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Is it time to become an ‘Aggressively Defensive’ Investor?

Market Insights

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In this issue of 'Money Minder's Market Insights', Ray Black, Managing Director and Investment Committee Chairman shares his current view on inflation, interest rates, investment markets and the global economy.

Bank Failures, the Dollar, Interest Rates, BRICS+ & Commodity Prices………

UK inflation continues to climb, interest rates are still rising, bond yields have been going up, stock prices have been ranging, property prices are falling and some globally exposed banks have recently failed……....what on earth could happen next?

Is there anything you can do to potentially protect your wealth whilst also taking advantage of the 'once in a hundred years' change that is possibly at play in the global economy?

Estimated Reading Time - 20 to 25 minutes

There is a lot going on in the global economy, therefore, it's once again time for me to put pen to paper to provide you with this 'Money Minder Market Insights' update, to read at your leisure.

The views and comments in this report are my own. It has been written with the sole intention of helping you to 'read between the headlines' in order for you to make informed decisions in regard to your lifetime savings.

Whilst the comments in this article are my own, it is has been formulated as a direct result of my constant research into current and historical data and market insights. This is continually being updated as I seek out market views and commentary from some of the most respected economists and investment managers from around the world. My view is not dissimilar to some of the World's most well-known and revered investment managers and financial commentators, however, it may be quite different to what you read in the main stream press. Please also be aware, similar but different views of the global economy and where we might be headed are both common and to be expected, especially when two or more economists are discussing both the global and their own domestic economies.

Inflation & Interest Rates – Where are they now and where are they headed?

Inflation Now

The Bank of England (BoE) tell us they are doing everything they can to burst the inflation bubble, (that they helped to inflate) and that they are fully committed to getting inflation back down to their 2% target.

It's helpful to know that there are actually three measures of inflation that are published by the Office of National Statistics (ONS) every month, CPI, CPIH & RPI.

In March 2023, the ONS inflation report stated that consumer price inflation not including housing costs, (CPI), is currently 10.4%. In comparison, consumer price inflation including owner-occupiers' housing costs, (CPIH – which is the measure of inflation that the Bank of England use and want to get down to 2%) is currently at 9.2%. This provides us with firm evidence that owner-occupier housing costs are going down, as by including them the inflation figure is lower than when they are purposely excluded. I appreciate it doesn't feel like that when you look at your energy bill!

Finally, the third measure of inflation, Retail Prices Index, (RPI) is a measure of inflation that can be traced back to 1947. RPI fell slightly in March 23 to rest at an eye watering 13.8%. Ignoring the rise over the last 12 months, the last time RPI was anywhere close to this level was in late 1980.

Inflation Going Forward

The BoE have gone on record to say that they expect inflation to fall quickly in or around the middle of 2023. This could definitely happen, Wholesale energy prices have fallen dramatically since the highs of June 2022. The Brent crude oil price was down by around 40% between early June 22 and mid-March 23. There was a small increase in the Oil price in early April due to the OPEC countries deciding to reduce production by 1.2 million barrels a day (which is about 1% of global consumption). Furthermore, whilst the reduction in the Oil price is both meaningful and helpful in the battle against inflation, the reduction in the Natural Gas Price is more dramatic, it's gone down by around 80% between the 22nd August 2022 and the 29th of March 2023! That's a majorly significant correction in the price. These changes make it much cheaper for the energy companies to top up their reserves, however, the earliest consumers are likely to notice a reduction is next winter.

Interest Rates Now

When interest rates rise, the cost of borrowing goes up. Higher credit card payments, loans and mortgage costs lead to people spending less on going out, items for their home and luxury goods. A reduction in spending slows down the economy. If people decide not to spend surplus money because they are worried about prices going up, become less inclined to spend money on going out and luxury goods or just can't afford to do so, it can lead to a recession.

So far, the world's major economies have all narrowly avoided a recession. However, it's really important to realise that generally speaking, interest rate rises can take 12 to 18 months or longer to have a dampening effect on the economy.

Therefore, any slowdown in the economy we experience now, could actually be as a result of an interest rate rise that happened in early 2022. Between Dec 2021 and March 2023, the BoE interest rate has gone up from 0.1% to 4.25% - that's more than a 4000% increase! Between late July 2022 and March 23, the European Central Bank (ECB) has also increased marginal lending interest rates from 0% to 3.75%, a 3750% increase. The US Federal Reserve interest rate has risen from 0.08% in March 2022 to 4.83% in early April 2023. That's an astonishing 6000% increase!

Some economists have suggested that once the FED starts raising rates like this, it will continue to do so until something breaks. Two recently failed US banks, SVB and Signature, may be inclined to agree.

Interest Rates Going Forward

High inflation is normally the side effect of either: booming economic growth, a lack of supply, a devaluing currency or in some cases a mixture of all three. As part of the plan to combat the credit crunch problems in 2008, many countries around the world used Modern Monetary Theory (MMT) known as Quantitative Easing (QE) to devalue their currency and provide liquidity to the major banks. Many countries (especially the US) embarked on a further expansion of QE whilst also lowering interest rates as a result of the Covid pandemic in an effort to stimulate the economy and to keep people spending.

These two main methods of stimulation combined undoubtedly helped the largest developed economies in the world to keep afloat through the lockdowns and difficulties that so many of them faced over these periods. According to City AM, the FED printed approximately $3.3 trillion in 2020 alone. This equates to one-fifth of all the US dollars currently in circulation, created in just 1 year.

Advocators of MMT suggest that countries like the US, the UK, Canada and Japan have no need to rely on taxes or borrowing to raise cash for spending, because they can just print money as they need it. In turn, they therefore don't need to worry about increasing the national debt because they can just print even more money to cover it. However, critics of MMT say that printing vast amounts of money like this, which in effect reduces the value of the currency, will only lead to high inflation. Notable examples of this phenomena can be found in Weimar Germany, Zimbabwe and many countries that have experienced hyperinflation since the Second World War. To date, neither the UK nor the US have ever experienced hyperinflation.

Assuming that recent interest rate rises in developed economies start to have the effect that the central banks are hoping they will (a decrease in inflation and a slowdown in the economy due to people spending less), it could lead some of them into recession over the coming months. Furthermore, if inflation comes down quickly, as both the FED and the Bank of England suggest it will, a recession could actually turn in to a period of deflation. Potentially, deflation can be a worse outcome than inflation for an economy. This is because people choose to put off spending money now in the belief that the items or services they wish to purchase will be cheaper in the future. That can lead to a lack of demand for some goods and services which in turn means companies have less customers to sell to.

However, there is potentially a silver lining that large central bankers may turn to if times get tough. If all of the significant increases in global interest rates that we have experienced in the last 15 months lead to inflation falling, and potentially a global recession, major economies have the ability to once again lower interest rates and/or fire up the money printing presses. This lowers borrowing costs and encourages people to go out and spend more money on luxury goods and fun. If they do decide that QE is the way to stimulate the economy (it worked for them in the credit crunch and the pandemic), fiat currencies (paper money) will once again start to devalue. When domestic currencies are devalued and interest rates are reduced, asset prices tend to go up in value. This is particularly true in regard to bonds, commodities and the shares of companies that are related to consumer staples (like food, agriculture and energy). In this environment, all are likely to go up in value. Whilst they could be wrong, some analysts are already predicting UK interest rates will fall in both 2024 and 2025.

Bond Yields

When interest rates rise, the capital value of bonds go down in value, this is completely normal. This causes the interest payable (yields) on those bonds to rise.

In October last year, the capital value of bonds fell more quickly than expected and the Governor of the Bank of England (Andrew Bailey) stepped in to buy government issued bonds held in large company based pension funds. Large pension schemes are obliged to hold bonds due to scheme funding rules.

The BoE was able to purchase some bonds from these pension schemes at a discount compared to what they had originally paid for them. This consolidated paper losses for the pension funds that chose to sell their bonds at that time. In turn, this also reduced the amount of outstanding loans for the Government.

The BoE were prepared to spend up to £65 billion on bond purchases, at the right price! However, they actually spent less than £20 billion because some of the very large pension schemes were not prepared to sell the bonds at the price the BoE were prepared to pay for them. For the majority of pension funds that chose not to sell their bonds to the BoE, it was probably the right decision.

Bonds are an asset class that are often described as ‘low risk’. They are supposed to provide investors with a safe haven when stock prices are going down, but this just didn’t happen in 2022. As interest rates had been rising throughout the majority of 2022 already, the Autumn Statement on October 2022 made an already poor performance worse.

On the bright side, now that interest rates have risen so much, bonds now look reasonable value. The last time the UK Sterling Corporate Bond Index was at similar levels to those we have seen in the last 6 months was back in 2016. Bonds are also now providing reasonable levels of income for investors, something that we haven’t seen in many years.

If the BoE and the US FED see evidence that the inflation bubble is starting to deflate, if they can, they are likely to stop putting interest rates up. If a global recession becomes a reality, they may even start to lower interest rates more quickly than currently expected. This is good for bond values.

Therefore, whilst yields are higher and capital values are lower, now could be a reasonable time for investors to consider increasing their exposure to high grade, UK based bonds. This could be considered a defensive move that may also provide capital growth, especially if interest rates start to come down again in the future. However, if interest rates continue to rise, whilst bond values will fall further, the income payable from them should rise.

Stock Prices

Stock prices have been both falling and rising continually (known as ranging) since early 2022. This is mainly down to interest rate rises, inflation and higher production and raw material costs for companies.

However, the UK FTSE 100 has fared better than both the US S&P 100 & 500 indexes over the same time period. Right now, and not just in my opinion, the UK stock market looks one of the best value markets in the world. Potentially, there is a lot of upside to look forward to over the longer term.

Many of the very large UK registered companies that make up the FTSE 100 are also involved in consumer staples and many of them are often referred to as blue chip stocks. These are the household name companies that we have all heard of and at present many of them are paying high levels of income (dividends). When looking to invest in high quality companies that should be more resilient in times of high inflation, rising interest rates, supply problems and potentially an escalation in geo political problems, (e.g. the Ukraine / Russia conflict, US / China Relations, and US / Saudi Arabia Tensions) these companies can provide some shelter from the turmoil.

That's because in the majority of cases, it's not about whether or not these companies will make a profit, it's more a question of if the profits will be higher or lower than they were last year. In addition, if you are investing in UK registered companies on a UK based stock exchange, currency risk (whilst not eliminated altogether due to many of those companies having a global exposure), should be less of a threat to the returns you receive.

Therefore, whilst large cap UK share prices look good value and high dividends are quite common, now could be a reasonable time for investors to consider increasing their exposure to UK based, high dividend paying, household name, blue chip stocks. This could also be considered a defensive move that may also provide both income and capital growth for investors over the longer term. Especially if the conflict in Ukraine and Geo Political tensions continue to escalate.

Property Prices are Falling

Both bonds and property values are adversely affected by interest rate rises and credit risk. When interest rates rise, the cost of borrowing goes up. Home movers may be unable to afford to buy their dream home. Some are forced into buying something cheaper or the seller of the property they'd like needs to drop the price in order to sell, this is *interest rate risk*. When the cost of borrowing goes up to high, both companies and individuals may struggle to make the repayments on outstanding loans and in the worst case scenario will default (think about 1990 to 1995 – according to government figures, there were over 345,000 repossessions in that 5 year period) this is *credit risk*.

For most individuals, a mortgage is the highest value loan that they will ever take on in their lifetime.

To help prevent large scale repossessions ever happening again, the Government introduced legislation to ensure that mortgage lenders follow certain steps when a homeowner falls into arrears. Before they attempt to repossess a property, lenders must demonstrate that they have done everything they are required to do under the FCA's Mortgage Conduct of Business rules to make repossession the last resort. However, if mortgage payments become just too expensive for a home owner, there is nothing to stop them just handing over the keys to their lender. You may think this would never happen, however, some of Money Minder's team who were working in banks and/or building society's in the early 90's will confirm, they remember people coming in to their local branch to do just that.

I am not predicting that this will happen again, I am merely bringing it to your attention that it has happened before. The Nationwide Building Society have recorded 7 consecutive months of declining house prices nationally since June 22. The year on year decline to March 23 is the largest annual decline since July 2009, the last time house prices started to fall. In addition, in late February 23, 'This is Money' reported that one in three landlords could be forced to sell up after failing their lender's affordability test to re-mortgage. On top of that, in January 23, the Office for National Statistics reported that more than 1.4 million households in the UK face higher mortgage costs when their fixed rate deals end in 2023.

In 2021, 'This is Money' also reported that around 400,000 properties were 'down-valued' in 2020. They ran a similar story about 'mortgage down valuations' in March 23. In February 23, 'The Times' updated an article about down valuations being on the rise. They quoted research that suggested almost 50% of pandemic property purchases across the UK may have been subject to a down valuation between January 2020 and January 2022.

At Money Minder, we don't invest our clients' savings into residential property funds. However, we do recommend UK based commercial property funds as it provides diversification within their investment strategy. It's also important to note that we invest in 'Direct Commercial Property' based funds, not property share based funds. The latter may include residential property developers like Barret Homes and Taylor Wimpey. The share prices of these two large scale property developers dropped significantly between the highs of February 2020 to October 2022. Both Barret Homes and Taylor Wimpey were down over 60% during that period. On a positive note, both companies have seen around a 30% increase in their share prices over the last 6 months and whilst they are nowhere near their pre pandemic highs, the prices have risen quite quickly in recent months.

In comparison, UK Commercial 'Direct Property' Funds have fared much better over the same period, however, between June 2022 and January 2023, the majority of the funds in that sector have still fallen in value by around 15%. Commercial Property prices don't tend to be as volatile as residential property prices and the rental income they generate is normally much higher than can be achieved on a residential buy to let property. The main fund that we use in our client portfolios is currently around 14% cheaper to invest in than it was 6 months ago. It's one of the largest in the sector and could potentially benefit from the relaxed commercial property planning permissions that were announced in June 2020. Whilst these funds predominately invest in industrial buildings, offices and retail units / parks at present, opportunities now exist for them to convert empty or low use buildings into residential accommodation in town centres. Potentially, commercial properties can now be developed for private ownership housing, private rental accommodation, social housing or even student accommodation.

Therefore, investing in the UK commercial property sector could also be seen as a defensive measure that is capable of providing investors with a high and reliable income with some capital growth over the longer term. If property prices fall further in the short term, repossessions become more common and down valuations continue, this could present an opportunity. Now that they are able to convert some of their existing stock into residential properties, it could help to alleviate the regularly reported lack of housing in the UK as there could be more demand for people to buy and / or rent a new property going forward, especially if prices become more affordable.

Some Globally Exposed Banks Failed............what on earth might happen next?

In March 2023, three large banks failed, 2 in America, Silicon Valley Bank (SVB) and Signature Bank (SB) and the second largest bank in Switzerland, Credit Suisse. In all three cases, bad management has been cited as the reason for their demise. In America, due to the fact that these banks were so large, 100% of depositor's money was guaranteed by the US government. The UK arm of SVB was purchased by HSBC. In Switzerland, depositor's funds were guaranteed by the Swiss National Bank and the largest bank in Switzerland, Union Bank of Switzerland, (UBS) purchased Credit Suisse.

In the short term, another potential banking catastrophe has been avoided on both sides of the Atlantic.

However, this may not be the end of the story. To remain solvent, large Banks have to hold money in government bonds. As you know from the section about Bonds above, when interest rates rise, Bonds go down in value. For a large bank, normally, a reduction in the value of their bond holdings is just a paper loss. It doesn't stop them from trading because they know that when the bond matures (for example in 3, 5 or 10 years) they will get back the same money back that they first invested. This is because Government backed bonds are guaranteed.

Unless the Government itself goes bust, they'll get the same amount of capital back that they invested at outset. However, if there is a 'run on the bank' (think about Northern Rock in 2007), they may have to sell Bonds at a loss to pay out depositors, who all want to take their money out at the same time! Therefore, with many developed countries around the world going through a period of rapidly increasing interest rates over the last 15 months, Bank balance sheets may not look quite as healthy as they did in November 2021.

Most commentators in this space are saying that this is not like the 2008/09 credit crunch. That these are isolated cases and it's very unlikely that there will be any contagion to the wider global banking system. If there was a problem, history suggests that the FED, the Bank of England and the European Central Bank will turn on the money printing presses again and create money out of thin air to provide liquidity for the banks, just like they did in 2008/09 and 2020/21.

If there are problems in the financial system in the West, it's believed that the central bankers will come to the rescue like knights on white steeds. In the short term, this could well solve the problem for the West, they can print as much money as they need to cover a downturn and use it to shore up the banks and stimulate the economy (MMT). After all, it's worked before.

However, QE and lowering interest rates in the US can fuel inflation. The reason for this is because most commodities around the world are currently bought and sold in dollars. This is predominately because of an agreement between the US and Saudi Arabia. It began shortly after the Second World War but was firmly entrenched by US Secretary of State Henry Kissinger and Crown Prince Fahd of Saudi Arabia in the 1970's. This method of buying oil that all OPEC countries have adhered since is known as the 'petrodollar' system.

The agreement to price wholesale oil in dollars was in exchange for Washington's political and military protection for the OPEC countries. This made Saudi Arabia an important ally for the US and helps to explain why the US were so heavily involved in the Gulf Wars and Afghanistan.

Over the years, virtually all commodities have become priced in dollars, regardless of where the wholesaler who is buying them lives and irrespective of their own domestic currency. The dollar became the global reserve currency in 1944, although its importance on the world stage can be traced back to 1914, at the start of First World War.

However, having printed trillions of extra dollars since the credit crunch and throughout the pandemic and then effectively 'weaponising the dollar' against various nations over the last few years, both the end of the petrodollar and something known as de-dollarisation are grabbing a lot of headlines in recent weeks.

Using the dollar as a financial weapon is, for example, the way the US removed access to the Swift Global Payment System for Iran in 2012 and then Russia in 2022. This means that neither country can sell their resources to their customers using the recognised global payment system anymore.

In addition, the withdrawal of US troops from Afghanistan between February 2020 and August 2021 was seen as the US government reneging on the defence deal that was brokered between them and the Middle East in the mid 1970's.

What's Next for the Dollar, Commodity Trades and the Emerging Markets

The US dollar is not 'backed' by anything. i.e. gold. It's a fiat currency that the FED can print at will. Furthermore, before too long Saudi Arabia may no longer feel obliged to sell Oil in dollars only. They, and allegedly 12 other countries, have recently applied to join the BRICS+ alliance.

The BRICS alliance used to include just Brazil, India, China, Russia and South Africa, however, according to Wikipedia, Algeria, Argentina, Bahrain, Bangladesh, Belarus, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Saudi Arabia, Sudan, Syria, Turkey, the UAE, Venezuela and Zimbabwe have all expressed interest in membership of BRICS. As geo political tensions rise, BRICS looks likely to expand.

In January 23, it was reported that global central banks were buying gold at faster rate than has been seen in 55 years. One of the reasons for this could be that some of those countries might prefer not to have to trade in dollars in the future.

By far the most successful country in the BRICS alliance is China. Over the past decade it has been developing the Digital Yuan. This is a Central Bank Digital Currency (CBDC) that China has been using to invest in the Chinese Belt and Road Initiative (BRI). Also known as 'The New Silk Road', this is a globally significant trade and pipeline route that provides Road, Rail, Shipping, Oil and Gas pipelines to 147 countries. Together these countries account for two-thirds of the world's population and 40 percent of global GDP. China has been very busy over the last 10 years turning Xi Jingping's aspirational economic dreams in to a reality. In recent times, Xi Jingping has brokered a peace deal between Iran and Iraq and Iran and Saudi Arabia. Xi has also recently been invited to visit Ukraine by the president Volodymyr Zelensky, as yet, his invitation has not been accepted, although he has been to Russia twice since February 2022. In Xi's most recent state visit to Russia, as he left, he was caught on camera telling Vladimir Putin that they are 'driving changes not seen for 100 years'.

Alternative Options to the 'Petrodollar'

An alternative payment option for BRICS+ alliance and other countries to consider using instead of the dollar is to adopt the Chinese Yuan. In March 2022, the Wall Street Journal reported that Saudi Arabia was considering accepting the Yuan for Chinese oil sales. This hasn't happened yet (as far as we know). Although Russia, Iran and more recently Brazil have all agreed to trade with China in their domestic currencies, as opposed to using the dollar as they have done previously.

An alternative to this option is the creation of a commodity backed digital currency. According to the Central Bank Digital Currency Tracker website, 114 countries, representing over 95 percent of global GDP, are exploring CBDC's. Whilst these are most likely to be domestic based currencies that allow their respective central banks to monitor (and potentially influence) what their populations actually spend money on, (which many of them claim allows them to have more control over inflation) the same technology could be used to set up an international payment method for commodities. One that would no longer be pinned to a specific currency, i.e. the US Dollar or the Chinese Yuan.

There is plenty to discuss and debate when considering whether CBDC's are a good idea or not. What is not in doubt is that many of the World's Central Bankers are researching them and could be introducing a digital version of their domestic currencies in the not too distant future. That includes the Bank of England and the US Federal Reserve. This could be even more likely if the dollar loses its Global Reserve Currency Status.

It's also very important to point out that even if this did happen, it's unlikely to be the end of the dollar. Potentially, the ability for the dollar to free itself from being the Global Reserve Currency will mean that there will be less demand for it globally. Whilst this could significantly weaken the value of the dollar in the short term, the US is still a huge economy with a rich history of very clever people who have created a lot of wealth for both themselves and others (e.g. Henry Ford, Bill Gates, Steve Jobs and Larry Page).

What Happens if the Dollar Continues to Fall in Value?

Between the end of September and early April 2023, the dollar has declined in value against the pound by around 12%. As you know from above, all commodities are priced in dollars. As the dollar goes down in value, a purchaser needs more of them to buy the commodity they want, (i.e. Oil, Gas, Infrastructure Metals, Wheat, Barley, Coffee, Gold and Silver etc).

At a very basic level, gold can be considered as money and is often referred to as 'hard' currency. Over the past 6 months, the gold price in $ terms has increased by almost 20%. This is because the US dollar has weakened. Over the same period of time, the gold price in £ terms has gone up by around 5%, that's because the £ has gained against the dollar.

If the $ loses its global reserve currency status, as very close allies of the US, it's also likely to have a knock on effect for the value of the £ and the Euro This could become more relevant to the UK if essential commodities like energy and food are converted to a commodity backed digital currency instead (digital currencies like this are referred to as stablecoins).

Therefore, investing in both the commodity and emerging markets sectors could be considered an aggressively defensive play in the current global economic environment we are living in. These asset classes have, for many years, been considered as higher risk. However, in light of the devaluing dollar, the continued economic progression of China, the Emerging Markets and the possibility of Oil, Gas, Infrastructure Metals and Food being priced in something other than dollars in the future and the possibility of the BRICS+ Nations becoming an economic giant to challenge the 100 year dominance of the West, these two sectors could potentially provide significant capital growth for investors over the longer term.

What has Money Minder done to provide our clients with an opportunity to protect their wealth and potentially take advantage of all of the points discussed in this report?

We have always provided our clients with bespoke investment portfolios that we do our best to align to the economic backdrop that they are investing in. This is especially important when markets are difficult and uncertain. For example, most of our clients are overweight in the UK and underweight in the US and Europe at present. Most also have at least a small exposure to emerging markets and commodities. **This is referred to as tactical asset allocation.**

In all of our client's investment portfolios we include exposure to lower risk assets like cash, bonds and commercial property. This provides asset class diversification that can help to deliver some protection if stock markets fall in value. From time to time, normally at a review meeting, we will reassess our client's investment strategy with them and rebalance the portfolio as needed to ensure that we are always taking into account their risk attitude and investment objectives. With our client's permission, we also make fund switches to ensure the portfolio is in line with the asset allocation agreed. **This is referred to as strategical asset allocation.**

In light of the current global economic situation that we now find ourselves investing in, we have introduced a tactical asset allocation portfolio for our clients to consider using. It's called **The Money Minder Aggressively Defensive Portfolio**.

Please note: This is not a portfolio we would recommend our clients hold over the long term. There is absolutely no requirement to switch your current investment strategy to this one.

However, as the Global Economy may be at the start of some significant changes at present, we wanted to provide our clients with an alternative option that may provide them with some protection and an opportunity for growth in the short to medium term. The Money Minder Aggressively Defensive Portfolio does not include any direct exposure to either the US or European sectors. Instead, it is overweight in the UK Equity Income Sector (blue chips). It also has exposure to Asia Pacific, the Emerging Markets, and Commodity based funds, all of which should be considered as higher risk. It also has exposure to Bonds and Commercial Property. Both sectors are considered to be lower risk and may perform well if interest rates start to go down again in the future. They might not perform so well if interest rates continue to rise. The portfolio is also significantly overweight in its cash holding (the current interest rate on our main platform is 2.24%). This is incorporated for protection but is very unlikely to keep up with inflation over the longer term. This will be even more apparent if the Bank of England are wrong about their inflation forecasts and instead of falling inflation continues to rise for the foreseeable future.

I would like to point out to all of our clients that there is no expectation or obligation to move their existing Money Minder Investment Portfolio into the 'aggressively defensive' investment strategy. All of our clients are considered medium to long term investors and many of them have been with us long enough to have lived through the ups and downs of stock markets caused by the Credit crunch, Brexit and the Global Pandemic. Some of our clients were even invested with us during the dot.com bubble of the late 90's that subsequently burst in the early 2000's.

All of our clients have a hand-picked and continually monitored selection of the World's best fund managers looking after their existing investment portfolios. We also pride ourselves in providing them with access to those superior fund managers at highly competitive rates. Not only that, all of our client portfolios are sufficiently well diversified to take advantage of the fact that when one or more asset class is going down in value, there is normally another asset class they hold in their portfolio that will be going up in value. This approach to investing has been proven to help smooth out the ups and downs of investing time and time again.

What should you do next?

If you are happy with your existing investment strategy as it is, you don't have to do anything. However, I do hope that you found this very long edition of Money Minder's Market Insights informative and helpful. Well done for making it this far!

If you want to find out more about 'Money Minder's Aggressively Defensive Portfolio' because you are considering changing your existing investment strategy to a short term, tactically based strategy that has the potential to protect your wealth from a Stock Market downturn whist also providing you with an opportunity to profit from the perceived geo political risks that are hitting business and economic news headlines in the media at present, please call the office on 01529 300300. We can then send you a Factsheet via e-mail for you to review this option in detail.

Final Thoughts & Past Performance

In closing, I would like to remind you that ups and downs in the value of stock markets, bond values, property, and commodity prices is completely normal and expected. Those movements can be traced back over decades, even centuries. Over the last 25 years we have all experienced both booms and busts in different asset classes. That's very unlikely to change over the next 25 years and in reality, there is very little that any of us can do to avoid them.

Having a diversified portfolio that invests in different asset classes and geographical areas of the global economy is a great start. When markets fall in value, don't let your emotions dictate your actions. Instead, try to see them as opportunities to buy high quality stock at a discount. Ultimately, it's not all to do with the timing of when you invest in different markets and asset classes, it's the length of time that you are invested in those markets that matters. The longer the term, the better those returns are likely to be, especially if you invest your savings with some of the best fund managers in the world. We do that for everyone who chooses to entrust their life savings with Money Minder.

In April 23, we compared the typical Money Minder Asset Allocated Portfolio against the three Adviser Fund Index (AFI) portfolios (Cautious, Balanced & Aggressive) that are monitored by our commercial data provider, Financial Express. AFI Portfolios are made up of the recommended portfolios of a panel of leading UK financial advisers. Based entirely on the funds actually recommended to their clients, the AFI portfolios provide an insight in terms of the benefits of holding top quality funds.

I am pleased to be able to report that a typical Money Minder Asset Allocated Portfolio has outperformed all three benchmarks over 3 months, 6 months, 1, 3 & 5 Years. Not only has the portfolio performed better, it has a lower FE risk score than both the AFI Aggressive Portfolio and the AFI Balanced Portfolio (research retained). I hope this knowledge helps to reassure you that you are in good hands and that our track record is able to speak for itself.

Finally, I would also like to take this opportunity to thank everyone who has invested with Money Minder for their continued trust and for regularly recommending our services to friends and family over many years now, especially in these more challenging times.

If after reading the article you would like to speak to us about your investments, or any other matter, please do call the office on 01529 300 300.

We'll be pleased to help you in any way we can and we are only ever a phone call away.

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