MONTHLY REVIEW – APRIL 2023

OUR PERSPECTIVE

As we write this the announcement came in that JP Morgan will acquire First Republic Bank, in what is the second biggest bank failure in U.S. history. Unprecedented levels of debt, the reach for yield during a decade of ZIRP, and a historically fast pace in the increase in interest rates are starting to show who's possibly been swimming naked. As the tide of easy money goes out, the question everyone's asking is who'll be found to have been swimming without any clothes on?

We remain of the view that the cost-of-living crisis, the boom-and-bust of crypto-mania and the failure of now four US regional banks, are all either direct or indirect outcomes of fiscal and monetary policies over the last decade. Furthermore, halfway through Q1 earnings season, and corporate profits continue to slow as higher prices and rising cost of capital is putting pressure on corporate margins. Financial conditions have tightened sufficiently to turn the policy-induced post-pandemic boom into a deflationary bust; we currently see a 55% probability of a 'deflationary bust' in our factor quadrant.

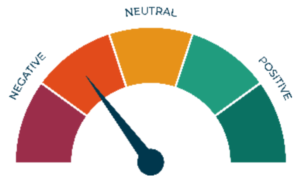
Whilst inflation continues to slow, it's perhaps not slowing quick enough to bring about a change of course from central banks. This is how economic downturns start: forcing solutions to latent problems from the past.

				Total Return		
	Index	**Currency**	**As at Previous Close**	**Jul**	**YTD**	**1 Year**
Equities	Bloomberg World Equity Index	USD		1.42%	8.79%	2.34%
	Bloomberg World Equity - Growth	USD		0.94%	11.11%	1.37%
	Bloomberg World Equity – Value	USD		2.12%	4.68%	2.40%
	Bloomberg UK Equity Index	USD		5.32%	11.62%	8.19%
	Bloomberg US Equity Index	USD		1.22%	8.97%	1.83%
	Bloomberg Europe ex-UK Equity Index	USD		3.96%	16.77%	14.09%
	Bloomberg Japan Equity Index	USD		0.38%	6.96%	4.79%
	Bloomberg Asia ex-Japan Equity Index	USD		-1.75%	2.28%	-4.86%
	Bloomberg Emerging Market Equity Index	USD		-0.83%	2.69%	-5.69%
Fixed Income	Bloomberg Global Aggregate Index	USD	;	0.44%	3.46%	-2.31%
	Bloomberg US Treasury Index	USD		0.54%	3.56%	-0.93%
	Bloomberg US Corporate Bond Index	USD		0.77%	4.29%	0.68%
	Bloomberg UK Gilt Index	GBP		-1.78%	0.36%	-16.21%
	Bloomberg Sterling Corporate Bond Index	GBP		0.28%	2.76%	-7.99%
	Bloomberg EM Hard Currency Aggregate Index	USD		0.39%	2.55%	0.06%
Commodities	Gold Spot $/Oz	USD	$ 1,982.58	-0.10%	8.69%	6.42%
	LME Copper Spot ($)	USD	$ 8,577.00	-4.36%	2.54%	-11.54%
	Oil - Brent ($)	USD	$ 79.15	-0.78%	-7.87%	-27.61%
	Bitcoin ($)	USD	$ 28,432.63	-0.11%	71.91%	-25.80%
Currencies	GBP-USD FX-Rate	USD	$ 1.25	0.77%	3.53%	0.14%
	EUR-GBP FX-Rate	GBP	£ 0.88	0.09%	0.93%	-4.13%
	USD-JPY FX-Rate	JPY	¥ 137.36	-3.57%	-4.54%	-5.24%
	EUR-USD FX-Rate	USD	$ 1.10	0.68%	2.50%	4.44%

Source: Bloomberg L.P., 30/04/2023

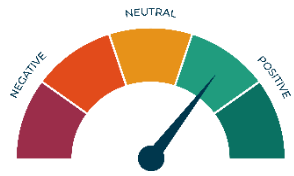
EQUITIES

Despite relatively weak corporate profits, equity markets had a strong start to Q2, led by value indices, as regions like the UK, Europe and Japan outperformed. Energy and financials led the sector split, as fears of a global banking crises following the SVB debacle were swiftly brushed aside. Large cap tech has also had another good month, in an AI-driven April reporting season!



FIXED INCOME

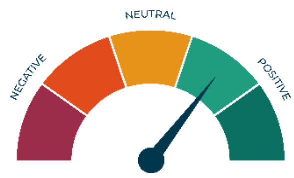
Yield curves across developed markets rose marginally across the curve as the possibility of central bank pivots got pushed further into the future. Notwithstanding credit markets were relatively strong over the month. Given our views on inflation, we retain exposure primarily towards nominal bonds, but we also have some shorter duration inflation linked bonds given the uncertain outlook. With regards to credit markets, we do not believe markets are pricing risk efficiently, and remain underweight credit.



REAL ASSETS

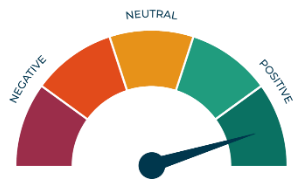
Fears of a commercial property crises continue to rise, and we share much of the concerns highlighted in financial media. Whilst we're not expecting anything like the GFC, we remain underweight property given prices do not reflect the significant re-pricing of interest rates and of weakening demand. We retain conviction in the infrastructure space, especially in the renewable and digital infrastructure.

Within the commodity complex, whilst positive on the longer-term trends, the near term the risk of an economic downturn could put further pressure on already weak commodity prices, and we remain underweight. However, we continue to retain a significant overweight position in Gold.



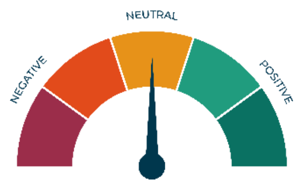
SPECIALIST STRATEGIES

Specialist strategies continue to play a significant stabilising role within our portfolios. Managed futures had a solid recovery following a relatively difficult March and our market neutral exposures continue to deliver solid results. We retain limited Private Equity exposure, but those positions we do own had a very strong April.



CURRENCIES

Generally, we remain neutral on currencies. On the margin we note that whilst inflation and interest rate differentials would support a stronger USD, the marginal change is arguably against the Dollar and positive for the EUR and GBP. We remain positive on the Japanese Yen, which we believe is both undervalued and under-owned, with potential catalysts for a revaluation higher.



CONTACT US

For further information on any of our services, or if you would like to arrange a meeting with an investment manager to see how we can work with you, please get in touch.

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