of interest

winter 2025

Cashback when you transfer investments to us

Welcome

to the latest edition of our newsletter. Firstly, we would like to wish all of our clients a happy, healthy and wealthy 2025! In this edition we explain how you can receive a cashback and potential savings on investments you may still hold elsewhere. It's easy to do and makes sense to consolidate all of your investments in one place. As usual we have included articles of interest together with another chance to win £1,000 in our Sudoku competition! We are also here to help with any questions you may have so please feel free to contact us either by phone, email or via our website.

The importance of using your ISA allowance explained...

News

Merger of Artemis European Select fund

Further to investor approval at an extraordinary general meeting, on 10th January 2025 Artemis merged the Artemis European Select Fund into the Artemis SmartGARP European Equity Fund.

Artemis have stated the following with respect to the merger. Please note that 'Current Fund' refers to the Artemis European Select Fund and 'Receiving Fund' refers to the Artemis SmartGARP European Equity Fund:

"Completing the Merger will result in a larger fund with lower fees paid by all investors. The Receiving Fund has assets of £261.54m, as of 30 September 2024. The Receiving Fund has a lower administration fee when compared to the Current Fund, meaning that it will have a lower ongoing charge when compared to the Current Fund, of 0.86% vs. 0.87%, for Class I units. On an investment of £1,000, this represents a change from £8.70 per year to £8.60 per year.

The Current Fund closely resembles the Receiving Fund and has a number of features that are similar. In particular, both funds have the same investment objective (to grow capital over a five-year period), both invest in a portfolio of European (ex UK) equities, have the same benchmark and IA sector (FTSE World Europe ex UK TR and IA Europe Excluding UK, respectively), and have the same level of risk when considering the synthetic risk and return indicator (6 out of 7). The two funds also have a degree of overlap in their current portfolios of investments. Since its launch in March 2001, the Receiving Fund has been managed by Philip Wolstencroft.

The Receiving Fund is therefore regarded as an appropriate alternative fund for investors in the Current Fund who wish to maintain their exposure to a European equity strategy.

Notwithstanding the overlap in current portfolios of investments between the Current Fund and the Receiving Fund, the Current Fund may undertake some portfolio realignment prior to the Merger. The Current Fund currently has 36 holdings while the Receiving Fund is more diversified, having 88 holdings."

Jupiter UK Smaller Companies Equity Fund merger

Following shareholder approval, on 13th December 2024 the Jupiter UK Smaller Companies Equity fund merged into the Jupiter UK Smaller Companies fund.

Jupiter have stated the following:

"We have undertaken a comprehensive review of our entire fund range to determine whether there are any funds which have similar investment objectives, investment policies and risk profiles. The review identified the Merging Fund and Receiving Fund as materially similar and therefore appropriate for a merger. Both funds are managed by the same investment team, follow a similar investment approach providing similar investment exposure to UK smaller companies (with approximately 92% alignment of underlying assets) and have a similar risk and reward profile.

The proposed merger also provides unitholders in the Merging Fund with the following:

- *the opportunity to invest in a fund which provides continuity of core investment approach (as outlined above);*
- *no increase in the Fixed Annual Charge ("FAC") for investors of all unit classes; the FAC payable on the equivalent shares classes of the Receiving Fund will be the same as those in the Merging Fund;*
- *a continuity of investment exposure without crystallising (for UK tax purposes) a capital gain or loss for investors; and*
- *the opportunity to invest into a larger fund providing greater economies of scale in relation to the FAC charged to investors where a discount is applied according to the value of the scheme property of the fund."*

The fund objectives for the current and new fund are shown below:

Current fund - Jupiter UK Smaller Companies Equity Fund objective: To provide a return, net of fees, higher than that provided by the Numis Smaller Companies plus AIM (Excluding Investment Companies) Index over the long term (at least five years). At least 70% of the fund is investment in shares of smaller companies based in the UK.

New fund - Jupiter UK Smaller Companies Fund objective: To achieve capital growth. In seeking to achieve its investment objective the fund will aim to deliver a return, net of fees, greater than that of the Numis Smaller Companies Index excluding Investment Companies over rolling 3 year periods. The fund primarily invests in a portfolio of UK smaller companies.

Name change for Janus Henderson Asia Pacific Capital Growth Fund

Janus Henderson have announced that on or around 11th February 2025, the Janus Henderson Asia Pacific Capital Growth Fund will be renamed to the Janus Henderson Emerging Markets Asia Fund. This is to reflect the new repositioned investment policy.

Janus Henderson have stated the following:

"We will also remove "Growth" from the Fund name because the Investment Manager's process is style agnostic and will have the flexibility to invest less in growth companies (in companies expected to achieve an increase in earnings) and may for example invest more in value companies (companies expected to achieve an increase in share price).

There will also be a change made to the reference benchmark for the fund. The reference benchmark that forms the basis of the Fund's performance target will change from MSCI All Countries Asia Pacific ex Japan Index to MSCI Emerging Markets Asia Index to be in line with the repositioned investment policy."

M&G Sustainable Global High Yield Bond fund name change

M&G have announced that the M&G Sustainable Global High Yield Bond fund will be renamed M&G ESG Screened Global High Yield Bond.

M&G have stated the following:

"We will rename the Fund M&G ESG Screened Global High Yield Bond Fund. The changes, which will become effective on Friday 14 February 2025, are being made as a result of new regulations issued by the UK financial services regulator, the Financial Conduct Authority ("FCA") and aim to clarify the Fund's sustainability characteristics within its Prospectus and Key Investor Information Document (KIID). A Consumer-Facing Disclosure (CFD) document summarising the Fund's sustainable investing approach will also be introduced.

Please note that the Fund will continue to be managed in the same way. The Fund will continue to apply ESG Criteria, and there will be no change to its risk profile."

Name change for Man GLG funds

On 25th November 2024, Man changed the name of its funds as part of a wider rebranding exercise. Man Group is retiring the 'Man GLG' brand. The old and new fund names are shown below:

Old fund names	New fund names
Man GLG Continental European Growth	Man Continental European Growth
Man GLG Absolute Value	Man Absolute Value
Man GLG High Yield Opportunities	Man High Yield Opportunities
Man GLG Income	Man Income
Man GLG Japan CoreAlpha	Man Japan CoreAlpha
Man GLG Sterling Corporate Bond	Man Sterling Corporate Bond
Man GLG Undervalued Assets	Man Undervalued Assets

Do you still hold investments elsewhere?

We wanted to let you know about an opportunity to re-register any holdings you may still have with other companies, brokers or platforms. If acted upon, it could make a big difference to the returns made on these investments, maybe even thousands of pounds in extra profit. Companies like Jupiter, Janus Henderson, Schroders or Invesco held directly, through another broker or via a platform like Aegon, Fidelity FundsNetwork or Hargreaves Lansdown.

Consolidate with Elson Associates *and* receive a cashback!

If you still hold funds outside our agency with fund managers or platforms like the ones mentioned, this article could be worth a sizable sum of money to you. Even if you don't, this offer might still benefit you or somebody you know, so please read on…

It is an offer to potentially save you money on existing charges, plus as a way of saying thank you for your business, we'll pay you 0.25% of the value of your existing investments transferred to our agency. That's £25 on an investment valued at £10,000 or £125 on £50,000 and even more on higher amounts.

Nearly all companies have been forced to introduce new lower-cost versions of their funds known as 'clean' funds which can be accessed by ourselves on Fidelity FundsNetwork. This class of fund excludes any form of commission payment and means companies can continue to distribute their funds through platforms and the intermediaries that use them under this regime.

Since these rules were introduced, competition has pushed down the overall cost of investing in new 'clean' funds which is great news for investors. The trouble is, the rules don't always extend to investments made or held directly with the fund management companies, meaning many direct investors continue to pay over the odds for their ISAs and funds.

If you do proceed, your funds will be re-registered to Fidelity FundsNetwork. A re-registered fund means that you transfer the administration of the fund and therefore there is no sale involved. This means you remain invested during the transaction and there is no potential for loss as a result of being out of a rising market.

Significant benefits when re-registering to Fidelity:

- ✓ Lower charges.
- ✓ Access to a comprehensive range of over 5,000 investment options - including a wide selection of mutual funds, exchange-traded products, investment trusts and company shares.
- ✓ The facility to manage your funds online and switch between funds for free.
- ✓ A significant reduction in paperwork - one consolidated statement covers all your fund investments.
- ✓ Probate is far easier to manage by surviving family member(s) – just one company instead of a number of different providers. In addition, all of your platform ISA holdings can simply be moved to your surviving spouse (some direct investment companies do not offer this facility).
- ✓ A transparent charging structure - not always the case with direct holdings.
- ✓ Clients of Elson Associates DO NOT pay the standard investor fee (£45 p.a.) levied by Fidelity FundsNetwork.
- ✓ The supply of data to us is more reliable. Individual fund managers are outsourcing their administration to third party providers which can sometimes be problematic.

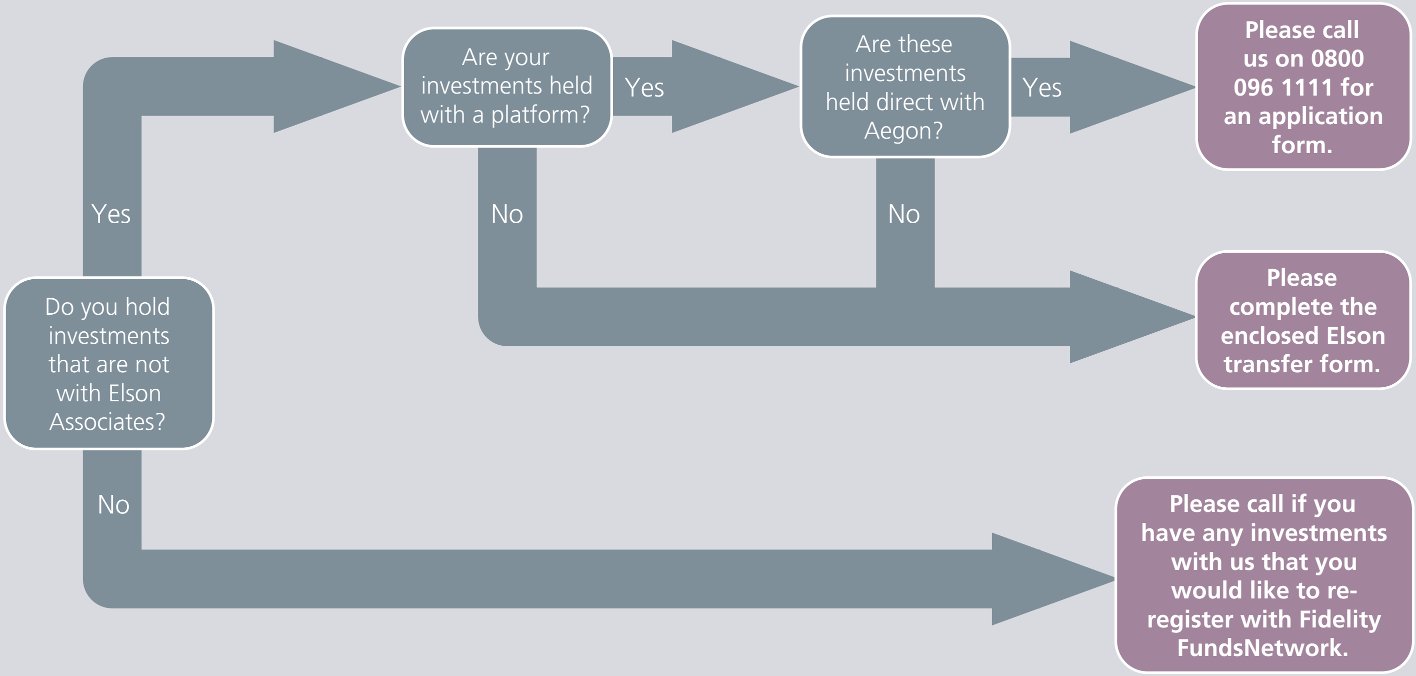
Here's how the offer will work

Once we are your appointed agent, we will send you a single initial payment equal to 0.25% of the total investment value re-registered to Fidelity FundsNetwork up to a maximum of £1,000 (see terms of cashback offer below/overleaf).

We'll also send you consolidated investment valuation and fund monitoring reports every six months at no extra cost and you continue to receive statements in the usual way but they will come from Fidelity FundsNetwork. Your funds will continue to be managed by the existing fund manager.

What you need to do

Please take a look at the flowchart below as a guide for what you need to do. If you hold investments with Aegon, please give us a call. If not, please complete the enclosed Elson transfer form and return to us together with investment statements of the company or companies and/or platform(s) you hold investments with. We will then send out a cost comparison report showing your potential ongoing savings, a Fidelity FundsNetwork quote and a declaration for you to sign and return. If you decide to proceed, just send the declaration back and we will then take care of the rest.



Cashback now on investments transferred to us

Held Direct with Jupiter

Jupiter UK Dynamic Equity OCF (Ongoing Charges Figure)	1.74%
Elson Renewal commission (included in OCF)	0.50%
Overall annual cost	1.74%
Overall annual cost	£435

Held with Fidelity FundsNetwork

Jupiter UK Dynamic Equity OCF (Ongoing Charges Figure)	0.76%
Elson Annual service fee	0.35%
Fidelity FundsNetwork Annual service fee	0.25%
Overall annual cost	**1.36%**
Overall annual cost	**£340**
+ Cashback	**£62.50**

Here's an example of how much you could save with a £25,000 Jupiter fund, held with Fidelity FundsNetwork versus being held directly!

As an existing customer, you'll be aware that we already offer these lower-cost funds to our clients through Fidelity FundsNetwork, the UK's largest independent platform with over £53 billion of assets under administration. What you may not have realised though is that it's easy for you to convert any old-style 'commission-included' funds you might still hold.
Please note that it is possible your new charges may be more expensive under Fidelity FundNetwork and therefore you may not wish to proceed. Please ensure you study our cost comparison report to see the difference in charges.

When your funds are re-registered to Fidelity, it is important to note that Fidelity may need to convert them to a different share class. During this short period, you will not be able to trade (switch/sell) in the funds. Please note you will probably have a different number of units in the fund after you move as the prices of bundled and clean share classes are normally different. Bid-offer spreads may still apply on dual-priced funds. This means that a lower price for sale than purchase is offered. To understand the size of the spread, you will need to refer to the bid and offer prices that are shown in the clean share class fund factsheet.

Please note that this offer does not apply to the following investments:

- Bank/Building Society Accounts
- Cash ISAs
- Life Policies
- Pensions
- Single Company Shares
- With Profits/Investment Bonds

If you have any questions regarding the above offer, please call us on FREEPHONE 0800 0961111 or send us an email to info@elsonassociates.com and as ever, we'll be happy to assist you.

We do not give advice. Our services are only suitable for investors who feel confident in making their own investment decisions.

Terms of the cashback offer.

1. We will pay a cashback of 0.25% of the value of funds transferred to our agency except in the following circumstances:

   a) Where your funds held directly with a fund manager cannot be re-registered to Fidelity FundsNetwork.

   b) Where your investment is one of the following types: Bank/Building Society Account, Cash ISA, Life Policy, Pension, Single Company Share, With Profits/Investment Bond.
2. The maximum amount we will pay is £1,000.00.
3. If your funds are already held with Aegon, but through another agent, you will still qualify for our cashback, but will be required to complete a different Agency Appointment Form. This can be sent to you on request.
4. No cashback will be paid on funds already held under our agency.
5. For the purpose of calculating the cashback due we will use the advised initial valuation of funds at the time the change of agency to us has been effected.
6. The offer applies to stocks and shares ISAs and General Investment Accounts.
7. Cheques will be issued within 5 weeks of the completed change of agency. By completed change of agency, we mean when all your funds (that can be transferred) have been successfully converted to our agency.

The importance of using your ISA allowance

Following the recent changes to capital gains tax in the budget, it is now more important than ever to ensure you use your ISA allowance. The lower rate of CGT (for basic rate taxpayers) will rise from 10% to 18% and the higher rate from 20% to 24%. The Chancellor also reduced the annual tax-free CGT allowance from £6,000 to £3,000, making more gains taxable at the current CGT rates. These changes will impact investors and individuals selling assets like non ISA funds and shares, as they'll owe CGT on a greater portion of their gains and at a higher rate, thus raising their tax liabilities.

Example:
If you had invested £20,000 for each of the last 5 years with an annual growth rate of 8% (income reinvested) your total value after an assumed annual overall charge of 1.1% would now be worth £122,706 (source: Fidelity).

Let's look at the capital gains implications if you were to sell the entire holding:

Investing in a ISA

Value	Total Gain	Capital Gains tax due	Total Value
£122,706	£22,706	£0	£122,706

Investing in a GIA (General Investment account)

Value	Total Gain	Capital Gains tax due	Total Value after tax
£122,706	£22,706	£3,547 (Basic rate tax payer)	£119,159
£122,706	£22,706	£4,729 (Higher rate tax payer)	£117,977

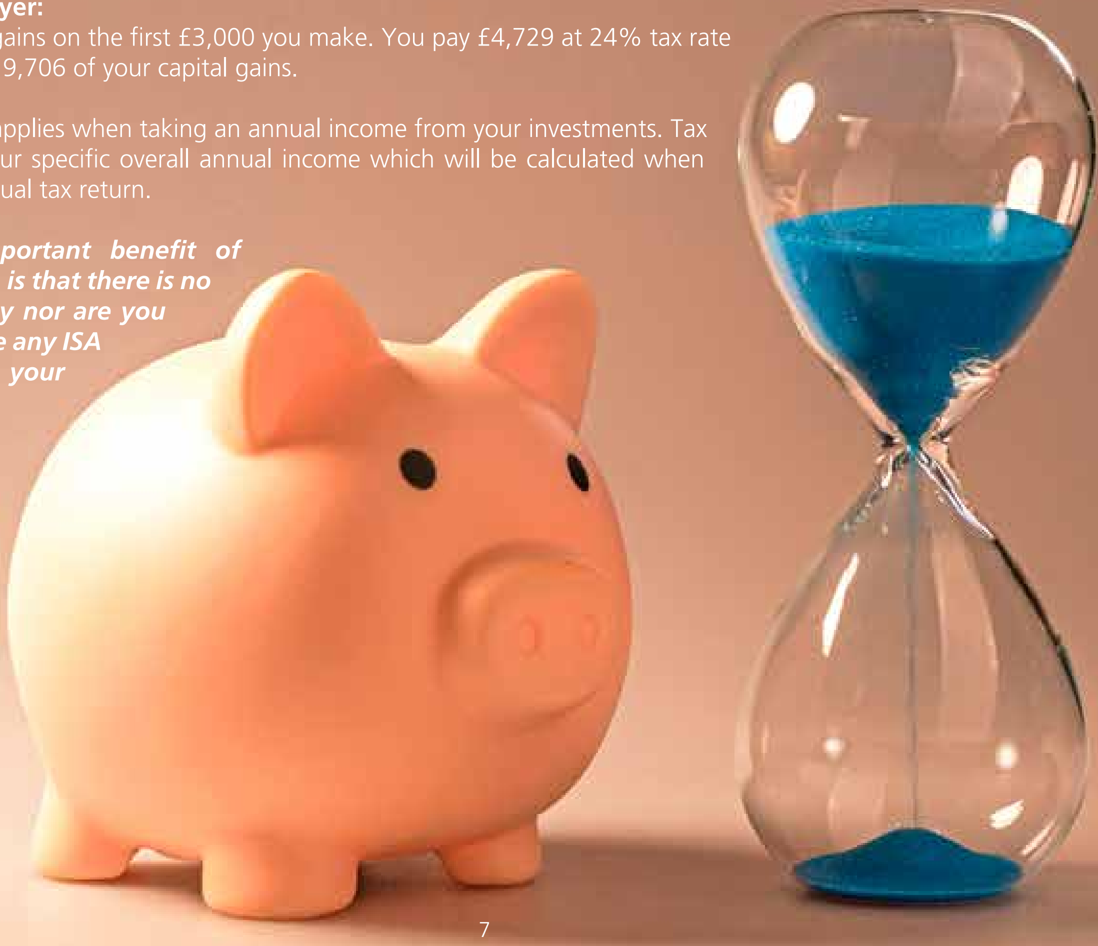
How did we calculate tax due figures

Basic rate tax payer:
You pay no capital gains on the first £3,000 you make. You pay £3,547 at 18% tax rate on the remaining £19,706 of your capital gains.

Higher rate tax payer:
You pay no capital gains on the first £3,000 you make. You pay £4,729 at 24% tax rate on the remaining £19,706 of your capital gains.

The same principle applies when taking an annual income from your investments. Tax will be based on your specific overall annual income which will be calculated when submitting your annual tax return.

Another very important benefit of investing in an ISA is that there is no income tax liability nor are you required to include any ISA investments on your tax return.



Investing in a Ventu Capital Trust (VCT) i the UK

A Venture Capital Trust (VCT) is a type of investment fund listed on the London Stock Exchange. It was introduced by the UK government in 1995 to encourage investment in small and growing companies by offering significant tax incentives. VCTs are ideal for experienced investors looking for higher-risk opportunities with the potential for significant returns, alongside substantial tax benefits.

What is a VCT?

VCTs pool capital from investors to invest in a portfolio of small, unlisted, or AIM-listed companies. These companies are typically in the early or growth stages of their development, which means they have significant growth potential but also carry higher risks compared to larger, more established businesses.

Key Features of VCTs

- High-Risk Investment: VCTs invest in small, young businesses, which may offer high growth potential but also a higher chance of failure.
- Tax Efficiency: Designed to encourage investment in small businesses, VCTs provide attractive tax reliefs to mitigate some of the risks.
- Long-Term Focus: VCTs are designed for long-term investment, with a typical holding period of at least five years to retain tax benefits.

Tax Benefits of VCTs

- Income Tax Relief: Investors can claim up to 30% income tax relief on new investments in VCT shares, up to a maximum annual investment of £200,000. However, the shares must be held for at least five years.
- Tax-Free Dividends: Dividends paid by VCTs are exempt from income tax.
- Capital Gains Tax (CGT) Exemption: Any gains made on the sale of VCT shares are free from CGT.

Types of VCTs

- Generalist VCTs: These invest across a broad range of sectors and companies.
- Specialist VCTs: Focused on specific sectors like technology, healthcare, or renewable energy.
- AIM VCTs: Invest primarily in companies listed on the Alternative Investment Market (AIM).

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<u>Pros of Investing in VCTs</u>

- Diversification: A single VCT investment provides exposure to a portfolio of companies.
- Tax Efficiency: The tax reliefs can enhance overall returns.
- Potential for High Returns: Investments in early-stage businesses can generate significant profits if the companies succeed.
- Support for UK SMEs: Investing in VCTs supports innovation and growth in small UK businesses.

<u>Cons of Investing in VCTs</u>

- High Risk: Small and early-stage companies are more likely to fail compared to established ones.
- Illiquidity: VCT shares are not as easily tradable as shares in larger companies.
- Management Fees: VCTs often have high management fees, which can impact returns.
- Complexity: VCTs are more complex than traditional investment vehicles, requiring careful consideration and professional advice.

Who Should Invest in a VCT?

<u>VCTs are suitable for:</u>

- Experienced Investors: Those who understand the risks of investing in smaller, unlisted companies.
- High-Net-Worth Individuals: Investors with sufficient wealth to withstand potential losses.
- Tax-Conscious Investors: Those looking to maximize tax efficiency within their portfolio.

<u>How to Invest in a VCT</u>

- Research: Compare VCT options based on their investment strategy, track record, and sector focus.
- Financial Advice: Seek advice from a financial advisor to determine if VCTs align with your financial goals and risk tolerance.
- Direct Investment: Purchase VCT shares during new offerings or through the secondary market.
- Tax Considerations: Keep detailed records to claim tax reliefs.

Conclusion

Investing in VCTs offers a unique opportunity to combine financial returns with significant tax benefits. However, these investments are not for everyone. They carry inherent risks and are best suited for experienced investors willing to accept the possibility of losses in exchange for potentially high rewards. Before investing, thorough research and professional advice are crucial to ensure alignment with your financial objectives and risk appetite. Please contact us for more information on VCTs which we can currently offer.

Investing in pharmaceutical and healthcare companies

...a simplified guide

The pharmaceutical and healthcare industries are vital and growing sectors, driven by global health needs, an aging population, and constant innovation. For investors, these industries offer significant opportunities for growth, especially as demand for healthcare services and new treatments increases. However, investing in these sectors comes with risks and requires careful consideration.

Why Invest in Healthcare and Pharmaceuticals?

1. Growing Demand: As the population ages, demand for healthcare services, drugs, and medical devices continues to rise.
2. Innovation: New treatments, like gene therapy and vaccines, offer the potential for substantial returns on investment.
3. Economic Resilience: Healthcare is a defensive sector, often performing well even during economic downturns.

Key Investment Areas

1. Pharmaceuticals: Large drug companies (e.g., Pfizer) offer stable revenue, while smaller biotech firms present high-growth but higher-risk opportunities.
2. Biotechnology: Focuses on cutting-edge research, like cancer therapies, with high reward potential but significant risk.
3. Medical Devices: Companies that manufacture diagnostic tools and surgical equipment, benefiting from innovation and rising healthcare demand.
4. Healthcare Providers and Insurance: Hospitals, clinics, and insurers offer stable, long-term returns driven by the need for care and coverage.

Risks to Consider

1. Regulatory Challenges: Government regulations and drug approvals can significantly impact a company's profitability.
2. Patent Expirations: Once drug patents expire, competition from generics can reduce profits.
3. R&D Failures: High costs and risks are involved in drug development, and failed trials can lead to stock price declines.
4. Legal Issues: Lawsuits related to drug safety or pricing practices can hurt a company's reputation and financial health.

Investment Strategies

1. Long-term Growth: Focus on companies with strong drug pipelines and a history of innovation.
2. Dividend Investing: Large pharmaceutical companies often offer reliable dividends.
3. ETFs: Healthcare ETFs provide diversified exposure across pharmaceuticals, biotech, and healthcare services.
4. Thematic Investing: Target specific trends, such as cancer research or digital health, for niche investment opportunities.

How to Evaluate Companies

When analyzing healthcare companies, consider:

- Pipeline strength: How many drugs are in late-stage development?
- Financial health: Strong cash reserves and revenue stability.
- Competitive position: Leadership in the industry and patent protections.

Conclusion

Investing in pharmaceutical and healthcare companies offers both stability and growth potential. While innovation and increasing demand drive opportunities, risks like regulatory hurdles and competition require careful analysis. Diversification and a long-term approach can help investors succeed in this complex but promising sector. For more information regarding healthcare and biotech funds please do not hesitate to contact us.

Leaders Laggards and Losers

Our very own unique fund performance rating system

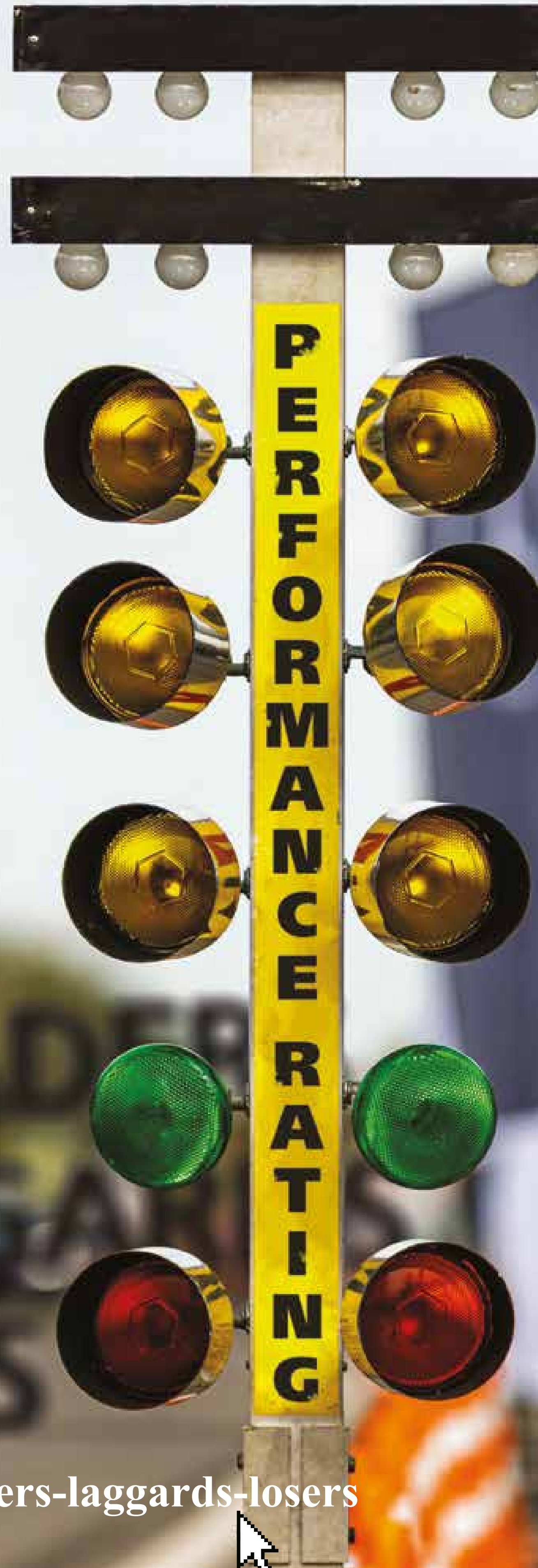
This helpful online tool, designed by ourselves, provides a rating for over 2,000 funds highlighting both the out-performers and underachievers over a three year period. You'll now be able to see at the click of a button just how well (or badly) your funds are doing compared to their peers, highlighting both the out-performers and underperformers, relative to their sector averages over the past three years. To be a Leader, a Laggard or a Loser, your fund must fulfil certain criteria. Its category rating will be arrived at by looking not only at its relative performance over a full three year period but also how consistently it has either out-performed or under-performed its sector average in each of the last three discrete one year periods.

Many funds won't meet the criteria to be classified as a Leader, Laggard or Loser. These funds will appear in the 'Others' category. This simply means a fund's performance is not good enough to achieve the status of a Leader, but neither is it so poor as to appear in the Laggards or Losers list.

There are literally thousands of funds on the market and to be honest, there is no way of predicting how any of these funds will perform in the future, despite how well or poorly they've performed in the past. There are so many factors that could affect performance going forward and there are no guarantees as to what lies ahead.

On pages 13 and 14 we've listed the Leaders in some of the more popular sectors.

If you would like more information and a more comprehensive and detailed overview of this tool, please visit our website www.elsonassociates.com. If you do not have internet access, we will be happy to send you a paper copy of whichever sector(s) you are interested in.



www.elsonassociates.com/leaders-laggards-losers

Sectors

Company (top 10)	Fund	Perf. 36m	Crown rating
UK Equity Income Sector			
BNY Mellon Fund Managers Ltd	UK Income Inst W Acc	33.88%	4/5
Thesis Unit Trust Management Ltd	Redwheel UK Equity Income S Acc	31.93%	3/5
MAN Group	Man Income C Professional Acc	31.48%	4/5
Jupiter Unit Trust Managers Ltd	UK Income I Acc	29.82%	3/5
Schroder Unit Trust Managers	Income Maximiser Z Acc	28.20%	4/5
Schroder Unit Trust Managers	Income Z Acc	28.15%	4/5
Quilter Investors Limited	UK Equity Large-Cap Income U2 Acc	26.96%	3/5
Artemis Fund Managers Limited	Income I Inc	26.89%	3/5
Artemis Fund Managers Limited	Income (Exclusions) Acc	25.92%	3/5
St James's Place UT Group Ltd	UK Equity Income L Acc	25.13%	3/5
North America Sector			
Phoenix Unit Trust Managers	ACS North American Equity LF	46.48%	0/5
Columbia Threadneedle Investments	North American Equity 2 Acc	43.37%	5/5
Jupiter Unit Trust Managers Ltd	Merian North American Equity I Acc	39.74%	4/5
JP Morgan Asset Management UK	US Research Enhanced Index Equity E Acc	39.35%	5/5
UBS Asset Management Funds Ltd	S&P 500 Index C Acc	39.35%	0/5
Schroder Unit Trust Managers	QEP US Core I Acc	39.24%	4/5
Scottish Widows Unit Trust Managers Ltd	US Equity X	38.40%	4/5
Fidelity International	Index US P	38.35%	0/5
HSBC Asset Management (Fund Services UK)	American Index C Acc	37.95%	4/5
Aberdeen Standard Investments	American Equity Enhanced Index B	37.85%	4/5
Global Sector			
Royal London Unit Trust Managers Ltd	Global Equity Select M Acc	55.67%	5/5
Thornbridge Investment Management	Thornbridge Global Opportunities C Acc	52.27%	5/5
Invesco Fund Managers Ltd	Global Excluding UK Core Equity Index UK No Trail Acc	51.35%	4/5
Legal & General Unit Trust Managers Ltd	Global 100 Index Trust I Acc	46.62%	0/5
Quilter Investors Limited	Global Unconstrained Equity R Acc	46.51%	4/5
Invesco Fund Managers Ltd	Global Exlcuding UK Enhanced Index UK Z Acc	39.56%	4/5
Allianz Global Investors GmbH(UK)	Best Styles Global AC Equity C Acc	39.23%	4/5
Aberdeen Standard Investments	World Equity Enhanced Index B Acc	37.91%	4/5
Jupiter Unit Trust Manager Ltd	Merian Global Equity I Acc	37.31%	4/5
Schroder Unit Trust Managers	QEP Global Core A Acc	36.08%	4/5
Europe Excluding UK Sector			
Artemis Fund Managers Limited	SmartGARP European Equity I Acc	36.62%	5/5
Liontrust	European Dynamic I Inc	21.08%	5/5
M&G UK	European Sustain Paris Aligned I Acc GBP	20.83%	4/5
AFH Wealth Management	AFH DA European Equity R	18.74%	5/5
Janus Henderson Global Investors	European Focus I Acc	18.36%	4/5
EdenTree Investment Management	Responsible & Sustainable European Equity B	16.89%	4/5
JP Morgan Asset Management UK	European Sustainable Equity C Acc	13.06%	5/5
Omnis Investments Ltd	Omnis European Equity Leaders A Inc	12.77%	5/5
Legal & General Investment Managers Ltd	Future World Europe (Ex UK) Equity Index	11.05%	0/5
JP Morgan Asset Management UK	European (ex UK) Research Enhanced Index Equity E Acc	10.50%	4/5

Past performance is not necessarily a guide to future returns. Income and capital values can fall as well as rise and are not guaranteed. Exchange rate fluctuations may also cause the value of investments and any income from them to fall as well as rise. You may not get back the amount invested. Investments in small and emerging markets can be more volatile than more developed markets. Specialist funds carry a high degree of risk. Performance figures as at 31.12.24. Performance data supplied by Financial Express. Past performance figures are based on bid to bid or mid to mid prices with net income reinvested.

Sectors continued...

Company (top 10)	Fund	Perf. 36m	Crown rating
Japan Sector			
Waystone Management (UK) Limited	Morant Wright Nippon Yield B Acc	54.54%	
MAN Group	Man Japan Core Alpha C Professional Acc	51.29%	
Waystone Management (UK) Limited	Morant Wright Japan B Acc	50.52%	
M&G UK	Japan I Acc GBP	35.18%	
Quilter Investors Limited	Japanese Equity U2 Acc	35.10%	
Phoenix Unit Trust Managers	ACS Japan Equity LF	31.61%	
Liontrust	Japan Equity C Acc GBP	28.04%	
Aberdeen Standard Investments	Japan Equity Enhanced Index B	19.16%	
State Street Global Advisors Ltd	Japan Screened Index Equity	17.40%	
Legal & General Investment Managers Ltd	Future World Japan Equity Index	17.31%	
UK All Companies Sector			
Ninety One Fund Managers	UK Special Situations I Acc	46.22%	
Dimensional Fund Advisors Ltd	UK Value Acc	32.09%	
MAN Group	Man Undervalued Assets Professional C Acc	31.83%	
Schroder Unit Trust Managers	Cazenove Charity Equity Value Z Inc	29.85%	
Jupiter Unit Trust Managers Ltd	UK Dynamic Equity I Acc	28.74%	
JO Hambro Capital Management	UK Dynamic A Acc	27.75%	
Invesco Fund Managers Ltd	UK Enhanced Index (UK) Z Acc	25.11%	
HSBC Asset Management (Fund Services UK)	FTSE 100 Index C Acc	23.79%	
Legal & General Unit Trust Managers Ltd	UK 100 Index Trust I Acc	23.65%	
Vanguard Investments UK Limited	FTSE 100 Index Unit Trust Acc	23.57%	

Criteria explained

Leaders

Funds in this category have the best record of consistently out-performing their sector peers over the past three years. To be a Leader, it must have produced a positive return relative to the sector average over each of the last three discrete years and show accumulative performance over those three years of at least 10% better than the sector average.

Laggards

These funds are regularly under-performing. Their performance in each of the last three discrete years is worse than the sector average and the accumulative performance over three years is between -20% and -50% relative to the sector average.

Losers

These funds are consistently under-performing and by a significant margin over three years. Like the Laggards, their performance falls short of the sector average in each of the last three discrete years. The accumulative performance over three years, however, is even worse at over 50% below the sector average.

Others

Funds in the 'Others' category haven't quite met the stringent criteria required to be a Leader, but at the same time their performance isn't poor enough to qualify as a 'Laggard' or a 'Loser'.

30 Day Measure

The criteria for Leaders, Laggards and Losers is updated on a daily basis. The nature of fund performance, however, is such that a fund can quickly drop out of the Leaders category or improve its performance from one day to the next to escape being labelled a Loser. For this reason, we indicate each fund's categorisation going back over the past 30 days to provide evidence of the regularity or otherwise that a fund has appeared in any given category over a longer period than just a day. Please note: 'Day 1' represents the fund's categorisation based on performance data received on the previous business day.

Past performance is not necessarily a guide to future returns. Income and capital values can fall as well as rise and are not guaranteed. Exchange rate fluctuations may also cause the value of investments and any income from them to fall as well as rise. You may not get back the amount invested. Investments in small and emerging markets can be more volatile than more developed markets. Specialist funds carry a high degree of risk. Performance figures as at 31.12.24. Performance data supplied by Financial Express. Past performance figures are based on bid to bid or mid to mid prices with net income reinvested.

Economic update

What's the outlook for the economy and markets in 2025?

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2024 was a positive year for investors. The US was particularly resilient, with strong economic growth and falling inflation, while shares delivered strong returns.

But can it continue and what does next year have in store? Below, we give our outlook for the economy and markets in 2025.

US economic growth will slow

The US has experienced a favourable combination of strong economic growth, falling inflation and a relatively healthy jobs market. We believe this has been largely driven by increased productivity (meaning the economy can produce and consume more goods and services for the same amount of work) as well as a surge in the availability of workers.

While these positive drivers may continue in 2025, there are some risks that could offset the gains. These include higher tariffs on imported goods and stricter immigration policies. As a result, we expect US economic growth to slow from around 3% to closer to 2% in 2025. The Federal Reserve (the US central bank) is likely to reduce interest rates to 4%, but further cuts may be difficult because of the risk of reigniting inflation.

Growth outside the US will be mixed

Other countries have not benefitted from the same economic advantages as the US has.

In Europe, inflation is close to the European Central Bank's (ECB's) 2% target, but this has come at the cost of little-to-no economic growth in 2023 and 2024. Growth is expected to remain below the long-term average next year because of the risk of a slowdown in global trade. The ECB is likely to cut interest rates to 1.75% by the end of 2025.

In the UK, growth is forecast to rise above the long-term average, thanks to measures in the Autumn Budget that aim to boost spending and investment. The Bank of England is expected to cut interest rates more aggressively next year, with rates ending 2025 at 3.75%.

In China, growth should pick up as measures that aim to stimulate the economy kick in. However, further measures are needed to overcome external and domestic challenges, such as weak confidence among households and businesses.

The long-term outlook for shares is more cautious

US shares have generally delivered strong returns in recent years. 2024 was no exception, with US companies' earnings growth exceeding expectations and share price valuations (a measure of how much investors are willing to pay for shares based on company earnings) increasing further. The key question for investors is, ***'What happens next?'***

In our view, US share price valuations are elevated. However, we believe there are recent developments that justify higher valuations, leaving US shares not as stretched as traditional metrics would suggest. For example, many large companies borrowed money when interest rates were low, insulating them from subsequent interest-rate rises. And, importantly, the US stock market has been increasingly concentrated in growth-oriented sectors like technology. These sectors have favourable growth prospects, which tend to support higher valuations than shares in other sectors.

Nevertheless, the likelihood that we are in the midst of a productivity boom – whereby strong economic growth driven by technological advances supports high valuations – must be balanced with the possibility that the current environment may be more like 1999. That's when the 'dot-com bubble' started to burst, with technology stocks falling after a rapid rise in valuations.

History shows that, without a shock to the economy or company earnings, US shares can continue to defy concerns about high valuations in the short term. Ultimately, however, high valuations will drag down long-term returns for investors. We expect annualised[1] returns of 2.9%-4.9% for US shares[2] over the next decade.

Shares outside the US offer more attractive valuations. Over the next decade, we expect annualised returns of 5.7%-7.7%

for UK shares, 7.4%-9.4% for developed markets excluding the US and 5.3%-7.3% for emerging market shares[3]. However, economic growth and profits matter more over shorter horizons. How these factors develop in the coming years will determine whether and when the more attractive valuations translate into higher returns for investors.

Interest rates will support bonds

With the rise in interest rates in recent years, bond[4] yields (which show income from bonds as a proportion of the current price) have increased too.

Although central banks are cutting interest rates, we expect rates to settle at higher levels than in the 2010s. This sets the stage for solid returns from bonds over the next decade.

We now expect annualised returns of 4.3%-5.3% for UK bonds and 4.5%-5.5% for global ex-UK bonds over the next decade[5].

If interest rates fall, existing bonds are likely to benefit from rising prices. Bond prices tend to rise when interest rates fall because existing bonds paying higher interest become more attractive. As prices rise, bond yields fall and vice versa. This rise in prices should lead to capital gains for investors, on top of the income that bonds are paying.

Even if interest rates were to rise by a modest amount, leading to a decline in bond prices, the higher income stream from bonds should be sufficiently large to keep total returns positive. This strengthens the case for bonds as a ballast in long-term portfolios, to offset any fluctuations in other investments such as shares.

Holding a balanced portfolio is key

The strong outlook for bonds together with a more cautious long-term outlook for US shares means that holding a balanced portfolio is key. As an example, we expect a balanced portfolio of 60% shares and 40% bonds to return 5.0%-7.0% over the next decade[6].

Although return expectations for different assets, regions and sectors can vary, it's very difficult to correctly time when to buy or sell. Even if a region or sector is undervalued - and therefore might be expected to deliver above-average returns - it can continue to be undervalued for some time, often years. Similarly, a region or sector may remain overvalued for some time.

This is one of the key benefits of having a global portfolio that spreads your money across different asset types, regions and sectors. It saves you from trying to time the markets, which is a strategy that rarely pays off. It also means you can reap the benefits of having exposure to regions or sectors that may perform well to offset those that perform less well.

[1] Annualised returns show what an investor would earn over a period of time if the annual return was compounded (i.e. the investor earns a return on their return as well as the original capital).

[2] US shares are represented by the MSCI USA Total Return Index Sterling.

[3] UK shares are represented by the MSCI UK Total Return Index, developed market ex-US shares are represented by the MSCI World ex USA Total Return Index Sterling and emerging market shares are represented by the MSCI Emerging Markets Total Return Index Sterling.

[4] Bonds are a type of loan issued by governments or companies, which typically pay a fixed amount of interest and return the capital at the end of the term. Once issued, bonds are traded, like shares, and their prices can fluctuate.

[5] UK bonds are represented by the Bloomberg Sterling Aggregate Bond Index and global ex-UK bonds (hedged) are represented by the Bloomberg Global Aggregate ex Sterling Bond Index Sterling Hedged. With hedging, managers typically use derivatives (a type of financial contract) to offset exchange rate movements. The contracts typically lock in a pre-determined exchange rate at which the manager can buy or sell the foreign currency at a future date.

[6] The 60% shares/40% bonds portfolio is represented by UK and global ex-UK shares (MSCI UK Total Return Index and MSCI AC World ex UK Total Return Index), and UK and hedged, global ex-UK bonds (Bloomberg Sterling Aggregate Bond Index and Bloomberg Global Aggregate ex Sterling Bond Index Sterling Hedged).

Outlook 2025: Trump's agenda has economic consequences

The Jupiter Merlin team look ahead to 2025, a year which promises to be defined by the impact Donald Trump has in his second term in the White House.

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2025 is likely to be dominated by the ramifications of the new Trump administration in the White House. With a clean sweep of Congress anticipated, Trump will have an unequivocal mandate to push his agenda: investing in infrastructure; reducing the tax burden; aiming to achieve his target to grow the economy by 3% a year sequentially; rescinding America's participation in the Paris Climate Accord; doing a deal with Putin to bring the war in Ukraine to an end; and finally, launching a protectionist trade war by slapping a blanket 10% tariff on all imported goods except those from China, for which the tariff would be 60%. China (18% of global GDP) is struggling enough to reach its 5% annual growth target even before the new tariff regime is implemented.

'MAKE AMERICA GREAT AGAIN' has economic consequences. Until we know the policy details it is difficult to be precise about what they might be. Investors are currently weighing up the extent to which a splurge of fiscal stimulus from Trump's growth package will stoke inflation, potentially slowing the pace of interest rate cuts. On the other hand, they are also trying to figure out the global reactions among those who trade with America and whether an escalation in the cost of doing business will cause the global economy to slow. Will America's counterparties respond in kind? Or will they try and cut a deal with a man who loves wheeling and dealing?

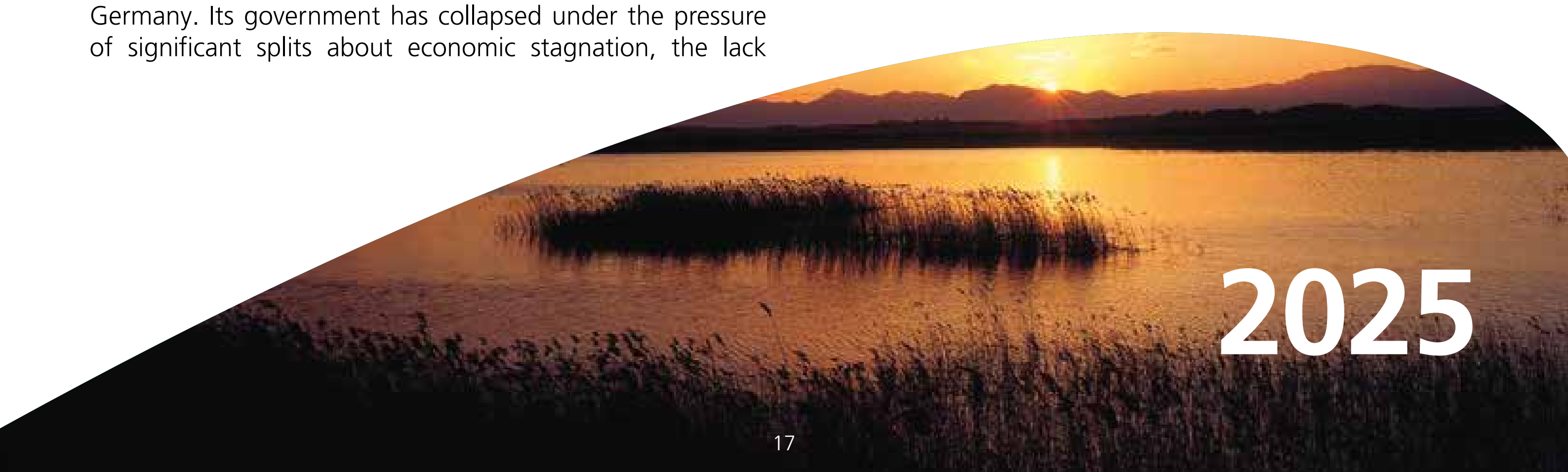
The UK is a major case in point: the US is by a factor of three the biggest single national destination for our exports (at $72 billion, 22% of the UK total, followed by exports to Germany at 7%); it is the second-largest source of our imports (11.9%, or $94 billion, behind those from China at 12.5%); Keir Starmer is allegedly wargaming a bizarre tit-for-tat tariff strategy when the value of US trade matters much more to us than ours with America does to them. Given the UK is outside the EU and the Customs Union and is free to negotiate national trade deals, coming to a mutually beneficial arrangement with our closest ally would surely be more constructive.

At least the political situation in the US is clear. Not so in Germany. Its government has collapsed under the pressure of significant splits about economic stagnation, the lack of freedom to set an unfettered budget, immigration and climate change policy. The big question for Europe's largest economy is the extent to which the more extreme parties on the left and right make significant gains nationally in the forthcoming unscheduled election, potentially defining (or at least significantly influencing) the future direction of German government policy with knock-on effects for the eurozone.

Finally, a year ago we described government debt as the elephant in the room. The elephant has only grown bigger. Across the western world, government debt and its sustainability remain a constant source of vexation and frustration for investors. And this is before the major economies have embarked on their own investments in carbon net-zero, or agreed on the fiscal support demanded by poorer countries from the wealthier at COP29 to manage the effects of climate change.

Outlook

Our summary of the past couple of years is enduring. We might have seen elements of today's conditions before, but none of us has ever seen them in their totality in our investment careers, however long they span. Opportunities are there to be taken, but new risks present themselves and must be managed or mitigated against. From an investment perspective, we believe it pays to be open-minded and adaptable rather than prescriptive and dogmatic. Aiming to keep up in the good times, trying to lose less in more challenging conditions, this is what we believe goes to the heart of compounding long-term wealth.



Newsletter warning

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Past performance is not necessarily a guide to future returns. Market and exchange rate movements may cause the value of investments and any income from them to fall as well as rise and you may not get back the amount originally invested. Some of the funds featured in this newsletter might invest in specialist sectors. As a result they may carry greater risks in return for higher potential rewards. The stockmarkets and currencies of emerging markets can be extremely volatile. Investors should only invest if prepared to accept a high degree of risk. If you are unsure about the risks attached to a certain fund, you should seek professional advice. Tax benefits, if any, may vary as a result of individual circumstances and the levels and bases of and reliefs from taxation may change. The tax advantages of ISAs may be subject to future statutory change. Eligibility to invest in an ISA and the value of tax savings on ISAs will depend on individual circumstances.

We will not be offering any advice as to the suitability of the investments we have highlighted in this newsletter. These investments are not suitable for everyone. If you have any doubts as to whether an investment is suitable for you, you should obtain expert advice.

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