Financial Planners
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Positive Wealth Creation Ltd

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

September 2021 Investment Commentary

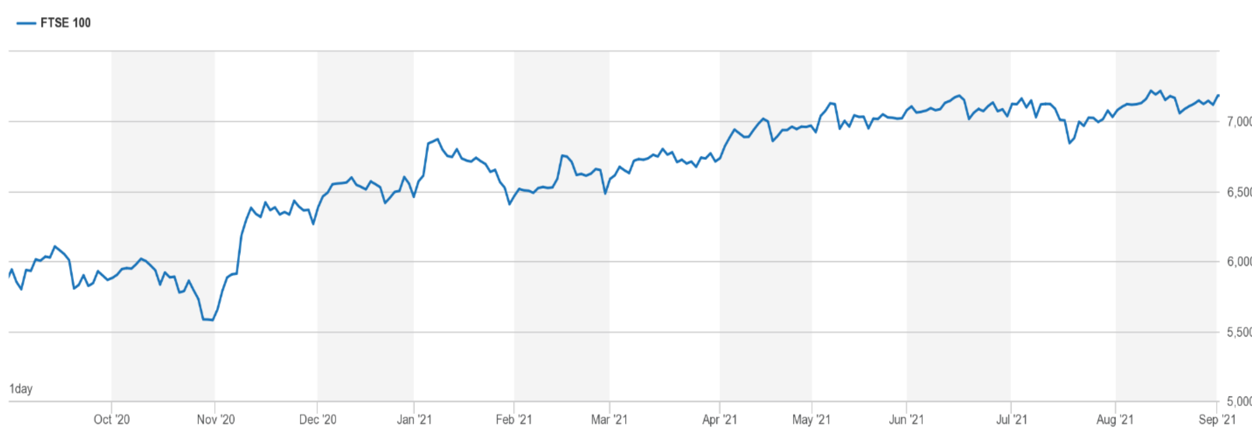
Following vaccine success announcements from November 2020 there has been recovery in the value of global shares and other assets. Ongoing volatility is expected as a result of new variants, changing restrictions, and until the vaccine is rolled out fully across the world.

Whilst Government support is helpful, the effect is fading in some regions and may serve to restrain spending in the recovery. A key exception is in the USA where following the election of President Biden, the Infrastructure Bill represents massive fiscal expansion. Coupled with ongoing loose monetary policy and rising employment and this mix is inflationary.

Central bank asset purchases support real assets such as shares and property, whilst keeping bond yields relatively low even if the cash saver sees historically low interest rates. Further, the agreement of a trade deal between the UK and EU reduces one uncertainty from domestic finances.

In light of the pandemic mitigation steps imposed by its Government, the Official composite Chinese Purchase Managers Index (PMI) plummeted in February 2020 only, indicating economic contraction but returned to expansion immediately supported by its domestic market. China's monetary and fiscal response has been more muted as a result. Chinese manufacturing output has reduced in Summer 2021 owing to higher raw material costs and a shortage of semiconductors, and services contracted in August 2021 as the Covid delta variant spread.

Index / Asset Class	Return Period	Change
FTSE 100 (UK shares)	Year to 31 August 2021	**19.4%**



FTSE 100	Rise from post financial crisis trough (6 March 2009)	**103.1%**
FTSE 100	Fall from most recent peak (22 May 2018)	**-9.6%**
S&P 500 (US shares)	Year to 31 August 2021	**28.9%**
Nikkei 225 (Japanese shares)	Year to 31 August 2021	**21.7%**
Hang Seng (Hong Kong shares)	Year to 31 August 2021	**3.2%**
UK CPI (inflation)	Year to 31 July 2021	**2.0%**
UK GDP (economic growth)	Q2 2021	**4.8%**
UK 10 year Gilt	Yield change year to 31 August 2021	**108.8%***

UK 10 year Gilt	Yield change month to 31 August 2021	**12.7%***
Residential Property (Nationwide House Price Index)	Year to 31 August 2021	**11.0%**
Residential Property (Nationwide House Price Index)	Rise from pre financial crisis peak October 2007	**33.8%**
Gold	Year to 31 August 2021	**-8.9%**

*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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