultancy and mediation services, bespoke education and training to family businesses and their advisors.

## Understanding finance

### Country risk

William McCubbin  
Assistant Research Analyst



Differing countries come with varying risk levels, both operationally and for investing, as changes in the business environment in a country might adversely affect the free cash flow, the value of assets or the ability of companies to trade. This is often referred to as political risk, which covers the likelihood of a change in government destabilising investment.

Democracies will have greater continuous political risk, as autocratic governments are better positioned to promise and deliver stability. However, when change does occur this can cause rapid spikes in risk, due to the extensive impacts across the country or even the wider region. Autocratic governments also tend to lack checks and balances, which leads to this risk going undetected for prolonged periods. Looking at the Economist's Democracy Index, the world is currently skewed towards authoritarianism.

Risk is not confined to just politics, it incorporates varying factors. War and violence can lead to a higher cost base. Corruption can be viewed as an implicit tax on business, with tax revenues directed towards intermediaries, rather than directly to the government. Companies are also subject to legal systems.

From reading this you would assume country risk is a controllable variable. However, some countries have naturally been given a stronger hand. This can be seen with commodity dependency, as smaller countries specialise in a niche, creating an inherent dependency. Life cycle dynamics are also at play, as a country at the early stages of economic growth will have a greater risk exposure than a mature country. Finally, climate change dynamics also create varying risk exposures.

Most investors consider the US as the benchmark for low country risk, but the process is more of an art than a science and must be consistently monitored due to an ever-changing global landscape.

## Glossary of key terms

**'Defensive' stocks/sectors** – shares in companies that tend to be more immune to economic downturns. This could for example include consumer staples, healthcare or utility companies.

**Hard/soft landing** – A 'hard' landing refers to a period of economic slowdown caused by central bank tightening that triggers a recession. In a 'soft landing' despite tightening, recession is either mild or avoided.

**Headwinds/tailwinds** – headwinds are factors likely to negatively affect a company, tailwinds on the other hand are likely to have a positive impact.

**Net interest margins** – a measure of profitability for financial institutions. It is the difference between the interest income they generate from borrowers and the amount of interest they pay out to lenders.

**Operating margins** – operating profit is a company's earnings before interest and tax, calculated by subtracting operating costs from revenue. Operating margin is calculated by dividing operating profit by revenue.

**Price/earnings ratio** – a ratio derived by dividing a company's share price by its earnings per share. It is a relative valuation measure to determine if a company's share price could be over or undervalued relative to its earnings.

**'Sticky' inflation** – Persistently elevated levels of inflation within an economy, typically associated with core measures where prices do not adjust as quickly to supply and demand changes.

**Asset allocation and sector focus**

As part of our focus on providing a high quality, personalised investment service, we look to support our investment managers in their decision making when it comes to constructing client portfolios.

Our asset allocation committee is one example of this, via their monthly output showcasing their views on a global basis; this is then complemented by a sectoral view from the stock selection committee. The combination of these top down and bottom up opinions is an important resource for our investment managers to validate their own investment theses or to generate new investment ideas.

These committees, which consist of members of our research team and a number of investment managers, aim to provide a view that seems most suitable in the current climate. The output of the monthly meetings remains a suggested stance and it is important to note, that the views expressed are those of the committees and may not necessarily be those of your individual investment manager.

Here we present a snapshot of the current views.

**Asset Allocation**

● Overweight   ● Neutral   ● Underweight



**North America**

With recent economic data suggesting a downshift in activity in the second half of the year, and US inflation falling, it is likely that the Fed will start to ease monetary policy at its September meeting. Elsewhere there is evidence that the labour market is weakening and this, in conjunction with a downshift in manufacturing, highlights growing private sector caution. Whilst valuations remain elevated, earnings delivery is strong and easing financial conditions should be a tailwind for risk appetite.



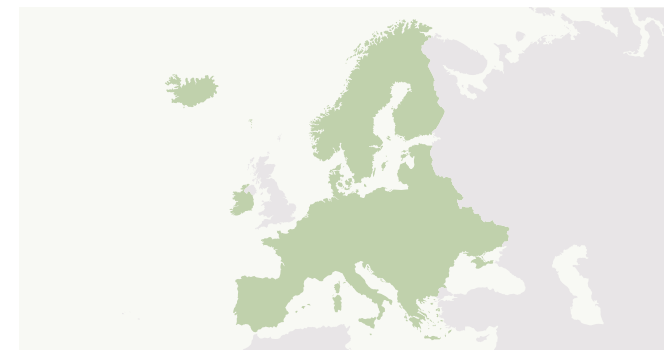
**Emerging Markets**

The prospect of lower US interest rates and a weaker US dollar have improved investor sentiment in emerging markets. Widening growth differentials with the developed world and the prospect of further monetary easing are the key reasons for our shift from underweight to neutral.



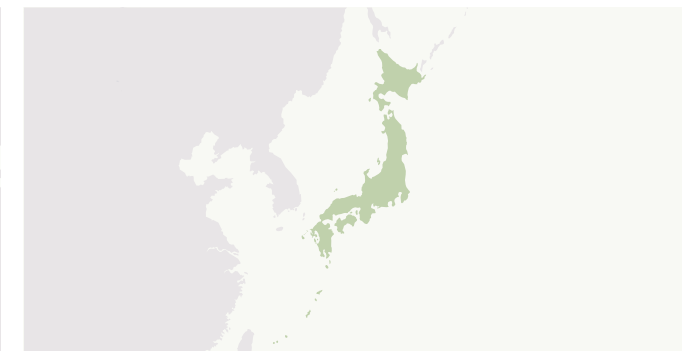
**UK**

UK economic activity has been relatively strong, with Q2 2024 GDP growth of 0.6% and Purchasing Managers' Index data better than expected. Elsewhere, conditions in the labour market remain buoyant and inflation continues to moderate. The Bank of England cut its base rate by 25 basis points (bps) to 5% in August and we expect further easing of monetary policy in the coming months. With resilience in the UK economy and relatively attractive valuations, we have a liking for domestically geared UK equities.



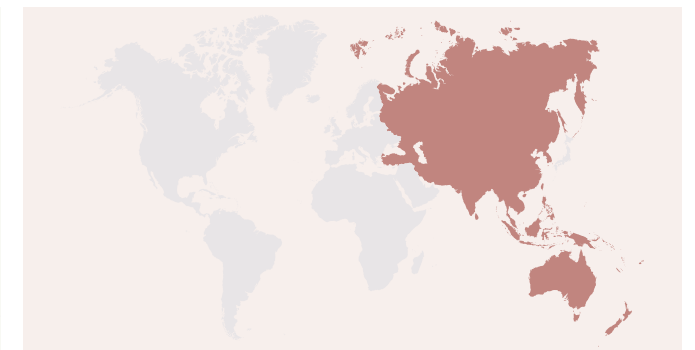
**Europe**

The European Central Bank (ECB) cut its key policy rate by 25bps in June and is addressing the downside risk to growth over the stickiness of inflation. We expect moderate regional growth but are keeping a close eye on the downshift in manufacturing which we expect will support further ECB rate cuts. With European valuations favourable compared to historic averages and the US, we remain overweight.



**Japan**

The Bank of Japan raised its key policy rate by 25bps at its July meeting, prompting a sharp rally in the Yen. This fed through to volatility in the Nikkei 225 and broader market contagion as investors who had borrowed cheaply in Yen to fund positions in global equities were forced to liquidate. Notwithstanding recent volatility, we continue to like Japanese equities on strong earnings delivery and corporate governance changes, which should enhance shareholder returns.



**Asia Pacific**

Asia Pacific revolves mainly around China, where incoming activity data remains disappointing. Whilst the People's Bank of China (PBoC) has eased monetary policy to support consumer spending, we feel that more monetary and fiscal stimulus will be required. The PBoC has been reluctant to ease more because the Yuan is under pressure against the US dollar. With the Fed easing cycle likely to start in September we feel that easier monetary policy will follow.

**Please read the important notice on page 1.**

## Sector Focus

● Overweight ● Neutral ● Underweight



### Communications

The telecoms sector has benefitted from above-inflation price rises as many contracts are structured with Consumer Price Index + % increases, yet this will abate now as global inflation rates are falling. Rising debt costs remain a headwind as companies are forced to refinance at higher levels. Parts of the sector such as advertising are more cyclically exposed and would likely struggle if the economy slows into recession.



### Consumer Discretionary

Inflation has been falling, but the performance of the sector is likely to continue to be driven by macro considerations, as it remains pinned to the economic cycle. The non-essential element of products/services makes them less resilient to a downswing. Because of the pandemic, businesses have been supported by excess consumer savings. With savings depleted, the risk of higher rates for longer looms over the sector, underpinning our underweight stance.



### Industrials

Recently released first half results from industrial businesses were a little disappointing, demonstrating weak earnings delivery. Prior management guidance had suggested a recovery in demand weakness and destocking in the second half of 2024 in manufacturing, automation and life sciences, but recent management commentary pushed back these expectations largely into 2025. More generally we are seeing declining cyclical momentum in the global economy and so move industrials from overweight to neutral.



### Information Technology

The artificial intelligence (AI)-driven performance of the sector in the first half of the year seems to be abating. Investors are beginning to question the immediacy of the AI tailwind. Valuations still look rich compared to historical multiples, and the sector is still driven by a handful of very large companies. The lack of margin for error provided by valuations and the increasing capital intensity of AI players drives our rating, yet we remain attracted to the sector longer term.



### Consumer Staples

Input costs have been a headwind for the sector; however, given abating inflation this should start to reduce. Pricing power has been resilient, while volumes are flat to negative. As consumers are more wary of budgets, growth will likely be suppressed as firms will be not able to rely on price as much. 2025 could provide a rebound in growth and it would remain wise to focus on the longer term.



### Energy

Brent crude started the year at US\$77 a barrel and saw prices rise to a peak of US\$91 a barrel. Since then, prices have fallen back to near their beginning of the year level. The performance of the oil companies has broadly tracked this, and with oil prices back down from their mid-year highs we are less concerned with demand destruction now, therefore we retain our neutral recommendation.



### Materials

China is still the largest medium-term influence, although the press would have us believe that speculators are the strongest influence in the very short term. We don't think that China will support prices going forward. Longer term, the dynamics of the copper market and a possible bull move in the commodity super cycle remain supportive.



### Real Estate

2023 was a challenging year, due to persistent inflation and a 15-year high in interest rates. Volumes of commercial real estate transactions plummeted, as valuations fell with heightened borrowing costs. Imminent rate reductions should help stimulate activity. The market remains fragile, with risk of inflation reacceleration and delayed rate cuts, but on balance we believe an uptick in the real estate sector is due on the back of easy comparatives and an improving economic landscape.



### Financials - Banks

The prospects for US banks are muted by expectations that the US economy is about to cool off and that rates will fall. Lower interest rates put pressure on banks' net interest margins. Rate declines for UK banks are expected to be lower than in the US. With buoyant non-life insurance rates and the prospect of a soft landing, we retain a neutral on this sector.



### Health Care

Biopharma has performed better recently as the sector has proved resilient. Med tech performance has been more mixed, but procedures growth remains resilient as the sector continues to recover. Valuations have increased recently but we still see long-term value in the sector. Longer-term demand remains resilient, and the structural drivers associated with an ageing population are unchanged. The non-discretionary nature of healthcare means it typically proves defensive in downturns.



### Utilities

The UK water regulator OfWat released its draft determinations in July for the next regulatory period, AMP8. The allowances made fell short of the proposals made by water companies but were better than had been feared by the market. A key component of the UK's energy transition will be reform of energy infrastructure, which should be supportive of earnings growth for UK power names. For this reason, we continue to have preference for power utilities.

Please read the important notice on page 1.



## Meet the manager

# Daniel Vile

*Senior Investment Manager*

**Lives** Bocking, Essex

**Family** Wife and two daughters

**Started at JM Finn** November 2004

**Hobby/pastime** Football (watching and playing)

**Favourite holiday** Florida – my daughters and I love roller coasters

**Favourite film** Growing up in the 80s I have seen the original Star Wars trilogy more times than I can remember

**If you weren't an Investment Manager** Police Officer

**Favourite sporting moment** As a Spurs fan not many come to mind, so London 2012 Olympics Super Saturday

**Fondest memory** Birth of my daughters

### *You joined JM Finn in 2004 - how has your career developed in the 20 years since you started with the firm?*

I started in the ISA department for two years before joining an Investment Manager as a Desk Assistant in 2006. It was a great education as I worked my way up the ladder, and I was lucky to have the Investment Manager as a mentor to guide me through the various achievements and challenges.

### *What do you think are the key drivers of the business's success?*

Never lose sight that the clients and the staff are the most important aspects of the business. If all parts of the business are pulling in the same direction, then this will reflect positively and clients will see this. I think JM Finn has achieved this in the years I have been here.

### *How do you balance the demands of your role with a family?*

Firstly, my very supportive wife takes a large amount of the credit. Beyond that, I try to be present when at home. Covid was a really tough time for many people, but it brought my family closer together. I have never played so many card and board games over that period! I love watching the girls play the sports they are interested in and will always volunteer to be 'Dad's Taxi Service.'

### *What do you think the rest of 2024 could have in store for investors?*

I feel like market sentiment is good right now. The recession that was talked about as inevitable the past couple of years never materialised. Prices are high, as are global stock markets. Volatility for the first half of 2024 has been far less than the previous four years. I'm hoping that trend will continue.

There are sectors like AI, defence and healthcare which I believe still offer good value over the medium term. I consider AI to be revolutionary and it will drive the next wave of growth and innovation. What I am less sure of is the speed of implementation. Stock markets tend to get ahead of themselves before the inevitable pull back.

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# JM FINN

Investment | Wealth



# Need advice on inheritance tax?

The JM Finn Wealth Planning team can help advise on potential liability. We also run a separate specialist Inheritance Tax Portfolio Service which aims to mitigate against inheritance tax. To find out more please speak to your Investment Manager.

Capital  
at risk

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