QUARTERLY ADVISER

VOLUME 1

QUARTERLY ADVISER | 2023

Welcome to the first edition of the Quarterly Adviser.

Against the backdrop of the ever-changing landscape of the UK economy, we believe it is more important than ever to keep our clients up to date with the latest news and discussion topics and to offer you the reassurance, that your investments are in safe hands.

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Investment update

June/July 2023

Index	Level 30th April	Level 31st may	Change
S&P 500	4169	4179	+0.24%
FTSE 100	7870	7446	-5.4%
Euro Stoxx 600	466	451	-3.2%
Nikkei 225	28856	30887	+7%
Shanghai	3350	3204	-4.3%
US 10 Yr Treasury Yield	3.45%	3.63%	+0.18
UK 10 Yr Gilt Yield	3.72%	4.17%	+0.45
Bund 10 Yr	2.32%	2.27%	-0.05

Overview

May's financial headlines were dominated by the negotiations going on between US President Biden and the Republican House Speaker Kevin McCarthy around increasing the US government debt ceiling to $31.4 trillion.

However, pretty much as expected, the parties came to an agreement ahead of the deadline and the bill passed through both chambers of Congress, which avoided a default and provided some reassurance to markets. It runs until 2025 and caps some government spending. Elsewhere, the focus continued to be on inflation and central banks' action in relation to it.

US

Companies' Q1 earnings have now mostly been reported, seeing a decline of around 3% on average. This was ahead of most expectations, with analysts' previously expecting a decline of around 6%. The US stock market was fairly subdued for most of May, given the aforementioned debt ceiling discussions.

However, semi-conductor manufacturer, Nvidia, sparked huge investor interest when they announced betting than expected earnings and an improved outlook, due to soaring demand for their AI empowering chip.

Their shares went up by 24%, breaking the record for the largest daily increase in market value along the way and they became the world's 6th largest company by capitalisation as a result (with a precipitous valuation to match).

This partially reflects the rather focused activity in the US stock market at present, with IT related stocks making most of the running year to date, while the rest of the market looks lacklustre to say the least.

However, our mainly passive approach to the main market within portfolios has been beneficial, as these stocks dominate the index.

On the economic front, there are still mixed signals about how the economy is performing, thus making it difficult for investors to judge whether peak interest rates and how long they will stay elevated for, although inflation does appear to have peaked.

Many indicators are suggesting a shallow recession and it is likely that earnings will contract further as a result. Therefore, a modest underweighting is being maintained in portfolios.

UK

The UK stock market was one of the more subdued, with the FTSE 100 down by over 5%, which coincided with the continued strength of the pound, as higher forecast interest rates pushed sterling up.

Much of the attention in the UK was focussed on the inflation rate where, as expected, we saw a significant fall in the rate due to lower energy prices.

However, there was some disappointment in both the level of the drop in consumer prices from 10.1% to 6.7% and the rise in core inflation from 6.2% to 6.7%, caused primarily by continued upward pressure in food prices (up 19% yoy) and broader service sector inflation.

As a consequence, the UK 10-year gilt yield rose to a level close to that seen following the Truss/Kwarteng mini-budget of 2022, as it became evident that the UK was further from peak interest rates that the US and fuelled expectations of a 13th consecutive rate hike by the Bank of England in June.

Notwithstanding this, there are some attractive valuations in certain areas of the UK market and portfolios maintain a modest overweighting.

Europe
Equities saw a move down in May, as weaker goods demand was seen across the Eurozone, coupled with continued volatility and the likelihood of a recession. The European Central Bank (ECB) increased rates by 25 basis points in May, which was largely expected.

The slowing pace reflects that past rate hikes are starting to impact inflation and monetary conditions.

The market still believes there are two further hikes to come from the ECB, which would bring the deposit rate to 3.75%.

The inflation rate increased slightly during April, coming in at 7.0%, up 0.1% from a month earlier.

That said, the core inflation number, which tends to be stickier, declined for the first time since June 2022, falling to 5.6%

Japan
Japan has been one of the outstanding performers year to date, with the market up over 14% in local currency terms. There is increasing investor interest in the market, as we see a pickup in economic activity, with modest inflation evident for the first time since the 1990's and companies on attractive valuations.

May saw strong annualised growth figures at 1.6%, higher than the consensus forecast of 0.7%, and largely due to a gradual acceleration in private consumption after the removal of remaining Covid restrictions late last year. This has coincided with rising wages - earlier this year Prime Minister Kishida urged firms to increase wages as inflation continued to rise, and companies are now starting to listen.

Rising wages is significant in Japan as they have been stagnant for decades. For example, in February Honda said it would raise salaries by 5%, their biggest increase since 1990. Core inflation saw another rise in April to 3.4%, meaning that it has now been above the Bank of Japan target of 2% for 13 straight months.

Emerging markets
Data during May continued to dampen the mood over China's zero-Covid recovery. Industrial production and manufacturing data continue to disappoint and suggest that after a strong first quarter there has been a slowdown in activity. The impact led by the US so-called onshoring, nearshoring and "friend shoring" has stemmed the surge in demand for Chinese manufacturing. Commentators are calling for China's Central Bank to step in and provide further stimulus, but there have not been any significant measures yet. It is also worth considering that policy is normally more targeted, rather than broad measures we see from the Central Banks of more developed countries.

The overall region has been helped by stronger performance in the tech sector across South Korea and Taiwan, whilst Latin America continues to perform well.

Outlook
The allocation to short-dated fixed income is likely to deliver benefits when rates begin to come down. Bolstering European equities has paid off and gains made from an enhanced Japan allocation in portfolios reflect the changes underway there. Longer duration strategies, both for fixed income and equity, remain on the watch list although conditions are not yet sufficiently attractive. Portfolios retain a healthy and profitable balance in money market funds which offer-up decent almost risk-free yields and cash holdings remain in position, allowing for a nimble strategy and poised to place a growth seeking strategy when the moment arrives.

Rockhold Asset Management, with contribution from Alpha Beta Partners and Marlborough, June 2023

The importance of using a Financial Planner

A good Financial Planner can help you make informed decisions about how to use your money, to achieve your financial goals.

Their role is to use their extensive knowledge to help you make informed decisions, to ensure you can navigate complex situations and life stages and in turn, meet your financial objectives.

Here are some of the key reasons and benefits of beginning a relationship with a high-quality financial planner.

Bespoke financial plan

A Financial Planner can work with you to create a customised financial plan based on your specific goals and financial situation.

They can help you identify your financial priorities, develop a budget and create a plan for saving and investing your money.

Investment advice

Taking the responsibility to invest on behalf of yourself or your family can be a huge risk and recently, retail investing has grown in availability and popularity.

Although there are many learning resources and training programmes available to retail investors, the reality is that without extensive experience in the markets, it can be very difficult to make informed decisions.

Investments carry risk and investing directly through apps and websites can increase the risk of poor suitability, when compared to investing with a quality financial planner, who's role is to match investment products to your investment needs.

Your Financial Planner can help you understand the risks and rewards of different investment options and provide guidance on which investments are right for you based on your goals and risk tolerance.

The goal, is for you to be reassured that you are doing all that you can to secure the financial future of yourself and your loved ones.

The best way to do this, is to use the services of an advice firm who have helped people in similar situations, with similarly important financial goals.

Retirement planning

A financial planner can help you plan for your retirement by creating a comprehensive retirement plan. They can help you determine how much you need to save for retirement, identify the best retirement savings options for your situation and develop a plan for withdrawing your savings in retirement, to maximise your comfort during the golden years of your life.

Tax planning

Tax laws impact every one of our lives and a financial planner can help you understand what specific tax bands and opportunities are relevant to you, with the goal being to minimise your tax implications where appropriate. They can help you identify tax-efficient investment strategies, maximise deductions, and avoid costly tax mistakes.

Objective advice

The advice process is unique to each customer's investment journey requirements. You can expect to be provided unique guidance on financial products and services that best meet your needs and guidance as to how you can remain disciplined and focussed on reaching your financial goals.

Speak to your Financial Planner today to find out more about what services are available to you and start your financial journey the right way.

The benefits of investing in your early working life

Investing in your early working life can be one of the best decisions you make to prepare for your financial future.

Whether you're just starting out in your career, or you've been working for a few years, investing early can set you up for long-term financial success. In this article, we'll explore some of the reasons why it's better to invest in your early working life.

Time is on your side

One of the biggest advantages of investing early is that time is on your side. The earlier you start investing, the longer your money has to accumulate.

Over time, even small investments can compound and have the potential to grow significantly. By starting early, you have more time to ride out market fluctuations and take advantage of the power of compounding.

Diversification

Historically, equities (or stocks) have provided higher returns than other types of investments like savings accounts or bonds.

While there is always risk involved with investing, the potential for higher returns is much greater.

It is important to remember that **this is a long-term plan, not a get rich quick scheme.**

Evidence suggests that holding positions for longer periods of time, results in better results and by investing early, you give yourself that benefit of cumulative, long term, accumulation.

It is important to remember of course, that holding a proportion of your capital in cash is advised.

Life is full of surprises and an unexpected life event can add a huge amount of financial pressure. it is important to hold liquid (or freely accessible) capital, to ensure that you are prepared for any eventuality.

Investing in a diverse range of assets can help reduce risk.

By diversifying your portfolio, you can spread your risk across multiple investments and increase your chances of long-term success.

Retirement savings

Investing early in your career can also help you build a strong retirement savings plan. By starting early, you can take advantage of employer contributions and tax relief.

The value of tax reliefs depends on your individual circumstances. Tax laws can change.

Again, these benefits combined with the compounding can help you set yourself up for a comfortable retirement later in life.

A pension is not normally accessible until 55 (57 from April 2028)

Achieving financial goals

Whether you're saving for a down payment on a house, a dream holiday or your child's education, investing early can help you achieve your financial goals faster.

By setting aside money and investing it wisely, you can grow your wealth and achieve the goals, that will become more and more important to you as you progress through your career, hit different life stages and in some cases begin a family.

Equity investments do not afford the same capital security as deposit accounts. Your capital is at risk. The value of your investment (and any income from them) can go down as well as up and you may not get back the full amount you invested.

How to adapt your finances during a cost-of-living crisis

In recent years, the cost of living in the UK has increased significantly, making it difficult for many people to make ends meet.

From rising housing costs to increasing food prices, it can be challenging to adapt your finances to cope with these changes.

However, there are steps you can take to help you manage your finances during this time.

Create a Budget

The first step in managing your finances is to create a budget.

This involves identifying your income and expenses and then setting aside money for your essential expenses such as housing, food, and utilities. By doing this, you can keep track of your spending and identify areas where you can cut back to make savings.

Be sure to review your budget as needed. Life changes such as new job, or unexpected expenses, will require adjustments to your budget.

Use tools to help you budget

There are many free budgeting apps and tools available to help you manage your finances, such as Moneyhub, Mint, YNAB (You Need A Budget), Money Saving Expert and Plum. Use these tools to automate your budgeting, track your spending, and monitor your progress. In some cases, you will also get notified of discounts and suggestions for switching services which you will see better deals moving elsewhere.

Cut back on non-essential expenses

When trying to adapt to difficult financial times. it is essential to cut back on non-essential expenses. These can include eating out, buying new clothes, or going on expensive holidays. Instead, focus on essential expenses and try to find ways to reduce them, such as by shopping around for cheaper utility providers or buying food in bulk.

This will help you free up more money to put towards your essential expenses and help you manage your finances more effectively.

Look for ways to increase your income

If you are struggling to pay for essential monthly expenditures and you have the capacity to do so, it may be worth looking for ways to increase your income.

This can include taking on extra work, selling items, or looking in to renting a spare room if available.

This may not always be possible in circumstances where you have dependents. Which is why it is important that you don't suffer in silence and that you seek professional help.

Ask for advice

If you are struggling to manage your finances, it may be worth seeking professional advice. This can include speaking to one of the many available support organisations, including Citizens Advice, National Debtline, StepChange and the Money Advice Service.

Remember, there is no shame in asking for help when it comes to managing your finances. These organisations and resources are here to support you and help you to get back on track with your finances.

I'm a first-time inheritor...where do I start?

Receiving an inheritance can be a significant financial boost, but it can also come with a lot of questions and responsibilities. In this article, we will guide you through everything you need to know as a first-time money inheritor.

Get professional advice

Receiving a large sum of money can be overwhelming.

it is essential to seek professional advice to make informed decisions. A financial planner can help you create a plan that aligns with your long-term goals and ensures that you use the inheritance in the most tax-efficient way possible.

Understand the inheritance process

If the deceased person had a will, the probate court will oversee the distribution of assets to the beneficiaries.

If there is no will, then that person has died 'intestate' and the inheritance outcome will be set according to the law.

As you can imagine, this can be a long and costly process, so it's important to manage expectations and prepare in advance, by taking on the services of an experienced professional as soon as possible.

Avoid erratic decisions

Inheriting money can be overwhelming, and it's easy to make impulsive decisions.

It's essential to take your time and make well-informed decisions about how to spend or invest the money It's also a good idea to avoid making any significant changes to your lifestyle until you've had time to adjust to the inheritance tax payable.

Pay off debts

If you have any outstanding debts, using some of the inheritance to pay them off can be a smart move.

Paying off high-interest debt like credit card debt or personal loans can save you money in the long run and free up your cash flow.

consider your financial goals

Before spending or investing your inheritance, take some time to think about your long-term financial goals.

What are your priorities? Do you have any debts to pay off? Do you want to save for a house deposit or retirement?

Understanding your goals will help you make informed decisions about how to allocate the money.

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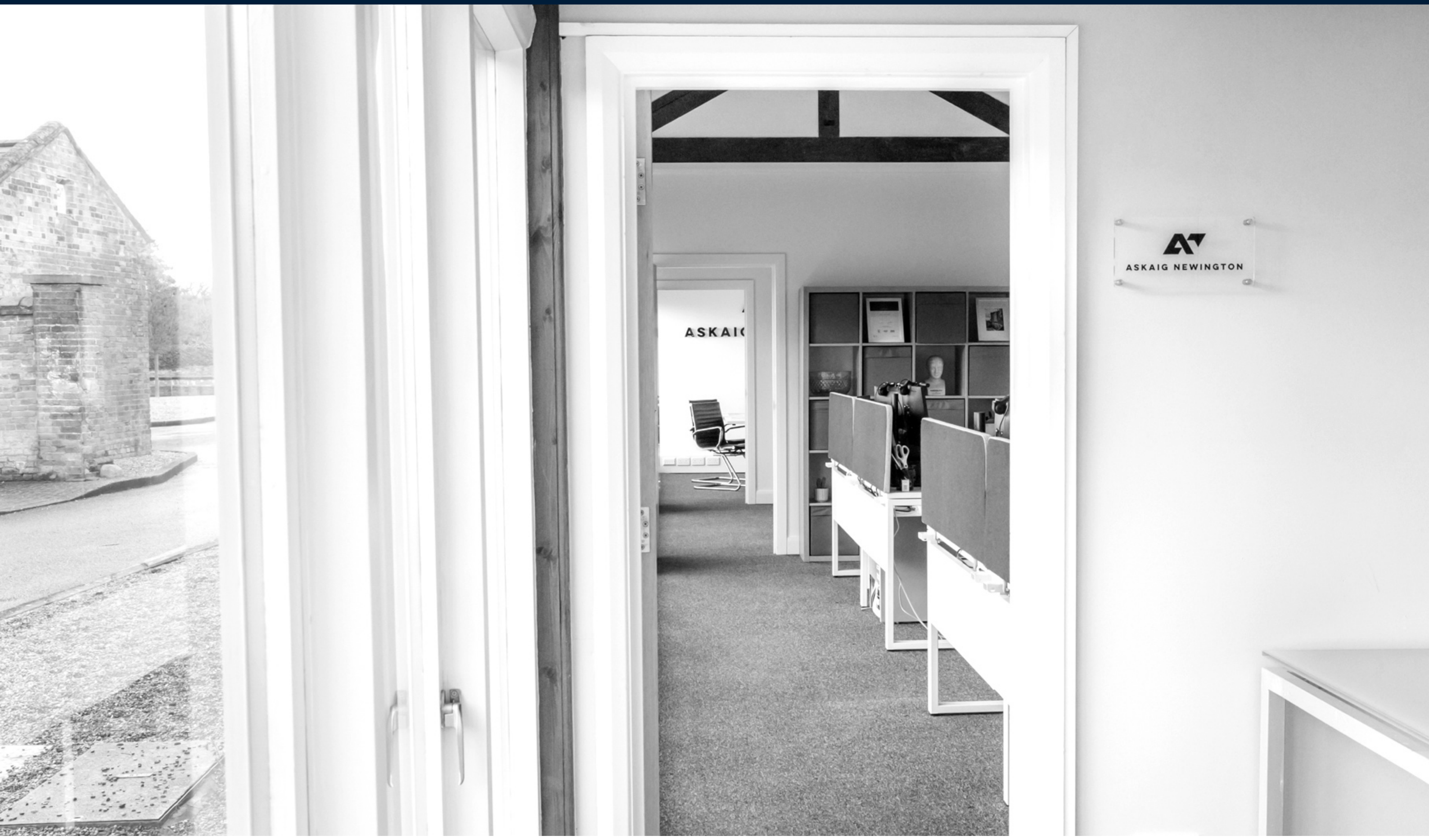

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All information It is based upon our current understanding of current legislation and HMRC guidance. While we believe this interpretation to be correct, it cannot be guaranteed that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Thresholds, percentage rates and tax legislation may change in Finance Acts and bases of, and reliefs from, taxation are subject to change and their value depends on an individual's personal circumstances.

Investments carry risk. The value of your investments (and income from them) can go down as well as up, and you may get back less than you invested. Past performance is not a reliable indicator of future results. Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.

Life Assurance plans typically have no cash in value at any time and cover will cease at the end of term. If premiums stop, then cover will lapse. You should review the level of cover required on a regular basis to ensure that it keeps in line with your earnings, otherwise, cover may be less than you need. If any relevant information provided, when applying, is not disclosed accurately and honestly, this could result in any cover offered becoming invalid and / or may result in the non-payment of any future claims.

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