Santander

Think Investments

Spring 2020

Welcome

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

Brexit, with all its ins and outs, has created an uncertain backdrop for UK investors in recent years. In 2020 the way forward looks clearer but there are still unknowns.

In fact, unknowns are to be expected as part of investing in every sector and market around the world. Because no-one can be sure what the future's going to bring, investing always involves taking a degree of risk. What matters is understanding and managing those risks.

Some types of risk are best avoided altogether. Getting scammed is one of them. We will share some of the latest findings and what you can do to make sure you don't fall victim to one. That's the subject of our first article in this edition.

We then move on to look at what's involved in understanding your personal risk profile as an investor. It's something you need to be clear on at the start of any investing journey and revisit from time to time as your goals and priorities change.

Finally, we explore why reviewing your investment portfolio regularly makes sense as a risk management strategy and take a practical look at what you can do to stay in control.

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Beware of the scam

Investment scams are big business, with personal investors unknowingly handing over £41 million to scammers in the first half of 2019 alone, according to figures from UK Finance[1].

The criminals behind these scams are using increasingly sophisticated techniques. Direct contact and uninvited phone calls are still a common starting point. But the Financial Conduct Authority (FCA) warns that scammers may also use emails, professional looking websites and social media channels like Facebook and Instagram to draw you in[2].

Anyone with money to invest could be a target, but if you're 55 or over, analysis by the FCA of victims of investment crime suggests you could be at increased risk[3]. Scammers may try to tempt you, for example, with the idea of better returns on your pension savings. Research highlighted by The Pensions Regulator in 2019 suggests 42% of pension savers could be at risk of falling for at least one of six common tactics used by scammers[4].

What is an investment scam?

An investment scam is where you hand over money to invest in something that doesn't exist. The returns you've been led to expect never appear or can't be kept up and your money is ultimately lost.

Ponzi schemes are one type of scam you might have heard of. Money from new investors pays 'returns' to existing investors. When the scammers can't keep recruiting enough of those new investors the scheme collapses and your money is gone.

1 UK Finance press release on 25 September 2019, *Banking industry stops £4.5 million of fraud a day in first half of 2019*
2 FCA press release on 6 February 2019, *FCA warns public of investment scams as over £197 million reported losses in 2018*
3 FCA, *A quantitative analysis of victims of investment crime, research published on 25 May 2016*
4 TPR, *Five million pension savers could put their retirement savings at risk to scammers. FCA, 7 August 2019*

Scamming trends

Convincing victims there's big money to be made through internet based or overseas currencies has been particularly popular with scammers recently. The FCA says scam reports for these kinds of investments tripled during the 2018/19 financial year. Victims lost an average of £14,600 each with the total adding up to over £27 million[5].

Scammers often hide behind what look like legitimate businesses, but the likelihood is they won't be authorised and regulated by the FCA, who are there for your protection. Some still claim to be regulated by the FCA though. Some go so far as to pretend they are part of an existing FCA firm using a tactic known as cloning.

No-one wants to be scammed. Being aware of the signs you might be getting caught up is one half of the battle, and there are several things you can do to help protect yourself.

Signs it might be a scam

- You're approached out of the blue. This isn't contact you invited or are expecting. The scammer works hard to build a relationship with you and may appeal to your emotions.
- You're promised impressive returns, perhaps for taking little or no risk. If it sounds too good to be true: trust your instincts.
- Pressure is put on you to act. For example, you might be told it's a time limited offer or that there are only a few opportunities left, going fast.
- The scammer seems very convincing. You may see glossy marketing materials and reviews from other investors, and they may claim to be regulated.

If you bank with us and ever think you've responded to a scam or been a victim of fraud, call us anytime on 0800 9 123 123 and report it to Action Fraud on 0300 123 2040. The sooner you do this, the better.

Protecting yourself

- A good start is to simply hang up on cold-callers and ignore emails, texts or other contact about investment opportunities that you didn't ask for.
- Registering for the telephone (tpsonline.org.uk) and mail (mpsonline.org.uk) preference services may help cut the chances of being approached in the first place.
- If you do become interested in an opportunity, check with the FCA if the business or person offering it is regulated. You can do this online at register.fca.org.uk.
- Run the opportunity through the FCA Warning List at fca.org.uk/scamsmart where you will also find other useful resources to help avoid scams. And, do check their details to make sure the firm is not cloned, as recommended by FCA ScamSmart.
- Always research any investment opportunity as thoroughly as you can and consider speaking to another financial adviser to compare investments.
- Speak to friends and/or family members about the opportunity before you commit.

Support for you

Sadly, investment opportunities are just one way you can be scammed. For more information about these and other common financial scams, and resources to protect yourself, visit the Fraud and Security section at **santander.co.uk**.

Beware of unregulated products

Some types of investment product are not covered by the FCA at all and it receives frequent reports of scams related to them. Examples include bitcoins, mini-bonds, diamonds, gold, graphene, international forestry, overseas agriculture, parking, storage, student accommodation and wine. A study published by the FCA found that more than a quarter of over 55s falling victim to investment fraud are scammed through an unauthorised business selling unregulated products[6].

5 FCA press release on 21 May 2019, *Over £27 million reported lost to crypto and forex investment scams*
6 FCA Press release on 25 May 2016, *Over 55s at heightened risk of fraud*

Getting your risk balance right

You invest with the knowledge that the value of your investments could go down as well as up. It's taking that risk that gives you the potential to make a greater return than traditional savings accounts over time.

As a general rule of thumb, the higher the level of risk you take, the higher the potential returns if things go your way and the higher the potential losses if they don't. The lower the level of risk you take, the lower the potential for both returns and losses too.

As an investor you may have already worked out your own risk profile – the balance of risk and reward that works best for your personal circumstances – and chosen investments to match. If you haven't though, you may find it helpful to consider for the future.

Understanding your risk profile

There are two main parts to understanding your personal risk profile. The first is to have a good idea of how much risk you're willing to take. This is known as your attitude to investment risk. The second is to be clear on how much risk you're able to take in pursuit of your investment goals without putting your finances in jeopardy. This is known as your capacity for loss.

If the level of risk associated with a particular investment is likely to keep you awake at night, it may be too risky for you – that is, higher than your attitude to investment risk. If you feel uncomfortable taking the level of risk that's needed to be in with a chance of meeting your goals, you may need to review those goals. And if you're not prepared to take enough risk for the potential to beat returns on savings accounts and stay ahead of inflation, then investing may not be right for you at all.

The science of risk

There is a whole science around building personal risk profiles. The idea may be familiar to you if you've ever met with a financial adviser or used an online digital investment advice tool. Both will often use a questionnaire that has been developed by specialists to help you understand your own profile by how you answer specific questions.

Your time-horizon matters

Investing in shares, whether directly or through an investment fund, usually has a big role to play for any investor looking to grow their money. But how much of your money you invest in shares may depend on both your personal risk profile and how long you expect to be invested to reach your goals.

For example, if you're investing for a retirement that's still more than 10 years away, you may feel comfortable putting more of your money in shares because history shows that shares will typically grow over the long-term and smooth out any bumps along the way. Though past performance is no guarantee of future returns. The shorter your time-horizon, the less opportunity there is for that smoothing effect to occur.

Doing research matters too

As a Santander investment customer, it's likely you'll be invested in one or more collective investment funds. These may focus on one type of investment (an all equity fund, for instance, will be invested solely in shares) or several (a multi-asset fund). It's the combined impact of all the risks involved across all the investments made by a fund that influences its overall risk-level.

Some funds are managed to stay within a target risk-level. This is a common approach with multi-asset funds. The level of risk they, in practice, take may change over time depending on market conditions and the risks involved with each of the individual investments chosen by the fund manager.

The Key Investor Information Document (KIID) or Key Information Document (KID) for a fund is there to help you understand your investment. It will include its aims and its risk and reward profile on a standardised scale of 1 (lowest) to 7 (highest).

Support for you

You can use your Investment Hub account to find the KIID or KID and other information about any fund you are invested in through Santander.

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

Keeping on track

Regular reviews of your investment portfolio make sense when it comes to managing your risks and keeping on track towards your goals.

Investing is for the longer term (generally five years or more) so once you've put in the effort to build a portfolio that's right for you it's natural to sit back and focus on other things. But – just as you would service your car to keep it running as you need it to – there are good reasons to take a regular look under the bonnet of your portfolio.

Three reasons for regular reviews

1 Staying in control

It's your money and taking a step back to review your progress every so often will help keep you aware and in control of what's happening with it. If you can see things are broadly on track, it's an encouragement. And, if you can see they're not, you're able to consider why based on facts, rather than emotions, and then make any adjustments you need.

2 Keeping your balance

Market movements can mean that, over time, you end up taking more or less risk with your money than you planned. For example, as stock markets rise, the proportion of your money that's invested in higher-risk investment types, like shares, may get bigger because the value of those shares has increased. The opposite can be true too, potentially leaving you not taking enough risk to meet your long-term needs.

Left unchecked for too long, the make-up of your investment portfolio may become quite different to how you intended it to be. So regular reviews to keep on track is always advisable.

3 Responding to changing needs

As your life and personal priorities change, you may also want to change the risk profile of your portfolio into a different split of investment types. For example, as you approach retirement you may become less willing to take risks with at least some of your money, since there is less time to make up any lost ground in the event of a downturn.

Tips

1. Investment values go down as well as up, market conditions change and so can the costs, objectives, risk profile and performance of any fund you're invested in. So when reviewing your portfolio it's worth checking the context of how investment markets are performing generally. It's also worth looking out the latest KIID or KID for each of your funds to remind yourself what you've got and make sure you are still happy it's working for you.

2. Professional investors will often rebalance portfolios on a monthly or quarterly basis. That's unlikely to be necessary for you as a private investor but making it a habit to check your portfolio every year or so would be a sensible step.

3. It can be easy once on your investing journey to lose sight of where you want to go. So it's worth beginning each portfolio review by considering again what you want from your investments, the goals you want to achieve, how much you want to invest, whether your personal risk profile has changed and how investing fits into your wider finances.

Make regular reviews a habit

One approach would be to circle the same date in the diary each year to take a couple of hours out for a portfolio once-over, or if you feel things need more frequent attention, perhaps one at the beginning of each year and one in the middle.

Another potential good time can be when a statement arrives. They are there to help you keep track and contain important information like the current value of your investments and how that compares to last time.

Whatever works best for you, a regular date should allow for some flexibility to respond to any significant changes.

Focus on your goals

Whatever your goals in life, you're more likely to stay on track if you stay in control. Ultimately, that's what regular reviews are all about and why they are likely to form an integral part of any successful investing journey.

Support for you

At Santander we send you an investment statement every quarter and as you're reading Think Investments it's likely you've just received one. So if you haven't reviewed your portfolio in a while, there may be no time like the present.

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