

## Month in Review

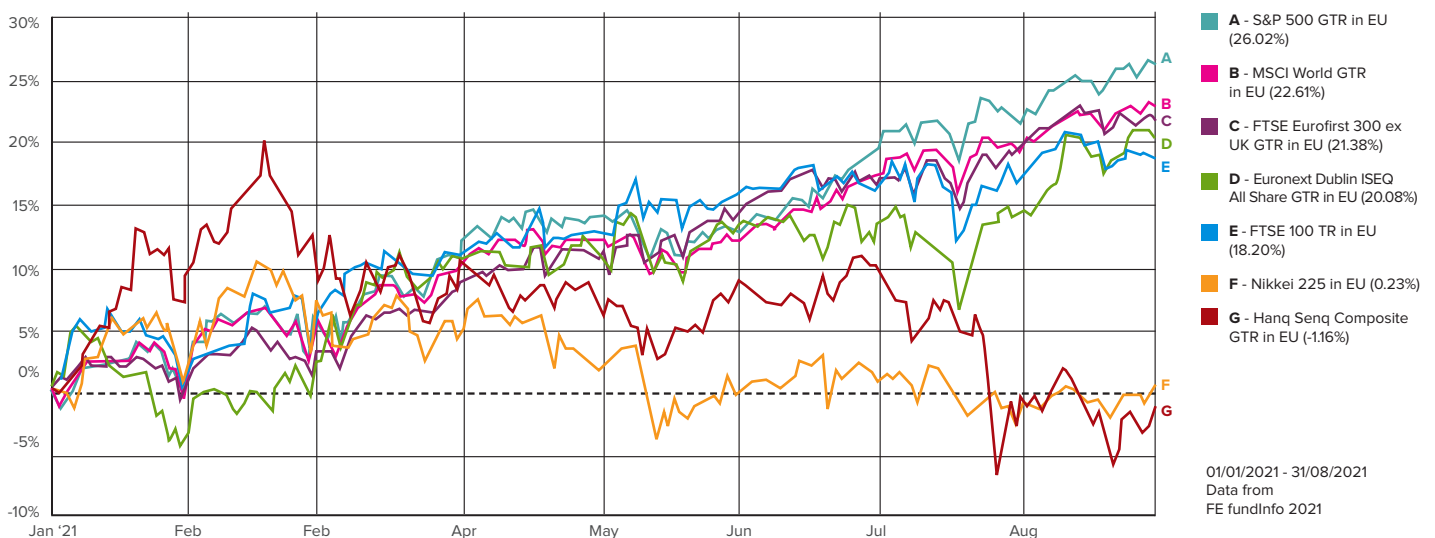
Markets have continued to edge upwards over recent weeks while investors remain on high alert for Central Bank signals that the process of unwinding the QE supports which have been in place for a number of years is about to begin. Central bankers are well aware of this state of alert and are being very careful not to make any statements which might hurt financial markets and potentially negatively impact the nascent post covid economic recovery. Following the annual Jackson Hole meeting of central bankers in Wyoming last week, where Jay Powell the Federal Reserve Chairman indicated that they could start tapering their bond buying before the end of the year but that rate rises were some way off, markets took this in their stride, at least for now.

Elsewhere, China continues to heap regulatory pressure on to the big domestic internet players, the most obvious

outcome being a 25% fall in the Hang Seng Tech Index year to date. In comparison, non-internet companies are down by around 3%. Many commentators see the tech sector fallback as overdone (annual revenue growth for some of these companies is still of the order of 40%) and see it as a buying opportunity, which it could be but probably not for the faint hearted.

As vaccination rates have increased across developed markets, investors have become increasingly comfortable around the longer-term impact of the pandemic and even seem happy to ignore the potential risks around the emergence of new variants. Some analysts have gone as far as projecting double digit annual returns for the next five years which appears excessive to say the least and may well be an indicator that a market downturn is not far off.

## Major Equity Markets Year to Date (in euro terms)



## Equity Markets

As major equity markets continued to grow through August, by the order of 2% on average, China remained the outlier, falling in value by around 1% over the month. We continue to hold the view that any market setbacks between now and the end of the year will be short lived

as opportunistic money flows into equities to provide support in the event of markets falling back. We are holding to our view that equity markets will finish the year higher than they are today.

### Equity Market Performances (in euro terms)

Market	Performance August 2021*	Performance 1 Year*	YTD*
Ireland	5.6%	38%	20.1%
UK	1.5%	28.6%	18.2%
Japan	3.3%	18.7%	0.2%
Europe	2.3%	32.2%	21.4%
US	3.5%	32.9%	26%
China	1.1%	6.9%	-1.2%

Source: Financial Times, Financial Express

## Bonds

The statement from the US Federal Reserve Chairman that purchases of bonds under their QE programme will likely start winding down by the end of the year is not ideal news for bond markets. While a sharp correction is not likely, it is somewhat inevitable that many bond

prices will slide between now and year end and that yields will gradually rise. So not a perfect time to be increasing exposure to mainstream bond markets. However, we do not expect large market shifts and we still see good value in niche areas of the bond universe.

## Cash

No change in outlook here as negative rates look to be embedded in the banking system for quite some time yet, despite the subtle shifts in bond markets. Long

term cash holders are strongly encouraged to consider some of the high yielding lower volatility investment funds available in the market.

## Alternatives

For those concerned about the risk in mainstream equity markets from high valuations, it might be worth considering alternative assets. Sectors worth considering might include Private Equity and Infrastructure, both of which are benefitting from favourable environments currently. Example funds include **Standard Life Private Equity Trust** (trading at a 20% discount to NAV and paying an annual dividend

yield of 3%) and **GCP Infrastructure** (annual dividend yield 6.5%). With current warnings about power shortages in Europe this winter, the renewable energy providers will directly benefit. Example funds include **NextEnergy Solar** (annual yield 7%) and **Greencoat** (annual yield 5%).

## Investments Outlook

The post covid optimism around economic recovery continues to be the dominant influence driving equity markets. In general, we would see this mood continuing between now and the end of the year, peppered by

occasional volatile phases. Longer term, equities will continue to deliver, although as markets continue to rise, a selective approach is likely to produce the best outcome.

## Fund in Focus – Aberdeen Asian Income Fund

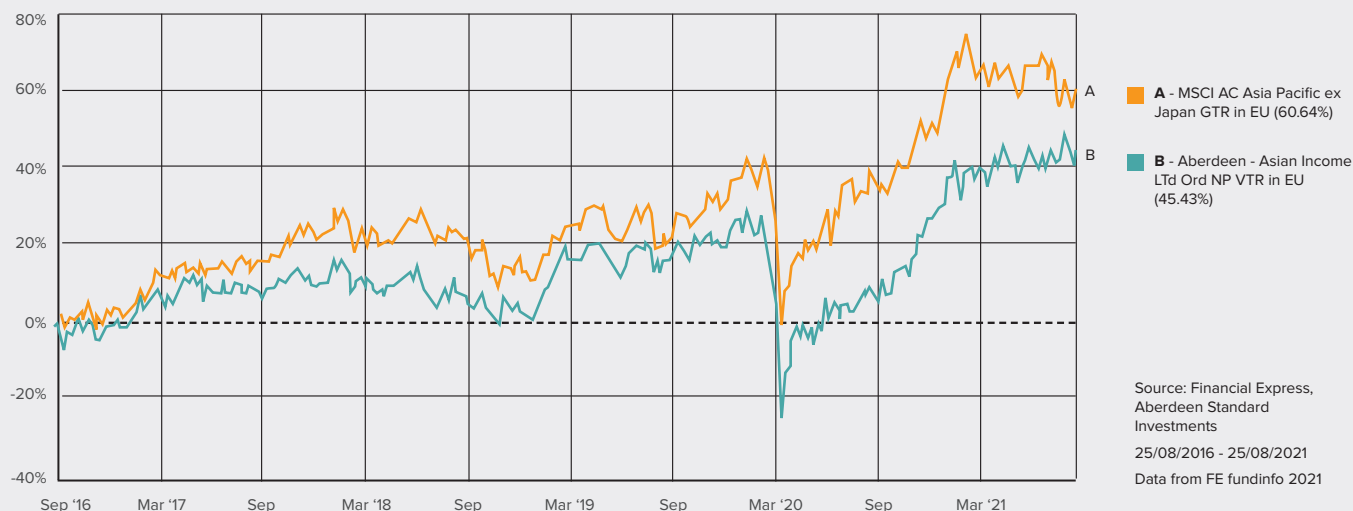
This month's fund in focus is the Aberdeen Asian Income Fund. Having emerging markets exposure in your investment portfolio is becoming increasingly important as Asia continues to deliver growth well above the world average. While Covid inevitably impacted over the past eighteen months, all the evidence would suggest that Asia is coming out of the blocks quickly post the pandemic. As a result the outlook remains positive.

The US – China geopolitical tensions will result in China becoming more self – sufficient over the coming years. In addition, other countries such as Vietnam and India are benefitting from the ongoing relocation of basic industries away from China to lower cost economies. The investment opportunities presented by these trends are captured by the active management style of this fund. The fund is

well diversified across many sectors including domestic consumption, technology and green energy. However as an income focused fund, its exposure to some of the very high growth sectors is limited and it will tend to underperform the market during strong growth phases. On the other hand its volatility is two thirds of the market and it will tend to underperform during volatile phases.

A particularly attractive feature is the high dividend yield. The current annual yield is 4% which is paid out to investors quarterly. This may be of particular interest to ARF investors who are looking to generate income from their investment portfolio. If you would like to discuss this fund or look at other income opportunities, please contact your Private Client Adviser.

### 5-year fund performance vs. Benchmark



Investment in this fund will allow you to gain a liquid and diversified exposure to Emerging Markets, managed by a specialist, well recognised investment manager, while also delivering a steady income.

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