

	<u>1/1/19</u>	<u>5/4/19</u>	<u>1/7/19</u>	<u>5/10/19</u>	<u>1/1/20</u>	<u>5/4/20</u>	<u>1/7/20</u>	<u>5/10/20</u>	<u>1/1/21</u>
FTSE 100	6728	7447	7426	7155	7542	5416	6170	5943	6461
FTSE All Share	3675	4067	4057	3933	4196	2958	3411	3327	3674
Dow Jones (US)	23327	26425	26600	26574	28538	21053	25813	28149	30606
S&P 500 (US)	2507	2893	2942	2952	3231	2489	3100	3409	3756
Nikkei 225 (Japan)	20015	21808	21276	21410	23657	17820	22288	23312	27444
PIMFA Balanced	1484	1610	1632	1643	1679	1389	1574	1581	1677

### Growth Equities

Avast  
Bunzl  
Diageo  
Experian  
Reckitt Benckiser  
RELX  
Rightmove  
Smith & Nephew

### Higher Yield Equities

Admiral  
BATS  
BHP Group  
National Grid  
Royal Dutch Shell  
Severn Trent  
SSE  
Unilever

### Mid-Cap Equities

Diploma  
Fevertree  
Hill & Smith  
Liontrust A M  
LondonMetric  
RWS  
Spirent  
UDG Healthcare

### Overseas Equities

Activision Blizzard  
Amazon  
CME Group  
Microsoft  
Nike  
Novo Nordisk  
PepsiCo  
Visa

### Collective Investments

Fidelity European Values I/T  
Henderson Smaller Companies I/T  
JP Morgan Emerging Markets I/T  
JP Morgan Global EM Income I/T  
Pantheon I/T  
Smithson I/T  
TR Property I/T  
3i Infrastructure I/T

### Optimism

As I started to pen this newsletter on my annual pilgrimage into work between Christmas and New Year I was filled with great optimism since:

1. We had witnessed the most extraordinary rally in equity markets, where the 2020 'Santa rally' actually started in April and against all the odds continued right up until Christmas.
2. We were filled with great hope with both the Pfizer and Oxford/AstraZeneca vaccines having been approved.
3. We had seen Boris Johnson in his upbeat Christmas Eve speech gleefully presenting us with the impossible, an excellent BREXIT trade deal for "Christmas reading by the fire".
4. I'd had a very enjoyable (legal) Christmas lunch rounded off with a game of racing demon for 9, where neither CWLB nor I troubled the scorers! Followed by lashings of hand sanitizer thereafter!

These events, coupled with discretionary client portfolios standing at or close to all-time highs, gave us all cause for great cheer and indeed optimism. We could look forward to a stellar 2021. Indeed, the virus was soon to be kept at bay.

My hope had been further enhanced having heard the Gospel in the services I attended on Christmas day. As you will know, the word Gospel translates as "good story" and is commonly referred to as "the good news".

With the Christmas candle lit I'd heard the words of the Gospel according to St John Chapter 1 verse 5:

"And the light shineth in darkness; and the darkness comprehended it not".

followed by sermons drawing similes between the flickering flame and the vaccines.

On 29<sup>th</sup> December I woke up to the radio and the first words I heard were with regard to the approval of the Oxford/AstraZeneca vaccine. Matt Hancock exclaimed "the vaccine is the way out" whilst Boris stated "this is truly fantastic news and a triumph for British Science".

Whether you are a disciple of the science or not, this vaccine really does provide that spectrum of light. Thank goodness we have this hope to hold on to. Furthermore, it is fantastic that the scientists hail from our shores; they should be incredibly proud of their achievement, we are hugely grateful to them and to do it "not for profit" is charity of the highest order. Truly remarkable and "good news" indeed.

The Norwegian's call the period between Christmas and New year 'Romjul'. We don't have a term for it but this year it could have been named 'Eureka', the end of an annus horribilis was in sight.

### What a difference a few days make

However, I'm afraid that when I next picked up the pen on 4<sup>th</sup> January the picture looked much bleaker. The whole of the UK is now in a third, far gloomier, lockdown as our leaders had to concede that the virus is once again 'on top', particularly with the new mutations.

Television sets were tuned in at 20:00 on that bleak Monday evening as we learnt that we must stay at home, shops are to be closed and schools will again move to on-line learning. Nothing can make up for the loss of contact with friends; running around a games pitch with a hockey stick in hand or rugby ball tucked under the arm. Suffice to say mothers and fathers are in dismay with the prospect of juggling lessons with their own work again as kitchen tables are turned into school desks for a third time.

At least the younger generations are busy. Many of our more senior friends have a far more depressing situation, loneliness which casts equal 'darkness' as the physical problems we face. In the UN Nelson Mandela Rules (where Mandela rewrote the standard minimum requirements for the treatment of prisoners) he put equal weight on the limits of solitary confinement (isolation) as the prohibition of torture, that is how highly he prioritised the need for human contact.

### The elephant in the room

We all have our own views on going into lockdown; from the brazen who'd like to 'take their chance' to those who don't want to step out of their homes even when Government guidelines permit it. However, we each must do two things 1) live within the rules 2) be respectful of other people's views, particularly if they wish to be even more cautious.

It is not for me to judge on:

The changing of Christmas plans at the last minute.

The u-turn on schools (even after some children had already gone back).

Exams being cancelled.

The fact that the scientist requests for a two week circuit breaker were ignored (if only it had been known that the vaccine was so close).

These are facts rather than opinion. Boris does face a more complex puzzle than the great Bobby Fischer would have set (for those watching the Queen's Gambit), protecting lives whilst not crippling the economy. So, whilst I know last minute changes are unwelcome, at least he gives us, personally, and businesses a chance to go about everyday lives.

I did however find the comments made by Stephen Dorrell (the former Tory Secretary of State for Health) on Sky News immediately after Boris's speech very interesting "I'll answer a straight question with a straight answer" (how unbelievably refreshing) "yes, this lockdown is too late... but let's not focus on that now". Whilst I wanted to be unequivocally positive about Boris this time (there will be plenty of praise later) these facts cannot just be ignored.

It was apparent from Boris' tone and the caveats that the two new strains have enhanced the gravity of the situation. I don't believe that the mutations came as a surprise, anyone who did GCSE Biology knows that the mutation process is a tool for a virus to survive and as more people become infected there is more scope for an increasing number of variants etc.

Back in the summer I wasn't sure whether I'd have the vaccine or not, now I'm very sure. I will have it. We all have to 'stand in line' and wait for our injection. I've just been on the vaccine calculator and my peer group isn't even in the queue yet.

So with the hatches now battened down, which is no bad thing with the chilling north easterly winds, let's reflect on some rather better news and look forward to a spring full of fresh air, crocuses, daffodils, bluebells and good riddance to this damn virus.

### A positive change in the US...when he goes

We have witnessed the result of the US election. Whilst I am far from a fan of Joe Biden I acknowledge that we are better to see the back of Donald Trump with his prejudices, muddled messages surrounding the virus and the distraction of his self-promotion. As a stockbroker I was a supporter of Trump's economic policies and his focus on the stimulation of growth (corporation tax being close to all-time lows to allow profits to be re-injected into business amongst other policies) indeed I'm grateful we have considerable US exposure within portfolios. However there has to be a trade-off, and ultimately his blasé attitude and laissez faire rants caught up with him in the end.

The recent 'request' of Brad Raffensperger to "find" 11,780 votes in Georgia was fairly shocking. Subsequently, on 6<sup>th</sup> January, we saw the President "stir up the mob" asking his followers to march down Pennsylvania Avenue, which they did. Then on Rudy Giuliani's command "let's have a trial by combat" these Trump supporters stormed the Capitol, unbelievable. As a country which self-certifies itself as setting global moral standards and democracy, this protest (whilst Congress was certifying Biden's victory) is incredibly dangerous. Many leaders from volatile countries have already commented on the hypocrisy of it and almost every American is humiliated by it.

Having re-watched the concessions of Hillary Clinton (it must have been gut wrenching to lose to Donald), and Al Gore (after the Florida recount debacle some years ago) it is sad that Mr Trump can't offer his hand in resignation to wish his opponent well. Whilst I might have struggled in my teenage years, I now have the ability to shake a golfing foe by the hand, look them in the eye and say "it was a privilege to watch you play so well"! Grow up Donald it's time to go.

### The Brexit Trade deal, an iron out of the fire (by CWLB and WJB)

CWLB has given me his personal take on the trade deal, below is a combination of both our words and views with him leading us in (in italics as I wasn't born until 1979!)

*"I shall never forget the Referendum on whether the UK should stay in the EU in 1975 (having entered in 1973), I actually used it as an excuse to drive over to Ingoldisthorpe to ask Jim Wilson if I could have "Caroline's hand in marriage". Whilst Caroline and I were made for each other, Britains and Europeans were not. We spoke different languages; the British lived on an island separated by a cold and hostile sea which only the maddest would choose to swim, 'they' ate garlic, foie gras, spaghetti and Frankfurters whilst 'we' preferred roast beef and sprouts.*

*We never really trusted each other each considering the other as 'arrogant'. The 'ideals' were there for a strong European State, economically and industrially to remain competitive in a developing world, whilst remaining safe with the security of defence and policing. In order to achieve this and for the purpose of trade and travel, borders were disbanded. However 'the culture' remained the real stumbling block and the 'will to compromise' was not there. At that stage the words Human Rights, Welfare, The European Court of Justice and red tape had hardly been uttered (though the word 'Internet' had not been heard until 1999, 24 years later, and the disease COVID-19, 20 years after that)." CWLB*

Almost continuously since that date there have been Eurosceptics demanding that Great Britain takes back its total independence from a European State. In the most part these were considered views from "trouble making cranks". Nigel Farage made a great success of his obstinance and his unacceptance of any form of compromise. He has, almost singlehandedly, changed the face of Europe with his beer swilling, fag smoking display of non P.C. politics that only Mr Trump could be proud of. Whatever one thinks of either, they have made the world sit up and realise that ridiculous nanny states govern us, no less so than in the form of European legislation.

We have previously commented on Cameron's decision to offer a "leave referendum", our personal votes (remain) and Theresa May's dilemma (as a "remainer" to see a deal over the line). Mrs May's deal would, in all likelihood, have manifested itself as 'out in name but remain in principle', shackled to Europe through various commitments which might well have given us the 'worst of both worlds' where

restrictions on trade deals with other jurisdictions would have been economic suicide. So we will fast forward all of this...

The turning point came when the European old guard, who lacked an ability to acknowledge, let alone, seek, compromise were replaced. Jean-Claude Juncker, a man who in defence of his beloved single currency once famously said "when it becomes serious you have to know how to lie", Donald Tusk who was quoted as saying "there is a special place in hell for Brexiteers without a plan" (charming - as that was 52% of our electorate) and the smarmy Michel Barnier who saw it as his task just to say no, or more accurately "non". These 3 stooges had been supported by Macron and Merkel who felt bullying Britain was the best way to ensure that no other renegade member of the EU would try their luck at leaving.

Europe turned to Ursula von der Leyen, a personable woman with medical degree who reached the top of German politics. Not only was she willing to communicate (hurrah) but as a mother of 7 she was willing to negotiate! She realised the importance of Britain to Europe (and vice versa) and she understood that when Boris, whom by now had taken over the negotiations from David Frost, said that "no deal was better than a bad deal" he genuinely meant it.

I sincerely believe that whilst Boris did a fantastic job of finally getting a deal over the line, von der Leyen is the true hero. One can only imagine the noise in the background from her cronies as she set about compromise to ensure free trade. No doubt they thought this was 'weak' yet she was strong in her beliefs and rather than adopting an archaic stance she actually looked to the future; the younger generations, innovation, partnership, travel and, at the very least, coexistence. With the threat of crippling trade tariffs cast by the wayside we say, "thank you Ursula".

We must not detract from Boris' moment of shining glory. Steadfastly resolute in his "oven ready deal" and his slogan to "get Brexit done" if his term were to be judged on Brexit alone, which he became Prime Minister to solve (rather than Covid-19 where he isn't a scientist), we would be holding him in the highest regard right now. A truly Herculean effort similar to David beating Goliath with that final sling shot. "Bravo Boris" (a last French salute)!

The break-through was when Mrs von der Leyen accepted that there was no place for the European Court of Justice in the UK's new post Brexit world. If the exit was to be successful Great Britain needed to have its sovereignty, meaning its ability to make its own laws written by its own Parliament and adjudicated over by its own court. Once this had been agreed the other challenges could be overcome, some of which we highlight below:

1. If there was to be a "trade deal" this had to be on fair terms as defined by us.

This would include no tariffs between the UK and Europe (what is the point on both sides paying 4%-10% tax on all imports?). Of course as the net importer this is marginally more beneficial to the UK (in 2019 the UK exported £294bn to Europe with £374bn coming the other way) but to create absolute parity would be impossible. These numbers do demonstrate what a valuable market 'we' are for Europeans selling their goods and services to us. Furthermore, if one side is to offer subsidies meaning that businesses become more profitable, then compensation can follow to be agreed by independent arbitration, not the European Court of Justice. What a straightforward and sensible solution.

2. The rest of the world – the UK is able to strike trade deals with any other country in the world (Theresa May's biggest problem solved).
3. Immigration – the UK is to use its own points based system (job offers, minimum salary, ability to speak English) where skilled workers will be welcomed and low skilled not. This is similar to Australia.
4. Security, Defence and Policing – the UK and Europe are to continue to work closely on safety with a need for close cooperation, especially on data to benefit all citizens.
5. Irish Border – thank goodness we've heard the last of the word 'backstop'. There will be an Irish Sea border which, despite being described as cumbersome and complex, can't be beyond the wit of man to sort out if tariffs are not to be imposed. It is perfectly reasonable to have a certificate system for livestock or pets etc.

6. Industrials – there are the odd technicalities on industry, where for example, eventually 45% of components for electric cars must be manufactured in Europe. Despite being a slight trade restriction (the UK can't just go to China) this satisfies our big foreign car producers in the UK such as Nissan and Toyota.
7. Fishing – this received an extraordinary amount of press and actually proved to be more than just a 'red herring'. There had to be some support for an industry which has been in decline for decades. I have been to watch Norwich City at Grimsby and a town which once thrived on fish certainly isn't thriving now. Having already sold fishing quotas, negotiations were difficult but a sensible solution was reached where after 5 ½ years the UK will achieve full independent coastal status. One fisherman is quoted as saying "on the whole the negotiators did well... good amounts of quota repatriated". We did not think we'd hear these words, although others are disappointed that 12 miles of sea is not much – I can assure you, it is!
8. Agriculture – I'm conscious that many readers will know far more about this than me, indeed commenting on agriculture is rather like reporting to one of the healthcare charities I manage investments on behalf of having just bought a pharmaceutical stock! With 60% of UK food and drink production consumed in Europe a 'no deal' Brexit was of considerable concern, therefore it is unsurprising that Minette Batters (NFU president) said that the deal was "very positive news for British agriculture", particularly with regard to no tariff-free access. The primary concern is now the potential for delays at the borders, specifically of perishable goods.
9. University Education – British students will not be able to participate in the Erasmus scheme (access to EU Universities) but a new scheme named after the most innovative British citizen "The Turing Scheme" will commence. I am sure this will cover the arts and science as well as Turing's specialities of mathematics and computing. This scheme is said to open more Opportunities as it will be worldwide rather than just Europe.
10. Financial Services – whilst passporting rights to Europe will cease, other permissions can be granted. We will still be regulated by the FCA. There has not been a mass exodus from "the City of London" to Frankfurt or Paris as many feared and there will not be. Some report numbers of employees in the City have actually risen this year, although due to COVID-19 they are not actually 'in' the City but at home.
11. Personal travel – passports might change a bit, driving abroad might require a different license (I'm not very good on the other side of the road, so that is more of a concern for Hannah), we might have to wait a bit longer in an airport (which is fine on the way out but frustrating on the way back) and there will be the odd form to complete but soon we will probably only have to scan an iris anyway! A pretty small price to pay to keep UK Business intact and our population employed.

We've all read the quotes about Boris having his cake and eating it. Indeed he has. If Nicola Sturgeon had devoured, greedily, all the cake she wanted she'd now be bigger than Ulambaryaryn Byambajav (the world champion Sumo wrestler)! Hats off to Sir Keir Starmer who put his COVID-19 criticism of the Conservatives to one side and approved the European deal; he realised that we were lucky to have got it. There will be further objections and plenty of tiffs but we can now look to trade with the whole world which is very exciting.

Well done to the Brexiteers, somehow Boris took on the mantle from Farage and sovereignty is set to be restored. After more than 4 years of mayhem, Johnson pulled an iron out of the fire and we get to leave in an orderly fashion not far off our terms. The final word goes to Ursula von der Leyen – thank you for listening, empathising and coming up with some sensible solutions. Us Brits and your fellow Europeans have much to be extremely grateful for.

Laura Kuenssberg even published an article "Johnson gets the deal both sides wanted to achieve". Now that is high praise indeed!

## Portfolio performance

In the vast majority of cases I am delighted to report that the difficulties presented by coronavirus were overcome in 2020. As you are aware we position every portfolio appropriately dependant on each client's individual mandate, but certain themes run throughout which have served us well. This is not to say that the odd stock hasn't performed as anticipated however the overall bottom line valuations have been very positive. In general, portfolios stand at or near to all-time highs which given the turmoil in markets is most satisfactory.

What is particularly pleasing is that not only did we outperform in the market fall (as reported from 5<sup>th</sup> October 2019 – 5<sup>th</sup> April 2020), this is as you might expect and is similar to how we protected investments in the dot.com bust and banking crisis, but we also participated more strongly than the market in the subsequent bounce (from 5<sup>th</sup> April 2020 to 5<sup>th</sup> October 2020). Whilst this did not come as a surprise because our analysts and advisors have worked tirelessly throughout a difficult period, it is just so pleasing to have rewarded client faith in the Barratt and Cooke team.

The specific themes which have contributed to this positive comparison are:

- An increased exposure to technology.
- A core weighting to premium global brand and healthcare businesses.
- A growing bias to overseas holdings.
- More alternatives where appropriate including gold, infrastructure and private equity.
- Underweight exposure to UK centric companies such as, banks, high street retail, travel and leisure.

The fixed interest exposure held for those who wish to mitigate risk often looks a little underwhelming in comparison to the growth and income generated by equities. However these investments provided considerable downside protection when markets were plummeting in March. That said we will, in due course, be reviewing fixed interest weightings where the term 'fixed interest' implies a good income stream, yet with bank base rate remaining so low, the yields are 'skinny' at best.

Some people talk of having a 'good COVID-19'. I'm not sure this is the right expression as it is pretty blasé but I am content that portfolio performance should not have been an additional concern for anyone, meaning that energies can have been put to good use elsewhere. Furthermore, it has been fantastic to hear so many positive comments from clients; this really has put a spring in our advisors' steps as we walk into work or down the stairs to our desks.

Plenty of fund managers and market commentators have spoken about the bounce where they expect the lower grade UK centric stocks to rally on the 'good news' of the vaccine (we prefer to refer to this as the 'dash for trash'). This might well be so and there is a chance that our performance to 5<sup>th</sup> April 2021 could lag a little as we see a recovery in these more cyclical stocks, although this isn't certain to be the case.

I am loathe to desert our long term policy dating back generations, focussing on (as CWLB would say) "quality, quality, quality" as it is these holdings which stand the test of time and should deliver positive returns for years to come. We will seek value but only where we feel the business itself is robust enough to warrant a place in the portfolio on our primary valuation metrics namely: PE and PEG ratios as well as dividend cover, cashflow forecasts, asset base, robust corporate governance and strong leadership.

## ESG / Fund Portfolio service

ESG - I am delighted to announce that we have commenced an ESG service which we have rolled out to clients who in the past have expressed an interest in investing in a more environmental and social way with good governance. Should you wish to explore this, do let your advisor know and we will provide further details. We will be marketing it more widely in due course.

The Fund Portfolio Service - has been an excellent innovation to serve clients where it is not possible to build a balanced portfolio of 30-50 individual holdings. The two funds now account for £65m of assets and I'm pleased to report they are proving to be a great success with both funds outperforming their respective benchmarks since launch.

## Conclusion

This newsletter has been somewhat binary with either deeply worrying news or narrative which can be celebrated.

Along with the loss of life the greatest tragedy of this blasted virus is the isolation either at home, lonely, or even worse in hospital, where patients can't see a member of their family. It really does bring a tear to the eye. There are other depressing stories such as long COVID in young and old alike and those poor nurses on the battleground of ICU. Now we all have to 'stand in line' (if we want to) and wait for our injection.

There are however some encouraging stories one of which came from a good friend of mine. His grandmother aged 96 was admitted to hospital with coronavirus and her prospects looked bleak but on Boxing Day she had made a recovery and left for home. As he said "those born in the 1920's are made of strong stuff". Hear hear.

Yes, we are locked-down, but there is that beaming light of the vaccine which provides us with hope. This really is a tremendous accolade to British science. The USA and Russia engaged in the space race in the 1960's – how insignificant could that prove verses the bio-technology 'we' developed that could serve the whole world.

Brexit is over and there is no need to use that ghastly word again. The deal should secure UK business and in fact open a 'whole new world'. Incidentally, I wonder if the European Parliament will still use English as one of their languages?

So there really is plenty to cheer and be genuinely optimistic about, we just need that Christmas candle to grow into a big bonfire and so the darkness can be overcome by light.

I will finish by saying rest in peace to two remarkable people in their own very different ways: Sean Connery and Diego Maradona, possibly like this newsletter fairly binary – a hero and a villain!

Cheerio Trump.

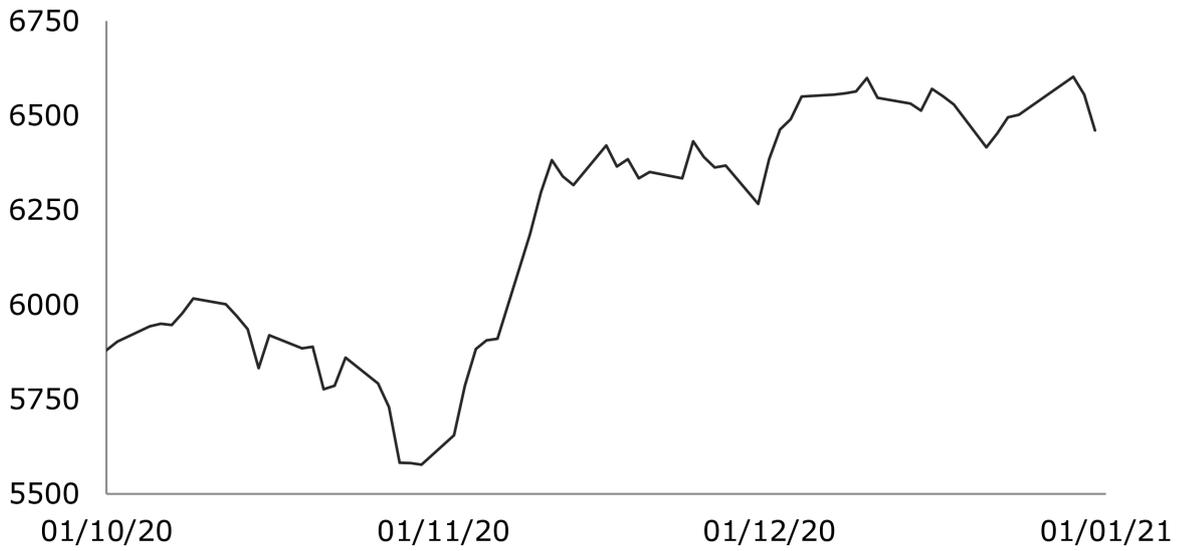
Hang in there.

WJB  
1/1/2021

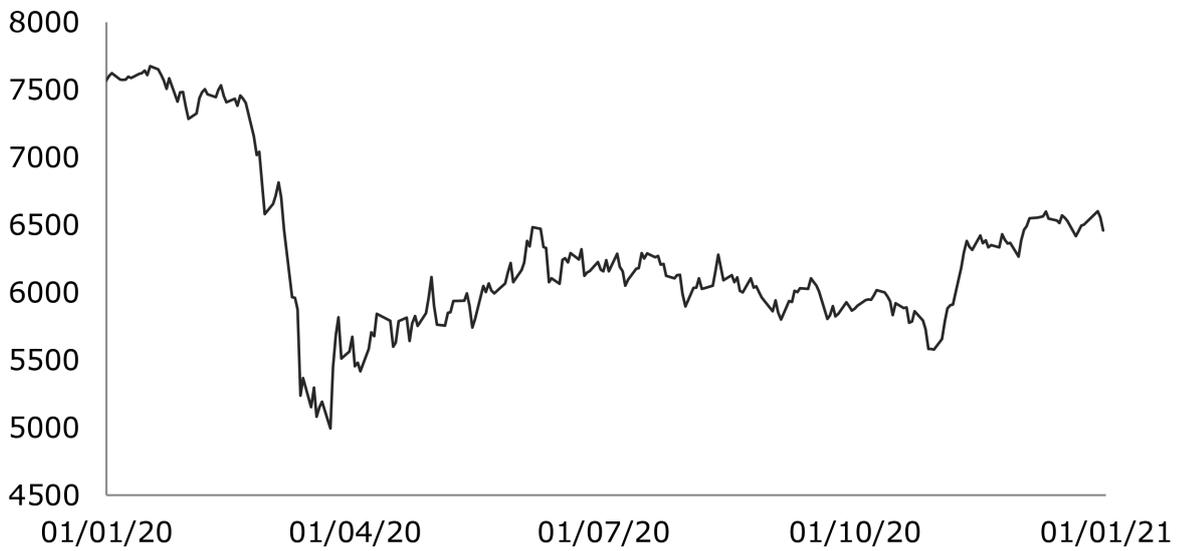
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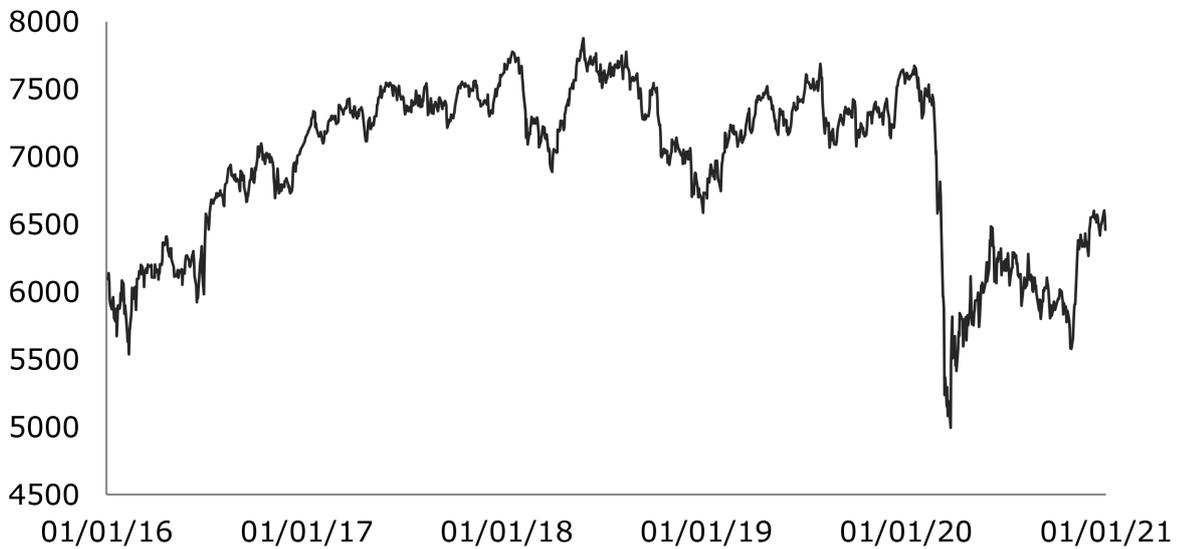
**FTSE 100 – Previous Quarter**



**FTSE 100 – 1 Year**



**FTSE 100 - 5 Year**



Source: Proquote