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North Devon's Leading Independent Wealth Managers

MILTON NEWS

Winter 2017 Edition

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Independent Financial Adviser

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Dear Client *December 2017*

As we prepare to welcome 2018, it is time to reflect on the events shaping economic and market movements globally. It has been a more difficult six months with some awful atrocities afflicting the world and uncertainties continuing, from 'Brexit' negotiations to Catalonia, North Korea as well as earthquakes and the atrocity in Myanmar. More recently, interest rates have started heading upwards for the first time in ten years. Nevertheless, overall, I am pleased to report that clients should be content with the results we have achieved despite the backdrop, though a period of pause would not be unexpected. Although we do not directly compare managed strategies to the FTSE100, our 'balanced' strategies held as Portfolios, ISAs and Pensions have outperformed the index nicely over the period. Yes, our investment clients have had to accept some risk in order to attract these returns; they might have lost out if values slipped rather than gained. Of course, the alternative would be to have never had a chance at the gain nor superior flows of income whilst being certain to lose out in the long term as inflation eats away at 'safe' capital languishing in cash.

I often have cause to reflect that too many people (and governments) only appreciate what 'risk' is when it is too late. Excessive risk mitigation is ludicrous in that too often the 'politically correct' cost of avoiding a minuscule potential risk is so far in excess of the likely cost of the risk itself! In financial terms, I also counsel to not have too much in 'defensive' assets as at the end of the day, the major risk is lost opportunity. I realise what the textbooks say and you must be wise personally but sometimes it is crucial to ensure you have enough in assets which can advance in value to ensure you do not compromise your financial future. The same applies to our strategies incidentally – don't have too much in the 'lower risk' ones.

However, we have always believed two basic tenets. The first is you must recognise that risk exists everywhere; there is no such thing as risk-free. Gold can fall, inflation can ravage your cash and a thief can steal your possessions or moth destroy them (all very biblical). So, when you begin to be sensible and recognise that you must MANAGE that risk, there are countless tools you can engage. We believe in vast diversification as a great way to ensure you are not open to some catastrophic event which, should it hit, would be too late to do something about it. We also endeavour to limit correlation (or have an opposite one) so that although one piece of news may be bad for one investment, it will be good for another. As just one example, the collapse of Monarch Airlines led to a surge in EasyJet, Ryanair and IAG shares. We didn't have holdings in Monarch, Easyjet or Ryanair but you can see the reasoning that it would be best to have spread your 'eggs' around multiple baskets in that scenario. We have done very well from IAG though!

We are more cautious now than we were a year ago and feel even more that certain sectors and markets are a little toppy (such as US Technology) but we have taken some money off the table to recognise that and there remain plenty of undervalued situations to continue exploiting. Indeed, some new holdings we have acquired and shall continue buying, seem so undervalued that we want as much as we can before others realise the pricing anomaly, so we are quite sanguine overall!

We try to monitor myriad different ways of checking how things have performed for our clients (and I always say that tomorrow is more important than yesterday – never forget that). However, it is refreshing to see how well clients have done in the last few years when many seem to have found it difficult to keep up with benchmarks, especially since the end of 2015.

As we have wound our way along with our very successful investment management strategies (unrivalled anywhere in the world I may add, with the dynamism of a smaller player, one of the longest serving managers of the same funds, the protections of unrelated global custodians who hold our clients' assets very safely and the deft-footedness of actually being able to act), we have expanded the ranges of what we hold and buy, both to reduce the risk to an individual client but also to pursue opportunities which otherwise remain unavailable to them. It was interesting to see a professional paper released by the Alternative Investment Management Association recently which said:

"Adding managed futures to a diversified investment portfolio has the result of increasing both the total investment portfolio's return and reducing its risk".

So, if too many of your assets are in the Building Society, Premium Bonds, Residential Property, Gold, Commercial Property, Shares, Bonds… think carefully and DIVERSIFY!

I had an enquiry recently from someone interested in trading in currencies. It suddenly made me realise that most people do not know how to do 'it' (meaning 'invest' in anything, really) or even to access it. May I just say, we are here to help connect you with these different opportunities. The best way to learn is to have capital under our management and then to watch how we do it: low risk through diversity, low cost and great education as to what is available, whilst recognising that we can and do buy things which I'd never encourage you to buy directly. We are here to hand-hold with those we can help knowing no bounds; new clients of any age can make that experiment in education which is likely to be one of the best investments they ever make.

Some key income managers have struggled over the last few years, including Woodford Investment Management and Invesco. We hold neither in our strategies – primarily because we prefer others anyway but we remain concerned that those funds' sizes will continue to blight results and income could be challenged, too. Many investors will have done quite badly and these funds manage billions whereas we are only pushing £150million. Our average balanced client has charged ahead of them these last few years, I assure you!

We continued to call Sterling correctly and as value investors we bought more and more undervalued sectors as they remained depressed in value. We have added AA Plc after its Chief Executive left, Stagecoach on an attractive income yield and depressed share price, Carphone Warehouse similarly and one or two other selective equities as well as quoted funds and a strange Trust called Tetragon Financial Group capitalised at $2billion. We have added a convertible loan giving us interest of 3.5% pa but with the right to switch to ordinary shares in the parent trust if they go up in value or to receive our money back if they don't.

It is also important to remember that sometimes preservation of capital is as important a management tool as the return generated from it so we invest in things to 'hedge' us against unexpected or potential things which could go wrong. Yes, sometimes these things may mean you 'underperform' in the short-term but it is not right to have everything chasing the favourite or just one outcome.

Interest rates here are still low (despite November's increase) but looking to rise slowly both to protect the currency and to stave-off inflation, as in the States. We can still secure good value and in some quite 'boring' things where income returns approaching 10% are available from diversified, quoted investment vehicles. What this means is that our very well-spread ranges of balanced assets have comfortably produced (and more importantly still can produce) a very good income for a 'balanced investor' plus capital appreciation potential, too, with good risk mitigation from around the world. This enables the wise client to take a sensible term perspective. Remember that if you just throw your money at the FTSE100 index, buying everything because it is there, the net income is not far away from 4% pa. The cheaper the initial price you pay, the more income your Pound will buy you forever.

However, caution or optimism, that is why we position ourselves as we do. We take the active decisions to skew and tweak clients' accounts to reflect our views of what we think is likely to happen – not reacting solely to what has already taken place. We review our assets all the time but that doesn't mean constant change, of course. Remember, the things that no one wants are the best to buy and we must sell the things that everyone wants but you can't necessarily tell that at the time. It's also not comfortable buying when 'blood is running in the streets' but that is the right thing to do and not when euphoria is at its highest (try telling that to an Estate Agent).

I am always looking at events: globally, nationally, politically and for individual corporations. I am also looking at 'now' and endeavouring to anticipate the future and position ourselves accordingly. The management relationship we have with clients is to take these decisions automatically – it is all in the price you pay. Clients don't have to worry, we look after their money and I hope that they will agree that we do a good job. Patience is required sometimes and we are not perfect but we have brilliant systems which help to protect our clients and which we trust gives them confidence in us. The cost is all covered within the management fee, aside from brokerage on transactions when we believe alterations are necessary, naturally. Compare this to simple 'products' you may have bought elsewhere, with no ongoing advisory oversight – perhaps a look once a year. How many opportunities have they missed-out on because they don't and can't? What will they be like when things turn down? The same inaction?

My challenge is to take advantage of special terms for clients when they present themselves so that, whilst you won't see it on statements, if I can pay a little less and sell for a little more than the next man, clients are benefiting from that enhancement. My target is to cover the management fee by such opportunities so in aggregate our input is costing clients 'nothing'. How do we do this? By being dynamic enough to react, monitoring pricing very carefully, selling one client's stock on a complete liquidation to new client joiners at prices no-one else has and where both benefit and buying special things such as from 'distressed sellers' and where the market price can be more after the lines were cleared. With a convertible loan we recently added to our clients' holdings, each £1 we subscribed went immediately to £1.07 on the market. That's how many years' management fees for free?

If you have any queries or would like to speak to an adviser regarding your investments, the suitability of an ongoing strategy or any other financial matter, please do call. Unlike most advisers who levy fees for all review work and advice (on top of the investment's management fee, perhaps taken automatically from your investments so you don't see it!), we offer an annual personal review concerning our clients' managed investments here as an integral part of our service and without any extra cost. We believe this is unique in the industry.

Incidentally, to keep abreast of our thinking on finance related topics, do let us have your email so we may forward our independent e-shots. Please email us on info@miltonpj.net to sign up. These are welcomed and respected by many thousands across the world in fact including many professionals! There is no catch or cost and, hopefully, you will benefit from the odd snippet or two!

Finally, if you have spare funds sitting in accounts or festering in 'unmanaged' investments and which would benefit from our engagement, please do contact us. Remember, there are so few tax breaks left, exploiting them as quickly as possible is wise.

It is always important to remember that the value of market investments and their income can fall as well as rise. Past performance is also no indicator of future returns however hard we shall try for you and of course none of the comment contained within this newsletter is a personal recommendation for you. If you are considering an investment and wish to seek specific advice before doing so, please contact us and we shall guide you on the next steps. However, if you wish to invest without first receiving advice then we should be happy accepting your investment on an 'Execution Only' basis upon your instruction. There are no subscription charges to add to any of our strategies, though of course our regular small transaction costs apply to purchases and sales within your account.

All that remains now is to wish you all a very Merry Christmas and a Happy New Year!

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

Managing your Investments

INVESTMENT OPPORTUNITIES - TECHNICAL PROFITS

As regular readers will know, we like Investment Trusts as collective investment opportunities for clients. There are a number of reasons for this but, in a nutshell, our clients have benefited handsomely from them over the years and if you are with most other advisers, who restrict themselves simply to 'unit trusts' or the more expensive insurance company version of fund managers' 'open-ended funds', you have not enjoyed these special extra results. Many advisers do not understand them or do not have systems or overseers which allow them to be used – all very limiting. We can use anything which we believe is in our clients' best interests.

However, I know that if I can buy a quoted Trust which has a varied and eclectic portfolio and we pay only say $12 for $20 worth of underlying, transparent assets, securing a 5.5%pa income for investors too, then I must ignore the short-term where values can drop the odd penny as an investor somewhere decides to sell regardless of prospects and I must buy more. One day most or all of that underlying value should be unlocked - only an extra 67% for our investors and without the value of underlying assets moving a penny. Believe it or not but there are still a few opportunities like this and it is only patience needed before their real values are seen but we might have to ignore short-term gyrations and dips in confidence. In fact, some of the things we have sold lately have been just those where the 'discounts' have almost all gone so that special value has been realised.

Another of our biggest Trust exposures (now our largest holding, in fact, so most clients have it and we own a reportable stake in the fund) has seen its 'discount to the underlying asset value' shrink and keep shrinking. Our exposure of over £3.3million has done very nicely indeed as the discount shrinks. When we see that special extra value, it is regardless of what is happening to the underlying markets – it is simply the recognition that that Trust's shares were underpriced and should have been higher.

We cleared-out of a similar long-standing holding a little while ago when the share price went from a deep discount to a premium – meaning investors were paying (and still are!) over £10 for a £10 note! This might not be as foolish as it seems. One thing the manager has been able to do is to keep issuing new stock to satisfy the market – at that premium value. Well done them. However, we took our special profit and moved onto the next target.

We charge only 1.25%pa (exc VAT) to manage pension funds and 1.5%pa (exc VAT) to manage other assets and for that, clients are entitled to a complimentary review (for those assets) every year; most advisers charge an extra 1-1.5% plus for such reviews.

Anything you have charges you a management fee (whether you see it or not) so ours is not out of line – believe it or not even the Building Society looks to make a 2% turn on your deposits! That big holding mentioned above which we still maintain has given our clients a whopping 56% increase since only July last year and they have had the income from it as well!

STOCKS & SHARES ISAS

Did you know that this tax year (running until 5 April 2018), you can shelter a whopping £20,000 into ISAs? So that's £40,000 for a couple! Remember that each tax year is treated in isolation so historic contributions (and transfers) do not affect those limits.

Whilst you may feel that ISAs are less relevant now, following all of the bewildering changes to Income Tax allowances and dividends, we would argue that the timing has never been better to use these valuable savings plans. ISAs give everyone (from novice investors to those with more experience, with either a little or a lot to invest) the opportunity to participate in the fortunes of the markets and every penny earned is protected from tax, regardless of your tax circumstances. Along with pensions, they really should be the priority for savers.

Governments come and go, as do their respective manifestos and policies and it would be no surprise if ISAs cease to be available (or in an altered, less appealing format) in the future. As Britain continues to grapple with its colossal deficit, this would allow the Government to boost its tax take. Other options could include a cap upon accumulated funds (as with pensions), or perhaps the annual subscription allowance will be reduced – or more tax outside.

Consequently, we encourage investors to "fill their boots" whilst they can with any surplus savings. Obviously, this assumes that they are comfortable taking at least a degree of market risk over the medium to long term. Presently, compared to the average Cash ISA, a Stocks and Shares ISA will need to return only upwards of approximately 0.5%-1% annually (including any bonus) after charges to be the better option. Our own balanced ISAs are delivering close to 4% in dividends alone, regardless of any increases in the actual value of your investment. We cannot guarantee this but are very confident in the systems and strategies we offer.

Investing in an ISA with us couldn't be simpler. We can establish a direct debit for you for monthly contributions (starting from £50 per month) or you can invest a single or series of lump-sums; the choice is yours. Contact us for more details.

DO YOU OWN A CASH ISA? – HOW MUCH ARE YOU LOSING?

With the average Cash ISA paying just 0.33% (excluding bonuses) and with inflation at 3%, the average ISA is losing around 2.5% each year in real terms. If this continues over the long term a typical Cash ISA could lose 20% of its buying power over a ten-year period. Given these awful conditions and with only nominal increases in interest rates likely, for those investors who are able to take a longer-term perspective and are comfortable with the risks, transferring Cash ISAs to Stocks and Shares ISAs makes much more sense. Remember this does NOT use this year's ISA allowance. Naturally, we must all keep something aside on deposit to cover emergencies at short notice but beyond that, alternatives really should be considered.

Don't know how to transfer? Leave that to us; we'll attend to all the paperwork and the actual physical transfer. All you need do is sign a couple of forms. Contact the Office for more details.

RISKY INVESTMENTS AND CASH DEPOSITS

For those who are very cautious about investment risk and who leave their funds on deposit rather than doing anything else, did you realise that you are actually taking a very high risk in that your money may run-out just when you need it most? If the returns you secure are poor then they won't be matching inflation nor your needs and so whilst you are taking a theoretically low risk it is really a very high Life Risk and Event Risk. When you can't work anymore and need the income, if that is too low you have to spend capital… and the more capital you spend, the less income is received from the diminishing pot and so it goes on. Can you really afford to take that very high risk? I can't. That's why I spread my eggs around.

As investment managers, it is a privilege to look after our clients' money; it is our job to do the very best we can. For some clients, aside from their emergency funds at the bank, we look after pretty much all of what they have. For others, we might just have a little where they are testing us or diversifying strategies. We don't mind. However, it is not a game for us and in fact it is an onerous responsibility which we accept with the degree of importance it deserves by remembering how important it is for you, too. Of course, it is not a 'right' and not something we take for granted. We learn constantly and are humbled when something we expect to work doesn't but we trust that the positive strategies far exceed the occasional negative ones. After thirty-two years' experience we can speak about the past and the success it has brought for clients too, so we know that our approach works.

INVESTMENT INCOME

And for all the pessimists out there, just as interest rates continue at rock bottom levels, global dividends (only a part of the profit which companies are making and which they pass to their shareholders for using their capital) have just reached another record. This isn't speculative froth – it is real profit from trading with you and me. The quarterly sum was $447 billion, up 5.4% on the year before and growing at its fastest rate since 2015. And (that's two sentences starting with a banned word, something which would have infuriated my English teachers!) for the Sterling investor, that is a double advantage as the Pound has fallen so all those overseas' earnings have bought as much as 20% more Pounds! Time to revisit the currency situation very seriously though – if you are not with us, what are you or your adviser doing?

For thirty-two years now we have been value investors, advocating a good dividend paying policy; a reward to investors if you like for having the faith to hold a particular share. This has served us very well to date and I expect it will continue to do so. Our "Balanced" Portfolio is paying an income exceeding 4.5% per annum at present, regardless of capital value movements. Of course, dividends aren't only useful for investors seeking income, they can be reinvested for those seeking growth and the compounding effect can be incredible.

To illustrate this, let us consider a £1,000 investment in UK shares made 30 years ago. Without reinvesting dividends, it would have grown to £3,480. However, with dividends reinvested the investment would now be worth £10,443*. Of course, please remember past performance is not a guide to future returns, and the next 30 years will be different.

**Returns of the FTSE All Share Index. Source: Lipper IM to 30/09/17*

PENSIONS AND SAVINGS

Quietly and steadily, the number of people in some form of employer or self-employed pension is now at a record level, with 39.2million in occupational schemes alone. This is great news and shows that despite theoretical savings' ratios being challenged, people are saving for their retirement, either by choice or through auto-enrolment.

That said, the cost to employers of the latter is going to escalate over the next few years and this could have an impact on overall costs and prices of goods and services to pay for the extra cost of employing someone. Employees must contribute, too, of course.

The other great thing is that pensions are tremendously flexible. As a principle, they are simply a 'bank account' within which you can pretty much put anything but really, they are the most tax efficient of all savings' schemes, with full Income Tax relief on the way in, no tax inside and access from the age of fifty-five – of which one-quarter is free of tax and the rest subject to your tax rate at that time and dependent upon the amount you draw. If you don't touch it, then that is even better – free of Inheritance Tax for the Family and so on. We are bemused at the number of wealthy people who have not 'maxed-out' their pensions – they could receive Higher Rate relief on contributions and secure this fantastic tax-friendly pot, even if they spend other assets to do so. The new pension cap is £1million. Yes, we can manage your pension for you if preferred (we have one of the most sophisticated management systems and an enviable track record in actual results) or you can put whatever you want in there yourself.

Last year, 9million people contributed £24.3billion into personal pensions and secured tax relief on that. That was a record and is interesting in that the very wealthy have effectively been barred from contributing if their pensions are over the cap (now £1million). The average is £2,690 and down from the £3,690 in 2011/12 for example, in view of the bar to the wealthy. Overall, pension tax relief was almost £25billion so there is a significant sum of tax kick-back. Public sector employees represent the main salary-related superannuation beneficiaries now.

If you haven't done the most you can, then contact us for guidance as time is running-out as you will be limited in terms of what you can subscribe. You may even be able to contribute more to your pension based upon earnings from the last three years! You don't even have to have any earnings to contribute £2,880 net (which the Government increases to £3,600!) and this can continue until you are seventy-five!

INVESTING FOR OLDER ADULTS

We know of many companies which, over the last decade or so, have refused to advise clients of a certain age (and even that age is low considering increased longevity!) and this includes their existing clients, who are forced to make alternative arrangements. This is absolutely ludicrous and we do not take a similar approach. We will help and advise ANY client, regardless of age. However, our advice will always take account of their personal circumstances, so age, health, resources, requirements and potentially their family situation.

Interestingly, our managed strategies intentionally facilitate the 'looking after' of older adults with some very useful continuation options. Therefore, when investing, our clients know that their investments with us may be inherited eventually (thereby extending the investment term and avoiding restructuring costs) to look after their beneficiaries. This is often very reassuring, whilst not compromising their own personal financial security. See below for more details.

DISCRETIONARY MANAGED INVESTMENTS – CONTINUITY OPTIONS

Some clients wonder what happens to the investments we manage for them once they have passed away. Naturally, most assume that investments are converted to cash at the earliest opportunity and distributed to beneficiaries with their Estate (and some firms do that automatically despite the time delay before distribution). However, market timing may not be opportune to simply "sell"; this may incur unnecessary costs and indeed, doing so may not be in accordance with beneficiaries' wishes, either. I should add that if we are the Executors, clearly, we have an even closer relationship with the family and the process itself in that respect. Whilst that is not imperative, we are very happy acting in that role, one which you may wish to consider, especially if your Estate covers more investments than anything else!

Our helpful process usually involves the following:

- We supply the necessary probate valuations to Executors after we see a death certificate (and usually the Will gives evidence to that appointment).
- We shall continue to manage investments meantime although no further buying will occur until Executors provide their instructions.
- We invite the appointed Executors to refer the named beneficiaries to us for advice before any decisions are made. Regardless, we shall also write to Executors with all of the options and terms available.
- Ultimately, beneficiaries may inherit investment accounts as they are (at no extra charge), in full or in part or convert the investments fully to cash. If beneficiaries are comfortable maintaining market-based investments, it is far more cost effective to keep the inherited investments here (not to mention the unrivalled diversity and return opportunities we offer). To sell all Estate investments and then reinvest elsewhere for example, could cost up to 7%-10% all round, as well as any lost opportunity whilst the money is not invested (that could be a considerable time in some instances). We work with Executors as the circumstances may become clearer as perhaps different beneficiaries may require different outcomes.

- Of course, if the Estate has debts to pay and no other means to cover them, cash may need to be withdrawn.

There are no charges for any of this care and attention incidentally – we believe it is the imperative service necessary. For ISAs, please note that the tax-free status ends on death but investment holdings may be transferred into a taxable portfolio environment. Once again, no additional cost will be incurred. Many companies simply have terms which mean everything is encashed as soon as a death is notified to them – not what we think is right at all.

Sometimes, we suggest meeting with beneficiaries to consult with us in advance. This will ensure that in the future, we should be more familiar with their wider circumstances and also hopefully we shall have built a relationship of trust. Consequently, in future the process may be easier and less stressful for them to discuss their options. Of course, our absolute responsibility for the individual's investments is always to them first and foremost. However, we think it is important that we consider our responsibility to them after death, too.

TESTIMONIALS

'Many thanks for all your help, we really appreciate the expert advice you have given us. Having established the means and opportunity for S… to retire will enable us to begin an exciting new chapter in our lives. We look forward to our future dealings with you and are so pleased with our decision to come to Philip J Milton & Company and to be fortunate enough to have you as our adviser.' Bideford, July 2017

'I am so very relieved that my son introduced me to your company putting all these affairs into your hands… I have thoroughly recommended some friends to use your excellent services for peace of mind." Hereford, June 2017

'Thank you for your good advice as always. It is like a 'comfort blanket' to know that you can really trust your financial adviser!' Cowbridge, July 2017

'A friend and neighbour in Spain has recently lost her husband and his Estate was left in a terrible mess – no Spanish Will for the property they own there, an inadequate English Will, and she has had such a struggle to sort things out. It makes me realise just how lucky we are to have all your advice and help. We also know that thanks to Philip and your investment strategy our retirement is a lot more comfortable now. So thank you both for all you have done for us.' Lymington, July 2017.

ACT NOW – NOT LATER!

Matters relating to finance and investments are often considered to be dry and complex, causing many to file paperwork in the drawer "for another day". This may prove to be a terrible mistake.

For example, are you paying too much tax, can your money work harder, is it invested wisely, is your family protected should death or incapacity occur, are you saving enough into tax exempt pensions and ISAs, is your Will appropriate, do you have a Power of Attorney, will your Estate avoid Inheritance Tax on death?

Even for the more seasoned investor, do they really want to be thinking regularly about whether they have enough exposure to China and the developing markets, whether the US is overpriced, should they be exiting or adding commercial property, Bitcoins, putting more into smaller companies or taking a more defensive approach following market rises?

Wouldn't you prefer to delegate that responsibility by investing in one of our ideal investment solutions?

These are just some of the many questions you may be asking yourself and where we can assist to great effect. Of course, choosing the most appropriate, trustworthy and competent firm like ours is also key as the wrong one can simply end up costing you money.

MiFID II Requirements

The Markets in Financial Instruments' Directive (MiFID) originally came into force in 2007 and is a piece of EU legislation to improve transparency. MiFID II is being introduced from 3 January 2018 and is a significant retrograde step (in our view) further down the road of transparency to protect against market abuse. We are still working hard to ensure that we comply with the regulations and you may have been contacted separately to seek some additional information. There is a significant cost involved in meeting the various requirements, which we are not passing on to you as clients, not least the time cost for our Directors reviewing all of the legislation and clarifying exactly what needs to be done.

In short, the following considerations and actions are taking place within the Firm:-

TELEPHONE REPORTING REQUIREMENTS

Telephone calls between us must now be recorded and retained. In particular, calls where you may give us an instruction regarding your accounts or propose or agree to an investment, for instance. We have been recording calls for some time now and will be keeping them for the longer term and so when you do call all conversations will be recorded and retained.

REPORTING

Whilst a short while ago we discontinued quarterly transaction statements, as we felt they did not add a significant amount to what we told you about your investments, from next year we must return to quarterly statements. They will be more in the format of existing October and April full valuations and so should be more useful to you. There is also a requirement that should your investment account fall by 10% since the last valuation point, we shall contact you to confirm and note what actions we are considering as a result. Of course, we hope that this does not happen but an event such as the banking crisis of 2007-2008 or the tech bubble bursting in 2001 would trigger such a letter. Our longer term clients are likely to recall that during such periods, we continued to keep in touch and advised them of the situation anyway.

TRANSACTION REPORTING

Whilst currently within the market, any trades that we execute for clients are reported as an aggregate trade, from 3 January we must report each individual client involved within the transaction and identify them by nationality. For this reason, we have been writing to some clients where we do not have National Insurance numbers on record, for instance, to secure these. Also, where an account may be held for other individuals, such as grandchildren, we now need to identify them as well.

With regard to Trusts, other than 'Bare Trusts', these will need to have a Legal Entity Identifier (LEI) code for transactions and we are writing to offer our assistance to securing this from the London Stock Exchange (LSE). Again, we are absorbing the costs of assisting with this work, although there is a charge directly payable to the LSE, which the Trust will need to bear.

OTHER CONSIDERATIONS

There are various other documents which we need to review, including best execution, conflict of interest and our training and competence regime.

Whilst we are confident that everything we do is appropriate in this regard, the MiFID II regulations are very prescriptive in terms of what must be included.

We understand why such regulations exist and must be put in place but for firms such as ours where our clients' interests are already at the heart of what we do, the additional costs and time can result in us simply being less able to meet with clients and so if you do find that you have to wait for a period to meet with an adviser, particularly one of the directors of the Firm, then please do bear this in mind.

One final good piece of news which has come about as a result of all of this regulation is that our current administrator is seeking to put in place an online client portal which you will be able to log into to retrieve paperwork and switch-off paper based reports if you prefer. We shall, of course, provide further information when this is available but if this is likely to be of interest and you are unsure whether we have an up-to-date email address for you, then please do complete the form on the back of this Newsletter.

KEEPING YOU INFORMED

As an independent financial and investment planning company authorised and regulated by the Financial Conduct Authority (FCA), we are proud to offer advice upon all aspects of clients' financial affairs and we like to make sure that you are kept up to date with details about our services regularly. We are committed to keeping your data secure and we maintain the highest levels of technical and organisational measures to protect your data and to ensure compliance with UK data protection legislation.

We wanted to check with you that you are happy for your data to be held by Philip J Milton & Company Plc and its nominated subsidiaries and partners so that we may continue to contact you regarding events/services in the future. You do not need to be an investment client with us to remain on our database. We will only contact you regarding your accounts and/or our services, nothing else. Of course, we will not share any of your information with any unrelated third party.

If you do not wish to receive any further correspondence from us, please let us know by: Phone - 01271 344300; Email – info@miltonpj.net; Visiting our Offices - Choweree House, 21 Boutport Street, Barnstaple as we are always happy to see you. You can, of course, opt out from receiving any correspondence from us at any time.

The End of the Freepost Era

Some of you may be aware that in previous years when we were located in Joy Street, the Firm offered a Freepost service for certain types of mail. We regret that it was not possible to bring this Freepost address with us during the move to Choweree House in Boutport Street as Royal Mail has updated its service agreement and only pre-printed and barcoded envelopes qualify for the Freepost service. Any mail items sent to our now closed Freepost address risk incurring fees and being returned to sender.

Did you know we conduct a great deal of correspondence with our clients via email, we can even arrange screen-to-screen appointments via Skype and Facetime rather than requiring meetings at our Offices. If you'd like to benefit from this, just send us a note of your email address alongside a wet signature for security purposes and we can include confidential account information in our emails to you in future.

In the News . . .

SCAMS

Investors who piled £91million of their pensions from highly charged advisers on fat commissions into schemes subscribing to Cape Verde and Moroccan property have been told that they are unlikely to receive their money back from the Financial Services Compensation Scheme (FSCS). Why-oh-why are people so easily duped into buying daft investments and leaving behind sensible, mainstream ones protected by the full power of the UK authorities? Not to be horrible to anyone who has done so but all advisers have to fund the FSCS so in reality, the cost to the honest and upright advisers will be lower as a consequence of the adjusted values applicable in these instances. Should these investments ever have been considered in the first place? No.

It seems to be a human trait that something sold on simple, juicy promises and sunny climes is much easier to sell to unsuspecting people as opposed to good ol' fashioned dependable, dull advice on mainstream, rather 'grey' investments which do what they say on the tin. By the way, if anything is awry, mainstream investments have full protection of the FSCS. Please don't be tempted – don't buy things such as investments in a hotel room, property in a foreign country where you don't know the language or the legal system, strange collectibles or scarce commodities which you don't understand, carbon credits or, well, anything being thrust at you as the next best thing since sliced bread (buy the bread maker instead maybe!). Take advice, too – it could prove to be the best investment you ever make, a few hundreds of pounds on an experienced second opinion. Did we ever suggest someone bought any of this stuff? No. How much has that been worth to our clients? 100% of their capital involved and all the returns they have enjoyed on superior things instead.

HOUSING

It has been reported that property prices in London are now falling in real terms (after inflation). Property consultancy Hometrack has suggested that prices in the capital rose only 0.5% over the three months to September. With Consumer Price Inflation running at 3%, Hometrack reports that 85% of the areas covered by its London calculations are now falling in real terms. Stretched affordability, low yields, Brexit uncertainty and its impact on employment as well as interest rates are all weighing on market sentiment. Perhaps the true impact of these threats is being masked in the Capital at present by overseas' investors still looking to take advantage of the weak Pound.

However, with interest rates potentially increasing further albeit very gradually in the future, continuing to hold surplus property in London for speculative or investment purposes (as opposed to as a home) is likely to become less appealing.

It will be interesting to see how this also impacts non-London and South Eastern properties in time as there will surely be a ripple effect as panic selling takes hold.

SALARY RELATED WORKS' PENSIONS

The financial services' regulator has discovered that from a recent sample, less than 50% of transfer advice was deemed "suitable". It is also investigating scams where "inappropriate" advice has included transferring pensions into esoteric 'investments' and some promising 10 - 15% annual returns for example. Unfortunately, these shocking activities are likely to continue as more employers (including BT and Royal Mail, both major employers in the South West) make pension changes and whilst work pension transfer values remain so ludicrously high (although as interest rates rise, transfer values will fall and potentially significantly). Whilst for some, transferring their pension may be the best option, for various reasons including improved flexibility, access, control, viability of a scheme or due to the policy holder's health and family position, for others it will not. Even where it is advisable, we would never recommend weird investments! Each transfer decision should be based on individual circumstances. Therefore, it is absolutely imperative to take care when selecting the financial firm to consult.

Apparently, two-thirds of those seeking advice on such pensions cannot find an independent adviser who can help them! So many advisers have been barred by the FCA from acting any more due to shoddy advice and processes. The good news is that we are here to help with experienced advisers who hold the appropriate advanced level qualifications!

Another research company has found that clients of advisory firms are better-off, on average by 39%pa in retirement, than those people who do not seek advice during their lives. That is quite a telling indictment – or something of which advisory firms should be very proud! One of the core reasons why people choose not to seek advice is the perceived 'cost'. So, taking no advice may appear cheap but in the end, it costs you 39% of your retirement income every year and that is when it is the most important to you. That sure is a very big price to pay for pride…?

One of the best (if not the best) investments you can make is to seek professional advice to review the health of your overall finances and Estate and ensure they are arranged optimally to look after you and your family. Don't leave it to chance. As North Devon's leading pension and investment specialists, we have been advising clients successfully since 1985 with a reputation for integrity and professionalism. We now manage approaching £150million for clients across investments and pensions. We should be delighted to discuss your options with you, initially at our cost and without obligation. Please contact the office for more information.

Support for Charities & Projects

PICKWELL FOUNDATION

We were very pleased to support the initiative of helping to rehouse a Syrian Refugee family. The charitable Pickwell Foundation agreed to act as the conduit for raising the £9,000 required to match The Georgeham Community Sponsorship Scheme's application, something which has now been achieved and a house has been purchased for them by members of the Group. We made a donation to support these efforts and if you would like to participate in helping the first family for North Devon, please participate through its Just Giving page www.justgiving.com/thepickwellfoundation or send a cheque to the Foundation (details available from www.thepickwellfoundation.org.uk). Of course, although much has been done already, there is still so much to do. The dedicated group of volunteers has ensured all the bases are covered and the scheme even goes as far as meeting the family at the airport to welcome them to the Country. Ongoing counselling, assistance and support in all areas then follows and we wish them well in their endeavours and then to welcoming a family to North Devon which I am sure they will find a lovely place to live and to overcome the ravages of their past terrifying lives.

SPONSORING THE MESSIAH!

We're proud to have sponsored a charity performance of Handel's Messiah, performed by the Taunton based Amici Chamber Choir. The concert is in aid of the NSPCC. At the time of writing, the performance is just about to be staged and it is hoped the event will be well supported and significant funds raised. If you'd also like to find out more about the valuable work of the NSPCC or to make a donation to the charity, please visit www.nspcc.org.uk.

STOREHOUSE PROJECT EXPANSION

Philip J Milton & Company Plc is delighted to be the main sponsor of The Storehouse Project in Bideford and the Firm will be assisting in its latest scheme to further help vulnerable North Devon residents.

The Charity is currently fundraising to set up a new project, Cornerstone Meal Outreach, in Bideford. The project will feed needy people, families and individuals whilst also befriending, providing company and signposting to other agencies whilst taking a holistic approach to caring for people's physical, emotional and spiritual needs.

The Charity hopes to be working in partnership with The Royal British Legion (Bideford Branch, Welfare Section) to provide the service and has identified a building. The Charity continues to seek sufficient funding to cover one year's rent, professional fees, some mainly cosmetic renovation work and fitting out and purchasing cooking facilities, and estimates in total it will require £20,000.

If you would like to make a donation to The Storehouse Project, cheques made payable to 'The Store' can be sent FAO Mr J Buckingham, 2A Pitt Lane, Bideford, EX39 3JA or you can visit www.totalgiving.co.uk and search for 'The Store Homelessness Project' (Charity 1112092). Thank you.

RAISING MONEY FOR CHILDREN WITH CANCER

Earlier this year Elizabeth Webb, one of our Financial Advisers, raised over £600 for the charity Children with Cancer by completing the gruelling Rat Race obstacle course. Elizabeth explained, "Rat Race is a 20 mile 200 obstacle course set in the grounds of Burghley House in Staffordshire. I decided to enter after I had done a shorter obstacle course, Tough Mudder – I thought it would be a lot harder than Tough Mudder and I was right! It took 7 hours 16 minutes to complete and I finished 688 out of 6,500."

We're so proud of Elizabeth's physical and mental achievement as well as her charitable fundraising. We wonder what challenge she'll set her sights on next?

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 for the better. Whilst only 17% of the young are employed in Uganda, 100% of Kira graduates are in employment.

Filder, age 20, is the student currently benefiting from our sponsorship. We are delighted to receive monthly updates from her as she progresses through the programme. In the last few months she has used recycled bottles to create an urban garden, perfect if space is at a premium, she has also planted and harvested crops of beans and maize. She was thrilled to engage her newly-learned skills to complete her harvest independently without needing the help of her Kira Farm Tutors.

We'll update you again later and meanwhile wish Filder all the best with her studies.

Below: Filder tending to her urban garden project.

PLEASE NOTE: The comment contained within this newsletter is the opinion and copyright of Philip J Milton & Company Plc. This is a financial promotion. No outside institution is employed specifically to provide comment which is based entirely upon our independent view of worldwide markets and economies at the time of publication. The values of market investments and their income can fall as well as rise. Any performance/prices quoted are based on details at the time of writing and specific clarification and individual comment is necessary if action is being considered. Please note that some of the ancillary products or services such as Will Writing, Accountancy and Executorship services are not regulated by the Financial Services and Markets Act 2000. The value of your home is at risk if you do not keep up repayments on a mortgage or other loan secured upon it (written details are available on request). Any case studies featured in this edition have had identifying details altered to protect client confidentiality.

Terms of Business Update

DISCRETIONARY CLIENT AGREEMENT: WITH IMMEDIATE EFFECT

D3. (c) Funds are segregated from Winterflood's own assets and those of other firms under omnibus accounts for clients' assets held in trust and independently audited. There is a separate omnibus account for the SIPP and also the ISA and Portfolio. Within the account, our administrator registers individual assets to each client and reports your holdings accordingly. However unlikely, if there were any losses on the overall account as a result of a default or insolvency of the independent custodian then these would be shared equally between clients.

D5. (a) Statements from Quai Administration Services Limited and Transact are provided quarterly with a valuation of the holdings as at 5 January, 5 April, 5 July and 5 October. Typically, reports are forwarded to Clients within six weeks of the valuation dates. For Portfolios, as at 5 April, a trading statement showing acquisitions, disposals, gains and losses and a Consolidated Income Tax statement are provided. No specific measure of performance is quoted. Within valuation reports, Transact uses the selling price of securities. Quai Administration Services Limited uses the selling price for Unit Trusts and mid-market prices for Investment Trusts, direct stocks and OEICs. Transact valuations are accessible daily on its website, subject to confidentiality protocols.

(b) Where a client's Portfolio falls by 10% or more during a quarterly reporting period, notification of the fall will be dispatched to you by the end of that business day or the following business day if the fall occurs on a non-business day.

D11. The Client confirms that all information in any completed Application Form and all other subsequent information is true and correct to the best of their knowledge and belief. Where statements or notices are sent by post, these will be sent to the Clients' permanent address stated on any Application Form or other address as the Client may specify by notice in writing. Where statements or notices are required or requested to be sent by email, these will be sent to an email address confirmed by an account holder's wet signature. Any failure to disclose important information or any unadvised change in personal circumstances which may affect the Company's ongoing management cannot impact the Company's responsibility to act under the terms of this agreement.

D13. The Client confirms that they consent to be added to Philip J Milton & Company Plc and its appointed representatives' postal and email mailing lists. Clients may unsubscribe from marketing materials at any time upon request but cannot unsubscribe from account related communications and updates.

LP3. Annual Management Charges

The Value of the Account	Investments	Cash (before investment only)
On the first £600,000*	1.525%	0.65%
*except where the account is less than £120,000, in which case the first £60,000 is charged at	1.7%	0.81%
On the next £600,000	1.4%	0.54%
On the remaining balance	1.275%	0.4275%

DISCRETIONARY CLIENT AGREEMENT & GENERAL TERMS OF BUSINESS: WITH IMMEDIATE EFFECT

RC1. We are required by our regulators (the FCA) to keep records of any telephone conversations or other electronic communications with our clients in relation to the arranging of transactions in investments that are categorised as financial instruments. Please note that for telephone conversations the records will be obtained by taping calls. We have decided to ensure that all relevant records are held that all calls will be recorded and stored. The term 'electronic communication' covers many categories of communications and includes (amongst others) video conferencing, fax email, Bloomberg mail, SMS, business to business devices, chat, instant messaging and mobile devices applications. A copy of our call recording policy is available upon request.

Keep Us Informed Of Changes

Are your details changing soon – or have they already changed? If you'd like to make sure all your details are up to date with us, please complete the form below. Due to regulatory changes, we are now obliged to retain additional information regarding our clients. If you have recently moved house, we shall also require sight of proof of your new address (your council tax statement for example) before we are able to update our records.

CLIENT 1

Changes effective from ....

First & Middle Names ....

Surname ....

Date of Birth ....

NI Number ....

Address inc. Postcode ....

....

Telephone ....

Email ....

I consent to receive confidential/ financial information via email ☐

I am happy to receive news & marketing emails ☐

Town and Country of Birth ....

Country of Residence for Tax Purposes ....

Non-UK residents Tax Identification No. ....

Signed ....

Date ....

CLIENT 2

Changes effective from ....

First & Middle Names ....

Surname ....

Date of Birth ....

NI Number ....

Address inc. Postcode ....

....

Telephone ....

Email ....

I consent to receive confidential/ financial information via email ☐

I am happy to receive news & marketing emails ☐

Town and Country of Birth ....

Country of Residence for Tax Purposes ....

Non-UK residents Tax Identification No. ....

Signed ....

Date ....