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Global Market Overview
January 2023

Stock markets have had a tough year in 2022, and for the full year the MSCI World Index fell around 17%. Despite this continued volatility, though, the fourth quarter was solidly higher for most developed equity markets as investors' confidence improved.

The UK stock market bucked the down trend in 2022, with the index of leading 100 shares among the best performing indices, rising around 5%. This rally has, however, been driven primarily by a small number of mega cap oil and commodity stocks, and most UK equities remain largely unloved and under-owned, with global fund manager allocation to UK equities at a 20-year low. Europe is also a consensus underweight, but the region's economies have not been as adversely affected by the lack of energy independence as was predicted earlier in the year.

Sector leadership in equities has undergone a significant two-year transition, and, going forward, we continue to believe that value stocks and dividend-paying equities will serve investors well, particularly as markets are likely to remain volatile in the short term.

Over the course of the full year, the Federal Reserve has consistently raised interest rates, ending the year with a fed funds rate of 4.25%, their highest since 2007. Many other central banks around the world followed suit, including the European Central Bank, the Bank of England, the Swiss National Reserve Bank and the Reserve Bank of Australia. There are some signs that inflation is beginning to moderate, and it is possible that interest rates will peak in the first half of 2023. This scenario would be very helpful to stock markets as, for them to rise, they tend to need a background of stable interest rates.

The initial optimistic reaction to news of China reopening has been tempered by concerns of this reopening stoking global inflation (from the pent-up demand), as well as being a drag on global growth due to the recent rises in COVID cases in the country. All of this may possibly cause factory slowdowns and the export of different virus variants. The MSCI China Index recovered somewhat in the fourth quarter, but still ended the year down around 20%. The announced Chinese stimulus programe and resulting increased economic activity are expected to benefit the wider Asian region, as well as the global economy.

In the final months of 2022, there were signs that the dollar's strength may have peaked, and it is possible that, as other central banks catch up with the Federal Reserve in raising interest rates and thus providing support to their domestic currency, this trend may persist during 2023. A mild recession is forecast in 2023 for most economies, but investment programmes in infrastructure and clean energy are expected to assist with mitigating some of the slowdown in industrial activity. Global bonds, in aggregate, fell 17% for the year, and for the first time in over fifty years both equities and bonds lost money for investors. Certain fixed income investments are now looking quite attractive for the first time in around ten years.

Although there are still many uncertainties, especially concerning resolution to the Russian invasion of Ukraine, many assets are now much more attractive than they were twelve months ago. Bear market periods are often short-lived when compared to bull market periods, and we advocate that investors keep a long-term perspective by staying invested to participate in the recovery in risk assets that typically follows bear markets.

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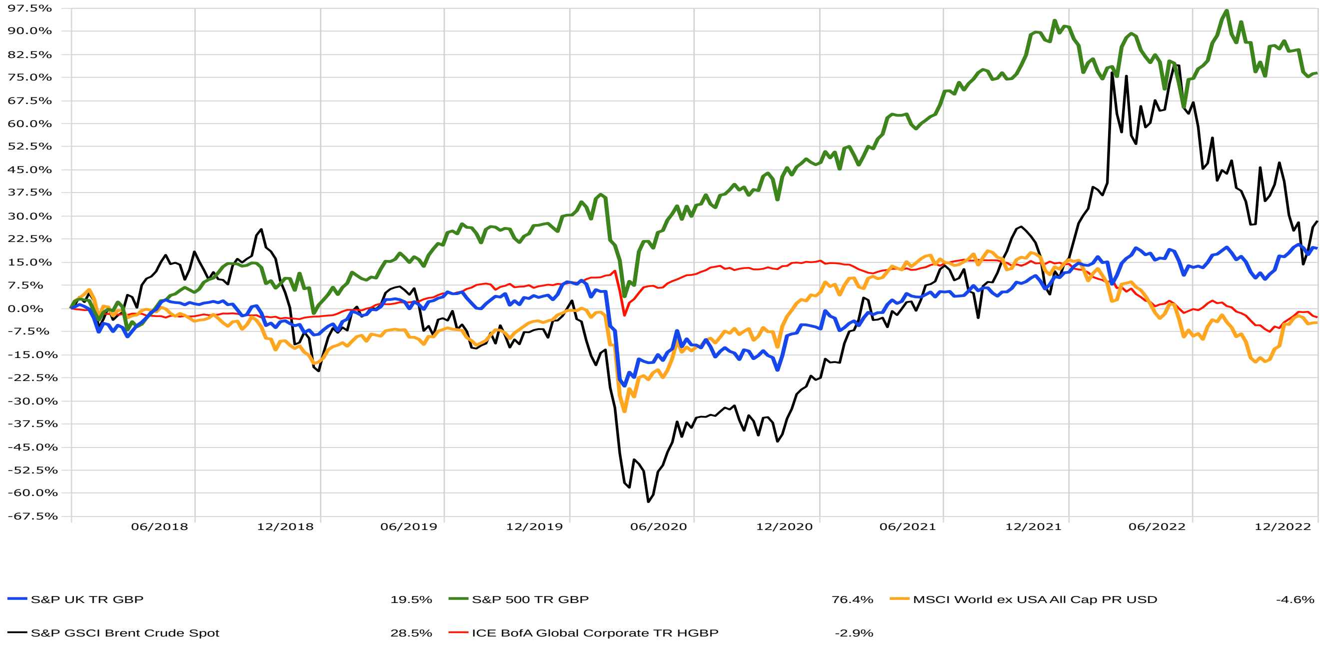
Five Years to end December 2022 – percentage price/return



Source: Morningstar Direct

Index, Benchmark and Exchange Traded Fund – percentage growth to end December 2022

		Three Months	Six Months	One Year	Three Years
Fixed Interest/Bonds					
Bloomberg Global High Yield TR	GBP Hedged	5.94	3.97	-12.35	-6.64
ICE B of A Global Corporate TR	GBP Hedged	2.72	-2.35	-15.17	-9.97
US Equities					
S&P 500 TR	GBP	-0.18	3.29	-7.79	37.43
NASDAQ 100 TR	USD	-0.04	-4.46	-32.38	28.35
UK Equities, and RPI					
S&P UK TR GBP	GBP	8.76	5.41	6.90	11.45
iShares MSCI UK Small Cap ETF Acc	GBP	10.12	-0.14	-22.82	-16.87
UK RPI	GBP	3.68	6.00	13.44	23.47
Japanese Equities					
Nikkei 225 Average TR	Yen	0.80	-0.04	-7.34	16.88
TOPIX 500 PR	Yen	3.06	0.81	-5.34	10.54
European Equities					
iShares STOXX Europe 600	Euro	9.86	5.10	-10.61	9.88
MSCI AC Europe GR	Euro	10.71	6.17	-9.43	9.72
Asia, and Emerging Market Equities					
Morningstar Asia GR	GBP	3.65	1.17	-6.76	8.95
iShares Core MSCI Emerging Markets ETF	GBP	9.71	-3.07	-19.87	-5.91
Morningstar China GR	GBP	5.09	-10.27	-10.51	-9.12
Global Equities					
MSCI World All Cap PR	Various	7.12	2.16	-17.36	12.37
MSCI World ex USA All Cap PR	Various	7.81	3.40	-10.47	4.12
Global Property, and Infrastructure					
S&P Global Property TR	USD	7.40	-5.09	-23.44	-12.86
Morningstar Global Equity Infrastructure PR	GBP	1.74	0.46	-0.19	14.72
Commodities					
S&P GSCI Brent Crude Spot	USD	0.90	-21.21	10.45	30.17
S&P GSCI Gold Spot	USD	9.22	1.05	-0.13	19.90
Asset Risk Consultants Indices*					
ARC Cautious PCI TR GBP	GBP	2.20	-0.24	-7.39	0.57
ARC Balanced Asset PCI TR GBP	GBP	2.68	0.66	-8.75	2.45
ARC Steady Growth PCI TR GBP	GBP	3.16	1.49	-9.76	4.02
ARC Equity Risk PCI TR GBP	GBP	3.64	2.36	-10.86	5.94
ARC Cautious PCI TR USD	USD	3.31	-0.02	-10.46	-2.53
ARC Balanced Asset PCI TR USD	USD	5.31	0.29	-14.40	0.24
ARC Steady Growth PCI TR USD	USD	6.49	0.30	-17.01	3.47
ARC Equity Risk PCI TR USD	USD	7.63	0.37	-20.07	3.92

Important Information

Source for graphs, economic and market data: Morningstar Direct. *Asset Risk Consultants' data contains estimated numbers. TR is Total Return. PR is Price Return. GR is Gross Return. With investment, your capital is at risk. Opinions constitute our judgement as of this date and are subject to change without warning. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your initial investment. Past performance is not a reliable indicator of future results and forecasts are not a reliable indicator of future performance. LAM accepts no responsibility for any direct, indirect, or consequential loss suffered by you or any other person as a result of your acting, or deciding not to act, in reliance upon any information contained in this document. The information in this document does not constitute advice or a recommendation and you should not make any investment decisions based on it. If you do, however, require advice we would of course be happy to assist.