ForresterHyde
CHARTERED FINANCIAL PLANNERS

Investment Outlook

Summer 2020

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"The financial industry is a service industry. It should serve others before it serves itself."
- Christine Lagarde, President of the European Central Bank

Key Points - Introduction

- We expect fiscal and monetary stimulus will continue well into the next cycle.

Introduction

We published the Spring issue of Outlook on 17 February 2020. The next day Boris Johnson chaired the first Cobra meeting on Covid-19. By 14 March the world was shutting down, with the UK entering lockdown on 23 March, by which time more than 1.5m UK citizens had been infected. In the space of three weeks, Authorities around the globe had sought to contain the spread by shutting down economies. This pushed the Global economy into recession, the spread and depth of which is unprecedented and brings to an end the longest Bull Market on record. The 2020 recession will, however, trigger the next economic cycle and while it is right to be cautious now, over time economies and asset markets will recover from the shock.

We had acknowledged we were in a late cycle and our multi-asset allocation approach reflected this. We took action on behalf of Investors, summarised in our April update, and have remained fully operational through lockdown. The Committee have constantly monitored the rapidly changing face of markets and have held 'virtual' meetings with our Fund Managers. Investment Committee members have met via video conference on a regular basis.

In Q4 2019 there were positive signs, a US-China Trade Agreement, political stability at home and an upturn in macro data spurring a year-end rally in risk assets. But just as Investors were focusing on the scope for economic momentum to gain traction in 2020, the virus was spreading from China and led to a Global Pandemic. We are now firmly in Bear market territory, but we have experienced a fiscal and monetary response from Central Governments which was unimaginable in March.

Massive and ongoing fiscal support will continue to be required to address prevailing deflationary pressures. Governments are committed to 'do what it takes', and now the fiscal genie is out of the bottle it will be hard to put it back. We expect fiscal stimulus to continue, alongside monetary stimulus, well into the next economic cycle.

Brexit proved divisive, as does this virus. A proportion of the population votes to stay at home versus the proportion that know keeping everyone indoors will lead to economic, physical and mental collapse. Governments cannot print money indefinitely and Corporate and Individual tax revenues fund Public Services. We are seeing a return to something approaching normality in Italy and Spain and there is growing pressure to release London from lockdown. We will have to learn to live with the virus until an effective vaccine is available nationally. Only one infectious disease, smallpox, has ever been eradicated. Opening up the Country in a phased way, with appropriate safeguarding measures is the only sensible way forward.

Key Points - UK

- Central Bank stimulus exceeds that provided in 2008 both in scale and speed of delivery.
- UK economic activity forecast not to recover to Q4 2019 levels by Q4 2022 at the earliest.

Key Points - US

- The Federal Reserve injects $3tn into the US economy in just two months.
- Central Banks have distorted market signals and have played havoc with the concept of Equity value.

UK Equity

April is likely to be the nadir of the global recession. The UK Government borrowed £62bn in April more than the £55bn budgeted for the whole of 2020-21. Retail sales plunged 18%. The Bank of England cut the Base Rate to 0.10% and is expected to inject an extra £100bn of QE next month, in addition to the £200bn announced in March. The PMI Index for services and manufacturing slumped to 13.8 in April, but bounced back to 28.9 in May, below 50 is negative territory. In Europe, the Index recovered from 13.6 to 30.5. Ship arrivals in the UK have steadied at 283 per day. Every sector of the economy has seen a recovery, but only mining and quarrying is above pre-lockdown levels. In the next couple of months the debt to GDP ratio, now 97.7%, is going to pass the symbolic 100% level – a milestone once regarded as unthinkable for a prosperous Nation during peacetime.

There will be a price to pay, whether in higher taxes or a spike in inflation. The reality is that a Government that borrows in its own currency never has to worry about the risk of default. It can always just print money to finance its spending.

The Government expanded the Furlough Scheme to the end of October, it will allow workers to return to part-time work, with Employers contributing from July. British Airways furloughed 22,626 employees in April and is planning to make more than 50% redundant. Companies have moved fast to cut dividends in order to protect their balance sheets, with so far more than £24bn wiped off the amount paid to Investors this year.

Stimulus from the Bank of England and Central Banks globally has far exceeded that provided in 2008, both in scale and speed of delivery. The Government should resist part-nationalisation of strategic Companies in exchange for financial support, to include Tata Steel, JLR and BA. To date, HM Treasury support has been proportionate.

Lockdown reduced the global demand for oil driving down the cost of Brent Crude to a low of $16.74 pb. This contributed to a fall in April's consumer price inflation to 0.8% whilst UK core inflation fell to 1.4% - well below the BofE 2% target. We expect wage growth will slow and unemployment will rise sharply.

Balancing the cost of shut downs with the benefit of stimulus we expect economic activity in the US to recover to Q4 2019 levels by Q4 2021 but the recovery in the UK, Europe and Japan will be slower, maybe not until Q4 2022 or beyond.

The economic consequence of the Pandemic is enormous, but ultimately temporary. Companies will, however, emerge with more indebted balance sheets.

Our UK exposure is by way of a number of Funds and we are in regular dialogue with all Fund Managers in our Portfolios. The Man GLG Undervalued Assets Fund has underperformed in the crisis. The Fund is managed by Henry Dixon. We have spoken at length with him, analysed his strategy and looked in depth into the underlying assets. We are not blind. Historically, we met with Neil Woodford, were unconvinced and pulled all our Investors money from his management. Henry offers a different proposition and for the moment we are keeping faith with him – the fundamentals behind his Fund are sound.

We are marginally underweight to benchmark.

US Equity

One minute Trump unveils the 'Phase One' Trade Agreement with China, the next he increasingly blames China for the global spread of the Coronavirus and has warned he could "cut off the whole relationship". The underlying threat is to remove Chinese Companies from US supply chains - the November Election is fast approaching. In the meantime, the total number of US Unemployment Benefit Applications exceeded 40m, although it is believed the 'overwhelming majority' of those claiming report themselves as having been laid off temporarily, meaning they are expecting to go back to their old jobs. The rate of those claiming benefits has slowed, and in May the number of people returning to their jobs almost offset new job losses.

Government Bonds remained firm, with the yield on the benchmark 10 year Treasury down 0.04% at 0.615%. West Texas Intermediate, the US Crude benchmark, climbed above $30pb for the first time in two months. The Chairman of the Federal Reserve, Jerome Powell, spoke out against negative interest rates as "not an appropriate or useful policy for the US."

The Federal Reserve injected $3tn into the US economy in just two months and the Democratic Controlled House of Representatives passed the Leader, Nancy Pelosi's Bill for a further $3tn in stimulus spending. The post-Covid blitz has flooded the system with liquidity in concert with emergency spending by the US Treasury. The Fed has torn up the rule book and is buying the debt of BBB rated Companies reduced to junk status. In summary, Central Banks have distorted market signals and played havoc with the concept of Equity value.

Trump's Administration believe the US economy will bounce back before the end of the year and a vaccine will be available. Jerome Powell told CBS it was a reasonable expectation there will be growth in the second half of the year, but a recovery to Q4 2019 GDP levels will take longer, whilst Anthony Fauci, Head of the US National Institute of Allergy and Infectious Diseases, warned a vaccine may not be available for eighteen months.

We include the Artemis US Extended Alpha Fund in our Portfolios managed by William Warren, the Manager since launch on 19 September 2014. He commented "After a weak March the fund responded in April returning 9.7% in Sterling terms. In broad terms while we have been adding to Stocks where share prices appear attractive relative to their earning, this has not come at the expense of favouring Companies whose balance sheets should be able to withstand further periods of lockdown."

In our April investment update we announced the inclusion of the Polar Capital Growth Technology Fund. The Fund invests in global Technology Companies, but is skewed to the US. Since purchase on 9 April the fund returned 19.01% to 27th May.

We are positive to benchmark.

Key Points - Europe

- The German Constitutional Court challenges the primacy of the Court of Justice of the European Union.

Key Points - Japan

- Shinzo Abe authorised additional stimulus on top of the ¥117tn package, giving ¥100,000 to everybody in the country at a cost of ¥8.9bn.

European Equity

Germany and France unite in calls for a €500bn Europe Recovery Fund, boosting the effort to create a centrally co-ordinated fiscal response to the Pandemic. The Plan met resistance with the Austrian Chancellor, Sebastian Kurz and his Dutch, Danish and Swedish counterparts only prepared to accept a fund that extended repayable loans to Member States. However, closer to home, the German Constitutional Court challenged part of a 2018 ECJ ruling that had approved ECB Asset purchases – effectively Germany challenging the primacy of the European Court of Justice. This has been seized on by Poland and Hungary who are already at loggerheads with the ECJ.

Germany's Central Bank has detected signs that a 'recovery is under way' after the economy contracted 4.6% in April. German authorities announced $1.8tn of financial measures, including loan guarantees, business support, healthcare spending and tax deferrals. German GDP is estimated to have fallen by 2.2% in Q1 2020, and whilst the biggest drop since 2008 it is far less than the fall experienced by France, Italy and Spain.

Italy will reopen its borders on 3 June without restrictions as it seeks to ease its lockdown and restart the Eurozone's third largest economy. The IMF forecast Italian GDP will fall 9.1% this year having contracted 4.7% in the first quarter.

Our Investors are exposed to the European Market by way of the LF Miton European Opportunity Fund and the Threadneedle European Select Fund. We have been in regular dialogue with the Managers at each. Carlos Moreno and Thomas Brown at LF Miton and David Dudding and Benjamin Moore at Threadneedle. It is interesting to note their respective fund's top ten holdings:

Top 10 Holdings

Source: FE Analytics April 2020

LF Miton European Opportunities	Threadneedle European Select
FinecoBank Banca Fineco	Nestle S.A.
ASML Holding NV	SAP SE
HomeServe	Novo Nordisk A/S Class B
Soitec	Roche Holding AG
Vestas	Worldline SA
Philips	ASML Holding NV
Adevinta	L'Oreal SA
Avanza Bank Holding	Brenntag AG
Temenos	Lonza Group AG

Both Funds invest in 'ASML Holding NV' beyond this they provide the diversity we are seeking. Both are highly rated and have outperformed their sector average.

We remain negative, and underweight benchmark.

Japanese Equity

Shinzo Abe rescinded lockdown restrictions in 39 Prefectures, but not in Tokyo and other big Cities, marking a step towards rebooting the world's fourth largest economy. He also authorised additional stimulus on top of the ¥117tn package, giving ¥100,000 to everybody in the country at a cost of ¥8.9bn ($83bn), (¥100,000 equals £757).

In March, exports fell 11.7% year on year but imports fell only 5%. Exports to the US fell 16.5%, 13.2% to Europe and 9.4% to Asia.

Japan has recorded 16,079 cases of Covid-19 at 18 May, with 687 deaths from the disease. Our Head of Investments, Jakob, is in regular dialogue with the Manager of the Baillie Gifford Japanese Fund, Matthew Brett, who is quoted as saying "Overall the Fund is a Growth based Portfolio looking to deliver strong selections from Companies with good, consistent earnings capabilities." We are comforted by the level of scrutiny they bring to Stock selection, which can vary between 40-60 stocks.

We remain marginally underweight benchmark.

Key Points - EM

- China reported its worst quarterly contraction in decades as GDP slumped 6.8% YonY – Q1.

Emerging Markets

Even before Covid-19 struck relations between China and the West were strained by Trump's Trade war and Beijing's attempt to seize Hong Kong, beware Taiwan.

Tensions rose when Beijing imposed a new National Security Law on Hong Kong. The pandemic originating in Wuhan has exacerbated the situation. The rest of the World is caught between the two superpowers. Australia had the audacity to demand an independent enquiry into the origins and handling of the outbreak in China. Beijing's response was to impose an 80% tariff on Australian Barley exports, more than half of which is to China.

In the UK, China General Nuclear is in partnership with EDF to build Sizewell C, China is also part-funding the delayed and over budget Hinkley Point C Power Station in Somerset, at a cost of £22.5bn. At Bradwell in Essex CGN is seeking to install its Chinese built HPR1000 Nuclear Reactors. This is all part of China's Belt and Road initiative to dominate the World with cash, technology and influence. The UK exported £23.4bn of goods and services to China last year and imported £44.9bn of Chinese goods. Chinese foreign direct investment into the UK totalled £60.3bn between 2000 and 2019. Politics aside, we still need to engage commercially.

Looking beyond China, Emerging Markets rebounded in April, but underperformed Developed markets. Risk-on sentiment took the lead as the number of new Covid-19 cases appeared to peak in the countries that were hardest hit by the virus. However, some of these gains made earlier in the month were offset as Oil suffered its biggest decline in history, with the WTI crude oil price falling into negative territory.

In Asia, China reported its worst quarterly contraction in decades as GDP slumped 6.8% year-on-year in the first quarter. India was amid the top performers in the region as the curve of new contagions continued to flatten. Latin American Securities underperformed broader Emerging Markets. Though Brazil and Mexican Indices ended in positive territory, they were the weakest performers in the region. The Brazilian Real fell sharply, with domestic political tensions escalating with the departure of the Ministers for Health and Justice adding pressure on existing economic concerns. The Mexican economy shrank 1.6% year-on-year in the first quarter, reflecting the impact of the unfolding health crisis. Its Central Bank announced a surprise rate cut to aid the Economy, which lent some support to the market.

Elsewhere, the emerging Europe, Middle East and Africa region ended in positive territory. Russian stocks edged higher on the announcement of further stimulus measures. The South African market also posted positive returns as President Cyril Ramaphosa's announcement of a gradual easing of lockdown measures and a stimulus package supported sentiment.

At the sector level, materials, health care and energy were the best relative performers. On the monetary policy front, The Reserve Bank of India cut the reverse repo rate by 0.25% to 3.75% in order to counter the economic impact of the pandemic. Russia also reduced its benchmark rate to 5.50% from 6.0%, leaving the door open for further reductions.

In summary, we believe Emerging Markets continue to offer many opportunities supported by structural growth drivers such as urbanisation and lifestyle changes. This will drive demand for goods and services in under penetrated markets. China's largest Companies are well positioned to capitalise on the appetite for e-commence and home entertainment. India unveiled a $266bn stimulus package.

We remain positive and marginally overweight to the benchmark.

Key Points - Alternatives

- JPM maintains low net Equity exposure, defensive currency strategies and a position in Gold.

Alternatives

In 2019 our benchmark, Ibbotson, moved to zero exposure in the Commodity and Property sectors. We took a contrarian position creating 'Alternatives', effectively Infrastructure, and our Investors have been rewarded in the short-term.

Our "Alternative" exposure is through two Funds:

- JPM Global Macro Opportunities Fund
- Legg Mason IF Rare Global Infrastructure Income Fund

The Legg Mason Fund outperformed the Infrastructure Benchmark Q1 2019, whilst the JPM Fund posted a positive return.

The sudden drop in economic activity will impact employment, incomes and profit outcomes. JPM's response is to maintain low net Equity exposure, defensive Currency strategies and a position in Gold.

We are positive to a zero benchmark.

Key Points - Property

- The BMO UK Property Fund remains suspended.

Property

The BMO UK Property Fund remains suspended in compliance with FCA Regulation. Valuers have lifted market uncertainty from long income assets let to secure Government Grade governance and are reviewing market uncertainty in relation to industrial assets.

The Fund is fundamentally resilient, there is no borrowing and 77% of the Fund is held in Industrial and Office Assets, 55%, and Cash 22%. However, income collection is an issue, 84% of rents have been collected from Industrial/Office Tenants, the overall collection rate is 77% - with ongoing negotiation to accommodate Tenants paying monthly rather than quarterly in advance. A number of Tenants have deferred payment whilst they apply for Government support, where eligible.

We reduced exposure in Q1 2020, but remain overweight to a zero benchmark.

Key Points - Fixed Interest

- US Companies sold $32bn of Junk Bonds in April.
- We increase exposure to the Artemis Corporate Bond Fund.

Fixed Interest

In March, at the outset of the Pandemic, the Fixed Interest sector experienced dizzying market swings. An Investor exodus left Portfolio Managers scrambling to sell assets threatening their liquidity profiles, this is a precursor to Fund suspension.

In response to this sell-off and the FCA's belated response to the closure of Neil Woodford's fund as a result of illiquidity, we moved to sell down a proportion of our Fixed Interest assets, increasing exposure to Cash – a prudent strategy given the circumstance. Unlike 2008, however the US Central Bank reacted quickly "promising to use its powers forcefully, proactively and aggressively until the world's largest economy recovers from the Coronavirus shock."

Unprecedented action by the US and other Central Banks globally averted a liquidity crisis in both the Money Market and Asset Management Sectors. As a result, and whilst many Funds activated emergency liquidity management tools, only 80 out of approximately 35,000 Funds marketed across Europe were forced to suspend trading.

On the back of the Federal Reserves pledge US Companies sold almost $32bn of Junk Bonds in April, with Ford and Netflix among those to tap the market for cash. Investors have demanded the security of assets as collateral in half of these issuances. Clearly there is an increased risk of default, with Moody's forecasting up to 13.7% of all speculative-grade Corporate Bonds could default in the next twelve months. Last year the default fate for risky speculative grade Corporate Bonds in Emerging Markets fell to 0.80% as seven Companies defaulted. This year Moody's forecast the EM default rate will be over 8.3%.

In light of the unprecedented level of stimulus provided globally by Central Banks a liquidity crisis was averted and we returned to this sector, as announced in the April Investment Update. We introduced the Artemis Corporate Bond Fund managed since launch by Stephen Snowden. We now propose increasing allocation from Cash to this Fund.

For the record, in October 1987 the yield on 10 year US Treasuries was 8.8%, at 27 May it stands at 0.72%. The UK Government raised £3.75bn in April on a coupon of -0.003%, meaning Investors were paying the UK Government to borrow their money.

We remain negative to benchmark but increase exposure.

Top 10 Sector Split

Source: FE Analytics April 2020

Artemis Corporate Bond
Banks
Utilities
Insurance
Telecommunications
Financial Services
Housing Associations
Health Care
Real Estate
Technology
Industrial Goods & Services

Key Points - Cash

- We gain exposure to short-term money markets via the Royal London Cash Plus Fund and L&G Cash Trust.

Cash

The outlook for Cash on Deposit remains subdued, a polite way of saying dismal, with deposit interest rates below the rate of inflation. Cash serves two purposes. It is the liquidity needed in a diversified portfolio and is also an essential counterbalance to risk assets.

We retain exposure to short-term money markets via the Royal London Cash Plus Fund which aims to outperform the Bank of England Sterling Overnight Interbank Average (SONIA). Since introducing the Fund in Q4 2015 it has returned 3.02%, outperforming the UT short-term money market by 1.71%.

The Covid crisis raised concerns about liquidity within Fixed Interest Funds, as advised in our April 2020 Investment Update. Going forward we will introduce the L&G Cash Trust to diversify exposure. The Fund launched 23 September 1992, and was valued at £2,288.7M as at 30/04/2020.

Key Points - Conclusion

- Central Banks moved quickly to implement unprecedented accommodative policy measures.
- As the market moves into a recessionary phase, volatility will remain and we continue to exercise caution.

Conclusion

The Pandemic has led to global economic contraction. Major Central Banks moved quickly to implement unprecedented accommodative policy measures to counter virus related weakness and improve market liquidity. The US FED slashed its rate to zero and initiated a full blown QE programme. The BofE, ECB and Bank of Japan also expanded their QE programmes. Demand for energy fell during lockdown causing a collapse in the price of Oil.

We are returning to a new normal, a post-Covid normal which will require diligent application of social distancing until an effective vaccination is available in quantity. Until then, we must learn to adapt. Public services are funded by the taxes Individuals, Businesses and Corporations pay. Globally it is recognised business activity must restart and children return to education. As a nation we will come through - we are enterprising, resourceful and resilient.

Forrester-Hyde continues to be independent, owned by the Directors, which we believe makes a crucial difference to the quality and impartiality of the advice we provide. Our office at 1279 London Road has remained open throughout the Pandemic with a skeleton staff who can walk to work. Our Advisers, Paraplanners and Support Staff are working effectively from home. The Investment Team have been extremely active, interacting internally and with our Investors from whom the feedback has been very supportive – thank you.

"We manage your money as if it were our own".

Fund Panel Update

FH Core

Allocation Increased | Allocation Decreased | Fund Added | Fund Removed

Fund Name	Conservative	Cautious	Balanced	Assertive	Adventurous
Allianz Strategic Bond C	2		1		
Artemis Corporate Bond I Acc	3	2	2		
AXA Sterling Credit SD Bond Z Gr Acc	-1	-1			
Janus Henderson Strategic Bond I Acc				2	
L&G Cash Trust I Acc	8	4			
Royal London Cash Plus Y Acc	-4		3	1	
Royal London UK Equity Income M Acc			-1	-1	
Vanguard Global Credit Bond Inv (H) Acc	1	1		1	
Tradable Cash	-9	-6	-5	-3	

Funds Introduced

L&G Cash Trust - We introduce the L&G Cash Trust to diversify our exposure to the short-term money market sector, the Fund allocates to high quality issuers and will generally invest in short-term deposits, certificates of deposit, government bonds and repos.

FH Passive Plus

Allocation Increased | Allocation Decreased | Fund Added | Fund Removed

Fund Name	Cautious	Balanced	Assertive
Janus Henderson Strategic Bond I Acc	-3	-2	
L&G Cash Trust I Acc	5	3	
Polar Capital Global Insurance I Acc	-1		
Vanguard Global Credit Bond Inv (H) Acc	4	2	
Vanguard UK Invest Grade Bond Index	6	3	
Tradable Cash	-11	-6	

Funds Introduced

L&G Cash Trust - We introduce the L&G Cash Trust to diversify our exposure to the short-term money market sector, the Fund allocates to high quality issuers and will generally invest in short-term deposits, certificates of deposit, government bonds and repos.

Vanguard UK Investment Grade Bond Index - This Index provides investors with a low-cost broad exposure to the market of GBP-denominated corporate bonds. Vanguard are industry leaders within passive investment and this Fund boasts a Bronze Morningstar Analyst rating.

Fund Panel Update

FH Specialist

Allocation Increased | Allocation Decreased | Fund Added | Fund Removed

Fund Name	Distribution	Ethical
Artemis Corporate Bond I Inc	1	
Baillie Gifford Strategic Bond B Inc	1	
L&G Cash Trust I Inc	5	
Royal London Cash Plus Y Inc/Acc	-2	1
Janus Henderson F.I Monthly Inc I Inc	4	
Royal London Sustain Managed Inc C Acc		2
Marlborough Multi Cap Income P Inc	-2	
Tradable Cash	-7	-3

Funds Introduced

Janus Henderson Fixed Interest Monthly Income - Launched back in 1979, this Fund seeks to achieve a high and sustainable level of income for investors, with a current yield of 4.80%. Allocating globally, this flexible mandate takes advantage of investment opportunities across the credit spectrum. Management favour non-cyclical, large-cap companies which suit their criteria for a style they refer to as "sensible income". Bottom-up analysis is a key component of their process with a strong focus on valuations and a tendency to avoid riskier sectors such as emerging market and distressed debt. John Pattullo and Jenna Barnard have co-managed this fund since June 2011 and also manage the Strategic Bond fund held within our core offering. We have conviction in this team and their ability to identify income opportunities within the credit market.

Performance

Portfolio	1 Year %	3 Year %
Forrester-Hyde Adventurous Model Portfolio	0.48	8.89
Forrester-Hyde Assertive Model Portfolio	0.26	8.07
Forrester-Hyde Balanced Model Portfolio	0.55	6.37
Forrester-Hyde Cautious Model Portfolio	0.17	4.25
Forrester-Hyde Conservative Model Portfolio	1.52	5.00

Portfolio	1 Year %	3 Year %
Forrester-Hyde Passive Plus Assertive Model Portfolio	-1.92	5.43
Forrester-Hyde Passive Plus Balanced Model Portfolio	-1.16	5.54
Forrester-Hyde Passive Plus Cautious Model Portfolio	0.23	5.72

Portfolio	1 Year %	3 Year %
Forrester-Hyde Ethical Model Portfolio	6.04	12.53
Forrester-Hyde Distribution Model Portfolio	-3.54	0.83

Asset Class	1 Year %	3 Year %
Euro STOXX 50	-4.01	-5.22
FTSE 100	-12.07	-8.99
FTSE Actuaries UK Conventional Gilts All Stocks	12.24	16.85
IBOXX UK Sterling Corporate All Maturities	6.62	10.93
MSCI Emerging Markets	-1.03	2.42
MSCI World	8.16	23.44
Nikkei 225	8.04	19.27
S&P 500	13.36	35.94

Glossary & Abbreviations

Alpha - A measure of the return of a portfolio relative to an investment benchmark.

ARC Index – A set of risk-based indices designed to be used by private clients and advisers in assessing performance of their portfolio. The index comprises of the performance of a series of private client investment managers.

Basis point – 1/100th of 1% (0.01%).

BBB bonds – Credit rating of a bond considered to be of Investment Grade.

Bear Market – When a market shows signs of decline - prices go down.

Beta – The sensitivity of an asset's or portfolio's return to fluctuations in the return of the market or benchmark.

BoE – Bank of England

BoJ – Bank of Japan

Bottom-up – An approach to active investment management that gives priority to the selection of companies (with less emphasis on sector and country selection) to build up an investment portfolio.

Bull Market – When the prices rise consistently over a period of time.

CAPE Ratio – Cyclically-Adjusted Price-to-Earnings Ratio

Correlation – The extent to which two assets' values rise and fall together.

Covenant Protection – Covenants are conditions tied to an indenture or loan agreement, usually in the form of forbidding certain actions of the issuer, put in place by lenders to protect themselves from borrowers defaulting.

Diversification – A risk management strategy that mixes a wide range of investments within a portfolio in order to reduce overall volatility.

Dividend Cover Ratio – Measures the number of times that a company could pay dividends to its shareholders.

Dividend Yield – The annual dividend on a share divided by the share price.

Duration – The duration is a measure of the average time until a bond's cash flows occur, and of the sensitivity of its price to interest rate changes.

Earnings per share – A common way of expressing company profits – dividing the profits after tax by the number of shares in issue. This is the basis for the calculation of the P/E Ratio.

ECB – European Central Bank

FDI - Foreign Direct Investment

Fiscal Stimulus – Combination of tax cuts and increasing government spending in order to increase aggregate demand within an economy.

G7 Countries – The seven largest IMF-described advanced economies in the world, comprising of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

GDP – Gross Domestic Product

Growth stock – A stock that is expected to achieve above average earnings growth. Growth stocks normally have a high P/E ratio relative to the market as a whole, as investors are willing to pay a premium for future higher earnings.

IMF – International Monetary Fund

ISM – Institute for Supply Management Index

Large cap stock – A stock with a market capitalisation is among the largest within a market. Medium and Small cap definitions also used.

Liquidity – The extent to which an asset can be bought or sold quickly and cheaply.

Macroeconomics – The study of market behaviour and performance of an economy as a whole, examining general economic factors such as interest rates and national productivity.

MiFID II – A legislative framework instituted by the European Union to regulate financial markets and offer greater protection and transparency for Investors.

Monetary Tightening – When central banks increase interest rates and reduce the money supply within the economy to help control the rate of inflation.

Nominal – Very small or far below the real value or cost.

P/E Ratio – The relationship between the company's Stock Price and Earnings per Share.

The Purchasing Managers' Index (PMI) - Is an index of the prevailing direction of economic trends in the manufacturing and service sectors.

Quantitative Easing (QE) – Is the introduction of new money into the money supply by a central bank, usually via a Central Bank purchasing Government and Corporate bonds.

Quantitative and Qualitative monetary Easing (QQE) – An increase in the size of the balance sheet of the central bank through an increase in its monetary liabilities that holds constant the (average) liquidity and riskiness of its asset portfolio.

Quantitative Tightening (QT) – The counterpart of QE. QT is used to decrease liquidity within the economy.

Top-down - An approach to active investment management which starts with macro-economic factors, followed by business cycle analysis to identify a portfolio distribution across asset classes, then a country/currency mix, a sector distribution and ultimately a stock selection.

Transactional Charges – Expenses incurred when buying or selling a good or service.

Value stock – A stock that appears cheap when compared with other stocks because the share price is low relative to the book value of the equity (or earnings or dividends).

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