Think Investments

Autumn 2021

Together with

Santander Asset Management

Welcome

Think Investments helps you keep in touch with and navigate your way around the world of investments.

Having to be at home so much during the pandemic has meant many of us spending much more time online than we did previously: working, shopping, banking and seeing loved ones. It's been a lifeline in many ways but spending time online unfortunately also requires caution and being aware of potential harm.

Online scams cheating unsuspecting victims out of their money and personal data have surged since March 2020 when the pandemic initially took hold. Our first article looks at some of the ways scammers have been targeting people and how you can prevent yourself falling prey to them.

Our other articles consider some practical points around investing. First we look at how you can invest using either one or more lump sums, regular amounts or a combination of the two. Like many aspects of investing, the right answer for you will depend on your own personal circumstances. The important part is setting money aside for your future goals.

Finally, we take a look at some of the routes to a diversified investment portfolio: creating and maintaining your own portfolio, investing in a multi-asset fund or using a managed portfolio service. Each has its advantages but also points to be aware of and carefully consider.

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Protecting your money and data online from scams

During the pandemic you've probably found yourself spending more time online. Unfortunately so have scammers, taking advantage of our vulnerability since the pandemic started with a huge increase in financial scams since March 2020. So, what should you be looking out for, and how can you keep your money and personal information safe?

Citizens Advice estimate that one in three people were targeted during the national lockdown in early 2020.[1] Figures from UK Finance, the trade body for Britain's banking and finance industry, suggest that scammers may have stolen as much as £1.26bn from people during 2020, with the banking industry stopping another £1.6bn.[2]

Covid-19 specific scams

The pandemic and lockdowns have, unfortunately, created numerous opportunities for scammers. While these take many forms the most common are impersonation scams, where criminals pose as trusted organisations such as the NHS, HMRC or a bank to trick people into handing over money or personal information. According to UK Finance, cases almost doubled in 2020 to 39,364, making this the largest increase seen across all scam types.[3]

1 QUASSS – Local councils have recorded a 40% increase in scams since the start of lockdown 3/9/21
2 Inews – Scam victims to be repaid from frozen criminal accounts as Government indicates crackdown on fake online ads 5/5/21
3 UK Finance – Criminals exploit Covid-19 pandemic with rise in scams targeting victims online 25/3/21

The price of vaccine fraud

Within six weeks of the first UK vaccine being administered in December 2020, more than half a million pounds had been stolen across 91 reported vaccine scams, according to Action Fraud. The real total is likely to have been much higher as many financial scams are not reported.[4]

One of the best ways to protect yourself against scams is to be aware of them. Scams can be conducted by email (phishing) or text (smishing). These are just some examples from the pandemic:

Health related scams

- Texts or emails asking for personal information to book or confirm a vaccine appointment.
- Fake Test and Trace emails linking to a website to collect personal details.

Financial scams

- Emails claiming to offer government grants or a Council Tax reduction.
- Fake HMRC emails either demanding tax or telling the recipient they are due a refund.
- Unsolicited offers to help with a Universal Credit application, with an advance payment required for this 'service'.
- Emails or texts supposedly from TV Licensing either offering a free period or claiming there is a problem with the Direct Debit. Users of subscription services like Netflix have received similar emails asking them to update their payment details.

In many cases the recipient is sent to a fake website to enter personal and financial details such as card numbers, date of birth or account passwords. The scammer can then use those details to steal money from the victim's bank account or socially engineer the individual into making payments as part of a further scam. Phone based scams with persuasive callers can work in a similar way. Calls suggesting your National Insurance number has been compromised is a recent example highlighted by Action Fraud.

- An investment scam, when a customer is offered a fake opportunity to make profit if providing a sum of money.

Beware of the clones

One of the reasons so many people fall for these scams is they can be so convincing, using 'cloned' versions of websites, emails or literature from known, regulated and trusted firms. In the first month of lockdown alone, clone firm investment scams increased by 29%.[5] Always complete thorough checks before making any investments. Check the Financial Conduct Authority's website (fca.org.uk) to confirm they're a legitimate registered firm, not a clone or fake, and call the firm directly on the FCA registered telephone number.

Keeping your money and your data safe

Banks and other financial institutions work very hard to spot and stop scams, but scammers are determined and use sophisticated methods to trick people. This has become an even bigger problem as more people are vulnerable as a result of the pandemic.

Santander supports the **Take Five** campaign to help everyone protect their money and personal information – taking five minutes now could just protect you from a potential fraud. If you receive an unexpected call, email or text asking for any personal or financial information:

- **Stop:** take a moment to think before parting with any money or information.
- **Challenge:** only a scammer will try to rush or force you. If you're not sure, refuse or ignore it.
- **Protect:** contact your bank immediately if you think you've fallen for a scam and report it to **actionfraud.police.uk**. If you bank with us you can call us anytime on **0800 9 123 123**.

You can find out more about Take Five at **takefive-stopfraud.org.uk**

It's a good idea to speak to a friend or family member before making an investment or sharing your personal information. Talking it over with someone else gives you the time to think about what you're doing before it's too late.

Remember, if it sounds too good to be true – it probably is.

Know your scams

The Fraud and Security section of **santander.co.uk** has more information about financial scams in general and ways to protect yourself.

The financial services industry regulator, the Financial Conduct Authority, also has helpful resources at **fca.org/scamsmart**.

4 The Times – Top 10 financial scams to avoid 7/6/21
5 FCA – FCA issues warning over 'clone firm' investment scams 27/1/21

Regular investing, lump sum or both

Whether you have a lump sum to put away, prefer to put aside smaller amounts or can do a combination of both, investing for the future may be a positive step to take.

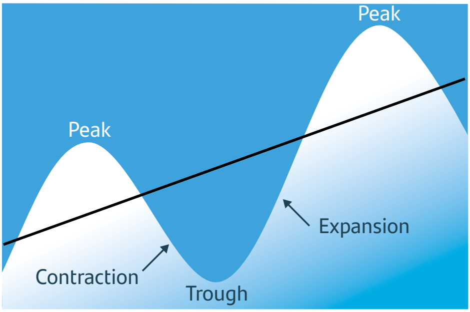
Investing means choices. Not only about what you want to put your money towards, but also the type of investments (we look at some options in the next article) and how you set that money aside.

There's more than one way to invest

You might make a lump sum investment, perhaps from savings you've built up or an inheritance. You might set money aside on a regular basis, for example each month by Direct Debit, adding to your investment over a number of years. If you're newer to investing this can be a good way to get into the habit, helping you to grow in knowledge and confidence as an investor over time. Or you might use a combination of both.

Time and the market

There's a saying that 'it's time in the market, not timing the market that matters'. This may be well worn, but it's still true and may have an influence on how you choose to put your money in. All investments come with risk – markets will go up and down over time. It's all part of the continuous market cycle of peak, contraction, trough and expansion.



For illustrative purposes only.

Remember, past performance is not a guide to future performance, but history has shown where there is a market downturn, a recovery can be expected to follow. Trying to predict when each stage of the market cycle might begin and end is extremely difficult and requires real expertise. Even then it's risky.

Take a long-term view

That's why, whether it's one-off or regular, investing should first and foremost always be viewed as for the long-term (five years or more). That allows potential for the short-term ups and downs to be smoothed out over time. It also allows potential for you to benefit from the power of compounding.

Buy investments at different prices

When you invest a lump sum, you buy your chosen investments at the same prices at the same time. That means they are all affected by subsequent short-term ups and downs in the same way and can make for a bumpier investing journey.

Investing regularly means you'll naturally buy investments at different times and different prices. When prices are lower you'll get more units for your money, when prices are higher you'll get fewer. Over the longer-term, it can help to smooth out the effect of short-term ups and downs on your returns, while still growing your potential for returns.

Benefit from compounding for long-term growth

Compounding is the positive snowball effect when investment returns from growth or dividends, for example, are reinvested and then go on to generate their own returns. Investing a lump sum means you may benefit from the power of compounding on the full amount from day one, but regular investments can also benefit from compounding over time.

Investing your way

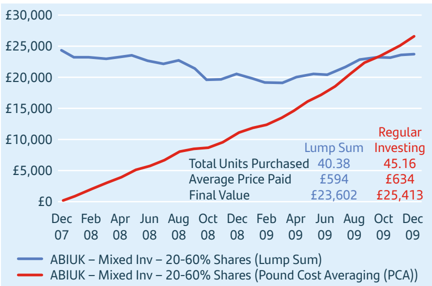
There's no right or wrong answer here. In fact many people find that a mix of the two approaches works, with a regular investment supplemented with occasional lump sums. Also to consider is the balance between savings and investments and how they have an important role to play when considering a balanced approach depending on your circumstances, your goals, and your timescales.

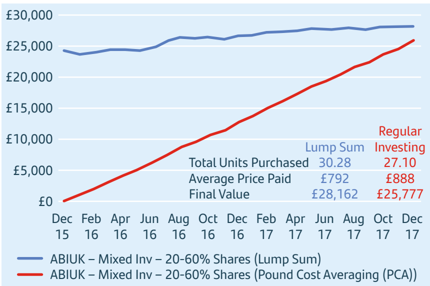
If you're not sure then you may find speaking to a financial adviser helpful.

Don't try to predict the future

How your investment performs will partly depend on when you invest and then when you take your money out again. When you invest may also influence whether a single lump sum or regular amounts may work out better in the long run.

These charts illustrate the difference in performance between regular and one-off investments into the same fund over different two-year time periods. In both graphs, a total of £25,000 was invested either as a single payment or as equal regular monthly contributions.





In the first chart the regular investment performs slightly better, in the second chart the single lump sum amount does. However, it would be impossible to predict these outcomes in advance. That's why you may find that a combination approach – making regular investments alongside any lump sums you may have – can help to bring balance to your portfolio. The best approach to investing should always be considered in view of personal circumstances, and you should seek professional advice if unfamiliar with investing.

Article provided by Santander Asset Management UK for Santander investment customers.

Finding the right investment path for you

When it comes to investing you need a solution that's diversified and suitable for your goals, your timeframe and the amount of risk you're willing and able to take. There are several options you can choose from to reach that point.

Building your own portfolio, choosing one or more multi-asset funds or working with a financial adviser to invest are all routes you may wish to consider.

When choosing what's best, a lot will come down to how much control you want to have over your investments and the level of effort you want to put in. The amount you plan to invest can also play a part as some options, such as managed portfolio services, may have eligibility criteria which can include a minimum investment amount.

Building and managing your own portfolio

If you want complete control of your investments, then you can create your own portfolio. This involves choosing a range of investments for example, bonds or shares or assets invested solely in a specific geographic region.

Because you're making all the decisions you can be sure your portfolio is built and maintained exactly as you want. However, there are some challenges to this approach.

Be aware

Keeping track of your investments and how they are performing as well as market activity and how it may affect your funds means a long-term commitment of time and effort. It can also be a costly approach with charges each time you buy or sell a fund. This will depend partly on how many funds you invest in and how frequently you make changes.

Be aware

Because your portfolio is all in one fund you'll only pay one single charge, but trading charges incurred by the fund manager are paid directly from the fund too and will impact its returns. Each year you'll receive a statement disclosing the costs and charges paid from the fund, including trading charges.

Multi-asset funds

Multi-asset funds offer a diversified portfolio inside one single fund, professionally managed to a specific risk level and investment objectives. There are different styles, such as **multi-index funds** which are an actively managed portfolio of index funds under one roof. Once invested, you'll know the fund manager is actively adjusting the investment mix for changing market conditions and circumstances.

Managed portfolio service

As the name suggests, a managed portfolio service is not a fund. It's a modelling service developed by a professional investment manager that your own portfolio of investments can align to. Managed portfolio services can usually only be accessed by a financial adviser, so you would normally be taking financial advice to use one, and also benefit from ongoing advisory services. When you enter the managed portfolio service you usually give the service manager permission to make changes to the portfolio over time to keep it in line with its objectives and risk profile. That might mean replacing parts of the portfolio or adjusting how much of each fund is held. Unlike a multi-asset fund, a managed portfolio may be run with a specific timescale in mind.

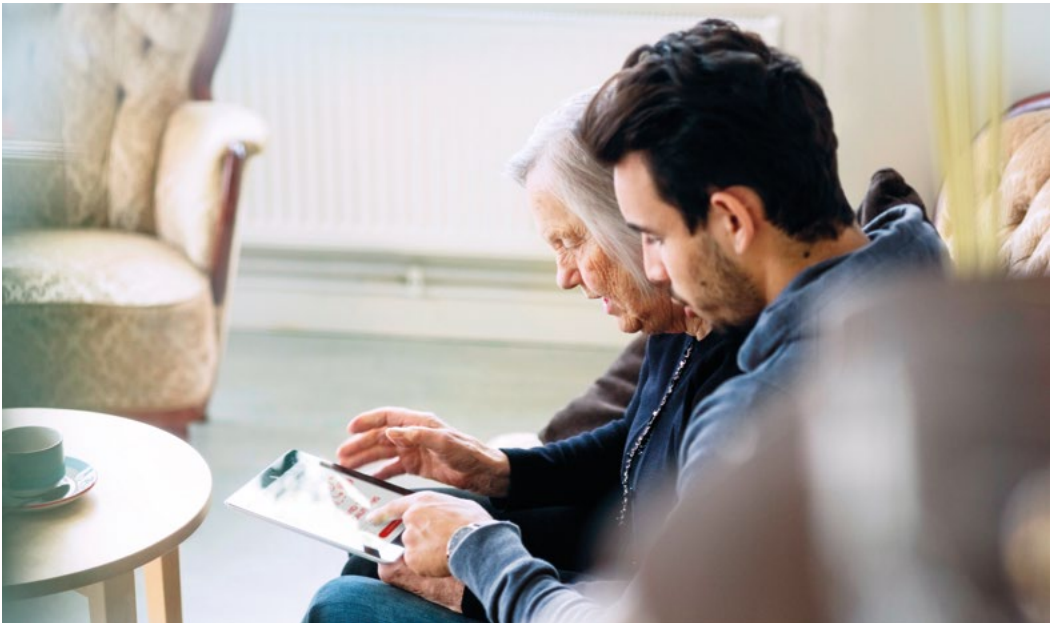
There's an option for everyone

The good news is, whatever your preferred path, there's an option to help you achieve your investing goals. For many this will be a multi-asset fund. If you're working with a financial adviser, a managed portfolio service may be more appropriate. Both options are actively managed by professionals, making sure they stay on track to meet their objectives and risk levels.

If you're unsure about what path may be best for you a financial adviser can help you work through your options.

Be aware

While a managed portfolio service should be consistent with your requirements it is not designed for you personally. The service may not be open to all, with eligibility criteria that can often include additional fees.



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