Financial Planners
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Positive Wealth Creation Ltd is authorised & regulated by the Financial Conduct Authority: 481182.

October 2021 Investment Commentary

Following vaccine success announcements from November 2020 there has been recovery in the value of global shares and other assets. The global economic response has been a success in general terms as a consequence of unprecedented monetary and fiscal stimulus.

However, ongoing volatility is expected because global growth will not continue as strongly. This will be due to constraints on production leading to shortages of goods, as well as new Covid outbreaks or even new variants and changing restrictions.

Inflation has been rising in the US, UK and parts of the European Union. Whilst much of the inflationary pressure may be temporary as a consequence of both reversal of price falls from the initial stages of the pandemic, and excess demand, central banks will react. The US Federal Reserve will start to cut asset purchases by the end of the year, as the start of monetary policy tightening. However, the US Government continues with very loose fiscal policy. The UK Autumn Budget on 27 October will indicate the domestic direction of travel.

The Chinese government has sought to tighten the regulatory environment for a range of sectors including entertainment, technology, finance and property sectors. Chinese manufacturing output contracted in September 2021 owing to higher raw material costs and a shortage of semiconductors, and zero tolerance to the Covid delta variant spread.

Index / Asset Class	Return Period	Change
FTSE 100 (UK shares)	Year to 30 September 2021	**20.5%**
		
FTSE 100	Rise from post financial crisis trough (6 March 2009)	**102.1%**
FTSE 100	Fall from most recent peak (22 May 2018)	**-10.0%**
S&P 500 (US shares)	Year to 30 September 2021	**27.2%**
Nikkei 225 (Japanese shares)	Year to 30 September 2021	**27.6%**
Hang Seng (Hong Kong shares)	Year to 30 September 2021	**2.2%**
UK CPI (inflation)	Year to 31 August 2021	**3.2%**
UK GDP (economic growth)	Q2 2021	**5.5%**
UK 10 year Gilt	Yield change year to 30 September 2021	**339.1%***
UK 10 year Gilt	Yield change month to 30 September 2021	**42.3%***

Residential Property (Nationwide House Price Index)	Year to 30 September 2021	**10.0%**
Residential Property (Nationwide House Price Index)	Rise from pre financial crisis peak October 2007	**33.7%**
Gold	Year to 30 September 2021	**-7.5%**

*An increase in yield means a decrease in capital and vice versa.

Why most people do not need to take action during periods of uncertainty:

Time in the market, rather than timing the market, is often the key to successful long-term investing. **If you sell today, then when do you buy back?** We believe investments should be held for the medium to long-term. Portfolios are generally spread and so not overexposed to one asset class and this means you are highly unlikely to be fully invested in shares. Whilst natural diversification has been less effective than expected owing to the nature of the pandemic, **headline media falls are very unlikely to be the falls experienced within your portfolio.**

If you remain a medium to long term investor, whose attitude to risk and circumstances have not changed **it is not advisable generally to alter a diversified portfolio because of short term volatility:**

- Fidelity International published data on returns from the FTSE All Share from **the beginning of 2005 to the end of 2019,** which shows the effect of short term volatility. The effect of missing out on the **ten best days** in the market is that **returns are cut from 7.6% per annum to 3.3% per annum.** Missing the best thirty days makes returns negative at -1.3%.
- Therefore, consistently timing the market whether out or in is incredibly difficult. Nobel Laureate William Sharpe found that 'market timers' must be right **82%** of the time to match the return realised by long term investors.
- This underpins our belief that investments should be held for the medium to long-term. Since 1899 the UK stockmarket has outperformed cash in around 75% of five year periods and around 90% of ten year periods.

Who needs to take action, and if so, what action:

- **Investment risk** refers to the range of possible returns, with the greater risk taken leading to the greater range of returns both positive and negative. If you feel your risk tolerance might have changed, or you want us to check the ongoing suitability of the portfolio based on your risk tolerance, please ask us for a **fresh Risk Profile Questionnaire.**
- If you a short-term investor, which means you are **approaching taking benefits from your pension in 2021 or in 2022, or have a known or emerging need to take a capital withdrawal** from your portfolio, you need to contact us so we can assess your options.
- If you take **fixed regular withdrawals** from your pension or investments, sharp market movements are to be avoided and it is necessary to review the ongoing sustainability of these payments. If you are spending less, then withdrawal reductions might be affordable.
- Whilst it is important to keep a buffer of six to twelve months of outgoings in cash deposits, **cash interest rates have decreased sharply.** Your options need to be reviewed.

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