



Current Topics in Markets

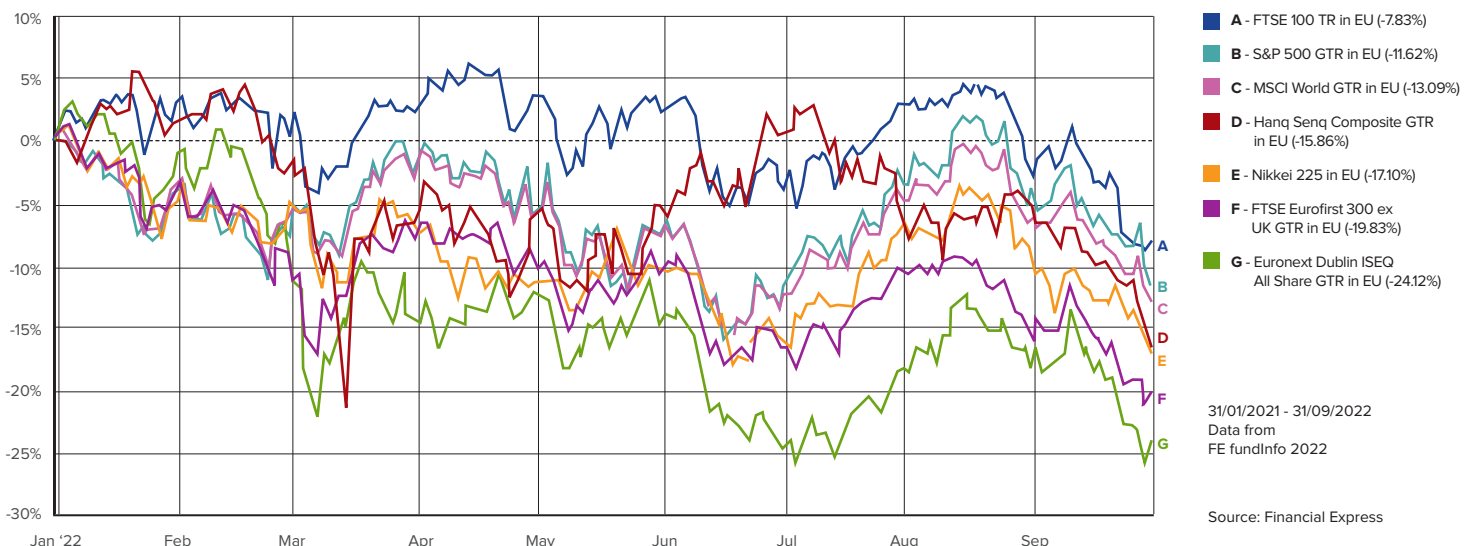
Inflation continues to be the burning issue dominating financial markets right now. Central banks continue to take aggressive steps in raising interest rates and lowering their bond holdings, in an attempt to keep inflation in check. The fact is that financial markets hate nothing more than uncertainty and they will remain volatile as long as the current batch of uncertainties persist. These outstanding uncertainties include:

- At what level is inflation in developed markets likely to settle?
- Where are interest rates likely to peak, particularly in the US?
- What kind of corporate earnings picture are we looking at for 2023?
- Just how bad a recession can we expect in 2023?

Unfortunately for all of us, central banks have simply been too tardy in identifying the inflation risk and are now playing catchup aggressively. As a result, global recession in 2023 seems a certainty. In Ireland's case, both the Central Bank and the ESRI seem confident that Ireland can escape the worst of it. This view seems quite optimistic, particularly given the uncertainty around energy prices and supplies in Europe.

Despite the very uncertain picture at the moment, markets will settle over the coming months and history has shown repeatedly that recessionary times are not necessarily bad for financial markets and that they often go hand in hand with strong recovery phases. UBS, for example, have nailed their colours to the mast and their central scenario is for a bounce in markets in the first quarter of next year. Looking at history, its not an unreasonable view.

Equity Markets Year to Date (Euro Terms)



Equity Markets

September brought no good news for equity markets and all leading markets moved backwards, with China's zero covid policy and property market problems pushing it into negative double figures for the month. Currency movements have had a huge influence over the past year for euro-based investors. A 30% fall in China is halved when converted to euros and a 15% fall in the US is fully neutralised by the strength of the dollar over the past 12 months.

While equity markets have not been kind to investors this year, it would certainly be a mistake to lose faith in equities. For the longer term investor, there is much better value in markets right now and there is also the prospect of recovery in 2023. Being selective about equity selection, as well as phasing new investment into the markets, are both strongly advised, however.

Equity Market Performances (in euro terms)

| Market | Performance Sept 2022* | Performance 1 year* | YTD* |
|---------|------------------------|---------------------|-------|
| Ireland | -6.7 | -23.7 | -24.1 |
| UK | -5.2 | -1.2 | -7.8 |
| Japan | -8.0 | -19.7 | -17.1 |
| Europe | -4.2 | -13.4 | -19.8 |
| US | -8.2 | 0.0 | -11.6 |
| China | -11.3 | -18.5 | -15.9 |

Source: Financial Times, Financial Express

Bonds

Bond markets have had a pummelling this year in response to rising inflation and interest rates, as well as the unwinding of quantitative easing. In our view, this reconfiguring of global bond markets has further

to go and the market is unlikely to stabilise until the economic picture clarifies, probably some time in 2023. We remain cautious on mainstream bond markets in the meantime.

Property

During past inflationary cycles, property has proven to be a relative safe haven because of the trend for both rents and value to follow rising inflation. This cycle, things have been a little different and listed property vehicles have followed the downward slide in equity markets.

As an asset class, property is anything but uniform, however, and while we retain a negative view of retail and suburban offices, we see very good value currently in other sub-sectors such as logistics, retail warehouses and healthcare properties.

Alternatives

Over the past two years, we have been advocating that clients include more alternatives (infrastructure, renewable energy, hedge funds) in their portfolios and, generally speaking, these options have delivered very well over the past year. Our particular selections in these categories have grown in value in 2022 when

both equity and bond markets have fallen sharply. We continue to include them in advisory portfolios on the basis that many of these funds offer inflation beating characteristics, lower volatility and an attractive level of income.

Fund in Focus – Next Energy Solar

For our monthly Fund in Focus we have selected the Next Energy Solar Trust, appropriate for a number of reasons, not least that they were in Dublin last week presenting to our clients. We added this fund to our Recommended List a couple of years ago on the basis of their high predictable yield and the exposure they offer to the fast growing solar energy sector.

The funds investment objective is to provide ordinary shareholders with attractive risk-adjusted returns, mainly in the form of regular dividends. They do this through investing in a diversified portfolio of primarily UK-based solar energy infrastructure assets. They believe that solar energy has a pivotal role to play in responding to rapidly increasing energy demands while also addressing the global climate agenda. By generating renewable energy, Next Energy Solar is helping tackle climate change in turn leading the transition to a clean energy supply.

Points to Note:

- Next Energy is classified as an Article 9 (highest possible rating) Fund under the new ESG rating system established by the EU
- As at 30 June 2022 the Company has completed and announced 100 separate acquisitions of operational solar projects with a total capacity installed of 865MW and total invested capital of approximately £1.06bn
- The fund has recently been added to the FTSE 250
- It currently offers an annual dividend yield of 6.4%
- If you would like to discuss this fund or look at other investment opportunities, please contact your Private Client Adviser.

Next Energy Solar – 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.



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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.