

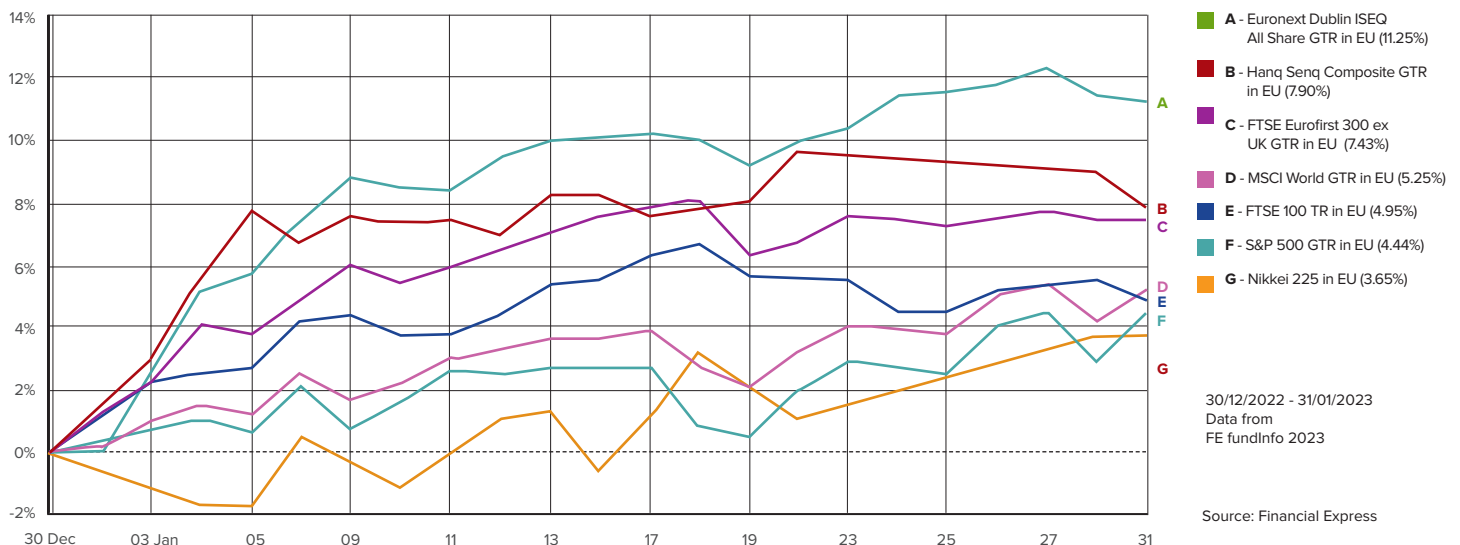


Current Topics in Markets

Optimism in financial markets certainly returned with a bang in January with both bond and equity markets experiencing a sharp rise. As the US Federal Reserve announced a slowing of rate increases and as official inflation figures in the EU and UK clearly easing, markets decided that the inflation threat was receding, that the interest rate peak was not very far away and that any recession in the US would be a mild one. The opening up of China and some signs of a more positive US-China relationship gave a further boost to confidence. Many hedge funds had taken short positions on markets at the start and were caught off guard by the positive shift – unwinding these trades provided further support.

It is hard to escape the feeling, however, that this has all happened a little too quickly. Some of the rate increases which occurred in late 2022 have yet to have their full impact on economies and we do not yet know whether central banks have overshot or not. On the other hand, while the rate of inflation clearly appears to be slowing, it is still high compared to recent norms and rate increases beyond what is currently expected by markets may be necessary this year. As a result, we anticipate further phases of volatility over the coming months and we remain relatively cautious as a result.

Equity Markets Year to Date (Euro Terms)



Equity Markets

Major equity markets were all in positive territory over the month. The Irish market was up by an impressive 11%, helped in no small part by the strength of the two main banks who are expected to benefit from the current interest rate rises. Despite the much more encouraging look to markets at the moment, we expect the road over the next several months to be bumpy and we are sticking to our focus on companies who, while not offering the prospect of spectacular growth,

are generating strong cash flows, paying good dividends and have clear product pricing power. Funds investing in such companies should produce less volatility and a good level of income for investors. We remain committed to an adequate exposure to equities over the long term and we believe there is certainly good value to be had at present in some areas of the market.

Equity Market Performances (in euro terms)

Market	Performance Jan 2023*	Performance 1 year*	YTD*
Ireland	+11.25	-2.28	+11.25
UK	+4.95	+2.33	+4.95
Japan	+3.65	-7.44	+3.65
Europe	+7.43	-0.38	+7.43
US	+4.44	-5.26	+4.44
China	+7.90	-3.70	+7.90

Source: Financial Times, Financial Express

Bonds

Like equities, bond markets have also rallied impressively since the start of the year. That said, after the falls of 2022 there is still very good value in bond markets and we are more positive on bonds than we have been for a number of years. On a selective basis, bonds offer an attractive mix of strong income yields, some capital upside and lower volatility than equities.

Some **high yield bond funds** would appear to offer particularly good value at present. In addition, we particularly like bond funds with a wide investment brief globally and we have selected one such bond fund, the Templeton Global Bond Fund, as our fund in focus this month.

Property

While the jury is still out to a degree on what the post covid future looks like **for office** properties, the emerging view would seem to say that city centre and CBD office locations will remain in demand but that suburban and peripheral locations may struggle. The

interest rate increases should temper price rises in the **Irish residential market** although the supply demand imbalance will continue to act as a strong support. We continue to favour specific market sub-sectors such as logistics, data centres, healthcare properties etc.

Alternatives

Having increased our focus on alternative asset classes a couple of years ago, we are sticking to our view that asset groups such as infrastructure, renewable energy and selected hedge fund strategies deserve a long term

position in most portfolios. While we are certainly not over bullish on **private equity** generally, there is clear value in a number of listed private equity trusts which are currently trading at very substantial discounts.

Fund in Focus – Franklin Templeton Global Bond Fund

This month's fund in focus is the Franklin Templeton Global Bond Fund. The Fund has a very wide investment brief and achieves its returns by taking advantage of value opportunities in global bond markets, taking positions on currencies and focusing on income. This strategy stood to it over 2022 when it was one of the few bond funds to show a gain over the course of the year (see chart below). The fund mainly invests in debt securities of any quality issued by governments and government related entities located in any developed or emerging markets.

Points to Note:

- The fund sources excess returns from areas of greater potential upside. This includes specific currencies that they believe are undervalued and can offer downside risk management from a weaker USD.
 - The fund is classified as an Article 8 Fund with the fund excluding countries and issuers that are subject to international economic sanctions and also excluding government bonds of the poorest performing countries in ESG.
 - The fund's unconstrained approach offers a strong diversification benefit due to low to negative correlations with major asset classes, in turn helping reduce overall volatility in the context of portfolio allocation.
 - The fund pays out an annual distribution with the current yield at 6.1%.
 - If you would like to discuss this fund or look at other investment opportunities, please contact your Private Client Adviser.
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Franklin Templeton Global Bond Fund – 1 Year Performance vs. Vanguard Total Bond Market Index



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.