June 2022 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	4208	4196	4296	3862	-0.29%
April - June	4196	3940	4258	3874	-6.37%

The first six months for the global economy have been the worst since the financial crisis. As highlighted in the previous quarterly update, this is due partly to interest rates increasing to try and curb rising inflation. At the same time global growth is slowing as is demand, along with consumers having less to spend due to a cost of living crisis. Unfortunately this is not restricted to the UK or Europe, but is a global phenomenon and the central banks have a delicate balancing act between raising rates to curb inflation but not stifling growth.

The war between Russia and Ukraine continues to have a significant impact on energy prices, which is feeding into global inflation as well as impacting on supply chains which were already under pressure not least from the residual effects of the pandemic. A current example is China's zero Covid policy, which has shut down manufacturing in certain cities as well as ports.

There has also been the unknown impact post Covid and lockdowns, which has been seen in the delays and flight cancellations at airports in the UK and abroad. Some industries made staff redundant when demand was very low and now, when demand is increasing, are struggling to recruit new and trained staff. At the same time, a number of employees in their 50's have reassessed their lifestyle with an increasing number choosing to retire early. This has exacerbated labour shortages, with one outcome being a number of public sector bodies requesting wage increases to offset the very high levels of inflation which perversely will initially feed into even higher inflation.

These multitude of factors have led to increased pockets of elevated volatility since the start of the year making it more challenging for fund managers. At the same time, even "safe haven" assets [whether cyclical stocks or fixed interest (bonds)] are losing value. The fixed interest sector competes with interest rates and so when they are increased, the capital value of bonds fall. It may be a surprise to some investors that this correction can be significant.

Diversification in our view remains key, and that will include both passive and active funds (including ESG funds) as well as the various asset classes that you would expect within a portfolio.

These current factors, in our view, are unlikely to be resolved this year although their impact should reduce as markets adjust. In the coming months we will see the start of the "earnings season" for many companies, which at the very least need to meet analyst expectations in order to avoid further pressure on valuations.

The table 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: US, China, Far East, Emerging Markets, Japan	Equities (large cap): UK, Europe, Asia
	Equities (small cap): UK, US, Europe	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*

4th July 2022