



FINANCIAL MANAGEMENT LIMITED
INDEPENDENT FINANCIAL ADVISERS

Dear Clients

I trust it is not too late to wish you and your families a Happy New Year. It has become fashionable at this time of year to look back and consider what went well or otherwise over the previous 12 months. 2022 was a year very few people in the financial community will remember positively, with every stock market sector, apart from energy, showing negative returns. The sectors that provided most of the returns during 2020 and 2021 were the worst affected in 2022, which emphasises the need for a diversified portfolio. The NASDAQ index fell 33.10%, the S&P 500 19.44%, the Hang Sang 15.46% and the Shanghai Composite Index 15.13%, as investors moved away from technology companies and China. Fixed interest securities also fell, with the S&P UK Investment Grade Corporate Bond Index down 18.37% and their UK Gilt Index down 25.12%.

I appreciate that this all sounds somewhat depressing and that portfolio values have been affected, as most of you will know. However, there are signs that things will start to turn around during 2023. Inflation is expected to fall to 4% in the UK and less in the USA and Eurozone, with mortgage rates also reducing. If house prices also continue to fall, there may be an opportunity for those wishing to get onto that all-important first rung of the housing ladder. Savings are starting to pay some interest, although fixed rates may have already reached a short term peak. The job market remains strong with low unemployment and many people, in the private sector at least, seeing pay increases

It has been hard to keep up with UK politics over the past few months, with three Prime Ministers and four Chancellors during 2022 alone. Hopefully, things will be allowed to settle and there will not be any more negative adjustments to the tax rates or allowances this year. The important changes are as follows:

Income tax:	Allowances and bands frozen until April 2028, other than the Additional Rate threshold which reduces from £150,000 to £125,140 on 6 th April.
Dividends:	Tax rates increased to 8.75% (basic), 33.75% (higher) and 39.35% (additional). Allowance reduces to £1,000 on 6 th April and £500 on 6 th April 2024.
Capital Gains Tax:	Allowance reduces to £6,000 on 6 th April and £3,000 on 6 th April 2024.
Inheritance Tax:	Allowance frozen until April 2028.

2023 brings a major regulatory change for the financial services industry with the introduction of Consumer Duty. We have had Treating Customers Fairly rules since 2015, which ensure that everything we do is in your best interests. This includes ensuring that any investments or pensions we manage on your behalf remain suitable for your current needs, objectives, attitude to risk and investment time horizon, while also being flexible enough to change if your circumstances do. We take our responsibilities very seriously and believe that the Consumer Duty rules will be a good thing for both clients and advisers.

One area of Consumer Duty relates to charges and the value we provide. We have always kept our charges as low as possible and hope not to have to increase these, particularly at a time when everything else is going up in price. However, we also have to look at our own costs and ensure we remain in a strong financial position, both to enable Altorfer to keep operating effectively and to attract new staff.

Currently, every client portfolio is managed on a bespoke basis, meaning that every portfolio is individually assessed, both as part of our meeting preparation and in response to any changes in your circumstances or requirements during the year. This has never been cost-effective for clients with smaller portfolios, but we have until now borne the cost ourselves, as many of these are the children or other relations of our clients with more substantial portfolios.

In order to comply with the new Consumer Duty requirements, we are planning on introducing a range of model portfolios for smaller portfolios held on Transact or AJ Bell. These portfolios will benefit from a lower charging structure, while still being actively managed under our discretionary mandate. They will be rebalanced on a quarterly basis. There will be three options: capital growth, balanced (for those approaching retirement or otherwise likely to require income in the next five or so years) and income. Ethical options will be available in all three cases. The capital growth portfolio will have the highest risk level, as the investment time horizon is likely to be the longest, and the income portfolio the lowest, as there is a more immediate need for

income and capital security. The model portfolios will also reduce the workload for our advisers and paraplanners, thereby leading to faster turnaround times for recommendations and other requested work. We will be writing to those clients for whom we feel the model portfolios will be most beneficial, once we have finalised the structure of the portfolios and have the necessary compliance approval.

We are still actively recruiting for another adviser but, while this process continues, Mohamed, Luke and I will continue to be on hand to assist with your financial needs and to carry out your review meetings, either virtually or face-to-face. You are welcome to visit us in our offices and meet the rest of the team who rarely get the opportunity to put faces to the voices on the telephone!

ISA and pension contributions and capital gains tax allowances cannot be carried forward, so use them before the end of the tax year, particularly as the latter is reducing. April 5th 2023 is also the deadline to fill gaps in state pension entitlement since 2006/07, with the threshold reducing to the last six years in future.

You may have noticed that more of our communication is by email. This is part of our move towards a paperless office, thereby reducing Altorfer's carbon footprint. Most forms can now be scanned back to us, although there are some where we still need original signatures; we will let you know when this is the case. It also means that we will no longer be sending birthday cards but will instead be donating the amount we would have spent on cards and postage to charity. This year, we have chosen to donate to the Woodland Trust and Cancer Research UK.

2023 is likely to be another interesting year for Altorfer, the wider financial services sector and the global economy. Much depends on the war in Ukraine and how global politicians deal with inflation and unrest. Markets are likely to remain volatile, so diversification and active management are key. We aim to be a constant in an ever changing world and are available should you have any questions.

Kind regards

A handwritten signature in black ink, appearing to read 'Daniel Wackett', with a stylized flourish at the end.

Daniel Wackett
Managing Director
Altorfer Financial Management Limited

altorfer@altorfer.co.uk