June 2021 quarter end review update

The table details the quarterly data for the FTSE All-Share Index.

Quarter	Open	Close	High	Low	Return year to date
January – March	3724	3838	3879	3641	3.06%
April - June	3838	4014	4088	3838	7.79%

Developed countries continue their vaccination programmes, with the objective of vaccinating every adult by the autumn, which in turn will give far greater freedoms and so positive for economies. This is already showing in economic data, which is more robust than many thought. Perversely this causes uncertainty as to when the current support from central banks will start to reduce and eventually stop. At the same time, inflation is increasing and remains a contentious issue because commodity prices have increased substantially and the Federal Reserve's expectation is for two rate increases in 2023. While this is still some time off, previously a rate increase was anticipated in 2024. By way of an example, in the USA the price of lumber was $260 at the trough in 2020 and by May this year it stood at $1,686 and has since fallen back to $897.

The fundamental change is that the level of monetary support from the central banks is not sustainable and will start to be eased by countries. It is no surprise to us that the focus is shifting to fiscal measures such as the recently agreed infrastructure spending programme in the USA as well as the UK government looking to borrow and invest in similar capital projects.

These programmes will, in our view, help manage the transition from monetary support and rock bottom interest rates to a stage where economies are able to properly function without being reliant on stimulus. At the same time, the lockdown restrictions have brought forward technological innovation, which has been "fast tracked" in a relatively short period. Just consider for a moment how most of us now bank – it is all online, whether by using a laptop or an app. All of these changes have had huge implications for all types of businesses, not least a quadrupling of the demand for warehouse space reflecting the significant increase in online shopping in the UK.

As we highlighted in the last review, industry as well as investment managers are embracing the new technology alongside demands for more environmentally aware products and services, which presents an opportunity for investors. This is becoming entrenched not simply because of the opportunity it presents, but also because government policy is requiring industry to change, hence by 2030 no more fossil fuel cars are to be sold in the UK. There are an increasing number of European cities who will ban fossil fuel vehicles from entering as well as a number of countries seeking to further develop and expand their clean energy credentials.

We continue to include ESG (Environmental, Social and Governance) funds as a way of capturing these future developments and, at the same time, identifying those sectors we consider likely to benefit investors. Currently this includes value stocks, small and mid-size companies (both in the UK and overseas) and specialist sectors, alongside those core holdings that portfolios will hold for diversification and risk management.

The table below sets out our current asset allocation views.

Underweight	Neutral	Overweight
Government Gilts	Index-linked Gilts: Global High Yield Bonds (for income)	
Investment-Grade Bonds	Equities: China, Far East, Emerging Markets, Japan	Equities (large cap): Europe, Asia
Equities (large cap): US	Equities (small cap): UK, US, Europe Equities (large cap): UK	Specialist Equities (including global equities)
Property (bricks & mortar)	Commodities	
Gold		

*Neutral means that, while we support the asset class, we do not generally want to adopt an overweight position

1st July 2021