RT FINANCIAL PLANNERS LTD

Investment and Economic Update May 2023

It is fair to say that 2022 was one of the most difficult years for investments that we can remember, and despite what initially looked like a promising start to 2023, the first four months haven't given us any relief from the ongoing depressing investment market values.

Although financial markets, and associated headlines have moved on to some extent from their focus being on high rates of inflation, they were largely concerned with the banking sector in the first quarter of this year. Meanwhile, unrest has been evident on the streets of Western Europe. Germany has recently come to a standstill and here in the UK, industrial action has been ongoing for several months. Doctors, civil servants, train drivers and teachers have been among the disenchanted. National strikes have been underscored by the growing discontent surrounding the rising cost of living. In France, here was a significant backlash to President Macron's pension bill, which would raise the retirement age from 62 to 64, with the national strike that ensued also resulting in violence on the streets of Paris. In times of economic growth, government policy changes are less likely to infuriate its population. However, as we write today, people are already highly unsettled by seeing their real spending power being squeezed.

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 getting fairly long in the tooth, and it has led to significant de-ratings across the board, with a small number of exceptions among the megacaps that dominate the FTSE 100 index, and we have now also seen a run on a major bank. Many investors are trying to work out which is the next asset to be hit by the recent woes, perhaps a real estate collapse, perhaps 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 are not 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 sitting tight remains the most sensible course of action at present. We do remain cautiously optimistic that the remainder of this year may bring better fortunes for investors and see some return to profitability in portfolios.

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.

I have again provided some figures below to demonstrate the problems seen throughout 2022 and how these are continuing into the first four months of this year.

Index	Change from 1st January 2022 to 30th April 2023
AFI Cautious	-8.12%
AFI Balanced	-10.18%
AFI Aggressive	-11.92%
FTSE AllShare (UK)	+6.89%
S&P500	-5.73%
FTSE All World	-4.01%
FTSE UK Conventional Gilt All Stocks	-23.56%

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.