ROYAL LONDON

MARKET COMMENTARY

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MARKET REBOUNDING

Stockmarkets across the globe have bounced back from December lows, with the UK rising to levels it hadn't reached since October. In the US, the Federal Reserve - their equivalent of the Bank of England - held interest rates at 2.5% and hinted they wouldn't rise as quickly as previously thought which boosted the US stock market.

US-CHINA TRADE TALKS PROGRESSING WELL?

Talks between the US and China progressed well with even President Trump's twitter feed sounding positive, stating talks are at an advanced stage. China's Vice Premier Liu has also extended his planned visit to the US which is another positive sign that an agreement is close. A finalisation of any deal would have a positive impact on global markets as it would remove a huge amount of uncertainty.

BREXIT

In Another month moves us a few weeks closer to that all-important Brexit deadline of 29 March. In the past two weeks alone we've had defections from both the Labour and Conservative parties to create a new political party - The Independent Group (TIG), Theresa May losing another vote in parliament and the 'meaningful vote' being delayed again. If this vote fails, we could see the prospect of Article 50 being delayed. Labour has intimated they could get behind a second referendum - with the choice being between May's deal and remaining in the EU.

OUR VIEW

The market is predicting a low level of growth, but we do believe there are some reasons for positivity. We begin the year supportive of stocks, however we do expect to become more cautious as the year progresses. The main risks still come from Brexit uncertainty in the UK, the possibility of trade talks between and US and China being derailed, in addition to the US central bank raising interest rates if markets grow too quickly.

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 your Financial Adviser

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