Thesis Market Commentary

Making it big – Philanthropic Giving

Warren Buffet is often praised as one of the most successful investors of our time but perhaps lesser-known is his commendable success in the world of philanthropy. He has embarked on an impressive programme of philanthropy during his later years – personally and through the encouragement of others. What is the secret of his success? "Start by focusing on what motivates you", he advises, "then maximising your impact. Focus on charities that are able to sustain themselves and are excellently managed". This strategic approach to philanthropy has many parallels to his approach to investment and the success has followed.

Warren Buffet has given around $31bn in his life so far, around 40% of his wealth, to good causes

In the UK, the 46 local Community Foundations we have around the country are experts in strategic giving. They use their expertise, together with their local knowledge of charities big and small, to work with donors to form their own effective strategic giving strategy, an approach that is not dissimilar to that of Buffet. Giving often focuses on a particular cause the donor feels passionately about and may offer amongst others:

a) Personal development, new experiences, meeting new people and the chance to engage directly with a charity;

b) Be used as a catalyst for change or to have an impact on something that matters to society; and

c) Be designed to bring a family together across generations for a common good.

The government encourages this type of wealth distribution during a donor's life and in their Estate. Charities can benefit from tax reclaims on Gift Aid donations while further tax relief on donations is available for higher and additional rate taxpayers via self-assessment. A donor is also able to claim tax benefits on share donations depending on their circumstances.

> *"A way to bring a family together across generations for a common good."*

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Furthermore, on death, the rate of inheritance tax can be reduced from 40% to 36% if 10% or more of the net value of an Estate is left to charity.[1]

There are many ways in which individuals and families can incorporate philanthropy into their wealth planning, and for those who feel inclined to set aside a proportion of their wealth in their lifetime or on death there is the option of working with a lawyer to set up their own Charitable Trust or Private Foundation. Indeed, Buffet and his family have done this. There is also the simpler, more cost effective route of setting up a Donor Advised Fund (DAF). A DAF is a charitable giving structure established within a public charity such as a local Community Foundation. It is an easy, flexible and effective way to give and is an increasingly popular route for philanthropy.

Whatever the motivation - a duty, a moral obligation to give back, a way of remembering someone, continuing a family culture or recognition from championing a good cause - philanthropy can be tremendously stimulating, satisfying and rewarding as Buffet has found.

Donor Advised Funds (DAF)

Following client feedback we have been looking into the possibility of working with our local Community Foundations to establish DAFs for clients who are keen to support local causes. If you would like to know more about this, please do get in touch with me - alice.farrer@thesisam.com or on **01243 521782.**

[1] *Please note that we always recommend seeking tax advice from an appropriate professional in this regard.*

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NEWS&VIEWS

Summary

- S&P 500 enjoys best first quarter since 1998
- Treasury yield curve inversion
- Political impasse remains
- Growth worries continued to linger
- Rally in Indian stocks

Indices	Value as at 29/03/2019	% Change on month	% Change year to date	% Change on 12 months
FTSE 100 Share	7279.19	2.89%	8.19%	3.15%
FTSE All Share	3978.28	2.30%	8.25%	2.16%
S&P 500	2834.40	1.79%	13.07%	7.33%
Dow Jones	25928.68	0.05%	11.15%	7.57%
Euro Stoxx 50 EUR	3351.71	1.62%	11.67%	-0.29%
Nikkei 225	21205.81	-0.84%	5.95%	-1.16%
MSCI Emerging Markets	1058.13	0.68%	9.56%	-9.63%
UK Treasury 4.25% 2027	128.12	2.04%	1.45%	1.49%
Sterling/US$	1.30	-2.06%	1.94%	-7.42%
Sterling/Euro	1.16	-0.63%	4.05%	1.71%

SOURCE: BLOOMBERG

Stocks rose during March to finish what was to be a very strong quarter for global stockmarkets. The catalyst for the rebound, from a very rough fourth quarter was the US Federal Reserve backing away from raising interest rates, and investors growing more confident that the US and China would sign a trade deal. Given recent strength, the risk-reward trade-off for equities has clearly become less attractive but there may still be potential for further gains for stocks this year. A pickup in capital investment after trade uncertainty clears could present a possible upside surprise for markets. Meanwhile, the consumer spending outlook remains solid, buoyed by continued gains in employment and wages, and should remain supportive for equity investors.

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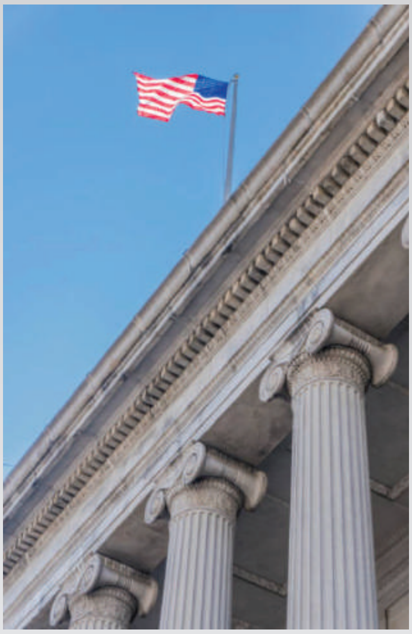

US

After the worst fourth quarter since 2008, the S&P 500 had its best first quarter since 1998, gaining over 13%. In recent weeks however, investor attention has turned to interpreting the implications of the US Treasury yield curve inversion (shorter-term bonds yielding more than longer-term bonds) and its foretelling recession capabilities. Not surprisingly, inversion extrapolations for moves in the stock market are difficult. First, a near-term recession is not inevitable. Second, the average time lapse between inversion and when a recession did develop is 17 months with stocks often enjoying significant gains post curve inversion. It is also worth bearing in mind the small magnitude of the inversion, the short length of time the inversions have been in place, the low absolute level of rates, and the healthy and relatively calm state of the credit markets before getting too carried away with all the doom and gloom headlines.

The US economy has however hit a bit of a soft patch to start the year, with tariffs, the government shutdown, and slower growth overseas giving weight to bond investors' expectations. Looking forward though, we think some temporary headwinds for the sluggish growth are expected to clear. We believe a US-China trade deal will be forthcoming, as both sides clearly want a deal: Trump wants to boost his re-election chances and China wants to support its economy.

UK

The question of the UK's departure from the European Union continued to dominate the agenda during March, with the political impasse remaining. Despite the Brexit drama rolling on, Sterling exchange rates remain some way off the lows for the year. This probably reflects the tempering of "no-deal" fears as well as the probability of a softer Brexit agreement having risen over the course of the last couple of weeks. In economic news, UK Manufacturing Purchasing Manager's Index (PMI), which measures the productivity and therefore health of an economy, rose to 55.1 from 52.1 in February. The increase in output is probably not sustainable though and can be attributed to companies increasing stockpiles ahead of a potential no-deal Brexit. Business confidence remains understandably low, and has manifested itself in deferred investment decisions and lower investment overall. The consumer however continues to be in a more positive position and frame of mind, which is fuelling modest growth for the overall economy.

Eurozone

European equity markets posted their third consecutive month of positive returns despite generally weak economic data, supported by central banks stepping away from tighter monetary policy. Investors may also be eyeing the recent pick up in macroeconomic indicators from China where fixed asset investment, industrial production and retail sales have all showed signs of improvement. Growth worries closer to home continued to linger however, with the Eurozone economy growing by just 0.2% in the final three months of 2018. Germany saw zero growth, while Italy slipped into recession. Forward-looking data also continues to point to weakness, especially in manufacturing sectors. In Germany, the manufacturing component of the flash PMI dropped to its lowest level since the peak of the Sovereign Debt Crisis in 2012.

Japan

Japan's manufacturing PMI showed some improvement with a reading of 49.2 compared to 48.9 in February. Whilst this was progress,

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a number below 50 still showed that the broader manufacturing sector was in contraction. The Bank of Japan's quarterly 'Tankan' survey also highlighted the deterioration in corporate confidence due to uncertainties in the global economy and financial markets, as well as uncertainties due to global trade disputes which have greatly affected Japan's export sector.

Emerging Markets

The rally in Indian stocks, which posted the highest monthly gain in three years, ensured global emerging equity markets edged slightly higher during March. Investors appear to be pricing in the Indian elections in May, and a return of Prime Minister Modi's coalition government as a possible catalyst for markets and the economy. Elsewhere in emerging markets, Latin America was dragged lower by weakness in Brazil and Chile. In emerging Europe, Turkey was the weakest performer as market sentiment towards the country was adversely impacted by currency woes leading up to the municipal elections.

Fixed Income

The heads of both the Federal Reserve and the European Central Bank indicated rates would not rise in 2019 with growth and inflation forecasts lowered. The Federal Reserve's policy shift has helped push down yields (prices up) on US Treasuries with the market now pricing in cuts to the interest rate in 2019/20. Brexit remained the key influence on the Sterling bond market with the ongoing uncertainty helping UK government bonds to rally, with 10-year gilt yields ending the month at 1%, their lowest level since September 2017. Corporate bonds had a strong quarter, retracing the weakness experienced at the back end of 2018, with high yield credit outperforming investment grade.

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