



CLIENT MARKET COMMENTARY

28 November 2019



TRADE WARS

Although an all-out trade war between the US and China is still a major risk to Global markets, there seems to be movement towards an initial agreement by the two countries. This is by no means a final trade agreement and there's still a very long way to go until that is possible, however this initial phase – which includes a pause on potential tariffs and a Chinese guarantee to purchase over \$20bn worth of agriculture products from the US – boosted the US stockmarket to record highs for the second month in a row with Donald Trump telling reporters a breakthrough was imminent.

GENERAL ELECTION FEVER

General Election fever is again taking over the UK as we head to the polls for the third time in 5 years, and that's without taking into account the small matter of a referendum wedged in the middle. In what is starting to feel like an annual event, we're again being asked to choose between Left or Right, Red or Blue, In or Out; in what has effectively become the Brexit election. The main focus of all parties on the campaign trail has been what type of Brexit they're going to deliver, and whether or not we even want to leave the EU at all. If the Conservative party win a majority, we would expect to see Boris Johnson's withdrawal agreement voted through Parliament and we would leave the EU on or before the 31st of January. If Labour is able to form a majority, we are likely to see the deal renegotiated with the EU and then put to the public with another referendum, with the option to remain included as an option. Markets favour the first option as they would rather avoid another period of uncertainty.

RECESSIONARY RISK

As recently as just a few months ago, markets were anticipating a potential recession in 2020, however renewed optimism surrounding a US/China trade agreement and an uptick in Global growth have pushed those forecasts out to 2022. Potential risks which could bring that forward again include a hard-left Democratic candidate defeating Donald Trump in next year's US Election and the potential Healthcare and Tax reforms which would come with that and threaten the stockmarket, or the breakdown of trade talks between the US and China.

OUR VIEW

The market is predicting a low level of growth, but we do believe there are some reasons for positivity. We continue to be supportive of stocks but remain mindful of the potential risks in the current market and we have reduced our overweight position. The main risks still come from Brexit and US-China trade tensions.

INVESTING WITH US

Our key goal is to deliver good outcomes for our customers. We do this by following our core beliefs:

- **Pensions are long term investments**

While it can be hard to watch large market drops, especially if the value of your savings is falling, it's important to remember that investing for retirement is a long term game. It's very normal for an economy to go through phases of expansion and contraction.

In fact, over the long run there is a recession every five to ten years. We think of these cycles in terms of waves of growth and inflation, and consider which investments do best when growth is strong or weak, and when inflation is falling or rising. Our investment experts analyse and understand where we are in that cycle and which types of investments we should be investing in within the portfolio mix. This is called the short term view and we do this on a day to day basis so that we can try to maximise returns and avoid some of the losses.

Falling markets can be buying opportunities, particularly when you are planning to invest for a long time period. We see the current market falls as potential buying opportunities for equities. The multi asset portfolios are currently holding slightly more equities than average, having bought on the recent dips. We're also holding more corporate and high yield bonds.

- **Greater diversification**

We believe that investing in a wide range of asset classes will result in more consistent performance across a wide range of economic conditions. This spread of different investments helps to reduce the risk of having all your eggs in one basket.

The Governed Portfolios are designed for investors who are saving into a pension and aim to maximise returns above inflation within a defined risk framework and term to retirement.

The Governed Retirement Income Portfolios (GRIPs) are designed for customers who are taking money out of their pension on a regular basis and aim to maximise returns above inflation to support sustainable, regular income withdrawals for a range of risk profiles. The portfolios hold a wide range of investments, including company shares, property, bonds, commodities and cash in order to help them meet their objectives.

- **Governance**

We believe that all investment options should be monitored on a regular basis, and this is a core part of what we do for our customers. All the portfolios are monitored on an ongoing basis by our experts to ensure they deliver in line with their objectives. You can keep an eye on how your investments are performing using our online service.

If you are in any doubt about the suitability of any particular type of investment, you should seek professional financial advice. Advisers may charge for providing such advice and should confirm any costs beforehand.

For more information please speak to
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