



Current Topics in Markets

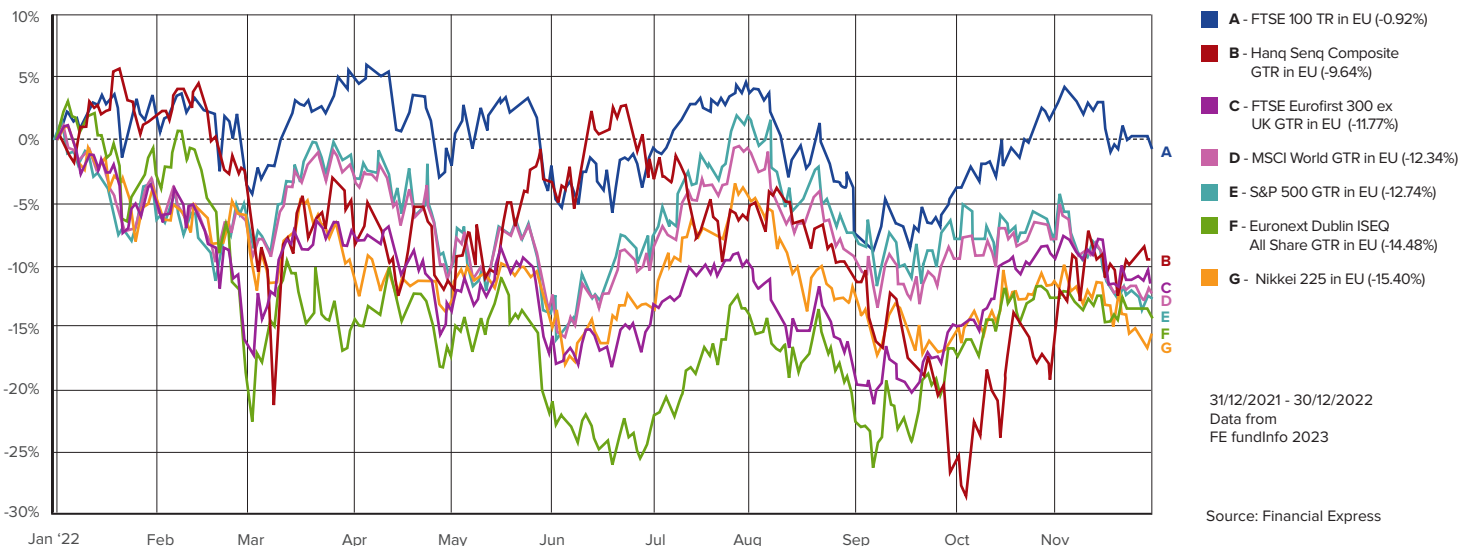
Financial market statisticians are in general agreement that there has never been a year quite like 2022, with both equity and bond markets suffering double digit falls to the extent they did. In order to have made money over the past year, investors would need to have been heavily exposed to selected alternative assets (infrastructure, renewable energy etc) or to have been very strongly weighted towards the ‘value’ end of the equity market (large low growth dividend paying companies).

For the first year in a very long time, value stocks significantly outperformed their high growth peers. For virtually all of this we can thank a very rapid re-emergence

of inflation, a variable the markets had almost forgotten about given that it had been dormant for so long. So is 2023 going to any different? Inflation has two driving forces, the price of goods and the price of services.

The logistical challenges post covid which caused the prices of many goods to rise sharply are gradually being resolved and further price rises are likely to be more muted. Price rises in services (driven mainly by wage rises) are more difficult to deal with and tend to be stickier. Further price rises are likely to be mainly services rather than goods driven. As a result, we can expect inflation to be a factor in markets for a while yet.

Equity Markets Year to Date (Euro Terms)



Equity Markets

The first few days of the year have seen most equity markets move in a positive direction. While we do not anticipate a strong recovery, and are always wary that disappointing economic news could cause markets to correct downwards, we still hold strongly to the view that it would be a mistake for longer term investors to be out of equities for any length of time. That said, it is clearly time to be selective. The big tech companies which have led

the bull market in recent years are still not at a valuation level we would regard as attractive. We continue to favour established companies with strong proven cash flows. We also favour income as a true measure of value. Funds focusing on these characteristics should be at the core of your equity portfolio. More peripherally, we see value now in smaller companies, in emerging markets and in certain thematics such as healthcare.

Equity Market Performances (in euro terms)

Market	Performance Dec 2022*	Performance 1 year*	YTD*
Ireland	-2.6	-14.5	-14.5
UK	-4.9	-0.9	-0.9
Japan	-5.7	-15.4	-15.4
Europe	-4.3	-11.8	-11.8
US	+1.7	-12.7	-12.7
China	-7.3	-9.6	-9.6

Source: Financial Times, Financial Express

Bonds

2022 was not a good year for bonds. A combination of circumstances caused an across the board correction to bond prices to a degree not seen for a very long time. However, to justify current bond prices, one would need to hold a highly pessimistic view of the global economy, assuming a deep and prolonged recession, further rate rises and wholesale corporate

defaults. Many corporate bonds are currently trading at very significant discount to par and are offering annual distribution yields in the high single digits. Our fund in focus this month, the Artemis Short Duration High Yield, focuses on this current opportunity and offers a combination of low risk and attractive income.

Property

While retail property has been out of favour for quite some time, there is now a growing question mark over office property for at least two reasons (i) the post covid return to the office simply hasn't happened to the extent expected with inevitable consequences for demand levels and (ii) older office properties which do not measure up to new environmental efficiency standards simply cannot compete.

However, many other sub-sectors of the property market – industrial, logistics, healthcare and residential – are thriving in terms of demand levels. The devaluation of property funds during 2022 was indiscriminate and hit all sectors of the market. As a result we see very good value in global real estate funds with a significant exposure to these areas.

Fund in Focus – Artemis Short Dated High Yield Fund

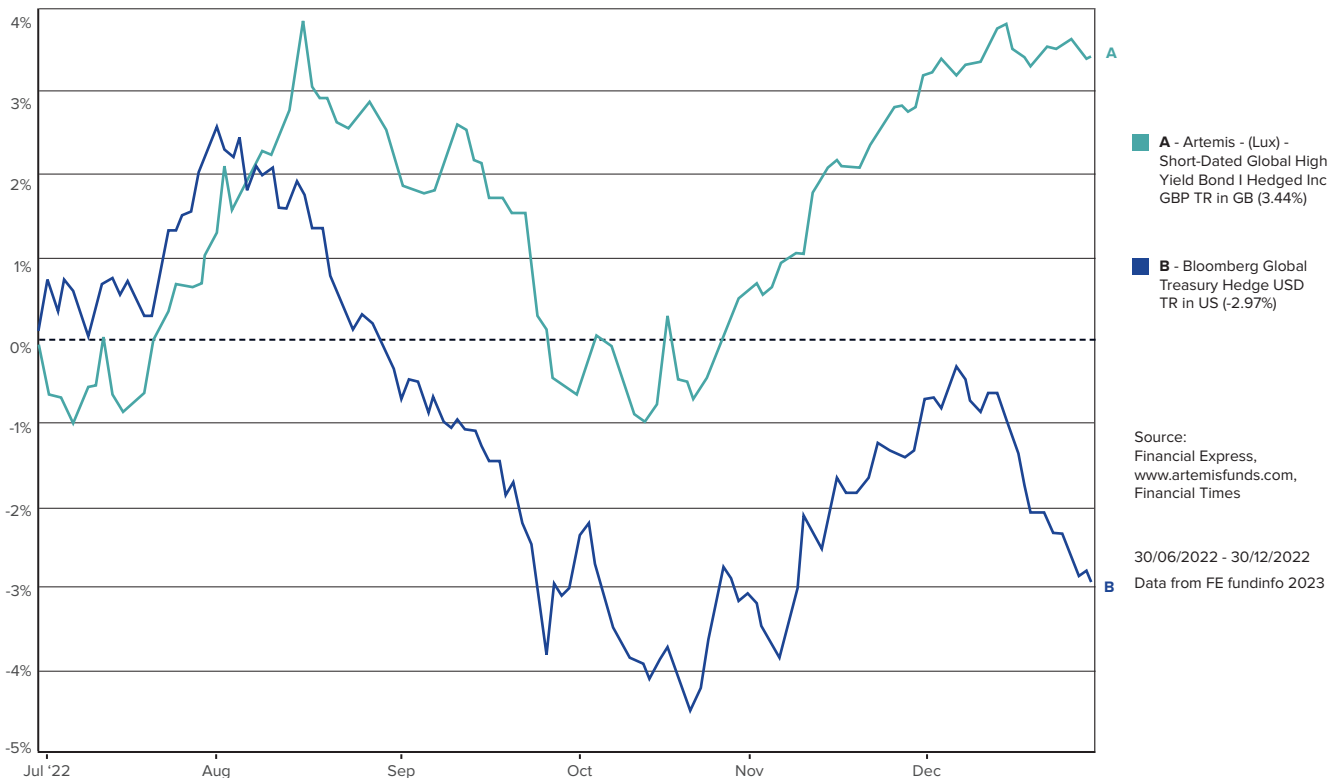
This month’s fund in focus is the Artemis Short Dated High Yield Bond Fund. This fund invests in high-yield bonds that are close to maturity. The fund aims to beat its benchmark, the Secured Overnight Financing Rate, after costs and charges, over rolling three-year periods, through income and capital growth. The funds target duration is 0-2 years. The distribution yield on this fund is currently a little over 5%, with the fund paying out quarterly distributions.

Points to Note:

- A majority of the larger companies on the portfolio are BB rated. These are companies that typically have plenty of resources on hand to repay maturities with cash and a low likelihood of them going bust, resulting in lower volatility.
- The fund actively incorporates ESG to identify opportunities and threats which other similar funds may miss and as a result this fund is classified as an Article 8 Fund.
- We believe it is quite an attractive time to invest in bonds as at the minute they are trading at 80% par, with some bond funds trading at even less.
- December capped off a year in which valuations dramatically reset within the global high yield market, creating potentially the most appealing environment for investment in the high yield market over the last decade.

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

Artemis Short Dated High Yield Bond Fund – 6 month Performance vs. Bloomberg Global Treasury Hedge



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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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.