



# CLIENT MARKET COMMENTARY



### **TARIFF MAN**

There was mixed news this month for the world's worst superhero. The US trade war with China showed no signs of being resolved with further talks due to take place at the end of June. On the other hand, Donald Trump's threats against Mexican goods led to an agreement on immigration between the two countries which provided some short-term relief for markets.

However, this may embolden him further in his strategy of spraying tariff threats around which will increase uncertainty in the market going forward.

### **POTENTIAL US/IRAN CONFLICT**

We're back with Donald Trump again as the threat of a potential conflict with Iran increased over the past month. We've had a US drone shot down over Iranian airspace which came hot on the heels of the US blaming Iran for the bombings of two oil tankers in the Gulf of Oman. This sent oil prices skyrocketing which boosted the Global economy, with the threat of US sanctions raising the possibility of prices rising further.

### **JOHNSON OR HUNT?**

The Conservative leadership contenders were whittled down from 12 to 2 in this past week, with Conservative party members voting for our next Prime Minister at the end of July. Boris Johnson is currently the clear favourite and has promised to take the UK out of the EU at the end of October even if no deal can be agreed. However, whoever the new Prime Minister is, the composition of MPs in Parliament will not change, and given they are against both No Deal and the current deal on the table, we expect the uncertainty around Brexit to extend over the coming months.

### **OUR VIEW**

The market is predicting a low level of growth, but we do believe there are some reasons for positivity. We began the year supportive of stocks; however we expect to become more cautious as the year progresses. 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



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