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RT FINANCIAL PLANNERS LTD

Investment and Economic Update August 2023

It has continued to be very difficult times for investors, and it is beginning to feel as if we are continually repeating ourselves, painting the same picture time and again over the course of the last year or two.

In fact, the last month or so has been a little more positive for markets and economies than had perhaps been expected and global stockmarkets rallied a little in the second quarter of this year. This helped to make up a little lost ground from the dreadful 2022 we had. It has also, perhaps, highlighted a weakness in that in certain markets, investors may appear a little too willing to look past risks that are still in place.

So far, 2023 has been less devastating for investment values than 2022, but inflation remains stubbornly high, mainly due to factors such as a very tight labour market as well as other issues, such as the costs involved in moving to a greener economy impacting returns in certain sectors. We still believe that quality funds with strong companies underlying them and quality companies paying good dividends are still a good backdrop to most portfolios.

It is still very uncertain as to whether the global economies will just see a very soft landing with inflation falling and the rates close to maximum levels, or whether inflation will remain a little more stubborn with more interest rate rises needed. There is still also the rather gloomy possibility of recession looming in the background.

While we believe it is more likely that there could be a reasonably soft landing, we nevertheless feel we need to exercise a significant degree of caution still, and we also still need to take a long-term view without any knee-jerk reactions or making changes to portfolios unnecessarily.

Diversification remains absolutely key, and we also believe that fixed-interest securities, having had such a terrible time, should return to show some value very soon.

I am again providing figures below because they highlight the problems we have seen for some time now. These show various indices, they not only show the different stock market indices, but also the AFI, or Adviser Fund Index measures. These are measures of investment funds that are commonly used by advisory firms and I have shown the cautious, balanced and aggressive indices because they paint a picture and show how all assets have been affected. I have shown the position for a year to the end of July, as well as for the period from the beginning of 2022, since the more recent difficulties began:

Index	1 year to 30th July 2023	1st January 2022 to 30th July 2023
AFI Cautious	-0.91%	-7.77%
AFI Balanced	-0.10%	-9.25%
AFI Aggressive	+1.01%	-10.05%
IA Sterling Corporate Bond Sector	-5.59%	-14.93%
FTSE All Share (UK)	+6.09%	+5.65%
FTSE All World (ex UK)	+6.71%	+1.22%
FTSE UK Conventional Gilt All Stocks	-16.01%	-25.93%

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This clearly highlights that bonds, both sterling corporate bonds and government bonds, have continued to have a shocking time, both over the last 12 months and over the period from the beginning of 2022. This has had a substantial impact on more cautious portfolios. Whether it is over a year or a longer period you can see that a lot of measures are still negative, but some positives have begun to emerge in equity markets, which is at least a little more encouraging.

Our belief is that we still need to focus very strongly on the longer term and try to avoid focusing on short-term falls.

1st August 2023