ForresterHyde
CHARTERED FINANCIAL PLANNERS

Investment Outlook

Summer 2022

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"It's worth remembering that it is often the small steps, not the giant leaps, that bring about the most lasting change." Queen Elizabeth II

Introduction

The first half of 2022 has proven to be difficult - geopolitics, inflation and rate rises has led the US stock market to have its worst start to a year since the Second World War. Additionally, the US bond market has performed negatively at a level not seen since data began in the late 1970s. At the time of writing (since January), Alphabet is down 20%, Amazon 33%, Netflix 69%, Microsoft 22% and Starbucks has fallen more (43%) than it did during lockdown (42%). These sizable falls are due to concerns that rising interest rates and cost pressures will impact corporate profit margins.

For years Quantitative Easing (QE) has 'floated all boats'. However policy is reversing, with Central Banks now tightening monetary policy and raising interest rates. Sentiment across markets is low and careful judgement will be needed within fixed income allocations to monitor credit risk. For equities our fund managers are concentrating on companies which have strong pricing power and are better positioned to deal with rising costs. Being able to pass on costs has re-emerged as a vital corporate attribute. We have several positions across the model range, such as the FTF Clearbridge Global Infrastructure fund, which have explicit and positive links to inflation.

The risk of recession has increased, but as investors, we ask what has already been priced into markets and what is creating opportunities. We remain guarded and continue to use volatility to reposition for the medium term. Our active and global style of investment means that we are nimble enough to adjust our positioning should our views change. Basing investment decisions on headline inflation is difficult and could prove costly. Like Buffett and Munger, it is far better and more profitable to take a long-term view and look at the underlying fundamentals driving corporate performance. Now is the time for perspective, and to recall that volatility, short-term over-reactions, and market rotation are all opportunities for long-term investors.

Therefore, as long-term investors we must look forward. Since 1957, a decline of 15% or more for the S&P 500 has been followed by positive returns in the ensuing 12 months in all but two occasions (not in 2001 and 2008). History shows us that, on many occasions, markets do recover when given sufficient time.

Key Points

- The US Stock market has had its worst start to the year since the Second World War.
- The risk of recession has increased but we must look at what is priced into markets and what is creating opportunities.

UK Equity

A lot can happen in 70 years. Queen Elizabeth II acceded the British throne in February 1952 and the contrast to today is stark from a year where just 14% of households owned a television set and tea remained rationed. The contrast is not so evident when it comes to inflation, as UK inflation averages 9% in 2022, proportionate to levels seen in 1952. Until very recently, inflation figures had remained well below the average 5%, boosting nominal returns, albeit at the expense of the pound.

This year we have seen a divergence in returns within the UK stock market, the FTSE 100 returning 4.52% vs the FTSE 250 -11.51% (30/05/2022). The FTSE 100 has very little to do with the UK economy, the top ten stocks are all large global companies, spread across a few key sectors. There are the big energy and mining companies (Shell, BP, Glencore and Rio Tinto), as well as the large pharmaceutical businesses (AstraZeneca and GSK), and a large international bank (HSBC). These represent 50% of the total index. Rising commodity prices have boosted the FTSE 100 which is the global standout for performance this year (see graph below). The other, more cyclical areas of the market (retail, travel and leisure, and industrials) have seen their share prices fall as the market has been trying to price in an economic slowdown. Our active managers predominantly buy into companies within the FTSE 250 and whilst this has delivered some short-term underperformance, Fig 2 shows that our UK funds capture considerable outperformance over 5 years.

The UK faces an economic slowdown as consumers face a cost-of-living crisis. The Office for National Statistics (ONS) projects that real household disposable income will likely drop significantly in 2022. Rising energy prices, National Insurance increases and rising mortgage interest rates are some of the factors that are putting a squeeze on disposable income. As a result of soaring prices and the planned Corporation Tax rise in April 2023, the International Monetary Fund currently views the UK growth outlook as the weakest of the G7 nations.

We believe sentiment has recently become overly pessimistic, especially for mid/small caps as they have significantly de-rated, reflecting an excessively negative earnings outlook. We remain underweight to the benchmark but with the UK market currently trading at 11x earnings (13% cheaper than its 15-year median), we believe it is still attractively placed for medium term investors.

We remain negative and underweight to our benchmark.

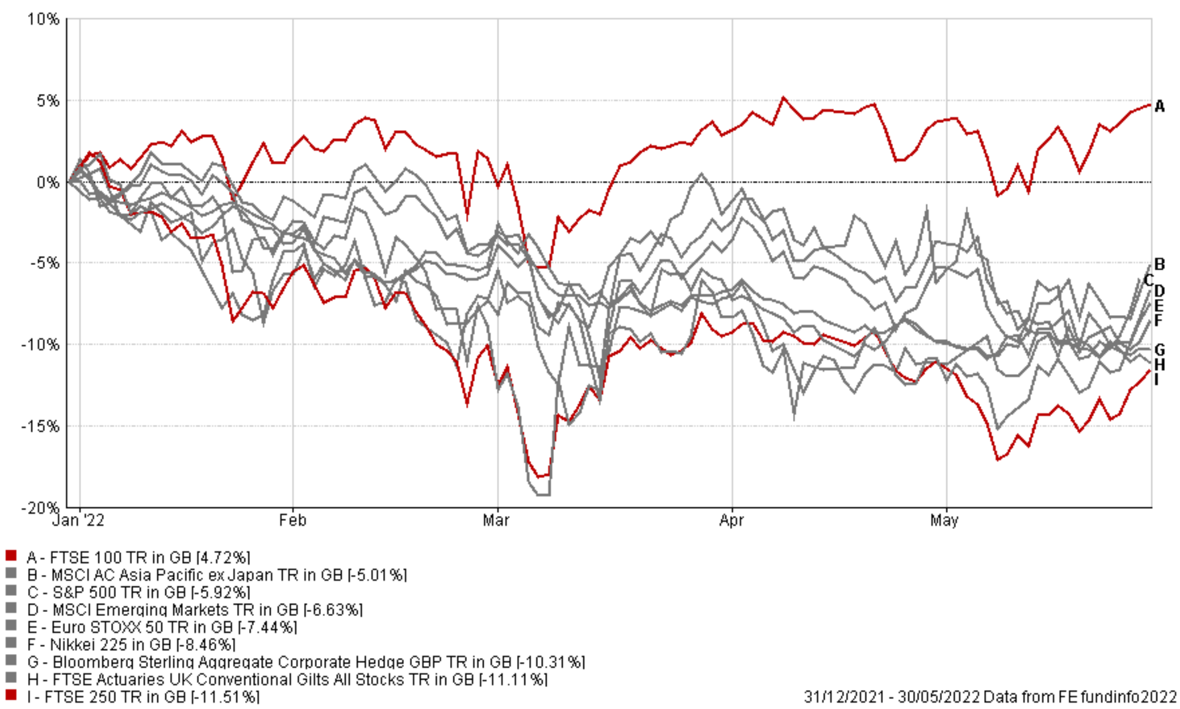
Key Points

- This year has seen a divergence in UK stock market returns with the FTSE 100 returning 4.52% vs the FTSE 250 -12.26% (30/05/2022).
- UK growth outlook is viewed as the weakest of the G7 nations.

Fig 2. UK Funds 1 and 5 year performance Source: FE Analytics 30/05/2022

Fund	1 Year	5 Year
Amati UK Smaller Companies	-14.81	49.46
Royal London Sustainable Leaders	1.27	48.93
Premier Miton UK Multi Cap Inc	-3.87	29.95
FTSE 100	12.12	21.87
Man GLG Undervalued Assets	5.98	17.75
FTSE 250	-8.03	14.98

Fig 1. Asset returns YTD. Source: FE Analytics 30/05/2022



US Equity

The S&P 500 Index has now declined for six consecutive weeks; the first time this has happened since 2011. The major uncertainty is concerns with inflation, growth, and monetary policy. The Fed earlier this month raised its benchmark interest rate by 0.5%, the largest increase in over 20 years, and signalled that it would do the same at its next two meetings, as they look to steer inflation towards their 2% target. Consumer prices in the US rose 8.3% year on year in April, down slightly from the previous month, but still close to a 40-year high. On the economy, the Fed minutes in April revealed expectations that GDP growth would "rebound in the second quarter and advance at a solid pace over the remainder of the year".

The market reaction has been clear, higher interest rates mean lower equity valuations. The S&P 500 multiple peaked at 24x forward earnings last year, a level not seen since the late 1990s. J.P Morgan believe the S&P 500 earnings growth will be in the upper single digits this year and mid-single digits next year. This would in turn put the index on around 17x forward earnings, which is still 14% more expensive than the 15-year US average multiple. Whilst better valued we still believe the overall stance to US equity should be cautious and diversified.

We are predominately utilising active managers and being selective within sectors to protect client capital. One of our Core fund managers, Hugh Grieves (Premier Miton US Opportunities Fund), remains more defensively positioned as he believes US investors are now confronted with a more challenging fundamental backdrop. Higher servicing costs for home mortgages, auto loans and business debt are likely to slow economic growth later this year (with a consequent increase in the risk of a recession). Believing in this environment, corporate earnings forecasts might be vulnerable to downgrades with investors gravitating towards companies with more durable business models as a result. The fund continues to focus on companies providing essential products and services to customers, thereby generating high levels of repeat business needed to sustain earnings growth.

We have increased exposure to infrastructure through the FTF Clearbridge Global Infrastructure fund which has over 40% in the US. Infrastructure investments are a form of "real assets," which are crucial in a country's development. As a result, infrastructure tends to be non-cyclical, offering stable and predictable free cash flows, and are less sensitive to what is happening in the economy. This is what has driven the strong outperformance of infrastructure versus global equities against a backdrop of rising rates and elevated geopolitical risks.

We remain overweight to the benchmark but remain selective and diversified within the sector.

Key Points

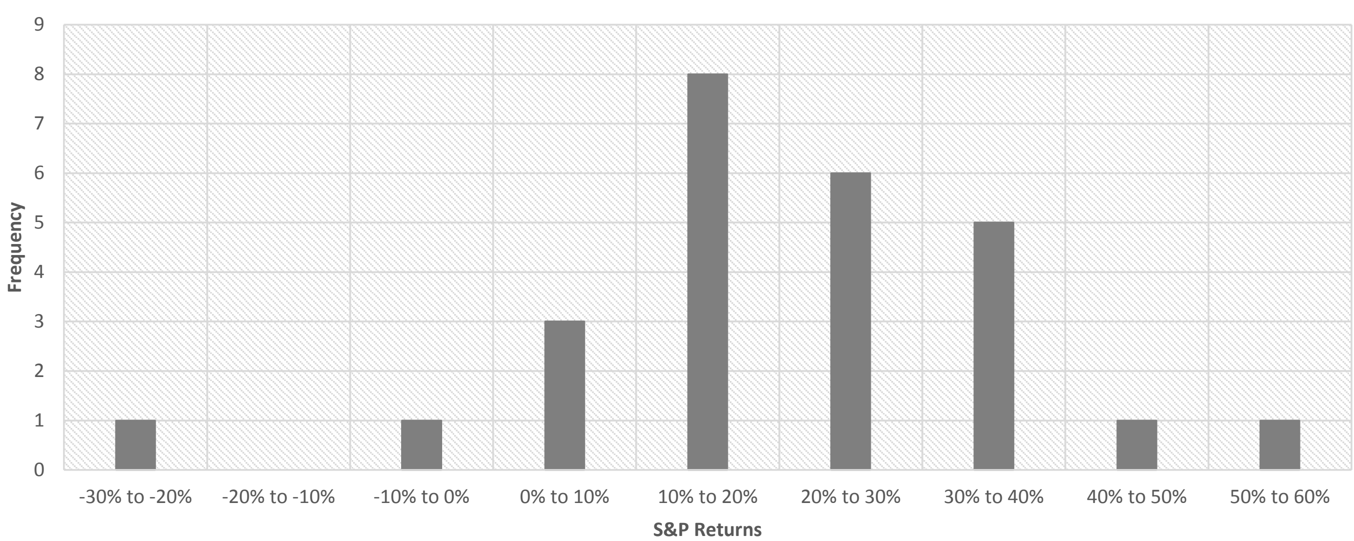
- The S&P 500 index has now had six consecutive weeks of decline.
- The S&P 500 multiple peaked at 24x earnings last year, a level not seen since the late 1990's.

Fig 4. Staying selective in US Equity
Source: FE Analytics 30/05/2022

Fund	YTD %
Polar Capital Global Insurance	9.87
FTF Clearbridge Global Infrastructure Inc	8.73
iShares US Equity Index	-9.87*
Vanguard Global Sustainable Equity	-3.03
Premier Miton US Opportunities	-5.45
S&P 500	-6.32
JPM US Sustainable	-11.97
Fundsmith	-17.30

* The fund has returned -1.08% since inception into FH models 04/05/2022.

Fig 3. One year forward S&P 500 price returns subsequent to a five-month decline greater than 15%.
Source: S&P Dow Jone Indices, May 2022.



European Equity

The war in Ukraine continues with no indication of a resolution. As a result, European gas prices remain elevated, up over 40% year to date. Russia's state-controlled gas exporter, Gazprom, also suspended supplies to Poland fuelling concerns that Russia could cut energy exports as a form of retaliation. This is likely to increase European countries' focus on energy security and has catalysed debate among EU nations as to proposed sanctions on Russian energy, although there are divisions among member states.

Considering the wartime backdrop and mixed growth outlook, European Central Bank (ECB) policymakers left the -0.5% deposit rate unchanged in the April meeting. ECB President Christine Lagarde also chose not to bring forward the ending of net bond purchases, despite headline inflation of 7.5%. However, since that meeting the ECB's Lagarde made her first explicit call for interest rate increases. "This would allow us a rate lift-off at our meeting in July, in line with our forward guidance. Based on the current outlook, we are likely to be able to exit negative interest rates by the end of the third quarter." This has implications for the ongoing 'value' vs 'growth' investment style debate, as growth parts of the market arguably entail more risk than value in a rising interest environment. Growth stocks typically have long-term cash flow horizons compared to value companies, which will be deemed lower value in present value terms.

We are introducing the Lightman European fund into our higher risk core models. Lightman is a specialist investment management company that is dedicated exclusively to European equities. The strategy has a value investment style and is included in portfolios to take advantage of the favourable climate for value stocks resulting from rate hikes. As shown below, European value is also trading at a significant discount and we therefore believe now is a reasonable entry point into the fund.

Our European exposure is now an even blend between Lightman and the Premier Miton European Opportunities fund. Forrester-Hyde have negotiated a discounted OCF with Lightman of 0.6%, as opposed to 0.8% charged to retail investors. This has further helped reduce overall portfolio costs this quarter, in keeping with our long term target.

Elsewhere in Europe, Emmanuel Macron's re-election as French President, defeating his far-right rival Marine Le Pen, was welcomed by European leaders and somewhat reassured investors. With valuations below long-term averages, European equities may still offer a positive surprise this year. However, we remain neutral, given we are somewhat guarded against the ongoing conflict in Ukraine.

We remain neutral to our benchmark.

Fig 5. MSCI Europe Value v Growth
Source: Lightman, Bloomberg, MSCI Feb 2022

Key Points

- European gas prices remain elevated, up over 40% YTD.
- The Europen Central Bank left the -0.5% deposit rate unchanged in the April meeting.

Japan Equity

The Japanese economy has disappointed relative to expectations thus far in 2022, with the country's GDP contracting by an annualised 1% quarter on quarter. Japan's economic recovery lagged that of its global peers, due to conflicts in Ukraine and the zero-tolerance lockdowns in China. Japan are large energy importers and China is Japan's second largest export market. It is reported that Japan has 'strategic dependence' on China for over 700 imported goods.

As for inflation, the US and UK have surpassed 8% whereas Japan has seen just 2.5%. This has allowed the Bank of Japan (BoJ) to continue with its monetary stimulus to support the post-pandemic recovery and avoid raising interest rates. They have also recommitted to purchasing unlimited amounts of 10-year government bonds to defend the implicit 0.25% yield cap. This again signals the BoJ's resolve to focus on supporting the fragile Japanese economy.

Japan's government announced that the country's strict Covid-19 border measures would be eased further with Prime Minister Fumio Kishida promising to align Japan's border control measures with those of the other G7 developed nations in June. Measures include doubling the cap on overseas arrivals to Japan to 20,000 per day and relaxing COVID-19 testing and quarantine rules for travellers from countries with the lowest infection rates.

Our main exposure comes via the Baillie Gifford Japanese fund which has struggled in the short-term returning -11.48% over 1 year compared with the Japanese sector delivering -4.56% (30/05/2022). This has been driven by a significant rotation away from high growth companies and the lack of a post-pandemic recovery in Asia, that we have seen in other developed markets. The team at Baillie Gifford are using this drawdown as an opportunity to invest further into holdings at a discounted price.

We remain neutral to our benchmark.

Fig 6. Baillie Gifford Japanese performance since inception
Source: FE Analytics 30/05/2022

Key Points

- Japan's global recovery has lagged its global peers.
- Inflation levels in Japan are 2.5%, allowing the Bank of Japan to continue with its monetary stimulus to support the post pandemic recovery.

Asia and Emerging Markets

Chinese equities have been volatile as policymakers appear to be prioritising a zero-Covid strategy over economic growth. Shanghai has recently been in lockdown but Deputy Mayor Zong Ming has indicated the reopening will be carried out in stages, with plans for a more normal life to return from 1st June. This is welcomed news given the impact China has on global growth.

Investing in China will always present risk, however, for medium term investors the bigger risk is ignoring the second largest economy in the world. Sentiment to the region is at all time lows with geopolitics back in the spotlight. When a global event triggers a conflict, investors naturally asses other possible conflicts, and the China-Taiwan relationship has returned to the spotlight. In our view, it's difficult to see how the Russian backlash following the invasion of Ukraine would have increased China's appetite for conflict. Instead the swift action taken by western democracies will act as a deterrent. Therefore, the opportunity exists for Emerging Market outperformance as valuations, relative to the US, reach record low levels, evidenced in the below chart.

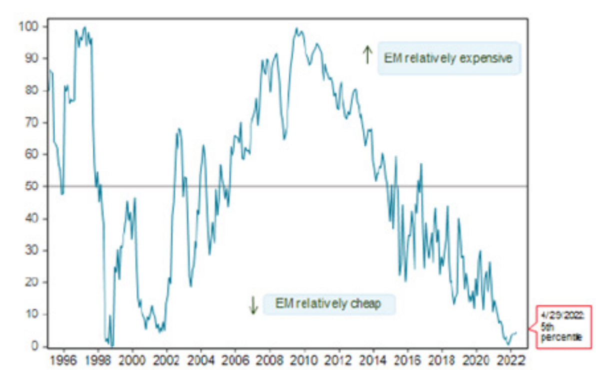
Another challenge for Emerging Markets is the perceived end of globalisation. Again, we feel this would be a dangerous oversimplification. The transition to net zero alone creates opportunities. Wind turbines, solar arrays, electric vehicles and all the associated infrastructure needs will require significant raw commodities as well as vast quantities of speciality metals and minerals, which are mostly provided by Emerging Market economies.

Our core holding, Fidelity Emerging Markets, has exposure to the materials sector, owning a series of companies across EMEA, Latin America and EM Asia. These including South Africa's Sibanye Stillwater (Gold & PGM) and Mexico's copper producer, Grupo Mexico - with a view that copper is underpinned by supply constraint and the move towards a greener economy.

Whilst Chinese companies represent around one-third of the Emerging Market equity index, it's not just about China. One of the most encouraging developments over the last couple of years is the variety of interesting and differentiated businesses from India, Brazil and Indonesia. This has also been captured by Fidelity who have initiated two new positions in Brazilian financials. One example being B3, Brazil's cross-asset class exchange, which is benefiting from strong volumes.

We remain selective and overweight to our benchmark.

Fig 7. MSCI EM V S&P 500 Relative Valuation
Source: GW&K Investment Managers, Bloomberg, MSCI



Key Point

- Chinese equities have been volatile as policymakers appear to be prioritising a zero-Covid strategy over economic growth.

Alternatives

The alternatives sector is a divergence from our benchmark. Our Core model portfolios utilise the JPM Global Macro Opportunities fund, which has returned 9.23% since inception into portfolios (04/12/2018 – 30/05/2022).

The fund is positioned for a global cyclical slowdown over the second half of this year. It is positioned to protect capital during the upcoming period of tightening financial conditions, falling disposable incomes and cautious sentiment.

We will be introducing the sustainable version of this fund, JPM Global Macro Sustainable into the Ethical models.

We are overweight to a Zero benchmark.

Key Point

- The JPM Global Macro Opportunities fund has returned 9.23% since inception into portfolios.

Fixed Interest

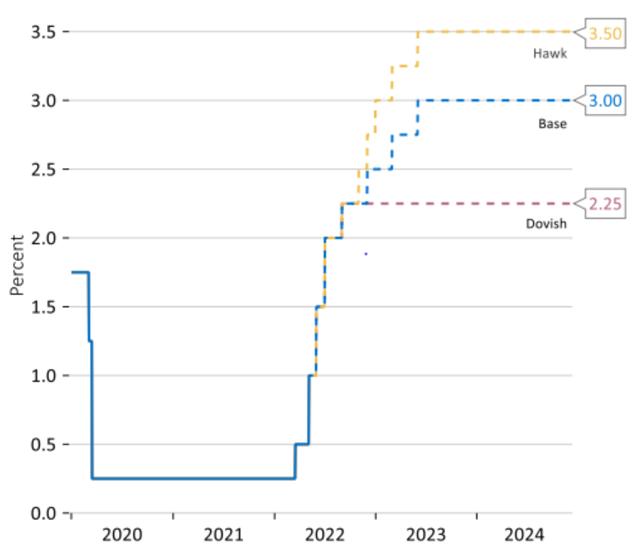
Fixed Interest markets began the year in a precarious position, with low global yields and historically tight credit spreads. We therefore entered the year by remaining underweight. Bonds have since suffered their largest quarterly loss in several decades after a sharp rise in interest rates required to fight inflation. This has caused equities and bonds to become positively correlated, eradicating the usual diversification which comes from fixed interest. Both asset classes have fallen as higher inflation has led to tighter monetary policy. The chart below shows the trajectory for US policy rates and how it is a highly uncertain phase for monetary policy.

Central Banks are one of the biggest buyers of credit in the market and will be pairing back liquidity through quantitative tightening. This is at a time with potential for greater supply from looser fiscal policy as governments look to support the economy against the cost-of-living crisis. Lower demand and higher supply will act as a significant technical headwind for fixed interest markets.

We are further utilising strategies that can remain extremely selective and have ability to still generate positive returns regardless of market conditions. We are introducing the Jupiter Merian Global Strategic Bond into our Core portfolio range; it is a fixed income macro fund which aims to find diversification and a positive return in the new low-yield world. The fund is managed by Mark Nash (Head of Fixed Income Alternatives at Jupiter) who took the lead at Jupiter in August 2016. In 2022 Mark has returned -0.62% when the global bonds sector average returned -5.95%, which demonstrates the flexibility and ability of the strategy.

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

Fig 8. Trajectory for US policy rate. Source: Sarasin, Macrobond 19/05/22



Key Points

- Bonds have suffered their largest quarterly loss in decades.
- We are introducing Jupiter Merian Global Strategic Bond into portfolios.

Conclusion

With both stocks and bonds in negative territory, the start to 2022 has been quite unique. Runaway inflation has sparked aggressive Central Bank tightening at a time when growth is moderating. Concerns of rising rates and inflation are contributing to a retreat in bonds. At the same time, rising rates and slowing growth are weighing on equity markets in a period where valuations are already above their historic averages.

At present, despite lower valuations amid recent declines, we refrain from increasing risk exposure and maintain several positions across portfolios. This is because we believe volatility is set to continue with several key risks such as Central Bank missteps, the Russian-Ukraine conflict, lingering inflation and Chinese lockdowns. All such events still lack clarity. That said, our current positioning is already well poised should markets start to claw back lost ground in the second half of the year.

The key to successful investing is not predicting the macro future, it's learning from the past and understanding the present. The strongest-performing investments since the early 2000s have tended to be those whose prices have been most volatile. Equities, for example have suffered sharp swings but they have delivered relatively strong annual returns compared to cash. Within equities, we continue to increase 'value' exposure, and lower 'growth' to provide a hedge should inflationary pressures persist longer than expected.

Within fixed income, we remain underweight bonds and continue to favour shorter-duration and higher-yielding sectors through an overweight to Emerging Market Debt, whilst keeping a cautious eye on liquidity and volatility. We also utilise managers who can generate positive returns regardless of Central Bank movements. Lastly, to provide defence against growing market risks, we continue our overweight to alternatives such as the JPM Macro Opportunities Fund.

Our portfolios launched in 2008 and have been managed through the Global Financial Crisis, Taper Tantrums, European Debt crisis, suspected China hard landing, Covid 19 and now a European war. It can be uncomfortable to see valuations fall but this is the nature of investing. Whilst tempting to sell or switch strategy, it is often the worst time to do so. Holding through the discomfort has traditionally been the best course of action and as shown below, lows are normally superseded by new highs. We are not predicting the bottom and there could be further downside in the short-term but taking a medium-term view, we believe valuations are starting to create attractive opportunities for the future.

Key Points

- War, inflation and lingering Covid-19 has caused a tough start to 2022 for investors.
- Holding through the discomfort has traditionally been the best course of action.

Fig 9. FH Balanced Drawdowns. Source: FE Analytics 30/05/2022

Forrester-Hyde Balanced Portfolio Drawdowns								
	20/05/2008 - 20/10/2008	05/01/2009 - 23/03/2009	27/07/2011 - 09/08/2011	10/04/2015 - 11/02/2016	10/01/2018 - 09/02/2018	08/08/2018 - 27/12/2018	20/02/2020 - 18/03/2020	09/11/2021 - 16/05/2022
FH Balanced	-18.15	-5.65	-11.19	-9.93	-5.71	-9.93	-20.32	-10.23

1 Year Performance Post Drawdown								
	20/10/2008 - 20/10/2009	23/03/2009 - 23/03/2010	09/08/2011 - 09/08/2012	11/02/2016 - 11/02/2017	09/02/2018 - 09/02/2019	27/12/2018 - 27/12/2019	18/03/2020 - 18/03/2021	16/05/2022 - 16/05/2023
FH Balanced	22.81	25.04	12.92	23.19	1.72	17.64	31.05	?

3 Year Performance Post Drawdown								
	20/10/2008 - 20/10/2011	23/03/2009 - 23/03/2012	09/08/2011 - 09/08/2014	11/02/2016 - 11/02/2019	09/02/2018 - 09/02/2021	27/12/2018 - 27/12/2021	18/03/2020 - 18/03/2023	16/05/2022 - 16/05/2025
FH Balanced	31.58	37.67	33.29	30.25	22.21	32.55	?	?

Approved Fund Panel Update

Funds Introduced

LF Lightman European

Lightman is an independent investment management company dedicated exclusively to European equities. The fund was launched in 2019 and is managed by Rob Burnett, a decorated manager with a track record of over 15 years running European equity portfolios. Lightman European is a pure value fund and is being introduced to increased the value tilt across the Forrester-Hyde portfolios. The team combine operational momentum with quant buy signals and ESG awareness within their stock selection process. In addition, the strategy targets companies with a contrarian edge, providing differentiation from the peer group and benchmark, supporting diversification.

Jupiter Merian Global Strategic Bond

The Jupiter Merian Global Strategic Bond is a fixed income macro fund which aims to find diversification and a positive return in the new low yield world. The fund is managed by Mark Nash (Head of Fixed Income Alternatives at Jupiter) who took lead at Merian in August 2016. Through the Jupiter-Merian acquisition, the team and process remained the same and the strategy has built up a credible track record of stability and outperformance. The fund provides diversification within our fixed interest allocation and is positioned to defend capital during the current volatility and market drawdown.

JPM Global Macro Sustainable

The fund was launched in 2005 and is managed by the portfolio managers in the JPM Macro Strategies team. We currently hold the JPM Global Macro Opportunities fund in our core models and this fund has the same team, management, process, objectives. The fund is a daily liquid alternative designed to take advantage of market mispricing's of macro trends. They aim to provide positive returns in varying market conditions. The difference between the two funds is the sustainable overlay. This fund also integrates ESG in the decision making, excludes unsustainable industries and maintains a positive positioning to sustainable securities.

For detailed information on both changes and performance relating to your own portfolio please visit our client library:
https://www.forrester-hyde.co.uk/client-library_KIIDS.php

Performance (As at 01/06/2022)

Asset Class	1 Year %	3 Year %
Euro STOXX 50	-3.32	20.54
FTSE 100	12.40	18.39
FTSE 250	-7.93	15.14
MSCI Emerging Markets	-10.96	13.98
MSCI Asia Pacific ex Japan	-9.66	18.65
Nikkei 225	-8.63	12.64
S&P 500	11.69	55.52
Bloomberg Barclays Sterling Aggregate Corporate	-9.93	-0.34
Bloomberg Global Aggregate Credit Index	-9.52	-1.20
FTSE Actuaries UK Conventional Gilts All Stocks	-11.36	-8.12
Bank of England Base Rate	0.32	1.03
Consumer Price Index	8.30	11.21

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https://www.forrester-hyde.co.uk/client-library_KIIDS.php

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.

Forward P/E- Current stock price divided by the predicted next annual earnings period.

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.

Trailing P/E - Current stock price divided by the trailing earnings per share (EPS) for the past 12 months.

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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