

# MONTHLY UPDATE: ACUMEN PORTFOLIOS

## 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 PORTFOLIOS

Following several changes made to the ACUMEN Portfolios at the beginning of the year, the Investment Team decided to largely keep the ACUMEN Portfolios unchanged in April, apart from ACUMEN Portfolio 8.

Here, they rose cash levels slightly by reducing some equity holdings. This is in keeping with the team's cautious outlook for the short-term, whilst ensuring the level of risk in ACUMEN Portfolio 8 doesn't get too high.

### 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.

The ACUMEN Portfolios are therefore positioned accordingly, with exposure to high quality companies in both equity and bond markets.

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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