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By **Patrick McIntosh**
patrick@kmg.co.uk

What do the Bank of England & leadership challengers have in common?

In this Bulletin we thought we would move away from investment strategies in the face of global challenges - all of which we have covered in many previous Bulletins, including those of the last few weeks - and think about another more domestic issue: the leadership challenge. Whilst this may affect us personally in the UK, it may probably have very little impact on either your investment portfolio or the global economy, and/or political stability in the rest of the world.

In some respects, the leadership challengers are entitled to be somewhat miffed by the way in which the central bank in this country appears to have been asleep at the wheel. Mind you, with the admission by Janet Yellen US Secretary of the Treasury saying much the same, central banks around the world have not covered themselves in glory in the last few months.

Our economist Julian Jessop, who sits on our Investment Committee and who will be speaking at our seminar in September, has been quoted in most of the national newspapers including recently in the Financial Times urging the Bank of England to take a more realistic view about inflation; not only encouraging an increase in interest rates but also a temperance in monetary supply. The latter, of course, being just as important in controlling inflation although, sadly, very few people realise this - and particularly not bankers who make their money from promoting vast amounts of credit. Sadly again, Julian's entreaties went unheeded which of course has allowed the genie to get out of the bottle and now requires high levels of activity to recover the situation.

Chasing an unrealistic inflation target of 2% is probably also now well out of line with the global economy and we therefore suggest that in due course major central banks around the world will have to revise their inflation targeting programme and become much more flexible.

This may be especially so in the area of averaging inflation over a 12-month period and including far more relevant inflationary indices including housing costs. Yes! Believe it or not, housing costs are not included in the current inflation matrix.

The central bank in the UK has therefore become easy meat for both challengers to chew on and in some regards is their right to do so. I think we can assume that the next Prime Minister and Chancellor will probably adjust the Bank of England mandate.

Moving on to the challengers and the somewhat puerile debate between them in trying to be all things to all people (but mainly just to 150,000 card-carrying members of the Conservative party who come from a fairly narrow group of British society), is I'm afraid very unedifying especially when the outcome affects over 60 million people. Britain is often referred to as the 'cradle of democracy'; the current circus is not enhancing Britain's reputation in the world and the candidates are severely challenged in their ability to maintain stability in the Conservative party, let alone in the country at large.

Whoever wins, the outcome will be the same. We will have to accept a large debt in order to pay for such things as the infrastructure required around climate-change. We will all have to tighten our belts and restrict our consumption of energy and probably food as well as transportation as we go through a very unpleasant winter of discontent.

However, all is not lost and in the greater scheme of things humanity with all its failings will in the end shape the outcome - and the outcome is always better than we expect. Once the infrastructure is in place for renewable energy the cost of maintenance and the cost of power going forward will be much, much lower than the current carbon price (which of course has been forced up by the war in Ukraine) and the ransom notes being issued from Russia.

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If you wish to comment on this publication, our contact details are:

KMG, ROUGH BEECH COURT, DOWLANDS LANE, SMALLFIELD, SURREY RH6 9SD

T: 01342 840 100

E: KMG@KMG.CO.UK

Bank of England continued...

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I remember the dramatic improvement in society that occurred as a result of the oil price shocks in the 1970s. At the time we thought the world was coming to an end, but actually we all survived despite the extraordinary political shenanigans of the time as well as the unbelievable price hikes in energy. It is important therefore to remember that we have been there before, we coped, and we didn't go bankrupt. We survived and we moved forward.

As far as we can tell, whichever of the challengers finally gets to Number 10, the overall outcome for us all will be the same and that is because the global forces of change and the multitude of human ingenuity and evolution will always overtake the stupidity of short-term politicking.

Standby for a very challenging 12 months as the world recalibrates in a positive way to lower inflation, lower interest rates, increase growth and lower energy costs.

Reminder to Register your Trusts



By **Suzan Harding**

suzan@kmg.co.uk

In previous Bulletins and correspondence we have been reminding you of the forthcoming changes brought about by HMRC's Trust Registration Service (TRS): most non-taxable trusts now need to be registered, with a few exceptions. HMRC has produced a TRS Manual which provides an overview of which trusts are caught by the requirements and which are exempt: <https://www.gov.uk/hmrc-internal-manuals/trust-registration-service-manual>

Trustees should familiarise themselves with the new registration rules and ensure they comply with any registration obligations. So, if you are a trustee of a non-taxable trust that was in existence on or after 6 October 2020 you must register it on or before **1 September 2022** or you may be subject to penalties. Providers are going to start asking for proof of registration for any new trust applications received and this can be downloaded from the TRS once the registration is complete.

You must also ensure that the details are kept up to date; so any changes such as new trustees, the death of a settlor, a change of address or a trust being closed must be updated within 90 days of the date of that change.

KMG, we regret, are not able to register any trusts for you as this must be done by a trustee or an agent such as your accountant. Further details can be found at <https://www.gov.uk/guidance/manage-your-trusts-registration-service>. We are, of course, here to help if you have any questions.



We are back! Join us at Denbies Wine Estate for our Autumn Seminar — Wednesday 28th September 2022

We have had a huge response for our autumn seminar this year — if you haven't already registered please let us know if you would like to attend. The arrival time is 11 for 11:30 start and anticipated close, post lunch, is at 2pm.



If hardship is the mother of invention, then by all rights we should be in the middle of a revolution, and in many ways I think we are!

Quite obviously there has been a push as a result of Covid and the restrictions and changes we made to the way we work, and to the amount of travel, (although looking at the airport queues holidaying in the UK is not so popular with many). Then, no sooner does Covid end, sort of, we are faced with war, rising energy prices, inflation at levels last seen in the early 1990s and our own political farce.

There is a shortage of employees at the same time as wages are increasing, so inflation becomes even more of a problem, or at least not a temporary one as originally expected. Company profits are challenged and where you cannot simply raise prices to the customer (especially as we wind our way towards recession) the option must be to make things more productive. Meanwhile, we have temperatures in the UK at 40 degrees and a lack of water not seen since 1976, if not longer. It has been quite a time, and indeed things are moving.

What we have seen happening, partly because of low interest rates and the enormous amount of money that has been printed over the last 10 years, has been massive investment in the future. We are at the stage where self-driving taxis are hitting the road (in China), where you can

choose between the internal combustion engine (that is on its way out of production) or electric or hydrogen, or you can fly in an electric plane.

Energy and the infrastructure to replace dependency on Russian oil and gas means an accelerated push towards renewables, and maybe the government will provide more support for people in the short term, but battery-investment had a record year in 2021 and will do so again in 2022 as alternatives become cheaper. More solar and wind power should lead to cheaper hydrogen for other purposes too.

We have mind-blowing development in healthcare. Obviously the Covid vaccines take centre stage, but this is filtering out to treatments and vaccines in a multitude of other areas and personalised healthcare is on the horizon.

And of course we still have the Internet of Things, 5G, and remote-everything that is blossoming with the data services and the AI that will be integral in the future. This in turn is bringing healthcare to the furthest parts of Africa, education to the farthest villages in India, finance to the previously unbanked as well as, for some reason, allowing us to

turn on an oven as we travel home on the train!

For a moment we can bring it down to a local scale - even here at KMG using more modern and efficient technology behind the scenes where we can. Our office is more sparsely occupied than previously, as people spend up to 60% of their time working from home; and that was even before Covid. There will be many among you who have struggled with the on-line document system we bought to provide a secure means of holding and transferring documents during Covid; but it has not been a smooth ride when really there should be a better way, and there is! So, after much research, we will invest in a system that will make life much easier for you from next year.

I mention this for two reasons: firstly, if a small company like ours can improve the way we do things to save you time, cost and effort, this is a small example of what is happening much more broadly - even where price pressures are dramatically higher and the impetus for investment and productivity that much higher as well. Secondly, from our own perspective, the change from an old system to a new one, however good the end result, entails some degree of investment in time and effort,

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A time to progress continued...

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We are also in the process of changing our working environment, reflecting the smaller footprint we will need because of changes to the way we work. And in doing so we will take a big leap forward from the environmental options we had when we converted the current barn-office in 2008. So, before too long we expect to have a modern, oak-framed office that is warm but not too hot in the summer, requires very little input of electricity or gas other than what is generated ourselves, manages water so we don't waste it, and ultimately sets us up perfectly for the years to come. All we need now is for the planning system to help us out by being more modern and efficient as well!

Clearly there are changes needed around the globe as we face fundamental issues of climate change combined with lower birth rates and an aging population (these two seem pretty fundamental to the future of humanity). Progress really does bound on and while the ground-work in many areas has been laid over recent years, the real changes and the application to our daily lives will be seen over the years ahead. Despite the horrendous experiences of the past few years, I have little doubt that we will see some dramatic advances in the near future, all of which come with opportunities.

Finally, September will see us blessed with new leadership. There is little point in fore-guessing what that person's priorities will be, but let us hope the new leader is competent, honest and successful.



KMG & Maggie's at the Royal Marsden Hospital

**KMG is headline sponsor for this year's charity cycle event
on 18th September.**

Nick Matthews and Patrick McIntosh will be cycling up to 100 miles through the Surrey Hills in aid of Maggie's – the home of cancer care. This is an amazing charity (details below). We are hoping to be joined by more clients as we have some spare places – so, if you're interested in cycling with us please let us know as we will be delighted to see you. We already have one eager client and one other interested party but there are plenty of places available if you want to come along. It's not a race, it's a very enjoyable amble on a bicycle around Surrey and Sussex.

Obviously we would all like you to sponsor us and even though we are in challenging times the work of amazing charities such as at the Royal Marsden has to carry on supporting the unbelievable treatment that they give. Almost all of us will know somebody who has benefitted from the work that goes on behind the scenes, and the Maggie's team desperately needs to be supported now as much as ever.

The hero of cancer is of course the recovery, but the unsung heroes of recuperation, the support for the families and friends and the after-care are just as important and this is why we are supporting Maggie's. We know that their work is so desperately needed in society for us all.

We hope that you may find an opportunity to donate generously using the information below.

Thank you.

To Donate visit:

www.justgiving.com/nick-matthews15

MAGGIE'S
SURREY CYCLE

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