

Month in Review

As we hit mid-Summer, Markets are well into their standard seasonal quiet phase at this point. Many market participants are on vacation, the public institutions are typically quiet and there is little happening in terms of company results and announcements. As a result, markets have a habit of drifting sideways for a period at this time of year and this is certainly the general pattern in markets at the moment. That said, it's not all quiet on the Western front, or the Eastern front for that matter. A regulatory crackdown by the Chinese Government on the larger Chinese tech companies has spooked many overseas investors and caused share prices to fall in China. As is often the case with policy changes in China, this move appears to be driven by multiple reasons including reinforcing Central Governments grip on the money supply, encouraging overseas

investment by Chinese citizens, and stimulating a greater work ethic amongst Chinese youth who have become less enthusiastic about signing up to low paid high stress career opportunities.

Elsewhere, markets continue to be on high alert for Central Bank signals as to when QE might be eased and interest rates may rise, particularly in the US and UK. In addition, Covid optimism is on the up as case numbers fall in the UK and a number of other countries. And finally, the \$1 trillion infrastructure bill being promoted by President Biden was finally passed this week. While its immediate impact may be relatively muted because of its long-term nature, it will certainly lead to attractive investment opportunities for infrastructure funds and underpins our view that there is a place in every portfolio for infrastructure exposure.

Major Equity Markets Year to Date (in euro terms)



Equity Markets

The impact of the move by Chinese authorities referred to above can be clearly seen in the performance of its equity market which fell by more than 10% during July. In contrast both Europe and the US were up by almost 2% over the month. On a one-year view, the major markets have all returned more than 30% but again China is the exception,

delivering less than 10% in euro terms over the 12-month time frame. While activity levels are likely to remain muted in August, the momentum in equity markets between now and the end of the year is expected to be generally supportive for markets, helped by better company results as the grand reopening continues.

Equity Market Performances (in euro terms)

Market	Performance July 2021*	Performance 1 Year*	YTD*
Ireland	0.4%	38.1%	13.7%
UK	-0.2%	30.2%	16.5%
Japan	-3.3%	20.7%	-2.9%
Europe	1.7%	33.1%	18.7%
US	1.9%	36.1%	21.7%
China	-10.9%	9.5%	-2.2%

Source: Financial Times, Financial Express

Bonds

Bonds generally strengthened over the month as inflationary concerns receded, at least temporarily. A relatively flat bond market is likely to be the order of the day, possibly for several months at least. The triggers to alter this course will almost certainly be signals from

the authorities to raise interest rates and/or ease up on QE supports. So, while there are still niche parts of the bond market offering attractive yields, the mainstream is unlikely to provide any excitement for a while yet.

Cash

So far with the exception of smaller personal deposits, negative interest rates are gradually being applied across the board within the Irish banking system. Pension funds and retirement funds will need to adjust to this new phenomenon which we would expect to

persist for quite some time. Those holding longer term cash in their funds should certainly be exploring other options. For example, the Harvest Cash Alternative Strategy (a mix of three funds) has returned 2.9% year to date compared with a negative return from cash.

Infrastructure

The world needs infrastructure investment. The US in particular has underinvested significantly in infrastructure in recent decades to which US road user can attest. And apart from basic physical works, the green agenda will demand very substantial infrastructure, particularly in the area of alternative energy sources. Added to this, most developed country governments have identified infrastructure as a key

area to be focused on in the regeneration of economies post Covid. These initiatives should provide some very significant opportunities for infrastructure funds over the coming decade, and we are recommending all pension clients consider adding an infrastructure fund to their portfolios. One of our key selections in this space is described below.

Investments Outlook

We expect the post covid momentum to continue to act as a tailwind for equity markets over the coming months so the general mood should remain positive. On the other hand, equity valuations are certainly quite stretched in comparison with historical norms and markets will certainly

be vulnerable to bad news. However, when considering equity valuations, we do need to be conscious of both the negative interest rate environment and the very low returns currently on offer from other asset classes.

Fund in Focus – First Sentier Global Listed Infrastructure

Following the passing of the \$1 trillion Biden Infrastructure Bill in the US this week, our monthly fund in focus is the First Sentier Global Listed Infrastructure Fund. Biden's plan is the most substantial expenditure on the nation's roads, bridges, waterworks, broadband and the electric grid in decades. We can also assume that this plan will pave the way for global governments as it highlights the importance of strong and stable infrastructure for economies.

- Listed infrastructure provides essential services to society, making it less sensitive to the economic cycle.
- The fund invests in a variety of different types

of infrastructure assets globally giving a good geographic and sector spread.

- Growth is being driven by long term structural themes such as the build-out of renewable energy, the need to ease urban congestion and increasing reliance on mobile data.
- Investment in infrastructure is key when creating a well-balanced investment portfolio as these types of investments have tended to be less volatile than other equity classes.
- Infrastructure can be used as a lower volatility complement to global equities.

5-year Fund Performance vs MSCI World



Investment in this fund will allow you to gain a liquid and diversified exposure to infrastructure, managed by a specialist investment manager.

Personalised Investment Service

Whether you are new to 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.



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