

MONTHLY UPDATE: ACUMEN MPS

MAY 2023



MARKET REVIEW FOR LAST MONTH

The US financial sector remained at the centre of most headlines in April. This followed the fallout from the collapse of Silicon Valley Bank, and concerns about First Republic Bank coming to light at the end of the month. Despite that, financial market returns were broadly positive in April, albeit muted.

Global and US equities rose by just over 1.5%. This was despite US economic growth slowing to just 1.1% in the first quarter of 2023, down from 2.6% the quarter before. UK and European equities fared slightly better, up 3% and 2% respectively for the month. Emerging Market equities underperformed and were down just over -1%, led by weakening demand in China.

Fixed Interest securities, otherwise known as bonds, were broadly flat in April, except for UK gilts which underperformed due to inflation remaining persistently high.

Sharp falls in the price of wheat led to commodities falling by around -1.5%, although precious metals were again a bright spot with Gold up 1% and Silver rising by nearly 4%. Oil ended the month little changed.

RECENT CHANGES TO THE ACUMEN MPS RANGE

There were no changes made to the ACUMEN MPS, in the month of April.

Following the Investment Committee deciding to reduce exposure to some of the more volatile areas of the ACUMEN MPS towards the end of last year, we have been watching events unfold closely in the first few months of 2023. Nothing we have seen has changed our view that this year, especially the second half of the year, will be challenging.

We remain keen to invest in quality companies that pay a decent level of income to investors. With this in mind, the Committee will be making some changes to the ACUMEN MPS in the coming weeks.

These changes will increase the yield across the models by investing into higher dividend paying companies, as well as higher yielding bonds. We will increase our exposure to large UK companies, whilst trimming our US equity exposure. We will also introduce an allocation to Indian Government bonds and invest in Emerging Market Asian equities.

A LOOK AHEAD

Despite a strong start to the year for equity markets, most of the returns came from just a handful of large, US technology based, companies. This masked the fact that the global economy is facing a recession, and there are challenging times ahead for companies and individuals alike.

We expect inflation to remain high ('sticky') and to have higher-for-longer interest rates, especially in the UK. We also believe that we are yet to feel the full effects of rising interest rates in the real economy, and we believe equity valuations, particularly in the US, remain expensive.

As always, we remain pragmatic and continue to question our assumptions and market outlook. Should the economic environment change, we will adapt as required.

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