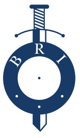

BRI Wealth Management PLC

BULLETIN

April 2019

We hope you enjoy our **Newsletter**

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Market Commentary

Noes, Woes, Lows and F

The world seems to be getting inc
Whether it's the goings on in Parlia
of economic activity in parts of the
madness of capital markets – ther

First of all, we have seen some unprecedented times in Parliament over the first three months of this year. The complexity and pace of change when it comes to our external negotiations with Europe pale in comparison to the developments and machinations amongst different factions within Parliament. At the time of writing, I believe Parliament has voted against over 20 motions in relation to our exit (or not) of the European Union. The lack of progress has been staggering in some respects yet thoroughly unsurprising in others. It seems to be inevitable – and is therefore unsurprising – that our political system is doomed to fail at bipartisanship, with the left and right of the political spectrum adamant that everything that the party opposite them says is nonsense. The surprising part of this laborious process is the splintering of party politics into a countless number of cabals, each with differing views on the way forward with exiting the EU. It seems increasingly unlikely that any sort of consensus will be found in Parliament as each faction appears to be irreversibly entrenched in its own views and unwilling to yield to opposing opinions. Whilst few things are certain in this world (apart from taxes and the wonder of compound interest), it does seem inevitable that there will be plenty more twists and turns in this political pantomime.

Away from the political stage, economies across the globe are struggling with stagnating growth with little scope to adopt looser monetary policy. Yet the UK remains a 'bastion' of growth with manufacturing at a 13-month high, whilst German factories languish at an 80-month low. Many will champion this figure as evidence of the resilience of our economy against adverse factors. If only this were the case! The strong performance has been due to an unprecedented level of stockpiling ahead of our exit of the European Union and is not down to any economic resilience. This 'Brexit Bounce', our equivalent of the 'Trump Bump', is a boon to short-term performance but will weigh on future economic performance as the overhang of stock is unwound. Whilst the global economic woes will catch up with the UK, this does not necessarily mean poor performance for risk assets, since we have seen a strong first quarter this year. If central banks continue to adopt a more dovish stance on interest rates to boost growth, then the cost of capital will fall, and investors will continue to seek returns above inflation and cash.

The low return that holding cash offers is not dissimilar to some parts of the stock market where low or negative returns have been prevalent for some time.

Flows

reasingly peculiar.
ament, the record levels
e UK economy, or the
e is plenty to ponder.

Domestically biased companies have continued to underperform since the referendum and are likely to do so until there is greater political clarity. However, it is not just political uncertainty that is affecting this part of the market, but cyclical headwinds in terms of lower consumer spending and confidence, combined with structural headwinds created by technology. Certain areas of the market such as traditional retail companies with little to no online offering will continue to underperform and will continue to be snapped up by Mike Ashley in his quest for monopolistic control of the high street. We can see no respite for retail in the short term but recognise that there is deep value in portions of the domestic UK market should the right catalyst appear.

Finally, the flow of capital into different sections of the market throughout the first quarter has been noteworthy, specifically the continued allocation to low-risk and very high-risk assets. Bonds have attracted significant amounts of investors' capital over the first quarter as fears of a global recession have continued to linger. This is evidenced by the amount of global debt with a negative yield standing at over $10tn. Just to be clear, this means that you as an investor would lend a company or a government money and you would pay them for the pleasure of having lent money to them. That doesn't strike us as a particularly attractive investment, and we have no desire to be participants in the greater fool theory.

On the other end of the risk spectrum, the initial public offering of Lyft left us scratching our heads. Lyft is a competitor of Uber and essentially is a taxi company with some snazzy technology. We think that the disruption these companies have caused in the taxi industry has been quite remarkable and consumers have benefited hugely from large cost savings. However, we think all of the benefits are being snapped up by consumers, with little left to shareholders in the business. To add some numbers to the equation: Lyft was valued at $24bn when it floated, and this compares to revenues of c.$2bn and a loss of c.$900m. A business that is valued on twelve times revenues with no clear route to profit is, again, not a particularly attractive investment for us. Nonetheless, the market was more than willing to buy the stock and clearly hopes for some gargantuan increase in revenues that would lead to some sort of profit in the future. We'll wait and see.

As ever, BRI aims to produce attractive returns over the course of a market cycle by investing in high quality companies, unit trusts and investment trusts.

A Spring State
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The Chancellor rose in a Pa
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on 13 March on the state o

Mr Hammond made clear some while ago that he wanted his Spring Statement to be a short financial briefing and he stuck to a no-frills script.

There were no new tax measures and only minor spending changes. The Office for Budget Responsibility (OBR) trimmed its projections for government borrowing, but Mr Hammond kept his powder dry for the forthcoming Spending Review.

While the Chancellor may have appeared to say little, his statement was followed by some announcements and the publication of a range of documents covering areas including:

- Making Tax Digital (MTD) – the government confirmed a light touch approach to penalties in the first year of MTD's implementation. MTD will not be extended to any new taxes or businesses in 2020.

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of the economy.

- Apprenticeship levy – the timing of the reduction in the co-investment rate for employers from 10% to 5%, and the increase to 25% in the amount that employers can transfer to their supply chains, will be brought forward.
- Draft legislation for the new structures and buildings allowance for investments in non-residential structures and buildings announced in the 2018 Budget. The relief will be given as an annual 2% flat rate over 50 years for new commercial structures and buildings.
- Review of time limits for the recovery of lost tax involving an offshore matter, comparing them with other time limits. It will set out the rationale for the charge on disguised remuneration loans.
- CGT private residence relief changes announced in the 2018 Budget to lettings relief and the final period exemption.

These documents are likely to result in legislation following the Autumn Budget.

Did you invest in a Child Trust Fund (CTF)?

Although the CTF scheme ceased in 2011, it is important to remember whether you have any CTFs set up for your children.

External research has suggested that six million CTFs were opened nationwide between September 2002 and January 2011, but one in six of these trust funds has been forgotten about.

You can locate forgotten CTF's on HMRC's website: www.gov.uk/child-trust-funds.

Can they be transferred?

Existing Child Trust Fund accounts can continue until the child is 18. A child cannot hold both a CTF and a Junior ISA. However since April 2015, anyone with money in a CTF is allowed to transfer it in its entirety to a Junior ISA.

Government delays rise to probate fees indefinitely

Ongoing Brexit debates and votes have caused the government to delay its planned increase in probate fees indefinitely, due to the "pressure" they exert on "Parliamentary time". The increases were set to take effect from 1 April this year.

Fees are still set to rise – but the precise timings are impossible to guess, because the process that's holding them up (Brexit) is unprecedented. Until then, a temporary process is in place for applying for probate, and any estate that makes an application prior to the increases taking effect will not incur the new, higher, fees. A HMRC spokesperson made the following comment:

"Probate registries will accept applications before processing by us as long as they are assured the inheritance tax (IHT) forms from us will be coming shortly.

"Our processes aren't changing, it's just that probate registries will be willing to accept applications before our processing is done when normally it would need to be after."

Tax Tables 2019/20

Please find enclosed our updated Tax Tables for the 2019/20 tax year. These tables are up-to-date with everything announced in Budget 2018, the Scottish Budget 2019 and subsequent updates, giving you all the key numbers in one place.

Key changes for the forthcoming 2019/20 tax year include:

- The personal allowance will be raised to £12,500 from April 2019, one year earlier than previously planned. At the same time, the higher rate threshold will rise to £50,000, also a year ahead of schedule.
- Scottish tax bands have been revised, but the higher rate tax threshold remains unchanged at £43,430 – much lower than in the rest of the UK.
- The Junior ISA limit will rise to £4,368, although other ISA limits are unchanged.
- The pension lifetime allowance will rise to £1,055,000, with no changes to the annual allowances.
- The VAT registration threshold has been frozen for a further two years, meaning it will be £85,000 until April 2022.
- Entrepreneurs' relief has been kept, but the minimum qualifying period has been extended to 24 months, to encourage longer-term investments.

If you have any questions about the contents of our Tax Tables or how any aspects of your tax and financial planning may be affected in the forthcoming tax year, please call us on 01676 523550.

Disclosure of costs and charges

During 2018, the Financial Conduct Authority introduced new rules that required investment management firms to provide more information about the costs and charges that apply to portfolios on an annual basis.

BRI welcomed this new regulation, which provides greater transparency and openness across the industry. Transparency and openness help engender trust between firms and their clients – a prerequisite for good business practice.

On an annual basis, our reports will now show a breakdown of the costs and charges that have been deducted from a portfolio, including those that the firm levies and those that relate to the management and administration of the investments held within it. The report will also outline the cumulative effects these costs and charges have had on performance.

If you have any questions relating to this new requirement, please contact us and we will be happy to help.