Market Insights

JULY 2022

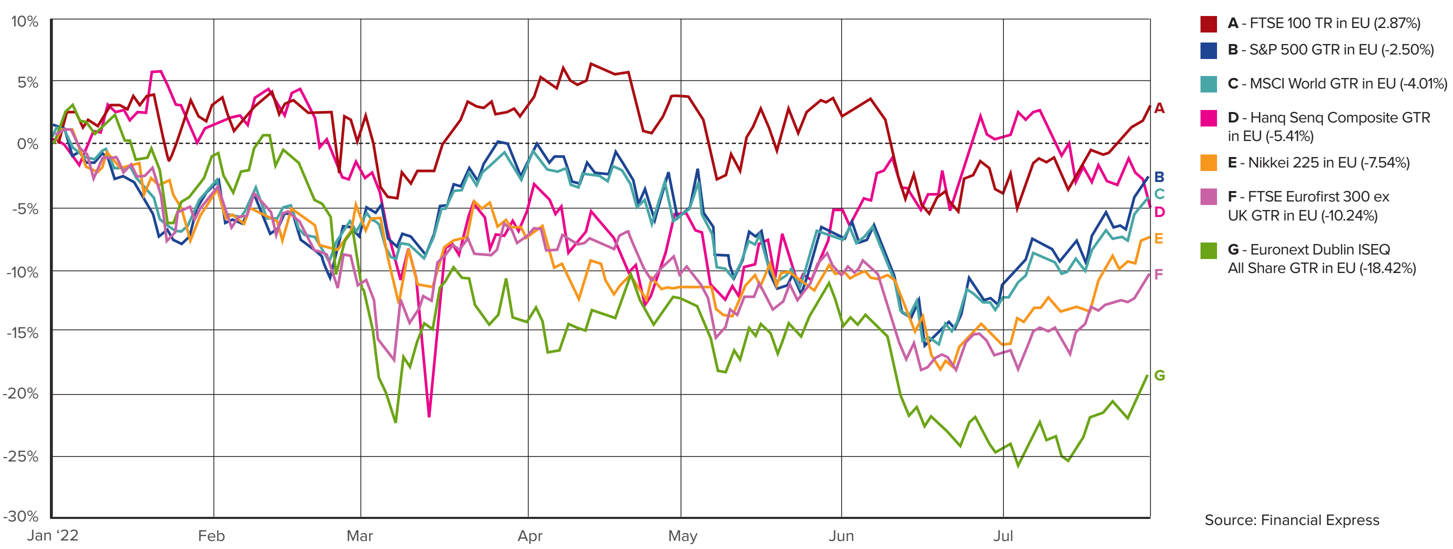
HARVEST FINANCIAL SERVICES

Current Topics in Markets

To the surprise of many people, July turned out to be the best month so far of 2022 for financial markets. Most equity markets had a strong bounce, driven by better than expected earnings from a number of large US companies and perhaps also a sense that central banks are finally getting things under control. Even bond markets moved in a positive direction despite a large rate increase of 0.75% by the US Federal Reserve and a signal that there could be a similar increase in September.

The Fed is determined to bring inflation into line and is sticking to its view that it can successfully do so without tipping the country into recession. Normally this would be a highly unlikely outcome and the Fed is defending its view on the basis that the labour market is particularly strong at present and that the high unemployment levels normally associated with a recession will not occur. This remains to be seen and any disappointments on this front will most certainly bring more volatility to markets over the coming months.

Equity Markets Year to Date (Euro Terms)



Source: Financial Express

Equity Markets

While equity markets had a strong month in July, we are sticking to our view that more volatility is likely in the short term. Having said that it would be a mistake to avoid equities completely as experience has taught us time and again that recovery phases in the market can take place very quickly and can be relatively brief in duration, so it is a mistake to be fully out of the equity market for any length of time. There is no doubt that there is value in equities that wasn't available a year ago and we have little hesitation in advising clients to cautiously take advantage of this. Emerging markets look particularly attractive at the moment compared to historic norms and our Fund in Focus this month plays to this theme.

Equity Market Performances (in euro terms)

Market	Performance July 2022*	Performance 1 year*	YTD*
Ireland	7.8	-17.0	-18.4
UK	7.1	11.5	2.9
Japan	10.4	-2.7	-7.5
Europe	7.8	-4.6	-10.2
US	10.2	10.9	-2.5
China	-5.8	-10.3	-5.4

Source: Financial Times, Financial Express

Bonds

Bond markets almost moved positively during July with the Bloomberg Global Bond Index ahead by 2.5%. Year to date the fall in bond markets is now around 7%. Bond investors seem to have come around to the view that while there will be a series of interest rate rises over the shorter term, many of these increases could be reversed over the next couple of years should economic conditions take a significant turn for the worse. Our expectation is that the worst is probably over for bond markets for now and that they will be more stable looking out over the next 12 months.

Property

As an asset class, property is anything but uniform. While there is plenty of uncertainty around some sub-sectors e.g retail and some offices, other sub-sectors are showing strong growth such as logistics, healthcare and residential. Internationally, there are still plenty of opportunities available for investors to get exposure to these growth areas via fully liquid vehicles at discount valuations and offering yields of 5% and higher.

Alternatives

Over the past couple of years as both bond and equity markets became increasingly expensive, we have been consistently recommending to investors to build up higher weightings to Alternative Investments in areas like infrastructure, renewable energy and even selected hedge funds. In the current markets, we see no reason to change this advice as many of these investment opportunities offer protection against both volatility and inflation as well as offering a very attractive level of income.

Fund in Focus – Aubrey Global Emerging Markets

The fund's overall objective is to generate an attractive return by investing solely in companies which are entirely focussed on the growth in consumption in services in the Emerging Markets. The fund focuses on these rapidly growing sectors in countries with political and economic backdrops conducive to income growth and consumer confidence. The fund concentrates on growth companies with a market capitalisation of at least $500 million, or those who carry out the main part of their economic activity in an emerging market country.

A few points to note:

- Tying into their philosophy of 'wealth progression' the fund has a consumer focus and hence invests highly in both China and India
- The team of three co-fund manager's each have greater than 30 years investment experience with Andrew Dalrymple and Rob Brewis both having been based in Asia for a decade over that period
- ESG is embedded throughout the funds concentrated portfolio, with a hope of being Article 8 soon

Aubrey Global Emerging Markets – Performance YTD vs. MSCI World

In our view, all longer term investment portfolios should hold an appropriate exposure to emerging markets and given the fact that EM equities are down by the order of 20% since the start of the year, now seems like an opportune to add that exposure. If you would like to discuss this fund or look at other investment opportunities, please contact your Private Client Adviser

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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