TQ Invest

January - March 2019

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INVESTMENT BULLETIN

The pros and cons of ISAs and pensions

2018/19 ISA deadlines for your diary

Popular investment fund update

Utilising your Junior ISA this tax year

Investing for 2019

www.tqinvest.co.uk

Hello and welcome to the TQ Invest bulletin. Before we accelerate into the rest of the year, I would like to take this time to wish you all the best for 2019.

It is difficult to avoid the topic of Brexit as the 29 March deadline approaches. Even as I write, we cannot predict the impact of Brexit on the UK as the prospect of a 'no-deal' exit still looms large.

We can expect some volatility for financial markets and for Sterling amid this uncertainty but both the short-term and the long-term ramifications of the UK leaving the European Union are unknown. The importance for investors to hold a balanced and diversified portfolio cannot be underestimated as the Brexit process continues.

There is also another significant point in the financial calendar fast approaching that I would like to highlight to you. The 2018/19 tax year ends on the 5 April 2019 and the current ISA allowance for this year is £20,000. There isn't long to go, but there is still time to utilise some or all of your ISA allowance. If you'd like to make an investment into your ISA, you can do so directly via one of our TQ Representatives. Simply contact us on 0800 294 7221 or email us at info@tqinvest.co.uk. Alternatively, go online to www.tqinvest.co.uk.

In fact, this year marks the 20th anniversary of ISAs, which have come a long way since their launch in 1999, when the annual allowance was £7000. You are now able to invest money into a Junior ISA, where there is a £4,260 allowance available. Junior ISAs are a great way to give your child a head start with university fees or buying their first property. Turn to page 4 to find out more on this.

The TQ Invest website provides some great options for you to consider; including using our research tool to pick your own funds, selecting from our Hero Fund list or using an investment provider's Cash facility which enables you to invest your Equity ISA funds into cash temporarily. You may find our article on the most popular funds last quarter insightful reading to help you get you thinking. Turn to page 6 for more details.

If you would like some more information on the options available to you as a TQ Invest client, then please speak to one of our team representatives using any of the contact methods below.

I hope you enjoy this newsletter.

Yours Sincerely

Nigel Stockton

CEO

Contact Us

TQ Invest services are designed for those looking to make their own investment decisions. We pride ourselves on our customer service. We can guide you through the investment process over the telephone or via email at no additional charge.

If you're unsure how to invest or what is required, don't worry, we're here to help; just give us a call.

By Phone

Simply call us on 0800 294 7221 and we'll transact your investment over the phone - new investments, ISA transfers and fund switches.

Online

Visit www.tqinvest.co.uk where you can make an investment and view detailed information on thousands of funds, including those mentioned in this bulletin.

By Post

Applications forms can be sent in the post to you for the majority of funds covered here or on our website. Simply email or call us on 0800 294 7221 and we will happily arrange for you to receive the necessary forms.

By Email

If you would like further information or application forms for any funds covered in the bulletin or on our website, you can email us at info@tqinvest.co.uk.

Market Overview

Four key components - moisture, temperature, pressure and wind – combine to form the dynamic and complex system we describe as 'weather'. By using computing power we can predict general weather trends with increasing success, but the chaotic nature of such a complex system means at a local level, forecasting may be less accomplished.

It is often suggested that the adoption of forecasting programmes could be applied to stock markets, to help us better predict short-term high-level market behaviour, if not at the level of individual companies' shares. Indeed, many claim to be able to do just that; however these assertions demonstrate varying and inconsistent success, severely reducing their usefulness. This is because there is one component of the market system that may forever remain unpredictable – the behaviour of human beings.

People drive the behaviour of share prices and in aggregate, market moves. People run businesses, create economic policy, make a market for securities, buy and sell those shares and yes, write about it. Furthermore, politicians create conditions whereby companies can prosper, or indeed fail. Loose talk may have cost lives in the second world war, but today it can turn a market for hours, days or even months.

As a consequence, and in the absence of significant events, monthly stock-market commentators can find themselves reporting on people rather than companies; their behaviour or pronouncements can, for example, encourage exchange rates to change, leading to a re-evaluation of near-term profits for those companies repatriating profits made overseas. Often the same market drivers dominate investor sentiment as resolution of issues fails to materialise. The first two months of the new year have been no exception.

The good news is global markets have continued their recovery through February. Developments at the US-China trade discussions, and the consequent suspension of an increase in tariffs on Chinese goods due to take effect on 01 March were positives, leading to UK, European and US market rises of a little over 2% in sterling terms. However, the US trade agenda isn't confined to a focus on China. A new threat to introduce higher tariffs on non-US made cars by mid-2019, if proceeded with, could have a severe impact on the German and other European economies.

At home Brexit continues to drag on. Companies are increasingly reporting falling demand, predictably perhaps blaming the Brexit impasse. The Prime Minister promised MPs a final vote on a revised Brexit deal before 13 March - which will include assurances regarding the backstop in an attempt to persuade dissenting MPs to support the deal. The Government hopes to secure a legal assurance that the backstop is temporary, although that is likely to mean UK legal opinion, rather than European.

Market watchers have noted that economic data suggests many companies outside the US are investing less in maintaining plant and equipment, and similarly lower amounts on new equipment, technology and so on that would facilitate growth. These are signs that companies are reining in, and taking a more guarded view of the near future – another short-term tactic within a long-term growth strategy.

Until there is greater resolution of trade and political disputes, forecasts of a continuing price recovery should be treated with caution. While weather conditions can change day to day, the cycle of the seasons dominates in the long run. Markets similarly react to short-term news but the longer-term economic cycles remain most important, along with individual companies' relative profitability. Attempting to time entry or exit to markets is similarly rarely successful, which is why advised clients are generally advised to buy and hold for the longer term.

And in that regard, we were delighted to hear that in February Scottish taxi driver Albert Smith watched the odometer on his cab pass 1,000,000 miles since he bought it in 2001. Serviced every 9,000 miles, the Nissan engine continues to motor.

A satisfied buy-and-hold driver…

Understanding the pros and cons of ISAs and pensions

Both ISAs and personal pensions can offer you tax benefits, and from a tax perspective there are pros and cons for both investment options.

	ISA	Personal pension
Annual contribution limit	£20,000 No lifetime allowance applies.	£40,000 for all pension contributions, but subject to restrictions for high earners and low earners and those that have flexibly accessed their pension funds. A lifetime allowance applies.
Tax relief on contribution	No tax relief is given on payments to an ISA	Tax relief is given on payments at your marginal rate of tax. The payment to the personal pension is topped up by a 20% tax reclaim by the pension provider.
Income received on the underlying investments within the fund	Tax-free	Tax-free
Tax on gains generated within the fund	Tax-free	Tax-free
Restriction on withdrawals	None	No access to the funds until age 55, and the age restriction is due to be raised.
Tax on accessing funds	No tax to pay on accessing funds	25% of the fund can be taken tax-free and the remaining withdrawals will be taxed at your marginal rate of income tax.
Inheritance tax-free	No, included in estate value for inheritance tax purposes	Yes, funds remaining in the pension pot at death do not form part of your estate for inheritance tax purposes.

While contributions to personal pension schemes benefit from tax relief, boosting the value of the contribution paid, accessing income from the fund does have tax consequences. In contrast, ISAs do not have the upfront tax benefits that contributing to a personal pension scheme has, but the funds built up in an ISA can be accessed entirely tax-free.

However, it is likely that the tax benefits on the contribution to the personal pension and the ability to take a 25% tax-free lump sum from the scheme will, if comparable returns are achieved across both investments, favour the pension route for tax purposes.

So, if a tax advantage lies with the pension arrangement what advantage does an ISA have. There is a disadvantage to the pension fund, it lacks the flexibility to access the funds that an ISA benefits from.

The ISA does provide tax efficiencies and is a very flexible arrangement for accessing funds. All the funds in an ISA can be accessed tax-free without having to wait until age 55. This can lend the ISA to being useful to fund life goals, before the age of retirement, repay the mortgage to enable early retirement, take a dream holiday for that significant birthday, help the children onto the property ladder, or contribute to the grandchildren's first car etc.

Another advantage is that over a working lifetime an annual contribution of £20,000 to a pension will see the pension fund grow to the extent it is more than likely to exceed the pension lifetime allowance. This restricts the amount that can be put into a pension without incurring a tax charge, but an ISA has no such lifetime allowance limit.

ISAs can be a useful option if pension contributions are limited due to high earnings or a restricted pension contribution allowance of £4,000 when pensions have been flexibly accessed. There are a range of ISA accounts to choose from, contact TQ Invest for more information.

Utilising your Junior ISA this tax year

Whilst it is 20 years since the launch of the ISA, it is over seven years that the Junior ISA (JISA) first appeared. Replacing the Child Trust Fund (CFT), it was launched in November 2011 as a way of encouraging parents to save for their children's future.

JISAs mirror the tax efficiency of an adult ISA but with a lower annual allowance of £4,260 (2018/19 tax year). The JISA allowance will increase in line with CPI inflation from April 2019 to £4,368. The same allowance increase is also applicable to CTFs. However, the government do not contribute £250 to JISAs as they did to CFTs.

The account turns into a normal adult ISA when the child turns 18 and the account holder is free to do what they want with the money; either withdraw it or leave it invested. This could mean making a dent in living expenses at university or the basis for a nest egg to be used later on.

The sums make their use look compelling. A three-year stint at university could cost as much as £45,000 but using the maximum ISA allowance of £355 a month amounts to more than £76,000 over 18 years, excluding any gains or losses on investments.

A JISA is available to children born on or before 31 August 2002 or after 02 January 2011, and can be in Cash, Stocks and Shares, or a mixture of both.

It should be noted that you cannot have a JISA as well as a CTF. For those with a CTF who wish to open a JISA, you must first transfer your CFT into a JISA. It is a straightforward process and TQ Invest can provide you with the necessary forms.

Can I transfer my ISA to my spouse after my death?

People carefully plan their finances to maximise the tax efficiency of their investments, as a result of this a prudent saver will have built up a significant value in their ISA. This may be a combination of cash and/or equity investments that provide both tax efficient growth and tax-free income to the ISA holder.

Too often these benefits are lost on death due to the overlooking of a rule change that was introduced in 2015 to allow a surviving partner to continue to benefit from the tax benefits an ISA offers.

Until that time, when someone died, any savings held in an ISA automatically lost their tax-free status and the tax benefits were also lost forever. This meant that the surviving partner would have to start paying tax on any returns or income earned from it; this could add up to a significant sum if the ISA holder had been saving for many years.

The changes introduced allow the surviving partner to continue to benefit from the ISA, however, as is normally the case it is not as straightforward as simply changing the name on the investment. The deceased holder's ISA will still lose the tax-free status on death, but this can be regained in the form of an additional allowance. The surviving partner is given an Additional Permitted Subscription (APS) allowance, which is equal to the value of the deceased partners ISA at the date of death. If the partner had multiple ISAs, as is often the case, then the surviving partner receives an APS for each one (the APS can be used with the existing provider or can be transferred to a new one).

In most circumstances, the APS must be used within 3 years, and is in addition to the standard ISA allowance that the surviving partner has. Thus, if the deceased partners ISAs had a value of £100,000 then the surviving partner could make ISA contributions of this amount plus their own £20,000 in the 2018/19 tax year.

It is estimated that 150,000 married ISA holders die each year, however only 21,000 people have taken advantage of the new rules since they were introduced in 2015. It will not always be appropriate for the APS to be used, however, it appears that this is a tax benefit that is being overlooked all too often.

ISAs are a great tax-efficient wrapper for you to place your savings, and using your allowance for 2018/19 couldn't be easier. You have £20,000 available for this tax year, and if you would like more information, then a TQ Representative can be contacted on 0800 294 7221.

ISA deadlines for tax year 2018/2019

Main investment deadlines

Type	Deadline date
Telephone and online ISA investments	05 April 2019
Bed & ISA - (Unit Trust/GIA to ISA switch) • Aegon Cofunds account • Fidelity Fundsnetwork account	 • 27 March 2019 • 02 April 2019
Non-Investment platform ISA providers (Postal application form with cheque)	Received by TQ Invest by 04 April 2019

Reminder: tax year 2018/2019 subscription limits

Type	Subscription limit
ISA	£20,000
Junior ISA (JISA)	£4,260
Child Trust Fund (CTF)	£4,260

Tax year 2019/2020 subscription limits starting 06 April 2019

Type	Subscription limit
ISA	£20,000
Junior ISA (JISA)	£4,368
Child Trust Fund (CTF)	£4,368

There are no extra charges incurred to make your ISA investment by telephone. If you want to invest on day one of the new tax year, contact TQ Invest to get everything ready for your new investment.

ISA Reminder

Have you topped up your ISA yet? You have until the 05 April 2019 to utilise this year's allowance.

Contact us

The TQ Invest team is ready to help you get your ISA investment completed before the deadline, from application forms through to fund information and general enquiries.

Call us on: 0800 294 7221

Email us at: info@tqinvest.co.uk

Get in touch by phone or email and we will happily arrange for any forms to be posted to you.

TQ Invest popular funds update - Q4 2018

According to the latest figures published by the Investment Association, net retail sales in 2018 were £7.2 billion, down from £48.5 billion in 2017. This fall in investment sales is perhaps not so surprising as investors continue to be cautious as Brexit negotiations and global trade disputes cause economic uncertainty. Furthermore, market volatility in 2018, particularly in the latter quarter of the year, lead to the FTSE 100 being down -8.7% for the year, with the FTSE All Share falling -9.5% in the same period.

The best-selling sector in the first three quarters of 2018 was Global funds, with Mixed Investment 40-85% Shares topping the list in the final quarter. Investors were not so enamoured with UK equity funds during 2018, with investors selling out in each month. Overall, the sector saw net outflows of £4.9 billion for the year. European equity funds fared no better, after seeing net retail outflows of £1.3 billion.

The investment fund choice most suitable for each client will differ according to their individual portfolio construction, investment aims and attitude to risk. A fund which is suitable for one client might not be suitable for another. It is important to remember that the value of investments can go down as well as up. This article is for information purposes only and should not be seen as a recommendation that the funds highlighted are suitable for you.

For TQ Invest clients in recent months, Lindsell Train Global Equity fund continues to feature on the buy list of many. A £5 billion fund, with a concentrated portfolio of stock, and an investment strategy focussing on large-cap companies which they buy and hold for the long term. The fund returned 11% in 2018.

Staying in the Global sector, Terry Smith's Fundsmith Equity is again on the list. It has 27 stocks in its portfolio, is £17 billion in size and buy high quality global growth businesses, mainly allocated in the US and UK. As with the Lindsell Train fund, it has a low stock turnover following its buy and hold strategy.

The Liontrust Special Situations fund, is a multi-cap UK growth fund. It can invest in any FTSE All-Share Index stock with no size or sector restrictions. The managers, Anthony Cross and Julian Fosh, use their 'Economic Advantage' process to seek out companies with distinct competitive advantage that allow them to sustain a higher than average level of profitability for longer than expected. The fund currently has 53 stocks in the portfolio.

Stewart Investors Asia Pacific Leaders fund invests in mainly large and mid-cap companies in the Asia Pacific region excluding Japan. Managed by David Gait since 2015, the fund has a conservative capital preservation investment style which means it unlikely to outperform its peers in rising markets. At £7.6 billion in size, it is a large fund which potentially raises questions surrounding its liquidity.

Some clients seeking income generation away from UK equity income funds have looked to the Newton Global Income fund. The funds invest in global stocks aiming to achieve long term capital growth and increasing annual distributions. It has a large-cap bias, predominantly in developed markets of North America, Europe and UK and currently yields 3.3%.

Table 1: Popular funds quarter 4 2018

Fund	IA Sector	Benchmark	Yield %	Fund Size (£m)	1 year %	3 year %	5 year %
Fundsmith Equity	Global	MSCI World	0.59	16,600	4.55	68.13	146.15
Lindsell Train Global Equity	Global	MSCI World	0.8*	5,672	13.5	81.4	144.4
Liontrust Special Situations	UK All Companies	FTSE All Share Index	1.99	3,942	-2.1	32.3	53.5
Newton Global Income	Global Equity Income	FTSE World TR	3.38*	5,246	2.59	12.52	12.17
Stewart Investors Asia Pacific Leaders	Specialist	MSCI AC Asia Pacific ex Jap	1	7,614	3.4	46	80.4

*Historic Yield

With our online fund research tools, you can research and compare all of the funds available on our Hero Fund List, using a wide range of criteria, such as performance, yield, sector and charges.

It's important to remember that choosing to invest in our Hero Funds does not constitute financial advice and is not a personal recommendation to you to invest. You should be sure of the fund's suitability to you before investing.

The TQ Invest Hero Fund List can be found online at https://tqinvest.co.uk/hero-funds.

For further information on the funds highlighted above or on any funds on the Hero List please telephone one of our Investment Team Representatives on 0800 294 7221.

TQ Invest Portfolios

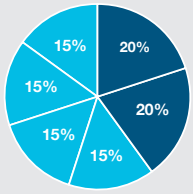
At TQ Invest we have created four portfolios which might help.

Each portfolio has six funds and is designed to fit a general risk outlook of an investor, such as cautious or growth. Please remember that the TQ Invest Portfolios are not personal recommendations to you, and you should be sure of their suitability to you before investing and be willing to invest for the medium to long term. If you have any doubt, please call 0800 294 7221 and we can refer you to a financial advisor. If you are happy to make your own investment decisions all you have to do is to look carefully at the portfolios and the funds within and decide if they are right for you.

It is important to remember that the value of investments, even the lower risk ones, and the income from them, can go down as well as up and you may not get back the amount you invested. Please read the Key Investor Information Document for each fund and our full Important Investment Risk Information.

Cautious Portfolio

The portfolio objective is moderate and steady total returns. It holds a balanced mix of higher risk growth assets such as equities and property, and lower risk assets such as fixed income. Although it takes a defensive approach, investors in this portfolio must be willing to accept some short term fluctuations in the value of their investments.

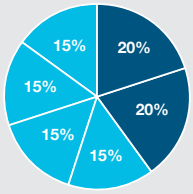


Invesco Income	20%
Threadneedle Global Equity Income	20%
Janus Henderson Strategic Bond	15%
Janus Henderson UK Property PAIF	15%
Invesco Monthly Income Plus	15%
Legal & General Dynamic Bond	15%

Historical Yield %	4.46
OCF %*	0.87

Growth Portfolio

The portfolio objective is capital growth. It will mainly be invested in higher risk growth assets such as equities. The focus of this portfolio on equities provides the potential for higher returns and is designed for investors who intend to invest for the long term and are comfortable with taking high level of risks. Investors must be willing to accept substantial fluctuations in the value of their investments.

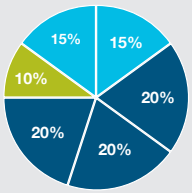


Liontrust Special Situations	20%
Threadneedle Global Equity Income	20%
Invesco Income	15%
Jupiter European	15%
Newton Asian Income	15%
Unicorn UK Income	15%

Historical Yield %	2.94
OCF %*	0.91

Balanced Portfolio

The portfolio objective is long term capital growth. It has a greater exposure to higher risk growth assets such as equities and property than the Cautious Portfolio. It also holds some defensive assets such as fixed income. Investors in this portfolio must be willing to accept some short term fluctuations in the value of their investments.

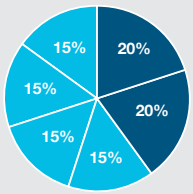


Janus Henderson Strategic Bond	20%
Invesco Income	20%
Threadneedle Global Equity Income	20%
Artemis Income	15%
Liontrust Special Situations	15%
Janus Henderson UK Property PAIF	10%

Historical Yield %	3.29
OCF %*	0.89

Income Portfolio

The portfolio objective is to provide an income from a mix of different asset classes. It invests in a combination of income generating higher risk assets such as equities and property and defensive assets such as fixed income. A higher allocation to equities will provide the potential for some moderate long term capital growth. Investors in this portfolio must be willing to accept some short term fluctuations in the value of their investments.



Fidelity Enhanced Income	20%
Invesco Monthly Income Plus	20%
Janus Henderson Strategic Bond	15%
Janus Henderson UK Property PAIF	15%
Invesco Income	15%
Threadneedle Global Equity Income	15%

Historical Yield %	4.51
OCF %*	0.90

*Portfolio Expense/OCF - the portfolio expense/OCF is calculated using the weighted value of the Ongoing Costs Ex Ante of the portfolio constituents. Where the Ongoing Costs Ex Ante is not available the OCF is used and where this is not available the TER is used.

Data as at 25 February 2019, FE Analytics

Ascot Lloyd

TQ Invest's sister company Ascot Lloyd offers regulated financial advice both on a face-to-face and telephone basis.

If there are any areas of investment decision you are not comfortable making then please contact a member of our TQ Invest telephone team who will be happy to make arrangements for you to speak with a Financial Adviser. Any advice taken will not compromise your TQ investment which is held separately on an execution only basis.

If you haven't already, register to the Personal Finance Portal (PFP). Please contact one of our Investment Team Representatives, who will be able to assist you to view your valuations quickly and easily. Contact us on 0800 294 7221 for further assistance.

Should you wish to learn more about Ascot Lloyd, please visit www.ascotlloyd.co.uk

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Refer a friend...

Back in 2012 we launched our referral scheme, exclusively for friends and family of our clients.

The scheme has proved incredibly successful over the years and the feedback we have received from our clients has been extremely positive.

For every new customer you refer to us who goes on to buy, or transfer investments to TQ Invest, we will send you a £50 Marks & Spencer voucher as a token of our appreciation.

Referring a friend is an easy process. If you know someone you feel would benefit from the investment expertise at TQ Invest, simply ask them to contact a member of our team at 0800 294 7221 providing your name as reference. Upon successful referral your voucher will be sent to you.

Important Notes. If you no longer wish to receive our bulletin, please contact a member of the TQ Invest Team. Investments should be regarded as long-term and are not suitable for money which may be needed in the short term, you should always have a sufficient cash reserve. As we don't know your individual circumstances, none of the information in this bulletin is specific to you; therefore CPL Ltd can take no responsibility for the decisions you make from it. You must obtain full details of the products and look at your own circumstances, objectives and attitudes to risk before proceeding. If you need advice, please call **0800 294 7221**.

Past performance is not a reliable indication of future returns, the value of units and the income from them, can fall as well as rise and you may get back less than your original investment. The investments featured in the website do not provide guarantees and you could lose all your money. Income from investments may fluctuate and part of the capital may be used to pay that income. Non-investment grade bonds are contained in some funds which carry a risk that the capital value of the fund will be affected because they have an increased risk of default on repayment by the issuing companies compared to investment grade bonds. Exchange rate fluctuations may have an adverse effect on the value of non-UK shares.

Levels and basis of, and reliefs from taxation can change. Tax reliefs referred to are those currently available and their relevance depends on the individual circumstances of the investor and their tax position. As with all investments, the tax treatment of Pensions and ISAs is subject to change by HM Revenue and Customs. Before transferring or liquidating an investment you should ascertain whether any exit penalties or initial charges will apply and consider whether it will be beneficial to you over the period of the investment to proceed. If investments are liquidated you may suffer a loss of income or growth, should the market rise, while the transfer remains pending.

The model portfolios are not 'personal recommendations' - that is, they might not necessarily be suitable for you and your personal circumstances. Instead, we have designed these so as to provide good prospects of returns for investors looking to commit monies to medium-to-longer term investments. They cater for a range of risk profiles though importantly, even the cautious portfolio can fall in value in the short term. If you are in any doubt as to the suitability of the model portfolio, you should seek the advice of a Financial Adviser.

The FCA does not regulate some forms of tax planning.