FACET

Client Portfolio Monthly Update – March 2022

The UK stock market ended the month not far from where it started, up just 0.5%. However, it was a volatile month and, at one point, the index was down 6.6%. US stocks were hit far worse and the main index was down 13% before recovering to end the month down 4.6%. The invasion of Ukraine, which began in February, obviously weighed on sentiment but investors also had to assess the economic impact from another jump in inflation. UK inflation rose to an annualised rate of 6.2% and was even higher in the US – hitting a 40-year high of 7.9%. The rising cost of oil and gas exacerbated the problem as the price of Brent crude spiked from $95 per barrel to $130. As a result, shares in oil and gas companies nudged higher which, in turn, gave support to the UK stock index which is weighted more heavily to the energy sector than its international peers. This presented a dilemma for the main central banks, after having spent several months warning that tighter monetary policy was necessary to tame inflation, many thought that those plans would be put on hold to support economic growth amid the conflict in Ukraine and other factors pointing to a fall in consumer confidence. In spite of this, in mid-March, the Bank of England raised rates by 0.25% to 0.5%. The next day, the US Federal Reserve followed last month's quarter-point interest rate hike with another 0.25% rise. The more dovish European Central Bank made no change but signalled that even they anticipate their first rate hike by year's end. In the UK, the Chancellor of the Exchequer attempted to help households with a package of measures in the annual budget, but the looming cost of living crisis is worrying for many and some of the global factors driving up inflation are beyond the government's control. UK wage growth was stronger than expected but nowhere near inflation; leaving workers worse off in real terms. However, the unemployment rate fell to 3.9% indicating a tightening of the jobs market which may inevitably lead to higher wages – something the Bank of England has warned against as potentially adding to an inflationary spiral. Whereas Stock markets ended the month surprisingly well, investors will be wary of the obvious risks posed by the relentless rise in inflation. How central banks respond to it will be the key to the direction of stocks and bonds in the weeks and months ahead.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	-0.17%	0.40%	-0.57%
	Risk 3	0.04%	0.40%	-0.36%
20-60% Shares	Risk 4	0.81%	1.49%	-0.68%
	Risk 5	1.54%	1.49%	0.05%
	Risk 6	1.68%	1.49%	0.19%
40-85% Shares	Risk 7	1.74%	2.86%	-1.12%
	Risk 8	0.64%	2.86%	-2.22%
Global	Risk 9	0.11%	4.93%	-4.82%

During March, portfolios 5 and 6 outperforming their respective Sectors with all other Risks underperforming. This is due to FACET taking a recovery approach and looking for increased upside when the markets become more favourable. We believe our asset allocation will continue to provide a strong performance over the medium to long term and it is only due to current short term volatility that the majority of portfolios are temporarily underperforming.

Information in this report is at the last valuation point on 31st March 2022 (except where indicated).
*source: Trustnet