BARCHESTER GREEN INVESTMENT

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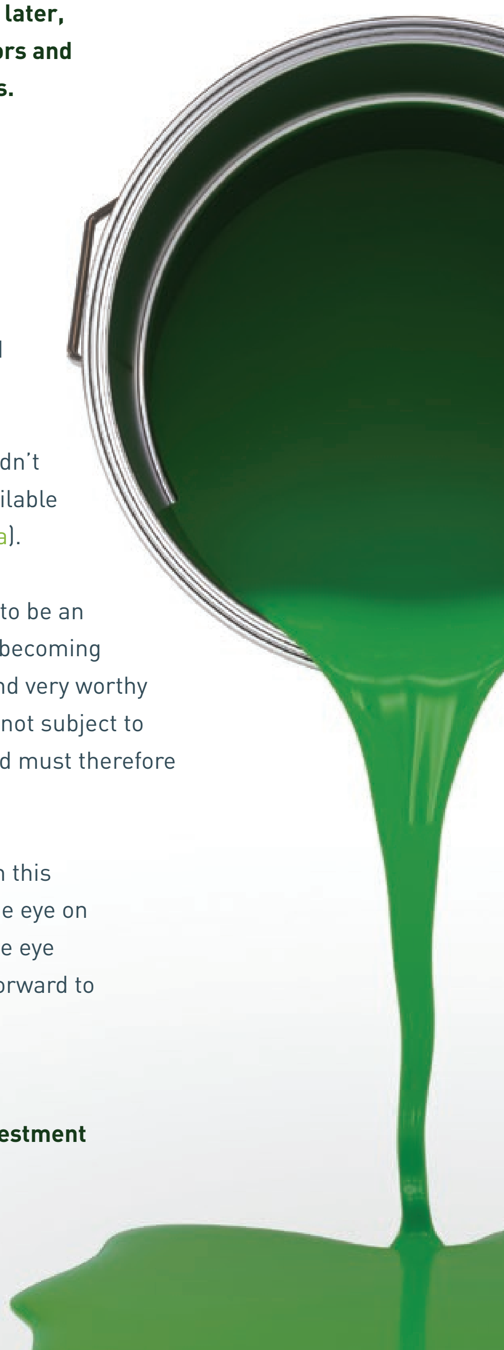
DOING 'WHAT IT SAYS ON THE TIN'

Early clients of Barchester Green Investment who wanted their money placed in ethical or environmental funds had a limited choice – only a handful of funds were available and they were entirely equity based, focusing on either UK or international shares. Twenty-six years later, there are now more than 100 funds from which to choose, covering most geographical sectors and catering for a variety of appetites for risk – from the very cautious to the highly adventurous.



This growth in the variety of funds represents a success for those of us who have long believed that everyone has an innate (if, sometimes, unrecognised) preference for their money to be invested in a way that benefits humanity – or at least does no harm.

Every step forward, however, inevitably throws up new issues and challenges and in the field of ethical investment one of the most significant has been the dilution of ethical criteria. For the last ten years or more some funds, which would have once refused to invest in banks because of the problems they caused in lending to Third World countries, have included them in their portfolios despite the more recent issues surrounding the behaviour of banks. It is noticeable that those ethical funds which continued to exclude banks returned rather better figures in the difficult years between 2008 and 2010.

Meanwhile, other companies have added 'ethical' or 'environmental' funds to their offerings, some of which include companies that beggar belief. The Zurich Environmental Opportunities Pension Fund is probably the worst (or best!) example with 14.9% of its holdings in three companies – Royal Dutch Shell, BP and Rio Tinto Zinc. [Source: www.trustnet.com, 15 July 2011]

When we published our list of 'Heroes and Villains' in 2010 we received a considerable amount of press coverage which generated many enquiries from new and existing clients who were disturbed at the degree to which ethical and environmental funds don't always do 'what it says on the tin'. If you didn't catch the article, the full text is available on our website (tinyurl.com/3gy6fza).

At the other extreme, there seems to be an increasing number of investments becoming available which, although they sound very worthy from an environmental stance, are not subject to the usual regulatory framework and must therefore be seen as very high risk.

Our job is to help guide you through this increasingly complex world with one eye on your financial requirements and one eye 'beyond the bottom line'. We look forward to continuing to perform that role.

Jonathon Clark, Chairman
On behalf of Barchester Green Investment

Barchester people

Departures, arrivals and changes at Barchester Green Investment

One consultant retires...

Robin Currie retired from practice on 30 June 2011 after 16 years at Barchester Green Investment. His enthusiasm for championing the cause of ethical and environmental investment and the care he lavished on his clients will be sorely missed. He will now be able to devote more time to creating ceramics – a hobby that has turned into something of a passion since he went on his first course several years ago. Robin remains an equity member of Barchester and will be helping to ensure the smooth transition of his clients to new advisers in the coming months. We all wish Robin and Trish the very best for the future.

...and one becomes a partner

Barchester are delighted to announce that, on 1 July 2011, Rupert Lovesy became the first person to join the partnership since it was formed in 2008 to buy the business from its founder Geoff Griffiths. Rupert became a Barchester consultant in July 2009 and has been busy building up his local network of clients in the Taunton area.

New from Barchester – specialist taxation services!

Mahtab Clark has joined Barchester as a specialist tax adviser, significantly strengthening the range of professional service we can offer our clients. Whether you need help completing your annual tax return or have a more complex query, Mahtab will be on hand to help. She is a member of the Chartered Institute of Taxation and has had long experience in a wide variety of areas of taxation – working for a 'Top 20' practice in London. Married to Barchester's Jonathon Clark, Mahtab is a graduate of Tehran's Azad University and enjoys painting, gardening and zumba. You can read her *Top Ten Tips for Tax* on the back cover.

Our man in Ivybridge

Cris Iles-Wright has joined Barchester Green Investment as a consultant based in Ivybridge, ten miles from Plymouth. He will be looking after many of Robin Currie's clients in the West Country following Robin's retirement, as well as bringing his own clients with him from his existing practice. Cris has been on 'both sides of the fence', having gained experience in positions with two major life assurance companies before becoming an independent financial adviser. He has a long interest in ethical matters and is particularly concerned with animal welfare. Cris is married to Tracy, who also helps with the administration of his work, and he enjoys distance running in his spare time.

A new compliance manager

Robert Cameron has joined Barchester Green Investment as our compliance manager. The role of compliance is an essential one in professions such as accountancy, law and financial services to ensure that professional standards are maintained and that the requirements of the regulatory bodies are observed. Robert has had extensive experience in this field and holds a degree in political science which he thinks will help him to do his job with the minimum of fuss. Married with two children he enjoys getting out and about, and spending as much time as possible with his family.

Changes in the Management Board

Elections were held in March 2011 which resulted in two changes of personnel. Robin Currie and Rodney Palmer step down, while Tim Bradford and Vanessa Kelley join Jonathon Clark, Jackie Adams and John Ditchfield on the Board. Robin and Rodney remain as equity members of the LLP while Jonathon takes on the role of chairman.

Q&A with Clare Brook of

WHEB ASSET MANAGEMENT

Clare Brook of WHEB Asset Management has been a leading figure in the ethical and environmental investment sector for 20 years. She manages the WHEB Sustainability Fund, launched in 2009. Barchester Green Investment has been recommending the fund to clients because it combines profitable investment themes with a values-based approach. At the beginning of July, Barchester's John Ditchfield went to visit her at the WHEB offices near Marylebone in London to ask her how the fund works.

> "People increasingly want to invest in a positive way in companies that offer solutions to global problems, rather than just saying, 'I don't want to be in companies involved in arms or nuclear power or tobacco'.

JD: Sustainable investment funds, as opposed to more conventional 'ethical' funds, seem to be gaining in popularity amongst investors. What do you think are the main reasons for this trend?

CB: People who invest in an 'ethical' (as opposed to green) fund would be surprised to see that the top ten holdings look rather mainstream – typically a combination of banks, telecommunication companies and supermarkets. Some even hold mining and oil companies, usually justified by claiming they are the 'best in breed' of these sectors.

By investing instead in the growing 'thematic' sector, people can own investments in companies in the alternative energy, energy efficiency, recycling and water sectors, for example. Not only are these companies 'making a difference' but, in many cases, they offer exciting growth opportunities.

At WHEB Asset Management we invest in companies providing solutions to some of the most serious problems we face in the 21st Century. So our top ten (and indeed our whole portfolio) would look very different from a traditional ethical fund.

People increasingly want to invest in a positive way in companies that offer solutions to global problems, rather than just saying, 'I don't want to be in companies involved in arms or nuclear power or tobacco'.

JD: WHEB is involved in investment at a number of different levels; perhaps you could explain how this informs your own investment process?

CB: We benefit from being part of the WHEB Group, the specialist clean technology investment firm. The WHEB Group has total assets under management of over £165 million. The WHEB Group comprises WHEB Asset Management (us), which manages the IM WHEB Sustainability Fund; WHEB Partners, which covers venture and growth capital including buyouts; and WHEB Infrastructure, which focuses on renewable energy generation infrastructure.

Having deep experience in the environmental sector, an extensive network of industry leaders and policy makers and an internationally recognised advisory board, makes the WHEB Group a pioneer in investing in this area. There are now more than thirty people working in our London and Munich offices and it's highly beneficial to have access to shared research and resources from like-minded professional environmental investors.

JD: The fund is a 'thematic' investment fund. What does this mean exactly and why did you decide to take this approach?

CB: The thematic approach involves identifying key challenges facing the world to which solutions exist and which represent compelling investment opportunities. Rising conventional energy prices, concerns about the safety of nuclear energy following the Fukushima nuclear disaster in Japan, energy security concerns and political pressure around climate change are leading to a fundamental change in the way in which energy is sourced and used. This creates huge potential for companies offering alternative energy and energy efficiency solutions.

Furthermore, a growing global population combined with a sharp rise in water usage per capita, changes in diet and the effects of climate change means that many parts of the world are facing significantly worsening water shortages. Companies that can help alleviate the problem, including water metering, purification and conservation – as well as those supplying people without access to clean drinking water – are likely to see strong growth in coming years.

The population in the developed world, as well as much of Asia, is ageing. The number of people in the European Union over the age of 85 is set to triple over the next four decades. People over 85 require, on average, nine times the amount of healthcare products and services as the rest of the population. This trend is fuelling demand for healthcare products, such as orthopaedics, hearing aids and diagnostics.

JD: Could you give an example of a company in which you invest within one of these themes?

CB: Amplifon (ageing population/demographics), is an Italian retailer and fitter of hearing aids which won a major international award for its fitting system in June 2009. We see hearing aids as a major beneficiary of demographic shifts. Not only do people tend to lose their hearing as they get older, but as the baby boom generation reaches retirement age, they are expected to lose their hearing more quickly due to the fact that a number of them listened to too much loud rock music in the '60s and '70s!

Johnson Controls (climate change), is a major US company which is in the process of transforming itself to benefit from the green economy. As well as improving energy efficiency in buildings (Johnson Controls were responsible for the major retro-fit of the Empire State Building), they also make batteries for electric vehicles and are developing large batteries in which to store energy from wind and solar plants.

Sound Global (water resources), is a Singapore-listed company providing water and waste water treatment services in China. Nearly two thirds of the population in rural China does not have access to clean drinking water, so this is clearly a huge growth market.

JD: Has the debt crisis in Europe had a significant impact on the fund's performance?

CB: Only in so far as it has dragged all global markets downwards. We are pleased to say that we do not have any exposure to Greece.

One of the benefits of the combination of our themes is that we can be very flexible in our investment style, according to our view of the economy. In turbulent markets we can position ourselves defensively, by shifting the portfolio more into the healthcare, water utility and medical devices stocks; conversely, when we are feeling confident, we position the fund in renewable energy and climate change related investments. This means the fund has durability when the market is falling, which cannot be demonstrated by our peers in pure green or climate change funds, while retaining the potential to capitalise on the high growth prospects of the climate change stocks when the market recovers.

TRUSTS Their uses in financial planning and the Trustees Act 2000

The subject of trusts is one that needs careful understanding by all parties concerned – especially trustees. Nicola Waldman and John Ditchfield provide a short guide to some of the ways in which trusts can be best used and the crucial changes introduced by the Trustee Act 2000.

What is a trust and what are their main uses?

The concept of trusts was developed in England at the time of the Crusades so that when Crusader landowners went abroad to fight, they could transfer the title of their land to a trusted person who would look after it on their behalf.

While there may be many other reasons for creating a trust today, the role of a trustee is essentially the same, i.e. that of a guardian. He owns the trust assets and is responsible for them but is not allowed to benefit from them as he is (usually) looking after them for the benefit of someone else.

Over the years, the law has developed to give trustees increased powers in looking after the trust assets as well as additional duties and responsibilities to those creating the trust and to those who benefit.

Article continues overleaf...

...Trusts Article continued from previous page

There are a great many ways in which trusts can be used within a financial planning context – some of the most common uses are as follows:

A Bare Trust established for a minor is a simple and cost effective way in which assets can be gifted to children. This can also carry a significant tax benefit as the investments are then, in many cases, taxed as the property of the child who may have no other income or gains and therefore not be liable to tax.

Trusts are also used widely used for inheritance tax planning as a means of making a gift while retaining some control over the capital and, in certain cases, a right for the settlor (the person making the gift) to an ongoing receipt of income payment from the trust. This can help individuals to reduce the value of their estates to below the threshold where inheritance tax is payable; this is currently £325,000 for an individual or £650,000 for married couples and civil partners .

Insurance policies, usually life insurances, are often placed in trust to avoid Inheritance Tax and to ensure the proceeds of the policy can be paid without delay.

Trusts are also widely used within a charitable context with many charitable organisations being established as trusts so that no tax is due on income and gains within the trust.

The Trustee Act 2000

The Trustee Act 2000 came into force on 1 February 2001 and focuses particularly on modernising the way in which trustees can manage and invest trust property. The Act gives trustees wider powers than they enjoyed under previous legislation, but also builds in safeguards against abuse of these new powers by imposing a duty of care on trustees whenever they exercise these powers.

The key reforms of the Act give trustees:

- A general power to invest (except in land) as if they were the owners of the trust assets
- A power to acquire land in the UK for any purpose
- A power to delegate **some** of their functions to an agent, e.g. to appoint investment advisers as agents to manage trust funds
- A power to appoint agents, nominees and custodians
- A wide power to insure trust property without the previous restrictions
- Powers relating to remuneration
- A duty of care in relation to their exercise of any of the powers set out above or equivalent powers in the trust deed. This requires trustees to use a reasonable level of care and skill when they exercise any of their powers. Relevant factors in determining what is reasonable would include:
  - The size, purpose and nature of the trust fund
  - Any special knowledge or experience the trustee possesses
  - If he is acting as a professional trustee.

  A professional trustee would be expected to show the highest level of care and skill, but even someone with specialist knowledge would be expected to use this in their role as a trustee. A layman/friend or family member without specialist knowledge might be expected to show the least level of skill but should then perhaps consider delegating some of his functions to a specialist, e.g. by appointing an investment adviser to manage the trust funds.

  The duty of care may be modified by the trust deed but, under general trust law, trustees are still expected to act prudently.

Trustees also have specific duties in relation to the various powers outlined above. The duties in relation to their powers to invest are of particular importance and relevance as follows:

- In relation to their investment decisions, trustees must:
  - Consider the standard investment criteria – meaning they must consider whether any particular investment is *suitable* for this trust and also whether they need to *diversify* the investment(s) in the trust. These criteria apply to both proposed investments and existing ones, meaning it is imperative that trustees constantly review the trust funds.
  - Obtain proper advice where necessary, which may mean getting specialist advice.

So, the main message for Trustees is:

- Keep informed and advised
- Review regularly
- Take care and act reasonably
- Consider the needs of all beneficiaries
- Comply with the terms of the trust and trust law

Nicola Waldman is a member of STEP (the Society of Trust and Estate Practitioners) and a partner at CKFT Solicitors in London NW3. She specialises in wills, trusts, probate, estate planning, Lasting Powers of Attorney, disputed wills and Inheritance Act claims.

John Ditchfield is a Director of Barchester Green Investment and advises a number of private and Charitable trusts.

10 ways to minimise your tax bill

As reported in the Barchester People section, Mahtab Clark recently joined Barchester Green Investment to provide specialist taxation advice for our clients. Here are her top ten tips to reduce your tax bill.

1. Do not rely on calculations made by HMRC (Her Majesty's Revenue and Customs)

A succession of government cuts, poor training and demotivated staff has resulted in a reduced performance by staff at HMRC. For example, the highly publicised error in PAYE coding last year which resulted in adjustments having to be made for thousands of people.

2. Ensure your tax code is correct

Your tax code shows your employer how much tax to deduct from your salary. The default code for most people in 2011–12 will be 745L. If it is lower (and you do not have taxable benefits in kind), you may be paying too much tax. If it is higher, then you could be in for a nasty shock at the end of the year when you are told that you haven't paid enough tax.

3. Claim your full entitlement to tax relief on pension contributions

Pension contributions up to £50,000 per annum still attract higher rate tax relief. If you are employed then you get 20% at source but you have to claim the other 20% through your tax return. Make sure you don't miss out!

4. Claim all the tax relief due on charitable donations

Donations are easy to make online these days and 20% income tax is added to the donation at source. As with pension contributions, you can get higher rate tax relief when you declare them in your tax return. So make sure you keep good – and accessible – records of your charitable donations each year and enter them on your tax return.

5. Claim all allowable business expenses

If you are employed then the opportunities for claiming deductions against your salary are limited but they are much greater if you are self-employed. You might be surprised at some of the expenses which are allowable and which depend on your business circumstances – we can discuss these with you to make sure you are not missing out.

6. Take full advantage of your personal allowance

The basic personal allowance has been increased for 2011–12 to £7,500 (more if you are over 65). There are various ways to take advantage of the basic personal allowance and perhaps the most common is where one half of a married couple is a higher rate taxpayer while the other is a nil rate taxpayer. Putting the income-producing savings in the nil rate taxpayers name could save £3,000 per annum. And that's just the start...

7. Choose the best employment status

Are you employed or self-employed? As noted in tip 5 above, there are considerable advantages to being self-employed in terms of tax planning yet this can also have disadvantages – for example, limiting the tax relief available on pension contributions. It is worth getting expert advice to determine the most suitable employment status for your situation.

8. Tax efficient disposal of a second property

The upsurge in ownership of investment properties has resulted in many people facing a Capital Gains Tax bill on the eventual disposal of the property which includes gifting it to your children. However, there are various ways in which the tax bill can be reduced or avoided so it's important to get planning advice at an early stage.

9. Consider living abroad – for at least 182 days per year

If you live in the UK for 183 days or more per year you will be classed as 'resident' and subject to UK tax. If you live here for less than that you will inhabit a very different tax universe – one in which you be much safer from the demands from HMRC. But it isn't always as simple as that...

10. Ensure correct tax treatment of overseas income

If you have income from overseas, is it being taxed in the country of origin? If it is, then there may be a double taxation treaty that allows you to offset the tax paid to another government against the tax demanded by HMRC. This can be a bit of cat's cradle to untangle but definitely worth it.

If you think that you may be paying too much tax, Barchester Green Investment can help. Call our tax consultant Mahtab Clark on 07957 555 059.

Tax advice is not regulated by the Financial Services Authority.

BARCHESTER GREEN INVESTMENT

Barchester Green Investment is a national organisation with advisers based in Salisbury, London, Brighton, Ivybridge and Taunton. Please call 01722 331 241 to be put in touch with your local adviser.

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