Client Portfolio Monthly Update – August 2020

August has been a month of two halves. Signs of record-breaking economic recovery quickly lost momentum and resulted in a stagnant FTSE 100. The Eat Out to Help Out scheme brought in by Chancellor Rishi Sunak revitalised the hospitality industry, getting consumers to spend again after the coronavirus lockdown, and total consumer spending during the first two weeks of August exceeded the same period one year earlier. * This scheme, teamed up with the planned reopening of schools, boosted consumer confidence considerably and resulted in the first annual growth in spending since the lockdown was introduced back in March. Unfortunately, the last two weeks of August returned to what the UK are now rather used to, with the positive growth losing momentum and quickly rebounding back to figures of 5,900 on the FTSE 100.

The US, however, shows more positive signs with the S&P 500 growing 7% over the month, gaining on all but five trading days. The positivity in the US is not just for August, as US stocks have actually climbed for five consecutive months, posting an impressive 35% surge over that period, which is actually its largest five-month percentage gain since 1938. **

7 of the 9 portfolios have produced positive returns over 1 month which is impressive compared to the negative returns of the FTSE 100 and proves the benefits of true diversification. Risk 2 and 3 produced negative returns this month and this can be explained by the asset allocation being more focused on UK investments and the UK market being stagnant during the month of August. All except Risk 2 and 3 have outperformed their market comparisons over 1 month. The best performing funds are the higher risk portfolios, and this is due to the higher overseas exposure in the higher risks. Risk 8 returned a strong 4.13% over 1 month, beating the 40-85% Shares sector by 1.81%. Risk 7 was the biggest outperformer beating the market comparison by 2.59% over 1 month. Since inception of the portfolios (1st March 2020), all model portfolios have positive returns and have outperformed their market comparisons.***

Deeper analysis can reveal to us that, once again, the Baillie Gifford American B Acc is our best performing underlying asset. This was to be expected as the US markets are performing well and the Baillie Gifford American B Acc is the best investment in the sector over multiple time periods. The fund has returned an incredible +83.32% Year to Date (YTD) compared to the IA North America sector of +7.95%, resulting in a +75.37% difference in favour of the Baillie Gifford American fund. Other assets that are performing well are Baillie Gifford Pacific B Acc, JPM Japan C Acc and UK Buffetology General Acc..*** Only 4 out of 23 of our underlying assets underperformed against their sector over 3 months, but these funds have outperformed their sector YTD, so this could be a small bump in what is otherwise good performance.

No amendments have been made this month to the model portfolios. The IMC are keeping a close eye on all the funds in our portfolios during these uncertain times. We are committed to completing in depth analysis over 3 months, 6 months, 1 year and longer time periods on whether performance of our funds have excelled or underperformed, and we will be basing our actions around these findings.

Information in this report is at the last valuation point on 28th August 2020 (except where indicated).
*source: Financial Times
**source: The Wall Street Journal
***source: FE Analytics