Philip J Milton
& Company Plc
Established 1985

# North Devon's Leading Independent Wealth Managers

# MILTON NEWS

## Winter 2021 Edition

### Highlights

- Market Update
- Why use our investment management services?
- Our Support Team
- Passing on Wealth
- Lost pensions?
- Charity Update

*and much more!*

Choweree House, 21 Boutport Street, Barnstaple, North Devon, EX31 1RP
Tel. (01271) 344300 www.miltonpj.net Email: info@miltonpj.net

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*Dear Client* *November 2021*

As I sit here readying myself to begin writing this latest newsletter, I look back to this time last year when we still faced a very uncertain future as the pharmaceutical industry continued its research into an effective vaccine against Covid19. It is extraordinary to think that just twelve months on so many of us have been double (and some triple) jabbed and others now await boosters. Say what you will about the UK Government's handling of the pandemic; one thing about which we can be united is the fantastic speed with which it facilitated the rollout of the vaccination program where Britain has been at the forefront globally. There remains much to do to ensure poorer nations are able to vaccinate their own populations to best manage the disease globally and let us hope the momentum can be maintained during 2022.

From the dark days of late 2020, both literally and for markets, we have enjoyed brighter conditions this year. Since early November 2020 the UK market (as shown by the FTSE All-Share Total Return Index) has rebounded by over a third, so about 35%. For those of you who may question short term returns, even over five years (which covers the 30% drop between February-March 2020), the same index delivered almost 34% appreciation. That's not bad at all when we also remember that the common alternatives (banks and building society cash) have returned so little with historically low interest rates and now rising inflation as a pernicious tax on all your money.

Despite that, which actually is nothing new over sensible time frames, we still find we are in a position where people are holding so much more cash in savings accounts than in more productive longer-term investments. I can fully understand that market conditions "spooked" many investors in March 2020 but markets have been recovering for eighteen months now yet many are still sitting on their hands with far too much cash idly in the bank losing money in real terms as inflation picks up. Even drip-feeding money monthly into markets by way of our ISA or Pension (which may be a more palatable proposition than committing bigger lump-sums) can be an excellent option to accumulate a useful sum over the longer-term for your future.

With overall tax burdens on the UK taxpayer their highest in peace time (including higher National Insurance and tax on investment income) it is increasingly important that you identify all available tax-saving opportunities and with that in mind, funds allowing then using your tax-free Personal Allowances, ISA investment limits and Pension allowances really must be the priority and for us all. With pensions, did you know that you do not need to be working, you do not even need earnings, you just need to be under seventy-five? The Government will top up your contribution by 25% and then, if you do

ever need to access the money you can take at least a quarter of it without paying tax. If you do not need it, you can nominate your beneficiaries to receive the pot on your death, which they may inherit as a pension for themselves. This is protected from Inheritance Tax too. It really is an excellent investment opportunity all round really and yet so few seem to take advantage. Maybe it is too good so people don't think it is true! Where else can you receive a 25% return on day one?

At this time, remember good relationships are built on mutual trust. This means confidence your adviser works in your best interests. We hope you know you can rely upon us - perhaps a connection proving to be one of the wisest you ever made.

All that remains now is to wish you a lovely Christmas and happy New Year and meantime please do read on and enjoy our detailed comments!

My very best wishes

**Philip J Milton DipFS CFPCM Chartered MCSI FPFS FCIB**

*Chartered Wealth Manager, Fellow Of The Personal Finance Society,*

*Fellow Of The Chartered Institute Of Bankers*

The **Chartered Financial Planners** status is an exclusive title only awarded to firms that meet rigorous criteria relating to professionalism and capability. All chartered firms commit to a code of ethics, reinforcing the highest standards of professional practice in their business dealings. A chartered title is not simply recognition for passing exams but brings with it a number of serious obligations.

To date, just 900 firms have met the high standards of professionalism demanded to achieve Chartered Financial Planners status, indicating that this is a highly exclusive award reserved for the leading firms within the financial advice market.

As a firm we are incredibly proud that all of our advisers (including two directors) have attained the individual Chartered Financial Planner status. We also enjoy the benefits of specialist and high-level qualification in wealth and investment management alongside defined benefit pension transfer advice. These are not held by most advisers elsewhere.

# MARKETS & INVESTMENT RESULTS

As clients will know from statements, we invest our clients' funds across a very wide range of holdings, across many sectors and geographical regions. This spreads the risk of any one holding or sector having a disproportionate effect on your investment if it does not perform as well as we anticipate.

Within this range of sectors, we also acquire a healthy number of holdings that we consider offer more defensive characteristics. This creates increased diversification and so, in the event of a general market upset, these should be more resilient in terms of valuations. Of course, when markets perform well, such defensive holdings will drag on performance. However, the balance they offer means they are worthy of inclusion. This actually means our overall results are all the more impressive as typically they include rather more pedestrian returns from our defensive holdings!

So, we and our clients enjoyed the best ever performance time since the Firm's establishment in 1985. However, a recent survey has stated that a third of other investors saw their investments drop since pre-Pandemic highs… we really must ask the rather challenging question of them all, which is what on earth were they all doing?! https://www.ftadviser.com/investments/2021/10/01/third-of-investors-see-post-pandemic-drop-in-portfolio-value/ Not only that but over half of bigger investors 'significantly altered' their portfolios.

You can read what we were saying at the time – encouraging investors to pile-in with whatever spare capital they had and the results for those who did are unrepeatable sadly, probably in their life-times – that is how dramatically good our results have been. The last quarter has been more pedestrian; generally, we have still managed to beat the main UK indices which drifted from 5 July but it is negligible. It is good though, as the indices ignore all costs and whatever you do, you have to pay some and taxes! However, we enjoy beating the main market indices as our pots include cash and defensive assets which will not 'do much' (so not shares) and our figures are after all the costs which are higher than unmanaged 'passives' (index-trackers) where we beat the main UK ones. However, for quite some time now, with these 'cheap' options you have paid dearly to underperform what we've been able to do for clients, so that's not very clever, especially as we provide a far

lower risk with significant diversification as part of the service! However, I repeat; it is tomorrow which counts, not yesterday – what is your investment manager doing to reflect today's conditions, if it is not us?

For us, the improvements have been embarrassingly good from what generally were the highest ever levels in January 2020. Our value-based emphasis held us in brilliant stead and the gentle but continuing improvements have been there and should endure, especially as corporate activity will continue to pick-off the undervalued opportunities of which we hold so many (apparently predators are paying amongst the highest ever premia now, when they pounce on quoted companies). Of course, we must not be complacent. We entered October, a month which has superstitious portents from past crashes but we must be driven by reality and not irrational behaviour! There remain plenty of great opportunities even if they are not as good as they were. We find value is driving us towards the bigger UK companies now – and which have either fallen or not kept-pace with their racier brethren. They are safer too. This has pushed our total funds we manage to a new record - £235million. Thank you to all clients who have supported that and who are within that sum, large or small! Thank you to the Staff too!

This leads me onto 'themes'. We find that over a period of time we gravitate out of an area and into others and before we know it, we have seen great value somewhere and don't just have limited exposure but a range of different connections to that 'sector'. This isn't a 'black/white' decision and is never 'excessive' but it happens and to buy something new, we also have to consider making money available by some other disposal (if cash hasn't happened naturally, like a takeover). Where have we been increasing exposure? Commercial Property Trusts where there are still good discounts to their underlying (already written-down) asset values and good incomes from a very varied portfolio of underlying property, with rents still very much being paid for example. Would we mind if we had as much as 10% of clients' equity assets in these? Maybe even 12%? No, it's a great uncorrelated asset (of some form) so not really, the way valuations are at the moment. We don't, incidentally but we'll continue nudging upwards whilst the opportunities persist. As ever too, better to buy cheap and boring things which are safer come any deluge and yet still have great potential to be rerated (and giving us income meantime) rather than chasing the last few go-go growth pennies before those things go phut (as some will)…

## Top 100 Again!

We are delighted to announce we have made it into the Citywire New Model Adviser Top 100 again this year. This is indeed quite an accolade following such a year when Covid induced more troughs than peaks it seemed. The pandemic saw many investors panicking themselves into selling whilst others sat tight and rode out the storm. Many once-in-a-generation opportunities came from the turmoil resulting in the Company having its best investment performance period since its inception in 1985.

# Why use our Discretionary Investment Management Service?

As I have noted, funds under our discretionary management now total a staggering and humbling £235Million, which is no mean feat for our Firm in the South West backwaters! However, I do like to think that at least in part this reflects the Firm's ongoing commitment to you, our clients and investors and our professional approach in doing all that we can to help you. We are not perfect but then again, very few are but what we can provide is a 100% guarantee that we shall offer everything within our considerable collective skill-set to address all of your requirements in the most effective, cost-efficient and professional manner possible. With additional in-house expertise in the areas of taxation and accountancy, trusts, executorship and Probate as well as estate planning and Will writing, we can help with the majority of your needs if desired, all within the one Firm. We keep adding to these teams as well.

However, as we are always looking at how we can improve services, on reflection I do not think that we have been as clear as we could have been in explaining all the benefits from being a "member of our Exclusive Club". Perhaps there are more readers who would benefit greatly from our help. With that in mind, I shall redouble my efforts below and shall try to do better! If you have anything to add please do let us know.

Firstly, it is important to understand that 'discretionary investment management' is very different to putting your money into an investment fund where you will have no knowledge of the fund's activities beyond a simple annual statement of investment performance. Discretionary management is a service, rather than a product. Ours is a great service whereby whatever you have in market assets – pensions, ISAs, portfolio, bond or simply an eclectic range of different shares or unitised holdings, can be cohesively and sensibly administered and managed effectively, pursuing all the ideal opportunities in a strategy which meets your needs as well as responding to the gyrations in economic and investment markets as they may happen.

We started this service soon after the Firm began in 1985. This was after recognising that people come to us for advice as to 'what was the best and most suitable solution to their financial needs'. If we recommended certain investments 'then', fairly that client would believe we were looking-after their capital for them thereafter and would inform them when changes may be wise but in reality, there was little ability to do that. Most firms out there can't do that now either. So, instead we developed a service which enables us to collaborate with you to determine your financial objectives, your attitude to and ability to take risk and your time horizons as well as existing and probable future financial resources. We can then provide initial advice on how best to deploy your capital and more importantly, to give the ongoing care and attention your investments deserve. A personal portfolio will be created for you, reflecting your specific and individual needs and over your various tax-friendly 'pots'. That investment strategy will evolve over time, as we look after client money over long periods, often across multiple generations. Therefore, as part of our service we invite clients to update us as their circumstances change as this may require alterations to their investments. This is an integral part of the service but importantly has no additional cost to you.

We can sell or transfer-in all of your present holdings as well, so not leaving you with administrative problems. This makes your overall strategy cohesive and targeted.

Our unrivalled and staunchly independent discretionary management service ensures we can provide clients with the highest quality, professional service possible for the ongoing, daily management of their capital, whether in Pensions, ISAs, Portfolios, Bonds, Trusts or whatever receptacle is best for that part of their money. We then provide the very best totally independent management of their capital. We make all of the investment decisions using an unlimited range of components. It is also one of the most cost-effective services on the market, for what it provides and we pride ourselves in aiming to cover our fees by the actions we know we can take in the deft management of how we run clients' assets too.

As reassurance and absolute confidence, the vast majority of our money is in exactly the same pots. It has grown because of the same results achieved for clients. Our systems are unique and so good and yes, we even pay the Firm to manage our money – albeit with staff discount! That is the best way of knowing that the decisions needed over our capital are taken when they should be too – otherwise, would we actually get around to doing it? If you are not with us, is that you too? Some people cut-off nose to spite face, all to avoid a tiny fee perhaps, yet sacrificing far superior outcomes. And you can be as interested in the investment selections we make as you wish – or you can simply leave it to us to do our best with relative disinterest.

Of course, no such processes are perfect but having this ability ensures we can do our very best to look after our clients, which we have done very successfully ever since. Yes, it's an onerous responsibility upon our shoulders as we have to negotiate whatever the World throws at us. Constantly we look for great new ideas of value to incorporate in portfolios for clients' benefit. We move on from those too, when it is time to do so.

Rather than have your money held by a "faceless" London or City institution, a distant insurance company, some orphan fund administrator or an advisory firm which sold you a product for 'commission' of up to 6% (called initial fee now – we charge 0%) and then forgetting you (but still taking annual fees from your pots) we are accessible to clients and are always available to discuss decisions and ongoing market views.

Remember too, we don't take a penny of the profits we make for you – they are all yours. Of course, we don't underwrite risks either but it is in our mutual best interests that the optimum returns are generated for you as that helps our Business grow as well!

## Our Systems

Our back-office facilities have enabled us to create one of the most sophisticated (yet simple) systems for maintaining 'pots' of investments, with functions we could not now be without. The sheer efficiency enables us to continue growing the funds under our management without concerns that they may reach capacity. This is because our strategies and trading mechanisms operate as smoothly for one client's portfolio as for hundreds or even thousands. Clients don't have to worry, as the 'system' is simply our tool, letting us build a colossal diversity of component holdings for each client, from as many different asset types as possible – not only for opportunities but also building protection by reducing risk. We spread clients' money very widely and presently no single holding exceeds 3% of our total funds managed. All costs are percentage based too (with caps on transaction charges) so there are no penal minimum charges either. The Firm also suffers all clients' administration fees so there are no other direct costs.

Our service is far more advanced than simply telling you to place your money in a particular investment company's unitised account or Bond for example, or a particular share or commodity which may be "flavour of the month" and then leaving it there unchecked and unchanged for ever, regardless of what may happen, or new great opportunities which will arise and which you should pursue. This is exactly what most other advisers do and typically they take a fee from the sale of that 'product' for doing that – from 3-6% of your subscription or transfer value. (We take 0%).

Another problem with 'selling' the product of a single company or a restricted range is that whilst it may seem acceptable at the time, this can't be true for ever. We hope to have longer-term relationships with clients, providing an ongoing management service, ensuring "best advice" and oversight of your investments continues all the time. It's also the responsibility we feel to you. Thus, we oversee your investment components all of the time through truly active management, meaning constant oversight (but not constant change). Most engaged advisers/salesmen may only refer to your account annually – if that, as most have no facility to do so more regularly! That may mean the best time to have taken action has already gone by the time they consider your position.

We don't wish to patronise but our valued, investing clients do belong to our exclusive Club. This is not self-adulation but we try to invite clients to appreciate the privilege they enjoy with their capital under our care. We have been too modest about our service and what we try to achieve so ought to desist from hiding our light under a bushel!

## Custody & Reporting – maximum protection for you

Whilst we are responsible for the management of clients' capital, all administration and reporting responsibilities are delegated to carefully selected expert firms in that field which are independent of the Firm and they are also regulated by the Financial Conduct Authority (FCA). Our main provider, Quai Administration Services Limited, uses the dealing and custody services of Winterflood Securities, for numerous dealing advantages, cost savings and extra client security secured in a large global custodian.

Winterflood Securities is part of Close Brothers Group Plc, a long-established, independent merchant bank quoted on the London Stock Exchange. It combines leading Information Technology systems with highly experienced dealing teams and is extremely well placed to support us. Winterflood also benefits from a strong capital base assuring us and investors of safety and security for clients' assets. This provides absolute peace of mind that even in the unlikely event of Philip J Milton & Company Plc or Winterflood defaulting, clients' assets are protected.

As well as administering the investment holdings we select for clients, our agents collect and distribute or reinvest dividends and interest, as clients need. Quai has a commitment to excellence with highly advanced systems and some designed exclusively for Philip J Milton & Company Plc. The underlying assets we manage for clients are held either on separate Client Trust Bank accounts or in the nominee names of our custodian. The assets still belong to clients, never forming part of Philip J Milton & Company Plc's assets, nor the assets of the administrators. This means that absolute protections apply. As we have grown and with increasing funds under management, this invaluable and highly efficient support has allowed us to continue focussing on the imperative and unrivalled investment selection and management process.

On top of this, full indemnity insurance is maintained as demanded by the regulations. This means you have the protection of giant nominees to hold your assets and the deft-footed activities of one of the most dynamic and responsive financial advisory firms and investment management houses in the whole Country.

Clients are kept apprised of their capital's progress through efficient administration and reporting. Again, they receive more than a bottom-line simple valuation. The quarterly reports they receive summarise the basics such as "money in and out", dividends received, profit/loss and value but more detail follows for those wishing to take a greater interest! This includes dates and times of all individual transactions, prices at purchase and sale, transaction costs and Stamp Duty and a running balance of cash held. All accounts provide individual values for each holding and you will also be able to see how much of your money we have invested in different market sub-sectors (from UK to international to more defensive), each of which has a desired percentage allocation. Stocks and sub-sectors are prioritised according to our interpretation of best value opportunities and these change over time.

# Buying & Selling

The Firm has had the same principal investment manager since establishment which has delivered a consistent investment approach and direction instead of one which has changed many times over the years, activity which can be both unsettling for investors and expensive as they incur higher transaction costs.

We do not simply invest a client's money upon receipt for them individually. Instead, at any time of any day, our sophisticated administration system can be deployed to look across all of our strategies for all investors and identify every investment that we need to bulk purchase and in what quantity. We then decide which of those holdings (if any) that we wish to purchase then. Equally, for sales, by trading in bulk we usually secure better prices. We may also decide to apply limit prices when appropriate, for stocks that are more difficult to trade. Unlike many other available investment options (with constraints on dealing frequency), we can trade any time the market is open, providing optimum flexibility as opportunities arise.

Separately, we can negotiate very attractive dealing terms through our ever-growing market presence and we are often approached by buyers of stock we hold and sellers of stock that we might be buying. We also have access to newly issued stock. Invariably, the prices we pay or receive are superior to those available to private investors on the open market. Despite our growing influence, we remain of a size that allows dynamic management (so we can act swiftly as opportunities present themselves), where we are not prevented from participating in attractive smaller entities. Most larger investment houses face constraints when it comes to investing in smaller holdings, as they simply manage too much money and would need to buy most of the trading stock to participate meaningfully! We face no such restrictions, which is also a reflection of how diversely we invest clients' money.

We are often able to "match" transactions on certain investments. For example, where we are required to sell stock for clients (who need to raise money) but we still favour the investment in question, we can often buy it back for those clients still in need. In so doing, we trade at a mid-price that is excellent for both seller and buyer, compared to open market prices. Savings of anything up to 3-15% go straight to clients. For stocks with limited trading, this is very advantageous for sellers who may otherwise be forced to receive a lower price for a modest quantity of stock. Where we know of a withdrawal in advance, we can purposefully and gradually accumulate funds through normal management of the account, rather than selling on one day, for example, when conditions may not be best. This costs nothing extra. Typically, this will be a temporary measure but it can also be used to "manage down" an account over a longer period.

The back-office trading system is designed so that whenever new cash is introduced (from new applications, transfers-in, surplus income for reinvestment or as existing holdings are sold and the funds spent), new purchases are prioritised towards the 'best buys' at that time and concentrated upon the 'gaps' in the individual client's overall portfolios on that day, constantly rebalancing the strategy by adding to holdings and sectors where we are underweight. The 'skeleton' is in place for the meat to be added later, not allowing us to add cash to holdings or sectors which are up to weight for that individual client in accordance with our latest wishes. So, every time a purchase of anything happens, the account is purified, rebalanced, by that cash being allocated to where the 'gaps' exist on that given day. This is based on all the closing values of existing portfolio components as at the prior day's closing values.

Likewise, overweight holdings can be trimmed back to the 'ideal' weighting both to reduce risk and to release funds to buy the choice underweight situations required.

There are different decisions for those already invested, compared to those adding new cash for example and sometimes something on the 'buying list' is never acquired if the price never hits the desired range – or something new takes its place first.

All of these attractive features occur "behind the scenes" and are just a normal part of our daily procedures. Most cannot be achieved by private investors themselves, nor by many other advisers in the industry. Whilst the impact of these "special features" is hard to quantify, clearly there is a very real financial advantage for investors, all of which adds value and contributes towards covering and exceeding all the annual costs.

This is all within the price clients pay. We see this as all part of our job, our responsibility, not only to have some of the best systems to manage clients' capital but to also make sure that when we undertake transactions that we do so with the keenest of efficiencies, all adding to clients' returns. This is what our 'Club' guarantees regardless of the extensive extra work it all creates for us – if you are not with us, ask your adviser or investment manager if this is how they look after your capital!

## Investment Principles

Turning to investments and our careful management and direction of these, not everything we buy will do what we may expect. That is why we use many disciplines to protect clients.

***Diversity reduces risk*** - Firstly by spreading capital as widely as possible and over so many different asset types, from defensive assets including commodities like gold, metals and agricultural products to currencies, shares, bonds, loan funds, insurance underwriting companies, energy and commercial property funds and well, whatever exists if we think it is good value, it may find its way into portfolios. Recently we even added some uranium! We have no constraints. By spreading your capital over a very wide range of carefully selected, quality holdings including quoted investment funds, we can take advantage of numerous worldwide opportunities in a lower risk manner. If a specific fund manager is the best for a specific specialist task in our view, we'll have it – it makes no difference to us whatsoever. We have no axe to grind!

We monitor new Funds, Trusts and direct stocks becoming available constantly, to achieve targeted exposures and refining 'best' options within clients' portfolios.

We also offer complementary market ISA and Pension strategies for couples (with different stock ranges in each), providing even more diversity and opportunity-seeking. Not every client will have everything either – more risk mitigation by us!

***Never just follow the crowd*** - Another form of protection is achieved by the typical stock we include within clients' portfolios. Rather than being influenced by periodic, expensive fads in our selection processes, as 'Value Investors' we concentrate upon holdings with above average potential for return yet with a core fundamental value within them, for extra safety. This may result in us buying holdings which have fallen in value unjustifiably and perhaps only because they are not within one of the more popular sectors. We aim to select tomorrow's out-performers (not yesterday's "high-flyers"). Jumping on bandwagons with everyone else often means most of the potential has gone and the risks have rocketed. We often do well from previously fallen stars which simply recover to more suitable levels at which they once traded too.

Most people are driven by what the crowds do, so the worse the conditions, the more likely they are to withdraw money, suffer losses and then sit on their hands, only investing much later when things are 'nice and settled' and have risen significantly (buying high and selling low). If you don't have a contrarian adviser or manager (meaning knowledgeable about global markets, confident and independently-minded and not doing 'the opposite' for its sake alone) prepared perhaps to face criticisms when it seems people are missing-out from the latest excessive momentum and 'dead-cert' thing which all the friends at the Golf Club or on Social Media are buying, then you are in that majority.

Elsewhere, big firms do not do what people think they are. Investors end-up with a default to the lowest common denominator because these investment firms manage too much! They can't buy or sell small things whereas we cherry-pick special opportunities where best value often lies. Even we have to be careful how we deal sometimes but we think we know what we are doing! Presently our second-biggest collective fund is only worth just over £80million in total – too small for the big firms to have, even if it is the best thing possible. Our universe of opportunities is expanding as our competitors grow even bigger and thus restricted in terms of what they can buy, inflating the prices of all the same big things. When the exuberance bubble bursts and investors rush for the door, they will all fall in tandem as they all have the same things! We don't.

We learn constantly. This world and ours of finance are not perfect. New and old ideas need constant assessment and reaction. The colossal volatility and significant gains since Spring 2020 remind us that returns are not from simply 'what investments you had' and whether one thing 'out-performed' another, it is if you did anything at all and whether you even had the opportunity of participating, let alone if you could cope with your emotions at the time to act. We did. We took that action.

***Investment Trusts versus Unit Trusts -*** One area where we do things very differently from the majority of the industry is our involvement within the collective Investment Trust sector and this has been a major benefit to our clients. If you are not with us and your pension, ISA, portfolio or whatever are managed by the big boys, there is an almost 99% likelihood you won't have Investment Trusts in your pot.

Like unitised holdings, Investment Trusts themselves are separate quoted companies on the Stockmarket and they hold numerous underlying investments too. However, unlike unitised holdings where you pay the value of the underlying investments plus initial charges to the host company every time you buy, Investment Trusts are traded on the Stockmarket, like ordinary companies' shares. Consequently, the price you pay is often detached from the value of the underlying assets, thereby presenting opportunities if the trading price of shares is discounted (cheaper). You also don't pay the management company a penny to buy the shares from someone selling them to you! We have enjoyed wonderful results from this sector, often buying stock at big discounts to the underlying value of all of the holdings, either because the market is small and difficult to trade, investors have fallen out of love with the sector or perhaps because the sector is not well understood. We are very happy to accumulate a position in such Trusts where we identify recovery opportunities and are often well paid by good dividends meantime. Occasionally, results may take time but we are patient and never trade just for the sake of it. Then, when corporate action ensues and the Trust

closes-down for example, we unlock that special extra value for nothing! We have had many such situations in the last few years, all adding return for clients for free.

***Emotions play a part in markets -*** All too often private investors (and even too many professionals) react inappropriately due to their 'cognitive biases' driven by personal life experiences and memories. This may lead to excessive fear and selling investments during market downturns and at the other extreme, excessive exuberance buying into frothy valuations of certain asset classes through new investments.

We are not "emotional investors". Even if people see opportunities to invest, do they know how to do it and can they then access the sorts of things we can? Can they act when things are at their cheapest during a trough, like we can and perhaps gradually? Do they really have expertise to know exactly how to trade and where to do so cost effectively, even if they think they know what they want? Even we learn constantly; education never ends! (If we say we know it all, it is time for clients to leave us!)

***Patience is a virtue -*** We do not take short-term views and often gain consistently solid results over the medium to long term. We communicate extensively during fraught times and clients are encouraged to trust our judgment during short-term pessimism till the inevitable upturn. That is just the time when our wise guidance is required and yet when so many other advisers go quiet and especially the inexperienced. Market upsets make great opportunities for extra, "value for money" investments.

***Economies of scale and benefits of our systems*** – from the large sums we manage, clients enjoy the economies of scale. If we are offered stock on keen terms, clients see the very best values without deductions – all we do is for clients' benefit. Additionally, we use the systems to boost returns – like crossing holdings between those raising cash with new investors when we can, so prices for both are better than the market's best.

# Charges

Then there are charges. Yes, all of us need awareness of the fees for management of capital and access to those services. We strive constantly to reduce costs for clients and cut management fees recently, as well as securing full VAT exemption, saving a further 20% on management costs. However, as consumers we are foolish if we think it is in our own best interests to drive the costs down to such low levels that firms disappear, or they default to a poor and bland service simply to meet the cost demands imposed. There is balance. (And some of the new advisory firms won't survive as they keep making colossal losses - and that will cost their clients big charges and hassles!). Rather than just 'the costs', you are encouraged to focus on "value" and what it is that you receive for the annual fee. As we have explained, what we offer to our clients is very different to the standard, off-the-shelf offering. We are extremely confident our overall services are capable of better helping you meet your objectives and financial goals than most of our competitors and therefore, our offer represents excellent value for money.

Especially for what we provide, our costs are amongst the best in the whole industry. There is no VAT. There are no minimum fees either so small transactions are not disadvantaged. On top of this, we have no hidden charges as often apply elsewhere – no annual plan fees, performance, administration or drawdown charges. The primary fees are simply annual management fees and transaction charges (capped for big deals) based on deals done. Whatever other funds you may see elsewhere, they charge these fees too and with others hidden within the small print usually!

Our clients know our elite Club qualifies them for cost-free advice and guidance on their capital with us (and usually plenty more help too) and its ongoing suitability. This is often worth thousands of pounds because it is also financial planning advice, noting sensible tax-planning ideas and financial incentives unique to them, as well as plenty of opportunities they may not know. This is for those with little to multi-millionaires alike. Other firms charge you extra for that when you are a client and which can add up to 1-1.5% plus VAT to management costs, typically taken out of your pot whether you realise that or not! (Go and have a look!).

**Additional Benefits**

- Often, consolidating your financial arrangements simplifies them for your ongoing overview, making it easier than having many different unconnected schemes. This means one valuation report and one tax voucher summary too, if needed. (If helpful and necessary, we can prepare tax returns/reclaims too).
- Where we know of a need, regularly we check the Capital Gains Tax (CGT) position on a Portfolio to use more of a tax-exempt CGT allowance or reduce a liability on the sale of other assets you held.
- We offer many income options to suit your needs and all at no extra cost. This may

begin with no income being taken if it is not required, allowing it instead to be reinvested (in a similar fashion to regular contributions for example). However, if required or later, options include monthly, quarterly, six-monthly, annually, variable or a fixed sum. Investors may take excessive regular withdrawals for a time too to help build a cash sum to avoid a large single disposal later. Healthy income flows into all of our strategies (including those with a greater growth focus) from dividends and interest mean that good levels of income are sustainable long-term.

- We offer many exits to meet your needs. Transfers-out exist, too. We can suspend buying temporarily so cash can build, pending a planned withdrawal.
- We offer direct debit investment to spread your buying over a longer period.
- Upon death, accounts can be re-registered for a spouse or beneficiary(ies) rather than simply closed (which is often not best at the time). This can save large costs as opposed to blanket sale and reinvestment elsewhere. Many other investments and products (let alone executor services!) give no choice and simply sell everything, even sometimes when death is notified. We are happy to discuss options and advice with the Family at the time and can even assist with Probate services, should this be helpful.
- As Chartered Financial Planners with some of the highest qualifications in the industry we have the added advantage of combining expertise of tax saving measures and allowances with our investment management service, thereby ensuring you enjoy every possible advantage.

## Questions to ask yourselves

Do you know the nuances between unitised funds (which most 'other' investors out there have whether in their pension plans, ISAs, portfolios, etc and which most advisers and firms promote as it is more profitable and convenient for them) and quoted Investment Funds traded on the Stock Exchange instead, which we favour (remember, it makes absolutely no difference to us what we have)? Do you know what ETPs and ETFs are and how they help a balanced portfolio for specialist reasons?

If not using us, do you really have the time and energy to make sure you manage your capital properly with constant oversight? Do you really want to be bothering about doing all that yourself anyway, or would you prefer to be doing something else, safe in the knowledge that someone else can be trusted to do that for you?! Naturally, we are more than happy to explain the "whys" and "hows" to inquisitive enquirers!

Do most people know how best to invest anyway – should it be a Pension, ISA, portfolio, direct strategy, or something else? What are the tax incentives and impacts of their actions/inaction? Do they use and preserve tax allowances – especially if they have significant capital and tax liabilities, where they are in the 'must do' camp and not the 'could do' camp? Is Inheritance Tax an issue, as we have solutions there too?

Do they sleep well knowing that they have entrusted a competent, experienced, trustworthy advisory firm and investment manager with integrity and a reputation to do their very best despite the daily conditions they face? How much is that peace of mind worth? Do we, as managers, have the courage of our convictions, albeit protected by inbuilt disciplines across all strategies?

Are your investments and financial plans scattered over an unmanageable and eclectic mess of ineffective and varied things which don't work together and aren't easy to manage – let alone a big and costly problem in the end! We can help you tidy all this!

I do hope that this has been a useful and improved reminder of what we do and why we remain very confident that it is the right approach for almost any investor over a sensible timeframe. If you do use us already and are happy with our services, perhaps a friend or family member could also benefit? Don't keep us a secret!

## An example of a recent buy-back

Well, it is just the way it works-out sometimes but recently we had one of our biggest disposal programmes from a series of varied client-led events, from estate liquidations to cash needs for care home costs and pension vesting points. The good news is that the prices were very good generally but I mention it because within this £600,000 sum we were able to manipulate and cross-back stock for new clients.

It makes significant work for us and our agents but it means that sellers are matched with our new buyers and each secures the keenest possible price, with only a cigarette paper between the buying and selling prices. It does frustrate though that the tremendous savings

this creates for buyer and seller alike, where the stock is not let loose to market makers to give them their usual spread (which can be up to 15% or more on tiny/esoteric stocks). The benefit is not reflected in any of the 'cost' quotes demanded of us by the Regulator. However, to us it's simply doing our job the best we can and keeping the 'cost of investment' as low as possible.

It is a shame though that we can't always do this, as much as we try; we cannot control timings of those needing funds with new clients but with a disciplined programme and engaging with clients for withdrawals, so we can dispose of client components over a period of time (rather than instantly) is clearly a really valuable benefit. From what we hear too, the big boys (for whom such activity should be far easier) don't do this and they automate everything so it is simply computer-based, button pushing regardless of the prices and that's that. Of course, it is reflected in the long-term results we achieve for clients but more than anything, it shows how much we care, trying always to do our best for clients behind the scenes and whether the client is tiny or large.

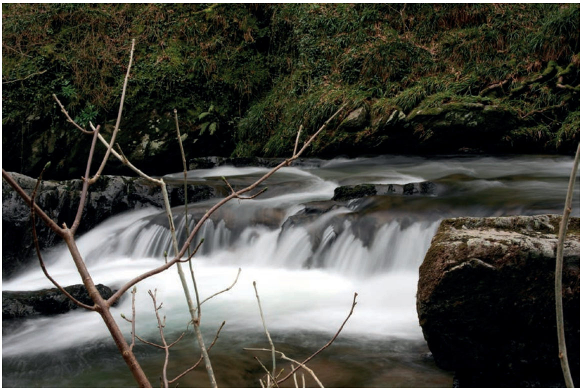
## Technical Investment Opportunity

I have mentioned before one of those quoted Investment Trusts/Funds which will be winding-up soon. Well, its asset value has been jumping forwards and so for the £1 we invest today buying someone else's shares where they are too impatient to wait mere months… buys £1.24's worth of underlying assets. So, this means, as all goes to plan, that every £1 our clients have in it will enjoy a capital uplift of 32% from the present share price. Please sir, can we buy some more! This has to be one of the best 'dead certs' for a long time and yes, we need to know what we are doing too (which we believe we do) but unless you are a client, you won't have any – as sure as eggs is eggs, I bet! As for us, if we can add such bonus to clients' 'normal' market returns, then it pays some (or all!) of any fees it costs to have our management, administration and complimentary individual client guidance doesn't it!

## Our Support Team is waiting to help you!

We are always looking for ways to improve how we service our clients' needs and those of the Business. A few years ago, we created (and have continued to expand) our team of Client Support Managers (CSMs) alongside senior advisers' Personal Assistants and it has been an excellent development, empowering capable staff with a raft of skills, experience and abilities and being especially helpful to senior and advisory staff to handle many client enquiries. This helps smooth processes and enhance overall efficiency in attending to clients' needs. They are also able to cover when staff are away and relieve more of the administrative work from seniors so they can concentrate on the important things. We number thirty-two staff now, including five directors, one assistant director and considerable expertise and experience overall but are always keen to consider further additions! Indeed, we invite enthusiastic trainees to join us and we support them through a comprehensive study program. Of course, too, I am one of those boring souls who doesn't see 'retirement' in the same way in that I'll be carrying-on for some years yet even if I must put more effort into delegating certain things to suitably trained staff to help me do less!

We are all very excited as to how these roles have continued to develop as experience grows and with a core remit of providing high quality and timely customer service, so please expect in the future to hear from our CSMs when you raise certain queries, particularly with growing work volumes for the advisory team. Regardless, I want to assure you that you can absolutely trust in their competence too!



So your email communications do not sit in individual senior staff members' inboxes during their holidays and occasional ill-health absences and to ensure enquiries are handled in the most expedient fashion, please do use the centralised email info@miltonpj.net. This is especially for income queries, application progress, withdrawals, general enquiries, appointment-making and things like that, so not to contact your individual adviser for more administrative issues.

## Increasing Natural Income

As predicted, dividend income levels have been rocketing, mainly on catch-up but also as more 'traditional' companies have been able to pay more. Having to pay dividends is a great discipline on companies too, to have to generate the capital and then send it out to shareholders. The third quarter's payments are 89% up on last year, yes, swollen by some special ones but even with those stripped-out, up by over half. This bodes well for the projections of 'natural sustainable income' our clients can expect to enjoy.

Not reflecting all of these increases yet but our popular Balanced Portfolio is currently averaging a natural income (from dividends and interest) of over 3.5%pa. Of course, that is before any growth in the investment values themselves! For your interest, £50,000 invested in this Portfolio model could buy you holdings in up to ninety-six different entities and funds, even if in reality certain selections are being demoted and therefore, may not be purchased again. Yes, you only receive one report – that's it!

## Passing on wealth to the next generation

We do talk about this but not in enough depth. Let me start by noting it is estimated as much as £5.5trillion of wealth will pass down the generations in the next ten years. Let alone the fact that HMRC will be taking a steadily increasing portion of it (thank you everyone for helping to fund the Budget and the National Debt… and there are things you could do to reduce that liability if you sought our advice!) but have you prepared things so that your children, grand-children, friends and even charities, etc don't squander what you have worked so hard to create and preserve too?

We act for many families where the beneficiaries are upon our client list – even if it is just for them at this stage to receive newsletters, to begin becoming more familiar with the Company and for ad hoc and occasional guidance. Sadly, we also too often see a death and the children are not 'ready'; they have not been prepared for the legacy and they can make some seriously silly decisions and very costly ones too (often based on emotion and not sensible judgement), simply because they have not engaged any form of 'relationship' with the advisory firm which looked after the deceased's financial affairs and investments so successfully and perhaps for decades. We do our best to engage and it doesn't have to be full disclosure at all, for confidentiality to be preserved but just the opportunity to build a little relationship so that come the time, there is already that confidence, trust and familiarity in place. If that's not the 'relationship' you enjoy or have established with your adviser, perhaps too you need to chat with us!

## Autumn Budget 2021: At a glance

The Chancellor, Rishi Sunak, delivered the Autumn Budget on 27 October 2021. The key announcements for individuals are summarised below.

- The 1.25% Health and Social Care Levy will be introduced on 6 April 2022 as an increase to National Insurance, before becoming a new levy at 6 April 2023.
- From 6 April 2022, dividend tax rates will also rise by 1.25%. The basic rate dividend tax will increase to 8.75%, the higher rate dividend tax will increase to 33.75% and the additional rate dividend tax will rise to 39.35%. No increases or changes to the main or savings' income tax rates.
- However, do remember that to avoid this tax, you can protect your capital by sheltering investments within an ISA. UK residents have an annual allowance of £20,000, so £40,000 a couple. That is a sizeable, protected sum each year. ISAs also protect you from tax on gains made on the sale of investments too. Pensions too offer the same protection and with tax relief of at least 25% on your contributions as well. Your annual allowance there is more complicated but for most is capped at either £3,600 or 100% of relevant UK earnings, subject to a maximum of £40,000 (and some backdating possible).
- No increases to Capital Gains Tax and Inheritance Tax rates or allowances. No changes to Agricultural Property and Business Property Relief.
- The 30-day time limit for reporting capital gains on the sale of residential property and for payment of the tax has doubled to 60 days from Budget Day.
- Income Tax limits and personal allowances stay at current levels until 2026.

- The Stamp Duty Land Tax nil rate band for property purchases reverted to £125,000 from 1 October 2021.
- The taper rate on earnings for Universal Credit reduces from 63p to 55p and the work allowance rises to £500.
- National Living Wage will increase to £9.50 an hour from 1 April 2022.

## Lost Pensions?

It has been said that as much as £19Billion sits in unclaimed pensions within as many as 1.6Million pensions. That is a staggering number. Could some of this, stagnating in various pots and not working for you as it could or should be, be yours?

When we change jobs (voluntarily or not) and move house, it can be an incredibly busy and stressful time and notifying an old pension provider of your new details may be a long way down your list of priorities. Nevertheless, at retirement, this could have a significant impact on your options and choices.

With that in mind, it is worth reviewing your paperwork to see if there is reference to any old pension arrangements that you may have but forgotten. Over the years, the value of your pension may have grown considerably.

Even if you do not have the time to search for details yourself, did you know that the Government offers "The Pension Tracing Service" which is a free service to search a database of more than 320,000 pension scheme details. Remember too, we offer a pension consolidation service so we are happy to help you with this and we can deal with all of the administrative issues regarding transfers to us if that is right for you. We don't even take a penny of costs on the values we receive!

## Charities

### AMIGOS

This is a Barnstaple-based charity working alongside its African partners in Uganda, to assist entire communities which are self-supporting through education and training. We are proud to continue sponsoring at least one student of Kira Farm in Uganda and this year's student was Ronald.

As part of the sponsorship, we receive updates on the student's progress and Ronald has progressed well this year. Here is his most recent communication:

*Dear Philip,*

*Thank you for that comment is the last email Philip, I really like computer. How are you doing this time? Let me hope that all is well with you. I am happy to hear that you are now seeing* *visitors in your area and things are beginning to be eased in England.*

*Has Felix managed to put the chicken into their outside home already?*

*How is that going on?*

(Ronald is standing second from the right)

*Please allow me to tell you about a special group of people that I have on Kira Farm. I do not remember if I have told you but, at the start of this semester, we were divided into small discipleship groups. Through these groups, we learn more about God but also general life. My group has helped me so much by listening to my challenges and encouraging me through so many life situations. In fact, they are more than friends to me right now.*

*I am learning how to communicate with people and speaking in devotions, something I believe is going to help me a lot in my village but also in family and business. Being a good listener and communicator is a very good thing.*

*Thank you so much for supporting me through Kira, if it was not for your help, I wouldn't have met such wonderful people in my life.*

*In this email I have attached a photo of us – we are called the United urban family and they all send you warm greetings.*

*With love from Uganda*

*Ronald*

## TEARFUND

The Company continues to support this very worthwhile charity with its three-year plan for Self-help groups in Ethiopia.

Tearfund believes that vulnerable and marginalised people living in poverty can be agents of change in their own lives and communities. In three regional states in Ethiopia: Southern Nations, Nationalities and Peoples' Region (SNNPR), Oromia and Benishangul Gumuz, Tearfund in partnership with the Ethiopian Kale Heywet Church Development Commission (EKHC-DC) plans to strengthen the ability of people to live through difficult conditions, recover from them quickly and plan for the future. They can do this by having sustainable incomes and through the ability to work together collectively to solve problems. This is done through self-help groups (SHGs).

Self Help Groups have proven that people living in poverty are determined and prefer to improve their and their community's futures and can be agents of change, rather than merely recipients of aid.

With our help, Tearfund continues to re-envision and mobilise local Ethiopian churches to incorporate SHG establishment, development and promotion into their regular plan of action. They can then manage the capacity building training, networking and linkage of SHGs with government and non-government stakeholders.

This three-year project will build on the success of these SHGs and CLAs by seeking to enable the existing SHGs to stand independently of Tearfund, EKHC-DC and any other supporting body.

### DEVON COMMUNITY FOUNDATION (DCF)

We are pleased to continue working with DCF which provides an efficient route to funding small local groups and charities, often the ones providing the most vital of help in our communities but who see the least share of charitable donations. Our own fund has granted thousands of pounds to North Devon organisations already since it was created and it all helps add-up to the £12.8million which DCF has distributed, on behalf of their donors, to over 4,000 projects across Devon since 1996.

Family Compass is the latest recipient of our support. Family Compass is a Community Interest Company (CIC) using profits and assets for the public good.

Based in Braunton, the company was founded by Lucy Capron (Development Director) and Keda Johnstone (Operations Director) to deliver high-quality mentoring, therapeutic group and family support to children and their families. With many years' experience in family support, early help provision and child and adolescent mental health, they aim to provide family-centred, outcomes-focused support which makes a real and lasting impact.

According to Family Compass "Young people are often reluctant to seek help from mental health services for fear of being stigmatised, and support within and outside mental health settings is often patchy. If left unsupported, the impact of ill health and stigma can be devastating. But with the right help at the right time, the well-being of young people with mental health problems can be greatly improved."

## After Hours

An Obituary printed in the London Times...

Today we mourn the passing of a beloved old friend, Common Sense, who has been with us for many years. No one knows for sure how old he was, since his birth records were long ago lost in bureaucratic red tape. He will be remembered as having cultivated such valuable lessons as:

- Knowing when to come in out of the rain;
- Why the early bird gets the worm;
- Life isn't always fair;
- And maybe it was my fault.

Common Sense lived by simple, sound financial policies (don't spend more than you can earn) and reliable strategies (adults, not children, are in charge).

His health began to deteriorate rapidly when well-intentioned but overbearing regulations were set in place. Reports of a 6-year-old boy charged with sexual harassment for kissing a classmate; teens suspended from school for using mouthwash after lunch; and a teacher fired for reprimanding an unruly student, only worsened his condition.

Common Sense lost ground when parents attacked teachers for doing the job that they themselves had failed to do in disciplining their unruly children. It declined even further when schools were required to get parental consent to administer sun lotion or an aspirin to a student; but could not inform parents when a student became pregnant and wanted to have an abortion.

Common Sense lost the will to live as the churches became businesses; and criminals received better treatment than their victims.

Common Sense took a beating when you couldn't defend yourself from a burglar in your own home and the burglar could sue you for assault.

Common Sense finally gave up the will to live, after a woman failed to realise that a steaming cup of coffee was hot. She spilled a little in her lap, and was promptly awarded a huge settlement.

Common Sense was preceded in death,
-by his parents, Truth and Trust,
-by his wife, Discretion,
-by his daughter, Responsibility,
-and by his son, Reason.

He is survived by his 5 stepbrothers;
- I Know My Rights
- I Want It Now
- Someone Else Is To Blame
- I'm A Victim
- Pay me for Doing Nothing

Not many attended his funeral because so few realised he was gone…