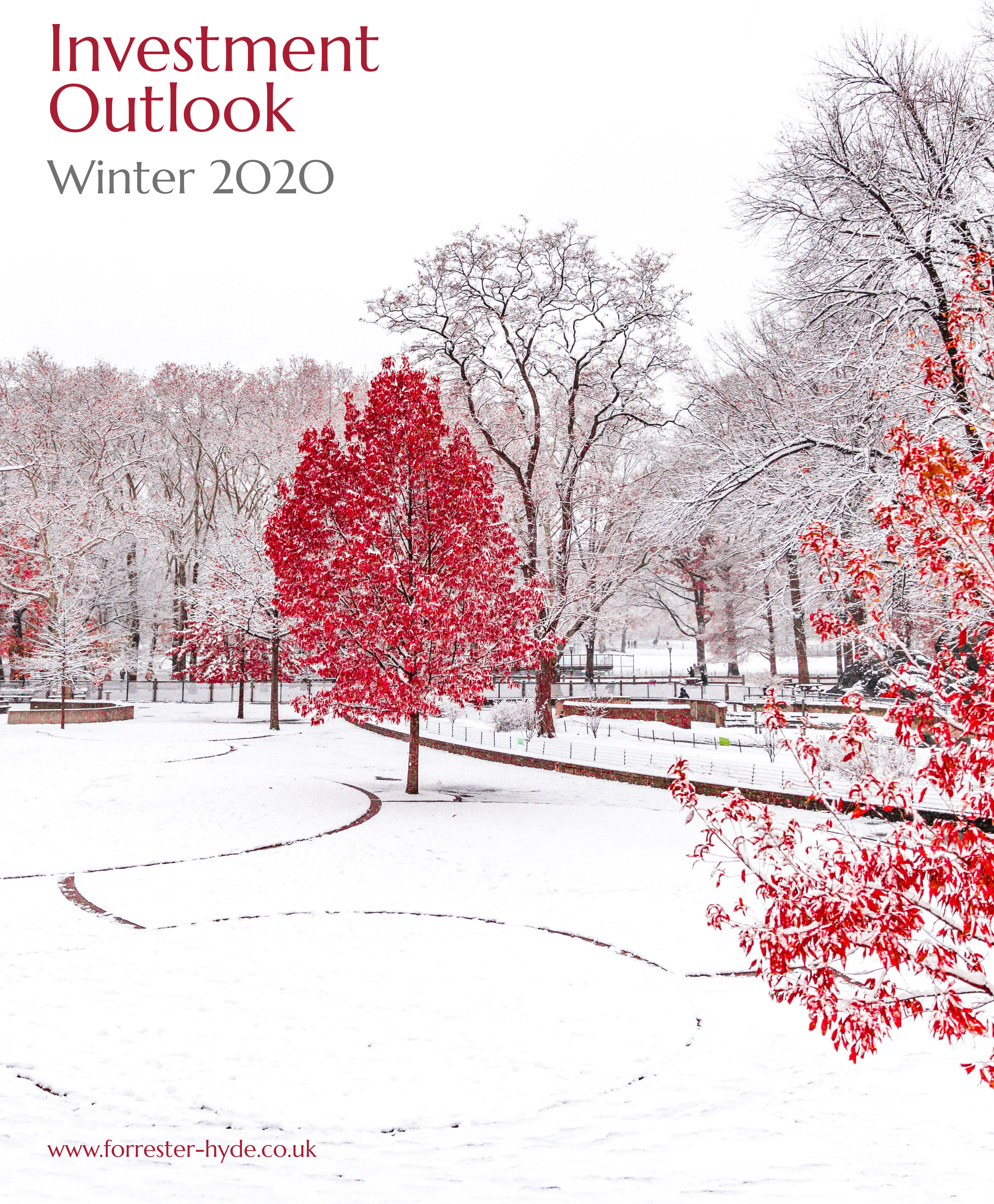
ForresterHyde
CHARTERED FINANCIAL PLANNERS

Investment Outlook

Winter 2020



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"Courage taught me no matter how bad a crisis gets... any sound investment will eventually pay off"
- Carlos Slim, Entrepreneur and Investor

Key Points - Introduction

- Poland and Hungary block €750bn EU Pandemic Recovery Fund.
- Oxford/AstraZeneca vaccine submitted for approval by the MHRA.
- The US election result is set to establish political stability.

Introduction

At home the UK economy bounced back from recession with record growth of 15.5% from July to September. However, the economy is still 8.2% smaller than before Covid-19 struck according to the Office for National Statistics (ONS).

Overseas, Japan surged out of recession as the world's third largest economy signed a historic trade deal with fourteen other countries after seven years of negotiation. Like other Asian economies, Japan is benefiting from the rise in demand for computer hardware as more people work from home.

China's economy continues its recovery, posting growth of 4.9% between July and September, although experts often question the accuracy of its economic data. Trade figures for September point to further recovery with exports growing by 9.9% and imports growing by 13.2%, compared to September last year. China remains in a trade war with the US, which has hurt the economy. Whilst Biden will seek to build the bridges Trump burned, he will face the continued challenges of Chinese State Aid for industry and technology related National Security concerns.

Joe Biden will be inaugurated as the 46th President of the US on 20 January 2021, age 78, succeeding the second oldest person to assume the Presidency, Donald Trump, age 70, on his Inauguration Day. It is likely he will publish a Stimulus Bill as early as February 2021. However, the balance of power in the Senate is on a knife edge with the Republicans holding a slender majority. The Senate is split 53 Republican, 47 Democrats. The Democrats gained 1 seat in the November election and if they gain both seats in the Georgia run off on 5 January, the Senate will be tied 50/50. However, the Vice President has the tie breaking vote which will give the Democrats control.

Closer to home, Poland and Hungary are opposed to a new "Rule of Law" mechanism that would allow the EU to cut-off funding to countries it deems to be undermining judicial independence of human rights. This is a charge the EU has levelled against both countries. Poland and Hungary are blocking a €750bn EU Pandemic Recovery Fund and the 'Sejm', Poland's Parliament, voted to back Mr Morawiecki's veto of the EU €1.8tn 2021-27 Budget over the "Rule of Law" clause.

When is a deadline not a deadline? When the UK and EU struggle to reach an agreement over their post Brexit relationship. The EU is considering ratifying any trade deal with the UK after 1 January to prevent an accidental no-deal.

The UK officially left the EU on 31 January 2020, allowing an eleven month window to conclude a trade deal. France, Belgium and the Netherlands stunned Michel Barnier, the Chief EU Negotiator, with a no-deal Brexit demand. The main obstacles to a deal are the Fair Competition Rules and Fisheries.

Last but certainly not least in this global roundup is the Pandemic. By 23 November, 59.3m had been infected and 1.4m had died. The virus has been detected in nearly every country. On any given day, 150,000 people die around the world with unrelated illnesses, according to 2017 data. In the UK, 616,014 deaths were registered in 2018. This year to date 55,230 deaths from Covid have been reported. Covid-19 is a virus, it isn't going away, but three vaccines are now in the approval phase, Pfizer, Moderna and Oxford/AstraZeneca. If approved, distribution will begin – AstraZeneca have already manufactured 4m doses of the Oxford vaccine for distribution on approval by the MHRA, Medicines and Healthcare Regulatory Agency. The UK Government has bought 100m doses for the UK – the UK population was 66.65m (2019). As this is a global Pandemic, some 7.8bn people will need to be vaccinated – a staggering logistical problem.

Key Points - 🇬🇧 UK

- The UK index is beginning to behave like an Emerging Market.
- The availability of a vaccine is a game changer for the UK.

UK Equity

UK economic performance compares poorly with most other countries. Despite a 15.5% quarterly rise in GDP, three times the previous record, the economy has contracted by 9.7% on pre-Pandemic levels. The unemployment rate has risen to 1.62m, 4.8%, with a quarterly record of 314,000 redundancies and a drop of nearly 800,000 workers on payroll since March. Unemployment is forecast to peak at 2.4m, 7%. However, the number of non-UK born workers in the UK fell by 717,000 between the first and third quarter, down from 5.9m to 5.2m. 495,000 were from EU countries.

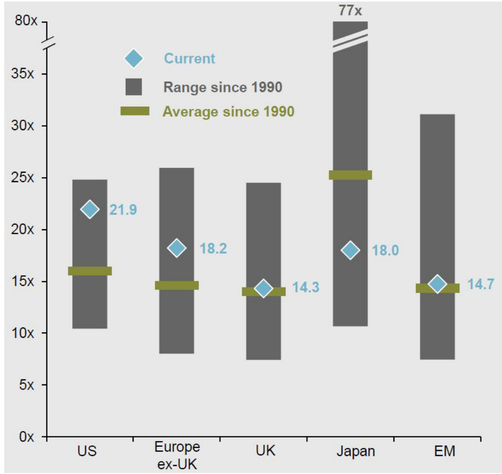
Valuations and monetary policy are supportive, however the pace of growth is expected to slow. On the question of valuation, UK Equities are in line with Emerging Market Equities on a price to earnings ratio.

A swathe of dividend cuts from previously reliable companies, combined with a volatile Pound, are fuelling the view that the UK Index is beginning to behave like an Emerging Market.

At the beginning of October the FTSE 100 was down 23%, sitting between the Russian Index, down 31%, South Africa's, down 21% and the Hang Seng, Hong Kong's Index, down 16.7%. By contrast, America's S&P Index was up 4%, whilst Germany's Dax Index and Japan's Topix Indices were down by 4%. Dividend yields are not expected to recover before 2022. The Pound remains sensitive to Brexit news, falling sharply on any hint of a no-deal. One of the reasons for weak UK market performance is the lack of growth orientated technology companies. The UK has many successful start-ups, but they are often bought by overseas investors as soon as they become successful.

Global forward price-to-earnings ratios

Source: J.P. Morgan Asset Management



Arm Holdings was bought by SoftBank, Nvidia Imagination Technologies and Worldpay have followed to overseas ownership.

We remain negative UK, and are reducing holdings in both the Liontrust Special Situations Fund and the Man GLG Undervalued Assets Fund. We are also substituting in the Royal London Sustainable Leaders Trust Fund for the Royal London UK Income Fund. It has been managed by Mike Fox since 2003 and focuses on companies with strong Environmental, Social and Governance (ESG) credentials. This sector is also set to benefit from fiscal support. Boris Johnson recently announced the sale of non-petrol and diesel cars will be banned from 2030 as the UK moves to its goal of net zero emissions by 2050.

The Oxford AstraZeneca Covid vaccine is a game changer. The UK has bought 100m doses. The vaccine is fridge stable so easily transported and is also substantially cheaper at around £3 per dose compared to £20 plus for the Pfizer/BioNtech and Moderna vaccines, which have been made using a different technology.

Brexit negotiations are ongoing, the EU are now demanding that any terms negotiated will be open to renegotiation in 2030. The European Automobile Manufacturers Association warned of a €110bn Brexit disaster for the industry in the event of a no-deal. We believe it is likely there will be a deal.

We remain negative and move further underweight to benchmark.

Key Points - US

- Retail spending has held up supported by the $600 weekly aid packages for 30m Americans.
- Business expectation for the next 12 months is the strongest in five years.

Key Points - Europe

- 2021 Growth forecast at circa 5%.

US Equity

The unemployment rate fell from 14.7% in April, the peak of US Government benefits, to 6.9% in October. Whilst 11m jobs have been created, 11.1m workers remain idle and overall 20.3m Americans are still receiving jobless benefits of some kind. Households are drawing on $1.6tn of excess savings accumulated over the lockdown. Retail spending has held up supported by the $600 weekly aid package for 30m Americans, whilst house sales hit a 14 year high in August. However, Coronavirus cases have surged taking the global total past 12.5m with 258,000 deaths.

Jay Powell, Chair of the Federal Reserve, has repeatedly pressed for additional aid. The US Central Bank has pledged to keep rates close to zero. The President Elect, Joe Biden, is pressing the current Administration for action, but at the moment there is a power vacuum with Trump refusing to officially concede defeat.

Big US Tech stocks surged in the hours after the polls closed on 3 November and by the end of the week the Nasdaq Composite Index was within striking distance of its all-time high. Markets have also benefited from a vaccine bounce with efficacy rates better than expected. Stephen Scherr, Goldman Sachs Chief Financial Officer, stated "The vaccine news was good for banks, giving rise to reflationary outcomes and more scope to the yield curve". The yield on 10 Year US Treasuries rose from 0.82% to 0.96%. Shares of big US banks followed with JPMorgan Chase and Bank of America both rising by 14% on the day following the news from Pfizer and BioNtech.

Biden is an experienced Politician who served as Vice President under Obama. He is expected to be a steadying influence and business expectation for the next twelve months is the strongest in five years. Despite expensive valuations relative to history and other markets, we expect US stocks will continue to outperform, supported by ample Central Bank liquidity.

We prefer quality stocks and a core Balanced investor has US exposure via the following funds:

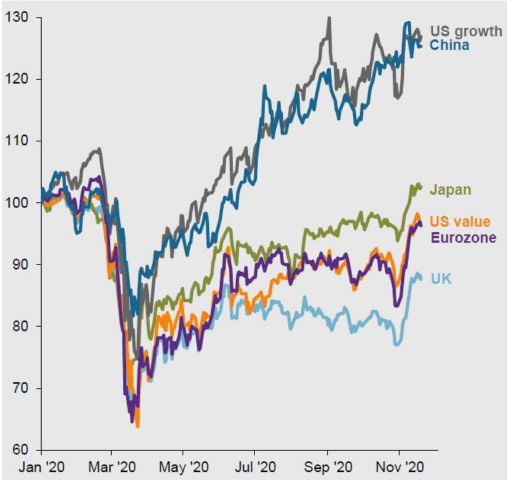
- Artemis US Extended Alpha Fund
- Fundsmith Equity Fund
- Polar Capital Global Insurance
- Polar Capital Global Technology

In conclusion, the recovery in global activity, ongoing fiscal support and the roll out of an effective vaccine programme will positively impact Equity Markets. In line with the majority of investment houses, we are positive US, increasing exposure via the Polar Capital Global Insurance Fund, which is US centric.

We remain positive and overweight benchmark.

Equity markets year-to-date, rebased to 100

Source: J.P. Morgan Asset Management



European Equity

Whilst the US has kept pumping in stimulus until the economy has reached escape velocity, the EU did just enough to muddle through the immediate crisis. Arnau Marès, Citigroup's Chief Economist, said "Whenever the cohesion of Europe faces clear and present danger European Governments agree to the minimum demonstration of unity to keep the risk of break-up at bay". The yield curve is already flat and core inflation has dropped to an all-time low of 0.4%. The main policy rate is minus 0.5% and at or beyond the "reversal rate" where cuts become counterproductive.

Poland and Hungary are opposed to the new "Rule of Law" and are blocking a €750bn EU Pandemic Recovery Fund which, in any event, does not kick in until mid-2021. Even as Brussels looks forward to better relations with Joe Biden, it is imposing tariffs on $4bn of US goods in the transatlantic row over aircraft subsidies. The US has had extra duties in place on $7.5bn of European products since last year.

Spain's coalition unveiled ambitious tax and spend plans – raising taxes on big business and the rich to fund increased social spending. France raised its GDP growth forecast from minus 11% to minus 10%, but this is likely to be premature in the wake of the latest Nationwide lockdown.

Overall, analysts have revised down their Eurozone growth forecast for 2020. For 2021 analysts have forecast growth of circa 5%, given the rebound from the deeper recession in 2020 and assuming the €750bn European Recovery Fund is distributed from the second half of 2021, with most of the disbursement completed by 2023.

We remain neutral to benchmark.

Key Points - Japan

- Japan's economy expanded 5% in Q3.

Key Points - EM

- China GDP rose from -6.8% to 3.2% in Q2.
- Turkish One-Week Repo Rate Rose to 15%.

Key Points - Alternatives

- The JPM Global Macro Opportunities Fund has returned 10.84% YTD.

Japanese Equity

Yoshida Suga succeeded Shinzo Abe as Prime Minister, age 71. In his first speech to the 'Diet', Japan's Parliament, he vowed the country would be carbon neutral by 2050 and going green would be a source of growth and not a drag on the economy. This is a tall order when post Fukushima Japan relies on fossil fuel for 87% of its primary energy supply.

His inaugural speech also included plans to cover fertility treatment on Health Insurance as the country faces the crisis of an ageing population. The latest figures show 28% of Japanese are 65 or older and those under 15 amount to only 13% of the population.

Japan's economy expanded 5% in the third quarter of 2020, despite this the economy contracted 6% year-on-year (YonY). With interest rates already at zero, the Bank of Japan has responded to the downturn by buying more Equity Funds and flooding the banking sector with cheap loans. The Government gave ¥100,000 (c.£720) to every person in the country. On 20 November the Nikkei 225 Stock Index closed at its highest level since 1991. The multiyear high attained by the Nikkei was not matched by the broader Topix Index, which climbed strongly but was still below levels seen in February this year.

We have turned neutral on Japanese Equities, increasing exposure through the Baillie Gifford Japanese Fund. This fund launched on 8 October 1984 and is managed by Matt Brett with £3,033.4m under management as at 31 October 2020.
In conclusion, the large fiscal response from

Baillie Gifford Japanese Performance
Source: FE Analytics, as at 24/11/2020.

Portfolio	1 Year (%)	3 Year (%)	5 Year (%)
Baillie Gifford Japanese	15.29	19.43	100.30
UT Japan	8.58	12.52	64.38

the Government and very accommodative monetary policy should support the improvement in economic activity. Moreover, valuations remain supportive.

We have moved neutral to benchmark.

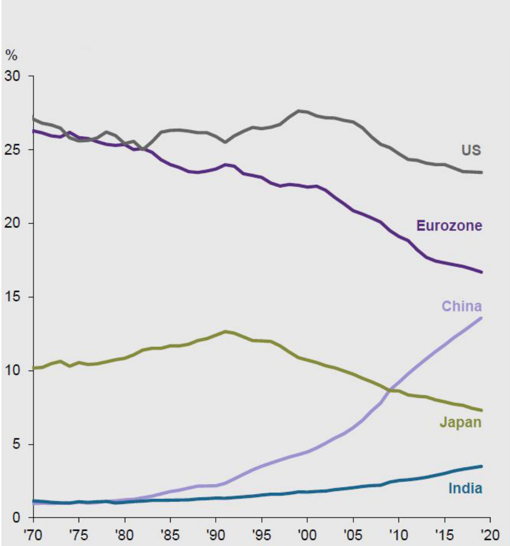
Emerging Markets

Chinese economic activity rebounded strongly in the second quarter with GDP rising from -6.8% to 3.2%. Industrial production led the recovery in Autos and in high added value manufacturing products. The recovery in fixed asset investment has been supported by Infrastructure and Real Estate investment. Moreover exports have recovered to pre-Covid levels. The economy is forecast to grow by 2.1% this year, rising to 7.0% in 2021, anticipating an improved trading relationship with the US.

Inflation in China is expected to fall, and with the economic recovery on track, less deflationary pressure and concerns around speculative bubbles, The Peoples Bank of China has slowed the pace of QE.

Whilst China was the source of the virus the economy looks the most resilient. The Government moved swiftly to contain the virus including stringent internal and border controls. As a consequence the Country is less reliant on a vaccine.

Share of global real GDP (%)
Source: J.P. Morgan Asset Management



Turkey announced its biggest interest rate rise in more than two years, signalling a change in direction. The Central Bank under the newly appointed Governor, Naci Aqbal, increased the One-Week Repo Rate by 4.75% to 15% in an attempt to tame inflation and bolster the Turkish Lira, which against the US Dollar has fallen 65% since 2015, falling 30% this year alone. Turkey's economy has struggled to cope with rampant inflation and an overinflated credit boom.

In summary, and in line with the UK, Emerging Markets offer attractive valuations whilst at the same time the weaker US Dollar is helping to create more beneficial monetary conditions. We have increased exposure adding to the First Sentier Asia Focus Fund.

We remain positive to the benchmark.

Alternatives

This is a sector not recognised by our Benchmark. Our exposure is via the JPM Macro Opportunities Fund and we are using the withdrawal from cash to increase exposure to this Fund. The performance since inception into our Balanced Portfolio is shown below.

We remain positive to a zero benchmark.

JPM Global Macro Opportunities since FH Inception

Source: FE Analytics, 04/12/2018 - 24/11/2020

Key Points - Property

- A 14 December exit from this Fund is planned.

Property

Our Property exposure is through the BMO UK Property Fund. We have been in regular dialogue with the Fund Manager, Guy Glover. The Fund is resilient, well managed, overweight Cash and not burdened by debt. It is, however, in a sector under FCA scrutiny requiring Managers to suspend withdrawals during periods of market volatility to avoid risking a fire sale of illiquid assets. Funds are also required to suspend trading if the value of more than 20% of the Portfolio cannot be accurately determined.

The fund has moved to Bid Pricing, triggering a 5.7% swing on withdrawal. Nonetheless the Investment Committee have elected to remove the Fund from our investment panel when it is scheduled to reopen on 14 December. This is regrettable but necessary as it skews the allocation within Portfolios when, for example, an Investor elects to take income, preventing withdrawal proportionately across the Portfolio. We are also planning to move before the FCA's suggested notice period of up to 180 days for consumers redeeming investments comes into effect.

We will revert to individual investors as and when the final decision is made.

We remain temporarily positive to a zero benchmark.

Key Points - Fixed Interest

- China sold its first negative yielding sovereign bond.

Fixed Interest

Markets face headwinds from:

- The US Election
- Covid-19
- Brexit

The US Election played out with Joe Biden the 46th US President elected. He in turn has picked Janet Yellen as his treasury secretary, she is seen as a safe pair of hands having led the Federal Reserve under Obama between 2014-18; and also chaired the influential White House Council of Economic Advisers under Bill Clinton. Markets responded positively to the real prospect of effective vaccines. Mass vaccination in the New Year is expected to accelerate economic recovery, reducing the period of maximum damage. The announcement bolstered busy equity markets and Gilt yields, but negatively impacted Gold which receded.

So that leaves Brexit as the elephant in the room, with time fast running out for an agreement with Brussels. We expect a deal will be done. It is in both parties interest but it will go to the wire on the global stage.

China sold its first negative yielding sovereign bond, a Euro denominated deal, that was oversubscribed fourfold by European debt investors. Five year German Bunds typically seen as a safe haven hovered around minus 0.74%.

At the other end of the scale, the Carnival group is looking to borrow $1.6bn in a bond offering not backed by its cruise ships. The group is selling the debt in the US and European junk bond markets. The bond is expected to offer investors an interest rate of around 8%, far lower than the 12% paid by the company for its three year secured bonds in April.

Governments around the globe will have to rebalance their economies post Covid. The UK government already owns 25% of all government bonds issued via the Bank of England's QE programme.

Our Core Balanced portfolio is diversified across a total of six funds spanning corporate and government debt at home and abroad. Our research is intensive and we believe the spread appropriate in the market at this time.

We remain underweight Gilts and overweight corporate credit in relation to our benchmark.

Key Points - Cash

- We are reducing exposure to Cash.

Cash

The return from Cash remains below the rate of inflation. It is, however, a counterweight and source of stability in a diversified Portfolio.

We are reducing exposure to Cash in the Core Portfolio, Balanced, by 1%, from the Royal London Cash Plus Fund.

We remain negative and underweight benchmark.

Key Points - Conclusion

- The UK economy is in recession.
- On 31 December the UK may well trade with Europe on WTO terms.

Conclusion

The UK Government will borrow a fifth of GDP this financial year to fund its Pandemic Response. This is possible in no small measure because interest rates are so low that the cost of servicing the national debt is falling. However, any return of inflationary pressure or the loss of confidence in UK Assets and the Country is in trouble.

The economy is forecast to shrink by 11.3% this year and the Office of Budget Responsibility (OBR) said it will not recover to pre-Covid levels until the end of 2022, meaning three years of lost growth. The numbers are staggering, £394bn borrowing, £550bn estimated cost of the Pandemic, with unemployment expected to rise to 2.6m next year. Failure to decide a Brexit trade deal will shrink the economy by a further 2% according to the OBR.

As a nation we are, if nothing, resilient. There is pent up demand and with austerity abandoned there is a real prospect of a global reflation boom. Governments around the world, in Europe, America and the Bloc have pledged a spending spree on green deals and social welfare. We have already witnessed a surge in consumer demand in America and China. It is anticipated Central Banks will accommodate this fiscal expansion, encouraging economies to overheat to achieve escape velocity.

Goldman Sachs predict this revival will lead to a supply shortage, including Oil. The International Energy Agency, IEA, said Oil industry Capex levelled at $480bn in 2018 and 2019, will fall to $300bn this year. As a result, the Agency say Oil well depletion is eroding 3% of global supply, ultimately leading to a rise in the price of Brent Crude. The IEA think prices will rise to $65 per barrel by Q4 2021. China and India are forward buying stocks while Crude is below $50.

The roll out of a national vaccination programme, assuming the vaccine manufactured by AstraZeneca is approved, will accelerate the return to normality. The US election will have a stabilising effect and now all we want for Christmas is a trade deal with the EU!

In conclusion, how has this annus horribilis impacted our Investors? The year opened on 2 January with the FTSE-100 at 7,604.30, in March the Index collapsed to 4,993.89 and has since rebounded to 6,391.09: over eleven months to the 25th November the FTSE 100 is down 12.73%, whilst the Forrester-Hyde Balanced Portfolio is up 2.94% and the Adventurous Portfolio is up 5.46%.

Merry Christmas and a Happy New Year!

Fund Panel Update

FH Core

Allocation Increased | Allocation Decreased | Fund Added | Fund Removed

Fund Name	Conservative	Cautious	Balanced	Assertive	Adventurous
Allianz Strategic Bond	1	1	1	1	
Amati UK Smaller Companies				-1	-1
Artemis Corporate Bond				1	
Artemis US Extended Alpha	0.5				
Baillie Gifford Japanese	0.5	1	1	1	1
BMO UK Property Feeder	-3	-3	-2		
Fidelity Emerging Markets	2	1		0.5	1
First Sentier Asia Focus			1	0.5	2
Franklin UK Equity Income	-2	-0.5		-2	-1
Janus Henderson AR Fixed Income	2	3			
JPM Global Macro Opps	1	1	1		
L&G Cash Trust	-5	-3			
Liontrust Special Situations	-2	-1	-2	-2	-2.5
Man GLG Undervalued Assets		-0.5	-0.5	-0.5	-0.5
Polar Capital Global Insurance		1	1		
Royal London Cash Plus	3		-1	-1	
Royal London Sustainable Leaders	2	3	4	5	5.5
Royal London UK Income		-3	-3.5	-2.5	-4.5

Funds Introduced

Royal London Sustainable Leaders - The Royal London Sustainable Leaders fund was launched on 29/05/1990 and is actively managed by Mike Fox. He specialises in sustainable investing and has spent most of his career assessing environmental, social and governance issues within investment decisions, he is one of the few fund managers with such a long tenure in this area. The fund aims to achieve capital growth by investing at least 80% in the shares of UK companies listed on the London Stock Exchange. The investment process adheres to the managers ethical and sustainable investment policy whilst integrating financial analysis with ESG considerations.

FH Passive Plus

Fund Name	Cautious	Balanced	Assertive
BMO UK Property Feeder	-4	-3	
Fidelity Emerging Market Index	0.5	1	2
Fidelity Index Japan	1	1	1
HSBC American Index	1	1	2
iShares Overseas Corporate Bond Index	2	2	1
iShares Pacific ex Japan Equity Index	0.5		
JPM Global Macro Opportunities			-1
Royal London Cash Plus	1		-3
Vanguard FTSE UK Equity Income Index	-2	-2	-2

Fund Panel Update

FH Specialist

Allocation Increased | Allocation Decreased | Fund Added | Fund Removed

Fund Name	Distribution	Ethical
Allianz Strategic Bond	6	
Artemis Corporate Bond	-1	
AXA Global Strategic Bond	5	4
AXA Sterling Credit Short Duration Bond	-6	
BMO UK Property Feeder	-4	-3
Franklin UK Income	1	
JPM Emerging Markets Income	2	
Man GLG UK Income	2	
Marlborough Multi-Cap Income	-3	
Rathbone High Quality Bond	-2	
Royal London Sustainable Mgd Income		-1

Funds Introduced

AXA Global Strategic Bond Fund - The AXA Global Strategic Bond Fund was launched in 2012 and is managed in a flexible and active manner by Nick Hayes and Nicolas Trindade. The fund adopts a total return strategy which aims to deliver attractive risk-adjusted returns throughout the economic cycle. The proprietary framework shows asset allocation across three risk buckets (Defensive, Intermediate and Aggressive) allowing to managers to respond to risk factor sensitivity in the market. AXA have a strong history with 26 years experience managing Fixed Income and £85 billion across their holdings. The fund managers also incorporate ESG into their decision making and fundamental research as they believe that ESG analysis can create more sustainable value for clients.

Performance (As at 30/11/2020)

Portfolio	1 Year %	3 Year %
Forrester-Hyde Adventurous Model Portfolio	7.42	16.46
Forrester-Hyde Assertive Model Portfolio	5.92	14.67
Forrester-Hyde Balanced Model Portfolio	4.18	12.19
Forrester-Hyde Cautious Model Portfolio	2.54	9.18
Forrester-Hyde Conservative Model Portfolio	3.33	8.84

Portfolio	1 Year %	3 Year %
Forrester-Hyde Passive Plus Assertive Model Portfolio	1.76	11.32
Forrester-Hyde Passive Plus Balanced Model Portfolio	1.01	10.00
Forrester-Hyde Passive Plus Cautious Model Portfolio	1.78	9.55

Portfolio	1 Year %	3 Year %
Forrester-Hyde Ethical Model Portfolio	6.42	17.44
Forrester-Hyde Distribution Model Portfolio	-1.99	5.34

Asset Class	1 Year %	3 Year %
Euro STOXX 50	1.65	6.85
FTSE 100	-11.46	-2.87
FTSE Actuaries UK Conventional Gilts All Stocks	5.57	15.60
IBOXX UK Sterling Corporate All Maturities	7.06	17.38
MSCI Emerging Markets	15.28	15.49
MSCI World	10.79	33.63
Nikkei 225	15.37	26.39
S&P 500	12.78	45.61

*Past performance is no guarantee of future results.

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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