

The Beaufort Letter

Helping High Net Worth Members to Build, Protect and Transfer Their Wealth

By Graham Rowan

Lockdown Special March 2021

Forget Lockdown - It's Time To Join The Revolution...

Everyone I speak to says the same thing – Lockdown 3.0 has been the toughest of all. We kind of understand the rationale behind the restrictions but we're just plain weary of it all. It's hard to give much credence to Boris's 'one-way road to freedom' given all the twists and turns on the Covid journey thus far.

If there is a benefit to be gleaned from the strangest year most of us have experienced it's this – time to reflect on life while things are moving at a slower pace. I've managed to get on top of loads of 'life admin' stuff that never used to make it high enough up the priority list.

It's also been a great time for revisiting where you are in life today and, potentially, making big changes about where you want to go with the rest of your life. For me that means some careful thinking about where Daphne and I want to live, the kind of businesses we want to own and the way we want to structure our investment portfolio.

Perhaps the strongest desire that's been re-awakened in me is my mission to help with financial education as we head deeper into what I'm calling the *Age of Uncertainty*. This in turn has led me to launch the **Renegade Investor Academy** with weekly videos on my Youtube channel – if you search Graham Rowan on Youtube you can subscribe for free.

The next step is the launch on March 10th of the *Renegade Investor Revolution*. That evening I'm running a free webinar that you can register for at <https://www.renegadeinvestoracademy.com/> during which I will explain some of the big risks that we face at the moment and how we can address them. It's one of the most in-depth broadcasts I've ever done so I very much hope you can join me on the evening of Wednesday 10th March. The 'revolution' is based on three guiding principles:

- **Financial independence**
- **Personal freedom**
- **A global perspective**

During the webinar I will explain:

- **The 3 big risks we face in the 2020s that many won't see coming**
- **The 7 megatrends of the 2020s that we can invest into**
- **The 7 steps to financial independence based on my own 20 year journey**

We are promoting the live event widely across social media so we're expecting a few hundred people to join us on the night. I'm hoping to squeeze in a brief Q&A session so do contact me on graham@beaufortsociety.club if there's a question you'd like to see covered. Meanwhile please head across to <https://www.renegadeinvestoracademy.com/> and register for the event. Forewarned is forearmed so use this information to influence your own Lockdown thinking and make sure you're on the right side of history in these strangest

of all times. We often hear the first part of Charles Dickens introduction to A Tale of Two Cities but let me share it in full as the perfect scene setter for the *Renegade Investor Revolution*:

'It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair.'

We are living in such an age and there will be two outcomes. For many, who refuse to take note of what's going on around them, sadly this will become an age of foolishness, darkness and despair. But for the few who are willing to study, to learn the old lessons of history and be broad minded enough to take on board the new opportunities of the twenty-first century, this will be a time of unprecedented success, prosperity and fulfilment.

Tax Mitigation in the 2020s

Generally it is not a good idea to let the tax tail wag the investment dog.

However, we are living through a unique time which almost certainly means that we can expect significant increases in taxation on those regarded as 'wealthy':

- There is strong political will that the 'wealthy' need to pay their 'fair share'
- There is serious talk of a 'one-off' wealth tax of as much as 5% on net assets above £500,000 payable over five years. (Note that income tax was originally a one-off measure and note Milton Friedman's well known comment that 'there is nothing so permanent as a temporary government measure').
- There has been more than one report advising the Chancellor to align income tax and capital gains tax which could mean up to 45% of any investment gains disappearing to the Treasury

While Beaufort Society cannot give tax advice any more than we can give investment advice, there are some general principles relevant to those who are UK tax resident that we can point out which may be worthy of discussion with whoever you turn to for tax guidance.

The Enterprise Investment Scheme

This offers significant tax breaks for investing in early stage companies including:

- ✓ 30% offset against income tax in the current and previous tax year so a £100,000 investment only costs you £70,000
- ✓ The investment becomes free of inheritance tax if held for 2 years
- ✓ The investment becomes free of capital gains tax if held for 3 years
- ✓ In the event of a loss there is further loss relief claimable so you have unlimited upside combined with limited down side

Such investments are best made with liquid cash funds rather than pension funds as investment gains in your pension would already attract tax relief (except for income tax when you eventually start to draw down your pension funds).

Opportunities within the EIS scheme should be viewed as private equity with a medium to long term time frame to achieve significant capital gains. They are less likely to pay dividends so would be of less interest to those focused on regular income.

Within the Beaufort Society portfolio the **Rebel Energy** and **Brickowner** opportunities qualify within the EIS scheme.

A Small Self Administered Scheme Pension (SSAS)

If you own a limited company you can set up a SSAS pension relatively cheaply and make contributions from the trading business as well as transferring in funds from any other pensions you may have such as SIPPs. We can introduce you to our own SSAS provider if this would be helpful. The SSAS gives you more personal control and allows a wider range of investments because it is an unregulated pension. It also allows some financial engineering such as sheltering profits from the trading business from corporation tax and making loans to the business or third parties to earn interest on pension funds.

Income and capital gains from SSAS investments will accumulate tax free within the pension. Once you start to draw down your pension fund then 25% can currently be taken tax free and the rest is taxed at then prevailing income tax rates.

Beaufort Society investments that could fit within a SSAS structure include the **LPV Capital and Income** fund and the **Litigation Loan Note** if you do not need the income now and would prefer to compound the interest in a tax free wrapper. Under current legislation these funds cannot be accessed until the age of 55 (likely to be raised to 57 soon) so your investment time horizon needs to take this into account.

While Rebel Energy and Brickowner can be held within a SSAS pension (and possibly a SIPP) this would effectively remove the EIS benefits and replace them with the pension tax benefits. Still a good outcome for tax mitigation but not as optimal as protecting investments outside your pension that would normally be subject to (increasing?) levels of income and capital gains taxes.

Food for thought.

The Hidden Inflation Eating Away At Your Wealth

People often ask why we've not seen massive consumer price inflation despite all the money printing and quantitative easing that began in 2008 and was turned up to warp speed in response to the pandemic. The answer is that we have seen enormous inflation in asset prices while certain prices in the shops have also increased due to supply shortages. But the hidden inflation has been in the money supply – if all else remains the same but there are 15% or even 20% more pounds and dollars in circulation then your purchasing power has been diminished by all that extra currency. That's why Michael Saylor put all his company treasury funds, \$450 million worth, into Bitcoin because that can't be debased by over supply. His view was that he would have needed a 15% return in dollar terms just to stand still, and with no dollar based investment offering that return he was forced to look for another asset class to protect the purchasing power of his funds. Obviously, on a day to day

basis Bitcoin is massively more volatile than the \$US – indeed on the day I write this the crypto currency is down by 20% after a strong bull run – but he is taking a 10 year view that is also clearly shared by Elon Musk.

Whatever your thoughts on Bitcoin, be aware of the high price of staying in cash versus investing in assets that offer growth, income or a mix of the two.

The Beaufort Society Investment Portfolio

Every so often one of our investment partners reaches their goal and decides that they no longer need us to raise funds for them. So it is with our discounted gold offering which has now been withdrawn as the company prepares for an IPO.

However I'm pleased to say that we have a new opportunity to share with you and a returning one after the inevitable pandemic-induced delays.

Opportunity 1 – Income Now, Growth Later From This £109 Million Fintech

After our successful raise in 2019 the Quantum Group has gone from strength to strength with further development of the Volopa multi-currency card, the acquisition of 100% of the consumer discounting platform Tail, the launch of the Oya remittance app in Nigeria and new technologies being deployed in their high-end security business Valykyrie.

Conscious of the need to keep up with market trends, they now want to add both crypto currency and gold/silver bullion as further currencies on the Volopa card. This will be revolutionary because it means you can protect your wealth from the hidden inflation I mentioned earlier by holding, say, gold or bitcoin on your card and either using it to pay for your purchases or converting just enough into fiat currency to fund lifestyle purchases as you need them.

To fund this development they are offering a convertible loan note which pays quarterly interest for 12, 24 or 36 months as follows:

- 1 year loan note – 10% per annum paid quarterly
- 2 year loan note – 11% per annum paid quarterly
- 3 year loan note – 12% per annum paid quarterly

At the end of the loan period, you can either receive your capital back or convert it into equity in Quantum Group at a 20% discount to the then current share price. The minimum investment is £25,000 and you can invest with cash, via a SSAS pension or through a family investment company. For more information either have a chat with your regular Beaufort contact or visit <https://beaufortsociety.club/quantum-page/>

Opportunity 2 – Return of the Midas Man Movie

There's no sugar coating the challenges that the film industry has faced – productions ground to a halt, cinemas closed, actors availability hard to pin down. Equally, there's no disguising that content is king with streaming companies paying more than ever for films that can be made. Against this backdrop Midas Man, the unique story of Beatles manager

Brian Epstein, has continued to arouse interest while production has been pushed back again and again. The Hollywood Reporter article last summer was reproduced in over 600 media outlets and discussions with major distributors are setting expectations of minimum guarantees in the £25-35 million range. After the longest tease in Hollywood history, announcements of the cast are imminent and production is (tentatively) slated to start in June. There's already a serious roster of talent involved in the film from director Jonas Akerlund to producers Trevor Beattie and Mark Borkowski.

From an investors perspective this is the second tranche of funding which sits behind the £3.6 million return due to the 100 or so folk (including yours truly) who invested in the first round and have clearly had their funds tied up for longer. Once they have received their £3 million capital and 20% uplift back, they then receive 30% of the ongoing royalties from the film. Investors in tranche 2 will also receive a 20% uplift on their capital, paid from the 70% remaining after royalties to the tranche 1 investors. Once the tranche 2 capital and 20% uplift is paid off, tranche 2 investors will receive 25% of the ongoing 70% returns.

Just to be clear, none of this is guaranteed – you must form your own view on the likely success of the film, but the potential is unlimited. The success of recent music biopics shows the strong global appetite for this genre of content. The minimum investment is just £10,000 and, once that longed for normality returns, expect some invitations to private viewings and 'meet the team' events.

OPPORTUNITY 3 – The Zoom of Property Investing with huge EIS tax benefits

If you've made an investment with us in the last three years there's a strong chance you will already have used the Brickowner platform. They've built their business by making the investment process faster, cheaper and a whole lot more convenient for both investors and property asset managers.

In the early days their competition was crowdfunding platforms, many of which have since disappeared. Brickowner founder Frederick, Marquess of Bristol, saw the need to expand the platform using a registered AIFM structure, sophisticated security arrangements for investors and a custody service. The latest, and potentially most significant capability, was the February launch of their secondary market. This means that, for the first time, investors whose circumstances change in the middle of an investment period can achieve the liquidity they need by offering their shares to a new investor. The new investor 'jumps the queue' by joining the investment mid-cycle for the same capital outlay as the original investors. So it's a genuine win/win with Brickowner winning by taking fees on both sides of the transaction.

Best of all, Brickowner equity is fully EIS compliant which means:

- ✓ 30% tax relief on up to £1 million so a £100,000 investment costs £70,000
- ✓ This benefit can be carried back to the previous tax year
- ✓ Hold the shares for 3 years and no Capital Gains Tax is due on the proceeds
- ✓ After 2 years the shares fall outside your estate for inheritance tax purposes
- ✓ Loss relief means that if the shares went to zero your downside exposure could be as little as 38.5p in the £ subject to your marginal income tax rate

- ✓ CGT due in the last 3 years can be rolled over into an EIS investment

The minimum investment is £35,000 and you can see my interview with Fred Bristol at <https://beaufortsociety.club/brick-page/>

OPPORTUNITY 4 - Litigation Loan Note – Going from strength to strength

The 1999 Access to Justice act introduced the concept of Nov Win, No Fee and of After The Event (ATE) insurance to protect those who lost their claims and had to pay the other side's costs. While this has generated something of a boom time for lawyers, the need to offer No Win No Fee places severe strain on the cash flow of the law firm. Hence the need for litigation funding which this loan note enables. The niche cases our partner Woodville focuses on have specific attributes:

- 6-9 month duration
- £650 to £3000 values
- Liability already established
- ATE insurance in place when funded

Cases fall into three main categories – Road Traffic Accidents of which there are 600,000 a year in the UK, housing disrepair claims of which there are 400,000 a year and Plevin claims, a fall-out from the PPI scandal where anyone who discovers that more than 50% of their premium was paid away in commissions can make a claim for the unfair level of these payments.

Interest on the small loans is charged at 5% a month to the law firms. This may seem high, but the short duration of the cases and the high fees charged by the lawyers means that interest costs are typically 8-10% of the fee they win. The cases are too small for banks to bother with and the availability of this finance enables the law firm to keep all its staff busy and to take on more cases than its cashflow would otherwise allow. So it's a win for the lawyer, a win for the claimant and a win for us as the funder. As at 31st January 2021 this is the status of their live loan book:

Road Traffic Accident Loans

Total Number of Active Loans - 1295
Total Value of Active Loans - £1,295,000

Housing Disrepair Loans

Total Number of Active Loans - 2430
Total Value of Active Loans - £7,290,000

Plevin Loans

Total Number of Loans - 6911
Total Value of Loans - £10,020,950
Grand Total Value of Active Loans - £18,605,950

Since inception a total of 12,911 loans have been made with an average duration of 6

months and none have defaulted, i.e. all cases have either been won or the costs covered by ATE insurance.

Three Options – 10%, 11% or 12% Paid Quarterly

Those of you who like regular income combined with shorter term commitments will be interested to know that this litigation loan note can be held for 1, 2 or 3 years. The interest on the loan is 10% on the 1 year, 11% on the 2 year and 12% on the 3 year loan notes. The minimum investment is £25,000, \$25,000 or €25,000.

Better still, all interest is paid quarterly so you can achieve predictable cashflow to help fund school or university fees, care fees for elderly parents or to simply reduce your own working commitments. There are six layers of security which you can learn more about on this page: <https://beaufortsociety.club/litigation-page/>

OPPORTUNITY 5 - Rebel Energy – Get In Ahead Of Big Share Price Rise!

There's a worldwide focus on green and renewable energy now and Rebel's February launch is perfectly timed to ride that wave. We've been advised that the company is likely to be revalued in April from £6 million to around £9 million, so if you've already invested you will have experienced a 50% uplift in a matter of weeks.

If you've been thinking about it but have yet to commit, this would be the perfect time to combine EIS tax benefits with a 50% share price uplift. So you could invest £100,000, reclaim £30,000 against income tax and see the value of your shares go to £150,000 for a net £70,000 investment. Obviously this should be viewed as a medium to long term investment but the opportunity to come on board at this level disappears in a few weeks.

As a reminder, Rebel's mission is to provide the cleanest energy possible with new robotic technology that allows it to be in the lowest quartile on prices. This also supports its secondary mission to address fuel poverty by combining affordable energy with flexible payment plans. Rebel Energy will have 4 income streams:

- Monthly supply fees
- Management fees for maintaining devices/batteries/storage
- Commission on sale of appliances, devices and service contracts
- Trading excess production on the energy markets

Rebel Energy is an equity investment which we would see sitting in the Bedrock layer of your Wealth Pyramid with a 3-5 year time horizon. While the company intends paying dividends at some point in the future you should not rely on receiving any regular income from this investment. There is the potential for the company to become worth many times its current valuation if the business plan is executed as well as it has been presented. However, as with all start-up companies there are also risks that you must be comfortable with before investing. You can exit any time they have another funding round though you must hold the shares for three years to qualify for EIS relief.

Rivals like Octopus and Ovo now enjoy unicorn valuations above £1 billion which they have achieved within a five year window. The minimum investment in Rebel Energy is £25,000 and you can learn more at <https://beaufortsociety.club/rebel-page/>

Final Word

I hope you're enjoying the mix of content we provide to Beaufort Society members. We've already passed the 100th episode of **Money Minute** on Youtube and are seeing growing subscriber and viewer numbers on *Renegade Investor Academy*. We've also managed to curate what I hope you'll agree is an interesting mix of investments offering either regular income at levels unavailable in the wider market or exceptional capital gains opportunities backed by some of the most generous tax breaks on the planet. The one missing ingredient is our live events which realistically we expect to reinstate in th

e autumn. With holiday bookings up 500% since Boris announced his roadmap I don't think you'll be around in the summer as we all head for anywhere other than home.

Stay well and I hope you can join me on the evening of March 10th for the nearest thing we can offer to a live event in the first quarter of 2021.

Graham

P.S. Here's the link to register for the Renegade Investor Revolution webinar:

<https://www.renegadeinvestoracademy.com/>

PLEASE White-List Our Emails As Many Are Not Getting Through!

Graham Rowan – graham@beaufortsociety.club

Simon Walker – simon@beaufortsociety.club

Paul Kingston – paul@beaufortsociety.club

Tel: 0203 873 2435

Web: www.beaufortsociety.club

Email: help@beaufortsociety.club

DISCLAIMER

Beaufort Investor Club Limited trading as The Beaufort Society is not authorised or regulated by the Financial Conduct Authority (FCA).

Beaufort Investor Club Limited does not provide any financial or investment advice. We can provide a referral to a regulated advisor who will offer appropriate advice, or to the company offering an investment who will determine your suitability for the investment prior to any offer being made. We strongly recommend that you seek appropriate professional advice before entering into any contract. The value of any investments can go down as well as up and you might not get back what you put in. You may have difficulty selling any investment at a reasonable price and in some circumstances it might be difficult to sell at any price. Do not invest unless you have carefully thought about whether you can afford it and whether it is right for you and if necessary consult with a professional adviser in accordance with the Financial Services and Markets Act 2000. These products are not regulated by the FCA or covered by the Financial Services Compensation Scheme and you will not have access to the financial ombudsman service. Information is provided as a guide only, is subject to change without prior notice and doesn't constitute an offer of investment. Some investments may be restricted to persons who are high net worth, sophisticated or professional investors or who take independent advice from an authorised independent financial advisor.