RT FINANCIAL PLANNERS LTD

# Investment and Economic Update June 2023

Firstly, I will again provide some detail on economic and investment conditions in general, as it is fair to say that 2022, along with the first five months of this year has been one of the most difficult periods for investments that we can remember. Despite what initially looked like a promising start to 2023, it hasn't given us much relief from the depressing valuations.

Although financial markets, and associated headlines have moved on to some extent from their focus being almost solely on high rates of inflation, they focused on the banking sector in the first quarter of this year, as well as the unrest in Western Europe, and the ongoing industrial action here in the UK. Not only are governments dealing with issues within their borders, but also the increasing friction between nations. The fact that the President of China visited Russia, just as the Prime Minister of Japan was visiting Ukraine underlines the global significance of the war in Ukraine. Geopolitical uncertainty is high and can also have a significant impact on financial markets at any given moment.

The bear market that started in late 2021 is now a decidedly unwelcome visitor having been around for such a long time, and having led to significant de-ratings across the board (with a small number of exceptions among the megacaps that dominate the FTSE 100 index). Many investors are trying to work out which is the next asset to be hit by the recent woes, perhaps a real estate collapse, or a worse recession than expected. We are well and truly into the disillusionment phase – perhaps a sign of this phase in the market coming to an end? We have never been advocates of market timing for the simple reason that it is extremely hard to get it right, both at the point of entry and exit. So, while we cannot predict the end of this bear market with any accuracy, we also believe we should not try to do so, and remaining invested long term is almost always the most sensible course of action.

We will continue to monitor our recommended investment portfolios and funds and make small changes only where it is felt necessary, without making any undue alterations at what remains a very difficult time.

The figures below demonstrate the problems seen throughout 2022 and how these are continuing into this year.

| **Index** | **Change from 1st January 2022 to 31st May 2023** |
|---|---|
| **AFI Cautious** | -9.09% |
| **AFI Balanced** | -11.10% |
| **AFI Aggressive** | -12.58% |
| **FTSE AllShare (UK)** | +1.94% |
| **S&P500** | -2.57% |
| **FTSE All World (ex UK)** | -4.13% |
| **FTSE UK Conventional Gilt All Stocks** | -26.17% |

These figures continue to highlight the difficulty in equity markets as well as in the more cautious end of the investment market. The heavy falls in the cautious sectors and gilt markets continue to make positive returns hard to come by – even from widely diverse portfolios. That said, these figures do highlight the need for diversity and protection and quality asset and fund selection. It also shows why we believe there may now value to be seen in certain assets such as the UK Gilt market.