theView

Michelmores

INSPIRATION FOR LIFE & BUSINESS FROM MICHELMORES

Edition VII

Featuring...

Laurie Spengler
Enclude

Rex Rozario
Lympstone Manor, Graphic PLC

Jonathan Cole
Velorution

...with expert advice from our private wealth specialists

Produced and edited by Olivia Burrow
and Ian McWalter, Michelmores.

WELCOME

Welcome to the seventh edition of *the*View, a magazine intended to inform and entertain.

In this edition, we are delighted to feature three of our clients, who are doing fantastic work in the UK and internationally.

Laurie Spengler, CEO of impact investing advisory firm Enclude, who works regularly with our Impact Investing team, discusses the vibrant and growing impact sector and its many challenges and opportunities.

Having advised the iconic urban cycling brand Velorution on two fundraising rounds over the last few years, we speak to founder and Managing Director, Jonathan Cole, who shares his insights into the cycling and electric bike revolution.

We also hear from Rex Rozario, a long-standing Michelmores client and a true entrepreneur, who has built a series of businesses from the ground upwards. He offers insights into his fascinating journey in business.

In addition, our legal experts share their knowledge on a range of current issues. We learn about the opportunities and risks involved in the use of cryptocurrencies, and take a look at the 'cross options' available to business owners in structuring their shareholding arrangements. We also look at the emerging insect protein sector, and the huge potential for using insects for animal feed and for human consumption, in support of the growing sustainable agriculture initiative.

For 2019, we have also commissioned some original research with the leading research agency ComRes, to explore the theme of millennials and wealth. Our research explores millennials' attitudes to managing and planning wealth, their views on social and impact investing, and enthusiasm for technology to manage wealth. With intergenerational transfers of wealth over the next 30 years in the UK estimated to hit £5.5 trillion, this is certainly a fascinating topic – we hope you find the results interesting.

Finally, we speak to two entrepreneurs about their views on the European Referendum and its impact on business.

It has been another successful year for Michelmores, during which we welcomed some fantastic new people and supported our clients on engrossing and complex work in the UK and internationally. High up on our current agenda are the themes of diversity and inclusivity at work, with a particular focus on achieving better gender balance in our business. We also continue to work hard to improve our sustainability credentials, to ensure that we are doing all we can to reduce our environmental impact as an organisation.

I hope you enjoy the publication. For further information on any of the topics discussed, please feel free to get in touch – we would love to hear from you.

Tim Richards
Managing Partner
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LAURIE SPENGLER, CEO, ENCLUDE

THE RISE OF IMPACT INVESTING

"Using investment capital to generate positive social and environmental results while making money is at the heart of impact investing", according to Spengler. "The reality is that all investments have an impact – positive, negative or neutral. Impact investing is trending because more and more people recognise that their money is having an impact and they want to be more deliberate and thoughtful in directing their financial resources to have a positive impact."

In Spengler's view, growing momentum is fuelled by interest and demand from many quarters. There are millennials anxious for a better world and frustrated by what they see as a lack of urgency in current capital markets. There are family offices seeking to align their resources to their values. There are institutions (foundations to pension funds) finding opportunity in pursuing investments that support the achievement of the Global Goals (UN Sustainable Development Goals) and that want to tap into the momentum of young people seeking change. And the list goes on.

ENCLUDE AND ITS CONTRIBUTION TO IMPACT INVESTING

Enclude is a specialist advisory firm with two offerings – consulting solutions to provide advice in building positive impact businesses and investment banking to mobilise the investment capital needed to enable those businesses to grow. Enclude's impact investing franchise is the only global specialist investment bank dedicated to impact. Within the investor community, the firm connects public, private and philanthropic sources with the transactions it structures and arranges, to generate both financial returns and social value.

In addition to her role as President and CEO at Enclude, Spengler sits on The UK National Advisory Board on Impact Investing and is a non-executive director of CDC – the UK Government's development finance institution that has been at the forefront of supporting companies that help poor countries grow for the last 70 years. Through these roles, Spengler's personal mission is to contribute to the wider impact investing industry as it seeks to make impact investing accessible to all.

THE DRIVE TO EXPAND IMPACT INVESTING

"Whilst there is no doubt that impact investing is a growing area of the finance world, there are still barriers to real progress that prevent the industry from maximising its potential."

"A key area we need to change thinking around is the notion of 'return' and specifically financial return. Unfortunately, our financial markets have not served us well, because they are not delivering distribution of capital along the entire spectrum of financial and impact return. They are not enabling investors to make informed choices; rather they are directing investors to focus on near-term results with financial return expectations that are not necessarily grounded in the underlying business activity."

"There's a top-down articulation of financial return, without asking the right question: 'What is the appropriate financial return for this specific activity?' Once understood, the investor should have time to make the decision if they want to support that activity or not. The return – both financial and impact – is derivative of the product or service being delivered. Too often this equation is inverted where the return level is being set by investors without regard to the entrepreneurial undertaking the capital is supporting."

"Advisors have an enormous part to play in changing the conversation too, but unfortunately they will only start to change their recommendations when clients themselves are demanding impact. For impact investing to grow, investors need to consistently ask about the impact of their investments and as part of their analysis (or that of their advisors) to consider the risk, return and impact of the investment: these three dimensions of investment assessment needs to become the norm."

Spengler notes that there are examples of sectors where the risk, return and impact analysis is being done – and shared publicly. "The Global Alliance for Banking on Values (GABV), has done research that shows the financial performance of impact-driven banks (referred to by the GABV as values-based banks), is as good, if not better, than that of the very large financial institutions. One of the reasons for this is that impact-driven banks are often less volatile in their performance, leading to a lower volatility of financial return."

STAFF AND GUESTS ATTEND THE OPENING OF BRAC UGANDA BANK LIMITED

Looking at investment funds more broadly, Spengler acknowledges that there is a range of financial returns across the impact landscape. She comments that: "Even where the financial return figure of an impact fund might be in the single digits, it may be attractive to an investor as the impact return is significant. In addition, there is growing data to confirm that taking environmental and social indicators into account strengthens the long-term performance of a business. Therefore, a balanced portfolio of traditional investments, complemented by funds with a social or environmental purpose, is likely to perform well overall. Again, we need to look at the risk, the return, and the impact of the investment – as the total return" of an investment.

INDIVIDUALS AND IMPACT INVESTING

"The goal of investing with positive impact is for everyone. It does not matter if you are a pension fund or a major institutional investor, an employee or an individual. Irrespective of our means, we all have the ability to assert our sense of social responsibility and desire to contribute to positive impact. Expecting a healthy financial return is not mutually exclusive from

TRADITIONAL DANCERS PERFORMING AT THE OPENING OF BRAC UGANDA BANK LIMITED

Enclude and Michelmores together supported BRAC International, the world's largest development organisation, on the transformation of the biggest microfinance operation in Uganda into a bank. BRAC was founded by Sir Fazle Hasan Abed in 1972 in Bangladesh and now operates in 11 countries. Through its combination of micro finance, healthcare and education services, it touches 1 in 55 lives on the planet.

Established in 2006, BRAC Uganda now serves over 200,000 clients, with its 163 branches in 84 districts of the country. As part of its commitment to provide a range of financial services, particularly for women in rural and low-income communities, BRAC has been pursuing a change in its regulatory status. With the new license, BRAC Uganda Bank Limited is be able to offer savings accounts, money transfer, insurance and other financial services besides credit products to Ugandans.

Enclude Capital Advisory UK Limited, the specialist impact investment bank owned by Palladium, acted as the sole financial advisor on the deal. Michelmores' Emerging Markets / Impact Investing team advised BRAC on the transaction, which involved the acquisition of 17% of BRAC Uganda by each of DEG (the German government's development finance institution), Equator Capital Partners (a financial inclusion fund), and Triple Jump (a Dutch impact investment fund).

impact investing. Even with this expectation, we can choose to put our money in places that are closer to our values."

"Across the landscape of players, we are starting to see some thoughtful impact investors in the form of large insurance companies, pension funds and other types of institutional asset managers. From our vantage point, we see that those entities that have made a specific allocation for impact are the most effective. They are just starting to give impact investing the thought and space it deserves and are seeing the benefits."

"Another way that individuals can get involved is by engaging with the emerging 'pensions with purpose' movement, which is encouraging pension funds to offer pension investments that include impact offerings. Corporates as large employers with pension plans have an important part to play by ensuring that their employees have impact choices in selecting their pension options."

"And, of course, foundations, family offices and other philanthropic sources are a hugely important group, many of whom are well-established in the impact investing arena, expanding to invest capital for positive impact while continuing to use philanthropy as a vital tool."

"Finally, as millions of people around the world have a bank account, we need to realise that our money is working all day (and night) long. Our money does not sleep. We have the choice to determine whether it is whirling around the world's traditional financial systems making money for bankers or it is in the real economy, sitting inside someone's newly established solar farm that promotes renewables, or inside a fruit and veg shop that supplies local communities with organic produce."

Spengler encourages us to see money as an enabler for building the real economy, an economy with the positive environmental and social impacts we want to see in the world around us.

A CAREER OF PURPOSE

Born and raised in New Jersey, Laurie Spengler's formative years centred on the power of community and the stakeholders who contribute to it. Her father, a dynamic entrepreneur working in the distribution sector, defined business success in terms of the health and prosperity of the wider community – not focusing on business profits alone. It is this community-led approach to business that has set her career apart, and has led her to live and work in various locations around the world, working on projects geared to touching the lives of as many as possible.

Spengler's academic career began at Stanford University, where she studied Political Science and Economics, followed by law at Harvard University. "I arrived at Harvard to embark on their new East Asian studies legal programme. I was struck by the number of homeless people living on the streets of Boston. I started volunteering at a shelter called 'Rosie's Place' – most of the women coming in, many of whom had children, were not using the legal support available to them. I soon realised that if you are homeless, the daytime is by far the safest time to sleep, and therefore heading out to a legal clinic during the day was not a popular option."

"As a result, I created legal clinics within homeless shelters. On graduation, some of my fellow classmates who had taken high-profile legal jobs contributed 1% of their salaries to a fund. This allowed a few of us to dedicate ourselves to public interest law – a path rarely taken by newly-qualified lawyers, who need to pay back large student loans. I truly believe that law is a tool for social change, so I was drawn to following this path."

"We were doing good work, supporting people with very real legal challenges – a lot of which centred on housing. It was a paradox: we were helping people to win rights to housing, but there weren't enough houses to go around. What was missing was the finance element, and it highlighted the synergies between law and finance working in tandem, to chip away at social issues. It was also my first experience of seeing how finance could be used for positive social outcomes."

Spengler went on to join international law firm White & Case, working in Central and Eastern Europe. Her role focused on representing sovereign and quasi-sovereign institutions as they dealt with privatisation, at a truly historic time just after the fall of the Berlin Wall. In 1993 when Czechoslovakia split into the Czech Republic and Slovakia, she left White & Case in response to her entrepreneurial drive. "I left my corporate job with a pencil and an idea. I set up two entities – a law firm and a corporate finance firm, under one umbrella called Central European Advisory Group. We represented entrepreneurs and others seeking expansion capital, and on the M&A side, those looking for strategic partners. It was at this time that I invited my father to join the Board – he was a tough, but exceptional, Board member!"

"Over the next 12 years, we completed a range of great transactions, including advising the Czech Government on its mobile telephony strategy and issuance of a GSM licence, raising capital for numerous groups of real economy entrepreneurs (from a regional candy business to electronic consumer goods to retail internet). I sold the company to the management team in 2005."

> *"Our money does not sleep. We have the choice to determine whether it is whirling around the world's traditional financial systems making money for bankers or is it in the real economy, sitting inside someone's newly establisahed solar farm that promotes renewables, or inside a fruit and veg shop that supplies local communities with organic produce."*

In 2006, Spengler joined Shorebank International as CEO, basing herself between Chicago and London and spending significant time travelling to emerging markets where the work was focused. Shorebank International then merged with Triodos Facet, an advisory firm within the Triodos family, branded as 'Enclude'. Enclude was bought by Palladium in 2018, with Triodos remaining as a shareholder in Palladium.

What's next for impact investing? In five years, the conversation we are having today will be global and accessible to everyone. The question an investor will confront is not whether to make impact investments within their investment portfolio; rather the question will be why their entire portfolio is not in impact investments?

ENCLUDESOLUTIONS.COM

For more information on impact investing, please refer to the following sources:

- **thegiin.org – The Global Impact Investing Network**
- **uknabimpactinvesting.org/what-is-impact-investing – UK National Advisory Board on Impact Investing**
- **gabv.org – The Global Alliance for Banking on Values**

Insect *farming*

Agriculture's perfect fusion of innovation and nature

Rachel O'Connor, Senior Associate
in the Agriculture team

Nothing drives innovation quite like the need to meet basic human necessity: in this instance, food. In 2018, the United Nations (the UN) reported on 'The State of Food Security and Nutrition in the World', concluding that the number of people facing chronic food deprivation had increased to 821 million. In other words, the proportion of severely undernourished people in the world had reached a staggering 10.9% of the global population.

The UN report highlights the paradox of the coexistence of undernutrition and obesity in many countries, both of which are caused by poor access to healthy food, referring to it as the 'double burden of malnutrition'. The report states, rather starkly: 'Access to safe, nutritious and sufficient food must be framed as a human right.'

The continued trend of dramatic population growth, contrasted with the Earth's finite resources and set against the backdrop of climate change, will serve only to compound what is acknowledged to be a global food security crisis. 'Food Security' is a term deployed by the Food and Agriculture Organisation of the United Nations (the FAO) to describe not only the availability of food, but also its affordability and nutritional value.

AN EXPLOSION OF INNOVATION

The substantial challenge for agriculture is to increase the global supply of food, using less land and water, while employing sustainable and environmentally responsible methods. There has been an explosion of innovation in agriculture as the industry rises to meet the task before it. From aeroponics (growing plants in air or mist without the use of soil) to vertical and urban farming, innovators in both science and agriculture from across the globe are developing technologies which focus not only on increasing production and efficiency, but on reducing the environmental footprint of food production.

One such innovation has led to an emerging niche industry in the form of insect protein for both human consumption and as a source of protein in animal feed. This pioneering strand embraces a 'back-to-nature' approach to agriculture. Insects are reinstated to their rightful place in the food chain, not just as pollinators, but as waste converters, providing a high-quality source of protein to fish, mammals and birds.

The vital role of insects in our delicate ecosystem is not a novel concept, but has, to a degree, been lost in the commercialisation and intensification of food production. UK-based insect farming companies such as Entocycle and Multibox are determined to change this.

Keiran Whitaker from Entocycle explains: "We're combining natural processes with pioneering technology to produce sustainable protein at scale, and from anywhere in the world."

The industry has faced considerable hurdles in bringing this vision to life. In particular, the legislative overhaul of animal feed legislation has been required to permit the industry to use insects in feed for fish, pigs and poultry. Given that insects form a natural part of the diets of these animals, it demonstrates the extent to which intensive agriculture has parted ways with Mother Nature.

THE SEARCH FOR SUSTAINABLE PROTEIN

Over a decade ago, both the UN and the European Union (the EU) recognised the need to identify sustainable and environmentally responsible sources of protein. The UN has previously flagged the issue as one of major importance and views insects as an increasingly viable and attractive alternative protein source both for human consumption and for animal feed.

In 2013 the FAO published 'The Contribution of Insects to Food Security, Livelihoods and the Environment'. This paper reported on the benefits of insects as a source of protein. For example: crickets can convert 2KG of feed into 1KG of protein compared with cattle that require 8KG of feed to produce 1KG of protein; lower greenhouse gas emissions; the ability of insects to feed on a range of organic wastes (such as food waste), and to convert waste into high quality protein.

In the UK, Entomophagy (eating insects) is still a novel concept. The UK is, however, in the minority when it comes to an aversion to insects as food. Over 2,000 species of insects are consumed globally across 80% of the world's nations. Insects boast an impressive nutritional profile, being rich in vitamins and minerals as well as Omega-3, high in fibre and low in fat, and comparable to meat in terms of their protein content. There is now a subtle but significant movement in the UK to introduce insects into human diets, which has included the sale of insect products in Sainsbury's. In view of the health and environmental benefits, it is conceivable that insects as a novel food may develop a growing following.

On any analysis, however, the global demand for animal protein continues to rise, driven by increasing populations, income growth and urbanisation. In 2012, the FAO predicted that global meat consumption would increase by 76% by 2050 ('World Agriculture Towards 2030/2050'). It is also projected that by 2030, aquaculture will, for the first time, dominate the fisheries market, contributing 60% of global fish production (FAO: 'The State of World Fisheries and Aquaculture' 2018). In 2013, the FAO forecast that world feed production would have to increase by 70% by 2050 in order to meet the demand for animal protein.

The feed industry, including aquaculture, is a key part of the food chain where it is imperative to identify alternative sources of protein. Both livestock and aquaculture feed are heavily reliant on plant-based protein, mainly soya meal. The cultivation of soy to produce soya meal is one of the biggest drivers of deforestation, and hugely unsustainable.

According to PROteINSECT, a project co-financed by the European Commission (the EC) to investigate fly larvae as an alternative protein source for rearing fish, chickens and pigs, 80% of protein requirements for livestock feed in the EU is imported from outside of the EU. With the global demand for meat products expected to continue to rise substantially, there will be significant pressure on feed manufacturers to increase production. Finding a source of protein that is sustainable, in every sense of the word, is paramount.

THE VIABILITY OF INSECTS

In October 2015, the European Food Safety Authority (EFSA) produced a scientific opinion which reviewed the risk posed by using insects in feed and food, from the production chain through to consumption by humans and animals destined for human consumption. The report recorded that insects were a sustainable alternative source of protein in animal feed and that some insect protein is equivalent or superior to soybean protein as a source of essential amino acids.

From 1 July 2017, EU Regulations which prohibit the feeding of processed animal protein to animals intended for human consumption were amended to permit insect meal to be used as feed in aquaculture. The EC are expected to consider further amendments to EU regulations to authorise the use of insect meal in poultry farming and eventually, in feed for pigs, following the completion of a further risk assessment by EFSA.

At the point at which the UK leaves the EU, EU law which currently has direct application in the UK will transpose into UK law and continue until such time as it is repealed or amended.

If, at that point, European law has been amended to permit the use of insects in poultry feed, that will be reflected in UK legislation. If not, then this presents an opportunity for the UK to be at the forefront of this pioneering new industry by providing legislative change and government support for companies in the UK to lead the way.

> *"Over 2,000 species of insects are consumed globally across 80% of the world's nations. Insects boast an impressive nutritional profile, being rich in vitamins and minerals as well as Omega-3, high in fibre and low in fat – and comparable to meat in terms of their protein content."*

FUELLED BY INSECTS

Regardless of whether the legislation will be relaxed in respect of livestock feed for poultry and pigs, the industry's growth shows no sign of slowing. Recognition at a European level of the importance of insects in addressing the global food security crisis drove a 40% increase in investment in the insect farming industry in 2018, compared with the sum of investments from 2014-2017. Rabobank reported investments of circa $175 million in 2018.

It is not difficult to understand why there is such support for the sector. The industry seeks to mirror nature and embraces circular economy concepts; aiming to keep resources in use for as long as possible, reduce waste and strives to power a sustainable and resilient economy. The environmental benefits of using insects as a source of protein are manifold. Crucially, the production of insects employs substantially less land and water than traditional livestock operations or plant-based protein crops.

Paul Wright, founder and Managing Director of Multibox explains: "Deforestation is happening at an ever increasing rate, with 48 football fields lost every minute. Much of this is to grow soybean used predominantly in animal feed."

Leaders in the industry have developed innovative technology and processes to mass-rear insects in order to harness their incredible efficiency at converting "waste" to protein.

In most cases, insect farmers are feeding insects on discards that would otherwise be destined for land fill. These include waste from beer distilleries and from vegetable crops.

Paul Wright, describes how: "Around 30% of all food produced is wasted, we use this waste stream to feed our micro-herds to produce sustainable protein products." At present, feeding insects on catering or mixed food waste is proscribed because of the general prohibition on feeding processed animal protein to animals farmed for human consumption. This is something the EC is expected to review in the context of rearing insects.

The technology includes automated processes and robotics for feeding, to monitor and track temperature, humidity and growth rates to develop model habitats for optimum growth. As the industry matures, the technology and processes continue to improve, and are already capable of producing insects on a commercial scale for use in feed.

THE PERFECT FUSION

The use of truly innovative technology to harness nature is inspiring. As is the passion and dedication of those visionaries who are pioneering this emerging industry.

This is an industry which has the potential to dramatically alter global food systems and presents an opportunity to tackle the considerable issues as to health and the environment that all nations face, securing a sustainable and healthy alternative source of protein.

What is entirely clear is that the only way we will harmonise the demands that we as a race put on the planet is to embrace this perfect fusion of nature and innovation.

ENTOCYCLE.COM
MULTIBOX.FARM

Rex Rozario

A renaissance man

Rex Rozario OBE is one of the South West's most successful businessmen. His modest *"I have been lucky to have been in the right place at the right time"* downplays the fact that he has achieved his success through extraordinary determination and commitment to exploring new opportunities and driving innovation.

Living just outside Crediton in Mid Devon, Rex's fascinating story of how he came to be based in Devon and a key local employer with interests in music, food, leisure sailing, communications and science, reveals a true Renaissance man.

AT THE FOREFRONT OF ELECTRONICS

Having started his career as a research and development engineer for a large electronics company, Rex moved to Devon to start his own business over 45 years ago. Today, Graphic is one of the world's leading manufacturers of high technology printed circuit boards for, among others, BAE, McLaren and Hewlett Packard, employing more than 180 people in Crediton and a further 480 in Dongguan, China.

Rex was 14 years old when he came to the UK from Sri Lanka. As a young man he had an avid interest in electronics which led to a degree in the subject from Brunel. He joined the Telegraph Condenser Company in Acton as a lab technician and, as part of a workforce of 3000, he had no expectations of progressing quickly. Unbeknown to him, he had made an impression with the management and, in 1954, was asked to be part of a new team developing printed circuits.

> *"Never give up, always adapt, and anything you start, aim for it to be the best."*

"At that time, no one had a clue what we were doing – we were just a team of people with specialist skills in chemistry, mechanics, photography, even silkscreen printing, and then there was me with my condenser experience!"

The Telegraph Condenser Company had bought the licence to manufacture printed circuits from Dr Paul Eisler, an Austrian inventor, who had come to the UK to escape the Nazis during the war. As a consultant to the new venture, Dr Eisler guided Rex in becoming a fledgling expert in flush bonding techniques.

"It was a bit like the blind leading the blind; we didn't know where to start or get the materials from." However, the team persevered and quickly gained knowledge of plating, etching and materials. Their first customer was an equally novice radio manufacturer, widely recognised today as the maker of the iconic Roberts Radio.

Printed circuit boards took off with the arrival of laminates and epoxy as materials to produce flexible and multilayer boards. New businesses started springing up and Rex, at the age of 23, was headhunted to start a company called Techtonic, where he was a Director and shareholder. The company soon overtook his previous employer in technology and size.

THE JOURNEY TO DEVON

With two small children, family holidays centred on jumping in the car and driving to Devon, which is where Rex fell in love with the county. It was at this stage of his life, and with a wealth of experience, that Rex decided to start his own company, Graphic. Basing himself in Axminster, he had an unlikely meeting with a handbag manufacturer who just happened to have a mechanical engineering facility. They decided to join forces and began to produce circuit boards. With the arrival of Thales (then Racal), Graphic's business quickly grew as it became the sole supplier of subassemblies. However, at the age of 29, Rex found himself running three companies; Graphic, the mechanical engineers and a handbag factory. It was time to re-evaluate!

Starting afresh in 1972, Rex moved to Crediton, Devon. After a number of different locations, the current factory was built in 1992. The company's motto: 'Where people make the difference' is very much in evidence, with many of the employees having been with the business for 15 years or more, and many of the directors for 40 years.

In 1975 Rex became a founding Member, and First Chairman, of the Printed Circuit Industry Federation, and Director of the Federation of Electronics Industries, and is past Chairman of the Institute of Printed Circuits, and Secretary General of the World Electronics Circuits Council.

As well as being a major local employer, Graphic plays a prominent role in the town, supporting the rugby, golf, and football clubs. Graphic also works with local schools and the University of Exeter to stimulate interest in the industry and recruit new employees.

"Most of our engineers and designers come locally from school – not everyone has a degree, but they have the attitude and idea that they can do it."

A PIONEERING AND PROGRESSIVE OUTLOOK

Rex has always been ambitious to explore new territories and identify opportunities ahead of others. In 2006 he entered into a Chinese joint venture to create Dongguan Somacis Graphic PCB Ltd, after realising China was over-reliant on Taiwan and Japan for importing advanced technology. By having a factory in China, freight charges and import duty were no longer costs and, as a result, in its first month of operating the new company had a 16-week delivery backlog during a period of recession.

Rex ensured that the factory was fully automated and that it was environmentally conscious. Within weeks of opening it had achieved ISO 9000 (international quality management standard) and ISO 14000 (environmental management standard), which was unusual in Europe and the US, and extraordinary in China, which had an appalling commercial environmental record at the time. This was an incredibly smart move as it meant the company could provide for any order, and it soon achieved Nadcap (National Aerospace and Defense Contractors Accreditation Program) in China, meaning it had military approval.

Graphic also has a US base through its acquisition of Calflex, an International Traffic in Arms Regulations (ITAR) compliant producer of rigid flex boards, with the ability to create complex 50-layer boards.

As Rex states: "We are always developing and looking at what can be done for the future." It is unsurprising therefore, that BAE awarded Graphic PLC Gold Supplier of the Year in 2003 – a considerable accolade.

Rex was awarded an OBE in 2001 for his contribution to electronics, and continues to champion Graphic's experimental approach through a very strong partnership with the University of Exeter, working with its academic team in a number of research areas to enhance innovation and technology transfer. In 2017 Rex was awarded an Honorary Fellowship of the European Institute of Printed Circuits.

"We are constantly developing and experimenting, so that we can offer solutions to customers, hopefully before anyone else!"

The company's motto: 'Where people make the difference' is very much in evidence, with many of the employees having been with the business for 15 years or more, and many of the directors for 40 years.

LYMPSTONE MANOR | IMAGE CREDIT: LYMPSTONE MANOR

FLOURISHING BUSINESS VENTURES AND VARIED INTERESTS

Rex has numerous roles outside of Graphic, including the Presidency of Crediton FC and Fellowships of the Royal Society of the Arts and the Institute of Directors. He is also a member of the Exeter Initiative for Science and Technology (ExIST) steering committee and is involved in creating an international knowledge transfer centre to be hosted at Exeter Science Park.

Rex has also built up successful ventures based on his personal interests of music, leisure sailing and food! What links them all is his belief and determination to follow his ambitions until they are realised.

As the joint owner and Chairman of Radio Exe, Rex's passion for music came about when he was a young man living in London. He was taught to play the drums by Jim Marshall (also known as 'The Father of Loud'), who went on to start Marshall Amplification which created equipment used by some of the biggest names in rock music. Playing in a band at The Ealing Club, Rex was witness to the formation of one of the most iconic bands of the twentieth century, none other than the Rolling Stones.

Rex is also behind the Mayflower Marina in Plymouth. Under his helm it has been awarded four Anchors (the Michelin star for marinas) and has been voted the best marina in the UK for three consecutive years. As Chairman of the Directors Remuneration Committee, Rex is very proud that out of the 700 marinas in the UK, the Mayflower Marina continues to excel.

In the incredibly competitive hospitality industry, Rex has also been behind several highly successful enterprises, including Rendezvous Wine Bar and Restaurant in Exeter, which has won several awards and is a favourite with locals and visitors.

He has most recently been a supporter of Lympstone Manor on the Exe Estuary, which achieved a Michelin star in its first year and has been cited as 'Britain's most exciting new country house hotel in decades' in a review by The Telegraph. It was here that Rex married Ruth in July 2018. He has no plans to slow down and is continually looking for new ventures to explore. His advice for the next generation is quite clear: "Never give up, always adapt, and anything you start, aim for it to be the best."

Cryptocurrency

Where there is risk, there is opportunity

Andrew Oldland QC, Senior Partner

The emergence of crypto-assets which use distributed ledger technology (DLT) – a database that exists across several locations or among multiple participants – known as a 'blockchain', presents opportunities as well as risks for investors. Some crypto-assets such as Bitcoin are well-known, others less so. All derive their value, in some form, from digital tokens (or 'coins') stored or exchanged using DLT. This article will analyse the benefits and drawbacks of Initial Coin Offerings (ICOs) as a new investment mechanism.

WHAT IS AN ICO?

An ICO is perhaps best described as a type of crowdfunding which uses DLT, however, instead of issuing, for example, shares in return for capital (as with Initial Public Offerings (IPOs), digital tokens are issued. The precise nature of such tokens varies significantly; some will be analogous to traditional securities such as shares, whereas others may simply confer a 'right' to something intangible at some time in the future. Potential investors therefore face another layer of risk emanating from the attributes of the token itself which is above and beyond that associated with the underlying investment.

There are three common types of token:

Security tokens: these are most commonly associated with ICOs and confer tangible rights such as ownership, the repayment of a specific sum of money or entitlement to a share in future profits.

Utility tokens: These are also associated with ICOs and can be redeemed for access to a specific product or service, often in the future, typically provided using a DLT platform.

Exchange tokens: These are often referred to as cryptocurrencies (such as Bitcoin) which utilise DLT and are not issued or backed by a central bank or other central body. They do not give rise to any rights or access associated with security tokens or utility tokens. Instead they are used as a means of exchange or, indeed, as an investment in themselves – as has been seen with the rise and fall of the value of Bitcoins. Exchange tokens usually only feature in ICOs as a means of exchange for security tokens.

CURRENT REGULATORY POSITION

Security tokens will almost always fall within the ambit of regulation by the UK Financial Conduct Authority (FCA) either as a 'specified investment or activity', a 'transferable security' or as part of a Collective Investment Scheme or Alternative Investment Fund. Many utility tokens will fall within the ambit of regulation, but some may not (such as the right to future access to information).

Exchange tokens themselves are, currently, not regulated in the UK as they are not deemed to constitute money or a currency; however, many of the activities associated with exchange tokens (such as trading, broking or acting as a custodian) are subject to regulation.

Where an ICO is being promoted by or through an FCA-authorised firm, the transactional risk to the investor is likely to be significantly reduced. However, the FCA has issued a number of stark warnings to investors about the risks associated with ICOs pointing out that many fall 'outside the regulated space', which is often compounded by the ICO being based overseas. See for example the Consumer Warning originally issued in September 2017 and updated in February 2019 https://www.fca.org.uk/news/statements/initial-coin-offerings and 'Dear CEO letters' issued in June 2018 warning authorised firms of the financial crime dangers associated with arranging, advising on or taking part in an ICO.

THE BENEFITS

So what are the advantages of ICOs? Broadly, they are the benefits associated with what is called "disintermediation" and with wider access to capital. Financial transactions depend on trust and certainty which, traditionally, have been provided by intermediaries such as banks, brokers, financial advisers and lawyers, all of whom are closely regulated. In theory DLT with its time-stamped, immutable distributed ledger can dispense with these intermediaries, leading to transactions with are far quicker and much less costly.

ICOs enhance 'access to market' for both entrepreneurs and investors stimulating innovation and competition whilst generating higher returns for investors. ICOs also tap into a much broader investor base with the twin benefits of increasing competition in the capital markets and enabling greater public participation or inclusion in the investment world.

The UK Government accepts that DLT has the potential to deliver significant benefits in the financial services and other sectors, but is currently firmly of the view that the risks associated with unregulated ICOs far outweigh the potential benefits. However, the UK Government has much more of an open mind where ICOs are properly regulated.

THE DRAWBACKS

So, what are the risks associated with ICOs and how is it proposed to address those risks? The primary risk for investors is realising the value of their investment. Converting digital tokens into hard cash – getting your money out – can be extremely difficult.

In October 2018 the UK Government's Crypto-assets Taskforce (comprising HM Treasury, the FCA and the Bank of England) produced a report (the Report) identifying the following key risks:

Money Laundering and Counter Terrorist Financing (AML/CTF): The very nature of DLT can make it extremely difficult to identify the true source of funds (AML) or their intended destination (CTF). Exchange tokens (which include cryptocurrencies such as Bitcoin and Ether) are often associated with ICOs through the purchase or sale of security tokens. Consistent with the Fifth Money Laundering Directive, AML activity will focus on cryptocurrency exchange firms and trading platforms (where 'real' currency is exchanged for a cryptocurrency) as well as custodian 'wallet providers' (who store your virtual currency using a joint 'key' system).

The Report, however, recommends broadening the AML regime to include exchanges between different crypto-assets, peer-to-peer platforms and non-custodian wallet providers.

Consumer protection: Unregulated ICOs can be promoted on the basis of scant, incomplete, and sometimes fraudulent information for investors, as, unlike IPOs, they are not subject to the strict requirements of the prospectus rules which govern what information needs to be provided to prospective investors. The risks associated with the underlying investment can be significantly understated, but perhaps more importantly, the true nature of the token acquired during the ICO is often far from clear and is only discovered when the investor seeks to realise the stated value of the token. Whether a particular type of token qualifies as a security token (and therefore within the scope and protection of regulation) is not easy to understand, even for experienced financial regulators – this lack of clarity can lead to a proliferation of unregulated ICOs.

Another concern relates to futures and derivatives which reference exchange tokens where retail consumers are purchasing complex, volatile and often leveraged derivatives.

Market integrity: The FCA has confirmed that they will not authorise or approve the listing of a transferable security or a fund that references exchange tokens unless they have confidence in the integrity of the underlying market. The FCA will also require that the listing of securities with crypto-assets as the underlying asset would not be detrimental to investors' interests. No such listings have been approved to date.

FUTURE REGULATION

The Report makes clear that the FCA will continue to monitor for potential breaches by those carrying out regulated activities without the appropriate authorisation. Where firms issue crypto-assets which are similar to 'specified investments' through ICOs or other mechanisms, the FCA intends to ensure they are not structured so as to avoid regulation. Further detail as to how the FCA will do this will emerge later this year.

Notwithstanding the concerns surrounding ICOs, the Report highlights the potential benefits of developing ICOs as a capital-raising tool, so the FCA will take steps to manage the risks associated with ICOs through regulation. The challenge for the FCA will be not to extinguish the benefits through over-regulation.

AVOIDING THE MINEFIELD AND ACCESSING THE GOLD MINE

Investors and advisers alike need to consider ICOs with considerable caution before proceeding. Not only do the underlying investments, which are often 'tech' based and difficult to understand, tend to be high risk in nature, but the transaction itself brings its own extra layer of risk.

Without a doubt, the starting point for a potential investor is to check whether the ICO is conducted by, or being promoted through, a firm authorised by the FCA or an overseas regulator of similar standing. Follow-up checks directly with the regulator are always sensible. A regulated ICO should have the benefit of an approved prospectus and access to compensation should there be inadequate or misleading pre-investment disclosure.

Establishing the precise nature and characteristics of the resulting token(s) is vital, and in particular, understanding how and when any rights accruing under the token arise and the full range of variables which determine the token's value (many are extremely volatile). Getting your money out can be very difficult.

ICOs are at an early stage of development with many associated risks. They present a considerable challenge for regulators, but like more traditional forms of crowdfunding, could help transform the investment market.

Jonathan Cole, Managing Director of Velorution, London's iconic cycling retailer – and serial technology entrepreneur, lifts the lid on the urban cycling revolution and why the electric bike industry is only just getting started.

VIVE LA *Velorution*

FOR THE LOVE OF CYCLING

"Nothing compares to the simple pleasure of riding a bike" – so goes the quote attributed to John F Kennedy, known for his lifelong love of cycling. And he is not alone. The urban cycling movement is gaining momentum.

Velorution was established in 2004, trading in the Great Portland Street area of London. In 2012, Jonathan Cole and his wife Gretta had just returned from living in Switzerland, where they had used electric bikes regularly and saw real potential in the brand. "At the time I was running a computer business, and happened to be working closely with Selfridges, placing Apple products in their stores. I knew of Velorution, and thought it was an interesting concept, so when at Selfridges one day, I asked if they would let me display two electric bikes under the escalators. We quickly sold thirty bikes, then 100 – and it kept growing."

"I bought the Velorution brand later in 2012, and since then we've come a long way. Our mission is to bring urban cycling to the mainstream, to make way for the next generation of city cyclists. We sell traditional pedal bikes, folding bikes and electric bikes, with a focus on smaller brands that offer exceptional quality."

"When you think of cycling, you might think racing and Lycra – but our customer base couldn't be more different. We are selling beautifully crafted bikes, to a huge range of people looking to ditch the car, and find an efficient and sustainable way to travel around town. It's about understanding people's lifestyle, and finding the right bike for them – that's our philosophy. We love hearing our customers' stories – they are the life and soul of the business, and we love featuring them in our quarterly magazines as 'Velorutionaries'."

THE RISE OF THE E-BIKE

The electric bike market is booming. As many countries rethink their reliance on individual car ownership, particularly those with large urban areas, electric-powered bikes are gaining momentum. With the first patents filed back in the 1890s, over a century on, electric bikes are now commercially viable. China is leading the way in sales, followed closely by Europe, and then the United States. Consumers are snapping them up; adding to long waiting lists for the chance to own that coveted model.

With demand at an all-time high, Velorution has made a commitment to the brands

JONATHAN COLE, MANAGING DIRECTOR, VELORUTION

it sells, such as Pashley, Pelago and Brompton. The company is placing large and high-value orders, unheard of in other retail industries in this challenging climate, in order to meet the level of demand.

"When you think of cycling, you might think racing and Lycra – but our customer base couldn't be more different. We are selling beautifully crafted bikes, to a huge range of people looking to ditch the car, and find an efficient and sustainable way to travel around town."

But it's not just the consumers who are on the band wagon; it's also the investors. Velorution has concluded two highly successful fundraising rounds with Seedrs, to support its continued growth and expansion in London. 2016 saw Velorution carry out its first crowdfund raise with Seedrs. The target of £500,000 was exceeded in record time, with 95% of investors being existing Velorution customers. This round of funding supported the opening of an additional four London stores in Islington, Hackney, Marylebone and Chelsea, which have experienced an average growth of 35% per year.

In December 2018, Velorution launched its second round of fundraising with Seedrs, again raising more than £500,000, with the intention of opening an additional two stores in London later in 2019. Velorution currently employs around twenty staff across

ILLUSTRATION OF VELORUTION'S FIRST STORE IN GREAT PORTLAND STREET, LONDON

its four stores. For a cycling business, a traditionally male-dominated industry, the company is proud of its gender balance, employing 25% women.

"Our electric bike store is the smallest of the Velorution portfolio, but it is the best performing. Electric bikes have moved on leaps and bounds just the last few years. The bikes themselves, once viewed by many as 'bulky' are now streamlined and you could hardly tell the difference between an electric bike and a normal bike. Amazing new technology means that batteries and motors are continually getting smaller."

A PASSION FOR GROWING BUSINESSES

A serial entrepreneur, Cole's background is in technology, where he has successfully scaled a number of businesses over the years. It is therefore no surprise that his latest venture, Velorution, involves cutting-edge electric bike technology.

After leaving school, he embarked on an accountancy degree, but realised his heart wasn't in it – so he left the course to join the music industry. He became the Sales Director for Syco, the leading synthesizer brand of the 1980s, owned by Peter Gabriel. Towards the end of the 1980s, he had started his own synthesizer brand, TSC, capitalising on the new technologies available.

By 1991, Cole had begun selling Apple computers to musicians, for use alongside their synthesizers. That initiated the domination of the Apple Mac.

"We started advertising Macs in magazines and newspapers. Suddenly we went from nothing, to becoming the largest Apple retailer in the UK. Computer Warehouse was turning over £21m by 2007. Next, and almost by mistake, I moved into online finance. When I was running the computer business, the company who offered consumer finance options to our customers went bust. There was an opportunity to create our own software, digitising the process of applying for finance. Our Deko software is now used by many of the world's biggest brands such as Samsung, Close Brothers, and Klarna."

> *"Electric bikes in particular, are standing out as a viable competitor to the car, and have the potential to change the way we travel around our cities, for good."*

PEDAL POWER FOR GOOD

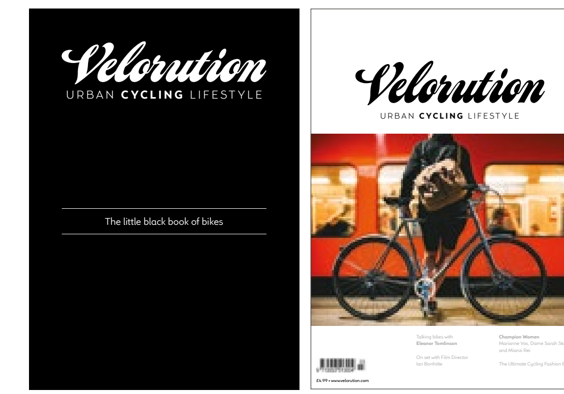
Cole puts the growth in urban cycling down to one undeniable fact – you can't drive anywhere in our biggest cities nowadays.

"Pollution is a major concern, and the days of individual car use are numbered. In London, the electric bike is a hugely efficient way of travelling around. You can cover a distance of say, five miles, in a fraction of the time that you are able to in a car or on the tube. The best thing about it is that, although riding an electric bike provides some light exercise, you don't feel fatigued when you get to your destination. It's perfect for commuting, or heading out to the shops on a weekend. Technology in urban cycling is also evolving. Bluebell, one of the popular apps, uses GPS to help you easily find your way around the city."

"Pollution in our cities is at critical levels, and is something we feel strongly about combating at Velorution. Cars and taxis have been allowed to take over for years, and are now having a real impact on the quality of our urban living environments. The road infrastructure in our cities has got a way to go to properly support cycling, but we are seeing some good improvements year-on-year."

"We believe that the urban cycling revolution is just getting started. Electric bikes in particular, are standing out as a viable competitor to the car, and have the potential to change the way we travel around our cities, for good."

VELORUTION.COM



VELORUTION MAGAZINE

BROMPTON FOLDING BIKES

Consider your cross options

Emma Rudge, Private Wealth team

Shareholding arrangements for family and privately-owned businesses

In shareholding arrangements for family and privately-owned businesses, one size certainly does not fit all, so it is important to consider the options carefully. This can help ensure a smooth share transfer should a shareholder die, avoid undesirable shareholding arrangements, and protect family members when they most need it.

When a shareholder dies, their shares in a trading company will frequently attract business property relief: an extremely valuable form of inheritance tax relief. However, where shares in a private limited company are transferred, there may be a number of unattractive consequences for the deceased shareholder's family, his or her dependants and the remaining shareholders.

We are often asked to assist families in the following situations:

- A deceased shareholder's family inherit shares, when what they would have preferred, particularly at such a difficult time, is cash to maintain the standard of living that they had before the shareholder, who may have been the main breadwinner, died.

- There is often no-one willing to buy the shares, so the deceased shareholder's family are forced to retain them, with no certainty over receipt of dividends and (often) no way of controlling the future fortunes of the business.

- The remaining shareholders are forced into a shareholding relationship with the deceased's family who:

    - o they may not know or like
    - o may be disinterested in the company, and/or
    - o would prefer to receive dividends rather than reinvest profits into the business.

It is possible to avoid such outcomes by planning ahead. One alternative is for the shareholders to make provision, on the death of one of their number, for the others, or the company, to have the option to buy their shares.

This can be achieved by the shareholders entering into cross-option arrangements. To make sure they can afford to buy the deceased's shares, those concerned should consider entering into term insurance on each shareholder's life. This is a life insurance policy that provides coverage for a certain period of time or specified 'term'.

Cross-option arrangements can be structured in one of two ways: shareholder cross options or company cross options.

SHAREHOLDER CROSS OPTIONS

are where the shareholder enters into a 'put and call' option with the other shareholders. Here, a call option means that the other shareholders can require the deceased's estate to sell his or her shares to them. A put option means that the deceased's estate may require the other shareholders to purchase his or her shares.

COMPANY CROSS OPTIONS

are where the shareholder enters into a 'put and call' option with the company. Here, a **call option** means that the company can require the deceased's estate to sell his or her shares to it. A **put option** means that the deceased's estate may require the company to purchase his or her shares.

Of course, those concerned may wish the shareholder's family to inherit shares on the shareholder's death. In this case, the shareholder may want to obtain life insurance and write it in trust for their dependants. The policy proceeds will not be subject to inheritance tax provided the policy is correctly assigned into trust. This would mean that the relevant family members have cash available to support their standard of living and the freedom to choose to retain the shares that they inherit.

OBTAINING TERM INSURANCE

Term insurance is often easy and cost-effective to obtain, however this will depend on the individual shareholder's age and health.

When considering how to structure the options, it should be decided whether the shareholders or the company are to fund the insurance premiums. If the shareholders do this themselves they may require an increase in dividends and/or salary to offset the costs.

Where possible, the level of insurance should cover any stamp duty payable on the transfer of shares, and be reviewed annually to confirm that it takes into account the value of the shares, as this may increase over time.

The terms and conditions of the policy should be studied carefully before it is purchased to ensure any exclusions are understood. Having put the necessary documents and policies in place, the very last thing anyone needs to discover at a moment of personal tragedy is that the insurance will not pay out due to an exclusion which was overlooked at the time of purchase.

Share options often prove an effective way to make sure that those left behind on the death of a shareholder are not forced into undesirable shareholding arrangements. When structured correctly, and entered into in conjunction with life insurance, share options are both tax efficient and affordable.

Any cross-option arrangement, as outlined above, should never be considered in isolation, but always as part of an overall approach to estate and succession planning.

Millennials, money & myths

Introduction

There are perceptions held of each generation, and the millennial generation is no different. Their lifestyles and outlooks, their social and financial intentions and their attitudes to the modern world are often represented stereotypically in press, media and common culture.

In association with research consultancy ComRes, we have interviewed affluent millennials about their approach to their money. We asked participants a range of questions to establish their attitudes and approaches to their money, investing, work, lifestyle and future intentions.

Our research reveals trends that counter the age group's representation, challenging a number of commonly held myths around attitudes towards technology, investing, ethical imperatives and more.

At Michelmores, increasing our understanding of the millennial generation beyond the stereotypes, is key to enable us to recognise our current and future clients' priorities and to offer them seamless legal support, on their personal and business ventures alike.

I hope you find the insights from the research interesting. If you would like to discuss any of the findings, please do get in touch.

Tim Richards, Managing Partner
tim.richards@michelmores.com

To receive the full version of the Millennials, money & myths report, please contact: miriam.percy@michelmores.com

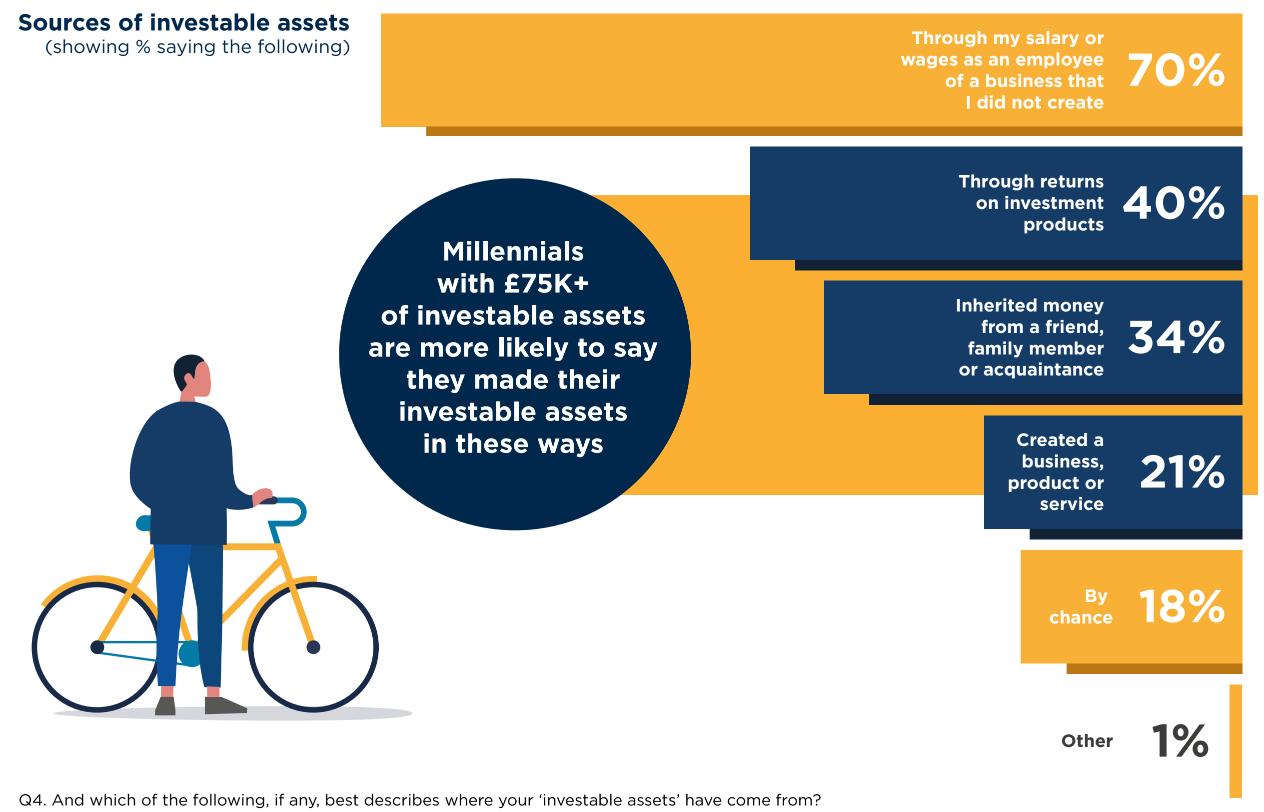
Affluent millennials tend to have saved their way to affluence

Perhaps contrary to the expectation that affluent millennials' investable assets are most likely to come from inherited wealth, or even through an innovative business venture, these findings indicate that many of those surveyed have most commonly saved their way to affluence.

70% say they generated these assets through their salary as an employee of a business they did not create. This is compared to two in five (40%) who say returns on investment products contributed these, and a third (34%) who say they received or inherited money.

This picture differs somewhat when comparing levels of affluence within this group.

For example, those with the highest amount of investable assets (£75,000 worth or more) are more likely than those with lower amounts (£25,000-74,999) to have gathered these through receiving or inheriting money (46% vs. 29% respectively). They are also considerably more likely to have profited from returns on investment products (56% vs. 34%) or from creating a business, product or service (36% vs. 15%).



Q4. And which of the following, if any, best describes where your 'investable assets' have come from?
Base: All respondents (n=501)

A desire for flexibility and risk-aversion is driving millennials' investment decision-making

Flexibility is a key consideration for affluent millennials when they are making their investment decisions.

Close to half (46%) say that the ease of withdrawing or liquidating investments is an important factor when considering how to invest their money in a venture.

Overall, seven in ten (72%) selected factors relating to ease or simplicity.

Additionally, many affluent millennials are also sensitive to the level of risk (44%), and this ranks among the factors most likely to be considered important. Around nine in ten (87%) think that at least one factor relating to profit is important.

Only a quarter (25%) say that whether the venture is new or innovative is important to them.

Q10. Which of the following, if any, are / would be important to you when considering how to invest your money in a venture?
Base: All respondents (n=501)

Stocks, shares, pensions and annuities are the most popular financial products among affluent millennials - yet investment in cryptocurrency is higher than expected

Traditional forms of investment continue to be popular with affluent millennials, who most commonly invest in shares (37%), pensions or annuities (37%), or stocks (35%).

Similarly, at least a quarter say that they have invested in life insurance (30%), investment trusts (25%) or fixed income securities (23%).

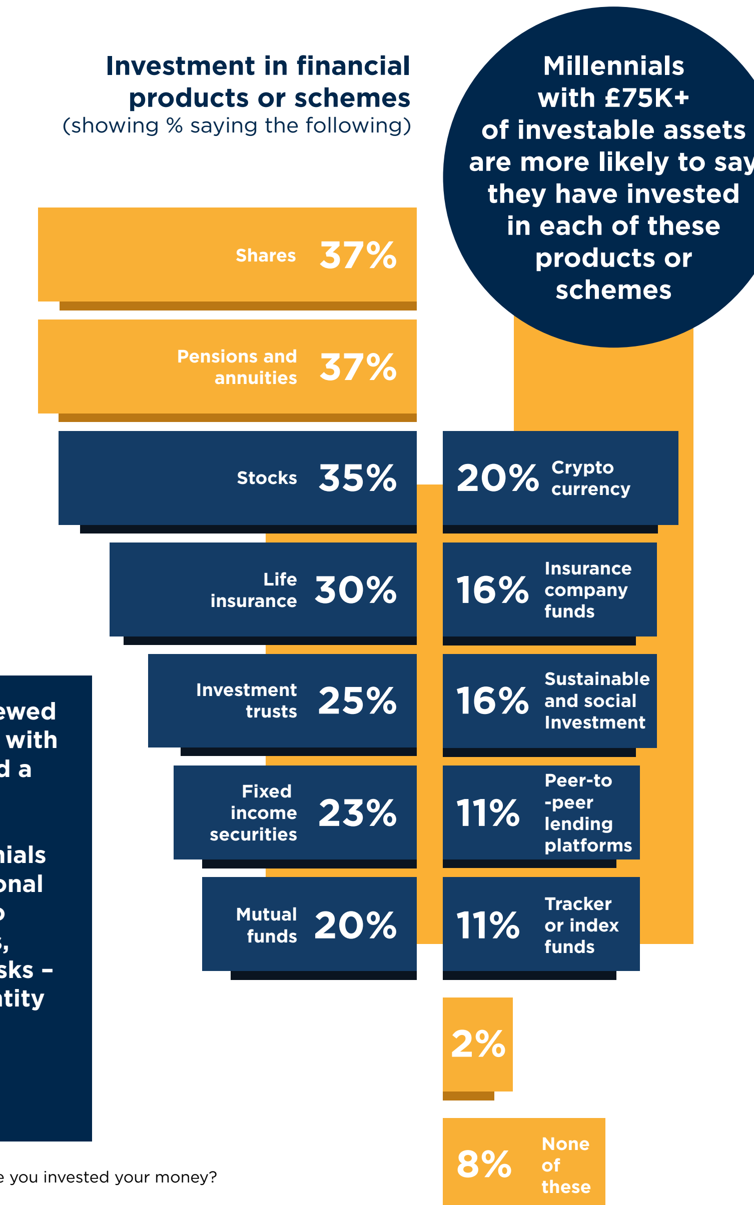
Despite the widespread perception that affluent millennials have a preference for impact investments, millennial incidence of actually investing in sustainable or social investment funds is relatively low, with only 16% reporting that they have done so. This is perhaps the result of a risk-averse investment attitude amongst this audience, and the perception of these investments as volatile.

Remarkably one in five (20%) say that they have invested in cryptocurrency. Meanwhile, one in ten (11%) have engaged in peer-to-peer lending.

"The survey result that 20% of those interviewed have invested in cryptocurrencies contrasts with a recent survey by the FCA which suggested a figure of 3% across the general population.

This suggests a willingness amongst millennials to move away from traditional forms of investment and to embrace new technologies, almost regardless of the risks – perhaps part of a new identity for a new generation."

Andrew Oldland QC,
Senior Partner, Michelmores



Q8. In which of the following financial products or schemes, if any, have you invested your money?
Base: All respondents (n=501)
*FCA cryptoassets consumer research, 2019.

When considering impact investments, there is a disconnect between millennials' social values and their investment behaviour

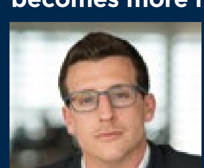
Affluent millennials appear to be conflicted over the value of impact investments, with a considerable gap between their positive perceptions of them, and their actual levels of investment.

Although a clear majority agree that they feel a responsibility to use their money to have a positive impact on the world (73%), only 16% say that they have actually invested in sustainable or social impact funds.

This disconnect between perceptions and behaviour is underlined by the fact that three in five (62%) say that impact investments are less profitable than other types of investment, while 14% say they don't know how impact investments perform in this respect.

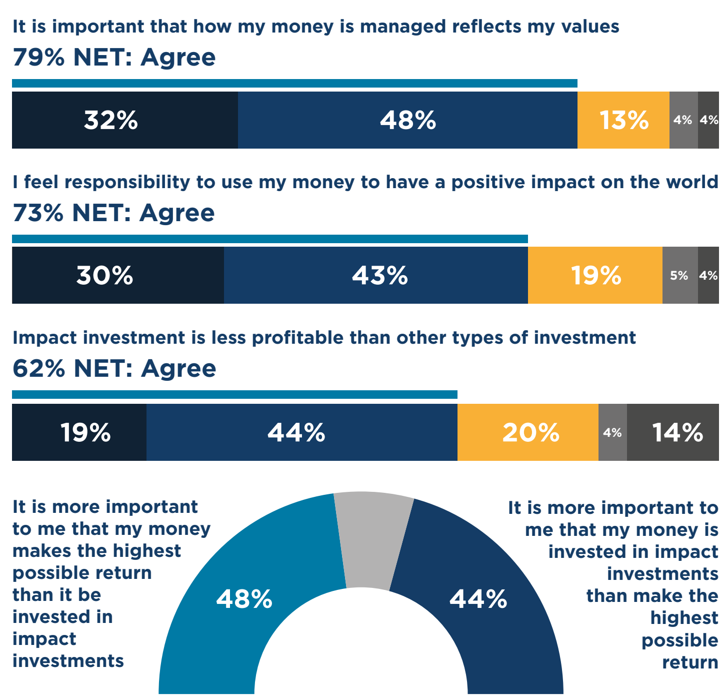
Levels of affluence impact millennial attitudes towards impact investments. For example, those who have acquired £75,000 or more investable assets are considerably more likely than those with fewer assets to agree that they feel a responsibility to use their money to have a positive impact on the world (82% vs. 69% £25,000-74,999), with around two in five (43%) strongly agreeing with this.

"Whilst affluent millennials have positive views of impact investments, it is interesting to see that this is not yet reflected in their investment behaviour. Numerous studies show that returns from impact investments are comparable to conventional investments, yet confidence to invest in a sustainable way is relatively low. We do though expect this to change in the near future as impact investing becomes more mainstream and data evidencing its positive financial return is more accessible."



Harry Trick, Senior Associate in the Impact Investing team

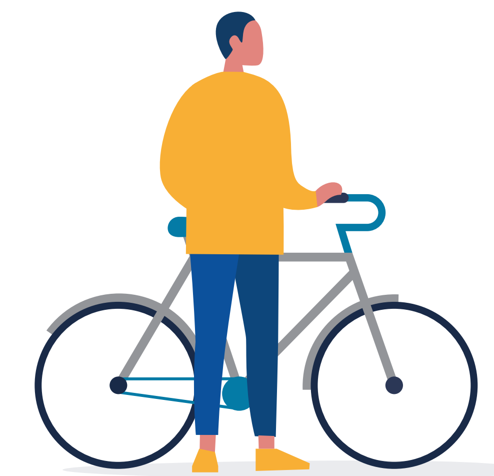
Perceptions of social investment
(Showing % saying the following)



Q14.'Social' or 'impact' investments are investments made with the intention of having a positive impact on society;
Q15. And to what extent do you agree or disagree with each of the following statements about social investment?
Thinking about your own 'investable assets', which of the following best reflects your view on these impact investments?
Base: All respondents (n=501)

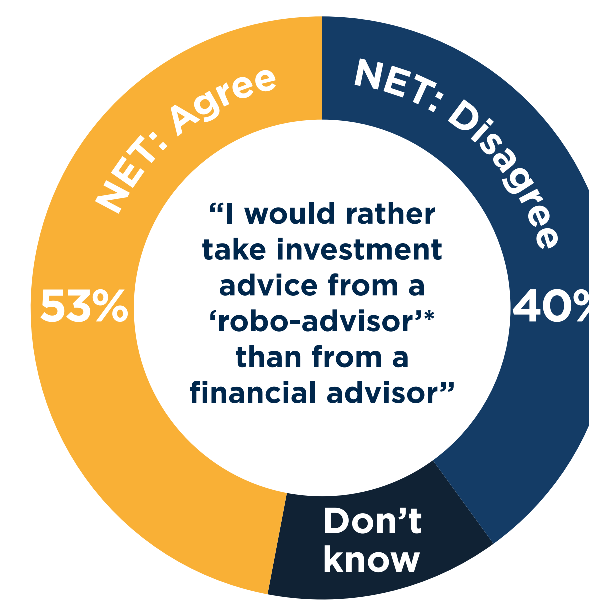
Affluent millennials are increasingly comfortable taking advice from a 'robo-advisor' than a financial advisor

Millennials are more likely to agree than disagree that they would rather take investment advice from a 'robo-advisor' than from a financial advisor, albeit by a relatively close margin (53% agree vs. 40% disagree).



This is more pronounced among younger millennials, with around three in five (60%) of those born in the 1990s agreeing with this statement compared to only half (49%) of those born in the 1980s. Those with larger sums of investable assets are also more likely to look to a 'robo-advisor' than a financial advisor (61% £75,000+ vs. 50% £25,000 - 74,999).

The appeal of 'robo-advisors' is likely to be derived from affluent millennials desire for a flexible, self-service approach to investment management. While this could indicate the start of a broader transition away from more traditional forms of financial advice, a significant proportion of this group still see the value of this advice. Financial advisors should therefore consider how they communicate their 'value-add' and differentiate themselves from online platforms, especially for the wealthiest millennials.



*Defined as an investment platform that uses algorithms to help investors manage their money
Q13. To what extent do you agree or disagree with each of the following statements about using technology to manage your investments?
Base: All respondents (n=501)

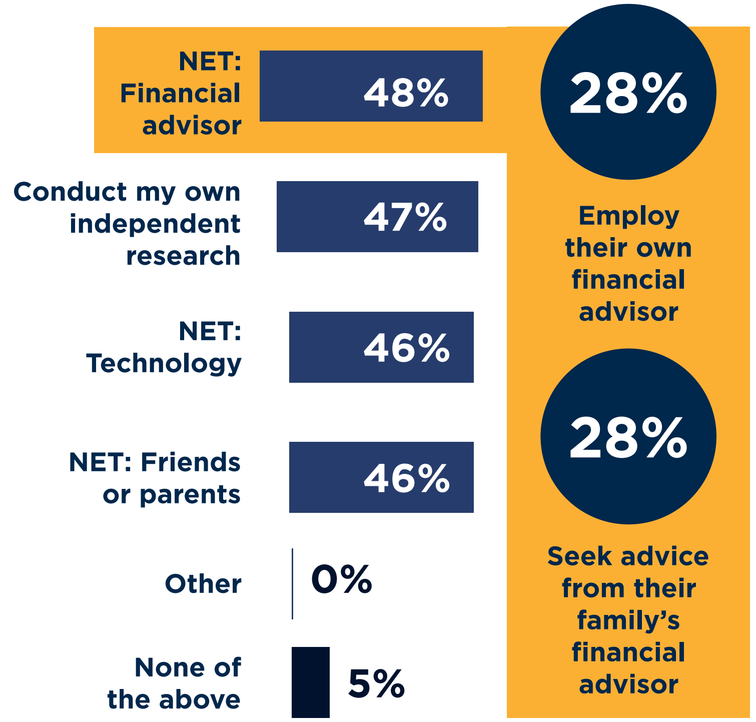
Overall, affluent millennials are just as likely to be using a financial advisor in some form to manage their money as they are to be using other methods

Financial advisors are still an important source of advice, and a significant minority are using their family's advisor or employing their own financial advisor (both 28%).

Nevertheless, these results indicate that those with affluent parents are more likely to be receiving professional advice. Millennials from affluent backgrounds are no more likely to seek investment advice directly from their parents (30% SEG A vs. 24% SEG B-E). However, they are more likely than those from less affluent backgrounds to be using a financial advisor. This could be either one they have employed themselves (38% SEG A vs. 18% SEG B-E) or, perhaps more notably, their family's (34% vs. 22% respectively), who may be working with them to retain their family's wealth.

Further to this, they are also more likely to trust their family's advisor (75% SEG A vs. 61% SEG B-E); in comparison, a quarter (26%) of those from less affluent backgrounds don't know the extent to which they trust their family's advisor, intuitively suggesting many of these individuals may not have access to this form of advice.

Managing investable assets
(Showing % saying the following)



"These findings offer real food for thought for advisors in the private wealth sector. Whilst advisors are still viewed as important by millennials, it is interesting to see that many do not use their family's advisor.

Therefore, it is critical that the way advice is delivered is flexible enough to cater to the needs of our clients, regardless of their age or stage in life."

Richard Cobb, Partner in the Private Wealth team

Q11. How do you go about managing your investable assets? Base: All respondents (n=501);
Q12. To what extent, if at all, would you trust each of the following to provide you with advice on how to invest your money? Base: All respondents (n=501)

Men are more likely to have generated their assets from returns on investments or from their personal business venture

Men are considerably more likely than women to have generated their investable assets through returns on investment products (52% men vs. 29% women).

More men are also likely to have amassed these through a business, product or service that they created (26% vs. 17% respectively).

Men are more likely than women to feel positively about their current financial position, particularly with regards to feeling confident (34% men vs. 22% women) or successful (34% men vs. 19% women).
On the other hand, women are more likely than men to feel stressed about their financial position (18% women vs. 11% men).

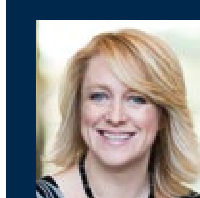
Feelings about current financial position by gender
(Showing % saying the following)

	♂	♀
Confident	34%	22%
Successful	34%	19%
Content	31%	21%
Wealthy	17%	11%
Influential	14%	4%
Stressed	11%	**18%**

"Whilst women are investing to a similar level as men in pensions and life assurance schemes, our research highlights that women are much less likely to invest in financial products such as stocks, investment trusts, and cryptocurrency.

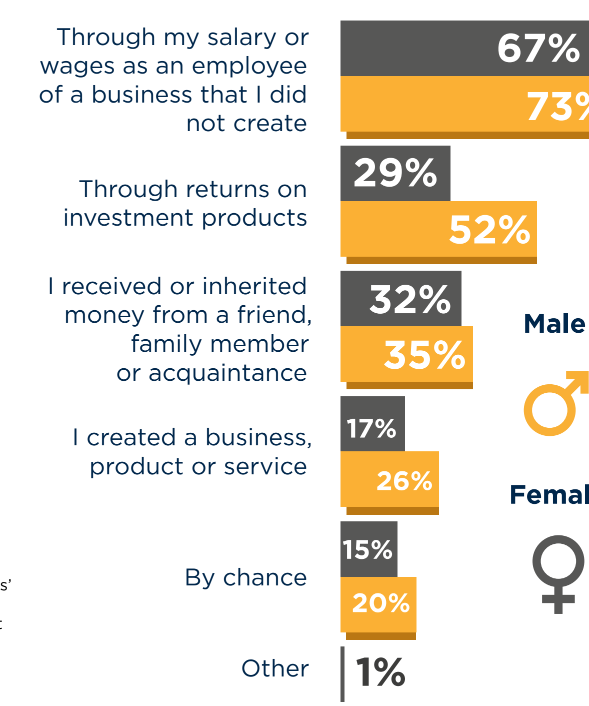
This risk-averse approach amongst women is therefore impacting on the value of their long-term investments.

Access to high-quality financial information can boost knowledge and confidence surrounding investing, often increasing the value of assets held. As an employer we focus on financial wellbeing through pension education workshops and financial one-to-ones, to help women to make proactive investment choices."



Colette Stevens, HR Director, Michelmores

Sources of investable assets by gender
(Showing % saying the following)



Q4. And which of the following, if any, best describes where your 'investable assets' have come from?;
Q5. Which of the following words, if any, describe how you feel about your current financial position?
Base: All respondents (n=501); Men (n=244); Women (n=255)

Views on Brexit

Over three years since the UK voted to leave the EU, Brexit has still to be concluded. In September 2019, we asked two entrepreneurs for their views on the European Referendum, what has happened in the interim, and its impact on business.

LUCY JEWSON:
Founder and Director of childrenswear brand Frugi

I voted to remain as part of the European Union. Our business has very strong trade links with Europe. Brexit could have a big impact on us and our strategy moving forward. On a personal level, I am strongly in favour of a close relationship with Europe.

A large part of our business is export. One of our biggest markets is Germany – we are an organic sustainable childrenswear brand, and sustainable clothing is very popular there.

We are now three years in to Brexit negotiations and no further down the line in terms of clarity.

If and when Brexit happens, we will be looking to set up third-party logistics to continue running our operations. Whilst this option is viable, it is hugely complex and a major investment for a business of our size. We need to make sure our systems and technology will integrate with the European providers. We would never be looking at such an expensive approach were it not for Brexit.

We've been going for 15 years and employ over 100 people in Cornwall. We manufacture in India, China, Turkey and Portugal. Everything comes into Cornwall and then back out – changes to import and export tariffs will be a big challenge.

We've been working on various 'no deal' scenarios. It's almost impossible to plan, as the horizon looks different day-to-day and week-to-week. We are not alone, even the huge retailers are not able to make informed decisions.

Beyond our own business, I think Brexit will present huge challenges to the NHS – an organisation that really could do without added pressure. The right to live in the UK of many of those working within the NHS, is likely to be affected. The NHS is a vital aspect of our society and Brexit could tip it over the edge.

Aside from the impact on business, there's the impact on the next generation. This will not only be economic, but will also affect their life experience. Gone will be the days of Interrailing without the need for visas and passport stamps.

I don't sit on the fence when it comes to Brexit. I passionately believe that we are concentrating on all the wrong things at the moment. Climate change for example, is being lost amongst the Brexit noise – but really, we don't have time to waste when it comes to our environment. Living in Cornwall, we have clean seas because of European legislation. As an 'independent' nation, will this continue to be the case?

After three years, I think it is time to hold a People's Vote. I think it's the right thing to do and the only way we can move forward.

I would love to know what the Queen thinks about all of this too…

NICK SPRAGUE:
Entrepreneur in the food and drink sector

I'm a Brexiteer. I voted leave for lots of different reasons; most people did. Personally I don't think we should have had a vote. It was a surprise result. As a business partnership of four we were split: two remain and two for Brexit; just like the country.

No real thought went into Brexit. We were weak at negotiating. I don't think you can ever go to the other side and say: "We wouldn't dream of walking away". It should have been cross party – so we're all in it together. I'd just like to get on with it, so now I'm a bit pro a hard Brexit.

I think both sides will concede a bit on something, like the Irish Backstop. But, from a PR point of view no one wants to give any ground. They'll wait and say: 'We've burned the midnight oil'. A deal would be a great pillar to build on. Either that or: 'OK guys, we're out'; and the brave new world begins. The Earth won't stop spinning.

We've seen massive changes over the last five years: Trump? Brexit? Expect the unexpected. Boris might well be the right guy to push through a hard Brexit, then stay on for a couple more years, before someone with a bigger, more complex plan takes over.

There'll be a lot more competition. America's saying: 'Come on in, we'll do deals' - heavily weighted in their favour. Perhaps in a century's time we may be closer to America in some sort of tie-up? China always plans a 100 years forward, it's all about the long term. We call ourselves this European family, but to keep our own identity we each have so many different laws, like all the different speed limits. Couldn't we have got just that bit joined up?

But, if it's a hard out, I don't think we should lose our place at the bigger world council table and the G7s. We have a responsibility there.

I'd hope that, with fewer ties from some of the European laws, we can decide what will work better for us. It will get difficult, maybe for 5, 10, 15 years. The world is changing, but we'll be freer to go off and do a bit of a deal with an India, or a China. That might be interesting.

We've managed to get through a £25bn project like Hinkley Point, where France, China, and the UK are all involved, while Brexit was up in the air. That gives me confidence.

The heartbeat of Great Britain is trade. Whichever way it goes, you've got to be pragmatic, not churlish. As a food and drink business that imports a lot, not just from Europe, we asked Deloitte to look at the impact of different scenarios (WTO rules, free trade etc.). The figures were quite scary, but we soon realised that Brexit would hit our competitors too. It's no different to what happens now when there's a duty change on certain imported products.

Ursula von der Leyen is taking over from Jean-Claude Juncker as President of the European Commission. I'd like to ask her where the future lies for the EU without us if there's a hard Brexit? It might be the kick up the backside they need to start thinking: "Well, we don't want anyone else leaving – the Dutch, for example.' They might question if the whole EU model is still fit for purpose and whether they need sensible, proper membership rules?

Everyone's fed up. Let's at least bring it to a close: whether it's a last-minute deal or we paddle our own canoe…

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