The Lewis Workplace Pension Trust Newsletter

Welcome to our quarterly newsletter that provides a brief stock market overview and performance update in relation to our ***Auto Enrolment pension funds*** for the quarter ending 31st December 2020.

The Trustees of TLWPT would like to remind everyone that The Pensions Regulator is concerned about the rising number of fraud cases in relation to pension scamming. We would therefore ask you to forward this email to all members of staff, not only as we want them to engage in their retirement savings but the newsletter also provides a link to The Pensions Regulator website which offers advice on preventing scamming and fraud.

Market Overview

If someone had been oblivious to the news flows during 2020 and looked at global stock market performance (the FTSE100 aside) across the varying timescales over the last 12 months, then they'd be thinking 2020 had been very positive for investment markets and economic data had been strong. There is now little evidence of the 30%+ dips in value that equity markets witnessed in February and March and we'd all agree to gladly see the back of 2020 and the massive impact the pandemic is having on the world.

Positivity in global stock markets continued during the last quarter to 31st December 2020, with the frequent visitor of the "Santa rally" providing a small boost to markets late on. The US market reached a new all-time high on the last trading day of December, with the Japanese Nikkei now at levels not seen since 1990. Despite the on-going uncertainty of the pandemic, we expect positive equity returns to be maintained during 2021.

As mentioned in previous newsletters, the one market that has been a laggard is the UK FTSE100 Index and whilst the quarterly performance has been strong, it remains in negative territory for the 12 months to 31st December 2020. The deal/no deal soap story of Brexit continued to rumble on until the 11th hour until finally, the breakthrough was made. The FTSE100 Index rose by 10% during the past 3 months but was down by 14.3% in the 12 month reporting period.

Although economic data for all nations will be muted, the outlook for the UK now looks better with the trade deal signed and businesses on both sides of the Channel now able to plan for the future, although we are mindful of the recent spike in COVID infection rates and the latest lockdown. We mentioned last quarter that our exposure to the UK had impacted returns slightly but are happy to maintain our weighting in the expectation that the UK market outperforms, having been out of favour with many overseas investors.

The UK's latest CPI inflation rate for November fell slightly to 0.6% and our expectation for inflation during 2021 will be of a similar level as the economy recovers. Similarly, interest rates will remain low for the foreseeable future, with some commentators suggesting years of virtually zero or near zero rates. Many investors will have seen savings rates disappear even further in November, for example NS&I, who effectively now pay zero interest on all but a few accounts. This will likely encourage investors to use some of those cash reserves to invest in equity markets in order to seek a return.

In the Eurozone, some lockdowns are working but expect new regional restrictions over the winter as outbreaks occur, such as the recent case in Germany forcing retail and schools to close until mid January. Similar to many other countries, we expect this to continue until a vaccine becomes widely available during 2021. Europe is poised for a strong post-vaccine recovery. Its economy suffered a big hit from the pandemic, so can rebound from a low base. In addition, Europe is more exposed to global trade and will be a beneficiary of a recovery in Chinese demand. Similarly, Europe has traditionally derived its earnings from financials, industrials and materials, and will likely outperform in the post-vaccine recovery phase

The Presidential election in the US had a positive impact on equity markets, with both the S&P500 and DJIA reaching new all-time highs and this with a backdrop of a surge in new COVID-19 cases during the quarter. Joe Biden's inauguration to become the new President is set for the 20th January and we have seen markets react positively to the news and expect the US economy to recover further, providing support is maintained from the Federal Reserve. Technology stocks have benefitted enormously during the pandemic and we expect a gradual rotation away from these relatively expensive sectors into more industrial value stocks. It will be interesting to see what develops between the US/China trade war although we are hopeful that Biden will be more approachable for trade talks with his opposite number in China.

In Asia, new cases of COVID seem to be steady or declining, providing renewed optimism for 2021. At the time of writing, the number of daily new cases in China was just 17, compared to approximately 180,000 in the US. This general lowering of infection cases will help Asia and Emerging Markets to benefit from a global economic recovery. Emerging markets have been

particularly vulnerable to the economic and medical consequences of the pandemic and expect this to continue until a vaccine is widely available. Hardest hit have been Latin America, Africa and West Asia, and it will likely take longer for vaccine supplies to reach the general population due to issues with infrastructure, transport and facilities able to cope with the refrigeration of the vaccines.

The Chinese economy has almost returned to pre-pandemic output levels and given the depth of the first quarter downturn, represents quite an achievement. In comparison, the International Monetary Fund (IMF) does not expect other large countries to return to pre-COVID economic levels until at least 2022. The Chinese government are now turning their attention to domestic demand and to gradually move away from the reliance on exports.

As mentioned above, the Japanese Nikkei index rose strongly to reach levels not seen since 1990 despite concerns that the economy would suffer due to their ageing population being hit hard by the virus. That said, infection and death rates per capita are among the lowest in the developed world. Earlier in the year saw the resignation of Japan’s longest serving prime minster, Shinzo Abe, known for his Abenomics and the aggressive monetary easing and fiscal stimulus package. It is expected that Abe’s successor, Yoshihide Suga, will continue with these policies with Suga previously working alongside Abe.

Whilst major economies have escaped the pandemic and lockdowns with relatively little long-term economic damage thanks to substantial monetary and fiscal support from governments, one notable exception is the rising debt levels. The IMF predicts that gross government debt for the G7 economies will rise by 23% of GDP in 2020 and while interest rates remain low, this will unlikely be a significant problem in the next couple of years. We don’t expect inflation to rise significantly as governments will need to trim their deficits through tax hikes and lower spending, which could dampen the recovery and therefore maintaining inflation at reasonable levels.

Investor sentiment has certainly become optimistic following the vaccine announcements, and we believe equity markets in 2021 will be positive overall as general economic activity picks up and fears of a prolonged recession abate. On a cautionary note, during the first two quarters of 2021, the markets will be vulnerable to negative news flows, but global economies will recover!

The performance figures to 30th September 2020 for the Default and Model portfolios are:

Portfolio	1m	3m	6m	1y	3y	5y
Portfolio	***1m***	***3m***	***6m***	***1y***	***3y***	***5y***
Lewis Default Portfolio 1 (for ages up to 59)	***1.67%***	***8.78%***	***9.41%***	***2.38%***	***14.11%***	***59.26%***
DP 1 Benchmark	1.71%	7.47%	10.45%	10.54%	26.56%	74.43%
Lewis Default Portfolio 2 (for ages 59 to 60)	1.13%	6.22%	6.23%	0.13%	6.21%	34.53%
DP 2 Benchmark	1.20%	5.24%	7.34%	7.50%	19.06%	52.78%
Lewis Default Portfolio 3 (for ages 61 to 62)	0.66%	3.53%	3.76%	0.82%	4.15%	20.50%
DP 3 Benchmark	0.68%	3.00%	4.23%	4.46%	11.56%	31.13%
Lewis Default Portfolio 4 (for ages 63 and over)	0.08%	0.51%	0.32%	-0.36%	1.09%	2.99%
DP 4 Benchmark	0.01%	0.20%	1.60%	0.72%	2.65%	6.00%
Lewis Cautious Portfolio (available for any age)	1.09%	3.40%	2.75%	6.39%	16.61%	44.97%
Cautious Benchmark	0.86%	3.75%	5.27%	5.48%	14.06%	38.35%
Lewis Moderate Portfolio (available for any age)	2.68%	9.34%	11.10%	8.88%	20.74%	74.46%
Moderate Benchmark	1.37%	5.98%	8.38%	8.51%	21.56%	60.00%
Lewis Speculative Portfolio (available for any age)	3.05%	10.27%	12.92%	8.96%	19.81%	77.56%
Speculative Benchmark	1.54%	6.73%	9.41%	9.53%	24.06%	67.21%
Lewis Ethical Portfolio	3.30%	13.30%	12.30%	-8.30%	4.70%	20.10%
Lewis Shariah Portfolio	1.40%	3.50%	10.40%	22.40%	58.00%	122.80%

Past performance is no guarantee of future performance and the value of your Investment may be less than originally invested.

Other Matters

Warning - Protect your pension

With the increase in flexibility on how you can use your pensions, scammers could be after yours and they know you can now access your pensions in new ways and will try to lure you with promises of upfront cash and one-off 'deals' with guaranteed high returns. The Pensions Regulator has a section on their website specifically designed to help you protect your pension. Information can be accessed HERE.

Expression of Wish

We would encourage all members to complete an Expression of Wish form. This indicates to the trustees whom you wish to benefit from your pension on your demise. This form can be completed either on the Member Portal (where you view valuations/annual statements, etc) or please contact the Lewis Workplace Pension team or Options Corporate direct for the form. Please note, even if you have made a will, because pensions are normally outside your estate for any Inheritance Tax liability, your pension will not be included. Therefore, to have your wishes fulfilled, you should complete an Expression of Wish form.

Member Portal

If any member wishes to, or has lost or forgotten their login details, then they should contact the Lewis Team directly on 01202 738650 or via email mypension@TLWPT.co.uk.

You should ensure personal details and home email addresses are kept up to date and if you are advised of any changes, these should be notified to Options Corporate as above. The portal shows a history of contributions and how they are invested, including any important correspondence issued to Members.

Environmental, Social & Governance (ESG)

ESG refers to the three main factors or standards when measuring the sustainability and ethical impact of an investment in a company or business. The Environmental criteria considers how a company performs as a steward of nature; Social criteria examines how it manages relationships with employees, suppliers, customers and the communities where it operates. The Governance criteria deals with a company's leadership, executive pay, audits, internal controls and shareholder rights. An ESG investment fund will exclude companies that do not meet the ethical standards or that harm society or the environment.

Defaqto Rating

The ratings agency, defaqto, have a dedicated link on their website to workplace pensions, where it provides their rating on each scheme. The link can be opened below:

https://www.defaqto.com/advisers/ratings/star-ratings/pensions/workplace-pension/

Re-enrolment - as a reminder

If a staff member previously opted out of joining the workplace pension, then under pension guidelines they will automatically be re-enrolled after 3 years. It is up to the member of staff if they then decide to opt out again and if they do, they should contact Options Corporate direct for the necessary form. Currently, although we do not encourage members to opt-out, due to the current pandemic a form is available on TLWPT website on the member's frequently asked questions section to assist access during this difficult time.

We would also like to clarify the options that are available to members as we have noticed that there is sometimes confusion surrounding these terms.

Ceasing Membership - A member can stop contributing into the pension scheme by emailing mypension@TLWPT.co.uk The member's contributions in their workplace pension will remain invested (unless they transfer into another scheme) until such time as when they can access it, at the age of 55. Please note, under extenuating circumstances a member may be able to encash their pension at an earlier date.

Opt Out - Available to members within their 30 day opt out period (30 days from when they receive their welcome communication). Should they wish to opt out, they can call the Lewis team to request an opt out form.

Once this has been received and completed, they can return it to us and we will action their request as long as they are still within the 30 day window. Once the employer has received notification from the Lewis team of the opt out, they should immediately refund any paid contribution made within this period to the member.

If you have any questions concerning this newsletter, or any other matter, or have any suggestions, please do not hesitate to contact the Workplace Pension Team.

Regards

Trustees of The Lewis Workplace Pension Trust

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