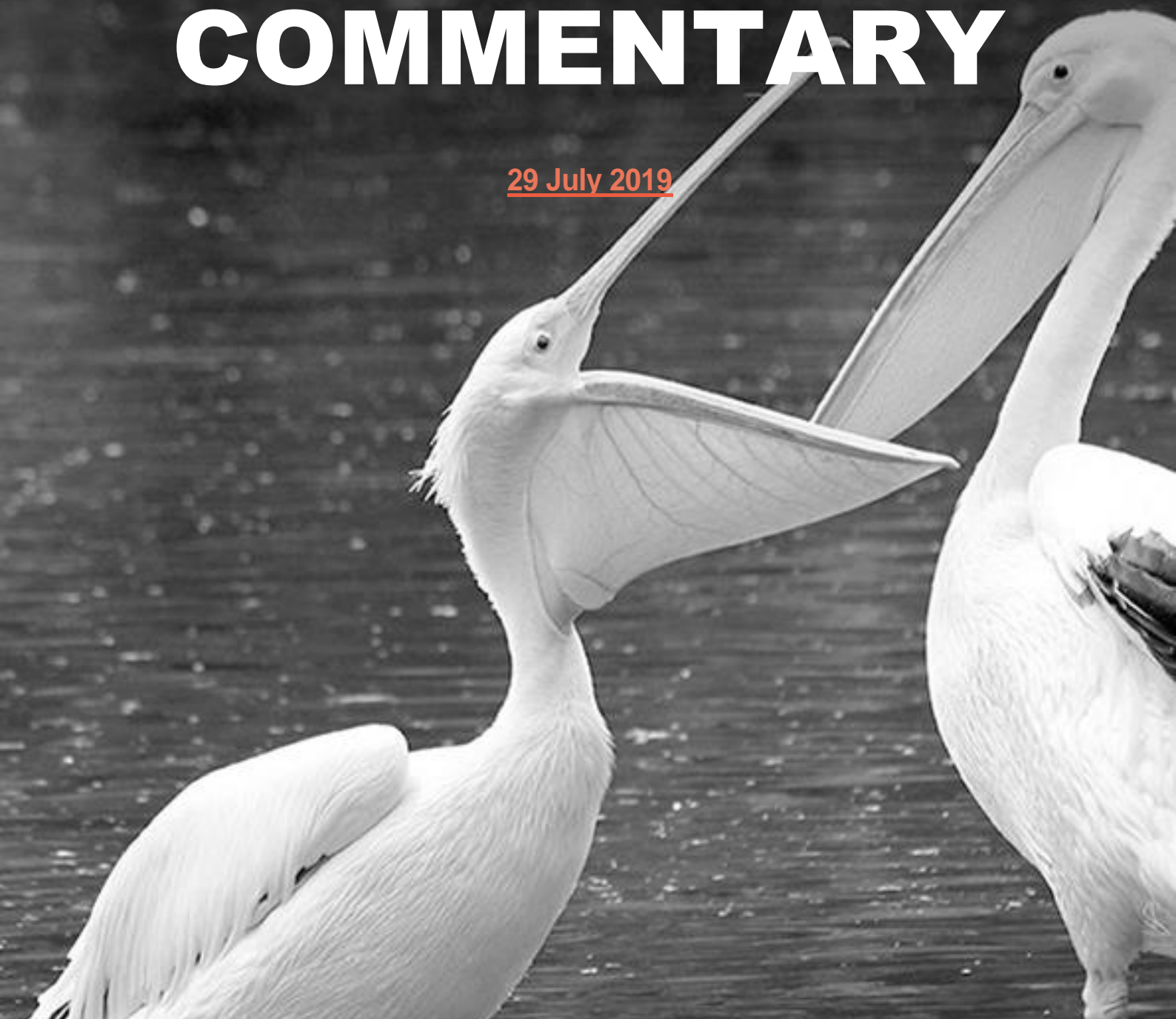




CLIENT MARKET COMMENTARY

29 July 2019



US REBOUNDS

US markets bounced back from a poor month in May to hit record levels in June. Donald Trump tweeted that trade talks between the US and China were set to resume after a productive meeting between the two countries at the G20. There was also an announcement that no additional trade levies would be implemented before the next round of talks. This, along with the likelihood of US interest rate cuts, boosted the global economy.

TECH SAVVY

Global markets have had an extremely strong 6 months to begin 2019. The main drivers have been the Tech stocks the majority of us have probably used at some point this year – Facebook, Amazon, Netflix and Google. As we move towards a society where people care more about the environmental impact of their investments, these types of stocks are becoming more popular than old favourites like BP and Shell.

BORIS DOES BREXIT

At the time of writing, it has just been announced that Boris Johnson has won the Conservative leadership race and is therefore the UK's new Prime Minister. The only thing this guarantees in terms of Brexit is further uncertainty. It's unclear at this point how this will affect future negotiations with the EU, they've intimated that they're unwilling to come back to the table but this could change with Johnson's threat of being willing to walk away without a deal. This could lead to another General Election as we wouldn't expect either the current deal or No Deal to be ratified by Parliament.

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. The main risks still come from Brexit uncertainty in the UK and the potential of trade talks between the US and China collapsing completely. We also believe the US Federal Reserve will cut interest rates at least once between now and the end of the year which should benefit Global markets.

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



Royal London
1 Thistle Street, Edinburgh EH2 1DG
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