DART CAPITAL

Investment Brief

January 2019

House View

Alexander George, CFA
Associate Director of Research

Market overview

The final quarter of the year was the worst period for equity markets since the summer of 2011, with the twin challenges of less supportive Central Bank policy and a weakening of global growth prospects finally serving to dampen sentiment towards equities. The former, which has been led by the US Federal Reserve's raising of interest rates, was eventually accompanied by a strengthening of the US Dollar which had the effect of pulling liquidity out of the global financial system. These fears were magnified as investors in general were more optimistic at the start of the year than they had been for many years, and thus valuations of risk assets offered little margin for error.

12 months on and market sentiment has turned almost 180 degrees, with many of the market commentators who were very optimistic not so long ago suddenly preaching caution. For those who read our House View a year ago, we were more cautious than most at that time, with our portfolios reflecting this outlook through substantial holdings in diversifying assets which would protect in a more challenging market environment. Whilst the global economy will slow down over 2019 as the impact of higher US rates and the impact of a weaker Chinese economy impacts global growth, we note that it is impossible to perfectly anticipate market falls and that the old adage of "time in the market beats timing the market" should still hold over the longer-term. Furthermore, equity market valuations are back down to levels which we believe offer the potential for attractive long-term returns. This attractive valuation backdrop is shown below, with valuations – as represented here by the widely used P/E metric - on all major equity markets down significantly from their levels at the start of 2018.

Equity market valuations are considerably more attractive now than they were a year ago

	Jan 2018		Jan 2019	
Index	*Forward P/E	10 Year Percentile	*Forward P/E	10 Year Percentile
S&P 500	18.89	100.00%	14.56	45.60%
UK Index	14.74	84.00%	11.34	31.20%
MSCI Europe ex UK	15.7	95.00%	12.29	37.90%
MSCI Japan	15.07	79.00%	11.19	3.20%
MSCI Global Emerging Markets	13.04	96.00%	10.62	36.00%

Source: Thomson Reuters Eikon

*Forward P/E is the company's price per share divided by next year's expected profits per share (as estimated by analysts) and gives an indication of how expensive a company is relative to its profits.

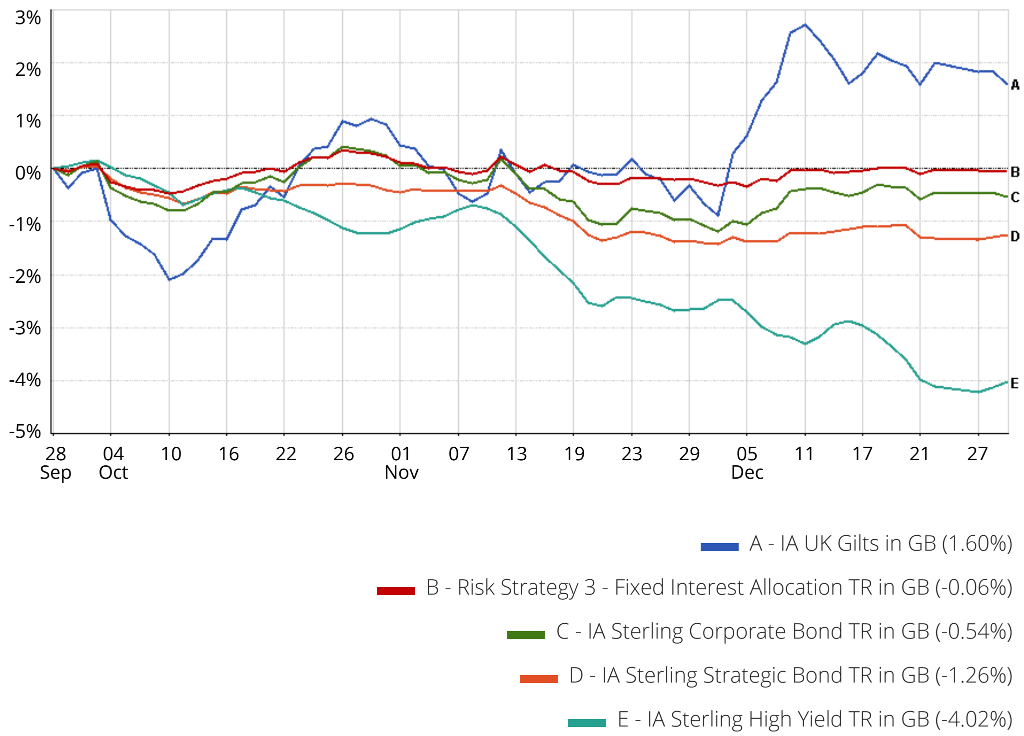
The percentile gives an indication of the valuation of the market relative to its own history. For example, the 31st percentile implies the market has been cheaper 31% of the time over the last ten years.

Fixed Income

Although Gilt yields fell over the quarter as the widespread risk-off market sentiment drove yields lower, we remain cautious on owning long-dated Gilts at this point owing to their high degree of interest rate risk and very low yields. This is demonstrated by looking at the 10 year Gilt, which has seen its yield fall back down to just below 1.3%. At this level of yield, a 15 bps increase in Gilt yields (from its current level of 1.27% to 1.42%) would wipe out a year's worth of income. We prefer short-dated Gilts, as they aren't subject to such significant interest rate risk, and thus provide a good liquidity buffer for our portfolios.

As we stood here a year ago, a combination of Central Bank bond buying and the rebound in the global economy had pushed valuations in credit markets close to all-time expensive levels. Faced with this unattractive valuation backdrop, we reined in our exposure to lower quality bonds. We sold out of High Yield debt in October of 2017 across our range of managed portfolios, a move that left our bond exposure solely invested in a combination of short-dated Gilts and short- and longer-dated higher quality corporate bonds. This conservative positioning helped protect portfolios over the fourth quarter, as the risk-off market environment pushed corporate bond yields higher across the piste and fixed income funds, which are heavily exposed to lower quality bond, suffered. In contrast, our fixed income allocation largely held its own.

Our conservative positioning within bonds helped preserve capital over the quarter



28/09/2018 - 31/12/2018 Data from FE 2019

The IA sectors represent the average performance of funds, available to retail investors, investing within a specific asset class.

Looking ahead, the sell-off has left valuations within High Yield bonds looking far more attractive. Whilst the weaker outlook for the global economy should naturally feed through to higher borrowing costs for companies, we don't anticipate a sharp spike in default rates in the near future. Based on this view, we have started to selectively add back to the asset class, with a focus on managers who invest primarily in debt issued by large US and European businesses.

Equities

Our equity allocation remains broadly equally split between UK and international equities. Importantly, with our UK equity exposure generating around 60% of its underlying revenue from overseas, we believe this area of portfolios will remain resilient in the face of further Brexit related upheaval.

All risk strategies have a core exposure in UK equity income funds. These income funds are tilted towards large-cap companies that generate their revenue globally and operate in less cyclical sectors such as healthcare and consumer goods. Following the falls in equity markets over recent months, most of these funds are yielding well in excess of 4%, and with these strategies delivering some dividend growth over time, we believe they are well set to deliver positive returns over the medium-term even in a more turbulent market environment.

This exposure is allied with a lower weighting in funds with greater freedom to invest across the UK market, whilst mid- and higher-risk strategies also have a controlled weighting in funds which invest solely in small and mid-cap stocks. We have pared back our exposure to smaller companies over recent years, and whilst this positioning did slightly reduce our returns in the strong market of 2017, it was pleasing to see these moves help lower our losses over recent months. It is clear that domestic stocks remain massively out of favour with overseas investors who have largely abandoned stocks which are exposed to the UK economy. Given that the UK market remains the only developed market where the majority of the market is priced for recession, with even companies in consolidated, structurally growing industries trading on cheap valuations, we believe that holding some exposure to domestic stocks should be rewarding over the longer-term.

The final quarter of 2018 saw the outperformance of the US market end abruptly, with some of the crowded positioning in so-called "New Economy" stocks, best exemplified by companies such as Amazon and Netflix, starting to unwind. We retain a broadly neutral position in US stocks, and we believe that the market has more than its fair share of global leading, often technology-led, businesses which have built strong economic moats. However, these positives are balanced against the fact that US corporate profit growth will slow down in 2019 amid diminished benefits from the Trump tax cuts and the negative impact of increased trade tariffs.

Japanese companies continue to sit on large amounts of cash, and have increased dividend pay-outs over recent years. One area we would highlight is that whilst the Japanese economy itself is low growth, the country is home to many businesses which are well poised to benefit from the structural changes taking place in the global economy. A good example of this is companies, such as Fanuc and Keyence, which specialise in automation and robotics. These stocks, which were so popular in the buoyant market of 2017, have fallen out of favour due to their exposure to Chinese capital spending. These are market leading businesses which will benefit from the structural growth in robot use globally, and in some cases trade at a c.50% discount to their highs which were reached twelve months ago. European stocks suffered alongside other developed markets over the fourth quarter, and we believe that the combination of cheap valuations and low expectations make the market well poised to bounce back strongly should market sentiment improve.

Having underperformed developed markets markedly over the third quarter, Asian and Emerging Market stocks had a better quarter on a relative basis as the decline in the oil price, along with initial signs of Chinese fiscal stimulus, helped provide some offset to the US-led market uncertainty. Whilst the ongoing rebalancing of the Chinese economy and higher US interest rates will continue to cause volatility, within these markets we see a large number of stocks which are benefitting from strong structural growth. This is particularly the case within the consumer and technology sectors, with these stocks now trading on far more reasonable valuations than they were a year ago.

Property

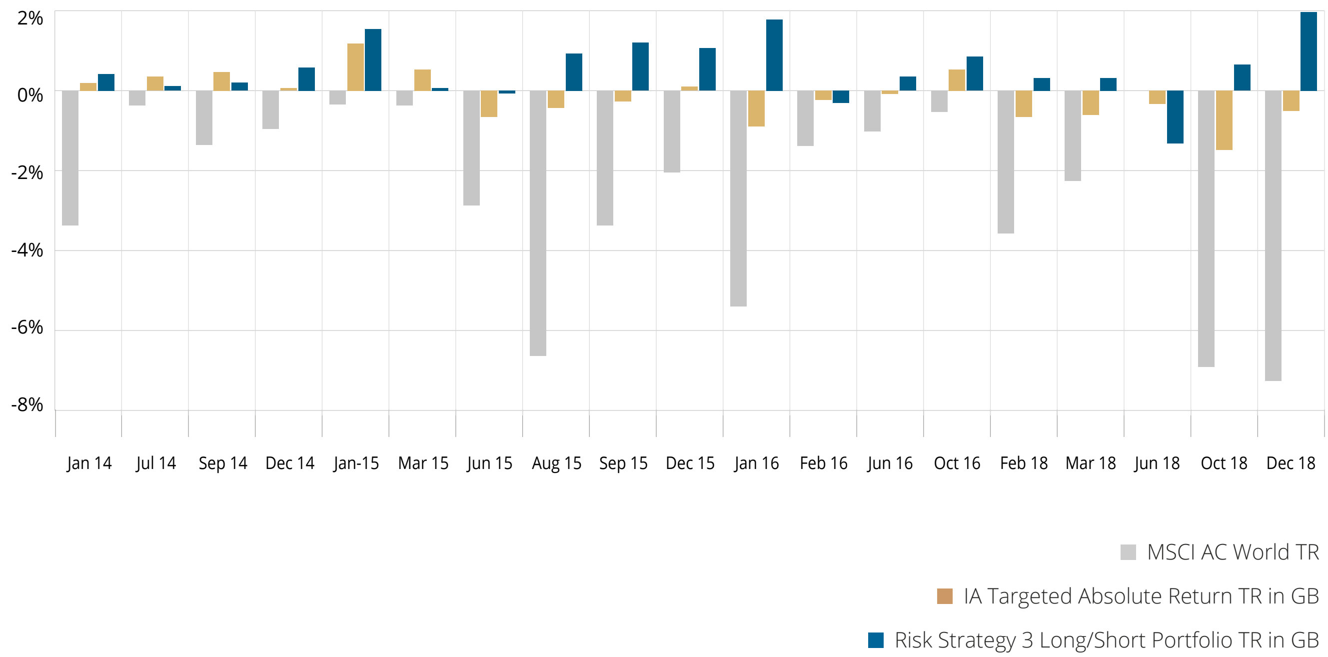
The open-ended UK commercial property funds we favour delivered small positive returns over the quarter, with these strategies benefiting from having reduced exposure to central London over recent years in favour of other big cities, such as Manchester, where rental yields were far higher. Whilst the returns from these funds can appear very attractive during periods when equity markets fall significantly, it must be remembered that these funds are illiquid, as they invest in physical property, as opposed to property shares. The valuation of the properties owned by these funds are based on surveyor estimates, and so the pricing on these funds tends to lag the performance of other financial assets.

Alternatives

One of the most notable differences between our portfolios and that of our peers is the type of funds we invest in within the much-maligned "Targeted Absolute Return" sector. Most funds in this sector are in fact biased towards equities, which means that these strategies will tend to lose money when equity markets fall significantly. Whilst this may make sense for managers of these funds on an individual basis – after all stock indices do go up over the long-term – it makes less sense for investors such as ourselves who wish to invest in strategies which can provide some ballast when market conditions become more challenging. As a result, within this space we take a very targeted approach and only invest in funds which have a long-track record of delivering returns which are uncorrelated to that of equity markets.

The fourth quarter was one such period when this approach paid dividends, and we were pleased to see our long/short allocation – which encompasses the three non-directional long/short funds we invest in within our model and client portfolios - deliver a small gain over the period. This continued a trend with this part of the portfolio delivering gains in all but three of the months in which equities have lost money over the last 5 years. Particularly pleasing for us is that this track record compares particularly favourably to the performance of the IA Targeted Absolute Return peer group as a whole.

Our long/short allocation has delivered during months when equities have lost money

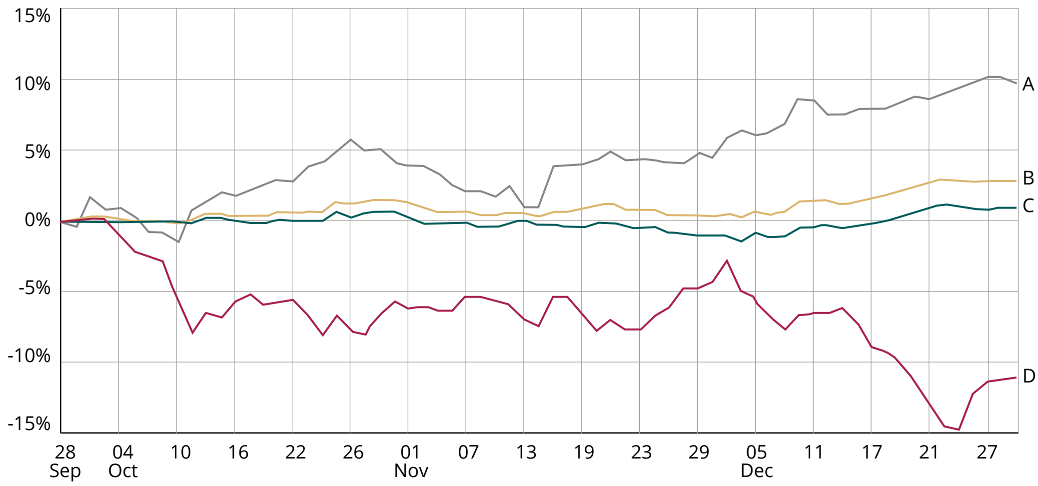


Source: FE Analytics

We sold our holding in HICL Infrastructure across our managed portfolios in mid-November. The investment company's share price had bounced back over 20% from its lows, which were reached in April, and its shares had returned to trading at a premium to the company's net asset value (NAV). Owing to the Labour Party's plans to nationalise UK infrastructure assets and projects should they enter power, HICL was one of our holdings which was most exposed to a deterioration in the UK political situation, and we were pleased to offload the position with a reasonable total return of 5% on a year-to-date basis.

We often think of gold as being akin to an insurance policy within portfolios, with the precious metal tending to deliver strong performance during times when the engine room of our portfolios, equities, are faltering. This has been the case over recent months, as gold returned to favour amid concerns over the strength of the global economy and the US Federal Reserve softening their stance on future interest rate rises. Gold's almost 10% rise in sterling terms over the period helped provide a much needed boost to portfolios during this tough period.

Our Alternatives exposure boosted portfolio performance over the quarter



A - Invesco - Physical Gold GBP (9.75%)

B - Risk Strategy 3 - Alternatives Allocation in GB (2.80%)

C - Risk Strategy 3 - Long/Short Portfolio in GB (0.94%)

D - MSCI AC World in GB (-11.01%)

28/09/2018 - 31/12/2018 Data from FE 2019

Closing thoughts

Whilst losing money is always a painful experience, we were somewhat comforted by the positive performance of the protective assets we hold in portfolios over this exceptionally turbulent period for financial markets. Many of the changes we have made to portfolios over recent years, such as adding a position in gold and altering our currency exposure within Japanese equities in order to give portfolios exposure to the safe-haven Yen, have been focused on ensuring portfolios have a degree of ballast should market conditions become more challenging. Looking ahead, the uncertainty and relentlessly negative news flow within markets has created a number of opportunities, and we believe that there is some cause for optimism from the fact that the valuation across equity markets are far more attractive now than they were a year ago.

Market Commentary – Q4 2018

Alexander George, CFA
Associate Director of Research

Global equities, as represented by MSCI AC World, lost 11% in sterling terms over the fourth quarter, the largest quarterly drawdown in seven years.

US

Despite overseeing an economy which is in good shape, with third quarter GDP growth coming in at a revised figure of 3.4% annualised and average hourly earnings growing at close to their fastest pace for ten years, President Trump's Republican party lost their majority in November's mid-term elections. We expect the now Democrat-controlled House of Representatives to check some of Trump's powers until November 2020's Presidential Election, with the result largely ruling out any further tax cuts. Since the mid-terms, Trump has threatened to force a government shutdown unless he receives funding for his wall on the Mexican-border, whilst he has also attacked the US Federal Reserve's continued raising of interest rates.

Although the Federal Reserve (the Fed) proceeded with raising interest rates again in December, the ninth time they have done so in this rate hiking cycle and the fourth time in 2018, the Chairman of the Fed, Jerome Powell, did soften his language around future rate rises over the quarter. In particular, the pick-up in market volatility and strengthening of the US Dollar which followed Powell's comments in early October, where he stated that interest rates are "still a long way from neutral at this point", proved sufficient for him to change his wording to "only slightly below their neutral level" only six weeks later. The Fed are keen believers in the impact "financial conditions" (a broad catch-all term which includes the performance of the stock market, as well as other indicators such as mortgage rates) can have on the real economy. As a result, it unsurprising that the weakening equity market and widening of credit spreads in the bond market, has caused them to consider taking their foot off the pedal with regards to future rate rises. Amidst the decline in equity markets and the more cautious messaging from the Fed, US Treasury yields declined with the yield on the 10 year US Treasury falling 37 basis points to the end the period at 2.69%.

Having continued to power ahead over the third quarter, US equities endured a more challenging period, with daily moves of more than 1% becoming the norm. At one point the S&P 500 was down 19% on the quarter in US Dollar terms, before a Boxing Day rally of 5% helped avoid the US slipping into a so-called "bear market". Whilst it is never possible to determine the exact cause for the sell-off, the softening of the outlook for global growth, continued rate rises by the Fed, the trade war between the US & China and downward profit guidance from US corporates are all partly responsible. One notable factor in the sell-off was that the New Economy stocks, such as Amazon, semiconductor maker Nvidia and Netflix, which had led the market rally since early 2017, declined more than the wider market. Investor surveys indicate that investors have increasingly crowded into high growth stocks, such as those mentioned above, over prior quarters, as this was the only major sector of the market which was still delivering strong returns as other regional markets faltered, and thus this underperformance could well represent an unwind of some of these "hot money" flows. The S&P 500 ended the quarter down 14% in US Dollar terms, whilst smaller company stocks, as represented by the Russell 2000, were down 20.5% on the same basis.

UK

Short-term sentiment towards the Pound and domestic assets largely hinges on the outcome of the Brexit negotiations, and markets reacted negatively in November as it became clear that Theresa May would not be able to get the initial agreement she had come to with EU leaders through Parliament. This process is expected to come to a head in mid-January, as May's Brexit deal is expected to be finally voted on by Parliament, and we expect some further market volatility around the timing of the vote.

Domestic economic data continues to paint a mixed picture, with sluggish survey data from the manufacturing and services sector which show little positive momentum, contrasting with buoyant data from the labour market. Most notably, official figures from the Office of National Statistics (ONS) showed that, compared to a year earlier, average wages grew by 3.3% three months to the end of October, its fastest pace since 2008. To the surprise of forecasters, the inflation rate, as measured by the Consumer Price Index (CPI), fell back to 2.4% year-on-year in September, a fall which was largely attributed to a decline in food prices. This decline continued through the rest of the quarter with the most recent CPI rate standing at 2.3% for the 12 months to the end of November, as the fall in the oil price helped push consumer prices lower. UK government bond ("Gilt") yields declined over the quarter, with the yield on the 10 year Gilt falling from 1.57% to 1.27% by the end of the period. Despite this, the investment grade corporate bonds index lost money, as credit spreads (the additional yield on corporate bonds compared to a Gilt with the equivalent maturity) widened significantly amidst the weak risk sentiment globally. The iBoxx Sterling Corporate Bond index lost 1.7% in capital return terms over the quarter.

The UK equity market saw many of the similar themes as the US, with small cap stocks underperforming alongside those stocks, such as FeverTree, which had performed so well over prior months. MSCI UK All-Cap ended the quarter down 11.4%, with MSCI UK Small-Cap ending the period down 16%.

Eurozone

The currency bloc's growth slowed further over recent months, with third quarter GDP growth coming in at 0.2% quarter-on-quarter. The German economy has been particularly impacted by a slowdown in new car sales, with a 30% year-on-year fall in new cars sold in September alone as a result of the tough new emissions tests announced by the EU. Despite the slowdown in growth, in mid-December the European Central Bank (ECB) announced the end of their bond-buying programme with immediate effect. This move was expected, as the policy, which has involved the Central Bank buying c.€2.5trn of government, corporate bonds and covered bonds along with asset-backed securities, is seen by most of having largely reached its limit. The Governor of the ECB, Mario Draghi, confirmed that base rates in the bloc will remain in negative territory until next summer at the earliest, although it is expected by many that he wishes to, as his last act before leaving his post at the end of this year, raise the base rate back closer to positive territory.

The showdown between Rome and Brussels escalated in October as the European Commission continues to voice concerns over Italy's budget plan, where an increasing fiscal deficit, which the country's previous leadership had committed to reduce, will likely lead to an increase in the countries already significant €2.3 trillion national debt. This is significantly larger than many other comparable EU countries representing a debt to GDP ratio of over 130% as at the end of 2017. However, it is not as if the other integral Eurozone countries are not without challenges, with French President Emmanuel Macron forced into revising his budget plans following widespread protests in Paris over rising fuel and living costs.

European stocks performed broadly in line with other developed markets over the quarter, with MSCI Europe ex-UK ending down 12% in local currency terms.

Asia

In another sign of the slowing economic momentum in the world's second largest economy, the widely-watched survey data for the Chinese economy indicated that the manufacturing sector may have fallen into contraction territory late in the year. As the Chinese economy has slowed over recent months, the country's authorities have taken steps to support the economy including lowering reserve requirements for banks, in an attempt stimulate lending, and cutting household tax rates. Chinese stocks actually outperformed other regions over the period, as some of the behemoth technology businesses, such as Tencent and Alibaba, which make up a large part of the Chinese market saw their share prices stabilise following a very weak October. MSCI China H, which represents the performance of Chinese stocks listed in Hong Kong, ended the period down 8.5% in local currency terms.

Despite the best efforts of policymakers, Japanese growth remains anaemic with data released over the period showing that the economy contracted by 0.6% q-o-q over the third quarter. Although it did creep up to 2.5% in the November figures, the country's unemployment rate is very low when compared to other major economies. However, this is yet to translate into inflation, with the CPI measure showing price growth of only 0.8% in the 12 months to November. This reading is well below the Bank of Japan's 2% target and is indicative of the continued challenges faced by the Bank of Japan. MSCI Japan fell 17.3% over the quarter in Yen terms, although returns to UK investors were slightly better than this as the Yen strengthened 5.9% against the Pound over the period

Indian stocks enjoyed a better period following a very poor third quarter. India is a large oil-importer, and thus the economy benefitted from the significant fall in the oil price, which took place over the period. MSCI India gained 2.2% over the quarter in US Dollar terms.

Commodities

Having continued to push higher over the first three quarters of the year, this quarter saw significant declines in the oil price as concerns regarding over-supply and weakening demand – particularly within Asia - took its toll. The oil price (as measured by Brent Crude) ending December at $54 per barrel having started the quarter at $83. The risk-off market environment benefitted gold, which tends to act as a safe haven during these periods of extreme market volatility, and the gold price ended the quarter 7.6% higher in US Dollar terms.

Fund Spotlight – Artemis US Absolute Return

Launch Date:	27/10/2014
Fund Size:	c. £750M
Asset Class:	Long / Short Equity
Manager:	Stephen Moore

Stephen Moore

As outlined in the House View, through the fourth quarter, financial assets performed poorly with both equity markets and bond markets hit to varying degrees, illustrating the importance of diversification in portfolios. One area that provides diversification across our managed portfolios is our allocation to long/short equity funds. Long/Short funds invest in, or 'go long', companies that the fund manager and his team believe will increase in value and short companies that the team believe will decrease in value. Shorting companies, the far less common of the two among investors, typically refers to when an investor borrows shares and immediately sells them, hoping they can repurchase them later at a lower price, at which point they return the stock to the lender and pocket the profit. Whilst in theory this seems quite a straightforward process, in practise there are several complications which makes shorting companies a specialist skill.

The great advantage of these funds is that, providing the short positions are equal to the long positions in size (which is broadly the case for our preferred funds) if the entire market were to fall 10%, the profit from the short positions would cancel out the losses from the long positions and the portfolio's value would remain unscathed. A fund such as this we would describe as equity market neutral and thus can provide uncorrelated returns to equity markets. In this piece, I will focus on the Artemis US Absolute Return fund that has navigated tough market conditions in order to provide an attractive return through more turbulent periods for equity markets.

This is a fund we have had on the Buy List and within model & client portfolios since October 2016, and we have good access to the fund manager and his team. This access has been particularly important in allowing us to build our understanding of the fund manager's mind-set and philosophy, and provides a vital accompaniment to our qualitative research.

In 2014 Stephen Moore moved to Artemis with several other colleagues and launched the Artemis US Absolute Return fund in October later that year. Stephen previously ran the Threadneedle US Long/Short fund from 2008, which was a fund supported by a very similar team ran to a very similar process. The fund offers a broadly market neutral exposure to equity markets through taking long and short positions in companies predominantly listed in the US. Stephen operates with a moderate bias towards growth and blends well with our two other favoured absolute return strategies, Merian Global Equity Absolute Return (GEAR) and Jupiter Absolute Return.

The first step of the investment process focuses on idea generation whereby the team undertake top-down macroeconomic and thematic research to identify stocks, where further research can be carried out. Ideas are generated from a variety of sources ensuring the fund is well diversified and that no one theme dictates the return profile of the fund. One fertile source of ideas for the team for many years has been "disruption", with the team looking for industries that are being disrupted by new technologies and their respective disrupters. A focus on this theme has helped Stephen avoid going long companies, which are in structural decline, as well as alerting them to potential long positions in companies which are enjoying dynamic growth through disrupting established industries. Below shows some of these themes, the disrupted, the disrupter and arguably equally as important, the companies benefitting indirectly from the changes.

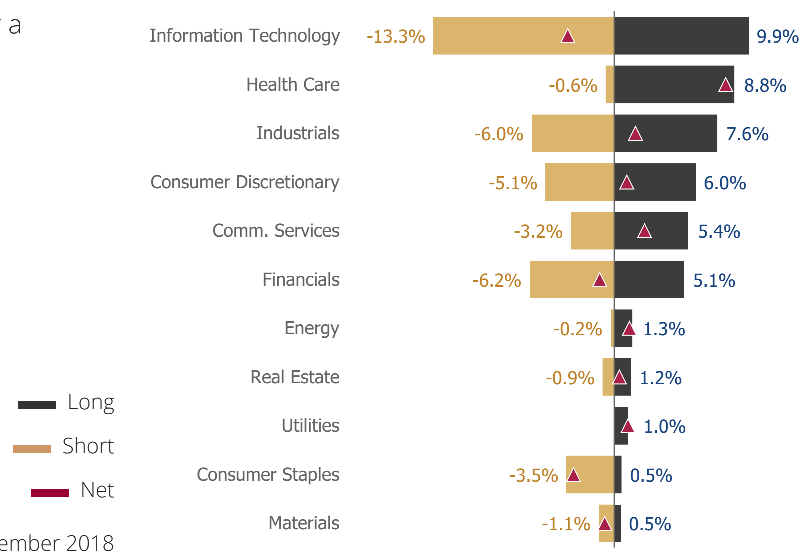
Disruption impacting major sectors

Source: Artemis

Once the team have identified opportunities, through in-depth analysis the team calculate their estimate of what the share price of a company should be under a best-case scenario and worst-case scenario. This includes, but is not limited to, meeting company management, examination of the company's balance sheet and income statement, and analysis of the company's strategic position within the industry. Notably, the potential upside and downside is calculated using these best and worst-case scenario alongside the company's current share price which ensures the fund manager remains valuation aware. This allows the team to gain a comprehensive understanding of the company and, if the potential upside is notably larger than the downside, Stephen will consider holding the company as a long position and vice-versa for a short position.

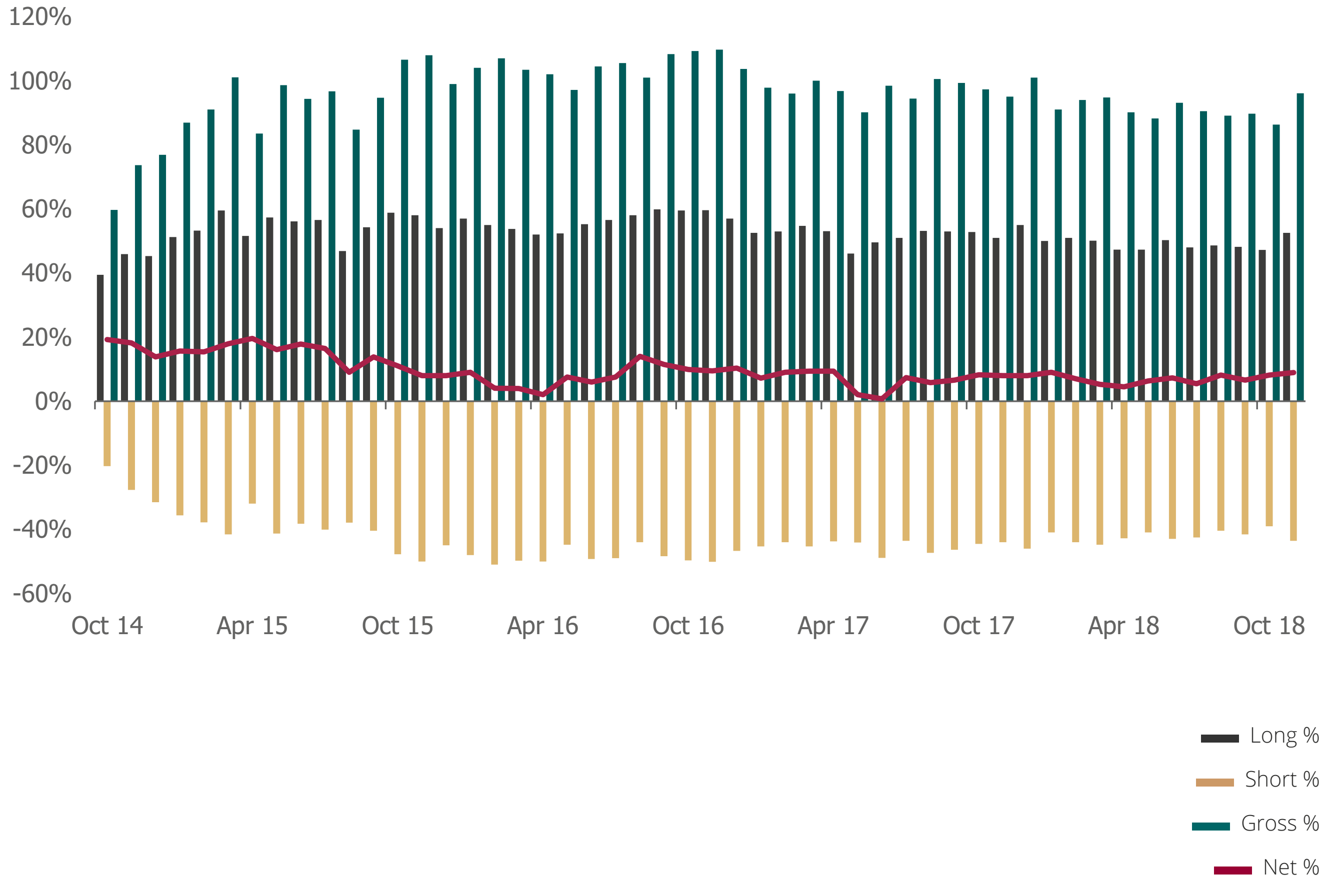
Finally, Stephen constructs a fund that has a positively skewed return profile and thus an attractive expected return ensuring that the drivers of performance are varied. The position sizing is a function of the upside to downside ratio as well as the broader risk return characteristics and the team's conviction in the holding. Furthermore, when constructing the fund, the aforementioned macroeconomic and thematic top-down research feeds into the sectoral positioning and net exposure of the fund, both of which are shown below.

Sectoral Exposure of the Artemis US Absolute Return Fund



Source: Artemis as at 30 November 2018

Net Exposure of the Artemis US Absolute Return fund

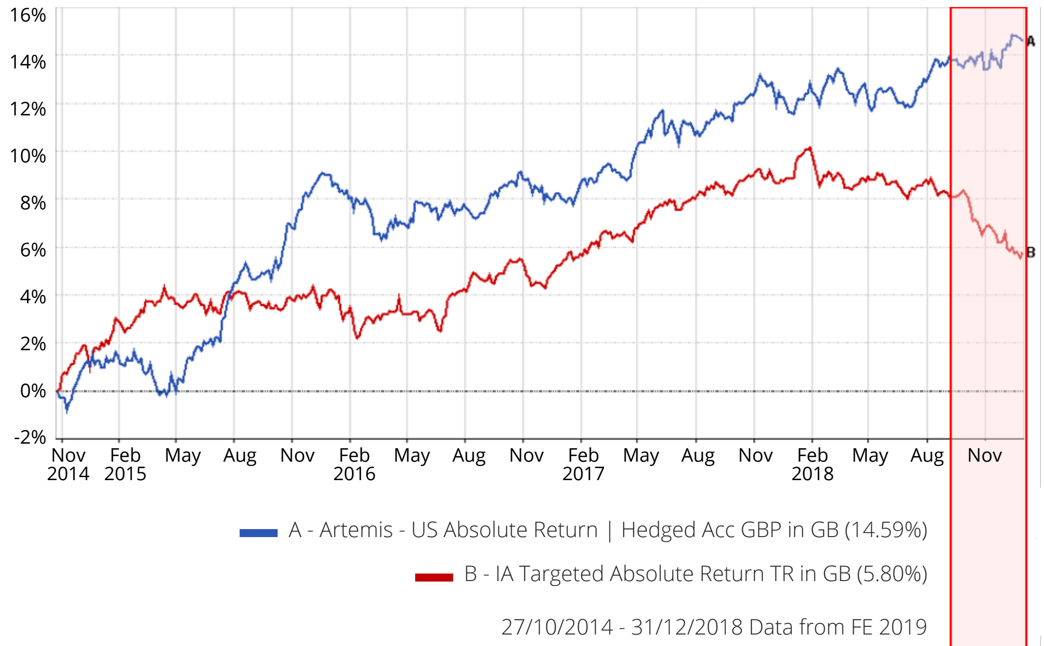


Source: Artemis as at 30 November 2018

When assessing the above chart, the so-called "net exposure", which measures the difference between the overall size of the fund's long positions and the short positions, is particularly important as this determines the fund's exposure to equity markets. As shown above, the fund has tended to have a net exposure of between 0% and 20%, which has kept the fund's correlation with equity markets reasonably low. Stephen will fine-tune the net exposure in accordance with his investment outlook, but given his more cautious personality we have been comfortable that he will not increase the net exposure much above the 20% level.

Whilst the long-term performance of the fund has been strong on both an absolute basis and relative to its peer group, the IA Targeted Absolute Return index (as shown above), crucially the fund has delivered a positive return over the last quarter when global equities, as represented by the MSCI AC World index have struggled (highlighted in red). As ever, portfolios remain well equipped for a variety of market conditions with holdings in funds such as this that provide diversification when it is most needed.

Performance of the Artemis US Absolute Return fund relative to the peer group and global equities



New Year, New You? Financial resolutions for the long term

Kirsty Stone
Investment Manager

The 1st January offers us all the opportunity of starting afresh and completing those administrative tasks which were not quite realised in 2018. However, it is widely recognised that well intended resolutions adopted at the beginning of the year are often abandoned on what is referred to as 'Quitters' Day'.

The third Thursday in January is statistically when the well-intended personal and professional resolutions are broken. However, while fitness plans, new hobbies and other such resolutions may fall by the wayside, there are some key financial tasks which can be undertaken early in the year to ensure that 2019 proves as prosperous as you'd planned it to be on 1st January.

Identify your financial goals

While it may appear an obvious point, in order to achieve your financial goals you should first identify what your goals are and quantify these in terms of a target capital requirement and timeframe. Having a clear financial goal such as clearing any mortgages, saving for children's higher education or early retirement will help keep you on track.

It's all too easy to presume that by simply working incredibly hard to increase your income, saving an element of this each month and seeking professional advice as to the management of your investments, you will ensure these goals are met. Although this may ultimately be the case for some people, it remains important to take time to have these discussions. Each financial goal can act as a reminder as to why you need to set aside a proportion of your earnings each month and most importantly provide you with an end point at which you can consider yourself financially secure.

- When do you hope to retire?
- When do you plan to be debt free?
- How much should you set aside to fund University costs for your children?
- How much would you like to gift to your children/ grandchildren in your lifetime?
- What capital base do you need at retirement?

Taking the time to answer these types of questions will help determine not only your required saving commitments but also how we manage your investments.

Prepare a budget

Many of our clients are fortunate enough to be in a financial position where income from all sources comfortably meets their expenditure and therefore a monthly or annual budget is not often prioritised. However, particularly for those still working, it is important to consider the impact of spending habits over the long term.

Preparing a budget not only identifies direct debits that should have been cancelled 6 months ago but also demonstrates any surplus income which can be saved for the future. That's not to say that you should feel tremendous guilt for not having saved as much as you'd intended in any given month. However, having a target figure ensures that the intent is there and will hopefully be met over the long term.

Importantly, for those approaching retirement, having a monthly budget in place provides a true guide to your income needs once retired. This will aide in our discussions regarding your needs to ensure that any financial plans are realistic.

Having identified a demand amongst our clients, we are launching a budget planner in the coming weeks which will be available through our website. For more information on this, please contact your Investment Manager

Secure an emergency fund

Whilst the long term benefits of investing capital are evident, an emergency fund is equally as important to your overall financial security.

With cash rates providing little in the form of real return when considering the impact of inflation, our advice to retain a reasonable level of cash is often questioned, with clients pointing out that once the values are adjusted to consider inflation, they are losing money on this cash. However, you must separate the objectives for your various pots of money. The purpose for this emergency cash is very different to that of the portfolios we manage at Dart Capital as this cash is to provide an immediate cash injection if needed, rather than provide longer term capital growth.

Setting aside a cash fund will ensure that you do not require withdrawals from your portfolios at less opportune times, for example where markets may have fallen. In this situation, your emergency cash can be used to fund the cost which is then replenished from the portfolio when markets have recovered. Of course, the level of cash you ultimately retain should not be disproportionate to the point where it far exceeds your likely needs and wider financial position. Instead this figure should be agreed with your Investment Manager and arrived at considering not only the numeric basis but also your own feelings towards how much cash you feel comfortable retaining.

This is not to say that you should be holding cash in your current account. Rates are not as attractive as they once were, however you may be able to achieve a slightly higher return elsewhere. National Savings & Investments as a base offer a flexible account with a rate of 1% gross/AER (as at 8 January 2019) through their Direct Saver. National Savings now also offer an app for Premium Bond owners to alert them to when they have won. This at least makes cash investing a little more fun!

Whilst returns on offer across the board are not exciting by historic terms, these may be more than you are in receipt of through your current account. Indeed, many reputable banks are also offering some attractive rates.

However, be careful not to tie up your capital in long term fixed term deposits prior to speaking with your Investment Manager – this may not prove beneficial should interest rates rise in the coming year.

Review lost policies

Throughout 2018 you may have received annual statements for forgotten arrangements such as old pensions or Cash ISAs. These all form part of your wider asset base when assessing your financial goals. As such, it may be beneficial for these arrangements to be held in one place so as to keep track of these as well as ensuring they are being managed in the correct way for you.

Maximise your tax allowances

The tax year end is fast approaching and in order to avoid a last minute panic, the beginning of the year provides an opportune time to make sure your ISA and pension allowances have been maximised. For those with children or grandchildren, you may also wish to consider gifting capital now to maximise Junior ISA or pensions allowances to begin to build a financial base for their futures.

Speak with your Investment Manager if you're unsure whether you've maximised your allowances.

Other things to consider:

- **Complete your will**

Whilst not an optimistic way to start the year, this is a simple task in most cases which can save a significant strain on your family in the event of death. If you already have a will in place, check this is current and reflects correctly your personal circumstances as they stand today – review your executors and consider whether they have the right skills to undertake such a task.

- **Review your mortgage**

A drive in competition between lenders has led to a broad decrease in mortgage rates on offer. If you're able to do so, it may pay to secure a new rate and change lender.

Closing thoughts

As inevitably being voiced by newly employed personal trainers across the country, it's important to be realistic as to what can be achieved and set simple goals for your resolutions. The same principles can be applied to your finances over the next year. Just as you're unlikely to miraculously become an elite marathon runner by the end of the year, having never run before, full financial security will not necessarily be achieved in 2019. However, beginning to discuss your financial goals and agreeing the required actions needed to achieve these, will make sure you are on the right track.

Investment Managers

Richard Whitehead
richard.whitehead@dartcapital.com

Chris Bellchambers
chris.bellchambers@dartcapital.com

Andrew Savage
andrew.savage@dartcapital.com

Kirsty Stone
kirsty.stone@dartcapital.com

Research Team

Alexander George
alexander.george@dartcapital.com

Michael High
michael.high@dartcapital.com

Dart Capital
4 Eastcheap London EC3M 1AE
Tel: 020 7283 1117
Fax: 020 7283 0891

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