Investment Update

January 2021

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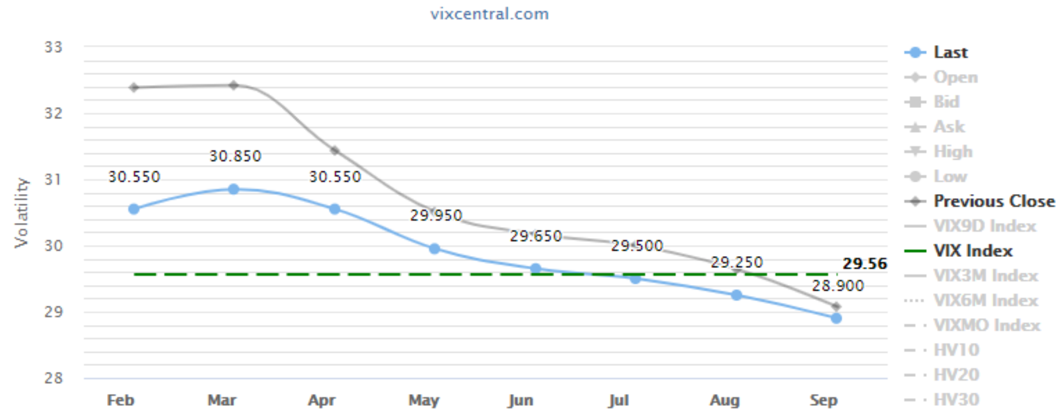
Joseph Robinette Biden Jr became the 46th President of the United States following the most acrimonious hand-over of power the US has seen. His immediate task will be to persuade Congress to pass his American Rescue Plan, a $1.9 trillion relief bill which will add a further $1400 to every citizen's bank account, on top of the $600 already paid. This so called "helicopter money" will be supplemented by a new minimum wage of $15 per hour and a beefed-up unemployment benefit system, and more besides. The 78-year-old President has picked a senior team of other septuagenarians and a smattering of so-called "youngsters" from the former Obama administration. The President is being encouraged to "act big" when it comes to infrastructure spending and implementation of the so called Green New Deal. In our opinion we are likely to witness the grandest "big government" spending spree since the end of World War Two. From an investor's perspective this is good news, and ought to be profitable over the medium to longer run, especially with judicious asset allocation and risk management guiding portfolios along the journey.

In the meantime, markets, fuelled by central bank liquidity, have driven hard into expensive territory as determined by a multitude of traditional measures. Therefore, major indices have made little headway during January. Logic would point to a pull-back which duly arrived late in the month. The correction to markets has been felt globally and not solely in the United States. At the point of writing the bout of volatility is ongoing with the Vix above 30 - and with day trader speculators also pushing and pulling markets. Importantly at present, there appears to be no new information acting as a catalyst to market falls, from which we take comfort. A correction from overbought positions is not unhealthy. We have raised cash across all portfolios as an insurance against a correction as valuations reached lofty positions. This offers a well-balanced status with portfolios not overly exposed as markets gyrate, seeking an appropriate level.

The chart shows the forecast level of market volatility falling away during 2021.



Thinking back to pre-Covid times, major global economies were doing well. Decent growth with low inflation and near full employment. Once the virus is under control, notwithstanding serious policy miscues, the global economy will recover. Mountains of unspent cash burning holes in consumer pockets will join hands with trillions of dollars of stimulus from global central banks. Covid induced unemployment will fall as activity rises and we are set to see some inflationary pressure return. Commodities are said to be entering a new super-cycle with grain prices spiking upwards and oil breaking the $50 barrier whilst export and shipping costs are rising steeply. Bond yields have already flicked upwards at the longer end of the curve. Central banks are likely to allow inflation to "burn hot" for a period before they need to tighten policy.

Whilst we remain optimistic overall for risk asset price growth, we do envisage higher beta markets performing more strongly than those of US. China, emerging markets, UK and to an extent Europe should perform well. The OECD economic growth forecasts for these economies are encouraging and matches the opinion of our own Investment Committee. We are poised to deploy cash to these markets when the time is right to do so.

If you have any questions or feedback, please get in touch – we would be pleased to hear from you. **Written by the Alpha Beta Investment Team.**

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Portfolio Activity During the Month

We raised cash across portfolios by selling US equities. This activity has provided a buffer and protection against volatility which duly arrived, as expected, later during January.

Featured Fund

Fortem Capital - Real Estate Index Tracking Fund

This is presently one of our consistent portfolio holdings across the AB Model Portfolio Range. The Fund aims to provide a capital return (generated through an increase in the value of assets held within the Fund) by tracking closely the performance of the Sol active Target Real Estate index. The Fund invests in property securities (e.g., shares) of companies that make up the benchmark index. The benchmark index measures performance of property equity securities of leading companies listed globally giving greater diversification than many property indices. UK exposure is capped at 50% maximum – which is pertinent to those investors in offshore insurance structures.

Importantly the investment strategy focuses on warehouses and logistics rather than traditional West End retail and London office stock. These sectors have performed strongly.

The investment strategy offers broad diversification and high liquidity which is a very important consideration for the investment management team and for those overseeing performance. This index is designed to reflect a diversified portfolio of property shares across different sectors and industries. The fund offers broad and efficient exposure and is considered by our managers to represent a strong and attractive proxy for the underlying securities held and at a sensible price for the overall portfolio to bear. A diversified approach is particularly important where equities are concerned as the marketplace is reasonably large. Identifying single offerings is notably difficult and can be very costly – hence this Fortem Capital strategy is appealing. A diversified number of sectors are included. We subscribe to the close tracking credentials, full liquidity, and value pricing of this fund. However, the strategy is not designed for private investors to access and offers no downside protection when and if markets fall. This is a strategy best selected by professional investors who fully appreciate the benefits and pitfalls and manage the portfolio in line with the mandate description and in sympathy with the prevailing economic and market driving forces.

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