

Hawsons Wealth Management  
Latest News

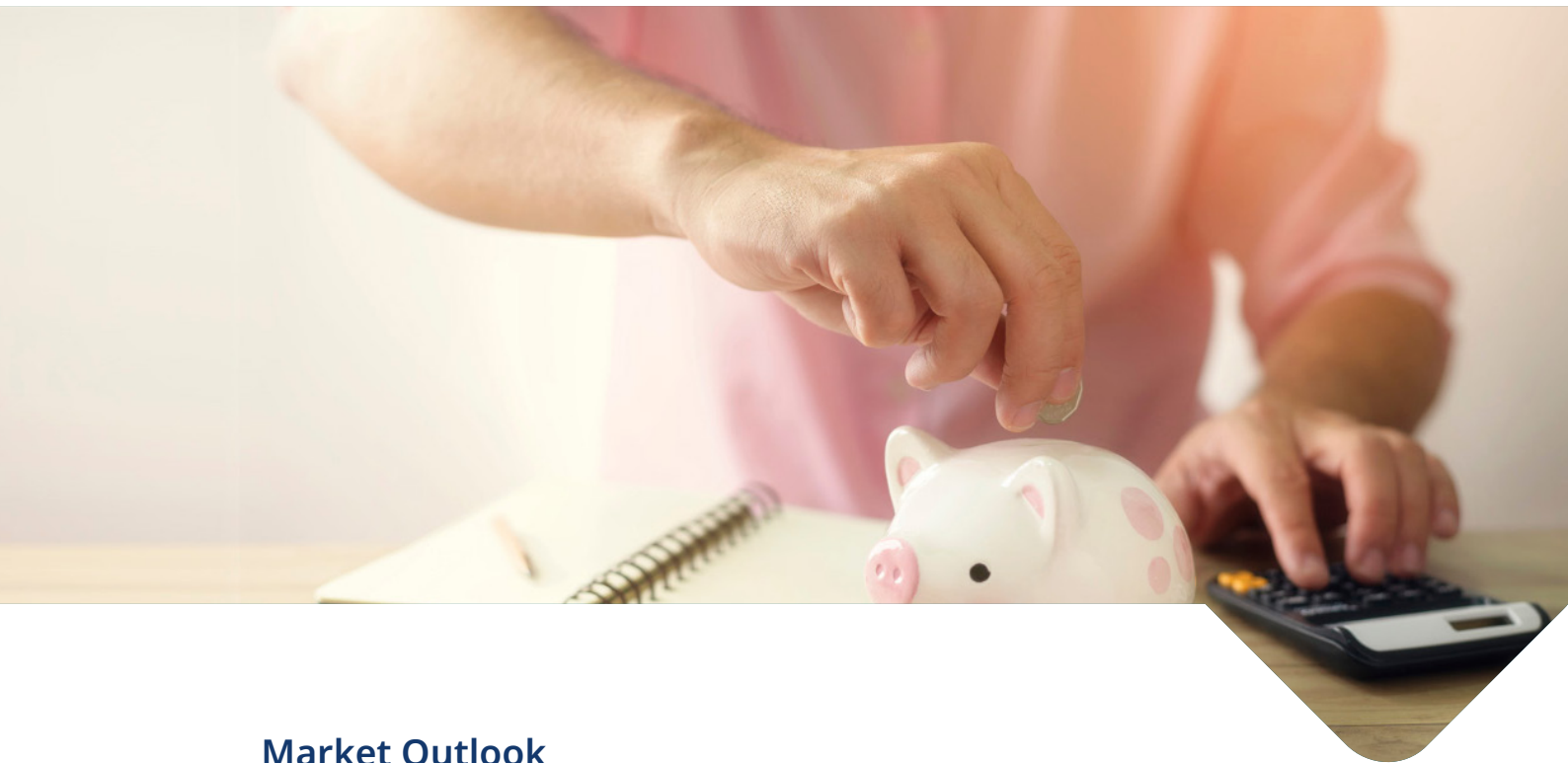
June | 2021

# Hawsons Wealth Management Newsletter





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## Market Outlook

ONS Rate of Inflation: The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 1.6% in the 12 months to April 2021.

Bank of England Official Base rate - 0.1%

FTSE 100 last 3 months performance to 8/6/21 - 7.8%.

FTSE all share 3 months performance to 8/6/2021 - 8.4%

Money Supermarket best instant access savings account rate 0.4%/ fixed ISA rate 1% - as at 8/6/2021



## Reduce Risk Through Diversification

When considering investing money, either as a lump sum or through regular savings there are many factors we need to consider.

One of the most important factors for consideration is “Diversification”.

We are all familiar with the phrase “Don’t put all your eggs in one basket”. This is never truer than when planning the best way to invest your cash.

Diversification helps reduce the risk and volatility of investments by spreading the risk across different types of investments.

Some of the different ways to diversify an investment portfolio are:

- Through different asset classes, for example; equities or shares, bonds and gilts.
- Through different industries, for example; healthcare, technology and financial services.
- Through different global regions, for example USA, UK, Europe and Asia

This table demonstrates how by holding a diverse portfolio you can limit volatility and provide steady returns over the long term.

### Asset Allocation Diversification – 20 Years of the Best and Worst

Everyone wants to be in the best-performing asset class every year. The thing is, few people are savvy enough to consistently choose the best. That’s why diversification is key. This chart shows annual returns for eight broad-based asset classes, cash and a diversified portfolio ranked from best to worst. Notice how the “leadership” changes from year to year, and how competitively the diversified portfolio performed over 20 years (see the “average” column).



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	AVERAGE	
Commodities 31.84%	REITs 15.50%	Commodities 25.91%	Small/ Mid Cap 45.51%	REITs 30.41%	Commodities 21.36%	REITs 34.35%	Commodities 16.23%	Global Bonds 12.00%	Large Cap Growth 37.21%	REITs 27.58%	Bonds 7.84%	REITs 20.14%	Small/ Mid Cap 36.80%	REITs 27.15%	Large Cap Growth 5.67%	Small/ Mid Cap 17.59%	Large Cap Growth 30.21%	Cash 1.86%	Large Cap Growth 36.39%	REITs 11.32%	BEST
REITs 25.89%	Bonds 8.44%	Global Bonds 19.37%	International 38.59%	International 20.25%	International 13.54%	International 26.34%	Large Cap Growth 11.81%	Bonds 5.24%	Small/ Mid Cap 34.39%	Small/ Mid Cap 26.71%	REITs 7.28%	Small/ Mid Cap 17.88%	Large Cap Value 33.48%	Large Cap Value 13.45%	REITs 2.29%	Large Cap Value 17.34%	International 25.03%	Bonds 0.01%	REITs 28.07%	Small/ Mid Cap 8.68%	
Bonds 11.63%	Cash 4.09%	Bonds 10.25%	REITs 38.47%	Small/ Mid Cap 18.29%	REITs 8.29%	Large Cap Value 22.25%	International 11.17%	Cash 1.80%	International 31.78%	Commodities 16.83%	Global Bonds 7.22%	Large Cap Value 17.51%	Large Cap Value 32.53%	Large Cap Value 13.05%	Bonds 0.55%	Commodities 11.77%	Small/ Mid Cap 16.81%	Global Bonds -0.66%	Small/ Mid Cap 27.77%	Large Cap Value 7.03%	
Large Cap Value 7.01%	Small/ Mid Cap 1.22%	REITs 5.22%	Large Cap Value 30.03%	Large Cap Value 16.49%	Small/ Mid Cap 8.11%	Small/ Mid Cap 16.17%	Global Bonds 10.81%	Diversified Portfolio -26.77%	REITs 27.45%	Large Cap Growth 16.71%	Large Cap Growth 2.64%	International 17.32%	International 22.78%	Small/ Mid Cap 7.07%	Cash 0.03%	REITs 9.28%	Large Cap Value 13.66%	Large Cap Growth -1.51%	Large Cap Value 26.54%	Diversified Portfolio 6.41%	
Cash 5.96%	Global Bonds -0.79%	Cash 1.70%	Large Cap Growth 29.75%	Diversified Portfolio 14.59%	Diversified Portfolio 7.64%	Diversified Portfolio 14.94%	Bonds 6.97%	Commodities -35.65%	Diversified Portfolio 23.00%	Diversified Portfolio 15.87%	Large Cap Value 0.99%	Large Cap Value 15.26%	Diversified Portfolio 13.15%	Bonds 5.97%	International -0.81%	Diversified Portfolio 8.67%	Diversified Portfolio 13.13%	REITs -4.10%	International 22.01%	Large Cap Growth 5.18%	
Diversified Portfolio 5.20%	Diversified Portfolio -5.01%	Diversified Portfolio -2.57%	Diversified Portfolio 28.02%	Global Bonds 10.10%	Large Cap Value 7.05%	Large Cap Value 9.07%	Diversified Portfolio 4.86%	Small/ Mid Cap -36.79%	Large Cap Value 19.69%	Large Cap Value 15.51%	Cash 0.08%	Diversified Portfolio 11.63%	REITs 3.21%	Diversified Portfolio 5.33%	Global Bonds -2.61%	Large Cap Growth 7.08%	REITs 9.27%	Diversified Portfolio -5.90%	Diversified Portfolio 20.23%	Bonds 5.03%	
Small/ Mid Cap 4.27%	Large Cap Value -5.59%	Large Cap Value -15.52%	Commodities 23.93%	Commodities 9.15%	Large Cap Growth 5.26%	Global Bonds 5.94%	Cash 4.74%	Large Cap Value -36.85%	Commodities 18.91%	International 7.75%	Diversified Portfolio 0.07%	Bonds 4.21%	Cash 0.05%	Global Bonds 0.67%	Small/ Mid Cap -2.90%	Bonds 2.65%	Global Bonds 6.83%	Large Cap Value -8.27%	Bonds 8.72%	Global Bonds 4.40%	
Global Bonds 2.34%	Commodities -19.51%	International -15.94%	Global Bonds 14.51%	Large Cap Growth 6.30%	Cash 3.00%	Cash 4.76%	Small/ Mid Cap 1.38%	REITs -37.34%	Bonds 5.93%	Bonds 6.54%	Small/ Mid Cap -2.51%	Global Bonds 1.30%	Bonds -2.02%	Cash 0.03%	Diversified Portfolio -3.25%	Global Bonds 1.57%	Bonds 3.54%	Small/ Mid Cap -10.00%	Commodities 7.69%	International 3.32%	
International -14.17%	Large Cap Growth -20.42%	Small/ Mid Cap -17.80%	Bonds 4.10%	Bonds 4.34%	Bonds 2.43%	Bonds 4.33%	Large Cap Value -0.17%	Large Cap Growth -38.44%	Global Bonds 1.90%	Global Bonds 6.42%	International -12.14%	Cash 0.07%	Global Bonds -4.50%	International -4.90%	Large Cap Value -3.83%	International 1.00%	Commodities 1.70%	Commodities -11.25%	Global Bonds 6.02%	Cash 1.69%	
Large Cap Growth -22.42%	International -21.44%	Large Cap Growth -27.88%	Cash 1.07%	Cash 1.24%	Global Bonds -6.53%	Commodities 2.07%	REITs -17.83%	International -43.38%	Cash 0.16%	Cash 0.13%	Commodities -13.32%	Commodities -1.06%	Commodities -9.52%	Commodities -17.01%	Commodities -24.66%	Cash 0.27%	Cash 0.84%	International -13.79%	Cash 2.25%	Commodities 1.03%	WORST

Source: SPARC FactSet Research Systems Inc.

MARKET SEGMENT	REPRESENTED BY	*20 YEARS ENDED 12/31/19	STANDARD DEVIATION*	IMPORTANT RISK CONSIDERATIONS
Cash	FTSE 3-month T-bill Index <sup>1</sup>		0.53	<b>International:</b> Investing in foreign and/or emerging market securities involves interest rate, currency exchange rate, economic, and political risks. These risks are magnified in emerging or developing markets as compared with domestic markets. <b>Small/Mid Cap stocks:</b> Investing in small and/or mid-sized companies involves more risk than that customarily associated with investing in more-established companies. <b>Bonds:</b> Bonds, if held to maturity, provide a fixed rate of return and a fixed principal value. Bond funds will fluctuate and, when redeemed, may be worth more or less than their original cost.  <b>The historical performance of each index cited is provided to illustrate market trends; it does not represent the performance of a particular MFS investment product. It is not possible to invest directly in an index. Index performance does not take into account fees and expenses. Past performance is no guarantee of future results. The investments you choose should correspond to your financial needs, goals, and risk tolerance. For assistance in determining your financial situation, consult an investment professional. For more information on any MFS product, including performance, please visit mfs.com.</b>
Bonds	Bloomberg Barclays US Aggregate Bond Index <sup>2</sup>		3.40	
Global bonds	JPMorgan Global Government Bond Index (Unhedged) <sup>3</sup>		6.42	
Diversified portfolio	Equal allocations of all segments disclosed herein, excluding cash		10.42	
Large Cap Value stocks	Russell 1000 <sup>4</sup> Value Index <sup>4</sup>		14.59	
Commodities	Bloomberg Commodity Index <sup>5</sup>		15.71	
International stocks	MSCI EAFE Index <sup>6</sup>		16.26	
Large Cap Growth stocks	Russell 1000 <sup>7</sup> Growth Index <sup>7</sup>		16.50	
Small/Mid Cap stocks	Russell 2500 <sup>8</sup> Index <sup>8</sup>		17.94	
REITs	FTSE NAREIT All REITs Total Return Index <sup>9</sup>		19.38	

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE

See other side for important information.

Note that the diversified portfolio's assets were rebalanced at the end of every quarter to maintain the equal allocations throughout the period. **Standard deviation** reflects a portfolio's total return volatility, which is based on a minimum of 36 monthly returns. The larger the portfolio's standard deviation, the greater the portfolio's volatility. Diversification does not guarantee a profit or protect against a loss.

Source: [https://www.mfs.com/content/dam/mfs-enterprise/mfsc.com/sales-tools/sales-ideas/mf-source\\_20yrsa\\_fly.pdf](https://www.mfs.com/content/dam/mfs-enterprise/mfsc.com/sales-tools/sales-ideas/mf-source_20yrsa_fly.pdf)

## **Reduce Risk Through Diversification (Continued)**

It highlights that a single asset class will rarely be the top performer for long, and that performance of a particular asset class can quickly change from strong to poor or from poor to strong.

Also highlighted is the fact that some asset classes are far riskier and more volatile than others and the range of returns can vary significantly. By holding a well-diversified portfolio, returns are much more consistent and far less volatile.

Taking risk does come with potential for a higher reward. It's important to understand volatility and how this affects short term price fluctuations. A person with a longer timescale for investing may be able to withstand higher volatility in the short term, for the potential for greater gains over time.

When looking to invest it is difficult to time the market effectively. It's far more important to remain invested for the long term and stick with a strategy that is suitable for your needs.

To achieve your goals, it is vital that the mix of assets selected in your portfolio is appropriate for your attitude to risk and the timescale of the investment. Not enough risk and the danger is that the returns over time will be too low to meet your objective. Too much risk could see the value of your investments fall at a point when you require access to your capital, leading to a loss.

It is very important to get professional advice to ensure an appropriate selection is made for you.

### **What next?**

We would welcome the opportunity to work with you and your business and are more than happy to come and speak to you to identify where we might be able to help. If you would like further details on any of the above, please get in touch.





## Global Investments Market Snapshot

With the light at the end of the covid tunnel getting ever brighter it's worthwhile looking at the global markets to see how things are positioned investment performance wise. As the pandemic continued throughout 2020, the markets recovered from their initial downturn, stabilised and then moved forward.

Those invested during the downturn and their investment managers realised that there were good opportunities available to generate positive returns. By the year end investment portfolios had mostly recovered their losses and were ahead of the levels they had achieved pre-pandemic.

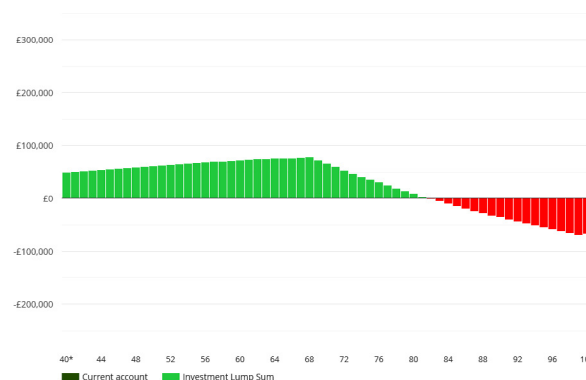
Markets in the countries who have handled the pandemic relatively well are now poised to experience further positive growth as their economies kick back in to gear. Sentiment amongst financial advisers and fund managers is also positive as they look to provide good returns for their clients. Analysts are mindful that investor sentiment is still recovering from the pandemic induced turbulence, but expect investment volumes to increase over the coming months.

## Cash Vs diverse portfolio

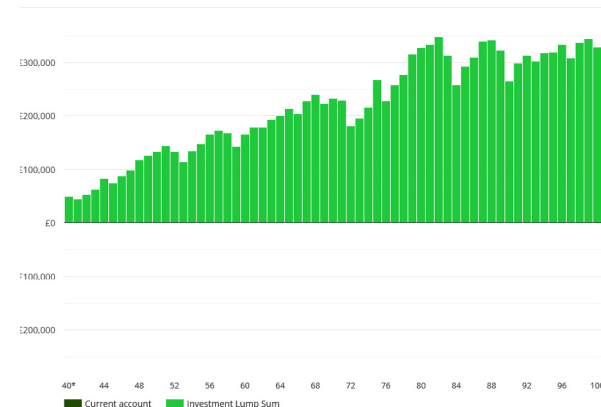
40 year old investor. £50,000 initial lump sum and £200 per month regular savings to age 68. £5,000 per annum withdrawals from age 68.

Cash vs diversified portfolio.

### Cash portfolio



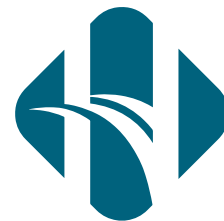
### Diverse Portfolio



The above charts clearly demonstrate that a diverse portfolio, held over the medium to long term is likely to outperform a cash based investment. Furthermore, when withdrawing funds, a diverse portfolio can assist in making your investments last longer, giving a more comfortable lifestyle and residual estate for any potential beneficiaries.

Whilst holding cash is vitally important for any short term planned expenditure and emergency fund, it is not ideal to keep everything in cash, especially in times of low interest rates and increasing inflation.

# Get in touch



## How we can help?

Hawsons Wealth Management Limited provides a complete range of financial services for individuals and businesses, including private pension scheme advice, inheritance tax planning, investments advice, help with workplace pensions and auto enrollment and independent financial advice in Sheffield, Doncaster and Northampton.

As fully independent, highly experienced professional advisers we are in the best position to be able to provide a tailored solution for corporate and personal financial services and investment advice, linked with specialist tax planning advice from the experts at Hawsons Chartered Accountants.



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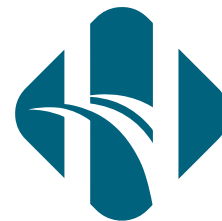
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# Get in touch



## How we can help?

Hawsons Wealth Management Limited provides a complete range of financial services for individuals and businesses, including private pension scheme advice, inheritance tax planning, investments advice, help with workplace pensions and auto enrollment and independent financial advice in Sheffield, Doncaster and Northampton.

As fully independent, highly experienced professional advisers we are in the best position to be able to provide a tailored solution for corporate and personal financial services and investment advice, linked with specialist tax planning advice from the experts at Hawsons Chartered Accountants.



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