

June 2017

Dear Client

I thought I would start this newsletter with some good news. Despite the continued volatility in the markets, Altorfer continues to go from strength to strength. Funds under advice have grown by over £10 million, or 5.27%, in the first five months of this year and now stand at £213.9 million. We remain relatively cautious about the overall political situation, particularly in the run up to Brexit, but global stock markets appear to be taking this in their stride and moving to all-time highs, benefitting client portfolios. The majority of our portfolios have equity exposure of between 40% and 60% of the total value, dependent on individual needs and risk profiles, and it has been this part which has driven returns for the last year. Fixed income funds have largely moved sideways, excluding their income yield, due to concerns about future interest rate rises. Property funds have more than recovered since the referendum vote last year, and both asset classes now offer income yields between 3% and 5½%, higher than inflation and cash, and with less volatility than equities. Most cash balances are between 6-8% in our discretionarily managed portfolios as a hedge against any stock market correction.

Our team continues to develop. We have appointed Gemma Smith as an assistant administrator, as Sabrina has moved to our paraplanning section, and we welcome Rita back from maternity leave this month, into the same team.

Many of you will be aware that Mark is approaching his chosen retirement age and is in the process of reducing his workload, as Roger did some time ago. Mark expects to be relinquishing his executive duties in May 2018 and, to ensure a smooth transition, we are beginning the recruitment process to bring on board another adviser as Mark's roles are distributed mainly between Helen and myself. This will result in some clients dealing with a different adviser but we will be in touch directly if this affects you.

The General Election produced an unexpected hung parliament. We await confirmation that the Conservative and the Democratic Unionist Parties will work together so that Theresa May retains a de facto Commons majority. Talks are ongoing but are frequently suspended due to the repetitive terrorist attacks currently affecting the UK and the Grenfell Tower disaster in West London.

The French parliamentary election produced a significant majority for Emmanuel Macron's La République en Marche Party. The party was only formed in April 2016 but now controls France's lower house of parliament and the presidency. The expectation is that they will make reforms to revive the French economy while also aiming to reduce France's budget deficit. There is still the German presidential election to follow this year and an Italian General Election by 20<sup>th</sup> May 2018 so political tension in Europe, while diminished, has still not completely disappeared.

HM Treasury's 4<sup>th</sup> Money Laundering Directive will be implemented from 26<sup>th</sup> June 2017. This affects trusts and companies, and creates central registers of important information. Please see the HMRC website or your regulator for more information, but generally:

- Trusts will be required to submit an online annual return with the HMRC with settlor, trustee, and beneficiary details, which will then need to be maintained.
- Companies will need to enter the details of beneficial ownership on a UK wide central register. This is held at Companies House and existing companies should have been completing this information since June 2016. No further action is required as long as this is the case.

Are you aware of HMRC's Making tax digital initiative? If you have a small business or own property which you rent out, it is likely you will have to make quarterly returns of your business income and expenses online to HMRC before long. This was due to start in April 2018 - you should speak to your accountant if you think this might affect you.

The changes to the way tax is charged on interest and dividends took effect on 6<sup>th</sup> April 2016 but only really affect individuals following the end of the 2016/17 financial year. Previously all interest and dividends were taxed at source but now they are all paid without deduction and it is your responsibility to inform HMRC and pay the tax due if you have exceeded your allowances. For dividends the allowance is £5,000 for everyone, but for interest it is £1,000 for basic rate taxpayers and £500 for higher rate taxpayers while additional rate taxpayers receive no allowance. For those of you with portfolios with Transact, the tax certificate has been issued either online or in paper form while both AJ Bell and Novia have the reports and certificates available for download on their websites. We are still awaiting the information from Stocktrade for those clients who transferred away after 6<sup>th</sup> April 2016 and this will follow, along with hard copies of the Novia reports where appropriate, as soon as we receive it.

If you think you have exceeded your tax allowances you need to contact HMRC either online by registering with Gov.uk or by calling 0300 200 3300. You have to inform HMRC by 5<sup>th</sup> October 2017 and pay any tax due by 31<sup>st</sup> January 2018. It is possible, with HMRC approval, to pay the tax through an alteration to your tax coding if the amount owed is less than £3,000 and you do not want to make the payment as a lump sum. The likelihood is that HMRC will issue you a tax return for completion. Please do not ignore it as late filing and payment results in fines starting at £100 plus accrued interest. You should be aware that your PAYE tax code can be wrong, so you should check it carefully, particularly if you do not submit a tax return.

The second Markets in Financial Instruments Directive (MiFID II) is expected to take effect from 3<sup>rd</sup> January 2018. This involves significant changes to the industry and will affect the way Altorfer deals with you, particularly in respect of recording information. We are already working on ensuring we comply with the new legislation, so you will see some changes happen during the second half of this year. From 3<sup>rd</sup> January 2018, we have a responsibility to record telephone conversations which result in a transaction such as alteration to contributions, a fund purchase or sale, or a withdrawal. We also have to be even more specific with our recommendations, which is likely to result in them becoming longer. We will keep you informed as the situation develops.

Finally, we have received feedback from some clients that email communication is preferable to paper, particularly for ad hoc items such as newsletters. If enough clients are interested, we will trial the service next time. Please let us know by emailing [altorfer@altorfer.co.uk](mailto:altorfer@altorfer.co.uk) confirming that you would like email communication in future. Please note that this will not apply to the majority of recommendations, as there is normally paperwork to be completed and signed and original signatures are still required by many of the product providers.

We are looking forward to summer, despite the recent heatwave, and hope that you are able to enjoy the weather, whatever it throws at us next.