ForresterHyde
CHARTERED FINANCIAL PLANNERS

Investment Outlook

Winter 2021

www.forrester-hyde.co.uk

'We are at a unique stage in our history. Never before have we had such an awareness of what we are doing to the planet, and never before have we had the power to do something about that.'
David Attenborough

Key Points - Introduction

- In 1987, carbon in the atmosphere was 280 parts per million. By 2020, it had risen to 415.

Introduction

In 1937 the world population was 2.3bn. By November 2021, it had risen to 7.9bn. It took over 2 million years of human prehistory for the world's population to reach 1bn and only 200 years more to grow to 7bn. In 1987, carbon in the atmosphere was 280 parts per million. By 2020, it had risen to 415 parts per million. During this period, the remaining wilderness reduced from 66% of the planet's surface to 35%. (Source: David Attenborough - 'A Life on Our Planet').

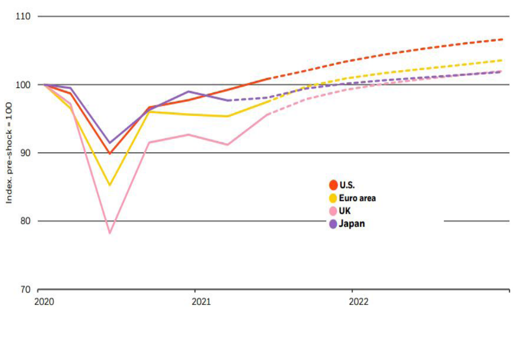
We are all too aware of the impact of global warming; Glasgow recently hosted the COP26 summit, which was attended by Heads of State from around the world, with the notable exception of Putin and Xi Jinping. China and India are hesitant at the need to stop burning fossil fuels. Going forward, the watchword is sustainability.

Putin has used energy supply as political leverage. Nord Stream 2 is central to his plan to alter the strategic balance of power in Europe, and despite pledging to increase the gas supply in October and November, the increase never happened. China continues to build coal-fired power stations, but has been unable to satisfy demand leading to factory closures. Armed with $3.2tn of foreign exchange reserves, officials have been tasked with securing energy as a matter of regime survival. The Asia spot price for LNG hit the unthinkable level of $32 per MBBtu.

Here in the UK, half of our gas comes from internal supply on the continental shelf. Our friends in Qatar diverted cargoes to the UK, but declined a similar request from Brussels.

Offshore wind is working as it should and is capable of supplying over 30% of the UK's power needs. Our economy has rebounded from the pandemic aided by our vaccination programme. Whilst we have a high rate of daily infection, the number hospitalised and in intensive care reflect the efficacy of the vaccination. Notwithstanding UK GDP remains below the pre-pandemic peak.

Estimated GDP Paths 2020-2022
Source: Blackrock, October 2021



The world's microchip drought, which has disrupted global car manufacture, will last through 2022. However, new foundries are in the pipeline and by 2023 the industry is expected to have over-capacity of 17.3% based on current demand.

Key Points - UK

- UK GDP remains below the pre-pandemic peak.

Key Points - US

- US Companies charm investors with strong third quarter earnings. Unemployment falls to 4.6%.
- We increase exposure, introducing the JPM US Sustainable Equity Fund with founder share class status for our investors.

We expect the economic rebound will gain traction once supply side disruption is resolved. Inflation has reared its ugly head, consequently driving up prices.

The consensus among analysts, to include the ONS (Office for National Statistics) is that inflation will subside next year, dropping to 3%. However it is unlikely to return to the BofE target rate of 2% before Q4 2022.

UK Equity

As of mid-year, UK GDP was still 4.5% below its pre-pandemic peak. However, we see scope for growth to accelerate as borders reopen and activity normalises. Supply bottlenecks, labour shortages and the dramatic increase in the cost of energy have triggered a sharp rise in underlying inflation.

The FTSE-100 Index is the cheapest of the major developed Equity Markets and this should help it achieve higher returns than other markets over the next decade. Around 70% of UK corporate earnings come from offshore so one near-term risk is a rise in sterling, dampening earnings growth.

UK unemployment fell to 4.5% despite the end of the Furlough Scheme, with the number of employed rising by 160,000 in September to a total of 29.3m. Whilst job vacancies are at record levels, business groups said labour shortages in key areas were putting the economic recovery at risk. The ONS measure of growth in weekly earnings, excluding bonuses, in the three months to September is 4.9% which implies real-term earnings growth at 2.2%.

The Chancellor, Rishi Sunak, delivered a 'Tax, Spend and Save' Budget in which improved official forecasts gave him a £35bn windfall of additional revenue on top of the £36bn of tax rises he had already imposed.

However, analysts calculate that whilst his plans represent a "real and substantial boost" to public spending, middle earners will be worse off next year, whilst many low income households will feel real pain as prices rise faster than benefits. The Resolution Foundation calculate households would on average be paying £3,000 more each year in taxes by 2024-25, with the biggest impact felt by high earners.

The BofE insist interest rates will rise in the coming months from the historic low of 0.1%. As an aside, Sir Jon Cunliffe, the central bank's Deputy Governor, said the BofE was looking to create a state digital currency in place of cash.

British technology companies are on course to raise record funding this year with the UK extending its lead over competing European hubs. Over £13.5bn has been invested into more than 1,400 private technology firms between January and June this year, more than the total for 2020. Britain stands third behind the US and China and received double the amount invested in Germany.

In our core portfolios we are trimming our position in the Man GLG Undervalued Assets Fund in favour of the Royal London Sustainable Leaders Fund. This fund has a long track record of sustainable investing and performance since our inception (04/12/2020) is shown below:

Royal London Sustainable leaders performance since inception

Source: FE Analytics 29/11/2021

We remain negative and underweight to our benchmark.

US Equity

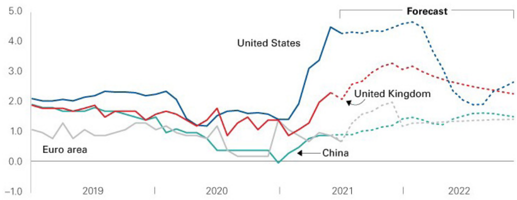
According to FactSet Data, 463 companies (93.5% of market cap) posted their results, with 81% beating their revenue expectations. This powered Wall Street stocks to new record highs. Overall profits among S&P500 constituent companies are up 40% in Q3 compared with the same quarter last year, and sales are up by about a fifth. Gains are not limited to mega-cap stocks, with the Russell 2000 Index of Small Companies hitting a record high in November.

US job growth rebounded in October, with employers hiring 531,000 to reduce the unemployment rate to 4.6% according to the Bureau of Labor statistics on 3 November 2021. The Federal Reserve announced that earlier than forecast it would start scaling back its $120bn a month programme of bond purchases by $15bn a month, meaning the programme will end by June 2022. Jerome Powell was finally re-elected as Federal Reserve Chair after Biden had prevaricated. He said that "Bond reduction was not a direct signal regarding interest rate plans". The FED continues to hold US interest rates at close to zero. Brian Nick, Chief Investment Strategist at Nuveen, and a former FED employee, said that tapering signalled 'mission accomplished'.

However, US consumer sentiment weakened to its lowest level in a decade reflecting Americans' concerns about rising prices and a lack of confidence in the Biden administration's to address the surge in inflation. In practice, consumer prices rose 6.2% in October, the fastest pace in 30 years. The FED is on record as saying the 'sharp rise will prove transitory and will fade as supply-chain disruptions are resolved and labor markets steady.' We think this stance is too sanguine and in our view the core CPI, which excludes volatile food and energy prices, will come in around 3% in Q1 2022 and will not fall back to the FED's target rate, 2%, until Q4 2022.

Resurgent demand and supply constraints push up prices

Source: CPI, Vanguard, at 29/09/2021



We are increasing allocation to the US, the main beneficiary of this is the JPM US Sustainable Fund which we will be adding to our core portfolios. This fund launched on 20 October 2021. We have negotiated access for our investors by way of a unique founder share class. The fund is actively managed by Danielle Hines and David Small with an OCF of 0.4%. The objective is to invest in sustainable leaders in the US following best Environmental, Social and Governance practice, with a highly competitive management charge. Our investment team have spent time with the managers and after extensive research, we are delighted to introduce the fund with founder share status for our investors.

We remain overweight to our benchmark.

Key Points - Europe

- Angela Merkel calls for Germany to return to lockdown.
- The Euro falls sharply on currency markets.

European Equity

A deadly fourth wave of Covid-19 has forced Austria into lockdown, and they will make vaccination compulsory from February. Belgium and the Netherlands imposed restrictions, leading to riots in the streets. In Germany, daily infections soared past 60,000 and Angela Merkel is calling for a full national lockdown. During her tenure as Chancellor, since 2005, she has frequently been referred to as the de facto leader of the European Union and the most powerful woman in the world. If Germany's economy locks down, the European economy will very likely lapse into recession. The impact is already effecting currency markets with the Euro weakening against the US dollar from $1.22 to the € to $1.12. The fourth wave may be concentrated in Germany, Austria and the Benelux Zone, but will negatively impact the wider zone.

Covid-19 is not the only headwind facing Europe; supply-chain issues and rising energy costs constrain scope for recovery. To date the revival in consumer demand and increased public investment have driven the rebound. The EU Economics Commissioner reports "The economy is moving from recovery to expansion", but goes on to confirm "43% of the manufacturing sector is negatively impacted by severe shortages, while service companies are less concerned". According to the Commission, France will expand 6.5% this year and 3.8% next, Italy will grow by 6.2% this year and 4.3% next, whilst Germany's economy will grow by 2.7% this year, rising to 4.6% in 2022. Eurozone unemployment is forecast to fall from 7.1% to 6.5% by 2023.

The ECB reports little sign of long-term inflation despite German inflation climbing to 4.0% year on year, the highest level in 28 years. Overall, the ECB revised upward its projections for inflation this year from 1.9% to 2.2%, for 2022 up from 1.7% to 2.2% before falling back to 1.5% in 2023. The ECB forecast the Eurozone economy will grow by 5.0%, up from the previous forecast of 4.6%.

Angela Merkel will be succeeded as Chancellor following the recent election by Olaf Scholz (SDP 25.7% of the vote) who is seeking an alliance with the Greens (14.8%), the Liberal Party (11.5%), and with the ADP, the right party, (10.3%) - the Christian Democratic Party's share of the vote fell to 24.1%. Since 1961, no party has been able to achieve an absolute majority in the Bundestag.

The EU has been divided over how hard to push back against the Chinese Communist Party's model of state capitalism as it seeks to position itself between the US and China. What stance will the Olaf Scholz coalition take? NATO has also hardened its rhetoric on China describing the country as a "systemic challenge". Both President Macron and Biden have also declared NATO will stand behind Ukraine if the Russian forces massing on Ukraine's border invade Ukraine – which is not a NATO member. There is a debate whether this is a real threat or merely Putin leveraging his energy war with Europe and Germany in particular, following suspension of the approval process for Nord Stream 2, the pipeline that bypasses Ukraine.

Nord Stream 2 is central to Putin's drive to challenge the strategic balance of power in Europe and overturn the post-Cold War settlement. A German coalition that includes the Green Party is unlikely to certify Nord Stream 2, as they see this as Gazprom trying to get round EU monopoly laws. Poland also threatened to issue an injunction to stop it in the European Court.

Our position is unchanged, we remain neutral in line with our benchmark.

Key Points - Japan

- The Japanese economy shrank in Q3 as a supply chain disruption and a resurgence in Covid-19 cases dampended spending.

Japanese Equity

The Japanese economy shrank 3% in Q3 as supply chain disruption and a resurgence in Covid-19 cases dampened spending both by consumers and businesses. As a consequence, the newly appointed Prime Minister, Fumio Kishida, prepared to unveil a substantive stimulus package for struggling households and small businesses, in an attempt to reboot Asia's largest advanced economy. Business investment fell 14.4% in the three months to September and Naohiko Baba, Chief Economist at Goldman Sachs in Toyko, said the decline was a "direct result of global supply chain turmoil".

At almost 6%, Japan holds the second highest weighting in MSCI's All Country World Index.

Japan's stock prices have not traded in lockstep with those of its international peers. At a forward P/E of under 15 times, MSCI Japan is almost 20% cheaper than the All Country universe.

Whilst Local Purchasing Managers Indices have rallied, Japanese consumer demand remains weak, it has been 30 years since consumption peaked. Under BofJ Governor, Haruhiko Kuroda, Japan finally escaped deflation, but inflationary expectations have not materialised.

Covid-19, supply-chain turmoil and a lack of consumer confidence lead us to reduce exposure, moving from positive to neutral in line with our benchmark.

Key Points - Asia and EM

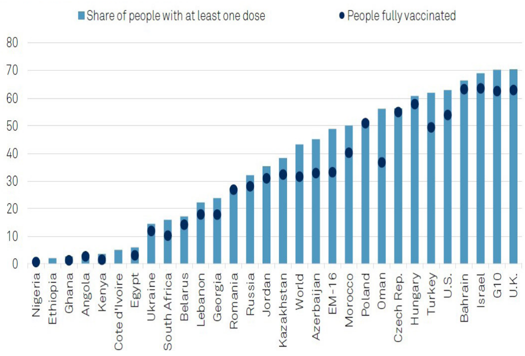
- Many EM countries have made insufficient progress in their vaccination programmes.

Asia and Emerging Markets

Emerging market economies have surprised with stronger than forecast growth numbers, primarily stemming from higher consumption and exports. GDP growth forecasts for 2021 have been revised upward for Poland to 5.1%, Russia 4.0%, South Africa 4.6% and Turkey 8.6%. Inflation continues to rise as higher food and fuel prices, coupled with supply chain disruptions, interact with a stronger economic rebound. Covid-19 remains a downside risk as many EM countries have made insufficient progress in their vaccination programmes – for example, South Africa has only fully vaccinated 13% of its adult population.

Emerging Market Countries are far from widespread immunity

Source: OWiD, S&P Global Ratings



Fiscal activity remains positive in most of the key markets as the rebound in economic activity support tax revenues. Given the positive fiscal activity, the risk of an abrupt fiscal tightening is low. The main risks facing EM has come from the US FED and China's property market. The decision by the FED to begin tapering asset purchases and policy rate lift off in December 2022, followed by two rate hikes in 2023 and 2024 may result in capital outflows. In turn, this could lead to financial market volatility, widening spreads and currency depreciation.

The second risk is linked to China's property sector. The financial difficulties experienced by Evergrande could have negative implications. Reduced investment in this sector could dampen demand for construction materials including metals, with both South Africa and Turkey vulnerable in this situation.

Brazil's consumer prices climbed in October, pushing inflation to 10.67%. Since the beginning of 2020 the Real has fallen by 25% in value against the Dollar and is down 5% so far this year.

China's self-isolation is a global concern. China emits more carbon dioxide than the US and EU combined, but unlike other world leaders, President Xi Jinping did not attend Glasgow for COP26 or the G20 summit in Rome. Instead, he submitted a written statement of less than 500 words and with India acted to weaken the pledge on coal. In response to Covid-19, China has initiated one of the world's strictest systems of border control and quarantine, making it virtually impossible for foreigners to visit without staying for several months.

However at least 19 of China's provinces including many of its industrial heartlands have suffered power outages in recent weeks with some unplanned and indiscriminate cuts leading to factory closures. Ten provinces are also struggling to meet strict environmental limits on energy consumption. Nomura expects China's GDP to contract in the third quarter and there is also the deepening crisis surrounding Evergrande, the world's most indebted property company. The anxiety felt by the Company, its creditors and stock market investors, will not abate until Beijing decides that a certain pain threshold has been reached.

The surge in shipping rates, factory closures and supply side disruption must surely make importers consider reshoring their manufacturing, reducing dependence on China.

We remain positive and overweight to our benchmark.

Alternatives

Within our core model portfolios, the alternative sector utilises the JPM Global Macro Opportunities fund, which has returned 22.04% since inception

Key Points - Alternatives

- JPM Global Macro Opportunities fund has returned 22.04% since inception (04/12/2018) and is used for downside protection given its low correlation to Equities.

(04/12/2018). However, the primary use of the fund is for downside protection and low correlation to Equities. It uses a theme-based approach and we have recently interviewed JPM for insight into their new climate change response theme. This integrates ESG considerations (more specifically carbon intensity measures) into their investment strategy.

The JPM Global Macro Opps fund received an MSCI ESG Rating of A, which ranks the fund in the 98th percentile of the Alternative Global Macro peer group. An 'A' rating is equivalent to an MSCI ESG Quality Score of 7/10, which is very impressive when compared to the peer average of 5.8. This indicates the stocks selected successfully mitigate long-term risks associated with environmental, social and governance factors.

The Carbon Intensity Metric calculates a weighted-average exposure of a fund to carbon-intensive companies. The JPM Global Macro Opps fund received a score of 98.1, meaning that for every $1 million sales, 98.1 tons of CO_2 emissions are released. This is considerably lower than the peer average of 150.7. The fund is continuously working with the companies it invests in to reduce this figure even further.

We believe these considerations are becoming ever more important when allocating capital. The fund successfully rotates holdings during all market environments and provides crucial downside protection when markets become more challenged.

We are overweight to a Zero benchmark.

Key Points - Fixed Interest

- Central banks across the globe begin to wind down their expansionary monetary and fiscal policy implemented to fight the economic impact of the Pandemic.

Fixed Interest

The world's central banks have spent the last eighteen months buying up debt at a record rate, helping to shore up bond prices even as governments borrowed unprecedented amounts to fight the economic impact of the Covid-19 Pandemic. Now as banks begin tapering, investors are left wondering what will happen when they stop.

In September, Bill Gross, the founder of the investment management firm, Pimco, labelled bonds as "trash", questioning how willing private investors will be to buy up the supply of US Treasuries once the FED steps back – which we now know will be June next year. He went on to say that "any sharp fall in Government Bond prices and rise in yield is likely to filter through to riskier debt such as Corporate Bonds" and "the four-decade fixed income bull market which he built his reputation maybe headed into reverse". This sentiment is shared by many other managers who expect yields will rise as economies rebound from the Pandemic, alongside a global surge in inflation.

A more balanced view is that there will be a gradual response to fiscal and monetary change. The huge central bank repurchase programme mirrors an expansion in borrowing by governments. As central banks wind down their efforts, so the fiscal authorities are expected to slow down the pace of bond issuance. Whilst the US, Canada and UK will be winding down the ECB is expected to retain QE for longer. Analysts at Barclays predict net Eurozone bond issuance of €490 bn next year down from €650 bn in 2021.

Kunal Mehta, Head of Fixed Interest at Vanguard said "growing concerns around inflation continued to weigh on government bonds. Risk assets across the board were impacted by this more cautious sentiment, notably emerging market debt." Vanguard are, to quote, "constructive on credit exposure but many of the highest quality issuers are now priced too richly and lower quality issuers are vulnerable to change in market sentiment. Strong credit fundamentals and investor demand continue to pin yields near historical lows".

The Covid-19 pandemic has accelerated the shift to digital bond trading. Whilst electronic trading has transformed the US government bond market, it has majorly impacted the corporate bond market – where companies sell vast amounts of their debt to large institutional investors such as BlackRock, Fidelity and Vanguard. Electronic trading now accounts for 40% of the total up from 10% in 2011.

We remain highly selective, actively managed and underweight fixed interest.

Cash

During times of distress, Cash is seen to offer capital security. However, over the long term, there are risks to holding high levels of cash - inflation. The annual inflation rate in the UK jumped to 4.2% in October 2021, the highest since 2011. Rising inflation obviously represents a challenge to investors, who typically at the very least aim to beat it to prevent their money from losing value in real terms. For this reason we prefer to invest in assets that can generate a positive real return.

Our underweight exposure to cash is left untouched.

Conclusion

Key Points - Conclusion

- Read David Attenborough's book 'A Life on Our Planet'.

The new Omicron variant poses a threat to global growth, especially in a time of stretched supply chains, elevated inflation and labour market shortages. Scientists are worried given it could be more transmissible than the Delta variant and more likely to evade the immune protection conferred by Covid-19 vaccines. UK PM Boris Johnson has introduced precautionary measures following the emergence of the variant and it is likely the travel market will be most under threat.

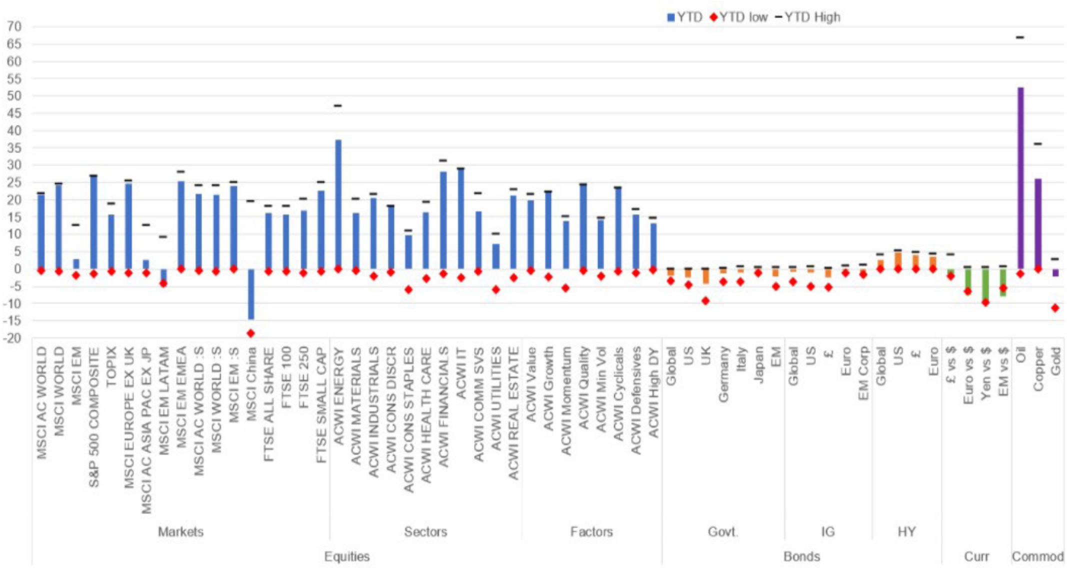
Europe's economic recovery is at risk as Covid-19 cases surge. Germany's new coalition government, won by social democrat Chancellor Olaf Scholz face a record 66,884 new cases in a single day with overall deaths exceeding 100,000. Austria is already in lockdown. Germany may follow and impose tight restrictions, as may Belgium and the Netherlands. Energy prices have soared driving Eurozone inflation to its highest level since 2008, intensifying a cost of living squeeze across the region.

Britain's seventh largest energy supplier 'Bulb' failed forcing the government to set aside £1.7bn as a state bailout. Whilst wages have risen, inflation has eaten into disposable income. As far as most people are concerned, the economic good times ended in 2008. The Institute for Fiscal Studies reported real household disposable income rose by 2.3% each year between 1989 and 2008. Since 2008 and up to the end of the Office for Budget Responsibilities current forecasts ends in 2026, real income growth is expected to average just 0.8% annually. In the 13 years leading up to the financial crisis, consumer spending rose by 52% in real terms. Since 2008, it has grown by marginally less than 10%. Prices are currently rising faster than wages. If we see wages continuing to rise at the current rate, it is a sign that higher prices are here to stay.

Returning to sustainability, please read David Attenborough's book 'A Life on Our Planet'.

YTD market performance (%)

Source: Datastream as at 28th November 2021



Fund Panel Update

FH Core

Allocation Increased | Allocation Decreased | Fund Added | Fund Removed

Fund Name	Conservative	Cautious	Balanced	Assertive	Adventurous
Allianz Strategic Bond	2	1	2		
Artemis Target Return Bond	6	5			
Artemis US Smaller Companies					0.5
Baillie Gifford Japanese		1	0.5	1	0.5
FTF Clearbridge Global Infrastructure Income	1	1			
Janus Henderson Absolute Return Bond	6	5			
JPM US Sustainable Equity	3	3.5	3.5	4	4
Man GLG Undervalued Assets		1	1	1	1
Polar Capital Global Insurance		0.5	1	1	1
Polar Capital Global Technology	2		1		
Premier Miton US Opportunities		1	1	2	2
Royal London Sustainable Leaders		1	1	1	1
Vanguard Global Credit Bond	2	1	2		

Funds Introduced

Artemis Target Return Bond

The Artemis Target Return Bond fund launched in December 2019 and is co-managed by Stephen Snowden and Juan Valenzuela. The strategy aims to achieve a positive return of at least 2.5% above the Bank of England base rate, after fees, on an annualised basis over rolling three-period returns. The fund generates capital gains primarily through the investment in developed-market government and investment-grade bonds, but may also invest up to 40% in a combination of high-yield and EM bonds.

JPM US Sustainable Equity

The JPM US Sustainable Equity Fund was recently launched in October 2021 and is run by one of the industry's most experienced analyst teams. The strategy involves investing in companies that lead their sector and peers in terms of sustainability performance across broad financial and ESG criteria, to provide investors with the best-in-class sustainable US large-cap equity portfolio.

FH Passive Plus

Fund Name	Cautious	Balanced	Assertive
iShares Japan Equity Index	1	1	1
iShares US Equity Index	1	1	1

Fund Panel Update

FH Ethical

Allocation Increased | Allocation Decreased | Fund Added | Fund Removed

Fund Name	Ethical Cautious	Ethical Balanced	Ethical Assertive
AXA Clean Economy	2.5	5	7
Baillie Gifford Global Stewardship		1	1
BMO Responsible Global Equity	2.5	6	8
BMO Responsible UK Income	3	6	9
NinetyOne UK Sustainable Equity	3	3	4
Royal London Sustainable Leaders	6	9	11
Royal London Sustainable Managed Income			2

Funds Introduced

AXA Clean Economy

The AXA Clean Economy fund launched in 2012 and is managed by Amanda O'Toole. The fund aims to provide long-term capital growth over a period of 5 years or more whilst simultaneously achieving sustainable investment objectives, in line with a responsible investment approach. More specifically, the fund divides their core themes into two areas. Prosperity for the planet, such as recycling, waste reduction and low-carbon transport and prosperity for people such as education, wellbeing and safety and essential housing and infrastructure.

FH Distribution

There are no changes to the distribution portfolio this quarter.

Performance (As at 01/12/2021)

Portfolio	1 Year %	3 Year %
Forrester-Hyde Adventurous Model Portfolio	14.41	35.08
Forrester-Hyde Assertive Model Portfolio	11.88	30.91
Forrester-Hyde Balanced Model Portfolio	8.82	24.75
Forrester-Hyde Cautious Model Portfolio	5.85	17.95
Forrester-Hyde Conservative Model Portfolio	2.80	13.37

Portfolio	1 Year %	3 Year %
Forrester-Hyde Passive Plus Assertive Model Portfolio	14.32	27.11
Forrester-Hyde Passive Plus Balanced Model Portfolio	10.53	22.02
Forrester-Hyde Passive Plus Cautious Model Portfolio	7.13	18.14

Portfolio	1 Year %	3 Year %
Forrester-Hyde Ethical Balanced Model Portfolio	10.17	33.11
Forrester-Hyde Distribution Model Portfolio	4.83	11.14

Asset Class	1 Year %	3 Year %
Bloomberg Barclays Sterling Aggregate Corporate	-0.54	19.74
Euro STOXX 50	13.48	32.33
FTSE 100	16.78	13.23
FTSE Actuaries UK Conventional Gilts All Stocks	-0.99	15.23
MSCI Emerging Markets	3.67	25.88
Nikkei 225	-2.46	20.05
S&P 500	28.53	65.59

*Past performance is no guarantee of future results.

Important Notice

Investments can fall in value as well as rise so you could get back less than you invest. The value of an investment will depend on the future rate of return and the effect of charges; neither capital nor income is guaranteed. Our advice is based on current regulation, which is subject to change, the rates of tax payable and tax benefits we refer to are those that currently apply, they change over time and how they impact will depend on your personal circumstance.

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.

ESG – Environmental, Social and Governance.

FCA - Financial Conduct Authority.

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.

OBR – Office for Budget Responsibility.

ONS – Office for National Statistics.

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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