

**Sept 2021**

## Important considerations for your Investment Portfolio



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KMG's Investment Committee met on 7<sup>th</sup> September to review strategy and performance and to consider possible future outcomes for your investment portfolio.

You will doubtless be aware of a significant increase in the value of your portfolio this year. The weekly figures we produce show the medium risk profile has increased by about 17% for the year and the medium-high by about 22%.

In looking at returns over three years we see remarkable returns on your portfolio where the medium-high fund has increased by 26% and the medium fund by 22%. By comparison, the overall return on the FTSE100 index over the same timeframe has been less than 7%!

Our primary considerations at this time concern inflation, interest rates and the evolution of the pandemic, as well as dramatic events in global transformation as we move into a new era lead by technology and artificial intelligence as well as demographics. As you will all be aware there are many supply and demand constraints in the system at the moment, and this combined with structural change in the way in which we live our lives makes it very difficult to predict the short-term outcome of future investment returns. This will likely create inflation greater than the Bank of England target of 2% in the short term. We do not believe inflation will return to the levels seen in the 1970s but may inevitably mean we have to accept some price increases as things settle into the new norm.

We continue to believe that if we look longer term and out to 2025, the strategy we have adopted will continue to produce solid investment returns. Our platform of a very wide range of investment ideas, which we believe will capture the positives we will see in the coming years, should provide constant successful investment returns by comparison to the market in general. However, investment returns in the short-term may be less attractive, and possibly negative, as the globe works through the many structural changes that will be needed.

We are in the process of gently rebalancing your investment portfolio to maintain the central themes and asset allocation. This will capture some of the profits achieved whilst making sure that the shape and risk profile continue to meet your requirements and your objectives.

The **important action and question** for you to consider at this time are as follows;

We have always maintained that you should have at least one year's income and spending requirements in cash on deposit or in Premium Bonds for access in emergency and to cover any short-term volatility. Furthermore, if you can see specific capital requirements that will become relevant in the next 12 months, then you should reserve these funds in cash within your portfolio or in your bank account to make sure that they are available irrespective of whether your portfolio continues to increase or may decline in the short term.

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# Important considerations cont'd...

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**This is the moment to review your cash requirements and financial plans for the next 12 months!** We have achieved investment gains within your portfolio and if you feel that you would like to have more liquidity or cash then please will you get in touch with us as soon as possible?

We can facilitate these funds being made available to you either into your bank account or ring-fenced within your portfolio in a cash account so that they can be drawn at a later date if you prefer. Remember that the cash facility that we run within your portfolio does not have any costs or charges and the funds are spread across approximately 30 banks - which lowers risk and ensures a high level of accurate analysis to help to avoid any liquidity or banking problems that could occur in the wider system.

In summary we feel very comfortable about the long-term future of both the global economy and our investment strategy, but in the short-term we must continue to advise you that your portfolio can go down as well as up, and that there may be some fairly significant short-term volatility as we trade through the autumn and winter. This will be a very challenging period in the global economy as we come to understand a very new way in which we all live our lives in a post-pandemic world.

Please get in touch if you need cash as soon as possible!



## Trust Registration Service

If you are a Trustee, then we will be working with you over the next twelve months to consider the obligations brought about by anti-money laundering and counter-terrorist financing legislation.

HMRC has created the Trust Registration Service which was initially set up to capture information regarding Trusts that were liable to tax. This has since been extended to **ALL** types of Trust and all Trustees will need to register the details of their Trust to the Trust Registration Service. The deadline to register existing Trusts is 1<sup>st</sup> September 2022. The Trust Registration Service is essentially a register of the beneficial ownership, and it also serves to notify HMRC of a tax liability, where applicable.

As we meet with you over the next 12 months, we will be working with you to collate the necessary information you will need to fulfil your obligations. We are seeking to provide a 'How To' guide to assist Trustees with the online process. If you are registered with HMRC for self-assessment you will be familiar with the process of applying for a government gateway user ID and password which will be needed to use the service. The Trust Registration Service is an online only service, with no paper-based option available.



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The legal responsibility for registration lies with the Trustees and in the case of multiple Trustees, a lead Trustee should be appointed to complete the registration process. This simply makes the lead Trustee the main point of contact for HMRC, it doesn't confer any additional responsibility to them.

Points to be aware of:

The deadline for registrations for non-taxable Trusts **in existence** on or after 6 October 2020 is **1 September 2022**.

This is an online only system created by HMRC and therefore government gateway credentials will be needed to use the system.

There will be Trusts which are required to register with this system because they have UK tax liabilities. These Trustees should comply with the existing timescales. So, for example, if the Trust becomes liable to Income Tax or Capital Gains Tax for the first time in 2020/21 then it must register by **5 October 2021**.

For further information please talk to your usual team member for support or visit [www.gov.uk/guidance/register-a-trust-as-a-trustee](https://www.gov.uk/guidance/register-a-trust-as-a-trustee)

# Travel and the World opening up



By **Nick Matthews**  
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Sitting at my desk I say the following with a suitable level of humility and concern simply because of the enormous uncertainty in the months ahead. Yet I cannot help but sense there is a broadening feeling from myself and those I speak to that the world – at least the UK and similarly developed and fortunate parts of the globe – is in transition from the intense limitations of last winter, through the summer announcements to, in the last month or two, fewer masks to be seen in shops and restaurants. Disconcerting perhaps, but there are more people in trains and the airports and more people spending time in their offices rather than working solely from their homes.

The enormous elephant in the room is the virus: transmission, variants and ultimately how we deal with these as humanity and as we develop to live with it. It is also a reminder that we don't know what the future will bring, and predictions made in the middle of a pandemic are likely to be emotionally influenced.

Yet it was absolutely lovely to be able to get away recently and to do so relatively easily. Continuing to be able to explore different regions, foods, landscapes and cultures is enormously important to many people, and with Boris announcing the relaxation of the restrictions on international travel and reducing the number of countries on the Red list, I cannot help but think it will be both an enjoyable and beneficial reversion to a normal part of life.

It will take longer for some than for others to be comfortable with travel; indeed there will be some for whom international travel will no longer be appealing whatsoever. There are people who won't want to fly for environmental reasons, but this does not prohibit travel by train, ferry or car (electric even). But I for one am grateful to be able to travel internationally once again, and despite the changes we will all learn to live with, a return to some of the joys of life will be positive for us and for the economy.

# Natural Gas - a short term shock, but what is the long term trend?



By **Gemma Barker**  
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The UK operates something akin to a “just in time” approach to our natural gas supply; partly because of efforts to reduce carbon emissions by boosting renewable energy supplies such as wind turbines. This leaves us exposed when a combination of factors run down the supply of natural gas, which is exactly what has now happened.

The prolonged cold winter at the beginning of this year, combined with a reduction in gas supply from Russia and a lack of wind in recent weeks, have all run down supplies and brought natural gas prices to an all-time high which will eventually be passed on to consumers.

An increase in energy prices will drive inflation, and an example of this is that the increase in energy costs has halted production of carbon dioxide which is crucial to the food and drinks industry. I am sure the irony of a lack of carbon dioxide due to the supply of a fossil fuel is not lost on you!

In the UK we have fired up an old coal power plant to try to alleviate the pressure, which is clearly not good news from an environmental perspective.

However the extreme weather events increased the visibility of climate change which in turn increases pressure on decision makers to make changes, and this crunch in natural gas supply is yet

another factor which will increase that pressure to drive change.

Coupled with this, there is some amazing science going on around the world to provide viable green sources of energy for the future. Hydrogen power is one such idea which we are keeping a keen eye on. So far, the high cost of producing hydrogen has stunted its widespread use, but with continued investment we could one day see hydrogen meeting one fifth of the world's energy demand according to the Hydrogen Council (an industry lobby group).



Capabilities for storing energy produced by other sustainable methods such as wind and solar power are also a key part of our future if we are to reduce carbon emissions. Battery technology has come an incredibly long way, and with rising interest in electric vehicles the investment required for further development is well on the way.

In putting together our portfolios we intend to take part in this energy revolution for a greener future and we are confident that this will also result in great returns for you over the years to come.

# Good Old Fashioned Service



By **Jenna Duffett**  
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The start of the pandemic was more than 18 months ago, and we continue to live with the outwash of the impact.

As a client of KMG we hope you will agree that our *raison d'être* is to provide you with excellent service. In fact, I would go so far as to say that poor service is a pet hate of ours!

We have all accepted some of the changes that remote working, isolation and lockdowns have forced upon us. But we all now look forward with renewed hope to a return to more normal sociable times, albeit we continue to believe that some forms of restriction such as reduced numbers at events will continue for now.

For a period, most of us accepted that service in some sectors was much slower. Those of us who sat on the 'phone to utility companies saw no real change as the wait times remained high. When calling your GP though, we have seen a greater wait time as we try to book an appointment in a COVID world. This call wait time has not improved post the unlocking of society.

At KMG from last March we instantly saw the impact of lockdown as companies struggled to move their operations remotely. Whilst we would all like the ability to have less paper, compliance and regulation in financial services continued to demand a high level of wet signatures, and so paper. Changing to a virtual paperless system overnight for some companies was a real headache and challenge to their outdated systems.

While some companies, in the main, were ready for remote working, for other corporations we deal with this was a very slow transition. Even today there remain some sections of their systems that still require us to fill in forms and send to you to sign. These then must be posted. And one of the biggest problems was the lack of staff in offices to receive that post during the lockdowns!

Sadly, we continue to experience high levels of slow service. The excuse of COVID now wears thin simply given that we have been working in this new world for so long these companies should have caught up by now. Wait times on 'phones and responses to emails continue to be unacceptable with very little we can do to improve the situation.

## The new normal at KMG!

The pandemic has changed the working patterns of many in the UK and around the World. Technology has adapted at lightening speed to allow us to work either in the office or at home without any real difference.

Many companies now grapple with what should be the new norm for them. Some large financial services companies have demand their staff return on a full time basis to the office, others like us remain flexible. Before the pandemic we

encouraged our staff to work a day at home to have some work life balance. Today we work three days a week at home and two in the office. Will this change? Possibly, but it will be more driven by our team wanting more office based days than from the company and our strategic needs.

Our team work in bubbles on rotation still so we have less cross-over of staff and we continue to be cautious by each having lateral flow tests weekly. We feel that this is sensible as we have seen cases closer to home in recent weeks. The office is continued to be cleaned between staff changeovers and our meeting room after every meeting.

If we come to see you now, rest assured we will have tested before we arrive and all our team have been vaccinated. Diligence will be needed over the winter months as seasonal flu now comes into play if we are to avoid any more lockdowns!

