Client Managed Portfolio Monthly Update – June 2023

The US stock market led global stocks with a gain of 6.5% for the month, driven by familiar large tech companies Apple (+10%), Nvidia (+12%), Netflix (11%) and Meta (+8.4%). Lacking the heavy weighting to tech stocks, the UK index still managed a modest gain of 1.1%. The leisure sector was a notable gainer given the rising cost of living. Shares in the cruise liner rose by 65% in June, boosted by record bookings across their global fleet, although some profit taking was evident. The outlook for leisure, hotels and hospitality have brightened significantly and not just in the UK. While London-based Harrods has upped its profit forecast for 2023, the French luxury group LVMH posted record profits last year and, like shares in Ferrari, have trebled since the end of the Covid pandemic. It is in stark contrast to the UK housing market facing far higher interest rates than was expected a year ago. The UK 2-year yield has risen from 4.3% to 5.25% in just one month, spurred on by a surprise Bank of England interest rate hike of 0.5% to 5% in late June. Members of the monetary policy committee voted 7-2 in favour of a half point rise. Bond markets were expecting just a quarter point. The move pushed the 2-year yield above than the 10-year yield, already the highest in the G7, indicating that markets believe the higher short rates will push the UK in to a recession. The root cause of the dilemma facing the Bank of England is stubbornly high inflation, which remained at an annualised 8.7% in May when it was expected to fall to 8.4%. It leaves the UK facing the unenviable position of having inflation double that of the USA where the Federal Reserve can now afford the luxury of halting their interest rate hiking cycle. The closing differential in interest rates is a contributing factor in driving strength in Sterling, up another 2.2% in June to $1.27. In itself, a stronger Sterling tends to put a dampener of the performance of the UK stock market due to the large component of global companies where around 75% of the index's profits are denominated in US dollars and Euros. At a time when investors are looking forward to the all-important third-quarter earnings season in the USA, the UK has become somewhat of an outlier in its battle with inflation and the effects it is having on its own unique mortgage market.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	0.43%	-0.39%	0.82%
	Risk 3	0.54%	-0.39%	0.93%
20-60% Shares	Risk 4	0.61%	-0.11%	0.72%
	Risk 5	0.64%	-0.11%	0.75%
	Risk 6	0.49%	-0.11%	0.60%
40-85% Shares	Risk 7	0.38%	0.17%	0.21%
	Risk 8	0.28%	0.17%	0.11%
Global	Risk 9	0.12%	1.50%	-1.38%
	Risk 10	0.17%	1.50%	-1.33%

Throughout June, all portfolios except Risk 9 and Risk 10 outperformed their respective sectors, this performance has perceived as encouraging news. We continue to believe the anticipated growth will continue to enter the global markets. FACET continues to believe their current strategy is well placed to provide further continuing growth throughout July. 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 30th June 2023 (except where indicated).
*source: Trustnet