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Global Market Overview
July 2021

Financial markets performed well during the first half of 2021. During this period, we saw continued rotational activity between different areas of stock markets. Commodity prices rose sharply on heightened expectations of economic recovery, which in turn led to increases in value stocks and those sectors typically more sensitive to economic growth. As we approached the end of the first half, however, investors returned their focus to growth sectors such as technology.

The pandemic's grip on economic and social activity may be slowly abating, but recent concerns about virus mutations have created some volatility within equity and fixed interest valuations. The rise in asset values continues to be supported by huge liquidity injections from global central banks, and the efficacy of the various vaccines against the variants remains encouraging. Nevertheless, there is a wide variation of vaccination rates within developed countries, and it is likely that some developing countries will require substantial and ongoing support with their vaccination programmes.

The expectation of an ongoing economic recovery within the US market has meant that it remained the main engine for global stock market increases, and has again led in terms of performance versus other developed equity markets. We do, however, expect to see ongoing good returns from emerging markets, as these regions have historically benefited from a weaker dollar – which we are currently seeing – as well as the early stages of new economic growth cycles. Other regions such as Europe and the UK are also attractive from a valuation perspective, and now benefit from corporate merger and acquisition activity, as well as increasing investor confidence, leading to heightened demand for equities in these regions.

OPEC and other oil producers are currently in discussions regarding oil production levels which the cartel wishes to maintain at current levels until the end of next year, though some producers would like to increase production. With increased economic demand and controlled production limits, we would expect to see a steady rise in oil prices. Inflationary pressure has been elevated by commodity prices which have risen strongly since the beginning of the year. China recently took successful action to alleviate some price increases by releasing commodity stocks from reserves, banning steelmakers from discussing price hikes, changing tax rules to restrict exports, and compelling producers to sell inventories.

We observe that the Federal Reserve (Fed) is relaxed about the sharp increase in bond yields experienced at the beginning of the year. Its response to increasing signs of inflationary pressures has been to call them 'transitory'. More recently, however, the Fed has indicated that it expects to position a couple of interest rate rises by the end of 2023, rather than the previously-announced start of 2024. Over the second quarter, following this Fed 'guidance', we have seen US Treasury yields decline, and thereby lose some of the sharp increases seen in the first quarter.

The Fed continues to provide substantial support to the US economy by maintaining its stimulus programme, and additionally, towards the end of June, President Biden managed to get a bi-partisan agreement for a $1.2trn infrastructure programme. This should be supportive to economic activity and equity values, particularly those sectors such as transportation and clean energy technology.

US GDP rose 6.4% in the first quarter, and current forecasts suggest growth of around 8% in the second quarter. Strong economic growth usually leads to good earnings growth for companies, and, in the first quarter, companies in the S&P 500 achieved their highest year-over-year growth rate in more than a decade.

Some stock valuations are looking extended, and it will be important for earnings to meet expectations. Valuations will, however, continue to receive implicit support from extremely low interest rates. In this environment, we consider it prudent to be invested in actively-managed funds, which allow the individual fund manager to select and adjust investment allocations, especially as we anticipate bouts of volatility and continued divergence of performance across sectors.

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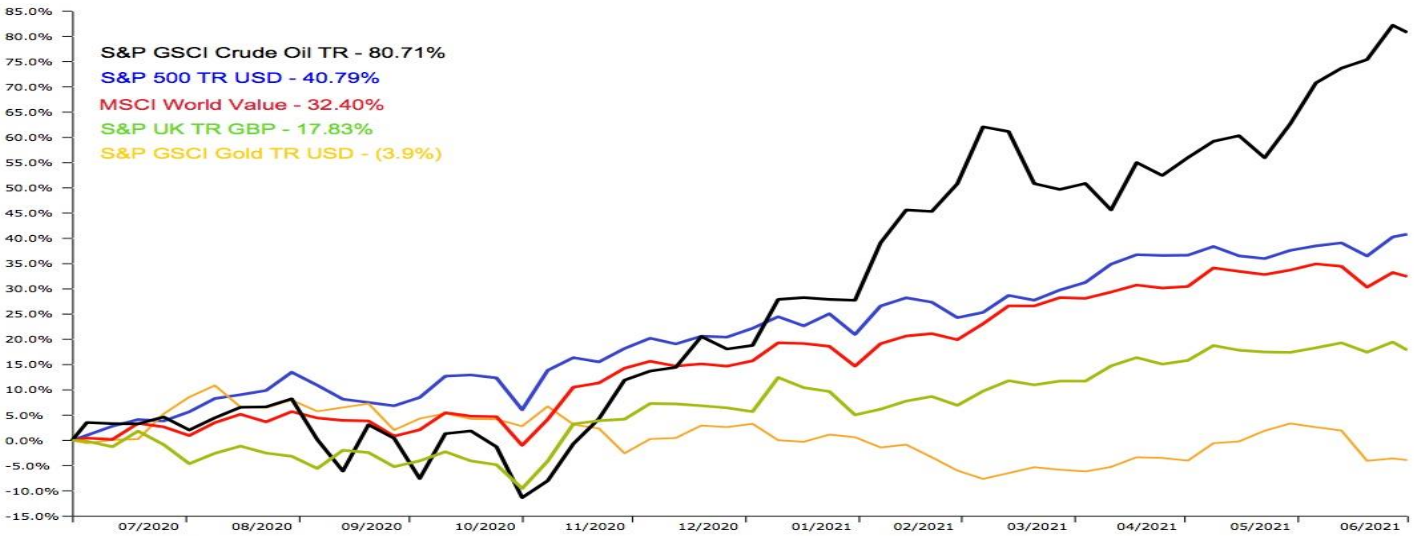
One Year to end June 2021 — percentage Price/Total Return



Index, Benchmark and Exchange Traded Fund — percentage growth to end June 2021

	Currency	Three Months	Six Months	One Year	Three Years
Fixed Interest/Bonds					
BBgBarc Global High Yield TR	GBP Hedged	2.92	2.63	12.87	16.65
BBgBarc Sterling Gilts TR	GBP	1.75	-5.80	-6.46	10.21
ICE BofA Global Corporate TR	GBP Hedged	2.48	-0.87	3.32	17.52
ICE BofA UK Gilt TR	GBP	1.78	-5.82	-6.47	10.21
US Equities					
S&P 500 TR	GBP	8.41	14.04	25.93	59.72
S&P 500 TR	USD	8.55	15.25	40.79	67.13
NASDAQ 100 TR	USD	11.38	13.34	44.36	112.74
UK Equities, and UK RPI					
UK RPI	N/A	2.39	2.91	3.86	8.00
S&P UK TR	GBP	5.84	11.51	17.83	2.51
iShares MSCI UK Small Cap ETF TR	GBP	4.06	10.20	33.88	10.47
Japanese Equities					
Nikkei 225 Average TR	Yen	-1.17	5.77	31.26	36.86
TOPIX 500 PR	Yen	-0.54	7.72	25.26	13.83
European Equities					
iShares STOXX Europe 600	Euro	6.57	15.32	28.62	28.72
MSCI AC Europe GR	Various	6.92	15.00	27.57	27.33
Asia, and Emerging Markets Equities					
Morningstar Asia GR	GBP	2.27	3.97	20.11	28.93
iShares Core MSCI Emerging Markets ETF TR	GBP	5.78	8.71	42.93	37.97
Morningstar China GR	GBP	1.88	0.49	13.90	35.96
Global Equities					
MSCI World Value PR	Various	3.94	14.41	32.40	17.01
MSCI World All Cap PR	Various	6.77	13.65	36.61	41.84
MSCI World ex USA All Cap PR	Various	4.31	11.80	26.34	16.40
Global Property, and Infrastructure					
S&P Global Property TR	USD	8.08	13.88	31.83	21.95
Morningstar Gbl Eq Infra PR		4.63	8.34	14.46	22.80
Commodities					
S&P GSCI Crude Oil TR	USD	24.45	52.15	80.71	-48.46
S&P GSCI Gold Spot	USD	3.26	-6.52	-1.61	41.22
Asset Risk Consultants Indices*					
ARC Cautious PCI TR	GBP	2.31	2.22	7.13	11.48
ARC Balanced Asset PCI TR	GBP	3.53	4.09	11.51	15.13
ARC Steady Growth PCI TR	GBP	4.44	5.56	15.37	18.85
ARC Equity Risk PCI TR	GBP	5.36	7.30	20.24	23.66
ARC Cautious PCI TR	USD	3.23	2.68	9.16	17.33
ARC Balanced Asset PCI TR	USD	4.25	5.09	17.85	25.39
ARC Steady Growth PCI TR	USD	4.96	7.21	24.66	33.40
ARC Equity Risk PCI TR	USD	5.99	8.37	30.91	43.88

Important Information