

## **ALTORFER FINANCIAL NEWSLETTER – JUNE 2022**

It has been good to welcome some of you to our new office and also get back to visiting you in your own homes. We are hopeful that many more of you will be able to have face to face meetings in future, but are still also happy to arrange these via Zoom or telephone if that is more convenient.

It has been some time since my last newsletter and the world is now a very different place. Last year, the main worry was a recurrence of coronavirus, something that may still happen, but this has been overtaken by both global inflation and the war in Ukraine as the major causes of concern.

Global stock markets rose fairly steadily from April 2020 to the end of 2021, buoyed by the change in working and spending habits and an economy that shrugged off the effects of Covid, particularly once vaccines started to become widespread. However, portfolio values have fallen since the start of 2022 and some of you received 10% depreciation notices in relation to your assets with Transact and/or AJ Bell following the Russian invasion. Markets remain volatile, with equity, bond and commodity prices moving sharply. Most global stock markets are down year to date, with the FTSE 100 being the only one showing positive returns. This is a reversal of previous years, when returns were driven by US markets, primarily the large technology companies, and the UK was out of favour due to its overweights to oil, mining and financial companies.

Rising inflation, apart from affecting the values of basics such as food, fuel and energy, has also impacted on fixed interest securities with Central Banks increasing their Base Rates and either reducing or ending their Quantitative Easing programmes. This has meant that both governments and large corporations are having to pay more for their borrowing, something that also applies to household mortgages. There has been some improvement for savers, with many of the smaller banks passing on the interest rate increases, but a return of approximately 2.3% for a one year fixed term deposit does not compare favourably with inflation at 9%.

At Altorfer, we have always invested for the medium to long term and tried to avoid chasing the market as you then always end up one or two steps behind. We remain invested in technology, healthcare, infrastructure and renewable energy companies as we believe that all have the potential to provide consistent returns over a number of years. We also have exposure to property, both directly and via Real Estate Investment Trusts (REITs), as this is one way of generating inflation-linked income.

We expect the rest of 2022 to remain difficult, with much dependent on the outcome of the war in Ukraine. The UK government's assistance with energy bills will provide some assistance, particularly for those most in need, but will not fully offset the increased costs. We are expecting inflation to slow towards the end of this year, but that will only be because the starting point (i.e. last year's inflation figure) will reflect the increases that have already taken place. There should be a significant increase in the state pension in April 2023, although some of this will be offset by the fact that the personal allowance and income tax bands have been frozen until April 2026.

We have been through difficult times before. My first experience of market volatility was Black Monday back in 1987 and we have since seen the bursting of the technology bubble in 2000, the Credit Crunch in 2008, Brexit and Covid, to name but a few. Markets have recovered from all these events, although some have taken longer than others and we are not expecting 2022 to be as resilient as 2020. However, if you do

not need access to your money, our advice remains to sit tight and wait for the recovery. If you have concerns regarding either your portfolio or your wider financial circumstances, please speak to your adviser.

We are happy to provide advice on inheritance tax mitigation and the transfer of wealth to future generations; planning for care, should this be required in the future; funding school and university fees for children and grandchildren, as well as helping them on the property ladder; alongside the standard ISAs and pensions that are so important in improving the tax efficiency of your portfolio. We recommend that most of these areas are discussed with the wider family, so that all affected parties can be part of the planning and understand why something has been proposed, as well as the ongoing costs and requirements. Again, please speak to your adviser if you are interested.

There have been changes at Altorfer since I last wrote. Rowan Hedley joined as an adviser at the start of the year, replacing David Ashley. Shivani Verma has left her role as a paraplanner and moved on to pastures new and Alex Harmer will also be moving on shortly. We are actively recruiting to replace both. Alex's departure does mean that Mohamed, Luke, Rowan and I will be splitting his clients between us until a replacement is appointed and trained, so please bear with us. It will also mean that some clients will have yet another adviser, something we actively try to avoid as it does not allow you time to build the relationship that is so important, so I apologise in advance if this affects you.

We are closer to implementing our Client Portal, which will allow us to provide information such as valuations and recommendations without them having to be either posted or emailed to you. The intention is to both speed up the communication process and increase the level of security. Full details will be provided in due course. We appreciate that not everyone will wish to access the technology, so will still be happy to provide paper or email copies where required.

There is one regulatory change which will affect some clients. This is in relation to anyone who is a trustee or manages a designated General Investment Account on behalf of a child or other relation. Previously only trusts that had to complete a tax return needed to be registered with the Trust Registration Service (TRS), but the regulations now state that all 'Express Trusts' must be registered by 1<sup>st</sup> September 2022. This applies to trusts that were in existence on 6<sup>th</sup> October 2020, irrespective of whether they have since been wound up, for example by making payment to the beneficiary. The main exemption is a life assurance policy, both whole life or fixed term, which is written under trust, although investment bonds in trust fall within the scope of the legislation. Applications are made online via the gov.uk website. We are able to provide more information in respect of the registration process but cannot act on your behalf as Altorfer does not operate as an accountancy service provider. Please speak to your adviser or your accountant if you believe that this applies to you.

I trust that this information is of interest and hope to be able to report more positive news next time.

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