



Current Topics in markets

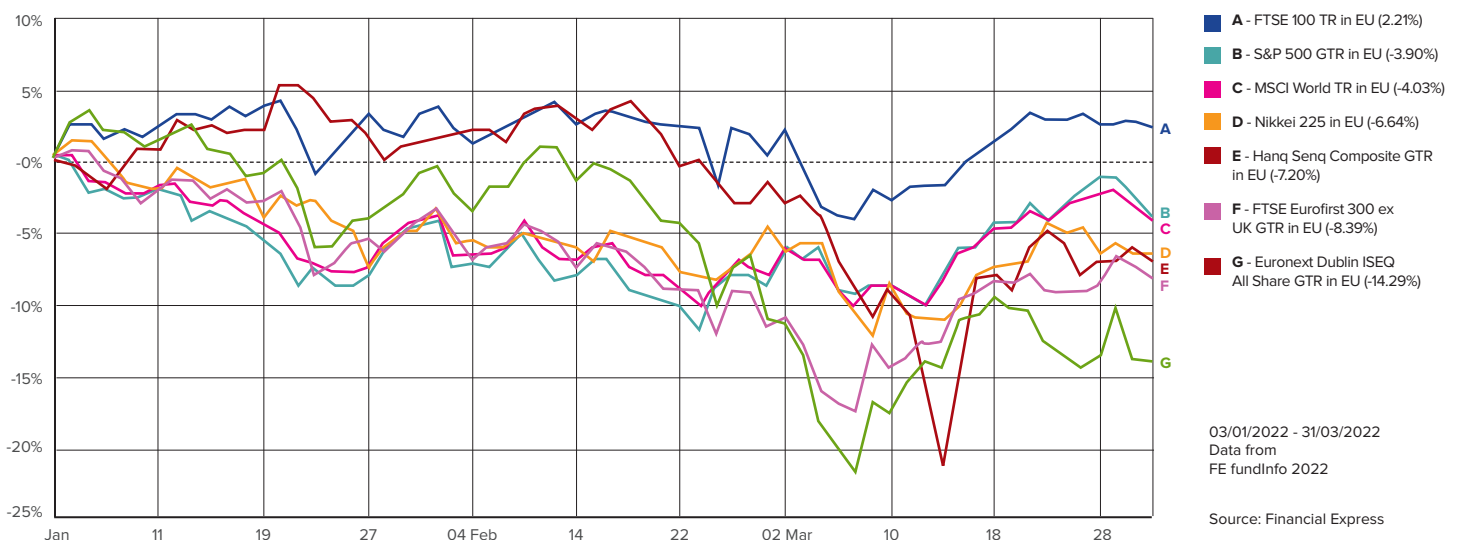
Larry Fink, the CEO of Blackrock declared in recent weeks that the covid driven experiences of the past couple of years now mean the 'globalisation is now dead'. He points this out as an inevitable outcome of the supply and delivery problems that both companies and countries have experienced during this time. As regards energy and food, concerns have risen even further as an inevitable outcome of the ongoing tragedy in Ukraine.

For companies, the principle of relying on a supply of parts and finished goods from halfway around the world where the supply chain can be so easily disrupted, is being seriously questioned. Governments, on the other hand are looking at energy and food and arriving at the view for

security reasons that more of these essentials need to be produced closer to home. While Larry Fink's description is certainly an exaggeration, the trend towards more use of local sourcing is inevitable and will feed into the central issue occupying markets currently – inflation.

Increasing the use of local suppliers and sources will add to costs, in turn feeding through to price rises. This emerging picture strongly suggests that the notion that inflation will be a relatively short term phenomenon seems less and less likely. This being the case, investors will need to factor this scenario into their thinking and to include exposure to assets likely to do better in an inflationary environment.

Major Equity Markets Year to Date (in euro terms)



Equity Markets

Following the market shock in the immediate aftermath of war breaking out in Ukraine, markets have been gradually recovering those losses. Most major markets are still in negative territory year to date. The UK is the exception (ahead 3% in euro and helped by currency movements).

Predictably, Continental Europe has been weakest, down more than 7% in the first quarter. The high volatility levels we have seen in equity markets over recent months are likely to be a recurring feature over the course of 2022.

Equity Market Performances (in euro terms)

Market	Performance March 2022*	Performance 1 year*	YTD*
Ireland	-3.41	-9.99	-14.29
UK	1.90	17.02	2.21
Japan	-1.84	-8.31	-6.64
Europe	3.81	7.92	-8.39
US	5.44	21.64	-3.90
China	-5.50	-19.87	-7.20

Source: Financial Times, Financial Express

Bonds

As central banks in the US, the UK and elsewhere started to raise interest rates or signalled their intention to do so, bond markets have responded negatively. Yields on Government bonds in particular rose sharply. Some higher yielding bond classes (where the

reasonably benign outlook for default levels can be as big an influence as interest rate trends) have been more resilient. While there are still pockets of long term value, we continue to recommend a highly selective approach to investing in bonds in current markets.

Property

Property has commonly been seen as a good hedge against inflation – rents typically follow general price rises and many commercial leases are index-linked. This view has certainly been evident in many property funds year to date which have significantly outperformed the general market. Two of our core property

recommendations, Schroders Euro Real Estate and BMO Real Estate are ahead by 5% and 13% respectively, year to date. While the pandemic has created some uncertainty around future property usage, we continue to see the asset class as offering very attractive income and growth prospects for investors.

Possible Inflation Hedges

If inflation is going to become a more lasting challenge, it may be worth considering some asset classes and investment themes likely to do better in this environment. Aside from property, these might include the following:

Infrastructure – apart from the fact that Governments are planning to divert significant investment to this area, this sector includes many utility companies who benefit from index linked pricing.

Renewable Energy – again this sector will benefit from the necessity to establish substantial investment programmes over the next decade. Index linked pricing for output again tends to be a feature.

Food – A growing world population, a shrinking volume of arable land and now a demand from western countries to source more food closer to home adds up to higher food prices. Our fund in focus this month plays on this theme (see below).

Healthcare – the ageing population across the globe can only mean that the demand for more and better healthcare over the coming decades is inexorable.

Tech Themes (Cybersecurity, Robotics) – Certain sub-sectors in technology look to offer the prospect of delivering strong growth over the longer term, relatively independent of the economic backdrop.

Investment Outlook

While the short term is likely to bring more volatility, we continue to encourage clients to look through the short term noise and to position their portfolios appropriately

in relation to equities and other asset classes which offer the prospect of delivering attractive growth over the long term.

Fund in Focus – Sarasin Food and Agriculture Opportunities Fund

This month's fund in focus is the Sarasin Food and Agriculture Opportunities Fund. The main objective of this fund is to provide growth over a rolling five-year period from investment in companies from around the world, which are exposed to the food and agriculture sector. The fund has a strong ESG focus and excludes companies involved in unsustainable food production practices.

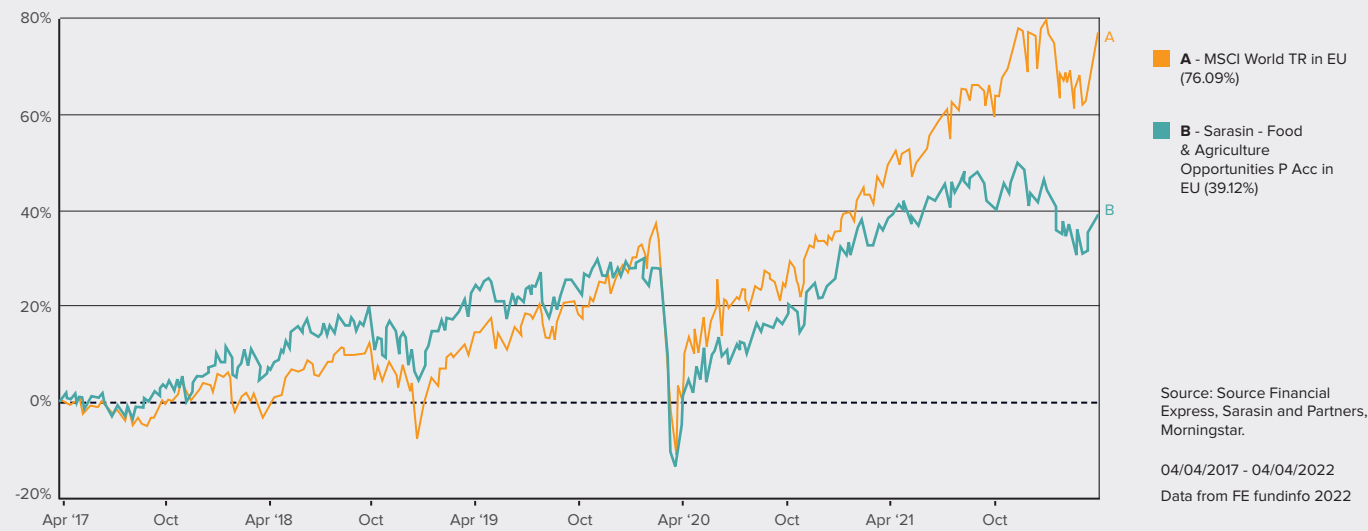
Attractive investment features of this fund include:

- **Strengthened by continuously changing trends**
 - Due to the ever-increasing world population, along with consumer incomes and dramatically changing diets the global food economy is consistently growing

- **An attractive risk-reward profile** – the fund has delivered an annualised return of c.10% over the past five years at a lower volatility level than the equity market as a whole.
- **Differentiated from other global funds** – providing access to a good geographic diversification of investments around the world (38% North America, 26% Europe and 36% elsewhere). It also has a significant diversification of investments among the sub sectors of Food and Agriculture, including Processors 38%, Retail 27% and Equipment 15%.

If you would like to discuss this fund or look at other investment opportunities, please contact your Private Client Adviser.

Sarasin Food and Agriculture vs MSCI World Index – 5-year performance



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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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Warning: The income you get from this investment may go down as well as up.