

Market News

Politics

Following Theresa May's resignation, on 24th July 2019 Boris Johnson was appointed as Prime Minister after he won the conservative leadership election against his rival Jeremy Hunt by 92,153 votes to 46,656.

A law designed to stop a no-deal Brexit on 31st October has been passed. If a deal is not agreed by 19 October, and MPs don't vote in favour of leaving with no deal, then the prime minister will be legally obliged to ask the EU for a Brexit delay.

However, Boris Johnson is trying to negotiate a new deal with the EU, if this is successful then there will be no need for an extension. Although as we stand, the arrangement is that the UK will leave the EU on 31st October 2019.

The FTSE 100 reached its highest point this year closing at 7686 late July, before dropping 5.4% during the first week of August due to Brexit uncertainty and ineffective trade talks. Nonetheless, due to China and US being willing to resume trade talk negotiations the FTSE steadily recovered.

The collapse of Thomas Cook meant a slightly lower close for the FTSE on the 23rd September. However, since then it has been recovering as it hit 7,420, up 70 points from the previous day towards the end of September, its highest level since late July.

Around the World

Inflation in the UK dipped to 1.7% in August after the increase in July, taking inflation down to the lowest level since December 2016. The fall should benefit households, pushing wage growth further above the rate of inflation.

Elsewhere, Italy has proposed that Fabio Panetta, a veteran central banker, be appointed to the European Central Bank's executive board to replace Benoît Cœuré when he steps down at the end of this year.

The European Central Bank have cut rates to a record low of minus 0.5%, the biggest cut in three years. The decision by the ECB initially lowered the Euro, for a short amount of time. Within hours, the currency was sitting 0.3 per cent higher on the day against the dollar, at \$1.104.

The US Federal reserve also cut rates for only the second time since 2008. Cutting rates will help fuel economic activity, by making it cheaper to borrow money for both businesses and consumers.

Markets were knocked by Donald Trump's decision to increase tariffs on Chinese goods shipped to the US however, the President's subsequent comments that the US would resume talks with China appear to have eased investors' worries taking the Dow Jones 143 point up on 27th September.

Performance year to date

Since 1st January 2019 to 26th September 2019, net of all charges our Wrap portfolios have returned:

Cautious Strategy	5.70
Balanced Strategy	8.16
Growth Strategy	9.42
Adventurous Strategy	11.45

Recommendations

Specialist Sector

The Investment Association Specialist sector holds a diverse range of funds which have an investment universe that is not accommodated by the mainstream sectors.

Investec Enhanced Natural Resources is categorised under the Commodity/Energy Asset Class within the Specialist sector and was introduced into our portfolios in April 2014, but it is no longer outperforming its peers within the asset class.

Having reviewed the funds within this sector and asset class, we recommend switching out of Investec Enhanced Natural Resources and into Barings Global Agriculture.

Barings Global Agriculture invests in the agriculture sector and has the flexibility to invest in companies from across the entire agriculture chain, from planting to harvesting to delivering food to the table. The fund holds a 5 out of 5 Crown rating from Financial Express and has offers lower volatility compared to Investec.

Fund Name	FE Risk Score	1 Yr %	3 Yr %	5 Yr %	3yr Volatility
Sector: IA Specialist	-	7.93	18.35	35.35	-
Investec Enhanced Natural Resources	131	2.42	15.10	25.16	14.17
Barings Global Agriculture	131	7.57	26.32	48.98	12.89

Data is from FE Analytics 26.09.19 and is net of fund manager TER only. Past performance is not a reliable indicator of future results. The value of investments can go down as well as up and you may get back less than you invested.

European Equity Sector

We use two funds within the European sector of our portfolios, which are Marlborough European Multi-Cap and Man GLG Continental European Growth with the sector allocation split equally across both funds.

Following our ongoing review of the funds and their sector, Marlborough European Multi-Cap is underperforming over 1 year against the sector average and is no longer top quartile. We therefore recommend switching out of Marlborough European Multi-Cap and into Jupiter European.

Jupiter European is currently top quartile over 1, 3 and 5 years and holds a 5 out of 5 Crown rating from Financial Express. We have invested in Jupiter European previously, between July 2015 and July 2017. The fund invests in shares listed on the European Stock Exchanges.

Fund Name	FE Risk Score	1 Yr %	3 Yr %	5 Yr %	3yr Volatility
Sector: IA European excl UK	-	-0.59	22.39	51.36	-
Marlborough European Multi-Cap	109	-3.72	26.65	99.05	11.23
Jupiter European	126	1.13	44.26	104.72	12.03

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Key Investor Information Documents

The Key Investor Information Documents (KIID) for the recommended funds are below:

Barings Global Agriculture

<https://documents.financialexpress.net/Literature/B4CA0E1818F94236AD7131869FECF3E9/126491005.pdf>

Jupiter European

<https://documents.financialexpress.net/Literature/094C01C7BA666111C819A84B9995708A/114721689.pdf>