

January 2019

Dear Client

I would firstly like to take this opportunity to wish you and your families a Happy and Healthy New Year. We expect 2019 to include Brexit, although there is now a small amount of doubt about whether it will happen. We also, at the time of writing, are still awaiting the resolution of the US Federal Shutdown and Donald Trump's demand that any new budget includes border security. The US Federal Reserve has also indicated that there are likely to be more interest rate rises during 2019, which could lead to a slowdown in US GDP. These events made the end of 2018 very volatile for global stock markets, with all major indices falling both during December and over the year as a whole. In fact, there were very few positives, with over 90% of investments losing value during the year.

At Altorfer, we take a longer term view for investing, aiming to provide returns in excess of CPI plus 3% per year over a rolling 3-5 year period. Unfortunately, most client portfolios lost money during 2018 but our longer term record is still ahead of our benchmark. We have reduced our exposure to the UK stock market due to concerns over the short term impact of Brexit, and maintained an overweight cash position, so we have the opportunity to invest if markets continue to fall. We continue to actively monitor all of the investments held within our discretionary mandate (AJ Bell and Transact) on a daily basis, whilst also regularly reviewing other investments including with profits bonds and other pensions.

The message is therefore not to panic. We have seen periods of volatility before and the FTSE 100 Index has fallen by around 50% in both 2000-03 (technology bubble) and 2007-09 (credit crunch) while recovering on both occasions. It reached its' highest ever level of 7,877 on 22nd May and, although there are no guarantees, there is no reason why it cannot return to this level in future once the global political situation stabilises. Global companies, as assessed by the Purchasing Managers Index, appear strong and their values, on many measures, are either below (particularly in the UK) or in line with their long term averages. The recent fall in the oil price is also a boost for the global economy as transport and manufacturing costs reduce.

Finally, we have also seen a change within Altorfer. Mark Chaplin retired before Christmas after over 20 years with the company. Mark was Finance Director for Altorfer, the accountant for many clients and also our lead investment manager for the share portfolios. We are not intending to directly replace Mark, as it would be almost impossible to find someone with the same skill set. However, as stated in my last newsletter, we have promoted from within and shared Mark's roles between us so hope that there will be minimal, if any, disruption for our clients. Both Mohamed and Kay have settled in well since joining us last year and they already feel like part of the Altorfer family.

Please let me, or your adviser, know if you have any questions or concerns.

Regards and best wishes

A handwritten signature in black ink, appearing to read 'Daniel Wackett'.

Daniel Wackett
Managing Director
Altorfer Financial Management Limited