Newsletter

December 2021

RAYMOND JAMES | Exeter

The road travelled and the road ahead

Year end reflections
We hope that this letter finds you and your loved ones keeping safe and well. We are approaching an important time for family and we hope that you get to enjoy the Christmas that you have been anticipating.

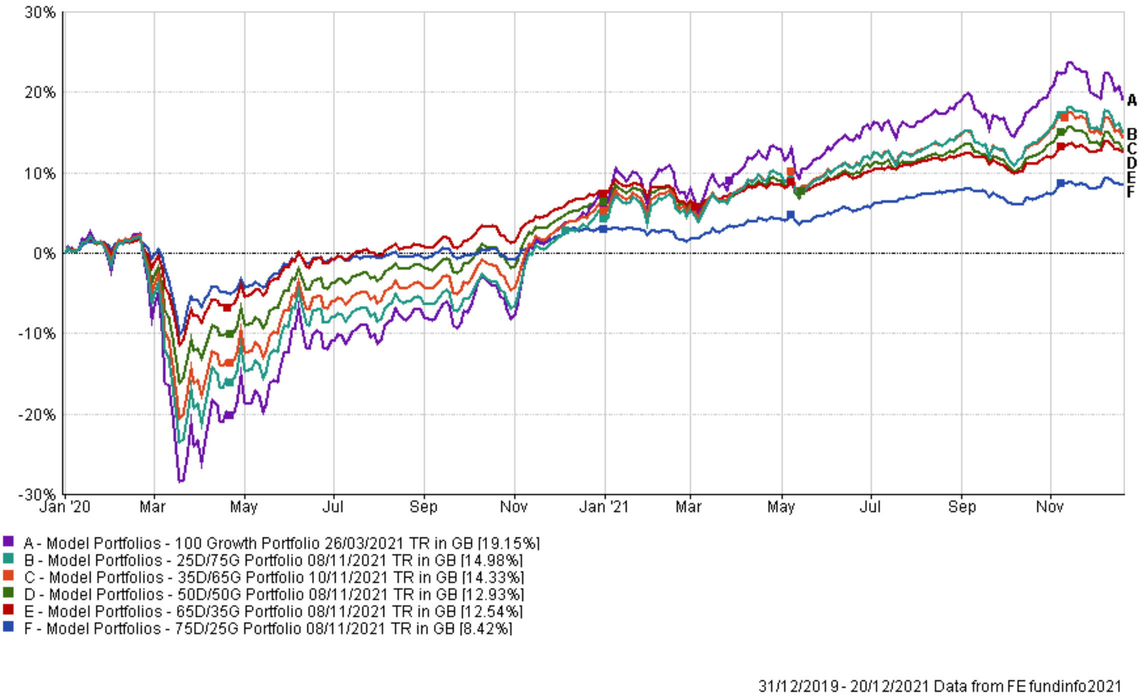
In the 18 months since the Covid shock affected stock markets and our day-to-day lives we have endeavoured to remain on the front foot as the business world faces fresh challenges.

Our colleague Andrew Welch has fully established himself as part of the team and continues to seek opportunities to support business growth in line with our strategy and principles.

James Sullivan, head of partnerships at Tyndall Investment Management, has taken a consultancy seat on our investment committee; offering guidance and support as our investment proposition evolves.

Next year, Ben Smith, chartered financial planner, will be joining our ranks from a national financial planning and investment firm. Ben had previously been an associate of Martin's and we were delighted when the opportunity arose to have him join us on our journey. Ben will be helping develop new client relationships and supporting existing relationships where succession is a live issue.

Market Observations and Portfolio Review
Despite the most recent loss of momentum caused by fresh concerns about Covid infection rates, we have seen encouraging returns from our portfolios across the year. The chart below shows the performance of our core portfolios from the start of 2020 i.e. before the arrival of the Covid pandemic.



Please note the performance excludes our management fees.

Markets are expected to continue to make progress next year albeit with periods of volatility. We have the reassurance of knowing that, in contrast to March 2020 the pharmaceutical industry is hot on the tail of the virus with new treatments being developed to combat variants within months.

The US economic data and markets remain strong and although central Europe has recently been a mixed bag, we in the UK continue to maintain good momentum in most prime economic indicators.

Most of us would have come across the supply shortages that have caused a spike in inflation, but central banks are not expected to intervene aggressively in order to bring inflation back within longer-term targets.

Any move towards wider freedoms in the travel and entertainment sectors will support inflationary pressures but politicians and commentators reassure us that there will be no return to the days of double-digit inflation from the 1970's.

There is certainly cash in consumer bank accounts waiting to be spent on the discretionary goods and 'freedom' experiences we crave. Likewise, many balance sheets are also looking healthy at this time as many companies have used technology to enable efficiencies within their businesses during a difficult time.

At present, traditional 'value' companies who historically deliver a strong dividend stream, for instance, banks, industrials and utilities are trading at a 60% discount to equivalent calibre companies in the growth sectors of information technology and healthcare. This relative valuation measure has not been so stark since the dot com bubble of 2000.

This has prompted us to trim some profits from portfolios across the board and re-base an element of our global exposure into the U.K.'s biggest 100 companies. This index tends to be focused in the out-of-favour value sectors while investors continue to seek additional returns in the US tech-centric markets for the time being.

Although we may have to be patient, we anticipate that value companies will benefit from a healthy degree of inflation and subsequent interest rate rises at which time we will see a more balanced view of their worth in comparison to their Growth counterparts.

Turning to our defensive element; we have taken the decision to trim our exposure to government bonds in favour of a holding in a range of UK-listed infrastructure projects. Instead of government interest payments or coupons, these investments repay investors with relatively high secure inflation linked rental payments which when accumulated have the potential to deliver returns comfortably in excess of inflation.

It's worth reiterating that we have not selected this fund to chase double digit returns on the back of an already healthy growth portfolio. It has been chosen to provide strong single digit returns in our defensive element and to offer greater resilience as and when the road to recovery looks most challenging.

Client satisfaction survey

Lastly, we have all had a very interesting and at times challenging year, clients and colleagues alike. As in previous years, Raymond James will shortly be issuing the central client satisfaction survey to clients across the UK.

The survey presents a perfect opportunity for us to sense check the progress we have made and provide you with the opportunity to share your thoughts from the perspective of the journey you are taking with us. We look forward to reviewing the overall results of your feedback when it is all collated in the New Year. Of course, if you have something that you wish to raise outside of the confines of the survey then we are always here to listen.

We wish you all a peaceful Christmas and a prosperous New Year.

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