MAHERBROWNSWORD
INDEPENDENT FINANCIAL ADVICE

JULY NEWSLETTER

Extraordinary Times give rise to extraordinary opportunities..

When I began writing this newsletter, following my first post- pandemic 'in-person' conference in London, Boris was still holding on at no.10. However, before I had finished my first paragraph, it seemed it was a 'done deal' - he was on his way out. Whatever your political views, I think we can all agree it has been somewhat of an '*extraordinary*' last few years. Therefore, in these exceptional times, we must look beyond our normal approach, and in doing so, perhaps discover some *extraordinary opportunities*.

Over the years, we have worked closely with you as valued clients, carrying out annual progress meetings, in which we review your investments, consider the market, whilst carefully matching your risk profile to the appropriate portfolio, best suited to your needs. For many of you this would mean a face-to-face meeting. This strategy has proved to be highly successful. I am acutely aware, however, that to keep up with an ever more challenging financial landscape, we need to slightly adapt our way of thinking. I am a great believer in innovation and learning - which is why in the space of a little over two years, we are now able to communicate and meet with many of you virtually via zoom. This in turn saves travelling time and helps reduce our carbon footprint. Our new monthly podcasts have proven incredibly popular and hopefully help to break down the complexities of the current, rather volatile financial markets. We are excited to shortly be launching our fresh new-look website, making it even easier for you to keep up to date with my latest advice and broadcasts any time of day or night- should you have trouble sleeping that is!

Whilst we are experiencing many firsts in the UK including recording the hottest day ever, we are also witnessing rather more familiar events such as a Prime Minister re-election, public sector strikes, as well as a return to inflation at 1980's levels. We remain committed to 'steering' you through these unprecedented times, so please be assured, the financial well-being of you and your families has, and always will be my top priority. Whilst I do understand that the current turbulent markets are unsettling, I have every confidence that they will recover- just as they did from the dips in March 2020 (when covid struck) to the subsequent highs in 2021. As I always say- your journey may contain many ups and downs, but we are here to get you safely to your destination.

I wish you all a pleasant summer holiday- without hopefully too many more 40ºC heatwaves!

Market Update

A difficult first half *– June was another tough month for investors with bond and equity markets falling. For just the second time in 40 years, bonds and equities both posted losses for two consecutive quarters. The main reason of the 2022 downturn continues to be inflation and the impact on investor confidence.*

Price, price pressure *– the fight to curb inflation accelerated after higher-than-expected inflation data in the US. As a result, the US central bank increased interest rates by 0.75%, thereby causing bond yields to rise further (prices to fall). The impact was also felt in equity markets with interest rate rises effecting company valuations.*

Recessionary risk *– the aim of interest rate rises is to reduce demand to curb price increases. Seems simple, but too much and you risk a recession. Recessionary concerns have further weakened equity markets, including the UK and commodity markets, which posted a negative return in June. That said, the latter remains the standout positive performer year-to-date, and the UK has held up relatively well compared to most major markets.*

The silver lining & where we're finding opportunities *– there's no use sugar-coating how badly the first half of the year has played out for most investors, but one positive takeaway is that valuations in both bond and equity markets have improved. This provides us with more opportunities based on our valuation-driven investment process.*

<u>Performance & Portfolio Changes</u>

The Morningstar Multi–Asset Funds have performed relatively well this year (to end June), with the MA40 fund ranking 25th percentile in the IA Mixed 20-60% Shares peer group and MA60 and MA80 ranking 10th and 7th percentile in the IA Mixed 40-85% Shares peer group. Over the past 12 months the funds rank in the 28th, 13th and 7th percentile (MA40, MA60 and MA80). Since inception (30/11/2020) the funds have returned -1.93%, 4.06% and 9.54% (MA40, MA60 and MA80).

The Morningstar Managed Portfolios from Balanced through to Adventurous have outperformed their relevant ARC PCI year-to-date and over 1-year within the Governed, Active and Passive ranges. Over 3- and 5-year time periods, Governed, Active, Passive and ESG ranges have outperformed from Moderately Cautious through to Adventurous. All portfolios that have a 7-year track record have outperformed their ARC PCI (Income, Real Return, Active and Passive). In addition, the two Income portfolios have outperformed their ARC PCI over almost every time period (YTD, 1, 3, 5 and 7 years).

We have made two sets of changes this year and both have followed our simple principle of taking profits from our winners and added capital to asset classes that are undervalued. This means we have reduced our energy, UK and Latin American positions and added to some of the laggards of 2022, such as US and Chinese equities, as well as US and UK small- and mid-caps. In our bond allocation, we have been adding to duration and increasing exposure to corporate and high yield bonds.

<u>Outlook</u>

As the second half of the year begins, attention is likely to continue surrounding the inflation threat and a potential economic recession. Looking ahead, we continue to believe stocks and bonds are fabulous assets to help people reach their goals, especially following the healthy rebound in yields. Stocks and bonds offer different mechanics, performing differently in various market environments—making them ideal core assets for the majority of investors.

"The real key to making money in stocks is not to get scared out of them"

Peter Lynch

"If you have trouble imagining a 20% loss in the stock market, you shouldn't be in stocks"

John Bogle

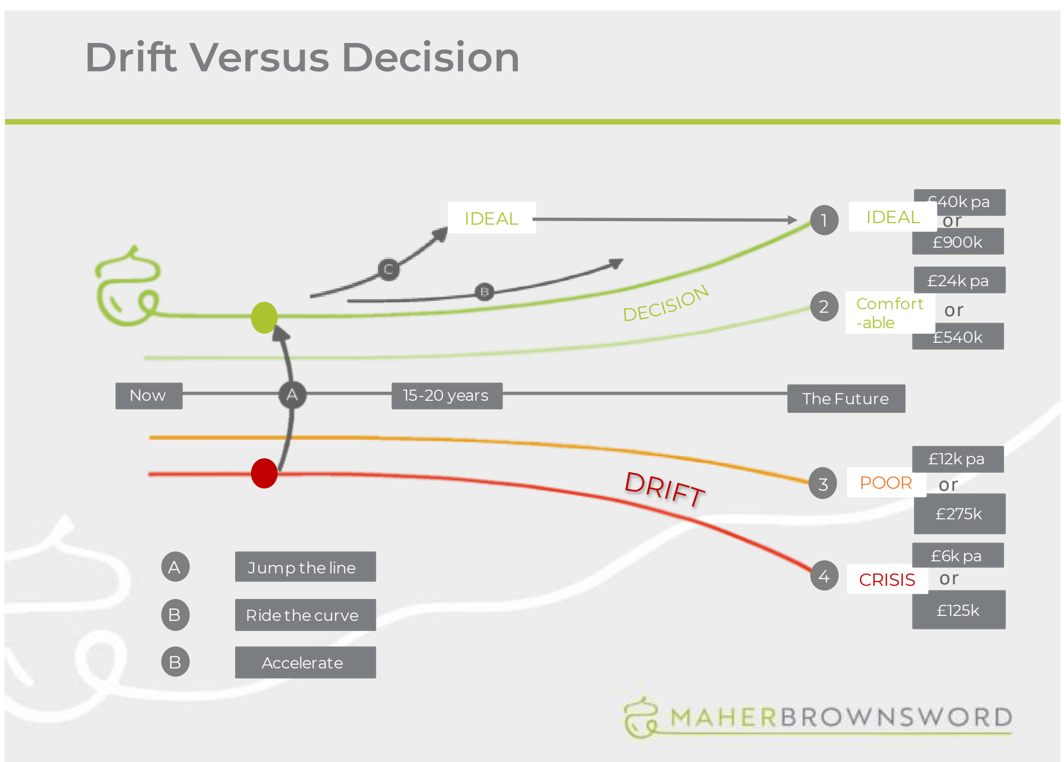
Living the dream…I have a Cunning Plan!

In times of uncertainty, it is important to remember the reasons you started investing/saving in the first place. Keeping specific goals and dreams in sight can help draw your focus away from short-term shocks, allowing you to keep firmly focused on what you wish to achieve.

I would like to share with you all a picture of my good friend and long-time client Julia, sporting the rather subtle NBA Championship ring. Along with hubby Chris, they symbolize what I aim to achieve for all my clients- a happy retirement! Basketball is very close to their hearts (and mine) and having planned early they are now “Living the dream” and already planning their next holiday.

My Thanks to Nick Nurse- Head Coach of the Toronto Raptors (NBA Champions 2019), for making this moment possible and for being an inspiring presence in my life.

With this theme in mind, I will have shown some of you the following presentation. Clearly the earlier you start to plan the better. It is very easy to “Drift” along, early in our working lives, thinking that pensions and retirement are something only to be thought of much later in life. Chris & Julia followed my advice, started earlier, and are now reaping the rewards. If you would like to follow in their footsteps, I am happy to go through the Drift versus Decision presentation with you so please do get in touch.



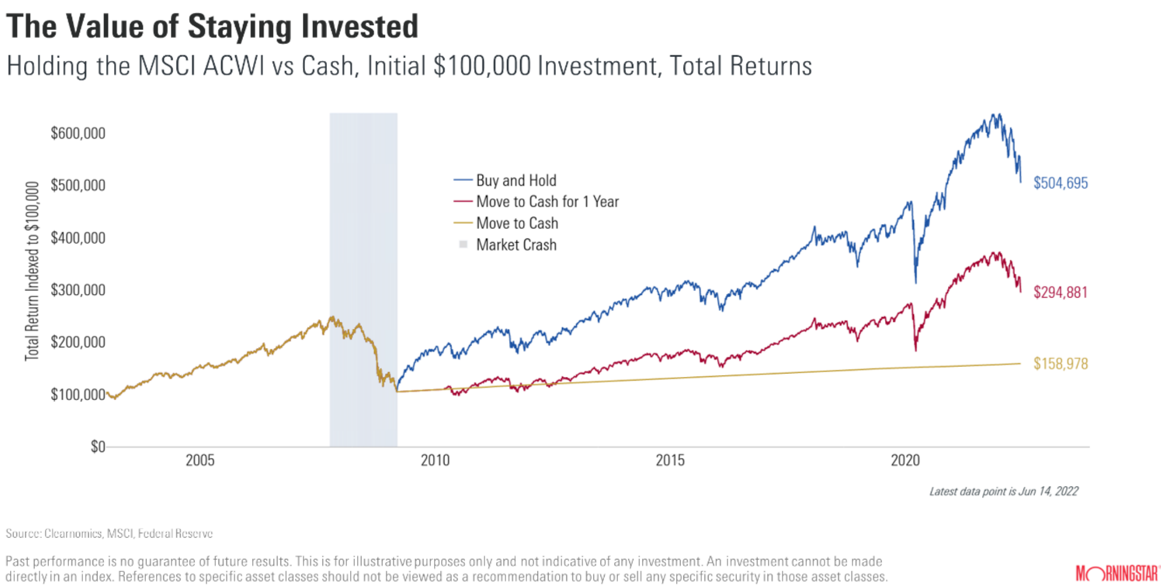
“A good financial plan is a road map that shows us exactly hoe the choices we make today will affect our future”.

Warren Buffet

“Investing should be like watching paint dry or grass grow. If you want excitement, take $800 and go to Las Vegas”

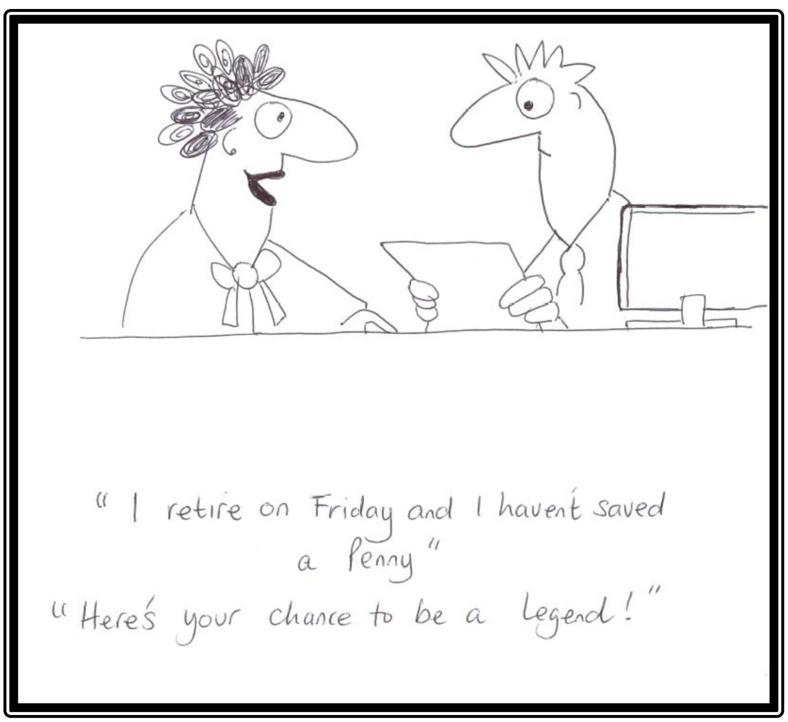
Paul Samuelson

Helping you achieve Financial Freedom



In times of turbulence- just as on taking a flight, our initial reaction can be one of Fear leading to Panic. Fear can sometimes make us do irrational things, however, knowing the pilot has the experience and knowledge of navigating through these storms, helps remind us that buckling our seatbelts and allowing them to navigate us to a safe landing.

Stock markets are undeniably volatile at present, this chart shows how some people panicked and cashed out at the bottom of the global financial crisis. By doing this they lost out significantly compared to those who rode out the storm.



When markets are turbulent and on a downward streak, this is the time to invest more on a monthly basis, known in our industry as 'pound cost averaging'.

This has proved a highly effective way of riding out the highs and lows of an unpredictable financial climate.

"There are no secrets to success. It is the result of preparation, hard work and learning from failure"-
Colin Powell

The Growing Need for Intergenerational Planning

In 2021: IHT payments to HMRC rose to -

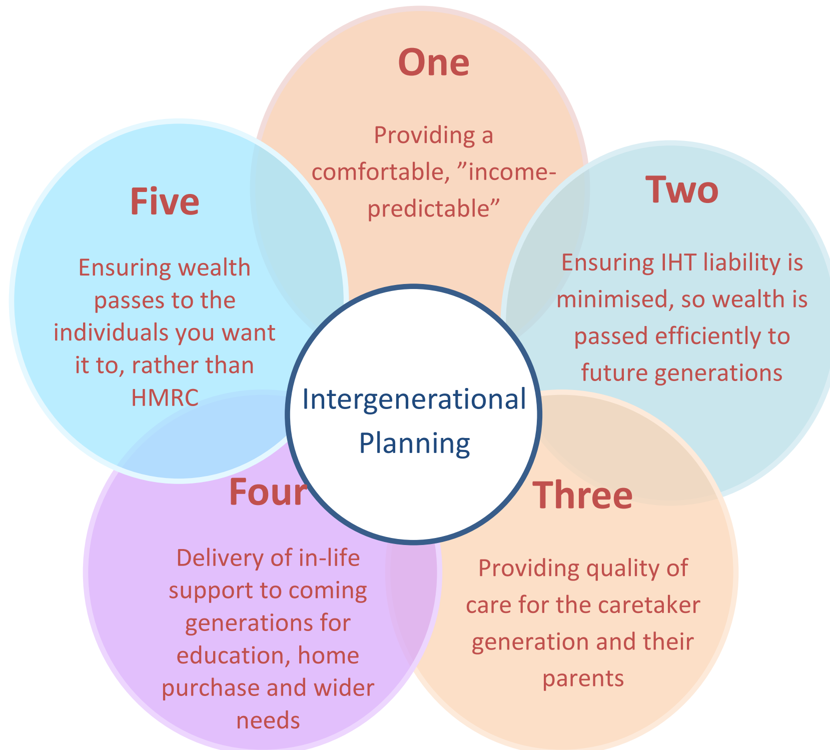
£5.4bn

Longer life expectancy means the next generation will now inherit later on average at age -

61

Future generations can now expect to inherit -

£293bn



Gifting during your lifetime (especially out of excess income), can be an effective way of passing on wealth to the next generation. However, many (over 80%) of the M&G survey had concerns about gifting such as:-

MaherBrownsword Ltd
10 Guild Street,
Stratford upon Avon
CV37 6RE

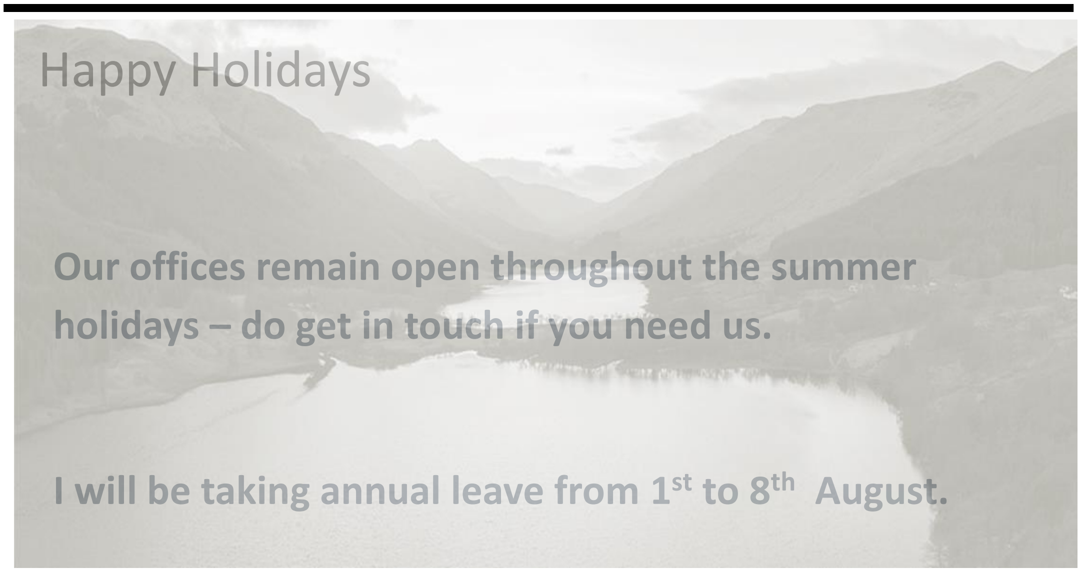
Phone 01789 268656
Mobile 07850 011337
E-mail andy@no1ifa.com

www.maherbrownsword.co.uk

Lastly, I would like to thank you personally for the concern and support many of you have showed me and my team over last 10 months since our office fire. As you can imagine it has been both devastating but also frustrating that due to many delays out of our control, we are still no closer to moving back in. My trusted team -Pat, Joan and Sarah have coped remarkably well working in very difficult conditions and continue to keep in good spirits.

I would also like to sincerely thank everyone who has sent kind wishes for Pat following her surgery this week. We are pleased to say she is well on the road to recovery, and we can't wait to have her back in the office, where she is sorely missed by all of us.

As we head towards autumn, a highlight for me will be hopefully watching Celtic in the Champions League after prolonged absence.



HOPING FOR A LONG HOT(ish!) SUMMER HOLIDAY.

Andy

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