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Portfolio Review

Donald Trump began his presidency with a flurry of activity, signing eight executive orders and four presidential memoranda in his first week. These included executive orders to advance the construction of a large physical barrier with Mexico and the construction of the Keystone XL and Dakota Access pipelines. While measures to expedite infrastructure and manufacturing projects have encouraged some observers, Trump's protectionist and nativist agenda has raised concern.

However, whilst there is concern about the deterioration of political etiquette across the 'pond', there is also Trump's astounding ability to reverse direction if it suits him. In particular, his foremost aim is to increase the rate of growth in the US and his administration are likely to voice that trade wars with his neighbours and international trade partners are just as likely to be counterproductive in growing the US economy.

Meanwhile, as part of her campaign to make the UK a "great global trading nation", Theresa May became the first leader to visit President Trump and address Congress. Mrs May focussed on the UK's "renewed special relationship" with the US and the importance of NATO reform. Concrete plans for a transatlantic trade deal would bolster investor confidence in the UK's outlook for trade.

It was therefore pleasing to learn that according to first estimates from the UK's Office for National Statistics (ONS), economic growth ended 2016 at a better than expected annual rate of 2.2%. While in the past we would have seen this as dangerously close to the perceived 'stall speed' growth rate of 2%, in this decade's slow growth era it made Britain the fastest growing economy amongst the G7 group of developed nations. What is more is that it was on an accelerating path, rather than a slowing one.

However, it needs to be pointed out that it was neither increasing exports on the back of the much weaker £-Sterling, nor companies' expansion investment that drove the improvement but entirely the resilience of the UK consumer. Spending accelerated as the UK public appears to have put any potential concerns about the UK's longer term prospects outside the EU firmly to one side. Unfortunately, the spending increase was not funded by income, but by credit and is therefore unlikely to be sustainable. The government's newly announced industrial policy may therefore be more relevant than its fairly moderate measures would currently suggest. Many commentators see darkening clouds on the UK's 2017 economic horizon as increased import prices are expected to put a dampener on the UK consumers' spending spree.

Such concerns may be well founded, but given the UK's trade relations with its direct neighbours and the rest of the world have not changed (yet), much will depend on economic progress elsewhere. The UK is currently very well positioned to benefit disproportionally from a global upswing and such an upswing was well under way at the tail end of 2016. So 2017 could still turn out to be another strong year for the economy unless something unforeseen reversed the positive momentum.

PORTFOLIOS

January 2017 was a relatively uneventful month, certainly compared with 2016's January China crisis and the subsequent market stumble. This was a welcome non-event to the start of the year.

Against this backdrop, all portfolios except the income portfolio gave positive returns between 0.39% and 1.44% for the higher risk portfolio. Emerging markets generally gave the greatest uplift over the month hence the higher risk portfolios benefiting most.

Property funds contributed towards positive performance, but whilst the Legal & General fund returned a reasonable monthly figure of 0.33%, the Threadneedle fund returned an inspiring 5.52%. In the UK Equity Income sector, the Miton UK Multi-Cap income portfolio contributed 0.43% whilst the Majedie UK Income fund fell 1.36%. Not only is it key to keep managers under regular review, but this also shows that appropriate diversification is key, not only in relation to market sector, but also manager style.

Notable contributors to performance in January came from the Artemis Income fund at +1.47% and Unicorn Mastertrust at +2.84%. Whilst this has not been a particularly eventful period for absolute return funds, we expect to see them tempering volatility as the Article 50 deadline draws nearer.