

LACOMP PLC IS AN INDEPENDENT INVESTMENT MANAGEMENT COMPANY PROVIDING  
PORTFOLIO MANAGEMENT SERVICES TO PRIVATE INVESTORS WORLDWIDE

### **The American Presidential Election**

The Americans have a new president. President Joe Biden has an exceedingly difficult job on his hands. Faced with a deeply divisive, divided nation, quite apart from an escalating Covid-19 crisis, he used his inaugural speech to plead for unity. That is a tough call: over 74 million American voters chose the incumbent in November's election, and a large number of those voters still believe the election was 'stolen' from them.

President Biden did not waste any time, marking his first day in office by issuing 15 executive orders overturning some of his predecessor's key policies, among them climate change, immigration, and Covid-19. An executive order by a president does not need the approval of Congress, and with the stroke of his pen, President Biden has eviscerated most of Donald Trump's legacy. This will have upset the Republican Party members and particularly the Trump voters, who were told only a day earlier that the new president would work for them, too.

Donald Trump has finally gone and will now be the subject of a trial by the Senate as the only president to have been impeached twice.

Still, however you look at it, his rise from controversial businessman and TV reality star to occupant of the Oval Office in the White House is a remarkable story. When he entered the race for the presidency, he was almost perceived as a figure of fun. Never elected to any public office, he was viewed as a crass outsider, but his populist rhetoric struck a chord with those voters who had felt disenfranchised by the political establishment. Whilst on the stump in the two years before the 2016 election, he made many promises, and as president he either kept them or at least tried to keep them.

He did reduce taxes, ended military engagement abroad, got rid of a lot of overregulation and even managed to appoint more conservative judges, changing the make up of the Supreme Court for decades to come. The US economy did extremely well, partly because of the changes he brought about.

However, there was the other Trump: full of bombast, rudeness and belittling of opponents. Some of his actions were viewed with incredulity around the world. His inability to accept facts, including the outcome of the recent election, ultimately led to the unruly and dangerous mob that stormed the Capitol, and that may well be the way history will judge him.

### **Covid-19**

The pandemic is still with us and likely to stay. The latest reports hint that the present Covid variant may carry the risk of a higher degree of mortality. If that proves to be correct, we may have to stay in lockdown longer than anticipated. The economy, already heading for a double-dip recession, will continue to be negatively affected, and the associated national debt (currently at around 100% of GDP) is set to increase.

Many businesses have failed, and many jobs will be lost. Financial problems and the continued lockdown cause anxiety and stress. People's psyche can be negatively affected, and we hear that mental illness and even domestic abuse are on the increase.

In short, there is a lot of negativity around, not helped by the media – particularly the press – that exacerbate the problem. We are inundated with often differing views by experts of all type, and social media plays a dangerous role in all this.

Armchair pundits talk about the 'roadmap out of lockdown'. To lighten the mood, most people's roadmap revolves around how to find their way from the bedroom to the living room via the kitchen!

### **Brexit**

We always said that the Brexit negotiations would go down to the wire, and so it proved. Well, a deal has been

struck. Whether it is a particularly good deal, only time will tell. Many issues are still to be resolved, among them the future role of our financial institutions and the City. There is no question that the EU will do everything in its power to make life for the UK rather difficult, if only to deter some of its less than happy member states from pursuing a UK-style exit of their own.

The EU economy has huge problems to overcome, and Michel Barnier only last week called for unity among its members.

There will be positives and negatives of being out of the EU. One definite positive is the fact that in July of last year the UK walked away from the European Medicine Agency (EMA) and its Covid vaccine alliance. Anti-Brexit circles accused the government of putting Brexit before the health of its population, saying the UK would never be able to match the purchasing clout of the EU. In the event, the UK's approach proved nimbler and faster in obtaining the vaccine, whereas the EMA is bureaucratic and must please all its 27 member states, slowing down its procurement process. As a result, we are way ahead of the EU's rollout of the much-needed vaccine.

### Changes to our Portfolio Management Service

When we set up our discretionary portfolio service 35 years ago, investment Wraps and Platforms were an unheard-of concept, not even on the 'drawing board'. That was the reason we established Lacomp Nominees Ltd., a wholly owned but non-trading subsidiary of Lacomp plc whose sole purpose was to hold documents of title for clients, and operate individual client accounts.

From the mid-nineties Platforms became available, first in America, followed by Australia and New Zealand. The closest UK equivalent was Skandia's MultiPEP, albeit with a very limited fund choice. Transact brought the first UK-authorised full Wrap service to the market in 2000. Initially, Platforms were relatively expensive and limited in their offerings of fund choice. However, things have changed dramatically over the last 20 years: hundreds of billions of pounds are now invested through UK Wraps and Platforms, and investment choice is truly vast.

For some time, we at Lacomp have been considering whether the nominee service and individual client accounts are of real value to clients, and recent developments have made us focus on this point.

Banks operating client accounts clearly do not make money from them, and Cater Allen, for example, now insist that each client account must always maintain a minimum balance of £1,000.

Furthermore, and quite a few of our clients have already experienced this, an increasing number of management groups now require further repeat confirmation of personal details (from the clients themselves!) even though Lacomp of course already holds such details and has carried out the necessary due diligence to meet the "Know Your Client" requirements.

*We now believe it is in the best interest of our clients to gradually phase out both the nominee service and the associated individual client accounts over the course of 2021.*

This will not happen overnight as it will involve us in a lot of administrative work. We will write to you individually and explain your options. *Needless to say, we will not be making any charge whatsoever for implementing these changes.*

Some of the main changes and benefits:

- Most of you are already familiar with Platforms through your ISAs, pensions, parts of your portfolios, etc.
- We rigorously assess and regularly review the Platforms we use, and those we ultimately select are financially strong and sound.
- For the safety of your money, Platforms are very strictly regulated. Your investments are ring-fenced, and while they are held on your behalf within the Platform's nominee account, you are the beneficial owner of your money, and the Platform may not mix your investments with its own operational accounts and/or balance sheet. In this respect, it is remarkably like Lacomp's nominee service.



- Platforms send regular valuation statements to clients, and some automatically generate a letter or an email each time there is an investment change or cash transaction. If you do not want to be inundated with lots of mail, some offer an “opt out” choice. In any case, you will still receive Lacomp's quarterly valuations, and we of course maintain records of any investment or cash movements.
- If you wish, you can have online access to your investment valuations.
- Many Platforms now offer funds, investment trusts and ETFs, as well as individual shares, creating a vast universe of possible investments. When Skandia launched its MultiPEP in the 1990s it offered 30 or 40 funds from a half-dozen investment houses; the platforms we now use offer 3,000-5,000+ funds from 100+ houses.
- Switching from one fund to another is usually very quick, minimising the time you are out of the market. Through the Lacomp Nominees and client bank account route we have to wait for sales to be settled and the proceeds to clear before we can place the next purchase. The improved efficiency of the switching process via Platforms reduces the risk of your investments being out of the market at the wrong time.
- While there will be an increase in underlying costs of about 0.25% (£2.50 per £1,000), in most cases this will be offset through your investments enjoying lower Annual Management Charges via some of the very cheapest fund share classes, for example using some institutional shares that we haven't even been able to access for you through Lacomp Nominees.
- Capital withdrawals are fast, and income payments are paid direct from the Platform to your own personal account.
- Interest payments and dividend income (from investments not held in ISAs or Pensions) are identified separately in the Platforms' reports, making your annual tax return an easier exercise.

As we said, we'll write to you individually.

In the meantime, we hope that you find the current lockdown situation tolerable, and wish you good health.

*Bagshot 25th January 2021*