



rosan helmsley

WEALTH MANAGEMENT

A 2020 perspective and observations and aspirations for 2021

January 10th, 2021

2020 was an extraordinary year by any measure and given the very challenging restrictions placed on our personal freedoms, and an inability to conduct our lives as normal, a year I suspect, that many of us will want to forget. The new year is starting equally badly with the mutated strain of the virus clearly much more contagious than the original strain and thereby forcing the government's hand on a further lock down.

This is proving challenging for all and indeed, who would be in Government! With the benefit of hindsight, the UK Government's response to Covid demonstrates the problems faced by a free society in dealing with something as pervasive as a global pandemic. The Government's reactive response (initially focused on protecting personal liberties, movement, education, and personal choice) as opposed to a proactive and forceful policy available to command economies, just hasn't been practical in dealing with a pandemic.



Ironic indeed to learn that China (the source of the virus), remains almost virus free as a result of the forceful lockdown policy that it has been able to implement, and reimplement, at a moment's notice. We learn this week, for example, that more than 11 million people in the northern city of Shijiazhuang have been completely locked down after an outbreak of covid. The shutdown followed an outbreak, which extended to 117 people who tested positive of which 57% (67) were asymptomatic. Furnished with that information, the Chinese government, within one week, has set up 5000 sites to test all 11 million people!

Whatever your views on China, communism and a control economy, it is clear that in treating a pandemic, their control system works well. There are currently very limited Covid cases in China and when they do occur, they are stamped out very efficiently. This is not the first time this strategy has worked. In October, all nine million residents in the city of Qingdao were tested in five days after a dozen cases were confirmed.

Against current UK four figure daily deaths and around 60,000 cases in a population of around 68 million (4% of Chinas), the Chinese stats on Covid are rather more impressive.

The good news is that we now have three approved vaccines, and the Government's task is to go beyond the rhetoric and ensure that there is both confidence in the vaccines (France is proving a real problem), and to get the majority of the population vaccinated by the summer. Surely, this is a task for experts in logistics? We have an army that should be mobilised to assist in the administration of this task - we most certainly should not assume that the Government can do it.



To administer the aspirational 2 million vaccines a week between now and April, we need fast and professional organisation involved. This will not be provided by the NHS without external assistance. NHS care seems to remain good but operational and organisational skills are just not there.

I also personally worry that the Pfizer vaccine in particular is quite likely to see significant wastage in the UK, due to its limited shelf-life post coming off its minus 70 degrees transport and storage requirement. I'm sure I'm not alone in that concern and it will be a major further embarrassment for the Government if there are operational failures and hundreds of millions more of our taxpayer's money is wasted.

Current covid stats

There have now been 89.7 million covid cases around the world with 1.93 million deaths and over 800,000 new cases yesterday. The Americas have the largest number of cases at 22 million. In the UK, we had 60,000 new cases yesterday, 1035 deaths and with over 3 million, we are fifth in the world on total cases after the US, India, Brazil and Russia.

Both cases and deaths are trending up. Worryingly for the UK, the three million case mark was passed just three weeks after cases reached 2 million on December 19th. The virus remains one to avoid for the over 65s, those that are obese, diabetic or with pre-existing medical conditions.

For everyone else, 10 months of evidence and extensive data confirms that there is little to worry about, with almost no risk at all to children. Indeed, in many cases it is clear that those who have had the virus have not even been aware of it - a differentiating factor from flu for example.

2020 - Highs and Lows

Fortunately, years like 2020 don't come along too often, but as a custodian of significant client wealth these periods are always stressful for any wealth management business. The last period where we suffered market volatility like this was 12 years ago as the global financial crisis unfolded. Each challenging period in our history provides our business with a database of facts, knowledge and, most importantly, experience from which we draw on when the next hurdle arrives.

From a personal perspective, in 34 years as a wealth manager, I now have an extensive database of market and global crises to reflect on. Inevitably, each challenge is different and there was certainly no context in our own lifetimes for a global pandemic and indeed how the world and stock markets might react to it. In the end, the market reacted like it always does in these periods, with direction being driven first by fear and then greed.

One of Warren Buffett's most famous sayings is 'be fearful when others are greedy and be greedy when others are fearful'. This has been a year when once again those sentiments have been proved prophetic. Being brave enough to follow Buffet's counsel is never easy and not many of us are able to 'be greedy' in the middle of a crisis. Human nature makes it difficult to avoid being part of the herd, but contrarians often win out through these periods.





I remember distinctly the day in 2020 to be greedy (March 23rd) as it coincided not only with the market low but also my daughter's birthday. It also represents for me my personal low point of 2020 - purely because I forgot to wish my daughter a happy birthday at breakfast, being more fixated on the 9.5% fall in markets overnight! Fortunately, we had had a lovely family dinner the night before, so I was forgiven. The moment is, however, lodged forever in that important memory bank.

My personal highpoints - there were two. Firstly, as a business, Rosan Helmsley was able to play a significant part in raising over £50,000 for two fantastic charities - Dan's Fund for Burns and the Rainbow Trust - a charity supporting seriously ill children and their families, on a beautiful day in late June at my golf club - Worplesdon.

We sponsored one of the first European golf tournaments ahead of the European tour getting going again post the first lockdown.



If you have not seen our summary video of the day, which is on the homepage of the website - www.rosan-ifa.com - I would urge you to have a look. The tournament featured a number of leading

golfers - men and women - and we were immensely proud to have been part of the event and provide support to those less fortunate than us in a year when charities really struggled to raise funds. The video provides a wonderful summary of the day.

My second high point was the delivery of a new peloton bike on October 23rd! That may sound like a sad high point in the year, but in the context of not having been on a holiday or a jet since autumn 2019, an absent PT (sensibly decamped to NZ before the pandemic), only about four visits to restaurants last year and of course closed gyms and golf courses, the Peloton, along with several of their instructors, has been a personal saviour. I would thoroughly recommend anyone battling fitness motivation and needing a combatant against 'covid lard' to get one.

Peloton is a metaphor for some of the business and stock success stories of 2020. Peloton's share price was up about 467% in 2020. Another covid winner, Zoom, saw its share price rise about 360%. These stocks have risen



such a lot not only due to their hugely increasing sales and profits - but because they also provide a clue to a future built around growing demands for products and services that can be used from home and in support of changing work environments. Many of the funds we promote, and our clients own, have picked up on these themes, which in turn has helped generate some great returns from investments in global and technology funds over the last year.

We continue to search for fund managers and funds who have this insight and vision to recognise early on some of the most successful beneficiaries of changing global themes. Tesla is perhaps the standout stock of 2020 with a stock return over the year of around 800%. Recognition that Tesla has the primary battery technology in the

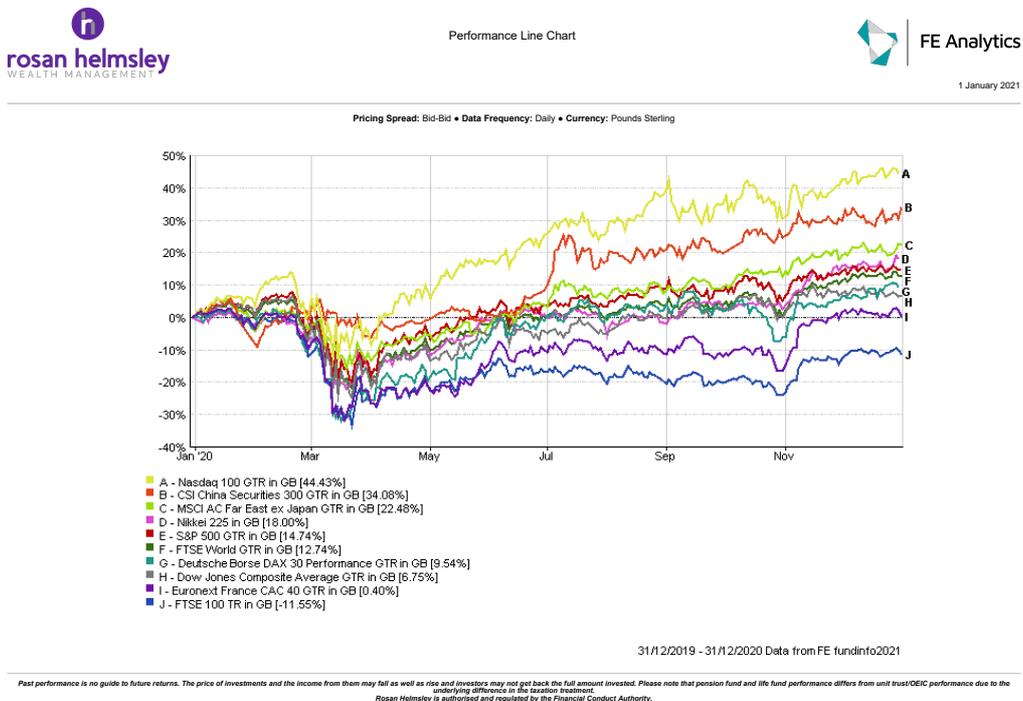


automotive industry to propel it as a global leader in electric car production over the next decade. The share price performance has pushed Elon Musk this week to overtake Jeff Bezos as the world's richest man.

Very interesting also to see that Apple has also announced it is going to make an electric car. Another share that has been a fantastic and consistent performer for 30 years and who would bet against that continuing over the next decade.

Markets

One of the perhaps surprising facts about 2020 was the performance of some of the major markets. At the end of the year, with the obvious exception of the UK stock market, most markets achieved positive returns - see table below. If you had been canvassed about your projection of overall market returns at the end of 2020 on March 23rd (the market low point), I am not convinced many would have predicted the results outlined below.



Observations and aspirations for 2021?

We have had a fascinating start to 2021, with the extraordinary scenes on Capitol Hill last week as the highly controversial Trump presidency draws to a close. Not scenes that any of us would have expected and indeed not a great advert for the worlds most noted democracy.

Joe Biden and Kamala Harris have a tough task ahead in resetting the US compass and re-establishing the US as a country of tolerance and diversity as well as opportunity. That looks a tough task, at least initially, given the country's divisive election result. We are reminded of the Brexit result and the challenges any Government



subsequently faces when you have a 51%-49% result and passionate views on both sides of the political spectrum. We can only hope that Joe Biden has the stamina and energy to turn around the country and ensure that it is revered as a genuine global leader and land of opportunity again. My own view is that we are likely to see a first black female president before the end of Biden's scheduled first term, as I don't see in Biden a man that will physically (potentially medically) cope with four years in office.

Kamala Harris will then potentially have the most important role of any world leader in recent times - that of uniting a country that very evidently remains plagued by simmering underlying racial tensions which, though part of its history, must change in the years and decades ahead so that the United States can finally be seen as a genuinely inclusive and tolerant country and thereby remain a land of real opportunity.

On the investment front, this year ESG issues will become more dominant in the investment process as asset managers place greater emphasis on climate issues, the planet and employee wellbeing at companies as part of the manufacturing and production cycle and the stock selection process. Biden plans early in his Presidency to reinstate some of the climate related policies that Trump had abandoned, thereby repositioning the US as committed to this crucial cause. We find our investors are more focused on us recommending ESG funds as part of our advisory process and we now have two ESG solutions for fund selection on Rosan Select, one concentrated on global equities and one on the UK. <https://www.rosan-ifa.com/rosan-select/>

Biden also plans to push through a massive and much needed multi trillion \$ stimulus package focused on infrastructure spend, which will certainly be supportive of markets going forward. There are potential headwinds for some areas of the tech sector where scale and market dominance by some individual companies has become excessive.

It must also be tempting for the Biden administration to find ways to tax the largest global players, who have collectively used legislation and globalisation to avoid paying significant tax bills over the last decade, when they quite clearly could. A revised successful tax raising policy could also reduce some of the enormous government finance deficits in the post Covid era.

Needless to state that 2021 will almost certainly be another fascinating year for markets and we are pretty upbeat about the likely performance of the UK stock market post the negotiation of a trade deal and greater clarity around our trading relationship with Europe post Brexit. The UK has of course been one of the laggard markets, not just last year but in the extended period since the 2016 Brexit vote.

The pandemic will dictate the pace of progress this year and of course, we will see some pain in the coming weeks as the covid stats peak ahead of the vaccines starting to reduce the impact of the virus. Diversification of investment ideas and fund strategies will remain paramount to ensuring good investment outcomes.

We continue to work hard to ensure all of our clients experience the best possible outcomes through these challenging periods.

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