
July 2019 Newsletter

Down Ratley Glover

RAYMOND JAMES | Exeter

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Unexpected Consequences

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Snack manufacturers are enjoying a boost in sales in American states that have decriminalised marijuana. We Wealth Managers and of course you, our clients, don't know about these things; however, scientific research suggests that tetrahydrocannabinol, the psychoactive ingredient in Marijuana releases a hormone that triggers hunger pangs and a neurotransmitter that increases appetite! I believe in some circles this phenomenon is known as "The Munchies".

Closer to home, the Tory leadership race has turned the country's economic narrative upside down and by the time you read this, the winner will be known. For nearly a decade the arguments between the two main parties was over fiscal prudence and which party was trusted to manage the public finances. That's all gone now, most likely it will be free-market, red-tape cutting and tax-cutting from Mr. Johnson or Corporation Tax cuts from Mr Hunt with Ms Truss agreeing. Mr Javid wants a £100 billion infrastructure fund.

There will be consequences, many unknown!

I think you know us well enough to understand that our belief remains that volatility can be managed to a fair degree by selecting an appropriate mix of primary assets (equities, property, fixed interest and cash), and by spreading your portfolios across geographical regions of the world. To date, whatever has gone on in the world, this approach is seen to be a reasonable strategy to seek stable long-term returns.

We prefer funds that track a market index over star fund managers in most circumstances. Whilst we would not deny the potential for a high conviction fund manager to outperform the market for a period, we have seen no compelling evidence to suggest that this is sustainable in the long-term and would prefer to protect our clients from the risk of over exuberance (and some might even say hubris) on the part of fund managers that can have catastrophic consequences for investors.

A Fund Change.

We have introduced the JPMorgan 1-5 Gilt Index fund across all portfolios in favour of the long-standing iShares 0-5 Gilts Index.

In addition to reducing our exposure to iShares as an asset management group, we have achieved a marginal reduction in underlying costs and, by removing the ultra-short Gilts from the equation we believe we should see a slight improvement in the yield of a core defensive holding for our clients.

As ever if you wish to chat please call.

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