Market volatility

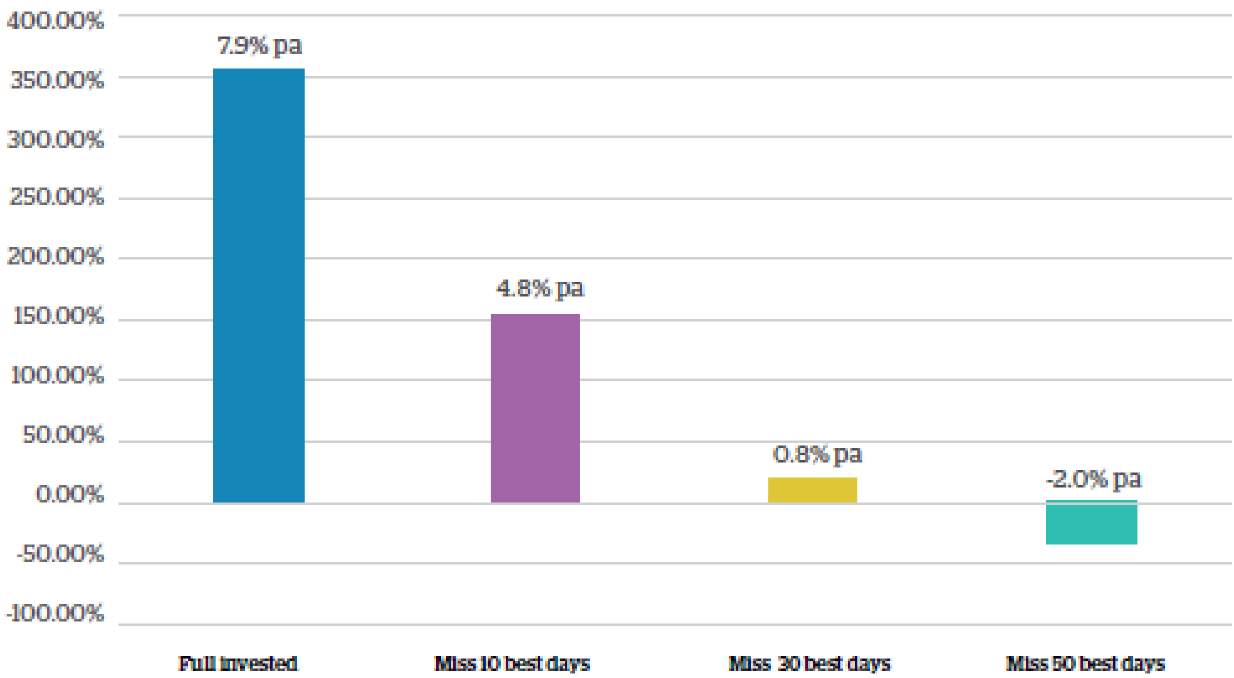
We place clients into risk-based investments based upon their personal circumstances and risk profile. Clients will have very different investment time horizons and attitude to risk and so will take changes in investment returns, both up and down, very differently based upon those individual circumstances. There is no one solution for every client as everyone is different. The start of 2022 has been particularly difficult with high volatility in markets due to supply chain issues, the war in Ukraine, worries about inflation, and fears of recession amongst other things.

As we continue through this current bout of market volatility, patience is critical for investors. Panic and fear often lead to bad decision making and exiting long-term investments early has been proven time and time again to be the wrong strategy.

We recommend professional, regulated, quality investment managers to make the ongoing investment decisions who position portfolios in high quality, structurally growing businesses, with significant upside performance potential when the market recovery eventually does kick in. Investors need to look at the short term past track record of performance through market volatility and be assured that this time is no different from previous dips and recoveries.

Trying to time the market is very difficult and the graph below shows where remaining fully invested over the last 20 years is a big advantage to moving in and out, potentially missing upturns which can be the best days.

Staying invested



Source: Bloomberg, MSCI World £ TR (MSCI: please see important information). Dates 01/03/02 to 09/03/22.

The War is Europe is something all of us hoped we'd never see but it is there for now and following 2 years of Covid has been more than markets could take in the short term. There have been many conflicts in the 20th and 21st centuries, so we have a long track record of how markets react to wars. Since the Second World War, every major conflict has usually either been shrugged off by markets or has seen a short-term dip followed by a strong rally. This is the right reaction. Most wars have limited, and often no, effect on the global economy. Markets rallied past the Korean War, Vietnam, Afghanistan, Iran-Iraq, two Gulf Wars, the Yugoslav Wars, and Syria.

Importance of Investment Managers taking micro and macro views

Look at two examples of where individual markets currently stand out from the crowd.

China

Everything you buy seems to be made in China these days, so the world has tied itself to China to some degree by supply chains. All that Glisters is not gold as Shakespeare once said in the Merchant of Venice. Countries leaders and leading companies should be re-evaluating supply chains following Covid and the war in Ukraine, but these things take a long time to change and so China is important. China is a very different country to "The West" and it's handling of Covid highlights this as they take a very different approach to the rest of the world. China is taking a sequence of extraordinary measures to maintain its zero-Covid policy. These measures – particularly city-wide lockdowns – come with a heavy economic price tag. As a result, many economic institutions have lowered their 2022 growth forecasts for the country.

A Reuters poll of economists suggests that financial institutions now expect Chinese GDP growth to be +4.5% this year, (down from the +5.5% target previously announced).

This self-inflicted weakening of the economy in pursuit of zero-Covid has understandably dragged on performance of Chinese stocks which also has a knock-on effect to other markets. The Hang Seng Index (Hong Kong listed Chinese company stock index) is now lower than it was in March 2020, the very worst moment of the initial stages of the Covid-19 pandemic.

News-flow on China has been just as pessimistic, with many prominent global investors last year calling China "un-investable", while news headlines remain as pessimistic as we have ever seen on China. The slowing economy and the increasingly unpopular covid strategy are both weighing heavily on public opinion in China too.

China's next decade is characterised not by confrontation with the West and costly trade wars, but by a realisation that it pays to be the

West's friend (Russia offers a very helpful case study here). It pivots quietly toward a policy of more open trade and fair dealing with the rest of the world. Zero-covid doesn't work and is put to bed quietly, meanwhile China's re-opening in late 2022, supported by large fiscal stimulus, acts as a major stimulant to the global economy in the near-term.

Anything like the above playing out makes high quality Chinese investments, at current price levels, a once in a generation investment opportunity.

<u>Travel</u>

After more than two years, the industry is set for a dramatic rebound. Pent-up demand is a difficult thing to measure.

Early predictions of the end of business travel, replaced by Zoom meetings, were premature. Most airlines now are predicting business travel, when allowed to return, to recover to levels above 2019 demand very quickly as clients and suppliers rush to reconnect.

Where allowed, leisure travel is already rebounding strongly too.

Meanwhile the newfound ability to work remotely is actually encouraging *more* travel. Many are choosing to temporarily live in different cities and countries while they work, increasing demand for temporary accommodation, flights, etc.

Stocks in the sector are already reporting very strong results too, indicative of the strong rebound ahead.

Importance of Independence

AIMS do not make investment decisions on behalf of clients. We appoint professionally qualified, experience and regulated investment managers who make all of the investment decisions completely independently from our advice process. As your financial adviser, we ensure you are invested with the right investment managers for your personal circumstances.

UK Pension Scams

In our last circular we went through the new rules for pension transfers to protect people from potential offshore advice scams. Offshore advisers such as AIMS are automatically flagged as Amber alert meaning a greater level of due diligence from the transferring scheme and the client is required. This makes sense, when you are outside the UK as the level of investor protection is not the same. Having been through this process for clients since the introduction of the new rules, we are happy this extra layer of due diligence works well to protect clients. The team at Moneyhelper ask the right questions and ensure clients are receiving legitimate advice, using professional trustee, and investment solutions and at the right price point.

Clients found the Moneyhelper calls helpful, and we found the questions asked about our proposals sensible. Our solutions use regulated trustees and investment managers with clear and explicit charges and investment based upon comprehensive fact finding and risk profiling, which is exactly what UK regulators demand.

Please pass on our contact details to anyone who you think would find it useful.

Best wishes

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AIMS Active Investment Management Service

Pensions and Investments

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