Philip J Milton
& Company Plc
Established 1985

North Devon's Leading Independent Wealth Managers

MILTON NEWS

Winter 2020 Edition

Highlights

- News from the Markets
- Our ISA Range
- Another Award!
- Recruitment
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- Charity Update

and much more!

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Dear Client *November 2020*

As 2020 draws to an end, none of us will be sorry to see the back of it. Covid-19 has dominated all of the headlines since February and it is leaving a scene of complete and utter devastation in its wake. As we enter the winter months and the world battles a second spike of the virus, local lockdowns and ongoing quarantining for travelling overseas have become the norm. These provisions are likely to remain in place to battle further periodic outbreaks into 2021 potentially and until an effective vaccine is found and made available for distribution. Of course, we must remember why we are doing this and that is to limit any more families and individuals from suffering at the hands of this dreadful disease. Nobody is enjoying the restrictions to our liberties but without them, the awful death-toll will inevitably spiral out of control. We must do everything within our power to stop that from happening. Yet despite all this, we must never let go of hope for the future and when we look back on all of this with sadness, yes but as past history.

We still only have a skeleton staff within the Office and adopted all safety guidance to keep everyone socially distanced and safe. We have screens between desks and staff have staggered starting, lunch and finishing times. We are still unable to allow clients to enter the premises I am afraid but to address any of their queries, we are available to take calls and emails as well as Zoom and Skype calls. We very much hope to be able to return to business as usual at the earliest possible opportunity but meantime, I assure you that we continue to work extremely hard, whether in the Office or remotely to deliver the high standards of care and professionalism to which our clients have become accustomed over the last thirty-five years.

Looking at the investment markets, it seems a regular theme that yet another 'reason' is there for 'uncertainties' – or a continuation of the last ones. At the time of writing this newsletter, investors' 5 October quarterly valuations are being prepared for dispatch and for most they will show little change from the 5 July figures. However, since this valuation point, there have been several brighter spots to push values upwards. The volatility which we have all experienced over the last several years needs to remind us too that it can be to the upside as much as the downside and that only a 3-10% change in a share price can have a significant impact on overall investment account values for a whole year or even two, when compared to alternative outcomes elsewhere. That type of movement even in a matter of days or a week, even from a very balanced and thus generally lower risk approach, is not so unusual these days and that is without some 'special' event affecting a single stock or two in strategies, like a takeover or prospective closure of an Investment Trust which may have been standing at a deep discount. The good news for all of those with too much cash is that they are not too late to buy great opportunities and we'd be delighted to help them do just that. Please don't wait till things have rebounded 30% - you have to buy when things appear 'uncomfortable', to secure the best opportunities and the value is well and truly there at the moment (with certain exceptions like US Tech).

Whilst some action is greater than others, every little helps! These last few weeks have not only seen some of our direct stocks subjected to bids but some of our undervalued collectives have also finally begun to announce changes which either have or will result in increased values for investors. Some may be smaller than others but all are welcome! For example, The Investment Company Plc has seen its share price jump by 20% on the announcement of new directors and a revised investment policy and as we own 15.5% of the Company, that is very welcome! It's not so exciting; half in fixed income assets and the rest in a portfolio of mainly bigger stocks but it suited the purpose for our investors. Still, it is only our thirteenth largest holding. That said, there is hope now that we can sell at almost net asset value to new investors, so the deep discount will be unlocked for clients' benefit. GLIF, which has been trundling-along at the bottom, has also announced a recapitalisation and finally that should begin to see values unlocked once more, as its core activities are still trading successfully. However, that is not a mainstream holding at all and whilst we are the second largest shareholder in the Company, our ordinary share exposure only represents 0.5% of clients' total assets and it ranks number seventy on our list in size terms. Dunedin Enterprise has also offered cash back to investors at only 2% off the good underlying asset value so another bonus for us.

Please don't forget either that not all investment managers and advisers are the same. Most of them out there buy unitised funds (not the Investment Trusts mentioned above which we consider can offer better value) for you (or sell them to you) and then, aside from ad hoc reviews (if at all) they do nothing and you sit in what you had more or less at the beginning, regardless of any changes to external circumstances. We believe that can never be right – as I have often said, not change 'just because' but constant regular oversight is crucial and change when it is required – sometimes change is to find some cash to buy a brilliant short-term opportunity for clients so where do we access the money to pursue it? How does your adviser do that – if it isn't us! Most can't – they have no system or capacity to do so, let alone relationship with you to do that either. However, most advisers are charging you a fee of up to 1%pa on top of the investments' fees themselves, to oversee your investments but what are they doing for that (or indeed what can they do for that)?

All that remains now is to wish you the best Christmas you can muster, a much happier New Year and meantime please do read on and enjoy our detailed comments!

My very best wishes

Philip J Milton DipFS CFPCM Chartered MCSI FPFS FCIB
Chartered Wealth Manager, Fellow Of The Personal Finance Society,
Fellow Of The Chartered Institute Of Bankers

MARKET UPDATE

A two-sided story here. UK equities have been doing atrociously, both absolutely and also comparatively to, say, the US market full of over-puffed 'tech'.

https://www.ftadviser.com/investments/2020/09/24/investment-in-uk-equities-hits-record-low

The proportionate investment allocation in UK equities has fallen to a record low of only 29% according to the Investment Association and despite an increase overall in shares' investment of 10% in 2019.

There is a number of reasons for this and the Brexit uncertainties (meaning 'not knowing' rather than a 'bad certainty') have not helped. The 29% figure has dropped from 47% in just ten years. There have not only been sustained outflows of cash and inflows into other geographical areas but the UK market has traditionally been full of presently out-of-favour sectors from oils to banks, financial institutions and insurers and other sectors like telecommunications and supermarkets have also been lacklustre, as have some pharmaceutical companies.

What does this mean? Well, Sterling is very weak still and fundamentally seriously undervalued regardless of what happens through the 'other side'. Any strengthening will result in currency losses on your overseas' investments, whereas over the last several years, you have gained by the increases in the Euro, Dollar and Yen etc against the Pound. Secondly, it means that UK shares are some of the cheapest in the world and fundamentally also seriously undervalued and again, despite the 'backdrop'. This also means that through the other side and a return to normality, the levels of income (dividends) which the average UK business will be paying will be considerably higher than elsewhere in the world but the capital appreciation 'catch-up' is also likely to be significant.

Finally, if valuations of companies remain so low, something else will happen. The Corporate World will take advantage of the ridiculous under-valuations and will act. It will start to buy and take-over whole companies and will profit considerably from the undervalued assets represented by depressed valuations on the Stockmarket. There will be a feeding frenzy and Private Equity will be in pole position to do this – stuffed full of cash burning holes in their pockets and with borrowed money costing next to nothing. That will be sad in many ways (and will some be 'asset strippers'?) but what it also means to the UK investor is that the opportunity for a takeover of the company in which you have shares is there for free as a considerable extra reason for buying whilst prices are so low (you may already have been patient for years too). Guess where we see some of the best value in the world and where we are continuing to allocate even larger sums of clients' capital? And just think, let's imagine for one moment that we secure a fair Brexit deal. Then the opportunities for British Business in the world after a period of indecision, hiatus and lack of confidence afterwards are immense, even if that is to just return to some semblance of a previous 'normal'.

HSBC has recently been to its lowest levels since 1995/6, twenty-five years ago. It is events like that which are keeping the UK indices restrained. HSBC is, additionally, a global business with far more impact overseas than in the UK. It is worth £57billion still but it has ripped-off nearly £100billion from the UK indices since December 2017 alone. Do I believe it can regain its poise? Absolutely. Are the shares cheaper than they were in 2017? Yes, of course they are. (We have just added some exposure to strategies as it is compelling – though if you sell investments because of 'bad performance' then upon what basis would 'you' possibly buy them otherwise?). An Ping, the Chinese insurer, increased its stake to 8% and the shares jumped the most in one day for eleven years.

WHAT IS THE RISK?

It is interesting to note that if on 1 January 2020 had you invested in the very high risk AIM (Alternative Investment Market) for really tiny companies (typically) which are not listed on the main London Stock Exchange (AIM All Share Index), you would pretty much be looking at having your money being unchanged now, so 'what financial pandemic?' Instead, if you invested in the safe, bigger companies of the FTSE100 or indeed the FTSE All Share Index (dominated by the same big companies), you would still be down by a whopping 23% or so. (This excludes any income and costs of course). So yes, if you had a nice, cheap, 'passive' index tracker invested in the British Stock Market, you'd still be down that 23% – oddly the passives' enthusiasts haven't told you that! So, is AIM a risky place to have your money? Yes, if it is all there and in just a couple of speculative stocks but if you had just some money in these micro companies, it wouldn't have increased your risks – it would have reduced them. Indeed, the FTSE Smaller Company Index is still down but 'only' 15% so having some funds in there too would also have further diversified-away your risks, at least marginally. Indeed, AIM stocks even fell further in the pandemic than the bigger stocks (35% versus 31%) and thus their recovery has been much more impressive and more rapid. In mathematical terms, something having dropped 35% and returning to where it was before has rebounded by a significant 54%!

Investment Returns – Bear With Me On Some Simple Maths.

You can't change the past. That counts for paper investment losses suffered too – you have to look forwards. It is crass stupidity to invest based 'just' on what the past has done – positive or negative. If something has doubled, probably you should trim it and not add more 'cause it is so good' and if it has halved, probably you should buy some more (but in either instance not from blind superstition but mathematical probability in the face of emotionally erratic investors, as we see now). £100 bags of Pound coins are presently being sold for anything from £20 to £500 a bag – take your pick and which ones offer best value…?

Following the above statements on UK shares particularly, if the Market does not reflect the real underlying value of a business then corporate buyers will take out whole companies and perhaps it has started already. If you are not invested in the possible cheap targets, you will miss-out on some fantastic windfall opportunities which are there for 'free' in that in most cases it doesn't matter if it doesn't happen as they are too cheap anyway. William Hill had a bid at £2.72. That is a 'mere' 7.4 times more than the March share price low. G4S Plc has enjoyed a similar attack – now £2.10 against 92p. So here is the simple maths.

On say 24 March, you had £100 in each of ten mixed companies. That's £1,000 so the maximum loss potential is £1,000 but the likelihood of that happening is non-existent unless our whole economic system has imploded and nothing matters anyway any more. Yes, these ten were worth much more only months before the pandemic hit but you can't change that (and some misguided souls were selling in March at these lows). These companies include some we have for clients. They are William Hill, G4S, IAG (British Airways' parent), Premier Foods, Marstons (pub chain), Rolls Royce Engines, Costain, Funding Circle, Stobart and HSBC. They are a mixed bunch but are actually reflective of reality, so not conveniently selectively chosen in many regards and not every one of them has recovered. Some on the list have dropped much further – Rolls Royce had dropped 70% and Stobart is under half so it's not a cherry-picked list. Of the companies we held on the list, we carried-on buying more at their depressed levels and we encouraged investors to do likewise. Do you know what those ten odd companies' £100's each of shares would now be? A month ago when I did this exercise it was roughly turning £1,000 into £2,250. Now whilst writing it is £2,335. Even if you stripped-out William Hill's windfall altogether, the figure was £1,600. So, ok, forgetting costs and any income received, that is a 125% return, profit for the 'risk' – which was actually a tiny risk in reality from those levels. Now when I wrote this initially in the eshot in early October and you had bought those ten stocks then, you'd be at £1160 now.

What were we saying at the time? We were trying to encourage people to invest if they had any spare funds or simply too much at the Bank earning nothing or little. Was it high risk? Not at all at those levels – as the risks had already been suffered by paper losses shown to that point. The losers? Those who cashed-out (we had so few investors who did not listen to our counsel at the time and indeed since) and those who chose not to buy at what may have been one of the best opportunities for generations. Today? The UK market is still so ridiculously cheap – not as cheap as in March but too much quality is still being given away. You still need patience – as did new investors in March but they didn't have to wait long. If you think the world's ending, well wave goodbye to your bank deposits and house values as even the lump of gold won't have much value. If you aren't quite that pessimistic then act wisely and buy shares and not the spivvy stuff linked to US Tech.

Is this speculative? Hardly – you're spreading the risk and having a very mixed bunch of different prospects. In normal times too, you would expect a share of the trading profits of these companies (dividends) so say at the 'moment' that would be regular income payments of around 5%pa or so (but it's not 'normal' now). For our clients, we spread their risks far, far wider and primarily use funds which smooth volatility (downs and ups) but investors can join our managed system with as little as £1,000 and if they do so without advice, there are no subscription fees – it's a great way to learn too of course and you can start small and build-up, even with regular monthly savings (ISA/Portfolio/Pension etc).

Distorted Valuations!

In early September, the valuation of US tech giant Apple continued to surge, surpassing the entire value of all the UK's top share index added together.

Apple's shares rose 4% in just one day, valuing it at $2.3 trillion (£1.7tn), compared to the £1.5tn value of all the companies in the FTSE 100.

Apple shares fell back the following day, but remained ahead of the London index at the close of trading regardless. Apple became the first US firm to be valued at $2tn.

Investors have been snapping up US tech stocks as demand for tech goods surged amid the coronavirus pandemic. More people are relying on technology to work and shop from home, and Apple has been one of the major beneficiaries. The iPhone-maker has seen its share price more than double since March, when panic about the pandemic swept the world's stock markets.

Is Apple a good business? Yes, of course it is and that is not disputed. Are the shares good value for buyers at these levels? In our view, absolutely not as there is far greater likelihood of a drop in value from here rather than continued extraordinary gains, so actually they offer heightened and very concentrated risk, especially when compared to the UK market for instance. Here, values have yet to rebound from the significant double whammy of BREXIT uncertainty and the impact of Covid-19.

Defensive Investments

For some time, we have been buyers of some of the quoted loan funds. These all floated some years ago and to great fanfare, basically raising many hundreds of millions (billions) which they then recycle and lend to typically secure projects. I have touched

upon these before. Come the shake-out and the prices at which the shares in these funds trade have fallen – primarily as holders squeezed in other areas have had to sell at any cost as they needed their money. I am not going to touch upon the few (the very few) which did silly things and where there are problems but there are two principal ones we own which have declared their latest valuations and they don't have any trouble with their borrowers. One has just declared its latest income payment to investors – uninterrupted throughout the problems. That is equal to 7.8%pa interest. However, it has also noted that its loans are worth 29% more than levels at which the shares are trading and mark my word, at some point the Company will close-down as it is not big enough to justify continuing and guess what? Investors will receive a 29% bonus for 'nothing' and meantime 7.8%pa whilst they wait. So, let's say that happens in three years' time – that is a bonus of 10%pa on top of the interest. Of course, the Fund will have costs to wind-itself-up and something could happen to impact the values of one of the loans, say but the values are independently audited and there is plenty of leeway. There is a second one which we hold too with a similar tale – its running interest payment to investors is a whopping 10%pa and its share price is at a level where wind-up will yield a 30% premium. Guess what – that one has already agreed to close-down so it will simply take the time till the last loan matures! Something else may end the wait earlier but we don't mind waiting meantime. Isn't that a rather attractive investment and in a rather safe environment? (Conversely if you hold it, why would you sell it today – but some are, clearly!?).

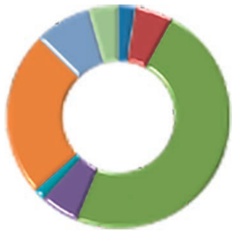
These are just two of the types of things we are reviewing constantly. Why do these anomalies exist? Because someone who paid £1 at the start is looking at a capital loss of 24p on one and 34p on the other, though having had good income throughout. Those holders will think it has been a 'poor' investment and want to sell-out but that is our opportunity for the future – not looking-back at the past. We own several other such animals in our clients' portfolio and to benefit, all you have to do is send us some money to manage for you or to add to what we may have already – it is not 'rocket science' but please don't miss the opportunity even if we cannot promise the 'future' for next week or year.

Our ISA Range

ISA A

Top Ten Holdings	%	Sectors
Volex Plc (VLX)	4.01%	Income
Premier Foods (PFD)	3.65%	Equity
Aberdeen Smaller Companies Income Trust Plc (ASCI)	3.43%	Small Cos
Hansa Investment Company Limited 'A' Non Vtg (DI)	3.09%	Income
Standard Life Aberdeen PLC (SLA)	2.91%	Equity
Frasers Group Plc (FRAS)	2.90%	Equity
Phoenix Group Holdings (PHNX)	2.79%	Equity
G4S plc (GFS)	2.56%	Equity
Morrison (WM) Supermarkets (MRW)	2.45%	Equity
Perpetual Income and Growth Trust Plc (PLI)	2.39%	Income

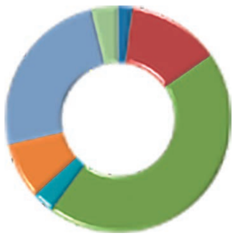
FUM	£18,601,021
Yield	4.27%



ISA B

Top Ten Holdings	%	Sectors
New Star Investment Trust (NSI)	4.20%	Int'l
CQS Natural Resources Growth and Income Plc (CYN)	3.57%	Int'l
Glaxosmithkline Plc (GSK)	3.38%	Equity
BlackRock World Mining Ords (BRWM)	3.28%	Int'l
Tesco Plc (TSCO)	3.23%	Equity
JPMorgan Japanese Investment Trust (JFJ)	3.16%	Far East
Serco Gro up (SRP)	3.04%	Equity
Marwyn Value Investors Limited (MVI)	2.97%	Equity
Aviva Plc (AV.)	2.83%	Equity
UIL Investments Ltd (UTL)	2.75%	Int'l

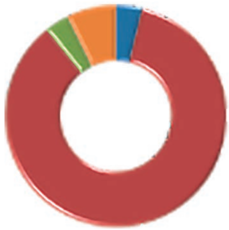
FUM	£15,894,245
Yield	3.61%



ISA C

Top Ten Holdings	%	Sectors
WisdomTree GBP Daily Hedged Physical Gold	6.33%	Defensive
Pollen Street Secured lending Plc (PSSL)	6.22%	Defensive
City Merchants High Yield (CMHY)	5.91%	Defensive
Tetragon Financial Group Ltd (TFG)	5.86%	Defensive
Investment Company (INV)	5.84%	Defensive
Blackstone GSO Loan Financing Ltd Ord NPV	5.83%	Defensive
WisdomTree Agriculture	5.50%	Defensive
WisdomTree Short EUR Long GBP	5.24%	Defensive
Secured Income Fund Plc (SSIF)	5.14%	Defensive
Fair Oaks Income Fund Shares NPV (FAIR)	5.10%	Defensive

FUM	£9,537,437
Yield	6.34%



Cash	Equity	Far East	International
Defensive	European	Income	Smaller Companies

VAT on Management Fees

For a long time there have been inconsistencies in the investment management world in terms of what is liable to VAT and what is exempt. We are obliged to charge VAT on investment management fees and so must many other fund managers. However, there is light at the end of the tunnel as one after another, rulings have been secured and rebates gained so we shall be seeking the same rulings. No doubt there will be nuances within the approaches and we shall need to make sure that nothing breaches those provisions but it will be great if we are able to announce a fall of up to 16.67% in the charges levied to clients for the management of their assets and above all, a rebate for four years' VAT too. We are in the process of investigating a claim and shall keep clients apprised!

Risk and Emotions

Investing is difficult, very difficult in fact! Being human actually makes it harder still. Why, you may ask? Well, it is because even the cleverest individuals are affected by cognitive biases which are driven by our personal life experiences and memories.

Consequently, we all react differently to events and that is just human nature. When it comes to investing, typically this will impact what you do with your spare money; do you save it, do you invest it or do you hide it all under the mattress? Inevitably, it also affects how you react to stock market volatility, whether it is fear and anxiety to losses, or confidence and elation to gains. Some will see markets fall and panic immediately, suffer losses and extract cash, others will take a sensible long-term view and allow heightened volatility to subside and then there are those that take the chance and invest more. On reflection, despite the volatility that markets have endured over the past century, as a result of world wars, depressions, recessions, financial crises and international upsets, markets have remained extremely resilient, delivering generally great results to patient investors over the years.

Of course, it is investors' reactions to events which makes markets and creates opportunities with a combination of buyers and sellers. When markets learn of potentially bad news, sellers often over-react and dominate (driving down prices) whereas more favourable news is when buyers may increase activity (pushing up prices, sometimes excessively). 'So what?' You may say, you know all of that. Yes, you might, but the key is to understand how your biases affect your investment decisions as this may save you from potentially expensive and disastrous mistakes.

There have been studies where the emotional reaction to events is measured. In theory, a £1,000 loss on an investment should be equal to a £1,000 gain in terms of the emotional impact of the event. After all, it would have the 'same' proportionate financial impact on you. However, in reality, something called "negativity bias" causes investors to place more weight on bad news/losses than on good news/profits. You may tolerate a profit, feel chuffed perhaps at your clearly shrewd judgement but with the loss, often look to blame someone else for the crass stupidity of allowing you to make that decision and you also panic - and fear you need to exit to avoid losing even more. In reality, the studies show that we are five-time less likely to 'like' a loss in emotional terms than the exact same gain.

As investors, we need to harness this and recognise how the masses react and whether that reaction is justified. The "bandwagon effect" or herd mentality is something people do purely because others are, regardless of their own beliefs. By understanding this in an investment environment and perhaps acting contrary to the masses can allow us to gain from overreactions to such events – suggesting that bad situations can be over-played and positive news taken too complacently.

Whilst it is easy to say and difficult to apply, as investors we must do our very best to disregard the short-term "noise" and sometimes our natural human tendencies and remember our original longer-term reasoning for being sensible with our money in the first place.

Finance Monthly Global Award!

We are humbled to have been chosen as the winner of 'Finance Monthly's Global Award 2020' in the category of 'Financial Planning'! According to the criteria, the prize is as a result of the Firm's overall attributes and successes in this particular field. They note:- "We are celebrating those who have excelled in their work, the innovative players and those who have exceeded client expectations and demonstrated measurable achievements over the last 12 – 18 months – even in the current challenging environment.

https://www.finance-monthly.com/

Firms must firstly be nominated, then scrutinised by an editorial panel before shortlisting. Consideration is then given to 'submitted material, client recommendations, sector expertise and innovation, client care, growth, developments and evidence of going beyond the call of duty.'

Judging then took place based on awards for the categories and we are very proud to be the overall winner in this category – thank you to them and to all who nominated us! Thank you too to our clients and our staff team – all of whom have been very forbearing these last many months of very strange times.

Exciting News!

We are delighted to announce the appointment of our team of Client Support Managers! We are looking always for ways to improve how we service our clients' needs and those of the Business. It is with this in mind that we have created a team of

CSMs which is empowered directly to assist the advisers and directors of the Firm, as well as manage and handle many of the standard client enquiries, helping to smooth processes and enhance overall efficiency in attending to clients' needs.

We are all very excited as to how these roles can develop and with a core remit of providing high quality and timely customer service, so please expect in the future to hear from them when you raise certain queries and I want to assure you that you can absolutely trust in their competence too!

With this in mind and with a deteriorating employment backdrop 'out there', we wish to appoint one or two new team additions, practical considerations allowing of course. Do check our Careers' page on:- https://www.miltonpj.net/career-opportunities/ – we are keen to review some suitable CVs!

Additionally, we are pleased to announce the engagement of a new trainee and welcome her!

As the Firm grows and the numbers of our clients with it, clearly to help the advisers more competently manage their responsibilities (and to help keep them on their toes!), the more work which can be undertaken efficiently by the team means the more time, attention and energy which can be directed to clients' real underlying needs. It is great to know that the training which the new CSMs have enjoyed after many years' experience with us can be used this way and indeed developed further over time. I welcome the Team and wish them the very best in their new roles!

MEET THE TEAM

Our clients, whether they come to us for Financial Advice, Wealth Management, Investments, Probate and Estate guidance or related things legal, enjoy close and regular contact with their adviser and are aware we also have a highly competent support team on hand to assist should an adviser not be available immediately to answer queries. Over the coming editions of Milton News, we should like to provide more detailed insights of the team who will be delighted to help you at any time.

On this occasion we should like to introduce Miss Vicky Webb, one of our most experienced Client Support Managers.

So, Vicky, tell us a bit about your background and how you managed to arrive at Philip J Milton & Company Plc:

Having grown up and gone to school in Barnstaple, I first started working at Miltons in 2006 after college in my first "proper" job as a tax assistant. I since left for university to study History and English literature for a few years and also I moved to Nottingham for a while and worked in a city job. But the North Devon coast and countryside (and of course my family) called me back and I arrived back at Miltons in September 2015 working as a PA to the Directors, where I have been ever since. I now work in a dual role as PA to Mr Scott Pickard whilst also supporting Mr Philip Milton and the other directors, and as a Client Support Manager.

What element of your job do you enjoy the most?

Lots of things, now I think about it! I am extremely busy day to day which in itself is essential as I hate twiddling my thumbs! I really enjoy interacting with all the clients and speaking to different types of people. The arrival of the Organic clients was intense but also very satisfying as I have been able to empower so many people to have the confidence to rectify the awful way they were treated by their former advisers, by enabling them to claim compensation themselves, saving thousands of pounds, rightfully theirs. Lastly but very importantly, I get on with everyone here and have made some amazing friends amongst the other PAs. My mum works here too and that's pretty nice to be able to see her so much, albeit at a two-metre distance! COVID also showed me that there is a real team spirit attitude at the Company and it is nice to feel that people you work with have your back.

What does a typical day at work involve?

My day is extremely varied but usually starts with a coffee and a mini catch up with Scott and a scroll through my emails to plan my day (I use my inbox to organise everything). From there, no day is the same and this is part of the reason I enjoy my job. I write a lot of letters and emails and have a lot of phone conversations day to day and I also maintain a number of organisational systems relating to client servicing and internal processes within the advisory department in order to support Scott, Philip and Felix. I am also responsible for preparing supporting management information and supporting Sandra and Nikki our other directors if they need it. Lastly, following the new appointment of the Client Support Managers in September, I am training some of my newer colleagues on various areas in order to increase the level of support we can provide to clients.

What are your interests outside of work?

Since COVID, I have a very long list as lockdown seems to have brought out my creative side with varying degrees of success – a lot of screwed-up paintings went in the bin! This year I have been experimenting with jewellery making and I would love to learn metal-smithing so I am plucking up the courage to buy a blow torch. I am also a long-time gardener, so during the summer, a lot of time was spent nurturing my tomatoes and one very successful courgette plant which surprised even me when it didn't die! However, the most important thing to me in my spare time is to be able to get out into the countryside and especially Exmoor which I fell in love with last year – there is nowhere better in the world in my opinion and if I am walking there with my family and my rescue dog on a sunny weekend, I am happy.

The "Cost" of Cash

Savers may not yet be paying a stated fee to hold cash, but they are paying in other ways. For example, interest paid on bank accounts rarely exceeds inflation and for some it is taxable as well. Let's consider £10,000 held in a deposit account earning interest at 0.4% pa:

Interest earned at 0.4% pa	£40
Current rate of inflation 0.5%	(£50)
Total cost = 0.1%	(£10)
If tax is payable at standard rate, total cost = 0.18% or	(£18)
If tax is payable at higher rate, total cost = 0.26% or	(£26)

In summary, despite interest being earned, to hold £10,000 in this account costs the saver between £18 and £26 pa.

According to industry statistics, the majority of ISA investors opted for cash ISAs to date and thus in the above example, their loss would be capped at £10. However, is it really worthwhile using part of your annual £20,000 ISA allowance on cash deposits now, when you are virtually assured of losing money in real terms (and it could become worse with even negative interest rates so you have to pay them!)?

Are your finances a muddle?

Do you struggle to make sense of your finances with various investments scattered around different providers? Administration can be a nightmare which is often the only excuse needed to ignore them and shove updates into the drawer to gather dust! This can involve a whole host of arrangements, including shares, investment ISAs and Portfolios, Bonds and Pensions. Then there are savings accounts to monitor, all paying next to nothing in interest. It is probable that each of these arrangements has its own password for security purposes, which also adds another problem in remembering them all!

Of course, there are some who maintain detailed records with all of the latest valuations but most simply do not have the time nor inclination to be so organised. I suspect too that such investments will often stay unchanged for long periods whereas regular reviews (even if no changes result) are wise to ensure that what you have is still appropriate for you, not only in terms of offering best value but also suitability to meet your objectives and feelings towards risk. There is also your ability to tolerate financially any valuation fluctuations to consider.

In the most extreme circumstances, investments can be forgotten altogether and details only emerge much later, sometimes after death. Rather than continuing to live with these nagging doubts, it might be time for you to do something about it.

At Philip J Milton & Company Plc we offer a discretionary investment management service which allows us to manage investment accounts for you and to buy and hold a wide range of assets, without restriction. Our remit is to use our best judgement to determine what will deliver the optimum results for you, whether that's income, capital growth or a combination of the two. A single account (with one account number) can hold a stocks and shares' ISA, a pension and/or a portfolio of stocks and shares. Complementary ISA and pension strategies are available for couples too to create extra diversity. Existing ISAs, pensions and shares that you hold privately can be transferred to us and we'll take care of all of the paperwork for you. This means you can consolidate all of those investments into one account and under one roof to simplify your ongoing administration and tax needs massively. We have been operating successfully for over thirty-five years now and have had the pleasure of looking after many thousands of clients and many hundreds of millions of pounds of investments. Many of those clients also take advantage of our other services, including tax and accountancy, Will writing, Probate and executorship, again, all under the one roof. We are also always happy to speak with you without charge or obligation so feel free to contact us to discuss how we might be able to help you.

Families

Apparently 90% of people want their financial advisers to be there to provide support to their next generation, clearly especially when they are no longer 'there'. However, curiously, only one-third of these same people have introduced their families to their advisers! Have you done so yet?!

We do have a gentle inter-generational programme and encourage clients to engage with us in this regard – not to be morbid but possibly even to start a simple process of education and familiarisation with finances and indeed a knowledge and hopeful confidence in the Firm and what it does. It can be quite intensive or just a start which may entail adding their details to a newsletter list for now. There are no charges for this so if you want to do the same – or need to do so and you have not done yet – then please provide their details to us! In the meantime, if ever we can help them with any financial matter, hopefully they know where we are.

Continuity Options

We know of many companies which refuse to advise and manage assets for investors of a certain age (and even that age is low considering increased longevity!), 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 too. Of course, we cannot advise minors directly but we are happy to advise their parents or guardians on their behalf until they come of age.

Our managed strategies intentionally facilitate the looking-after of older adults with some very useful continuation options. Therefore, when investing, clients know that their investments with us may be inherited eventually (thereby extending the investment term and avoiding costs of changes) to look after their beneficiaries. This can be very reassuring and very cost-effective too, whilst not compromising clients' own personal financial security meantime.

Some clients wonder what happens to their investments we manage for them after they pass away. Naturally, most assume that investments are converted to cash at the earliest opportunity and distributed to beneficiaries with the estate (and some firms do that automatically despite the time delay before distribution or the beneficiaries wishes or best interests). 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. We 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!

On death, our more helpful process usually involves:

- 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 extra care and attention incidentally – we believe it is the imperative service necessary. For ISAs, please note that the tax-free status ends on death (unless the ISA is to be inherited by a spouse). However, ISA investment holdings may be transferred into a Portfolio environment. Once again, no additional cost is incurred. Many companies simply have terms meaning they encash everything as soon as a death is notified – we do not think that is right at all.

Often, we suggest meeting with beneficiaries, to consult with us in advance of death too. 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, discussing options may be easier and less stressful at a naturally difficult time later. Of course, our absolute responsibility for the individual's investments is always to them first and foremost. However, we believe it is important that we consider our caring responsibility to them after death too.

We offer a professional, compassionate and cost-effective Probate and Executorship service which will also be available to you and family/friends should it be required in the future. This enables your investments and the administrative requirements to all be handled under the same roof and the most cost efficiently and effectively too.

Probate and Estate Administration

You may be surprised to learn that you certainly do not need to use a solicitor to deal with all the things needing to be done following a death. You could even do it yourself, although attending to the affairs and fulfilling the wishes of a loved one can be overwhelming at a time when you are least able to face the task emotionally. If you are not familiar with dealing with HM Revenue & Customs, its forms can be daunting, too! There are many legal and financial implications to consider when administering an Estate and most of us need some professional guidance and with our financial specialisation we are excellently placed to know what to do and to do it well, especially for those with investments or considerable capital too.

Our Taxation, Accountancy, Probate and Trusts Department strives to provide a professional service but also ensuring value for money. It is not always a case of 'you get what you pay for'! We have the knowledge and capability to handle all aspects of the Application for Probate and Estate Administration and dealing with HMRC; often securing tax refunds too. Since the introduction of our Probate Department we have administered many tens of millions of pounds of estates.

Our charges are based purely on the time spent whilst most other professionals and solicitors charge an additional percentage of the gross value of the Estate before they start work, sometimes up to as high as 5%. With an Estate worth £250,000 even a 2% charge would be £5,000 before any time-costed work (usually always charged at partners' hourly rates too!) at perhaps more than £175 per hour is undertaken! Whilst you may believe you do not have much money or you don't have too many possessions, we are all aware that property prices have risen substantially over recent years increasing the value of estates significantly.

We realise that every client is individual and the level of support and assistance required through the process will vary. These needs are assessed carefully, with an initial consultation which is without charge or obligation. You may feel that you are able to handle some of the administration yourself and we always encourage this to help keep costs to an absolute minimum.

Pension Drawdown

There is growing concern within the industry that following Pensions Freedom in 2015, more and more of the general public are opting to access their pension by way of drawdown but without taking any advice first. Prior to 2015, annuities accounted for roughly three quarters of all pension claims with drawdown taking a much smaller slice of the market. However, in the last five years those numbers have reversed, with drawdown now representing nearly three-quarters of claims.

We believe that pension drawdown under the new Pension Freedom legislation is an excellent development for the public and offers much greater flexibility for money accumulated during your working life. The ability to access money when it is required and for tax planning, the ability to suspend payments if market conditions dictate, the ability to keep the pot of money invested in a tax-efficient environment to benefit from ongoing investment opportunities and the ability for beneficiaries to inherit any remaining pot upon death are the main attractions.

However, the regulator has noted a serious problem which is that with the increasing drawdown numbers, so too are the number of pension claimants opting not to take proper advice. This seems a very odd decision with an often substantial sum of money that has been saved over many years and which may determine your financial future and comfort during their later years. The unintended consequences of not taking advice have led to many pension pots sitting dormant in cash for long periods after an initial withdrawal, when a mixed portfolio of investments is likely to have been far more appropriate. Individuals have also extracted large sums (beyond their tax-free cash entitlement) resulting not only in large tax liabilities but also much less to support their retirement needs.

Rather than leaving your future retirement to chance, please do consider if you need to seek professional advice. Our own approach considers all of your assets (including pensions), your current and anticipated income in retirement, your requirements based upon your different lifestyle, any shortfall that may exist and how best to address that, any capital spending plans you may have, market conditions, inflation and your family and any dependants. This is not a five-minute process but ensures your situation is thoroughly reviewed and that the right financial plan for your retirement (which may or may not involve pension drawdown) is identified.

Woodford Investors

Sadly, they face a further year-long wait for their final funds… It is sad and this latter aspect is really so unnecessary I feel. Alternative reregistration could have allowed investors to choose to sell (at a price) or keep, though the horse bolted long ago now as it could have been done at the 'beginning' with proportionate allocation of all the unlisted stocks for example.

The primary lesson is 'don't put too much in any single investment fund'. That's where too many have come unstuck and sadly there are still plenty of investors who allow inertia to mean they do the same again today – probably full of tech stuff now instead. It only reminds me of what can go wrong too when those chunky 'unmanaged' holdings which were 'fine' not very long ago turn-out to be bastions of the investment world like Royal Dutch Shell or BP – and you know what has happened to those. They are probably brilliant to buy today but if you had a large chunk of these (maybe inherited and kept for purely emotional reasons) then your finances will have been devastated. As an investment house, even our biggest collective fund only counts for something around 2.5% of the total assets we manage – there really are so many great opportunities out there.

Emotional Wellbeing

Professional financial advice helps improve your emotional wellbeing on top of the expected financial benefits, research from retirement specialist Royal London says.

A new report from them, "Feeling the benefits of financial advice", estimated that around 17million people in the UK have received financial advice, with the vast majority feeling positive about their adviser and the services they provide.

For advised customers, Royal London revealed the most commonly recognised emotional benefit of their adviser's services is having access to expertise, which makes them feel "more confident "in their financial plans. Other benefits included feeling more in control of their finances, and gaining peace of mind.

The research, based on findings among a UK nationally representative sample of 4,007 people, also showed that advised customers feel positive about the service they received – with the key areas of satisfaction being the quality of advice and expertise (82%), communication style (81%) and trustworthiness (81%).

Over the thirty-five years we have been in business, we are proud to have helped, reassured and advised many tens of thousands of individuals, couples and families. Together we have endured many challenges but we have always been here for our clients regardless and place huge importance on doing whatever we can to assist. Therefore, the results of this research are what we hope our clients feel about us!

After Hours

Some of life's ironies…

The most shoplifted book in the USA is The Bible!

Charlie Chaplin once entered a 'Charlie Chaplin Walk' competition and came twentieth!

Alexander Graham Bell invented the telephone but refused to have one in his office claiming that it distracted him!

Sweden's famous ice hotel has a smoke detector fitted….

A tree planted in Los Angeles in memory of Beetles guitarist George Harrison, died after being infested by beetles…

CHARITIES

CHARITABLE FOUNDATION

As we have announced previously, our own charity, the Philip J Milton & Company Plc Charitable Foundation, is in operation and acts both as a conduit for donations but will also look to gift additional funds to local good causes and enquiries are welcomed.

The Charity's Objectives are to provide grants to any of the following as the Trustees shall 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 the office in writing providing details. Indeed, some local campaigns have already benefitted!

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. If applicable to your circumstances, please complete this Gift Aid form. Thank you!

Gift Aid Form

Please note that the form must be in a single name.

Name of Charity: The Philip J Milton and Company Plc Charitable Foundation

Title......... Forename(s)..

Surname..

Address..

Email..

I want the charity to treat all donations made from the date of this declaration until I notify you otherwise as Gift Aid donations.

You must pay an amount of Income Tax and/or Capital Gains Tax at least equal to the tax that the charity reclaims on your donations in the appropriate tax year.

Signature.. Date: . . . . / . . . . / . . . .

You can cancel this Declaration at any time by notifying the Charity.

If your future circumstances change and you no longer pay tax on your income and capital gains equal to the tax that the Charity reclaims, you can cancel your declaration.

If you pay tax at the higher rate or benefit from Age Allowance, you may be able to claim further tax relief in your Tax Return. If you are unsure whether your donations qualify for Gift Aid tax relief, ask the Charity or refer to help sheet IR65 on the HMRC web site (www.hmrc.gov.uk)

AMIGOS

This is a charity in Uganda which works alongside its African partners, to bring about entire communities which are self-supporting through education and training. We are proud to continue sponsoring annually at least one student of Kira Farm in Uganda.

As part of the sponsorship, we receive updates on the Student's progress and during 2019 you may recall that we sponsored Triphina for whom we have another fabulous update.

"Thank you Amigos and Philip J Milton & Co Plc for empowering me this much. Life will never be the same, and for that I can't thank you enough."

Born into hardship: My father was a poorly paid police officer deployed in different areas of the country. My mother had no choice but to bring us up and care for us single-handedly. The fact that my dad did have a job made everyone in the village think that we were doing well financially, and we would constantly have people coming to our hut asking for help. When my mum failed to meet their expectations, we were branded selfish and uncaring. Due to this, we soon became isolated as though we were living on our own island with no one around us.

We had very little as a family, so my eight brothers saw me and my two sisters as financial bounty. They reasoned that if they married us off as soon as they could, they would receive dowries which they could then use as dowries for their own future wives.

Enforced marriages: The pressure from our brothers to get married was unbearable, and my older sisters gave in, ending up in enforced, unhappy marriages. I was left alone, because our father was no longer in the police force due to bad health. I was given the responsibility of taking care of him, while my mother took care of the rest of the family's needs. It was tough because I could no longer go to school, and I felt my life was being wasted. Then I heard of the opportunity that Kira Farm Development Centre was offering.

At first my parents had mixed feelings about me going to Kira Farm. Being away from home meant that I was not going to be able to help my father, as well as having one less family member available to cultivate our land and put food on our table. Fortunately, our family was part of one of Amigos' farming groups in our area, so they couldn't really stop me from going to Kira, or it would have looked really bad.

New beginnings: Life at Kira Farm was amazing. I had a great time, but what was also amazing was the opportunity to take a break from the years of hard labour I had endured back at home. Besides learning many new skills, I made lots of new friends. I was able to listen and learn from what others had gone through in their short lives; something that really helped us all to heal and be transformed from the inside out.

Giving hope: One of my greatest achievements after returning home has been helping my family turn back to God. We had many troubles in the family, it was like we had forgotten that God existed. We rarely prayed or fellowshipped with other Christians in the community. Sharing the discipleship notes I was given at Kira Farm with my family has been a real help. It's given everyone hope that things can get better, no matter the circumstances. We are all so much happier, and as a family we have far less worries.

Through my tailoring business I'm able to earn enough money to take care not only of my personal needs, but also pay for my father's medication.

Paying it forward: I have been passing on my knowledge to our village youth group, training them in conservation farming skills as well as my knowledge around restorative approaches (conflict resolution). This has led to a real change of behaviour amongst the young people. I've also been able to encourage the setting up of a village youth group saving scheme, where I am saving £20 a month.

I've asked my father if I can have a portion of our family land for my own personal crop production, and he has agreed, which is quite unusual as I'm a daughter and not a son. I am at present preparing it, and will farm it using Farming God's Way techniques, the conservation farming skills I learnt at Kira Farm. I'm expecting to make some serious money from growing and selling crops in the next few months.

Unsolicited Client Testimonials – Thank you!

"Thank you so much for all your work to finalise my Aunt's estate at such a challenging time. My family and I are so grateful to you for your diligence and expertise these past eleven months. My Aunt clearly made an excellent decision in entrusting her estate planning to you! While it has been a sad time, your thorough work has made it a great deal easier."

"We were dealt with in a most patient, understanding and efficient manner. "Top marks"!

"All dealings have been highly professional and friendly. Very happy to recommend the company. My parents are long standing customers and our relationship with PJM&Co is developing. Thank you."

"Planning retirement. Gave us the best advice we could possibly have hoped for. Yes, and very confident with the future. "

"Philip has been nothing but outstanding in every aspect of the help and advice he has given me. He is a highly knowledgeable gentleman with a passion and drive to assist that sadly seems to be lacking in so many other companies. I would highly recommend him to anyone!"

"We found Felix very pleasant and easy to talk to and have full confidence in his ability to look after our affairs. "

"We were initially apprehensive about going to a financial adviser but getting professional help was by far the best decision we could have made. We do not feel Felix could have done better, he lived up to all our expectations and more. Equally I think it is important to mention the efficiency and friendliness of the members of office staff we came into contact with on various occasions. "

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.

Philip J Milton
& Company Plc
Established 1985

North Devon's Leading
Independent Wealth Managers

Dear Philip J Milton & Company Plc.

Please accept this letter as notification of my intention to establish an 'execution-only' (without advice) investment in your discretionarily managed:

- ☐ **Balanced Investment Portfolio**
- ☐ **Stocks and Shares ISA**
- ☐ **High Income ISA**
- ☐ **Balanced Personal Pension**
- ☐ **Other Portfolio / ISA / Pension strategies**

(please delete as appropriate)

Please find enclosed a cheque payable to 'Philip J Milton & Company Plc – Client Trust a/c' to begin my ISA/Portfolio investment.

We have listed some of our most popular strategies here but these are not 'recommendations' for you.

Please select 'other' if you would like to receive information on all our available investment strategies.

Please contact us if you would prefer to transfer funds direct to our bank.

I/we look forward to receiving full details regarding the investment and understand my/our funds will be held in a Client Cash Account until all relevant documents and information have been provided and I/we have satisfied all other requirements of the Firm as stipulated by the Regulator.

Name(s) ______________________________

Address ______________________________

____

Postcode ______________________________

Telephone ______________________________

Email address ______________________________

☐ Please tick the box if you **do not** wish to receive confidential information via this email address.

Philip J Milton & Company Plc is authorised and regulated by the Financial Conduct Authority 181768.

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