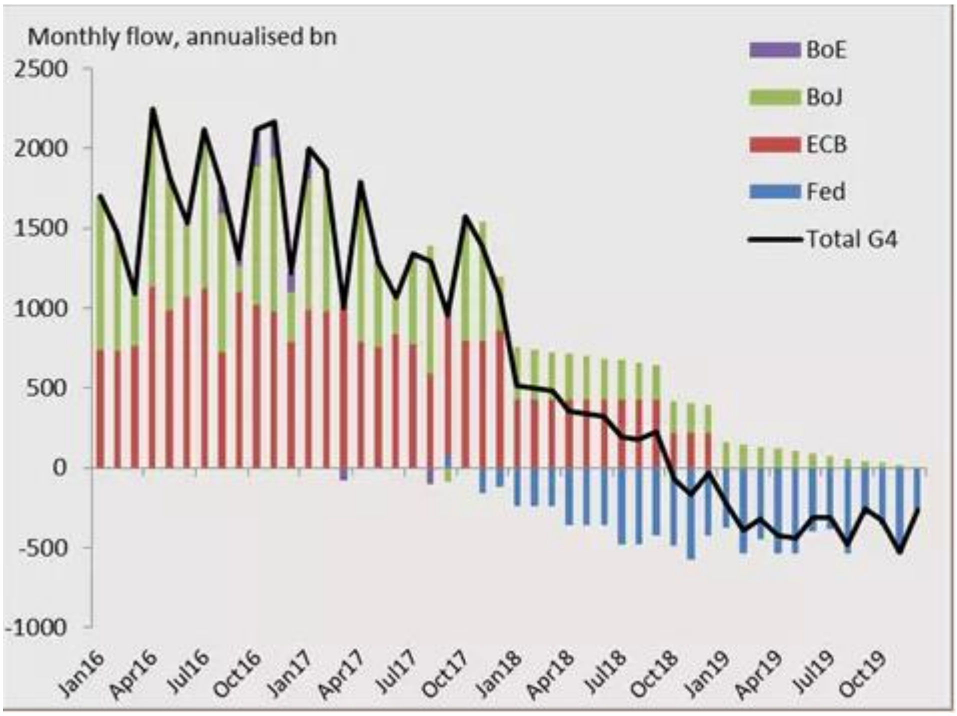
Time to review and reconsider your client's ATR?

Following the Global Financial Crisis of 2008 Central Banks around the world coordinated to reflate economies at risk. This coordinated action has taken the form of interest rate cuts to emergency levels and the introduction of massive amounts of quantitative easing (QE). Governments also cut taxes in many countries to provide added economic stimulus. This action is known as Financial Repression.

The impact of Financial Repression has been to anchor bond yields and interest rates at very low levels for a decade or more. This has provided a good backdrop for equities, property and other risk assets to perform well. As a result, most equity biased portfolios have provided optically pleasing performance for several years. Economies have survived and some, led by the United States, have begun to recover. Central Banks have begun the process of reducing QE and in some cases removing it altogether.

Chart shows quantitative easing from major Central Banks. Source: Financial Times.



The reduction and ultimate removal of QE can be likened to a patient recovering from an illness. When satisfied with progress towards recovery, doctors reduce and finally remove medication. Can the patient walk unaided, will he relapse, or will he leave the care of doctors fully recovered and fighting fit? As we know, this depends on many things. The global economy is similar! We are at the stage where some economies are fitter than others and some have recovered faster than others. Politics is sometimes a barrier to progress (Brexit and US/China trade wars) and debt remains at excruciatingly high levels. QE is being withdrawn and economies and their stock markets are displaying bouts of volatility. In some cases, QE "medicine" may need to be redeployed.

As QE is withdrawn and interest rates slowly begin to normalise at higher levels it is quite feasible to anticipate the return of stock market volatility. Economies are likely to slow down as the stimulus of QE wears off until they find their own natural momentum.

Chart shows slowing economic growth from major economies.

Investors will look to their financial advisers to make sure the risk they signed up to is not exceeded and that hard-earned capital is not eroded. Volatility will prove frightening to many. Particularly those who have enjoyed a smooth and profitable investment ride over the past several years. This is where Alpha Beta Partners skill set comes into sharp focus. The provision of cost-effective portfolio management where a Risk First approach to managing money dictates that portfolios are monitored closely to ensure investor agreed levels of volatility are not exceeded. Target returns which are tangible are achieved over the medium term and investors' financial planning goals are realised.

Alpha Beta's investment process is unique and proven. The Alpha Beta investment team blend huge amounts of relevant experience, state of the art financial technology and proven investment judgement. Alpha Beta deploy institutional techniques that are not typically available to smaller retail investors. All portfolios are stress tested, meaning Alpha Beta understands how they will perform under various economic and market related scenarios – positive and negative. The Alpha Beta range of portfolios are available via financial advisers only.

Now is the time to review a client's portfolio, considering again their risk appetite and then align their investment strategy with a discretionary fund manager who is equipped and focused on the future.

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