



The Fry Group
since 1898

the globe

Knowledge and insight on today's financial world | Autumn 19



In this issue:

Socially responsible investing

What to put in your Will

Rise in tax penalties

121 years young

It's about this time in the calendar that we hit our birthday, which this year sees us celebrating 121 years in business. Wherever I am in the world one of the first things that people want to talk to me about is The Fry Group's age and heritage. We are, of course, rightly proud of this achievement and it certainly offers us a very unique position.

But looking back, and relying wholly on what has gone before, could become something of a burden if we let it. It's vital that we keep up and stay young in our approach – in order to embrace all those new opportunities offered: modern working practices, different methods of communication and changes around the globe. It almost goes without saying that you can of course find us sharing our opinions and thoughts on Twitter, Facebook and LinkedIn.

Our international position certainly helps with keeping a fresh outlook, and watching our teams around the world work closely together for the good of our clients - despite time differences, geographical distance and cultural nuances - is always inspiring. Outwardly too we always aim to be appropriate in how and where we employ this modern perspective, without losing the traditional feel of a highly personal service and the need to carve out time and space to meet with clients to discuss very personal circumstances.

Yet change is truly the only constant. Given the state of flux at which international markets and politics currently find themselves, the ability to be adaptive and responsive is more important than ever. So we must always consider what we do and how we do it, and so must you. Plans can and should be reviewed to meet changing situations. Do always remember that it's highly unlikely that a solution which was suitable 5 or 10 years ago is still a good fit for today's world.

Our Autumn issue offers some insight into what matters most in today's financial world, to help you make sense of the current landscape. Our investment update touches on the impact of the ongoing trade wars which we've seen make the headlines this year, and we also discuss new approaches to investment planning such as sustainable investing. I do hope you find this issue interesting and informative.

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Investing for the future

ESG driven investing is becoming more important to many investors. But what is it? And will it affect investment performance?

Environmental, social and governance (ESG) refers to three central factors in measuring the sustainability and ethical impact of an investment in a company or business. It's a term that is interchangeable with Sustainable, or Socially Responsible Investing (SRI), and mostly simply relates to identifying and engaging with companies that have the ability and willingness to improve ESG-related business practices when making investment decisions. ESG investing originated in the 1960s when investors began avoiding companies because of their links with tobacco production or the South African apartheid regime. Today, the practice is rapidly evolving and it's clear the world cares. Growing concerns about the state of the planet were seen at the climate rallies in London earlier this year.

It's also been suggested that millennials - as well as women - are asking more of their investments. We have certainly seen an increase in clients questioning the sustainable and ethical credentials of their investments. Policy makers are also starting to take this issue seriously with the EU taking steps to investigate sustainable finance and its impact on the economy.

Does investing with a moral purpose lead to reasonable investment returns?

Historically, ethical investing did not lead to returns which outperformed other, more traditional, investment methods. Yet recent studies suggest that companies with robust ESG practices

display a lower cost of capital, lower volatility, and fewer instances of bribery, corruption and fraud. In 2016 Barclays reported "that a positive ESG tilt resulted in a small but steady performance advantage". The Wall Street Journal has also reported that "companies with high eco-efficiency - that generate the least waste relative to the value of their products and services - outperformed."

Food for thought

Global challenges such as climate change, rising sea levels, privacy, data security and regulatory pressures are creating new investment risk factors. With companies needing to consider these impacts, and their own corporate social responsibility, investors are beginning to re-evaluate how they make a decision on their investments. Ultimately ESG investing can add a fresh value metric to your portfolio. It's important to remember that the value generated is not just about returns; the 'reach' goes far further.

Have you considered how your investments reflect your ethics, values and beliefs? To discuss your portfolio please get in touch.



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The return of a legend

Raffles Singapore, undoubtedly one of the most prestigious hotels in the world, boasts an illustrious history.

Originally opening its doors in 1887, Raffles Singapore set the standard for luxury hospitality, introducing the world to private butlers, the Singapore Sling and legendary service. Named after British statesman Sir Thomas Stamford Raffles, the founder of Singapore, it remains one of the few remaining great 19th century hotels in the world.

Raffles Singapore was first imagined by Armenian hoteliers, the Sarkies Brothers, who were keen to establish a high-end hotel in the area. The building, which had originally been a private beach house, was developed in a colonial-style complete with polished teak verandas and white marble colonnades, clustered around lush tropical gardens. It quickly became a haven for wealthy clientele due to its proximity to the beach and excellent service standards.

Somewhat inevitably the hotel was caught up in World War 2 when it was taken over in February 1942 as part of the Japanese occupation of Singapore. Ahead of the soldiers arriving, Raffles staff buried the hotel silver (including the silver beef trolley) in the Palm Court to keep it safe from the Japanese invaders. The hotel was subsequently reclaimed in 1945 during Operation Tiderace with Stanley Redington raising the British flag on top of the hotel. And the beef trolley was safely recovered and is still used today!

A century after Raffles Singapore was originally established, lost original drawings of the hotel were discovered in a Singaporean archive. Shortly after, the hotel was declared a National Monument by the Singapore Government solidifying its position as a

national treasure among Singaporeans who deeply value its historical significance and unique heritage.

Throughout its history Raffles Singapore has gained both local and international recognition as an oasis for the well-travelled. It has recently undergone a two and a half year restoration, reopening on 1 August 2019, which also extended the hotel's luxurious all-suite accommodation from 103 to 115 rooms. Each suite is serviced by the legendary Raffles butlers and offers every modern convenience necessary from in-suite registration to state of the art technology.

In addition, the famous Raffles Arcade has been updated to include a Raffles Boutique and a number of bespoke and high-end shops and restaurants.

How to deal with foreign assets left in a Will

More people than ever are leaving assets in foreign countries when they die, which can make estate administration complex. If you are globally mobile, or have property overseas, how can you plan ahead?

One of the first considerations is to determine which country is your permanent home or country of domicile. If you are domiciled in the UK, Inheritance Tax will be charged on all of your assets, wherever they are located. If you are domiciled elsewhere then you may face Inheritance Tax on your UK assets as well as tax in other countries too. All of the assets in your estate then need to be valued.

At this stage, foreign asset holders can be approached and asked what they need from the executor, such as a certified copy of the death certificate or Grant of Probate.

Property abroad?

A UK Will may specifically refer to foreign property, or there may be a Will made in the country where the property is located. If there isn't a Will, then the property would pass under the rules of succession that apply in the country where the property is.

Other assets

Some countries may need to see the UK Grant of Probate which would sometimes be resealed in that country. Alternatively, it may be a requirement that probate is also obtained in the country where the asset is held.

The need for expert advice

Administering an estate which includes foreign assets can be lengthy and complicated. The best way to ensure things go as smoothly as possible is to seek professional advice and draw up the relevant Wills to cover all assets. Some countries may have laws which clash with those of the UK; in France and Spain property will pass to specific heirs regardless of the terms of any Will. Planning ahead can make a huge difference, and avoid any nasty surprises.

If you would like to speak with one of our professional team further on this matter, then please do not hesitate to contact us.



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RAFFLES
SINGAPORE

Throughout its history Raffles Singapore has gained both local and international recognition as an oasis for the well-travelled.

New restaurant collaborations have also been developed with Chef Anne-Sophie Pic, of the three-Michelin star Maison Pic in Valence, France; French Master Chef Alain Ducasse; and Chef Jereme Leung, known for his innovative Chinese cooking. Yet traditions remain - at the famous Long Bar guests can continue to enjoy Raffles' most famous cocktail, the original Singapore Sling, along with the timeless tradition of tossing peanut shells on the floor.

Keeping perspective

Risk assets globally are hanging on to the good gains made on a year-to-date basis. While there may be growing concerns over the growth outlook for the world economy, Central Banks are on easing mode, albeit reluctantly, helping to allay some of the worst fears of recession.



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Trade wars – the “new” new normal

US policy towards China has changed for good. The current set of tariffs and ongoing negotiations are ultimately driven by US fear of rising Chinese trade and technological prowess. There are signs that the worst excesses of a tariff war will be avoided, although it's reasonable to expect a new order of more restricted trade than before. The likely impact of which is a re-shape of the regional patterns of trade, rather than overall volume or value. China (and more widely Asia) are pivoting towards a re-alignment of production supply lines.

Currency wars – part of the broader strategy

As part of the broader attempt at global containment of Chinese aspirations, and with the Trump administration formally labelling China as a currency manipulator, the prospect of 'currency wars' overtaking 'trade wars' as a familiar headline is increasingly likely. Tweets from President Trump suggest a potential intention to devalue the Dollar and analysts are also interpreting the Swiss National Bank's recent intervention in the currency market to weaken the Swiss Franc as another sign of potential currency wars. Such actions have a very questionable track record of success. It's hard to pull off successful competitive devaluations, and equally difficult to effectively sanction another nation for their currency management policy. The irony is the fact that China, until recently, was looking to avoid excess weakness in its currency, in contrast to Mr Trump's claims.

Central Banks – clearly accommodative

The view from Central Banks is clear – rates are heading lower. New ECB president Christine Lagarde recently noted that she didn't believe the ECB had hit the effective lower bound on policy rates. The Federal Reserve's quarter point-cut at the end of July, the first since 2008, was met with some disappointment in that it amounted to just a “mid-term policy adjustment”. The market is certainly expecting more cuts by the end of the year.

Brexit – prorogue, but no progress

Continued political division in the UK makes it difficult for financial markets to be certain about any one possible Brexit, or general election, outcome. Against this backdrop Sterling and Sterling assets are undervalued. Any clarity could potentially trigger a recovery in UK assets, which seem to have priced in quite a negative scenario. The months ahead could see the currency trading in a wide range between 1.10 and 1.35 versus the USD.

Bonds – deeper into negative territory

Government bonds have been in high demand. Indeed, the market value of global negative yielding debt has more than doubled in a year. During August, the increase equated to a rise of almost 20% or an additional \$2.7 trillion globally. In September, some of the worst of this reversed, but the trend looks set.

Equities – bumps in the road ahead

With the global economy showing signs of a late-cycle slowdown, there is always the risk of more volatility ahead. This is normal; bond and equity markets come to terms with the valuation extremes implied by negative yields on the one hand, and relatively elevated multiples in the equity market. With Central Banks still in easing mode, the downside risk for equities should be mitigated for the foreseeable future.

Precious metals – increasing demand

In an environment of ever-declining interest rates, rising debt levels, a challenging global economy and events like the recent setback in Argentinian financial markets, there is more upside for both silver and gold. Demand remains very strong, and aggregate holdings have risen very close to the previous peak in 2012.

As always in volatile markets, opportunities abound for the savvy and nimble investor across different asset classes. With this in mind we continue to encourage investors to ensure their financial planning investment strategy is aligned with the risk they can tolerate. A little bit of diversification goes a long way.





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What to put in your Will

Writing a Will involves more than simply choosing who to give your money to. So what should you consider when drafting or updating one?

Executors

Executors deal with the administration of your estate. They will need to collect and value your assets, arrange for the transfer or sale of them and distribute money to your beneficiaries. Being an Executor can be complicated and time-consuming, so it's important to choose people who you believe are capable of the responsibility, and who you trust implicitly. It's also possible to appoint a professional executor, a role which The Fry Group has been fulfilling for many years.

Guardians

If your children are under 18, you should use your Will to appoint a guardian for them in the event of your death. You should also speak to your chosen guardian and make sure that they are happy to take on the role. If you don't choose someone yourself, then the courts will decide who should raise them.

Funeral arrangements

If you want you can include your thoughts about your funeral arrangements in your Will. Bear in mind that they will not be legally binding but a few pointers can give your loved ones some guidance which could be a source of comfort. It's also helpful to make sure you have discussed any wishes in case your family does not have sight of your Will immediately.

Specific legacies

You can leave gifts of money or items in your Will, known as specific legacies. These can be given to named individuals or charities.

Residuary estate

This is the portion of your estate that remains after all expenses, debts and specific legacies have been paid. You can leave it to one person or split it between several, giving each one a named share. The important thing to remember is that if your estate ends up being smaller than you had anticipated, the residual amount may be far less than you wanted to give. Those receiving specific legacies will still receive their money first, and those sharing the residuary estate may be left with very little. If you would like to discuss your Will in more detail, please do not hesitate to get in touch.

Tax digest - a quick round-up of the latest tax news:

Record low of non-doms in UK

Following a number of reforms in recent years the number of non-domiciled taxpayers in the UK has dropped from 98,500 to 78,000. Half of the decline is due to these wealthy 'internationally mobile' individuals leaving the UK. The remainder have switched to domiciled status, will pay UK tax on worldwide income and gains, and are potentially fully within the ambit of Inheritance Tax. Tax revenues have dropped significantly from £9.5 billion in 2016-2017 to £7.54 billion in 2017-2018. HMRC claims total revenues have not been affected but it's worth noting that this trend could have long-term consequences; over the last five years non-doms have contributed over £45 billion in UK tax.

Rise in tax penalties

New reports suggest that the UK tax authorities imposed a record £860m in penalties on individual taxpayers in the last tax year. The fines are up 24% from £694m in 2017/18 and are believed to be the result of more people struggling to make tax payments

on time. If you find yourself facing a penalty it's important to plan ahead, and negotiate a payment plan with HMRC to ease the pressure.

Renting or selling UK property

As reported in our Summer Update (available online) adjustments to the way UK property is taxed will come into force in April. Changes in the way lettings relief and Capital Gains Tax relief is calculated could impact you if you rent a UK property. It's also worth bearing in mind that, if you are non-resident, selling a UK property whilst overseas is generally beneficial, enabling you to enjoy particular additional allowances.



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Colouring the future

Farrow & Ball is synonymous with British design and heritage, and over the years has transformed modern and traditional homes, large and small, inside and out around the world. Today, the company has a global reach, but has never forgotten its original roots.

John Farrow, a trained chemist, and Richard Ball, an engineer who survived capture as a prisoner of war, first met at a Dorset clay pit, sharing a passion for making rich colours to original formulations using only the finest ingredients. In 1946 they created Farrow & Ball and built their first factory in Verwood, Dorset. The pair went on to supply paint for the Ford Motor Company, Raleigh Bicycles, the Admiralty and the War Office. As the 1960s came to an end, the duo sold their growing business to Norman Chappell. Shortly after a devastating fire destroyed much of the original factory, prompting a move to Wimborne where the company has been based ever since.

In the 1970s and 1980s, at a time when many began creating acrylic paints with fewer pigments and added plastics, Farrow & Ball upheld its original recipes and age-old methods. In creating the company's 132 colours Farrow & Ball's craftspeople use traditional methods, mixing chalk, china clay and titanium dioxide with water to create the base paint to which pigments are added to achieve the signature depth of colour. Every batch is then rigorously tested for colour consistency and durability.

Most recently the company has launched 16 colours in collaboration with the Natural History Museum. The new Colour by Nature palette was developed using Werner's Nomenclature of Colours, a colour guide used by Charles Darwin on his voyage on HMS Beagle. The book was first published in 1814 and became an invaluable tool for scientists and artists alike, showcasing the natural world's range of colour by separating it into specific tones. The new range includes colours named Imperial Purple and Duck Green.

As a company that is so committed to minimising its environmental impact Farrow & Ball has led the way in its field. In January 2010, the company made the bold decision to move the entire range of oil based paints to become eco-friendly and water based. Today, Farrow & Ball is committed to reducing its impact on the earth without compromising on quality, offering recyclable paint tins and responsibly sourced wallpapers.



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Listening and learning

One of our six company values is to delight our clients. Whilst we sadly can't control global markets, we can make sure you receive an excellent service when you're working with us. So in an age where feedback is almost a pre-requisite to a sale what is it about your opinion which matters to The Fry Group?

1. Your experience helps us improve what we do for you and how we do it. It offers an insight into what is working well and if things might have fallen off track.
2. You are likely to have first heard of us through a recommendation so one thing many of our offices do is to annually ask clients a single question: How likely are you to recommend us? The score is based on a 0-10 point rating scale. This approach is simple and universal, and allows us to measure how we're doing over a period of time.
3. Listening helps us create a lasting relationship with you. Many of our clients – and staff – work with us over the years and so supporting and preserving this important relationship is something we nurture.
4. Feedback is a reliable source of information for new clients. In these changing times, and with social media ever more prevalent, we all are more wary of adverts or 'expert' advice. Opinions from other clients hold true – they are impartial and honest.
5. In a competitive (and highly regulated) sector such as financial services your feedback helps us make informed decisions. For us there is no place for loose guesses. We use feedback to plan events, such as our recent UK estate planning series, and understand what you want to hear more about to avoid unnecessary 'noise'.

For as long as we have been in business we've known that it's important to listen and learn. As a firm, one of our core aims is to develop professionalism and champion transparent, high-quality financial advice.

To help we work with Working Feedback, a professional services feedback tool, to seek your opinions on a regular basis. If you receive a feedback request please rest assured your response matters to us.



Putting the individual into tax

Peter Webb, our International Tax Manager, will be moving from our Exeter office to join the Singapore team this autumn. Here he explains his background and how he came to be at The Fry Group.

Where did you grow up?

I grew up in a small, sleepy village in the heart of rural Devon; a truly beautiful part of the world.

How did you find your way into a career in tax?

Entirely by accident - my first job was working in accounts for a holiday letting agency. The area I grew up in was totally geared to tourism – it's such an important sector in the South West and a huge proportion of jobs are linked to it. I loved working at the agency and it gave me a great start but after it closed, I was lucky enough to spot an advert for one of the big four accountancy firms. It was the first job I applied for and I haven't looked back since.

Can you share a potted career history...

It's fair to say that the rural community I grew up in gave me the drive to find a job and start earning as soon as I could; I gave university a miss in favour of work. Although more and more young people choose to do a degree it's not always the best route to a successful career and I like to think I can show others that

university is not the only option. I have been incredibly privileged to work with some amazing people and meet some wonderful clients. For me it is the people I work with and the people I meet that make what I do so enjoyable. Although as well as taking my tax qualifications I've also enjoyed studying theology and computer literacy – perhaps I'm more studious than I originally thought!

What do you think sets The Fry Group apart?

The reason I left a big accountancy firm was because of the increasing drive towards a digital service and taking away personal responsibility for client service by devolving it to much larger teams. Of course you have to embrace new technology and new ways of working but at The Fry Group we use it to deepen and strengthen the relationships we have with our clients. Rather than put digital barriers between us, smarter ways of working create more time face to face with clients – which I really enjoy. We have a great focus on personal relationships with our clients, treating each as an individual, and not trying to sell off the shelf "products" by



genuinely seeking unique solutions to the challenges our clients face. The tax planning that our team provides is such a big part of that and I am really proud to be part of a company that delivers such a great service.

What will you most miss about the UK?

Autumn sunsets, Devon cream teas, Cornish pasties and of course, friends and family.

And what are you looking forward to when living in Singapore?

Making new friends, exploring such a wonderful city and the opportunity to travel in Australasia.

Staying in touch

The Fry Group's E-Bulletin service offers an ad-hoc analysis of important tax, wealth and estate updates to keep you abreast of relevant financial news. If you would like to receive these updates please email marketing@thefrygroup.co.uk to be added to our subscriber only service.

We've helped thousands of families with their tax affairs for over 120 years.



www.thefrygroup.co.uk

 **The Fry Group**
since 1898
Financial planning for generations

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