

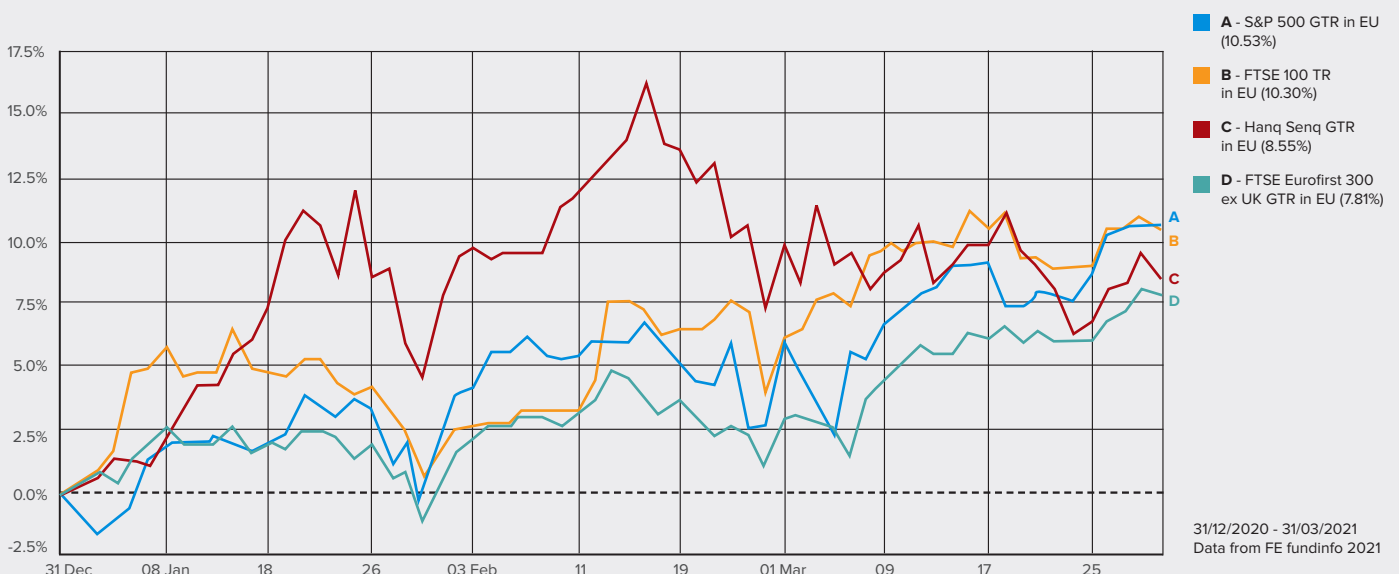


Month in Review

As we moved through March, the sound of the inflation alarm bell grew louder for stock markets. Anecdotal information about supply chain bottlenecks, rising raw material costs and rising labour costs in several sectors all added to investor concerns. The distribution during March by the Biden government of \$1,400 to every household in the US and likely consequences for consumer spending and prices was not helpful for market sentiment either. Having predicted in January that the end 2021 inflation figure would be 1.8%, the Federal Reserve were now talking about 2.2% which many market participants still considered to be conservative. These concerns led to a temporary sharp drop in bond prices during the month and unsettled phases in equity markets.

In our view, while there will certainly be inflationary events throughout the course of 2021, it is highly unlikely that we will see inflation come roaring back to 1970s or even 1980s style in the short to medium term. Brakes in the system including the shift to online commerce, a weak labour market, and global competition should all act to dampen inflationary trends. That said a small level of inflation would be good for all those carrying debt, including governments and companies, and would also be generally positive for equity markets leading to higher product prices and higher profitability.

Major Equity Markets Year to Date (in euro terms)



Equity Markets

Despite the backdrop, equity markets still managed to climb further up that famous wall of worry during March. Most major equity markets moved ahead materially over the past month. Both China and Japan fell in local currency terms but exchange rate movements ensured they were up when converted to euros. The UK remains the only major market not to yet get back to its pre-Covid highs.

The US, UK and Continental Europe were all up by more than 5% over the month, again in euro terms. Optimism around the vaccine and the opening up of economies continued to be the principal stimulant. Progress with the vaccine rollout programmes in the US and the UK in particular was warmly welcomed by markets.

Equity Market Performances (in euro terms)

Market	Performance March 2021*	Performance 1 Year*	YTD*
Ireland	+10.6%	+58.5%	+10.1%
UK	+6.2%	+26.6%	+10.3%
Japan	+0.3%	+40.7%	+4.0%
Europe	+6.7%	+38.4%	+7.8%
US	+7.8%	+46.0%	+10.5%
China	+1.2%	+15.4%	+8.6%

Source: Financial Times, Financial Express

Bonds

Mainstream bond markets did have some unstable phases during March but finished pretty much flat for the month overall. With yields as low as they are in sovereign bond markets, there really is very little interest for retail investors. However, there are pockets of the wider bond universe where there is still value to be had in our view.

Niche areas in the corporate bond space and specialist subsectors such as convertible bank bonds still offer yields in the 3% to 5% range and offer a lower risk options for investors seeking alternatives to cash.

Cash

Those holding cash are still having a pretty miserable time of it with the gradual proliferation of negative interest rates. However, if all these concerns about inflation come to anything, there could be some light on the horizon. Increasingly commentators are speculating about a possible tick up in US rates later this year.

Eurozone depositors will almost certainly have to wait longer than that as rates are unlikely to start moving upwards until 2022 at the earliest. Long term cash holders should seek advice in relation to lower risk alternatives.

Infrastructure

It has become very clear now that the whole area of infrastructure will become a key investment area for Governments around the world as they seek to stimulate their economies post Covid and to provide much needed employment. As usual, this effort will be led by the US where a proposed \$3 trillion package will start to make its way through Congress shortly. Construction related

stocks have already seen their share prices tick up in expectation of this investment. Renewable energy stocks will also be beneficiaries with a significant portion of the new investment targeted at green projects. If infrastructure is not already represented in your portfolio, it may be a good time to plug that gap.

Investments Outlook

Despite the very mixed economic backdrop, we continue to expect a positive year overall for equities. However, the inevitable bouts of bad news will mean that volatility will never be very far away for both bond and equity markets. There remains the material possibility of a sharp

correction in equities, and possibly bonds also, given the frothy values currently prevailing. If such a fall does occur in equities, we would expect it to reverse reasonably quickly.

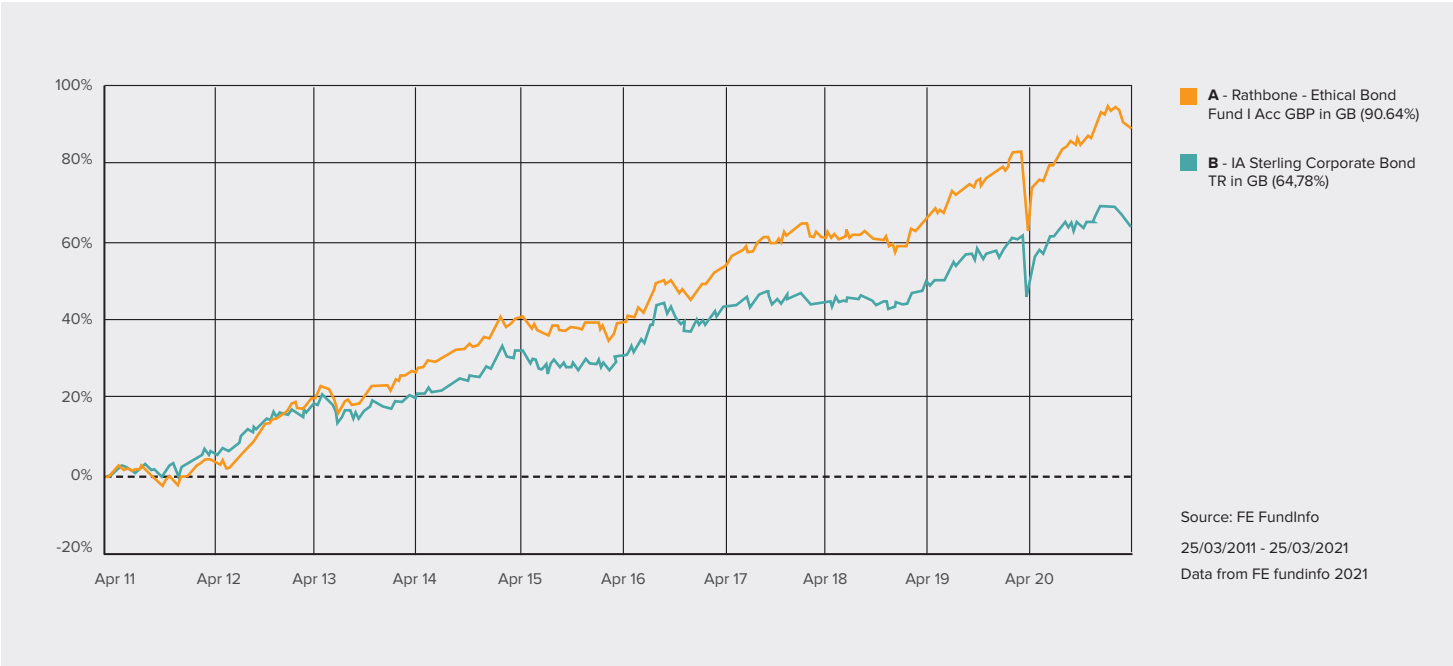
Fund in Focus – Rathbones Ethical Bond Fund

For our monthly Fund in Focus section we have selected a component fund of our [ESG Investment Strategy](#) - the Rathbones Ethical Bond Fund. This fund aims to deliver both income and growth on a consistent basis to its investors. The fund also applies strict ESG criteria to the bonds it purchases focuses solely on bonds issued by companies who measure up to the required standards. Thirdly, the Fund aims to deliver a greater total return than its benchmark, the Investment Association (IA) Sterling Corporate Bond sector over any rolling five-year period. The fund has been successful on all three counts and has consistently outperformed its benchmark over the past ten years.

- The fund is a traditional socially responsible investment fund.
- Experience of managing ethically screened private-client investment business.

- Engagement, governance, and stewardship managed by a central governance committee.
- Open and transparent ethical criteria and reporting lines.
- The fund targets an investment grade high yield with a strong ethical overlay.
- Quarterly pay-out of income.

To make sure that investments are suitable, the fund manager has access to Rathbones' dedicated ethical, sustainable and impact research team. Together, this actively managed fund applies ethical screens to assess potential investments; having confidence that long-term growth can be achieved by companies which conduct their business and apply capital responsibly.



The fund has been a consistent outperformer over the past few years but particularly so over the past year. The fund offers a very broad global exposure to the ESG

opportunity and is a very appropriate core bond holding in client pension and investment portfolios.

Personalised Investment Service

Whether you're new to the investing or a sophisticated investor we have tailored investment services to suit you.

Dedicated Support

Working closely with your Client Advisor we can deliver bespoke investment solutions all built on a foundation of sound financial planning.

Holistic Investment Advice

Our Investment Advisory team are guided by leading-edge research, alongside our clear and consistent investment selection process. This insight ensures your portfolio remains in line with your objectives.



Harvest Financial Services Ltd,
Block 3, The Oval,
Shelbourne Road, Ballsbridge,
Dublin 4, D04 T8F2.

T: +353 1 237 5500
F: +353 1 237 5555
E: justask@harvestfinancial.ie
www.harvestfinancial.ie

13.53.03.21

Harvest Financial Services Limited is regulated by the Central Bank of Ireland.
Intended for distribution within the Republic of Ireland.

The marketing material is not intended to provide advice and is provided for general information purposes only.

Warning: The return may increase or decrease as a result of currency fluctuations.

Warning: The figures refer to the past. Past performance is not a reliable indicator of future results.