Quarterly Investment Update

July - September 2023

QUARTERLY INVESTMENT UPDATE

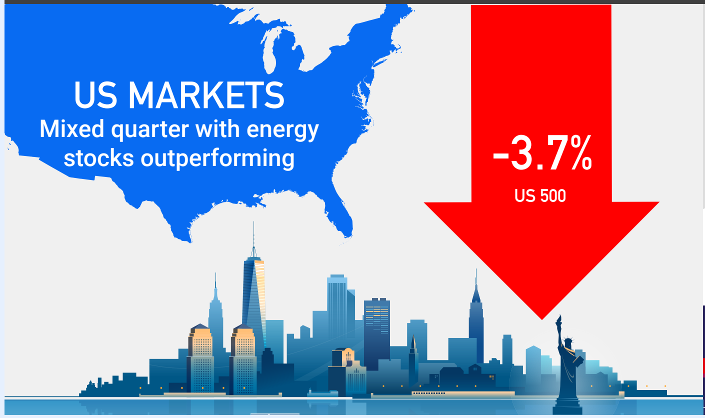
3rd Quarter 2023

SNAPSHOT

- Equities saw mixed performance, with a strong July followed by a weaker August and September.
- Macro data was robust, with inflation data largely improving across developed markets.
- Government bond yields still rose, as central bank rhetoric on inflation and issuance concerns dominated.

All percentages below are quarterly returns unless indicated otherwise

EQUITIES



BOND MARKETS

BONDS

Credit and shorter dated issues performed best

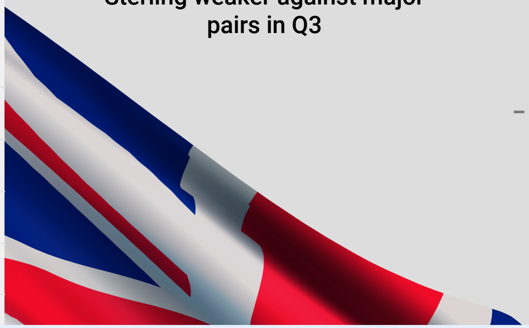
UK GILTS	-0.6%
S T EASURIES	-3.1%
LO AL CORPORATE BONDS	1.3%
GLOBAL HIGH YIELD BONDS	4.0%

*Values represent bond index returns

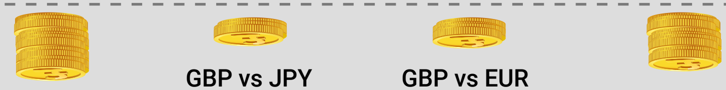
CURRENCIES

CURRENCIES

Sterling weaker against major pairs in Q3

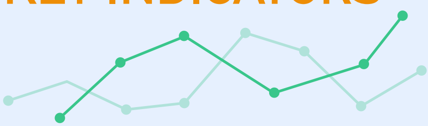


Pound vs Other Currencies



GBP vs USD	GBP vs JPY	GBP vs EUR	GBP vs CNY
-4.0%	-0.5%	-0.9%	-3.4%

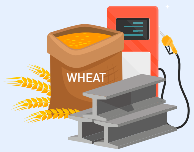
KEY INDICATORS



GOLD – XAU/USD -3.9%

OIL – BRENT CRUDE 27.3%

COMMODITIES 20.8%



INFLATION – UK CPI (YOY) 6.7%

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GLOBAL MARKETS

Mixed performance for equity and bond markets. Better inflation prints and US data led to a rally in July, but markets struggled thereafter, and energy stocks outperformed as commodities rallied.

US MARKETS

Equities declined as robust macro figures drove inflation fears.

The US equity market saw a broad rally in July, led by better core inflation data and a generally resilient macroeconomic backdrop. However, a sharp equity market correction occurred in August as the likelihood of higher rates for longer began to permeate. September saw a meaningful reversion as technology stocks retreated (Tesla, Nvidia) alongside the real estate and utilities sectors, with energy stocks benefitting due to sharp rises in oil prices driven by demand and supply dynamics. Despite some signs of cooling, yields generally moved higher as inflation ticked up in August (at 0.6%) and the dollar appreciated.

-3.7%

US 500

UK MARKETS

UK stocks returned positive and outperformed developed market peers.

The UK market saw strong relative performance through the quarter, driven by a positive inflation surprise in July and a rally in the commodity market. The energy and materials sectors were the top contributors to index performance, gaining ground following a period of relative weakness. Large cap stocks also benefited from sterling weakness, in which US dollar gains fed into their financial performance. More domestically focused sectors, such as staples and house builders, also recovered following a softer second quarter. While bonds were largely in negative territory as concerns over future gilt issuance levels saw yields move higher.

0.8%

UK All Share

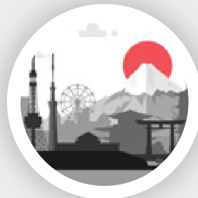
EUROPEAN MARKETS

Cyclical stocks contributed to market declines, as interest rate effects began to bite.

European equities saw a mixed month-to-month performance through the quarter but ended firmly in the red. Concerns over the impact of interest rates moving higher, as inflation remains elevated, as well as slowing economic data, weighed on the performance of risk assets, in particular the technology and consumer discretionary sectors. Oil and gas stocks, as well as large cap value equities, outperformed the broader index, owing to a rally in commodities. Manufacturing and services PMI's are now in contractionary territory. Bonds declined as yields moved higher and the euro lost ground to the dollar.

-3.4%

Euro 600 Index ex UK



JAPAN MARKETS

Japanese equities and bonds traded lower as yields notched higher.

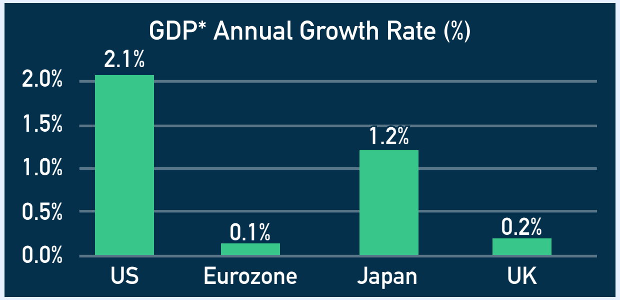
As a result of significant upward movement in yields in July, when the Japanese Central Bank modified its yield management policy, the Japanese equity and bond markets declined through most of the third quarter. The greatest stock price falls were seen in large cap growth selections, while smaller cap and value-focused stocks outperformed. Macro data points continued to be mixed, with quarterly earnings robust and services PMI's in expansionary territory on the positive side. Meanwhile, manufacturing PMIs were contractionary and inflation remains above the long-term target of 2%. The yen continues to weaken versus most currency pairs.

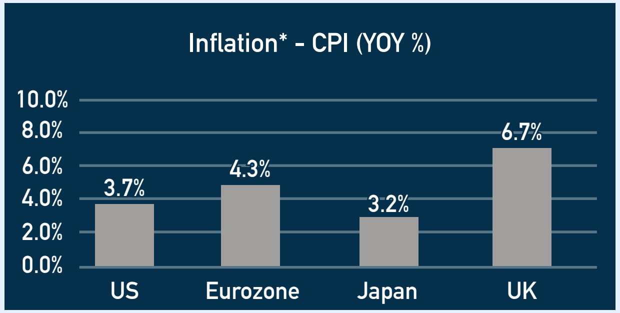
1.5%

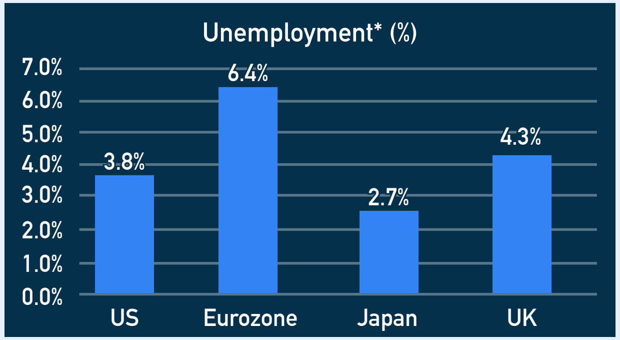
Japan Index

THE WORLD AT A GLANCE

	3rd QTR 2023	Year to Date	2022	2021	2020	2019
UK Cash	1.3	3.3	1.4	0.0	0.2	0.7
US Dollar	3.2	2.6	8.2	6.4	-6.7	0.2
UK Gilts	-0.6	-4.1	-23.8	-5.2	8.3	6.9
US Treasuries	-3.1	-1.5	-12.5	-2.3	8.0	6.9
Global Corporate Bonds	1.3	-0.3	-6.8	-1.9	7.1	7.3
Global High Yield Bonds	4.0	4.0	-2.3	2.0	3.8	8.3
US 500	-3.7	11.7	-19.4	26.9	16.3	28.9
UK ALL SHARES INDEX	0.8	1.3	-3.2	14.5	-12.5	14.2
EURO 600 INDEX EX UK	-3.4	6.5	-14.9	22.4	1.0	24.2
JAPAN INDEX	1.5	22.8	-5.1	10.4	4.8	15.2
Asia Ex Japan	-2.1	2.1	-15.4	-3.1	22.4	17.9
Emerging Markets	-3.7	-0.4	-22.4	-4.6	15.8	15.4
Commodities	20.8	5.7	41.9	41.6	-26.1	13.1
Gold	-3.9	1.3	-0.7	-4.3	20.9	18.0
Hedge Funds	0.3	1.0	-4.4	3.7	6.8	8.6







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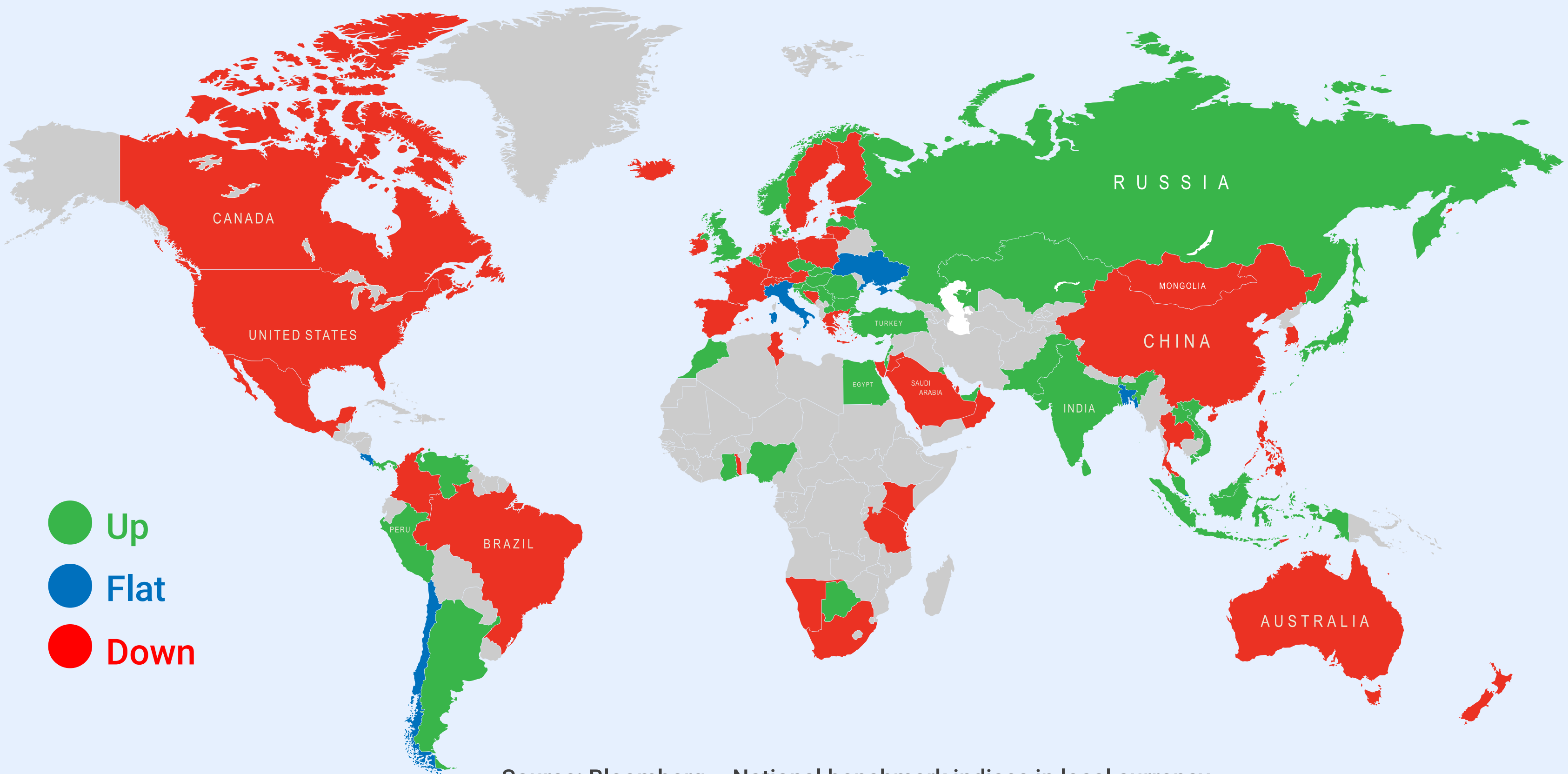
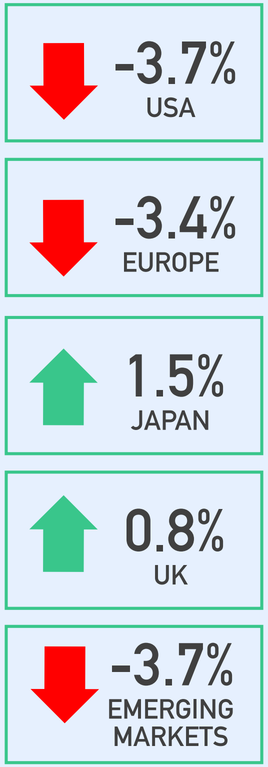
WORLD EQUITY MARKETS



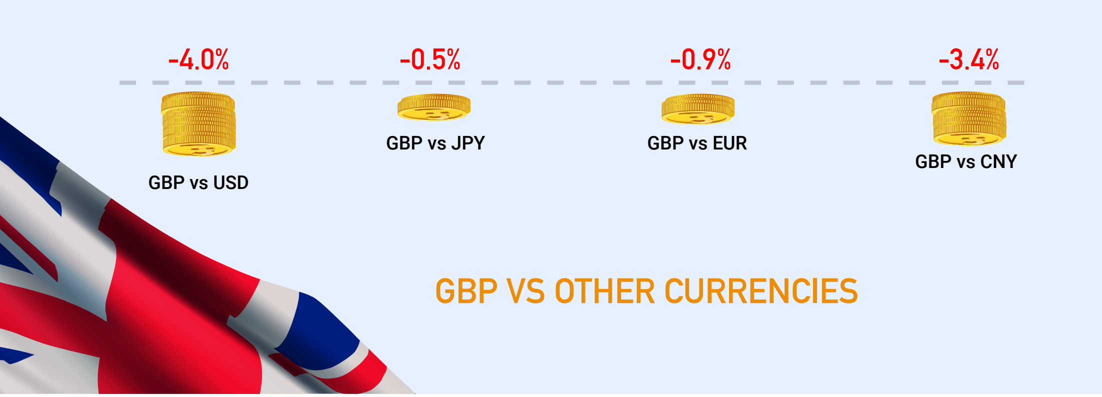


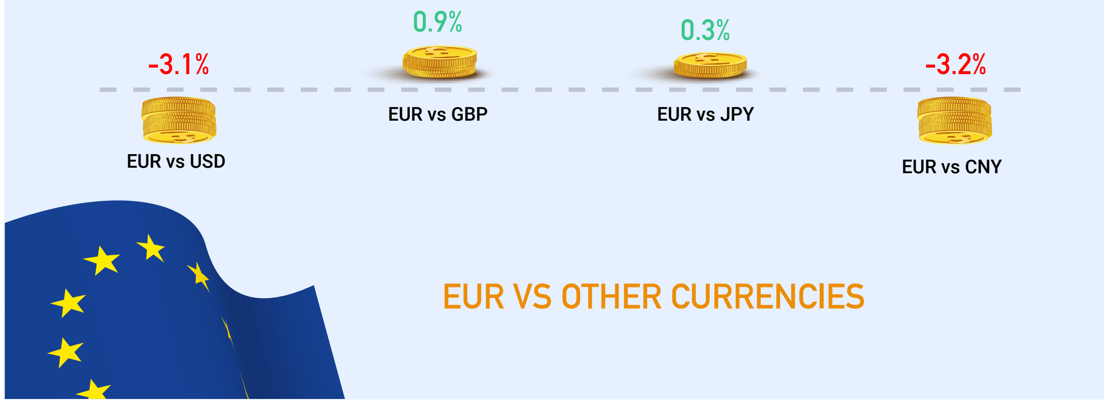
Source: Bloomberg – National benchmark indices in local currency

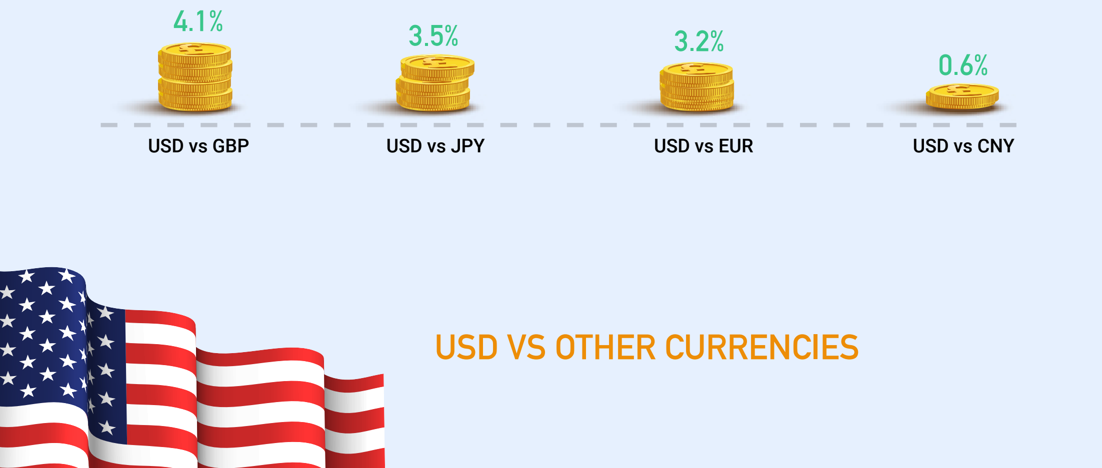
Key Points

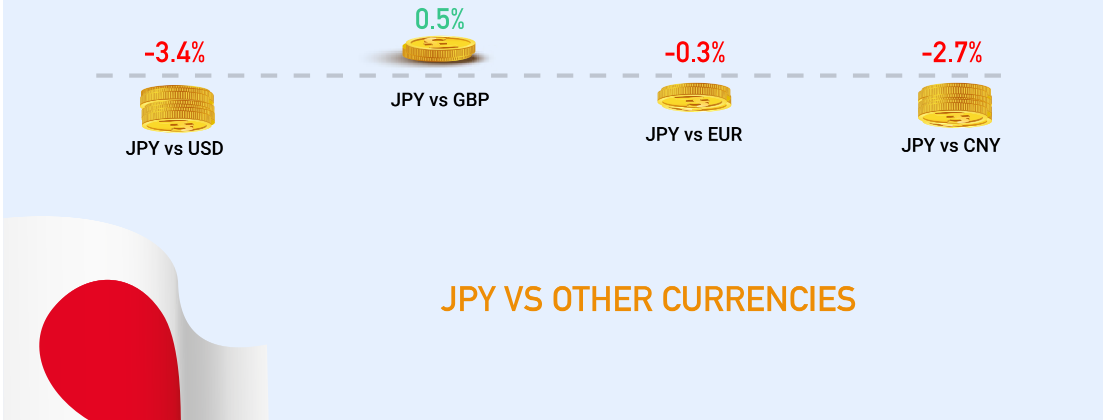
- Global equities posted negative returns through the third quarter, with commodities exposure and specifically oil being a notable area of strong equity performance amid production cuts from Saudi Arabia.
- The UK performed best among developed market peers owing to its commodities exposure, limited technology stocks, and a few large cap selections, whose financial performance is enhanced from their significant US dollar exposure and a falling pound.
- The US, Europe and Japan all saw negative returns for their respective equity markets, as large cap technology and growth declined, while energy and value-focused stocks outperformed.
- Despite a strong July, emerging markets declined overall and finished the quarter negative (in USD terms). However, led by India, Colombia, Hungary and Turkey, their performance remained ahead of their developed counterparts.

CURRENCIES







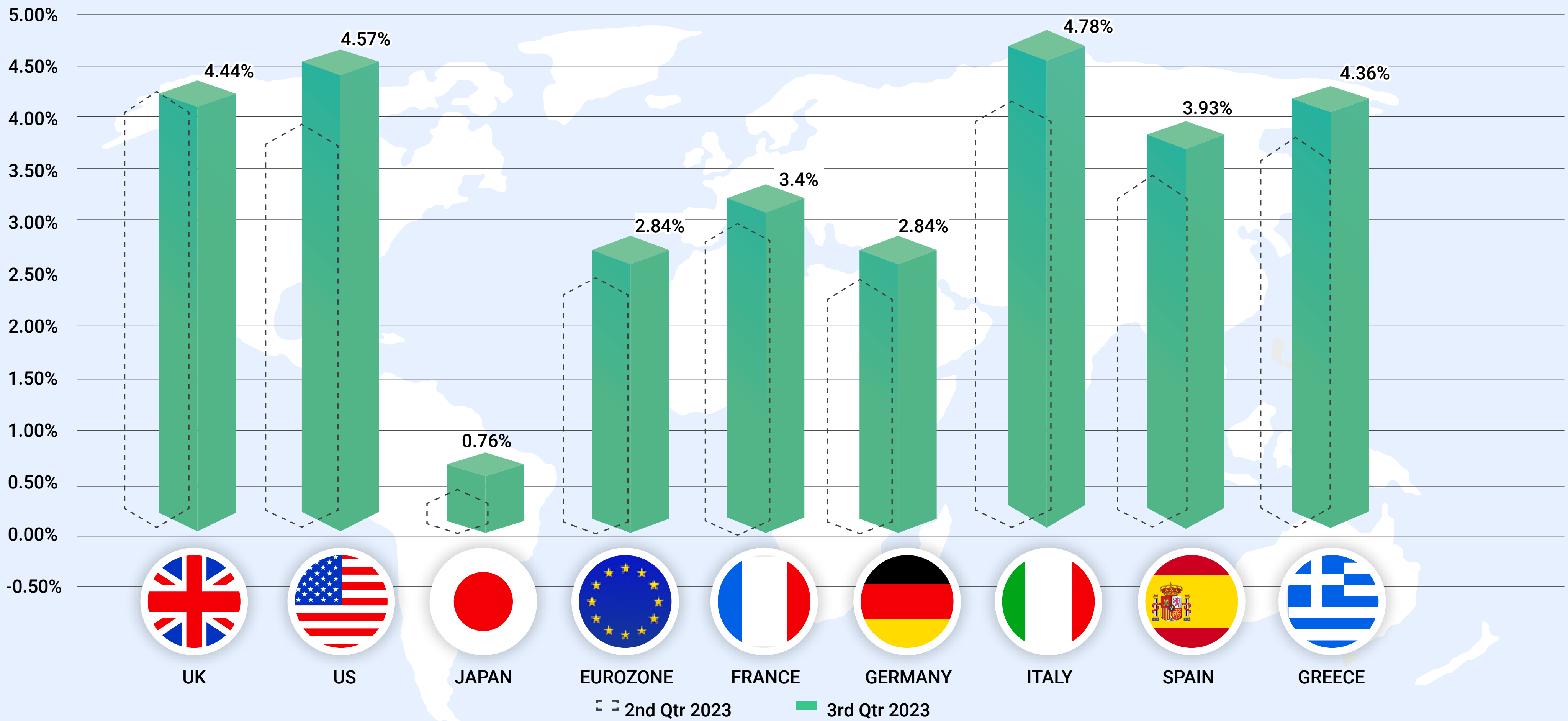


Key Points

- With inflation subsiding and the economy showed signs of slowing, sterling weakened against most major pairs through the quarter. This was most pronounced against the US dollar (-4.0%) and Chinese yuan (-3.4%).
- Despite a weakening in July, the US dollar rallied through the rest of the quarter on stronger inflation data and US macro data posting hotter than expected figures - as risk assets sold off and investors sought safer assets.
- The euro saw mixed performance through Q3, rallying against sterling and the Japanese yen, but declining against the US dollar and Chinese yuan.
- Changes to the yield management policy in Japan saw a modest rally for the yen in July. However, it declined through the rest of the quarter as yields remain materially low relative to peers, this despite inflation reaching 25-year highs.

GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- Yields moved higher across most developed economies, as year-on-year inflation began to trend lower alongside more robust datapoints being released from within global manufacturing and the labour market, particularly so in the US.
- Investor concerns surrounding debt issuance within the US, UK and Eurozone began to weigh on their respective bond markets. US national debt now stands at over $33 trillion, which spurred a ratings downgrade from AAA to AA+ by Fitch.
- For the most part, bond market performance was driven by the European Central Bank (ECB), Bank of England and Federal Reserve all hiking their rates by 25 basis points in the quarter. The market is pricing rates to stay higher for longer.
- Global credit outperformed global government bonds for the quarter, as credit spreads narrowed and central bank movements dominated.

Glossary

MACRO – short for macroeconomics, a branch of economics that studies the performance and behaviour of the economy as a whole rather than individual markets. Focuses on the analysis of large scale economic phenomena such as inflation, unemployment, international trade and economic growth. Used by policymakers and businesses to make decisions about economic policy, investment strategies and financial planning.

PMI stands for Purchasing Managers' Index. It is an economic indicator that measures the activity level of purchasing managers in the manufacturing and services sectors. The PMI is calculated based on a survey of purchasing managers who report on various aspects of their business, such as new orders, production levels, employment, and supplier deliveries. The PMI is a leading indicator of economic activity and is closely watched by investors, policymakers, and analysts. A PMI reading above 50 indicates expansion in the sector, while a reading below 50 indicates contraction.

A tenor bond is a type of bond that has a longer maturity period, typically between 10 and 30 years. The term "tenor" refers to the length of time until the bond reaches maturity and the principal amount is repaid to the bondholder.

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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK