March 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%

In the UK the vaccination programme continues apace, with the roadmap set out for the easing of restrictions over coming months and with economic activity set to increase. Globally, countries are at very different stages with the USA doing very well, but Europe has experienced setbacks. Nonetheless, it is slowly moving in the right direction albeit with different timetables and economies are opening up once again, which has placed inflation at the forefront of investment decisions.

The debate is less about whether inflation will increase, but rather by how much, and how central banks will respond. Currently they have stated that they will accept inflation above the target level of 2% for a period in order to establish economic growth and increase employment. Markets are going to test what that means in practical terms, i.e. when interest rates will rise. Against this backdrop, market makers look to stocks that traditionally benefit from increased economic activity such as banks and other value stocks, as opposed to growth stocks which have the expectation of future growth and profits. Hence the pre-occupation for the rotation from these growth stocks (mostly technology) to value stocks, not to the wholesale exclusion of the former but an inclusion of a sector that has been out of favour for several years.

Governments around the globe are acutely aware of the need to increase and support employment and so are looking at developing capital expenditure programmes to generate growth and jobs. At the same time, they are keen to improve their green credentials, which are also areas of growth in the economy such as clean energy, electric vehicles and sustainability etc., all of which are also growing investment themes.

Over recent weeks a number of companies have announced flexible working for staff, which will have many implications ranging from the demand for office space to where people are able to live given they may no longer have a daily commute to the office.

In the current climate a strategic view continues to be our approach, to build on a broad asset allocation to manage the investment risk and provide exposure to a wide range of asset classes. This will seek to ensure that the portfolios secure some of the gain and manage the losses during periods of volatility.

The table overleaf sets out our current asset allocation views.

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

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

1st April 2021