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Market Volatility *Client Update · October 2022*

Market volatility has been an unwanted feature of 2022 and one which has escalated in recent weeks. The appointment of Liz Truss as UK Prime Minister and the subsequent implementation of some of her economic policies have caused a big reaction in markets, particularly in currency and bond markets, and we would encourage you to read our latest Portfolio Review for more in depth analysis on this. Put simply, markets did not like the unprecedented scale of extra unfunded borrowing announced by Kwasi Kwarteng, who ultimately paid the price by losing his role as Chancellor late last week. Incoming Chancellor Jeremy Hunt has now reversed almost all of the tax cuts announced by his predecessor and is scaling back support for energy bills.

Initial market reaction has been positive, with the new Chancellor stressing his desire to provide stability to markets. However, both political uncertainty in the form of the future for Liz Truss, and economic uncertainty remain high. Regardless of the political mess the UK has found itself in and the attention of the world's financial markets on our economic health, the global themes that have dominated this year such as the ongoing battle with inflation, rising interest rates, slowing global economic growth and geopolitical issues remain very much in play.

Financial markets continue to feel the weight of these issues, reflected in poor or negative returns across all asset classes. In this scenario even highly diversified portfolios have struggled to offer investors any comfort and we understand how concerning it can be to see the value of your portfolios dip. We would like to reassure you that we are constantly reviewing your portfolio holdings, as are the portfolio managers that manage the underlying funds. Markets have fallen a long way from their 2021 highs and a very negative scenario is priced in to the majority of assets. That is not to say they cannot fall further from here, but markets are forward looking and any evidence of an improvement in any of the themes mentioned above, could prompt a snap market reaction to the upside.

It is important to remain focussed on the long-term financial plan for your assets and think hard before taking any steps to deviate from this. There are a good number of studies that evidence the risk of being out of the market as an investor. In summary they show that over the last twenty years, being out of the market for the 'best' 10 days as opposed to staying fully invested, would have reduced your return over the period by two thirds. Being out of the market for the 'best' 20 days would have given basically no return over twenty years. Any longer and you would have lost money. None of us know when the best days for investment are going to be, so to be out of the market is a big gamble. Of course, whilst past performance is no guarantee of the future, we hope to reassure investors that the best course of action for the immediate future is to sit tight and remain focussed on your longer term financial goals.

We will keep you updated on our latest thinking in our monthly Portfolio Reviews however, if you would like to arrange a call with your adviser or a member of our investment team, then please do not hesitate to get in touch - 01225 437600.