Client Passive Portfolio Monthly Update – March 2023

Silicon Valley Bank (SVB) was not a household name, but its collapse in early March was the second largest in US history. Swift action by Federal Deposit Insurance Company, having received exceptional authority from US Treasury, ensured that $172 billion of deposits were fully protected. Widely reported as a bailout, the rescue did not call upon taxpayers' money. Nevertheless, the reason for the collapse, unrealised losses on the bank's bond portfolio due to rising interest rates, had ramifications for other regional banks and shares in the sector dropped 35%; a position from which they did not recover by month end. Less than a week later, a day after shares in Credit Suisse dropped 25%, the European Central Bank (ECB) forged ahead with their stated intention to raise their interest rate by 0.5% to 3.5%. A few days later, over a frantic weekend, it was announced that Credit Suisse's main rival, UBS, would be buying out the troubled bank for $3.25 billion in an all-shares deal – a fraction of its market value only weeks before. Despite the obvious parallels with the early days of the Great Financial Crisis of 2008, and notwithstanding falls in bank shares, stock and bond markets remained remarkably calm. A consensus view emerged that the fall of SVB was a result of its unique exposure to tech companies and start ups and that Credit Suisse was an accident that could've been avoided. Whatever the US Federal Reserve's take on it all, didn't stop it from raising interest rates a quarter-point to 5% in late March. The Bank of England followed suit with a similar hike to 4.25% which appeared justified following a surprise jump up in UK inflation to 10.4% in February. Expectations had been for a drop from 10.1% to 9.9% but the rise in the cost of food was a big factor. The bond markets took the view that the Federal Reserve has reached peak rates while the ECB and Bank of England have not. The resulting weakness in the US dollar saw Sterling strengthen 3 cents to $1.23. Against the basket of major currencies, the dollar dropped 2%. In spite of the unexpected shocks in the banking sector, March delivered much better economic news for the US, UK and Europe than expected. The US stock market finished the month up 3.5% although UK stocks were held back by the heavy weighting in banks and financials. The 13.6% drop in that sector dragged the UK index to 3.1% fall by month end.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	0.98%	-1.35%	2.33%
	Risk 3	1.25%	-1.35%	2.60%
20-60% Shares	Risk 4	0.81%	-1.03%	1.84%
	Risk 5	0.12%	-1.03%	1.15%
	Risk 6	-0.17%	-1.03%	0.86%
40-85% Shares	Risk 7	-0.61%	-0.53%	-0.08%
	Risk 8	-0.16%	-0.53%	0.37%
Global	Risk 9	-0.19%	-0.07%	-0.12%
	Risk 10	0.05%	-0.07%	0.12%

During March, only Portfolios 7 and 9 underperformed their respective sectors with all other portfolios outperforming, this performance has been more pleasing than the previous month. We still believe the anticipated growth will continue to enter the global markets. FACET continues to believe their current strategy is well placed to provide continuing growth into April. We continue to believe our asset allocation will provide a strong performance over the medium to longer term.

Information in this report is at the last valuation point on 31st March 2023 (except where indicated).
*source: Trustnet

Disclaimer
E&OE
The views, opinions and expectations in this article are those of members of FACET Investment Management Ltd and do not constitute advice. They should not be taken as an offer or a recommendation to invest in any of the products referred to. All investments of this type can put your money at risk, and you may not get back your full investment. The value of the investment and the income derived from it can go down as well as up. You should consult with your financial advisor before making any investments.