

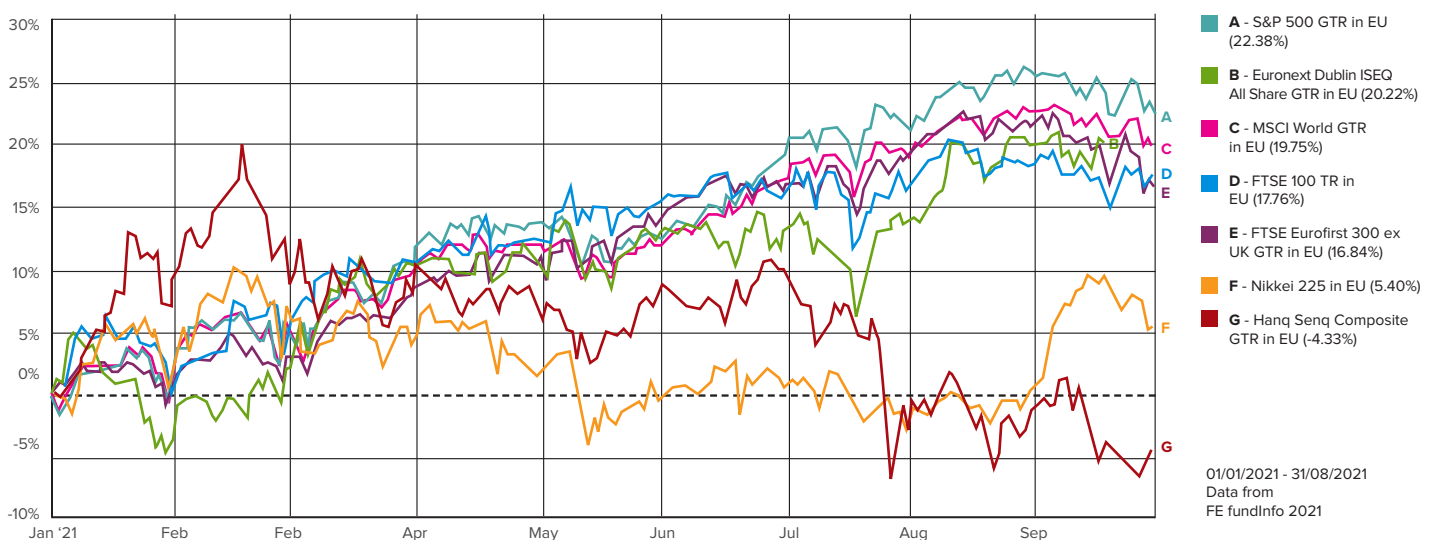


Month in Review

With the Summer season (generally a quieter time for markets) over, activity levels in the stock market have predictably picked up. Investor concerns have also risen however with a number of issues coming to the fore. China threw a curve ball in the form of the recent Evergrande incident. Evergrande, China's largest property company and also the world's most indebted company, ran into cashflow problems and reneged on a number of loan repayments. Because of its size, and its interconnectedness to a number of financial institutions in the West, this event caused a wobble in financial markets around the world. While the situation appears to have settled down for now at least, we cannot rule out further volatility from this source over the coming months.

Elsewhere, Biden continues to struggle to get his spending plan through Congress while markets continue to be on high alert for Central Bank signals as to when QE might be eased and interest rates may rise. The Covid optimism which was very evident some months ago has been tempered somewhat by the rapid spread of the Delta variant and its potential drag effect on economic recovery is still an issue for markets. And there is of course the inflation issue. Not only has the debate not gone away but more and more commentators are warning about the possibility of stagflation (low or no growth combined with rising prices). A winter of volatility in financial markets could well be in prospect.

Major Equity Markets Year to Date (in euro terms)



Equity Markets

The steady rise in equity markets since the start of the year came to halt in September as a result of the various issues mentioned above. Most markets - the main exception was Japan - were in negative territory for the month. China continues to suffer, not just on account of Evergrande, but from the sustainability of its debt levels generally and from the ongoing Government interference in a number of its larger companies. With the range of issues overhanging

equity markets generally it really does seem that volatility could be the order of the day over the coming months. Balanced against that we have the Covid dividend for economies and the weight of money argument – money has nowhere else to go at the moment. For the longer term, we remain firm supporters of equities although we do believe that it is important to be selective.

Equity Market Performances (in euro terms)

Market	Performance September 2021*	Performance 1 Year*	YTD*
Ireland	0.2%	39.1%	20.2%
UK	-0.5%	32.3%	17.8%
Japan	4.4%	21.6%	5.4%
Europe	-4.3%	28.4%	16.8%
US	-2.5%	31.5%	22.4%
China	-3.4%	6.7%	-4.3%

Source: Financial Times, Financial Express

Bonds

All the talk about the ending of QE, inflation taking hold and interest rates rising has inevitably caused bond yields to rise (prices to fall) in recent weeks. We see this trend continuing although central banks are alive to the risks of yields rising too quickly and will be doing their best to manage the transition smoothly, particularly as

regards the winding down of QE. So, while we are wary of mainstream bond markets, there are still pockets of value where very attractive income returns can be achieved. One of these is covered below in our Fund in Focus section.

Cash

While we may see rates start to rise in the US and elsewhere next year, for those of us in the Eurozone, we

can look to a negative interest rate scenario for a couple of more years at least based on current expectations.

Property

Following an update from IPUT (Ireland's largest commercial property landlord) in recent days, we took considerable comfort from their message that the death of Irish offices is not yet on the cards. They constantly monitor and seek feedback from their larger tenants and made the following points:

(i) No tenant has said they will need less office space going forward, despite the prospect of a hybrid working model.

(ii) Hotdesking is not popular among employees and for competitive reasons, the majority of the larger tenants have rejected the idea, particularly in the FDI sector.

For the above reasons, combined with the fact that there is still some post Covid value in the sector internationally and very attractive income opportunities, we are still recommending having an exposure to a quality, liquid property portfolio.

Investments Outlook

As we said above, the coming months may well be choppy in financial markets as we reach the final stages of this current bull cycle. We are not recommending that clients adjust their portfolios to cater for what may turn out to be quite a short-term phenomenon. New money going into markets would be well advised however a phased

approach to equity investments should be considered. Investors should also consider alternative assets such as infrastructure, renewables as well as property. Longer term we are happy that value can still be found in equities and in some niche areas of the bond markets.

Fund in Focus – Jupiter Contingent Capital Fund

This month's fund in focus is the Jupiter Contingent Capital Fund. This fund invests in a class of bank bonds (Contingent Capital or 'CoCo' Bonds) which were created in the wake of the Global Financial Crisis in 2008. They have an option attached to them whereby the issuing bank can convert the bonds to equity but only in very extreme financial circumstances.

Because of this convertibility, the regulators will allow them to be counted as Tier 1 capital which is a very attractive feature for the issuing bank. We would see the risk of conversion as very low given the balance sheet strength of European banks at present. However, because of this convertibility option, they do not fit the investment criteria of most bond funds and therefore trade at a significant discount to mainstream bond markets.

They provide alternative benefits to global bonds as investors can benefit from stock price gains. They also preserve some of its value if markets were to fall. They are also deemed 'safer' to an investor than common shares as the value of the convertible bond will only fall to the

value of the bond floor. The Jupiter Contingent Capital fund has many benefits including a compelling yield, good management, thorough and in-depth selection process, and is well spread in terms of credit risk.

- Income: Target 6% income per annum.
- Portfolio of High Yielding Bank Bonds
- The Fund will primarily invest fixed and variable rate debt securities issued by financial institutions with minimum capital requirements, such as insurers and banks.
- Low Fund volatility and low fund charges
- Good track record since inception

The standout attraction of this fund for investors is clearly its very high dividend yield. The current yield is 5.7% and this 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.

Jupiter Contingent Capital Fund vs Cash Deposit Benchmark



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.



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

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