



Current Topics in Markets

As we exit the Summer lull period for markets, the issues occupying investors' minds are unchanged. How high is inflation likely to rise? How sticky is the inflation rise likely to be? How far will central banks push interest rates? Will central bank efforts be successful in taming inflation?

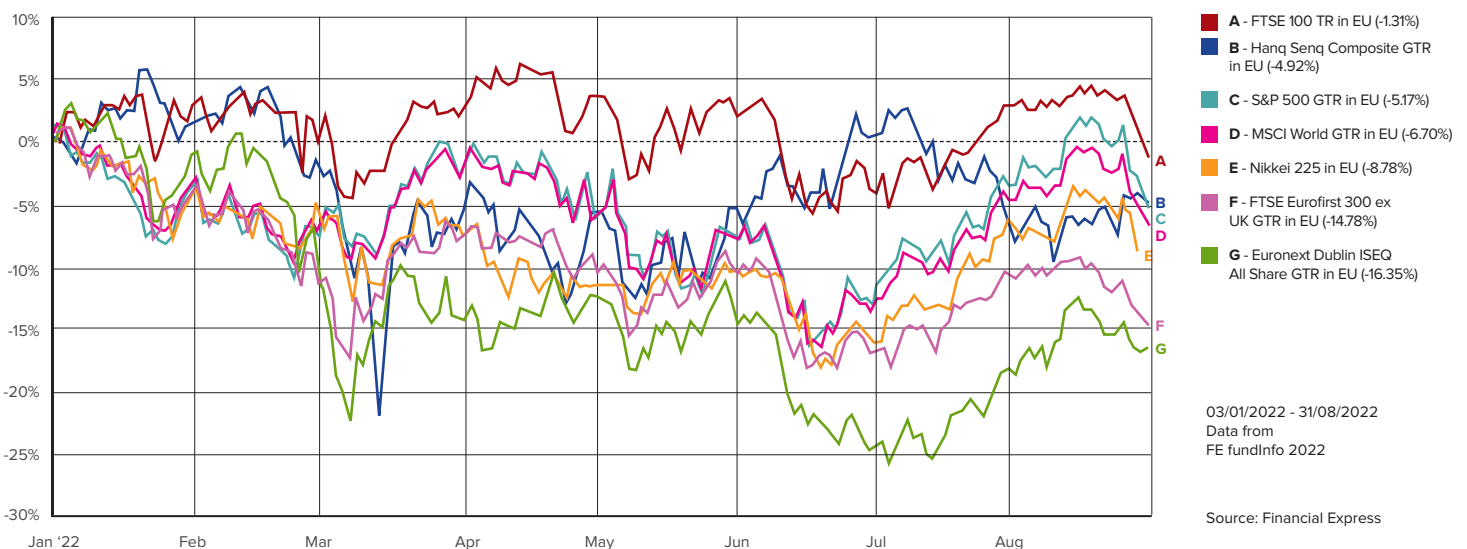
Will these efforts tip economies into recession? And all of this uncertainty is just not good for financial markets. Both bond and equity markets have delivered volatility levels this year well above the norm and investors can expect more of the same over the coming months – or at least until the economic picture clarifies.

The energy situation in Europe is a particularly acute challenge and has the potential to create some serious

short term issues for European economies over the coming winter. On the other hand it is leading to a considerable acceleration in investment plans around alternative sources of energy.

The EU Commission estimates, for example, that new wind farms planned for the Baltic Sea region could ultimately power more than 100 million households. In our view, this is creating very substantial opportunities for investors in the areas of solar, wind and battery storage. Not alone do these sectors offer attractive capital growth opportunities but they can also be very reliable sources of investment income, while also offering daily liquidity. We believe all investors should have an exposure to one or more of these sectors in their portfolios.

Equity Markets Year to Date (Euro Terms)



Equity Markets

Having delivered a strong recovery in July, equity markets slipped backwards again in August. Ireland and China were the two exceptions to the trend, both coming off low bases relative to other markets. As mentioned above, this pattern of volatility is unlikely to change in the short term.

In addition, we feel that, while it is still not a likely event, the risk of a correction over the coming months has risen. All of that said, we are not fighting shy of equities although we are being quite selective and we are phasing new investments into the market.

Equity Market Performances (in euro terms)

Market	Performance August 2022*	Performance 1 year*	YTD*
Ireland	2.2	-19.4	-16.4
UK	-4.1	5.4	-1.3
Japan	-2.6	-7.1	-8.8
Europe	-4.8	-11.4	-14.8
US	-1.7	4.2	-5.2
China	1.5	-10.9	-4.9

Source: Financial Times, Financial Express

Bonds

Once the inflation story took hold in 2020, mainstream bond markets were assured a challenging time, given the very direct exposure of bonds to movements in interest rates. That said, not all bonds have performed badly and some unconstrained global bond funds on our recommended list e.g. Templeton Global Bond

Fund (+5.5% year to date) have performed against the grain and are in positive territory over the course of 2022. Continued rate increases will bring further volatility to bond markets so, as an asset class, it is important to be highly selective.

Property

If history is anything to go by, property could be a beneficiary of current inflationary trends because of the general tendency for rents to follow general price

increases. Currently, we favour international property markets over Irish-based opportunities on a relative value basis.

Alternatives

Over the past couple of years, we have been steering clients towards having a larger allocation to alternative asset classes, away from mainstream equities and bonds. We have particularly favoured infrastructure and renewable energy funds. Both of these asset sub-

sectors have performed positively in 2022 to date, bucking the general trend in the main asset classes. We continue to favour these sectors and would expect them to continue to perform relatively well in the current uncertain marketplace.

Fund in Focus – Guardcap Global Equity

For our monthly Fund in Focus we are focusing on the Guardcap Global Equity Fund. This a high conviction equity fund whose main objective is to seek long-term capital growth with a volatility level lower than the market. It has delivered impressively on this objective over the past several years. The philosophy of the fund is that long term sustained growth drives returns. It invests in a small universe of high-quality growth stocks and targets companies with strong positions in growing niche markets. Generally, the fund avoids the big names.

Despite the fact that the fund style would be seen as 'growth', a style which has suffered particularly badly this year, its relative performance in 2022 has been impressive. But a major selling point for this fund in our view is that its strategy of holding strong niche players in high growth markets will stand to it when equity markets eventually do turn.

A few points to note:

- This fund is classified as an Article 8 Fund, with all investee companies required to meet the teams “ten Confidence Criteria”. This ensures that each company’s ESG practices align with its potential for long term sustainable growth.
- The fund practises active ownership, operating a voting system on every resolution and corporate action proposed by their companies, allowing them to engage with companies on practices which may concern them and encourage positive change.
- The fund does not invest in companies which are involved in the manufacture of, controversial weapons, firearms, tobacco products or extraction of fossil fuels.

Guardcap Global Equity – Performance YTD vs. MSCI World



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

13.52.09.22

Harvest Financial Services Limited is regulated by the Central Bank of Ireland.
Intended for distribution within the Republic of Ireland.

The marketing material is not intended to provide advice and is provided for general information purposes only.

Warning: The return may increase or decrease as a result of currency fluctuations.

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

Warning: The value of your investment may go down as well as up. You may get back less than you invest.

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