Philip J Milton
& Company Plc
Established 1985

North Devon's Leading Independent Wealth Managers

MILTON NEWS

Tax Year End 2023 Edition

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and much more!

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Dear Client March 2023

As well as a general financial update, this letter reminds you of a few things to do before 5 April so don't delay! Of course, sensibly many will already have acted in good time but for those who haven't, time is fast running out! Please read on and I do hope that you find the commentary of interest. Subscribers to our periodic and completely free e-shots will be aware of several of the main themes from the last month or two and if you too would like to send us your email address, you too can begin to receive our industry famous financial bulletins. You are free to unsubscribe at any time.

Markets & Results

At the time of writing, I am delighted to inform our clients that we have fared remarkably well in comparison to many in the industry. Because of what we held and also what we didn't hold, we have outperformed the average in nominal terms, however averages are measured. Our clients' overall investment income levels have rocketed and aggregate capital performances have resulted in outcomes which are marginally moved against the beginning of 2022. Whilst that doesn't sound very good, if that is compared to your neighbour or work colleague who may be suffering a 10-30% loss (or more) on their more popular and 'safer' market assets, that is a very significant achievement which puts our clients' accounts in the top echelons of results for 2022.

The cost-of-living crisis and energy bills continue to dominate the headlines. Wholesale gas prices peaked last Autumn and have since fallen 70%, which will save the Government hundreds of millions of pounds of State support and let's hope current prices are soon reflected in new tariffs offered by the energy companies. We all know the argument from energy firms about their supplies being replenished months in advance (when prices were higher), leading to a delay in passing on price reductions but the price increases seem to be introduced far quicker. Funny that. Likewise, oil prices are now almost 30% cheaper than prices last Summer and petrol pump prices have fallen 20%. The difference can be explained by Government fuel duty and the still expensive Dollar; Sterling remains far too cheap.

There are signs that inflation in Western economies has peaked and will gradually ease back from here, albeit remaining above average levels throughout the remainder of 2023 and into 2024 we suspect. That should ease the pressure on Central Banks to increase interest rates and on borrowers with their monthly outgoings albeit unemployment is likely to rise from still historically low levels.

Let us take a moment to reflect on the challenges and successes of 2022 and look forward. One of the big things we did in 2021 was to shout about avoiding US Tech, which had become so overblown with enthusiasm and that also meant avoiding the same funds and indices which were bloated by the same stuff. For us, it wasn't so much a call of peak prices to avoid it but as so many other things were such fantastic value, all our money was spent before we even had to consider that. (The same applies to UK houses for investment with paltry rental returns and a long way for capital values to fall). As investment managers, we were in the minority.

Conversely, our money was going to other things like energy, reinsurance (you could say funds of investments used for insurance), Natural Resources and Miners (including precious metals), Commercial Property, Latin America, Turkey, Banks, Uranium, Silver, Cocoa and Livestock, winding-up Secure Loan Funds, Shipping and Defensive industries, amongst myriad others including some very bombed-out holdings which have been recovering steadily. We also sold all our wheat and 'agricultural products' trackers at top prices.

We are seeing more and more individual special situation shares (which I am pleased to say we hold) being up by considerable amounts since only September/October last year. They should never have been as cheap as they were but when there isn't just one or two but many which have doubled, let alone rising by 50%, it makes a considerable difference to a client's overall portfolio even if they just have a few. These are the same stocks many were selling at the time as they had performed badly (temporarily fallen in value). For 'balanced' clients, we have several direct stocks as 'icing on the cake' over and above a general portfolio of quoted investment funds and typically less volatile assets for their extra protection, diversity and an ability to spread asset classes further but it seems we should have relied more upon our own choices than several of theirs! As ever, it is the going forwards which counts - and to remember that it is also what you don't have that is just as important – thankfully we have not had any which have 'tanked' at the same time, even if a handful continues to disappoint. We have also had good news from Rolls Royce and Wood (J) which have jumped significantly on results, plans and takeover hopes.

Longer term, Nat West (and the banks generally) has also been moving ahead. It is up threefold on the 2020 low and back to levels last seen in 2015. Yes, you've guessed-it, we have plenty of banks and global financials so whilst they have drifted back slightly recently, that's helped us no end! Many investors have few or none as they had been such awful performers but that is what piqued our extra interest. Now if their service can match their share prices… we can but dream!

Meantime the Governor of the Bank of England is doing his best to talk-up the economy... After being wrong about 'recession' last time when he said we were already 'in it' (and not apologising) he's now saying it's inevitable we'll have one this year. Realism and stabilising the markets, etc are crucial parts of his job; he needs to have a better handle…

The other area we avoided totally was 'safe' government bonds. We have had many new investors contact us because what they thought was safe (longer-dated or inflation-linked government bonds) lost such significant amounts of money last year. These assets are meant to counter-balance equities when conditions turn against them but 2022 was a year to avoid the natural balance between your assets. The stupid thing too is that many of these funds have now increased their 'risk ratings' in view of their losses last year but the reality is that they are now less risk than they were at the end of 2021! That's how the regulatory tail wags the dog. In simple terms, investments paying fixed rates of interest fall in capital terms when interest rates rise – it is not rocket science. We avoided them because having $18trillion of the 'safest bonds' in negative interest rates meant that the only way for the future was upwards, exacerbated by the Kwarteng Minibudget's clumsy handling.

So, from a much-heralded launch in January 2021 and a share price of £5.15 seen the very next month on excitement, Dr Martens shares have since slumped to £1.34. Was the Company really worth £5billion? No, of course not. Is it now worth £1.4billion? Probably – if it can create growth for its products. This is the very difference of something 'popular' and 'what you've heard-of' and the true value of something. That's a 74% loss in two years. No, we did not support them. Those who floated and who sold-up then were very shrewd. We still don't have any but at these levels they're tempting but so many others are as well.

The moral? Don't just buy something because it is 'new' or because you have heard of it, without having a handle on 'value'. It floated the same time as Moonpig and Deliveroo (down similar sums), THG (The Hut Group) down 90% and Made.com (gone bust). Tesla joined the S&P500 Index at the 'same' time.

Lessons here… and remember, index-trackers are forced to buy components of their index. Sadly too, this is the sort of stuff enthusiastic novices buy and then it becomes the poisoned chalice which means they avoid stock markets for ever afterwards – rather than recognising maybe that it was just a silly mistake and doesn't condemn the principle at all.

I thought you'd like to learn even more about the Passives-led unwinding last year that we avoided. Yes, they had been driven upwards by a flood of populist 'you will never go wrong with these good companies' cash without any consideration to their 'value'. The 10 biggest stocks in the S&P500 (the main US index) and thus the biggest companies in the world by their stock market value, lost a combined $4.9trillion last year (led by Apple which is 17% of the S&P500 alone – reminiscent of when Vodafone was 16% of the FTSE100 for a fleeting moment in 2000, the pinnacle of the Dot.com bubble bursting. We missed that totally and profited well on the way up. Vodafone is below a quarter of that heady share price).

I'm going to round that sum to $5trillion, a figure far more than the value of the whole of the British stock market (just over £3trillion), every single stock added together. That is also considerably above the combined annual economic output of the UK. Yes, this is simply the amount wiped-off those heady valuations and yes, the slippage started in 2021 and continued in 2023. And if you think the worst is past, maybe think again. Those 10 counted for 30% of the value of the S&P500 at the November 2021 peak! (The average of the big ten over the last few decades has been around 20% with the biggest five at 13%). 300 of the index components did better than the Index itself – so much for slavery to 'passive investing' because it is 'cheap'. To match the value of the biggest five companies it takes 456 of the others in the index.

Despite $300billion of inflows, Black Rock, one of the world's largest management companies, saw its assets fall 14% - so $1.4trillion and bearing in mind that included rock solid assets, the median damage to its investors was higher. Closer to home, Baillie Gifford has admitted it lost $14billion on Tesla and Shopify alone last year – a sum I suspect is far above what it may have made by riding the tech bubble to the top as far more investors are sucked-in on the back of an impressive rise. We weren't – and avoided it totally.

What frustrates us is that so many investors out there will have this stuff, whether they realise it or not. Their adviser, manager, pension fund company or whatever will have been rapidly skewing their money to ensure it replicates the biggest companies and yip, that's what they will have had and right at the wrong time. Adding insult to injury too but the 'politically correct' brigade had pushed the same entities to excess to dump anything which didn't look or sound pristine on their lists of holdings so they missed-out on the significant gains made by energy and natural resource stocks – adding-in armaments industries as well of course because of Russia's war. They may since be reassessing but that's not the point – these actions were taken without much reference to underlying investors nor climate change and the environmental concerns balanced with short-term realities.

You know what we have and what we don't (and didn't). We still predict that the US market is over-priced and the Dollar is over-valued by perhaps a quarter. There is a very long way to go before long-term norms are seen again over there. Then the UK market is under-priced and the Pound too. No, this is nothing to do with forecasts (even if I am more optimistic than many for our economy) but simply value. So, guess where we are skewed and where we are not and remember – of the cheap FTSE100, three-quarters of their earnings come from overseas too.

The 'passive' brigade has been quieter recently, funnily enough but from where I stand, it still isn't the place to be, so check if you have index-tracking funds ('passives') or 'lifestyle' funds which have big chunks of the US market (few big managers have much money in the UK even now). We have no US directly because there is so much ludicrous value elsewhere. Indeed, we read that French luxury goods' producers now head the world wealth-wise (so no shortage of money to buy their goods) though that may be short-lived. This is all while Elon Musk has seen the biggest loss of any fortune in history ever, from the peak valuation of his Tesla stake.

MORE GOOD NEWS

Sad but good news in that The Investment Company Plc in which we hold a useful stake, has announced that it is also undertaking a strategic review which is likely to lead to the winding-up of the Company. It is doubly sad in that there was a future for it but the present Board did not seem to 'do' anything to try to stimulate any great interest to eliminate the discount at which the shares have been trading compared to the market value. I can't recall any specific contact either…

However, we must not be ungrateful. The discount in this small Trust is and was another reason for our investment and holding onto it in the first place. The discount's removal by a liquidation would result in a 28% uplift for our investors, an extra bonus 'for nothing'. It's an unusual portfolio dominated by gold as a hedge against global uncertainties and whilst that has held it back somewhat over the last few years, it held it in very good stead in 2022. In 2023 this is our third such Investment Trust wind-up announcement already of Trusts trading at a big discount (the last were Blue Planet and Abrdn Smaller Companies Income Trust) and whilst we may have to wait some months for the outcomes, all are welcome bonuses on top of the underlying funds' performances (good or bad!) and exposure to the markets too, whilst we wait. Our clients will remember that we had predicted that there would be a continuing stream of such events and that is why we have liked them too – there will be more but we cannot predict which ones and when but patience will be rewarded! Remember, these bonuses do not apply to index tracking funds or open-ended funds as most investors have mainly. (In context and so you can see the value of the news – as at 31/1/23 we held £3.8million of the Abrdn Trust, £1.3million of The Investment Company and only £0.8million in Blue Planet).

Well done loyal and trusting clients as you are already in; your patience has been rewarded handsomely and special congratulations to those who responded to our calls to sit tight, reduce or cancel income withdrawals and indeed to invest more cash when things were at their cheapest in early 2020 – there is still time to avoid missing-out so don't delay if you are thinking about it and have too much cash earning you nothing still in real terms.

My very best wishes

Philip J Milton DipFS CFPCM Chartered FCSI FLIBF FPFS FCIB
Chartered Wealth Manager
Fellow Of The Personal Finance Society, Fellow Of The Chartered Institute Of Bankers, Fellow Of The Chartered Institute for Securities & Investment

Tax Year End Priorities

November's Autumn Statement saw newly appointed Chancellor Jeremy Hunt announce various strict measures to raise more taxes and reduce public spending over the coming years. For individuals, these include freezing the Personal and Inheritance Tax Allowances for longer, reducing the threshold for additional rate Income Tax, halving the Dividend Allowance and again for Capital Gains Tax allowances from 6 April and perhaps most importantly scaling back the energy price guarantee to last in its initial form for six months, rather than two years. This makes it even more important to maximise allowances this tax year before it's too late. Rather than making this process complicated, we make every effort to help clients with their applications and subscriptions.

If you hold shares privately outside of tax-protected wrappers you may wish to reconsider your options as soon, total dividends exceeding just £1,000 each (down from £2,000) per annum will incur extra tax. Selling shares or other assets (including still expensive second properties) before 5 April will also ensure you can access your existing and more generous Capital Gains Tax (CGT) allowances of £12,300 (£24,600 for a couple) before they fall to just £6,000 each. It is worse; from 6 April 2024, the allowances drop again to just £500 for dividends and £3,000 for capital gains! So, in short, act soon if you must, before it's too late!

We know from experience that 5 April each year provokes a degree of panic for investors as they are reminded that time is running out to take advantage of their various allowances (the result of which can save them thousands of pounds). For others and as we advise, the preferred time to be doing this is at the beginning of the tax year (so, soon after 6 April), not the end! That way you avoid the unnecessary stress and panic (and when financial firms are at their busiest) and you also enjoy the tax benefits for the entire year, alongside any tax-free returns. Indeed, as we are so busy with existing clients to whom we owe our first responsibility, for new enquirers we may even now be unable to meet their expectations because of these pressures, despite increasing our team too. There are also several other measures you can plan before the tax year end (and shortly afterwards), depending upon your individual circumstances. For example:

- Investing in an ISA and Junior ISA (JISA, for children)
- Pension investing (for <u>everyone</u> under age 75, working or not!)
- Use your generous Personal Income Tax Allowance of £12,570 to the full
- Sell assets to use your higher CGT allowances, protect dividends from tax and use the proceeds to fund ISAs and Pensions, if appropriate
- Make use of the Marriage Allowance, which effectively transfers £1,250 of your <u>Personal Allowance</u> to your husband/wife/civil partner. To benefit as a couple, the lower earner must have income below their Allowance. The recipient must pay tax at basic rate.
- Avoid the High Income Child Benefit Charge – if you suffer this because one individual's income exceeds £50,000, have you paid a lump-sum pension contribution to avoid the problem as that essentially reduces your assessable income?
- If your income exceeds £100,000 and you are losing your tax-free Personal Allowance*, have you considered Gift Aid donations or lump-sum pension contributions to reduce your adjusted income below the £100,000 level? That can generate tax relief at a rate of 60%. How about that for a return!

- After 6 April 2023, 45% Income Tax is due on income over £125,140 instead of £150,000. Once again, pension contributions are invaluable to secure higher rates of tax relief.
- Use your annual gifting allowance of up to £3,000 each – for Inheritance Tax planning. You can also use last year's missed payments too.
- Surplus income can be gifted to cut Inheritance Tax, provided this is documented carefully.
- Limited Companies can make employer pension contributions in their business year to lower taxable profits.

*The Personal Allowance is reduced by £1 for every £2 that income exceeds £100,000, until £125,140 when the entire allowance will be lost.

Allowance	**2022/23**	**2023/24**
Personal (Income Tax)	£12,570	£12,570
ISA subscription	£20,000	£20,000
JISA subscription	£9,000	£9,000
Dividend Tax limit	£2,000	**£1,000**
Capital Gains Tax limit	£12,300	**£6,000**
Pension subscription	£40,000**	£40,000**

**Contributions (from all sources) are capped at 100% of income each year, up to a maximum of £40,000. Carrying forward unused allowances for 3 years can increase the maximum. Even without earnings, individuals under age 75 may still contribute £2,880 each year to a pension, attracting a tax bonus of 25%, boosting the total contribution to £3,600.

Pensions – Misunderstood but undeniably appealing!

I remain perplexed as to why "pensions" are not equally as popular as ISAs for investors to flock towards as the tax year end approaches and in light of that, I shall focus on them this year before ISAs! I suspect some of the reluctance is based upon common, out-dated misconceptions including historic bad press, the perceived lack of access, a view that all is lost on early death or perhaps a simple lack of full understanding. Now look, it is simply a brilliantly tax-friendly wrapper inside which you can place investments of any type, including cash, so exactly the same as the more popular ISA. Don't listen to any other nonsense! On top of that, your subscription receives full Income Tax credits of up to 45% and regains Personal Allowances and Child Benefit lost too and the pot is outside of your estate for Inheritance Tax.

As I have summarised above, pensions are extremely helpful for so many, not just to accumulate funds for later life but for Inheritance Tax planning and saving colossal amounts that may otherwise be lost in tax to the Exchequer (for those fortunate enough to be earning larger salaries). Yes, we must all pay our taxes but where the Government incentivises investments and pensions (which are reducing by the day) which shelter funds from these taxes, we are foolish to ignore them.

Let me address the confusion and show why we should all maximise our pension contributions whilst the Government allows excellent tax advantages. They won't last forever!

- All income and growth achieved by a pension is tax-free, meaning there is nothing more for you to declare on any Tax Return.
- Eligible contributions receive tax relief at our highest marginal rate of Income Tax.

What does that mean? Well, for basic rate taxpayers (and even non-taxpayers), for every £1 you pay, your pension receives an immediate uplift to £1.25. If you pay tax at 40% or even 45%, you may claim extra tax relief via your tax return, meaning your £1.25 costs you just 75p or 69p! That's a colossal incentive to save for your own financial future!

- A pension is just another of your investments, sitting alongside your ISAs, market portfolio and savings. It can invest in anything you want, or anything we think will serve your best interests if you choose our own Managed Pension. Just view it as an extra investment pot.
- Earliest access to the pension is possible from fifty-five (fifty-seven from April 2028). You can withdraw up to 25% of the pot tax-free. The remaining amount is also accessible, but it will be taxable. So, the money is not locked away for ever more or only accessible in a very restrictive way. Indeed, when accessing the money, you have the choice of taking only an income, capital or a combination of the two. This is flexible too and changes are possible at any time. Ideally, if you don't need it, leave it alone as the tax treatment cannot be beaten.
- If you pass away before taking the entire pension, your beneficiaries will receive its full value, free of all Inheritance Tax. That is by lump-sum or they could potentially inherit the pension pot/income for their own enjoyment. Therefore, all is not lost, even if we'd prefer you to have enjoyment of those funds preferably!

We offer a wide choice of complementary managed pension strategies for couples, ranging from the more cautious to the adventurous. Investors may transition between them over time as appropriate and that is completely without charge. We also offer a full range of flexible withdrawal options and unlike many competitors, again, that is without additional cost. As with all of our managed investments, clients are also able to seek guidance from us at any time about their pensions here and the options available to them. That is without additional charges being incurred. This can cover a wide range of subject matter such as maximum contributions for tax relief purposes, annual allowances plus those unused from previous years, withdrawal options, tax planning to extract as much as possible within Personal Allowances and lower rate tax thresholds as well as the impact of death on a surviving spouse for example, ensuring their own financial security but perhaps also considering Inheritance Tax planning.

ISAs - Frequently Asked Questions

- **What is an ISA?**
- **Am I eligible to take out an ISA?**
- **How much can I contribute each year?**
- **What happens to the ISA when I die?**
- **Is an ISA suitable for me?**
- **Is an ISA suitable if I need a good income?**
- **Is an ISA risky?**
- **How can I invest in a Market ISA with you?**

Apart from writing us a cheque now, please read on; we have tried to address these queries!

What Is An ISA?

An Individual Savings Account (ISA) is simply a tax-efficient wrapper where returns from investments and cash pay absolutely no tax. ISAs are completely exempt from Capital Gains Tax and UK Income Tax. All income receipts they receive are completely tax-exempt. Neither profit made nor income earned from ISAs must be reported to the Taxman. ISAs are doubly beneficial to those who otherwise will be caught by the tax surcharge on their overall dividends (where these exceed £2,000 for 2022/23, but £1,000 for 2023/24 and just £500 for 2024/25) and those who could pay CGT (which will also apply at lower levels of gain, as noted earlier).

You can hold many ISAs but you can only pay into one of each type (cash or stocks & shares for example) annually. You just need to ensure the money added to all your ISAs each year doesn't exceed the annual allowance. You can transfer from past years' ISAs to another and from Cash ISAs to Market ones with us for example and these do not use up allowances in the existing year.

Am I Eligible And How Much Can I Invest Each Year?

Every UK resident adult has an annual ISA allowance. During each of 2022/23 and 2023/24 (so before and after 5 April) you may subscribe up to £20,000 towards ISAs. These may be Market ISAs, Cash ISAs or a combination of the two in whatever proportions you wish. The ISA allowance is only for the money that you put into ISAs each year (from 6 April to the following 5 April).

So, that's a generous £40,000 per person and £80,000 for a couple between now and early April for those yet to contribute to ISAs. Monthly, that's up to £1,666 per person although our ISAs allow as little as £50 per month for beginners and there is no penalty for stopping, suspending or amending contributions according to personal circumstances. We only offer Market ISAs.
Regular monthly direct debit subscriptions are easy and may appeal particularly to those preferring to stagger their investment over the year to spread their timing, hence smoothing

their exposure in the face of volatility as well. There is also no fixed term with ISAs unlike many other forms of saving and consequently, you may access your investment any time.

When your money is invested in a Market ISA you can still withdraw it or the income it generates whenever you need – but remember, investing should be for the medium to longer term, so more than just a few years really. Aside from the income they receive, the component holdings in your ISA would need to be sold of course and for the most attractive terms on dealing, please read our Terms!

What Happens To The ISA When I Die?

Spouses and civil partners can inherit ISAs on death and continue to enjoy tax-free returns. Previously, if someone passed away, their surviving husband, wife or civil partner could inherit their ISA savings but lost the tax-free status. For other recipients the tax benefits are still lost on death. With our own ISA, we are happy to transfer the account (and all its component holdings) into the recipient's name without charge, so no disposal costs either!

Is A Market ISA Suitable For Me?

The purpose of this newsletter is to give you details of our strategies for your perusal. It is not suggesting a particular ISA type is necessarily appropriate for you. Whilst we welcome your application, without advice (using the form within), this is a non-advised transaction and so we cannot be held accountable later for its suitability considering your overall circumstances.

To discuss options and queries with our team of advisers and very experienced and competent Client Service Managers before applying, in the first instance please email info@miltonpj.net or call. We shall be available for conference calls on Zoom and Skype as well. Naturally time may be very tight before 5 April, a very busy time of the year and so availability may be very limited. As ever, please do not leave your application until early April as you'll be too late. Ideally, we require cleared funds the previous week at the latest! For our existing investors wanting to send us money to subscribe to their ISA in the new tax year, that is perfectly fine and we shall hold the funds securely until 6 April.

Is An ISA Suitable If I Need A Good Income?

This will depend on your choice of ISA although with our ISAs the answer can be a resounding "yes"! As we know, banks and building society accounts are offering rather poor and significantly below inflation interest and this is unlikely to change significantly short-term, with the real value of your precious money falling fast. This is true also of their cash ISAs so we see very little value in using your valuable allowance for cash ISAs (although they can be transferred afterwards), particularly with separate, tax-free allowances for savings' income anyway.

Typically, Market ISAs like ours receive income from dividends and interest. Often (but not always) dividend income is paid from company profits and therefore, will fluctuate over time but with an overall upward trend reflecting growth and inflation. Nevertheless, by owning a very diverse range of investments within an ISA as we do (which we offer across our entire investment spectrum), you can balance that risk as you become less reliant upon any one company or fund for income. Our independently managed ISA strategies have historically delivered income of upwards of 3-4% annually, without touching capital, so far more than most and cash ISA alternatives. Please see below for more information about the options.

Is An ISA Risky?

As the name suggests, Market ISAs do invest in shares and market securities and their prices will fluctuate over time. Not all stocks carry the same degree of risk but there is no denying that this type of investment is generally more suited to those who can tolerate changes in investment valuations, are looking to invest for medium to sensible-term periods and returns and probably do not anticipate needing access to the money in the short-term, so have other accessible money to cover the cost of unforeseen expenses for example. However, excellent, quick returns are totally possible especially if you start when stocks are cheaper and less expensive sectors are chosen and so your 'risk view' going forwards can relax more perhaps!

In all my forty-four years' financial services' experience, I can say without hesitation that the biggest risk you face is doing nothing at all, meaning leaving all your cash at the bank. The second biggest risk is not taking any trusted guidance to help you make sure your capital can work as hard as possible for you, under their guidance and FCA regulated systems.

Nevertheless, 'risks' can be lowered in many other ways. For our ISAs (and all our managed strategies), here are some of the measures we use automatically to help protect clients' assets:

- By creating a highly diverse investment strategy, with many different stocks and funds from numerous sectors and across various global locations we reduce stock/sector/region specific risk. This means that rather than the value being reliant upon the fortunes of just one company (or a small number of companies), sector or market, you will instead have your money spread across anything up to fifty holdings (dependent upon amounts invested) and many of these are 'funds' too. By "spreading eggs across many baskets" whilst some may give disappointing returns or even fall in value, there are many others that will grow to hopefully offset that. This diversity also opens up your investment to a vast range of different opportunities.

- We also engage complementary but totally different mainstream ISAs for couples, as with pensions too. This doubles the diversification and halves the risk of any individual component affecting the Family savings.

- We do not invest only in direct shares. In fact, they are in the minority of our selections. Instead, we include a wide range of market-quoted ‘funds’ - collective investments (mainly Investment Trusts), which themselves offer a wide portfolio of underlying holdings run by professional investment managers. Again, this diversity reduces risks.

- Our strategies also include investments that are more cautious in nature and which do not necessarily react in the same way to conditions as the stock market itself. These are often ‘uncorrelated investments’, where performance is driven by unrelated factors. These include funds which have large numbers of underlying investments too. They include investments where value is driven by movements in interest and exchange rates, commodity prices (eg silver, softs and metals) and currencies for example.
- We face no restrictions in what we can buy for you. We seek opportunities we feel are the best value at any given time. We have no axe to grind and it makes no difference to us what we buy or who manages it – only buying what we consider to be the best from a totally independent investment universe. You are unlikely to find such a vast and varied range anywhere else and not at such good value either. We also buy certain things you cannot buy yourself.

- We use the services of a leading global custodian to hold your money and investments securely and which means that you are assured of a further layer of ultimate protection, even if our own financial position remains very prudently managed!

- Rather than your investment manager constantly changing over time, (which happens in the investment industry) and leading to periods of uncertainty and cost as funds are overhauled to reflect the new manager’s views, our Firm’s investment team has enjoyed the management oversight and direction of the same person for over thirty-seven years now and most of his Family’s money is in the same pots as clients! This has delivered great consistency in portfolio direction and strategy without substantial changes in holdings and philosophy, a strategy which is key to ensuring opportunities are not missed through excessive trading and so lower costs paid through small turnover.

- Importantly, we are not “trend-seekers” swayed only to invest by the latest fad, often where interest is driven by sheer speculation as opposed to the fundamentals of the underlying holding. We seek opportunities which the market is undervaluing and where we consider there is attractive opportunity for growth or recovery (plenty of which you will have never heard!). If there is a nice income too that is gratefully received! (Some of our present holdings pay upwards of 10% income!). We are of the view that the UK market generally offers far better and significantly safer value at current levels than the US presently yet with great growth prospects too, with a healthy track record of income payments to boot and this will remain our primary focus going forward. Of course, we still invest a smaller proportion of funds in international investment opportunities but largely steering clear of direct US exposure for now! The

'ESG' sector too is overblown as much money indiscriminately chased the few 100% 'green' and 'friendly' opportunities – many investors sadly did not seem to understand what they are buying.

Our ISA Options

ISA Key Facts (December 2022)

Initial Charge	Nil
Management Charge	1.5% plus VAT per annum
Annual Fund Charges	0.6%* (estimated)
Administration/platform fees	Nil
Withdrawal Fee**	Nil (assuming cash transfer/withdrawal)
Investment Limit	From £1,000 lump or £50 per month
Reporting Dates	January, April, July, October
Income Options	Monthly or quarterly, regulated or variable sums

Figures as at December 2022	**ISA Model A**	**ISA Model B**	**ISA Model C**
Projected Annual Income for £20,000 Investment you could expect to take	**£619**	**£365**	**£708**
Total amounts in ISA model at 31/1/23	£29,149,078	£26,934,843	£13,659,345

**Collective investments (mainly Investment Trusts) enjoy independent management for which a small additional charge applies within their funds (approximately 0.6%pa). **Subject to optimum withdrawal terms. Transaction charges also apply to buy and sell holdings of course. For full terms and conditions, please refer to our Discretionary Client Agreement, available upon request or on our website.*

As you will see, we offer a variety of ISA strategies to cater for multiple investor preferences; a more defensive strategy (C) and two medium risk, complementary strategies which work together but with different holdings within them (for couples) for those seeking both income (which may still be reinvested) and growth (A and B). Finally, whilst not featured in the table, we also offer an ISA (D) for those seeking high risk opportunities and/or with an Inheritance Tax (IHT) liability to mitigate. This more specialised model invests within select holdings on the Alternative Investment Market (AIM).

These shares within the ISA (D) should be free from IHT if held for only two years although HMRC will not confirm that until the time. (An AIM ISA is potentially better than other estate planning measures as investors retain total control of the capital and income, all whilst offering tax exempt income and capital gains).

How Can You Invest In A Managed Market ISA?

- If you have unused ISA allowances this tax year (or want to use those for 2023/24 after 5 April, or perhaps both), please send a cheque payable to “Philip J Milton & Company Plc” with the completed ISA application form (attached). If you would prefer to transfer money securely online, please contact us for bank details. Remember how this could be imperative this year ahead of swingeing tax increases and contraction of allowances going forwards. If you miss the chance, you cannot make-up past years’ lost allowances.

- Transfer a Cash or Market ISA held elsewhere to our management (without affecting your annual ISA allowance). Contact us for the relevant paperwork. Many clients find that assimilating a host of strategies ‘all over the place’ into a single directed and properly managed one is excellent and administratively fantastic for them too! Without being morbid but it makes life so much easier for your nearest and dearest on death too. We charge no transfer or initial cost whatsoever to do this.

- If you are considering further investment and seek specific advice before doing so, please contact us and we shall guide you on the next steps. However, if you wish to add capital without needing advice then we are happy accepting your investment on an “instruction only” basis upon your request.

Junior ISAs (JISAs)

Remember too that the 2022/23 and 2023/24 JISA allowances stand at a very generous £9,000. We offer our own managed stocks and shares JISA which has access to all of our ISA investment strategies, so an ideal long-term solution for children who have plenty of time on their side. With cash JISAs paying nearer 3%, inflation is likely to erode the real value of a subscription for many years to come whereas with an investment term of perhaps 10-18 years, we are confident that stocks and shares should outperform comfortably. Of course, we cannot give guarantees but dividends alone should match and even exceed the total interest returns on cash at the moment! Don’t leave all your children and grandchildren’s money to rot on deposit… they won’t be very thankful compared to what you could do instead! It is also a great educator for children to see how things in the world of money work.

Our Club

If you are part of our efforts in that we look after some capital for you, you are a member of an exclusive and Elite Club. Well done! I am not saying this as self-adulation but I laud you, our valued client, to help you appreciate that. We have always been too modest about our service quality and what we try to achieve and it's time we stopped hiding our light under a bushel too!

This industry relies heavily on trust. Sadly, there are still many out there who abuse that - and often in the worst forms, defrauding innocent or naive people by scams. There are also some whose advisory guidance and work favour the salesman and their firm rather than the true best interests of their client. This can manifest itself in investment churning to generate fees or hefty subscription charges (of up to 6% of your capital – ours are zero in comparison!). It is a shame the whole industry is then tarnished by this behaviour. We are not all like that and we hope you realise that!

We have never abused clients' tremendous trust in us. We are imperfect, however and all we can ever guarantee you is that we shall do all we can to care for you and your capital to the best of our abilities. We use every sinew in our bodies to do that and with a great staff team sharing our principles. As a Business, we do nicely by helping you and making sure that all actions we take have your best interests at heart, taking long-term business judgements and not those short-term 'stings' still so prevalent in all forms of business these days.

Turning to investments and our careful management and direction of these, not everything we buy will do what we may expect. We use many disciplines to protect us and you, spreading capital as widely as possible and over so many different asset types, from commodities like gold, metals and agricultural products to currencies, shares, bonds, loan funds, insurance underwriting companies, energy funds and commercial property funds and well, whatever exists; if we think it is good value, it may find its way into our portfolios for you. We have no constraints and are staunchly independent. Our systems are unique and good and yes, I even pay the Firm to manage our own money – albeit with a staff discount I should add! That is the best way of knowing that the decisions needing to be taken with our own capital are taken when they should be too – otherwise, would we get around to doing it?

We spread clients' money very, very widely and our largest holding has a value of £4.8Million, a collective Investment Trust spreading the money itself. That said, it is still only a little over 2% of our clients' total assets! We do not know any investment manager who believes in the extent of diversity we do. As clients' costs are all percentage based, in effect it makes no difference whether we have one holding or fifty – aside from a longer report and far more work for us! The last few years proved the significant merit of this approach, both in chasing best opportunities wherever in the world they arose and in whatever asset classes we see value but also to completely avoid certain other sectors and markets to protect us against bad events, even with fund managers who can fail or under-perform, however wise the initial choice seemed.

Then there are the charges. Yes, all of us must be aware of the costs of management of capital and access to those services and as a Firm, we strive constantly to reduce these for clients. However, as consumers we are mistaken if we imagine that it is in our own best interests to drive the costs down to such low levels so firms disappear or if they have to default to a poor and bland service simply to meet the cost demands imposed upon them. There is balance. (And some of the new firms are unlikely to survive as they keep making colossal losses - and that will cost their investors big charges and hassles).

We had so few of our thousands of clients withdraw any money during the troubles of the last few years. Why? In part because we communicated so regularly with them, sharing our constantly evolving view. We assessed and reassessed things and concluded it was imperative to stay invested and indeed to subscribe spare cash to such cheap assets, the more they fell. Did you do that?

Even for clients needing funds, we liaised with them individually to suggest deferment, even short-term or to consider alternatives. The vast majority was wise and thus saved significant sums as a result – potentially thousands of pounds. Do we charge more for that extra care? No, but it certainly creates lots of extra work for us but it is what we think is the right thing to do.

Non-clients 'out there' often have no advisory help anywhere during the worst times – when they need it! Their emotional reactions are more likely to be 'panic and sell' and certainly not further investment at the cheapest times. They rely upon TV and Social Media 'news' which exaggerate the fears and threaten even worse to come.

We have the confidence of our longevity, experience and qualifications to do what we believe is the right thing even when it is the most uncomfortable time ever – and that means for us and our staff too. And don't think we are immune to what is happening at any given point – we are not.

So many managers and advisers, institutions alike, increased cash balances during the worst of times in recent years rather than reducing them too, missing the best of the tremendous recovery.

Most people are driven by what the crowds do so the worse the conditions, the more likely they withdraw money, suffer losses and sit on their hands, only investing much later when things are 'nice and settled' and have risen significantly – they buy high and sell low.

Our clients know that being in our Elite Club, additionally they qualify for free advice and guidance on the capital we manage for them (and usually plenty more help besides) and its ongoing suitability for their circumstances. This is frequently worth thousands of pounds because it is also financial planning advice, highlighting sensible tax-planning ideas and financial incentives unique to their circumstances, as well as plenty of opportunities about which they may not know. This covers those with little money to multi-millionaires alike.

New Staff Appointments

I am delighted to provide some fantastic extra news which bodes well for the firm, existing staff and our loyal customers alike. We hope soon to add two senior and experienced people to the Management Team to bolster our senior level support and ensure ongoing best practice for our growing Firm moving forward. With increasing pressures upon the industry in terms of compliance, research and customer care, the extra help at senior level will be invaluable. Whilst we continue to grow our fantastic team of Customer Support Managers, we also remain on the look-out for extra qualified advisers to support the existing advisory team. Naturally, if you know a suitable candidate, please do mention our vacancy to them as we shall be delighted to hear from them.

In addition, we are delighted to announce the promotion of Felix Milton to Director! Felix has been with the firm since 2013 although spent many years prior helping his father and through work experience with the Firm. Upon passing his Financial Adviser qualifications in 2016, he was one of the youngest chartered financial planners in the Country. He continues his input and learning into all aspects of the business. He enjoys advising clients and helping them attain their financial goals. He is keen to work alongside the Management Team to ensure the Firm can continue to assist its clients into the future.

Chartered Financial Planners

On the front cover of this newsletter, you will have seen the Chartered Financial Planners' logo. To remind you of how we achieved this much sought-after recognition, please see below.

Chartered Financial Planners

The title 'Chartered Financial Planners' is granted by the Chartered Insurance Institute (CII), the professional body for insurance and financial planning. To retain our title, the advice, service and ongoing support we provide must remain of the highest quality.

Our advice must be based solely on your researched needs and provided by someone competent to discuss products and services that meet your requirements.

- We prove our technical, professional knowledge and competence by qualifications.
- We maintain our knowledge and skills through continuing professional development.
- Our advisory staff must be members of the Chartered Insurance Institute and comply with its Code of Ethics as enforced through disciplinary sanctions.

Our Chartered title means a lot to us. It was not easily achieved nor easy to maintain and there are very few South West firms meeting the rigorous criteria. It takes continuous investment in client service and commitment to maintain it. It is our policy to maintain these standards and your guarantee of our overall commitment to client service and professionalism.

Charity Updates

PHILIP J MILTON & COMPANY PLC CHARITABLE FOUNDATION

Our own charity, the Philip J Milton & Company Plc Charitable Foundation acts both as a recipient of our own and others' donations and looks to gift additional funds to local good causes. Enquiries are welcomed.

The Charity's Objectives are to provide grants to any of the following as the Trustees see fit:

1) Any UK registered charity operating in the areas of education, poverty relief, disaster relief or Christian activity
2) Any organisation operating in the North Devon region to benefit local community facilities, the arts or culture for the public benefit
3) Any individual anywhere in the world for the purpose of education or training, poverty relief or medical treatment
4) Any organisation assisting in the development of programmes for financial education including budgeting, basic finance, home economics and basic culinary skills

Whilst wide-ranging, some core objectives are intended to be pursued, including financial education to the poor in our local area and to consider if a suitable programme is possible to roll-out more widely.

If you feel your 'cause' would qualify for a donation please do contact us in writing providing details. Last year, we were pleased to be able to support many worthy local causes.

If you would like to support the Charity, please send your donation to: 'The Philip J Milton & Company Plc Charitable Foundation', Choweree House, 21 Boutport Street, Barnstaple, Devon EX31 1RP. Thank you!

AMIGOS

Our corporate sponsorship is currently being used to sponsor a student of Kira Farm in Uganda, where young people can enrol in a one year programme focusing on three main areas: conservation farming, vocational training and holistic life skills.

Amigos hopes to play its part in helping people to change their lives. Whilst only 17% of young people are employed in Uganda, 100% of Kira graduates are in employment.

Justine, age 20, is the student currently benefiting from our sponsorship. Justine is a bright, ambitious young man with a good command of English and full of life, despite coming from a humble family which has endured so much hardship.

Background: Justine's mother passed away when he was 9yrs old. He has never known the exact cause of her death, which left Justine the last born among 2 sisters and 3 brothers under the care of his father. Justine's father decided not to remarry but take care of his young family. He was not sure his children would be safe under the care of a step mom. Justine gets on well with everyone in his family.

In 2019, Justine got a wife, although they are not yet legally married as he needs to work hard to afford to pay the bride price if he is to keep his wife. Otherwise, she will be taken back by her family. Their union was blessed with a little boy called ''Bahati Eric'' who is now 2 years old. The child stays with Justine's wife while he is at Kira for the training which he hopes will help him create meaningful employment.

In Justine's family they live in a compound of grass thatched mud huts. His father has a separate hut, the 3 brothers have their separate hut and sisters as well, when they come home. Justine and his wife have their own hut where they sleep on a very thin foam mattress. Years ago, this humble family lived in fear over land wrangles with neighbours causing a lot of panic that they could be displaced. Thankfully, the clan sought help from the local authorities and disaster was averted. The clan land has not been divided but they allow Justine and family to use close to 3 acres to grow some crops like sorghum, millet, maize, cassava and beans. The family also owns 2 hens and one cow and bull.

Being ambitious and desiring to make ends meet helped Justine to be recruited on a short term contract as a police constable during elections to assist the regular police to maintain law and order. He earnt a lump sum of 400,000/=. Before coming to Kira, in addition to his farming work, Justine was working on a part time basis for a telecom company selling airtime and sim cards in his community earning around 100,000/= since it's commission based.

Growing up: Life was so miserable. Justine's dad used to drink so heavily. Justine's education was hugely disrupted by this drinking whenever his father got money from selling his agricultural produce, he would spend it buying local beer. Fortunately, he became a believer in God, now with the transformation of their father, home is more peaceful. Although he dreamt of going to nursing school especially with his good grades in sciences, Justine soon realized this was never going to be possible.

Surviving the war: Luckily enough for Justine's parents stayed in Kitgum town and it seemed safer there so they didn't experience the brutal conditions of those affected by the war in northern Uganda where many were abducted and others forced into Internally Displaced Persons (IDP) camps.

Daily life: Justine wakes up at 6:00am to check on the cow and the bull ensuring they are safe and takes them for grazing till evening. When it's planting season he and his wife go to work in their garden. Previously, getting access to clean water was a problem - they used water from springs. Fortunately, 2 years Amigos drilled a borehole in their community which is in a 30-minute walkable distance from home. Tasks like fetching water three times a day and collecting firewood for cooking require a 2 hour round trip and are done by the women. After working in the garden, Justine freshens up and relaxes as he waits for his wife to prepare a meal. The family enjoys 2 meals a day with egg-plants being his favourite sauce served with posho. For fun, Justine likes to watch soccer and is an Arsenal fan.

Justine cherishes his wife and the son as the most valuable possessions in his life. The time he received the news that the wife had delivered, he was away in Sudan. Being a father is the best thing that has ever happened in his life. Several times he dreamt that it would be a baby boy and it came to pass.

We'll keep you updated in our next edition, and meanwhile wish Justine all the best with his studies.

AFTER HOURS

After years of putting money into a savings account, a wife tells her stay-at-home husband the good news: "Honey, we've finally got enough money to buy what we started saving for in 1979." Her husband blushes with giddy excitement. "You mean a brand-new Cadillac?" he asks. "No," says the wife, "a 1979 Cadillac."

One day a man went to an auction. When an exotic parrot went on the auction block, the man decided he was going to buy it, no matter what. He wanted the bird so badly, he didn't think twice about the anonymous bidder who was outbidding him–he just kept bidding, and getting outbid, and bidding higher and higher until he finally won the bird at a price that anyone would call a rip-off. Despite his disappointment about the price, the beautiful bird was his at last!

As he was paying for the parrot, he said to the auctioneer, "I sure hope this parrot can talk. I would hate to have paid so much for it, only to discover that he can't speak!"

"Oh, don't you worry," said the Auctioneer. "He's a talker. Who do you think kept bidding against you?"