

MONTHLY UPDATE: ACUMEN PORTFOLIOS

FEBRUARY 2023



MARKET REVIEW FOR LAST MONTH

January was a positive month for global equity markets, reversing the disappointment of December. Asia Pacific and Emerging Market equities led the way, rising by more than 7% for the month. Developed Market equities in the US and UK also rose but not by quite as much, up around 5%.

Fixed Interest securities, otherwise known as bonds, also rose in January. Autumn's 'mini-budget' in the UK caused turmoil in financial markets for a few weeks but since the fourth quarter of 2022, bond markets have staged a recovery.

Commodities had a strong 2022, being the only asset class to see strong positive returns for the year, and Gold continued that trend in January, rising over 5%. That said commodities as a whole were marginally down for the month, as investors turned their attention towards equities.

RECENT CHANGES TO THE ACUMEN PORTFOLIOS

In January, the Investment Team increased exposure to UK equities in the ACUMEN Portfolios, by adding to an existing investment in the FTSE 100. Large UK equities have outperformed smaller UK companies and the team expect this to continue. An investment in the FTSE 100 also provides exposure to international markets, given that most of the UK's largest 100 companies generate revenues overseas.

Higher US interest rates are bad for companies looking to borrow, in order to grow. With that in mind, the Investment Team reduced exposure to US Technology companies in the month.

Some of the US Technology proceeds were invested into the FTSE 100, with the remaining proceeds topping up an existing investment in gold miners. The team have a positive outlook for gold, and this investment also helps to provide diversification in the ACUMEN Portfolios.

A LOOK AHEAD

Despite a strong start to the year for both equity and bond markets, we remain cautious in the face of high inflation and rising interest rates. The ACUMEN Portfolios are therefore positioned accordingly with exposure to high quality companies in both equity and bond markets.

The ACUMEN Portfolios are defensively positioned in the less volatile parts of the market, via defensive equities that should be able to better weather the turbulent economic conditions ahead, such as healthcare and utilities; the idea being that people will still buy their medicine and heat their homes, irrespective of economic conditions.

In bond markets the team prefer bonds issued by companies with strong balance sheets, and Government bonds.

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