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BY MARTEN & CO

INVESTOR

Economic & Political Roundup

Monthly roundup | Investment companies | September 2022

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A collation of recent insights on markets and economies taken from the comments made by chairs and investment managers of investment companies – have a read and make your own minds up. Please remember that nothing in this note is designed to encourage you to buy or sell any of the companies mentioned.

Roundup

Investors have been debating for weeks whether the economy is in a recession or heading toward one, but what seems certain is that things are bad, and they are going to get worse. UK consumers are particularly under pressure as energy prices climb to extreme levels and the pound slides. Europe put an end to negative interest rates in August. Economists are forecasting greater inflationary pressures, perhaps requiring even higher interest rates. The Federal Reserve chair reiterated that the central bank is committed to curbing inflation and will continue to raise rates even in a recessionary environment, which sparked a sell-off in stocks and rising bond yields towards the end of the month.

Global

Increased risk of recession

Witan's chair says it will take time for higher rates to bring supply and demand into balance, with an increased risk of recession.

The manager of Smithson thinks fears of recession are a natural extension of increasing interest rate expectations and these concerns have intensified as the year has gone on.

Global Opportunities Trust's manager reflects on the first six months of the year, saying they have given a flavour of the unfolding bear market.

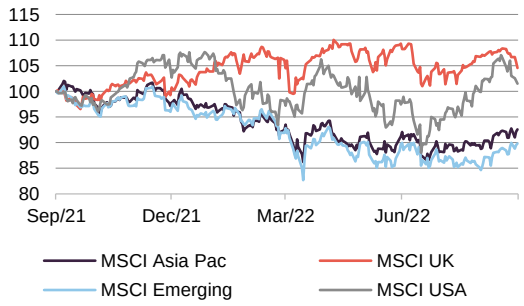
Murray International's chair believes the world is in flux, with more unanswered questions shaping the future than for many a year.

Exchange rate	31/08/22	Change on month %
GBP / USD	1.16	(4.5)
USD / EUR	0.99	1.7
USD / JPY	138.96	4.3
USD / CHF	0.98	2.6
USD / CNY	6.89	2.2

Source: Bloomberg, Marten & Co

MSCI Indices rebased to 100

Time period 01/09/2021 to 31/08/2022



Source: Bloomberg, Marten & Co

Indicator	31/08/22	Change on month %
Oil (Brent)	96.49	(12.3)
Gold	1711.04	(3.1)
US Tsy 10 yr yield	3.19	20.5
UK Gilt 10 yr yield	2.80	50.3
Bund 10 yr yield	1.54	88.8

Source: Bloomberg, Marten & Co

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August's highlights

UK

Temple Bar's managers say even though the UK equity market is holding up better than most overseas markets so far this year, UK equities continue to be valued at a significant discount to global equities generally.

A flight to the defensiveness and liquidity of large-cap stocks has seen smaller companies underperform

Neil Hermon of Henderson Smaller Companies attributes the sector's underperformance to a general flight to the safety, defensiveness and liquidity of large-cap stocks.

Diverse Income's chair praises the UK's sector mix and low valuations for supporting the country's economy and allowing it to hold up better than most others.

The managers of JPMorgan Claverhouse say that the market will eventually return to focus on company fundamentals, which should suit a bottom-up stock picking approach.

North America

JPMorgan American's managers warn that persistently high inflation is undermining real wage growth, consumer spending power and corporate profits.

Rising recession fears continue to pose a challenging backdrop

The management team at JPMorgan US Smaller Companies expect rising recession fears to continue to pose a challenging backdrop for US small cap stocks in the near term.

Pershing Square's manager sees opportunity in volatile markets.

Private equity

Pantheon International's chair highlights that valuations of businesses in public markets have already come under pressure.

The pandemic recovery has only created new challenges

The chair of CT Private Equity notes that the recovery from the pandemic has created new challenges with shifts in consumer behaviour, supply chain constraints and labour shortages foremost amongst these.

Other

We also have comments on **global emerging markets** from Fundsmith Emerging Equities and Mobius; **Asia Pacific** from abrdn Asian Income and Invesco Asia; **Europe** from European Assets and Fidelity European; **Japan** from Fidelity Japan; **flexible investment** from RIT Capital Partners; **commodities and natural resources** from BlackRock World Mining, Riverstone Energy and BlackRock Energy and Resources Income; **technology & media** from Allianz Technology; **debt** from Axiom European Financial Debt, Invesco Bond Income Plus and RM Infrastructure Income; **renewable energy infrastructure** from The Renewables Infrastructure Group; **environmental** from Impax Environmental and **property** from Derwent London, Tritax Big Box REIT, CLS Holdings, Empiric Student Property, Capital & Regional, Capital & Counties and Impact Healthcare REIT.

Global

(compare global funds **here**)

Andrew Ross, chair of Witan - 16 August

The sustained rise in global inflation and the widespread move to higher interest rates have radically altered the outlook for global liquidity and economic growth. This led to extremely negative sentiment mid-year towards bonds (whose yields were too low in real and nominal terms) and equities (due to fears of recession, as well as a valuation squeeze on the more highly rated or speculative sectors).

Inflation remains stubbornly high, for reasons not speedily addressable by higher interest rates, which can do little to boost the supply of oil and wheat, much less push Russia out of Ukraine. It will take time for higher rates to bring supply and demand into balance, with an increased risk of recession. This latter concern has weighed on equity sentiment in recent months, as the central banks prioritise inflation control over responding to financial market volatility.

There are signs that investors in the US are (possibly prematurely) reducing their forecasts of the peak level of interest rates. High debt levels may cause growth to slow even with interest rates at levels that remain lower than were typical prior to 2009. There are also several drivers of both government and private sector spending that are set to increase in coming years - renewing infrastructure, the electrification and decarbonisation of economies and, perhaps less positively, increased defence spending. Technology may now be more cheaply rated in the stock market but will continue to disrupt many sectors, reduce costs, and drive productivity. By focusing on the near-term unfamiliarity of high inflation and rising interest rates, investors may be overlooking the longer-term positives.

Once a peak in inflation comes into view, or there is a reduction in international tensions, investors are likely to switch from risk aversion to looking for the opportunities thrown up by lower valuations. Timing such changes can be a conundrum, as nobody rings a fire alarm at the top of the market nor does a dinner gong sound at the bottom. Notwithstanding the frustrations of the past two years, Witan's managers will continue to select companies with sound business strategies, resilient finances, and good management, on the basis that companies that grow the fundamental value of their business will eventually see their share prices follow that growth.

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Simon Barnard, manager of Smithson - 2 August

Although inflation started to accelerate from a very low level at the start of 2021, the market was relatively sanguine about this for some time, owing to commentary from central banks depicting these initial price rises as 'transitory', brought about by short term shortages in component, freight and labour supply due to the effects of the pandemic. Meaningful concerns regarding inflation didn't start to surface until late last year, when these same central banks publicly concluded that perhaps inflation might be more persistent than they initially believed, and will only be quelled with aggressive monetary tightening. This problem was then exacerbated by higher energy and food costs; a consequence of the war in Ukraine.

Around the same time, and for obvious reasons, the market started to become transfixed on a future economic environment weighed down by higher interest rates.

For illustration, back in December 2021, the market appeared to be pricing in just two interest rate increases of 0.25% by the US Federal Reserve in 2022. By June 2022, not only had we already had the equivalent of six 0.25% raises, but the market was now expecting a further 1.75% increase before the end of the year. This was a very sharp adjustment, and it is likely that this movement in future interest rate expectations did the most damage to market values.

Fears of recession are a natural extension of increasing interest rate expectations and these concerns have intensified as the year has gone on. There is now discussion of recession in many countries including the US, UK, The Eurozone, Japan, Australia and Canada. The trend of falling long bond yields over the last few weeks is a likely consequence of this, as is the inversion of the yield curve, where 2 year bond yields become higher than 10 year yields, a phenomenon occurring prior to recessions in the past.

As the central banks began discussing rate hikes more vociferously from the start of this year, and the interest rate expectations of the market moved rapidly, the value of the future earnings of our companies, a substantial component of their overall valuation, became more heavily discounted by the market. Indeed, it is the change in expectations, rather than official interest rate hikes, that have done the damage to valuations, the market being a forward-looking discounting machine.

It therefore stands to reason that the pressure on the ratings of our companies will be relieved once interest rate expectations stabilise. This, in turn, likely requires us to observe the peak in inflation, because once that stops increasing, we can get a sense for the size and shape of the interest rate cycle that will be required to tame it. While the actual peak will be determined after the fact, by a few months of declining inflation data to prove the case, we can still hope that we are living through the peak of inflation now.

The reason we are less concerned about the impact of inflation on the companies in the portfolio is because, as often described, our companies tend to have high gross margins and low capital requirements, which mean that they are less susceptible to cost increases than other companies. They are also in strong competitive positions, which typically allows them to increase prices to offset the higher costs, should they choose to do so.

Dr Sandy Nairn, manager of Global Opportunities Trust - 18 August

The first six months of 2022 have given a flavour of the unfolding bear market. For sterling investors, the 10% decline of the pound has masked somewhat the magnitude of falls such that global equities are down by just 10% to the end of June. Similarly, global bonds are down, even in sterling terms in the first half.

Markets are not yet pricing in a meaningful recession, but it is hard to see how this can be avoided. The trigger point for reinvesting the liquidity reserve will be when a meaningful recession is embedded in valuations. We will continue to monitor the portfolio and will look to switch to better opportunities as they arise rather than wholesale reinvestment. It will undoubtedly feel uncomfortable, particularly during the periodic rallies but we believe that patience will be rewarded in the end.

David Hardie, interim chair of Murray International - 12 August

Inflation and interest rates dominated the financial backdrop over the period under review. A further surge in energy and food prices as a consequence of the conflict in Ukraine exacerbated inflationary pressures worldwide, leaving Central Banks the unenviable task of having to raise interest rates at a time of slowing growth and rising living costs. Bond yields spiked sharply higher in response to aggressive monetary tightening in the United States as policymakers came under intense scrutiny and political pressure to be seen to be doing something about the highest levels of consumer price inflation for over forty years. Against such an economic backdrop, the investment landscape changed markedly from that which had prevailed for over a decade. The impact of rising bond yields rapidly translated into higher debt servicing costs for consumers and businesses alike. Higher interest rates squeezed liquidity out of financial markets as investors fled from higher risk assets. Escalating input costs and higher wages negatively impacted corporate margins across most industries, with few businesses able to exert pricing power in fiercely competitive markets. The period proved exceedingly challenging for investors with virtually all broad asset classes declining in value over the six months.

The world is in flux, with more unanswered questions shaping the future than for many a year. Will the trend of globalisation be reversed in an increasingly fractious political world, how long will inflation persist and how high will interest rates rise, will energy start being rationed, how deep will economic recessions be, how long before credit quality deteriorates? Negotiating the unchartered and unpredictable path through such a turbulent financial landscape is unlikely to be smooth. However, the strategy of owning quality businesses, real assets and a diversified portfolio has served shareholders well in the past and remains the preferred option for

UK

(compare UK funds here)

Ian Lance and Nick Purves, co-managers of Temple Bar - 19 August

Whilst risk appetite is difficult to measure, the relative valuation of cyclical stocks versus the more defensive names can provide a useful guide. On some measures the discount applied to cyclical stocks today is near to record levels. Previous peaks in this valuation spread coincided with the COVID-19 crisis in 2020 and the financial crisis in 2008 and suggest that expectations baked into the share prices of the cyclical companies are at a very low ebb. On each of the previous occasions when valuation spreads have become as wide as they are today, it has paid to take a more pro-risk, cyclical stance although we cannot know of course when risk appetite might improve, and cyclicality will re-rate.

Despite the UK equity market holding up better than most overseas markets so far this year, UK equities continue to be valued at a significant discount to global equities generally. Accordingly, we believe that, notwithstanding the shorter-term uncertainties, UK equities are priced to offer relatively attractive returns into the future.

The economic backdrop is highly uncertain and there is much for investors to worry about, however, we must not forget that the stock market is a discounting mechanism and much of this will already have been factored into share prices. From the starting point of today's depressed valuations, for those who can extend their

time horizons, the opportunities are compelling, with stocks in the portfolio offering the potential for significant upside to a reasonable view of intrinsic value.

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Neil Hermon, manager of Henderson Smaller Companies - 4 August

The year under review was a volatile and ultimately negative one for equity markets. Covid-19 continued to dominate the minds of investors and news headlines for the initial part of the year. Restrictions were gradually relaxed with life returning to some sort of normal even though new variants such as Delta and Omicron threatening to derail progress.

Global bond yields oscillated during the period which resulted in changing factor leadership in equity markets. Inflation projections continued to worsen throughout the year and after an initial view that inflation was transitory, central banks, led by the Federal Reserve, became increasingly hawkish. By the end of the year, bond yields had spiked, interest rates were climbing globally and quantitative tightening had replaced quantitative easing. The increase in bond yields led to a severe de-rating of growth companies, irrespective of their operational and financial performance.

Conflict in Ukraine added to pressure on equity markets. Although direct exposure of Western corporates to the Russian and Ukrainian economies is limited, the indirect impacts of the conflict were significant. Oil and other commodity prices increased significantly and the pressure on global supply chains intensified. All of this added to the inflationary pressures being seen globally.

Smaller companies materially underperformed larger companies over the year. This was due to a general flight to the safety, defensiveness and liquidity of large capitalisation stocks and the higher weighting of oil and gas and mining sectors in the FTSE 100 which benefited from a spike in commodity prices.

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Andrew Bell, chair of Diverse Income - 9 August

For the first time in several decades, investors are having to contend with high and persistent levels of inflation. The Bank of England's largesse in sustaining its boost to the money supply at near zero interest rates, at a time when trade frictions and pandemic disruptions were undermining the economy's ability to meet consumer demand, has contributed to UK inflation hitting the highest level for 40 years.

Although some of the causes of inflation are not responsive to higher interest rates (for example the shortage of oil and gas production, disruption to trade with China and the impact of the Russian invasion of Ukraine on food prices), high global levels of inflation have left central banks with no alternative to raising rates in order to reduce demand, even at the risk of a recession.

The stock market implications are particularly negative for the most highly rated sectors and those valued on hopes of becoming profitable at a distant future date. Cheap money in recent years led to growth being chased irrespective of valuation, whereas higher interest rates have ushered in a more sceptical view. The exceptionally high ratings on many technology stocks have fallen, while job cuts and corporate collapses in more speculative areas are a reminder of the vulnerability of companies with negative cash flows.

The UK market in 2022 has, in contrast with recent years, held up better than most. This is partly due to its sector mix (given the index's exposure to higher commodity

prices and banks' margins benefiting from higher interest rates) but also due to its low valuation. Growth is important but paying a realistic price for it is essential. If inflationary pressures were to become endemic, the benefits of the UK market's lowly-rated cash flows could attract greater investor attention.

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William Meadon and Callum Abbot, co-managers of JPMorgan Claverhouse - 5 August

Economies around the world face a generational storm of slowing growth, rapidly rising inflation and tightening interest rates. With the first war in Europe since 1945 still raging, there is much to be concerned about. Investor sentiment is fragile, volatility has markedly picked up and liquidity (especially in small and mid-cap stocks) is drying up.

Inflation is proving not to be 'transitory' and the authorities are belatedly starting to recognise such by raising rates, although there clearly needs to be more - but at what price to economic growth? Markets are now worrying (rightly) about stagflation in the developed world, which would be bad for most asset classes and most companies' real profitability. The labour market remains tight and Putin continues to use commodities as a weapon of war. Gas rationing in Europe this coming winter is now a distinct possibility.

The oil price remains stubbornly high and high prices have historically closely correlated with recessions. The Russian/Ukraine war looks like being a long and harrowing one, which will fully test the West's resolve to stay the course. A tough economic winter lies ahead.

However, equities have priced in a lot of bad news and for long term investors such as ourselves, there are an increasing number of really strong, sound companies now trading on attractive valuations. The market will eventually return to focus on company fundamentals, which should suit our bottom up stock picking approach. Whilst only over a short time period, the market has been more responsive to fundamentals throughout the July earnings season.

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North America

(compare north American funds **here**)

Timothy Parton and Jonathan Simon, co-managers of JPMorgan American – 23 August

In the first six months of 2022, the S&P 500 Index declined by 20% (in US dollar terms) and 10.8% (in sterling terms), as inflation fears gave way to worries about a recession.

The US economy is currently beset by the highest inflation in over 40 years, and inflation pressures have proved greater and more prolonged than either the Federal Reserve or markets expected. At the Federal Open Market Committee's (FOMC) December 2021 meeting, core inflation was expected to fall from 4.4% year-on-year (YoY) in Q4 2021, to 2.7% in Q4 2022. Unfortunately, Russia's invasion of Ukraine and resulting sanctions, combined with China's zero-Covid policy, have kept upward pressure on prices. Core inflation reached 6.0% YoY in June, forcing the Fed to adopt a much more hawkish stance. A 0.25% increase in the federal funds rate in

March 2022 was followed by further hikes of 0.50% in May and 0.75% in both June and July.

Persistently high inflation is undermining real wage growth, consumer spending power and corporate profits. The labour market remains a bright spot, with job vacancies far exceeding the number of unemployed, but low unemployment has not stopped consumer sentiment from falling sharply. The University of Michigan Consumer Sentiment Index has plunged, and while the Conference Board's consumer confidence survey has held up better, given the higher importance it attaches to labour market conditions, it too has weakened. Higher short-term rates and quantitative tightening have also boosted both mortgage rates and the dollar, damaging the prospects of the housing and export sectors. This, allied with falling consumer confidence and a very significant fiscal drag, has resulted in a slowdown in economic activity. GDP contracted modestly in Q1 2022 and the risks of a near-term recession are escalating.

The continued rise in oil prices ensured that energy was the only sector of the S&P 500 Index to make gains over the first six months of the year. Energy stocks returned 32% over the period. Defensive stocks also did relatively well - utilities declined by only 1.0%, consumer staples were down 5.6% and health care stocks fell 8.3%. Longer duration growth sectors were the primary laggards, with consumer discretionary stocks (-32.8%), communication services (-30.2%) and information technology (-26.9%) worst affected.

Large cap stocks, as represented by the S&P 500 Index, returned -20% (in US dollar terms), outperforming the small cap Russell 2000 Index, which returned -23%. Overall, value continued to outperform growth, as the Russell 3000 Value Index declined by 13%, while the Russell 3000 Growth Index declined by 28%.

Outlook

Financial conditions have rarely tightened more over a six-month period than they have done so far this year, thanks to the Fed's increasingly hawkish stance. The risks of recession have undoubtedly increased accordingly. However, the cyclical sectors of the economy are not yet suggesting a serious slowdown. We also take some comfort from the fact that we do not see evidence of the kind of excesses in housing construction or business investment that have led to previous deep and protracted recessions. In addition, the improvement in commercial banks' balance sheets over recent years leaves them well-placed to weather a period of economic weakness. Corporates have high gross debt levels, but they are awash with cash and do not appear overextended. Consumer debt metrics also look healthy. All this reduces the prospects of a vicious, credit crunch-induced recession. So, our base case scenario is for a soft economic landing, with any slowdown likely to be much less severe than the previous two downturns.

Markets tend to anticipate economic conditions and share prices have already dropped significantly due to mounting concerns about the outlook for growth. We expect volatility to persist until we get clarity on the medium-term inflation picture and the Fed's response, but we will not be deterred by such uncertainties. Valuations are now at much more attractive levels, and we will seek to capitalise on the interesting investment opportunities this volatility will inevitably generate.

Don San Jose, Jon Brachle and Dan Percella, managers of JPMorgan US Smaller Companies - 22 August

The US equity market saw its worst first half of the year since 1962, as sharp declines pushed the indices into bear market territory. In the first six months of 2022, the S&P 500 Index declined by 20% (in US dollar terms) as supply chain and COVID-19 worries eventually gave way to greater fears that as the Federal Reserve ('Fed') fights inflation, the economy will tip into recession.

A confluence of high inflation, fast-paced monetary tightening, elevated input costs and other supply chain constraints pressured the markets through several ups and downs throughout the period. Equity markets lost ground at the start of the year due to the war in Ukraine and high headline inflation. While heightened anticipation of a hawkish Fed action added to the market volatility, robust labor markets, promising consumer spending and healthy business activity even in a tough business environment provided a brief respite to the investors in March.

The markets resumed the sell-off in April as the first quarter GDP reading showed that the economy had contracted as a result of unceasing supply chain constraints and rising input prices and wage costs. Continued headwinds to corporate manufacturing and retail sales powered a volatile market in May, ultimately resulting in slow growth and the fall in manufacturing production by the end of June. While increased spending in pandemic affected areas is promising, the ability of the Fed to lead the economy into a soft landing combined with continued supply chain constraints and the highest inflation in over forty years has brought uncertainty to equity markets.

Large cap stocks, as represented by the S&P 500 Index, returned -20.0% (in US dollar terms), outperforming the small cap Russell 2000 Index, which returned -23.5%. Overall, value continued to outperform growth, as the Russell 3000 Value Index declined by 13.1%, while the Russell 3000 Growth Index declined by 28.2%.

We expect rising recession fears to continue to pose a challenging backdrop for US small cap stocks in the near term. However, with US small caps currently in a bear market, investor sentiment near all-time lows and valuations relative to large caps at historically attractive levels, we believe the longer term prospects for US small caps have become more compelling, and we have begun incrementally positioning for a market recovery. Inflation and other uncertainties, such as the tightening liquidity, lingering effects of COVID-19 on the continued supply chain constraints, and economic impacts of the war in Ukraine will be integral to investor sentiment moving forward.

While the economy has steadily recovered, we remain balanced and continue to monitor incremental risks that could represent headwinds for US stocks. Through the volatility, we maintain exposure to quality, focus on high conviction stocks, and take advantage of market dislocations for compelling stock selection opportunities.

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Bill Ackman of Pershing Square - 22 August

2022 has been an unusual and highly volatile year in the capital markets. This volatility has been driven by uncertainty associated with high levels of global inflation, central-bank-led increases in interest rates and related confusion about monetary policy, the risk of a possible recession, the war in Ukraine, political divisiveness and discord, and fear and unease about climate change and geopolitical risk. Each of these factors on their own could be a cause for a high

degree of stock market volatility. When combined, uncertainty and volatility rule the markets.

Global emerging markets

(compare global emerging markets funds **here**)

Michael O'Brien, manager of Fundsmith Emerging Equities - 5 August

The first half of 2022 saw a number of challenges for emerging markets, all of which we touch on in more detail later. Included in these are inflation, rising interest rates, leading to deteriorating terms of trade for a number of emerging market economies, the Russia-Ukraine War, China's Covid-zero policy and the continued dislocation of global supply chains.

Interest rates, after years of benign neglect by central banks are suddenly on the rise. Interest rates in general collapsed after the 2008 global financial crisis and left the world in a situation where aside from dislocations such as mortgages, which paid you, and sovereign or corporate debt you paid to own, the outcome was an asset price bubble as, in effect, capital (or at least to those who could access it) was somewhere between cheap to virtually free.

Anyhow, the party is now coming to an end with rates rising globally and, in some financially stressed developing countries, rate rises being fierce. Capital suddenly has a cost, and current financial liabilities and earnings weighted to the future have a cost. For emerging markets, this has also been exacerbated by the potential rate of increase of US interest rates, leading to capital outflows as investors chase a higher headline 'risk-free' dollar return.

Inflation has returned, driven by a combination of the impact of Covid stimulus and higher raw material prices. After being thought of as dead for the best part of two decades inflation, whether transitory, permanent (or more likely) a combination of both, is likely to remain an impact in emerging markets for the foreseeable future.

Inflation in emerging markets has also been driven by the impact of terms of trade on those countries that either do not have developed export economics (China, South Korea & Taiwan) or are major resource exporters (Indonesia, Brazil and South Africa). Terms of trade for an emerging (and frontier) market economy can deteriorate rapidly in a high inflationary environment, as countries which are net importers and running sustained deficits see higher import costs feeding through into a weaker currency, with the subsequent impact of a further increase in trade deficits and even further currency weakness. It is not uncommon for governments to then try to reduce the economic pressure on their populations by the use of subsidies - leading to both market distortion and increased government deficits, funded at ever-higher borrowing costs.

Inflation has typically been far more prevalent than in the developed world due to lower levels of integration into the global economy (and thus the cost benefits of globalisation) and also in a number of countries' elevated inflationary pressures caused by domestic currency weakness. Second, most people in the developed world under 40 have not encountered the impact of inflation before. Although the economic concept of the value of what you own or earn becoming worth less is (hopefully) easy for them to understand, they will not be aware of the social impact (and in the case of prolonged inflation social dislocation) it brings.

Maria Luisa Cicognani, chair of Mobius - 2 August

The outlook for the next year remains challenging. The greatest risk is a deep and lasting recession in the US, which would impact corporate earnings globally. A mild recession scenario is however what we think is more likely. Households still sit on excess savings built up during the pandemic, and some sectors-notably travel and hospitality-have seen strong demand in recent months. Consumers are still spending. The biggest risk we see is in "sovereign" governance where inflation and job losses may influence the rise of populism.

A recession in the US might hurt Western assets more than those of emerging markets ("EM"). Many EM are in a stronger position than they were in the last tightening cycle with lower foreign debt, less leverage in the private sector and prudent central bank policies that have put them ahead of the Fed in the cycle. However, we are monitoring closely the effects that rising inflation, increasing interest rates and a prolonged supply chain disruption may have on our companies. Many EM currencies are undervalued. And EM valuations are cheap compared to their historical levels and their developed market peers, with the current risks priced in. This creates opportunities for investors. In a recent McKinsey & Co survey, respondents in the Asia-Pacific and Greater China said that they expected their economies to improve in the second half of 2022. If China starts loosening its strict Zero-Covid policies in the coming months supply-chain disruptions will ease and so will local inflationary pressures. We have seen the first positive signs in recent weeks. However, we might need to wait until after the Party Congress this autumn to see a significant shift in policies. In contrast to Western economies, China has stepped up monetary easing to support growth during the first half of the year and a rebounding China will be good for emerging markets.

Growth stocks have had their run and have passed on the baton to value stocks and commodities. The team believes that in the current environment careful stock selection supported by granular work and constant engagement is what will continue to create value.

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Asia Pacific

(compare Asia Pacific funds **here**)

Ian Cadby, chair of abrdn Asian Income - 15 August

During the review period, as inflation surged globally, and Russia invaded Ukraine, governments started to reduce the amount of money being pushed into the economy. Even before the invasion, price pressures had been building globally, fuelled by pent-up demand and Covid-related supply-chain woes, compounded by China's zero-tolerance approach to Covid. The war amplified supply shocks and drove commodity prices sharply higher, causing major central banks to tighten further. This, in turn, stoked fears of recession. Most notably, the US Federal Reserve jolted markets when it delivered a series of larger than average interest rate increases to slow down inflation.

Little wonder, then, that almost all major stock markets ended in the red. Asian markets, however, were more resilient than other global emerging markets and the developed markets of the US and Europe. One reason is that Asia is much less exposed to the war in Ukraine. In addition, inflation is still moderate in most of Asia compared to the rest of the world which, combined with a softening global backdrop,

could translate to relatively lower interest rate increases. The region's healthy current account positions and fiscal discipline should also help it better withstand a downturn. Perhaps most importantly, the post-Covid reopening (Asia is a relative latecomer) should prompt market growth in the short to medium term. Economies in South-East Asia are already humming again thanks to a tourism comeback. The uptick in domestic demand should also underpin earnings growth - and the outlook for dividends.

With inflation rising and markets in tumult, dividend-paying stocks proved resilient as investors shunned growth stocks in favour of stability and income.

Outlook

Volatility could remain the order of the day, as recession fears join inflation woes while central banks continue on their path of normalisation. China is still a source of some anxiety, particularly given Beijing's dynamic zero-Covid policy and increasing tensions with relation to the US. That said, your Manager is cautiously optimistic about China's outlook in the second half of 2022. Growth momentum could strengthen as supportive policies work their way through the economy. Benign inflation - in marked contrast to many advanced economies - also creates room for further monetary easing and stimulus. While caution is merited, there are elements of good news. The recovery in South-East Asia is gathering pace, which bodes well for earnings growth. By and large, Asia is seeing some return to normality. Your Manager is travelling again and meeting with companies, business leaders and policymakers. And it is heartening to report that though near-term macroeconomic uncertainties pose challenges, your Company's holdings - with their buffers of strong balance sheets, cash flow generation and pricing power - remain broadly resilient. They should have the wherewithal to ensure steady dividend payouts. Your Manager will closely monitor their operational performance over the next few quarters.

All told, Asia continues to provide rich pickings for investors, especially those who target income and capital growth. Not only does the region offer compelling dividend yields, Asia's long-term growth drivers, such as rising affluence, technology adoption and green energy, also remain persuasive. Your Manager has the advantage of having a long heritage in Asia and feet on the ground, filtering through the noise to find proven quality companies that are ideally placed to benefit from structural trends while generating healthy income for investors. Your Board remains confident that the portfolio's predisposition towards such companies will continue to reward shareholders over the long term.

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Ian Hargreaves and Fiona Yang, managers of Invesco Asia – 2 August

The Russia-Ukraine conflict has complicated central banks' plans to tackle post-pandemic inflationary pressures via rates hikes, raising concerns that the US Federal Reserve may have to keep tightening policy, even after growth has started to slow. Whilst a rising yield environment has historically been tough for Asian market performance, we remain calm about the prospect.

Firstly, inflation in Asia remains at more comfortable levels. As can be seen in the chart in the Annual Financial Report, this largely remains – for now – a developed market problem. Furthermore, compared to when Asian countries last faced the prospect of tightening conditions in the 'taper tantrum' of 2013, they are generally much earlier in their economic cycles. Warning signs such as high credit growth and deteriorating external accounts were, and still are, absent.

However, the prospect of higher inflation and slower growth has ramifications for market leadership in Asia, as well as country and sector allocation. In terms of market leadership, long duration assets have been particularly vulnerable, but the lower valuation of the portfolio compared to the market has benefited relative performance.

Higher commodity prices mean energy and commodity producers take a greater share of consumer wallets at the expense of other industries' revenues and margins – but there are few winners in this environment. Companies with strong pricing power should do better, but realistically most companies will feel some pressure.

We have been evaluating the earnings risk of financials and autos sectors, where we are overweight. These may struggle in the short-term if risk aversion takes hold and if there is greater uncertainty over economic growth. However, financials stand to benefit from rising interest rates, have capital buffers, and have some support from overprovisioning after being overly cautious during Covid-19. Growth expectations in Asia also appear less vulnerable, as we continue to expect a re-opening dividend as Covid becomes endemic. For car manufacturers, we expect some margin pressure and can foresee big ticket items like car purchases being delayed if consumers are nervous about the outlook. However, the sector has yet to fully take advantage of pent-up demand, limited supplies and low inventory levels, suggesting less need to offer the usual discounts.

Markets are right to be concerned about inflation, policy normalisation, the war in Ukraine and the resurgence of Covid-19 in China. However, Asian equity markets are already a year into their pull back from post-pandemic highs, with valuations now appearing increasingly attractive in both absolute and relative terms.

We feel there is a strong case for Asia's discount to US and World markets to narrow. While fundamentals in developed markets are deteriorating, there is scope for improvement in Asia. Consumption growth in Asia still lags its pre-pandemic trend. While there was some fiscal and monetary stimulus in Asian economies, the policy response was nowhere near as aggressive as that seen in the US and other developed markets. Most emerging markets took longer to contain the pandemic and rollout vaccine programmes, with potential for consumption to pick-up as economies reopen after the pandemic, which is likely to support corporate earnings and profitability.

Inflationary pressures are less of a concern than in the developed markets, suggesting greater policy flexibility, which should also be supportive for markets. The current account balances of Asian economies are also in better shape than when they last faced the prospect of tightening conditions in the 'taper tantrum' of 2013. We also have a situation where China is close to the bottom of its cycle, and is starting to ease policy, while the US and other developed market appear to have reached the peak of the cycle and are starting to tighten. Combined, we feel this makes Asia an attractive place to be investing over the medium-term.

Europe

(compare Europe funds **here**)

Sam Cosh, manager of European Assets - 3 August

This has been a challenging six months for European smaller companies, but they were not alone; developed market equities had the worst first half for over 50 years. The initial market weakness was precipitated by consistently rising inflation data, causing expectations of a faster tightening cycle led by the US Federal Reserve. This rapid reset of interest rate expectations caused aggressive market moves and for equities a huge rotation out of quality, growth areas into more value areas with energy being the main beneficiary. The Russian invasion of Ukraine in February exacerbated these trends with oil and food prices spiking. Meanwhile, China's zero COVID-19 policy and regional lockdowns added to supply chain restrictions further fuelling rising input costs. In an effort to quell inflation, central banks have become increasingly hawkish and this has increased recessionary expectations, leading to further market declines.

The outlook for the European economy is challenging. The region is facing a winter with potentially severe gas shortages and consumers and corporates are facing significantly increased costs. In fact, a recession in the UK, Europe and US is now expected though this economic weakness is expected to be relatively mild. Corporate inventories are low, consumer and corporate balance sheets are in good shape, and the banking sector looks robust. Markets have also moved quickly and now look to be good value, particularly in Europe which has suffered the main effects of the Ukraine conflict. This aggressive compression in valuations now provides opportunities. Good quality growth stocks do not look expensive, and we would expect to add some new holdings from our watchlist through the second half of the year. We believe that good franchises will have pricing power and therefore the potential for revenue and margin growth. In an environment of rising and volatile costs we would expect them to deliver better operational results than the market and would expect such performance to be rewarded once interest rate expectations settle down.

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Sam Morse, manager of Fidelity European - 5 August

Continental European markets fell sharply in the first half of this year, as investors fretted about the likely consequences of rising inflation, exacerbated by the war in Ukraine.

The year kicked off with a marked rotation from so-called ‘growth’ to ‘value’ stocks as investors anticipated an acceleration in interest rate rises by central banks to curtail inflation. Companies with little fundamental support, in terms of earnings or dividends, were hit particularly hard (the Company benefits from being underweight in these companies). The invasion of Ukraine led to an increasingly risk-off tone with defensive sectors, such as healthcare, benefiting at the expense of more cyclical sectors, such as banks, as stagflation became a popular economic prediction. The market fall accelerated towards the end of the period when the Federal Reserve surprised with a 0.75% interest rate rise showing that it was willing to risk recession in order to rein in inflation.

Although share prices have been very weak during the period, company earnings in continental Europe have continued to rise and, until very recently, were even

upgraded. The fall in the market has seen a very significant derating of valuation multiples, albeit from unusually high levels. The stock market is considered a leading indicator and may, therefore, be signalling trouble ahead, but managements of companies are typically more upbeat, and we have noted an increase in directors buying shares in their own companies, and also an increase in M&A activity (which has significantly boosted two holdings in the portfolio). Time will tell if their optimism proves misplaced.

To date, consumer spending is holding up, but consumer confidence is falling, and inflationary pressures continue to rise. Most investors now seem to expect a fall in private consumption in the Autumn after savings, made during the pandemic, are exhausted in a summer spending spree. This is concerning, particularly when one considers that consumer spending is by far the biggest component in the GDP of most continental European countries. If Russia closes the gas pipeline, things could go from bad to worse this winter for most continental European economies and particularly for Germany and Italy which have typically been more reliant on Russian-sourced energy.

What could improve the picture for Europe? China re-opening driving a global recovery? Peace in Ukraine? Inflation peaking? All seem unlikely at present so it seems probable that equity markets will continue to struggle until the medicine (higher interest rates) appears to be working and bringing inflation under control. Central banks cannot wave a magic wand anymore. They are caught between a rock and a hard place.

The market has, of course, already discounted much of this bad news. As your former portfolio manager, Anthony Bolton, likes to say: “it’s important not to grow increasingly bearish as the market falls”. The stock market will start to recover (often inexplicably) some months before earnings bottom out or a recession ends. When it does it will be led by cyclical companies with weak balance sheets (colloquially known as a “trash rally”), but we remain confident that in the long term, focusing on attractively valued companies with strong balance sheets and consistent dividend growth will deliver out-performance.

Japan

(compare Japan funds **here**)

Nicholas Price, manager of Fidelity Japan - 3 August

Market Review

The first half of the year has been difficult for investors, with prices declining across regions and asset classes. While the Japanese market has fallen only modestly in yen terms, the reality is that, under the surface, style trends have been extreme. This is the result of aggressive action by the US Federal Reserve to address inflation, supply chain disruptions due to COVID-19 and the war in Ukraine. Growth stocks have underperformed their value counterparts by more than 20% over the past six months, which has created performance headwinds for the Company.

Against this backdrop, high valuation stocks in sectors such as Electric Appliances, Precision Instruments and Services have faced compression in price-to-earnings multiples amid rising bond yields. Exporters in general have been weak as concerns over a recession in the US and lockdowns in China outweighed the benefits of a

weaker yen. Conversely, the Mining and Oil & Coal sectors have been among the strongest performers over the past six months, reflecting tightness in commodities. Rate-sensitive Financials also did well, and Utilities outperformed on the prospect of further nuclear restarts.

Despite ongoing supply disruptions and rising input costs, Japanese companies delivered strong earnings results for the year to March 2022. On an all-industry basis, sales increased by 11% from the previous year and net profits jumped by 38%. The largest contributions came from Manufacturing, Commodities and Shipping. Total dividends and share buybacks for the fiscal year reached record highs, with cheap valuations and cash-rich balance sheets seeing buybacks accelerate to unprecedented levels in the month of May.

On the macroeconomic front, the Japanese economy experienced a decline in the first three months of 2022, with real GDP coming in at-0.5% annualised. The Omicron hit to consumer spending was relatively mild, but supply constraints held back capital expenditure and various stages of production. Subsequent economic indicators underscored the constraints on the Manufacturing sector from rising input prices and the lockdowns in China, while domestic services and consumption continued to recover as the pandemic receded. Meanwhile, the Bank of Japan maintained its existing monetary policy and the Japanese government passed a supplementary budget, centred on measures to counter rising prices.

Outlook

Markets will remain susceptible to a high level of macroeconomic uncertainty, centred on global inflation and interest rates, and attendant concerns about the risk of recession. While we are closely monitoring the impact that imported costs are having on companies and consumers in Japan, inflation is much lower than in other regions and the country is starting to get back to normal as the pandemic recedes. In this environment, we are focusing on domestic reopening names and oversold, consistent growers. There are also a lot of opportunities in the mid/small-cap space, where valuations have come down significantly and made it a bargain sale for mid-term investors.

Japan continues to offer a wealth of under-researched mid/small-cap growth companies. Active managers based here on the ground have the opportunity not only to invest in established global leaders, but also to unearth less well-known companies (including pre-IPO), where lower levels of analyst coverage can often create some great mispriced opportunities. In an uncertain environment, our in-depth research and on-the-ground knowledge are invaluable when looking at the micro level and speaking to company management to fully understand the prevailing dynamics.

Flexible Investment

(compare flexible investment funds **here**)

Sir James Leigh-Pemberton of RIT Capital Partners - 2 August

In the short, six-month period from our year end to 30 June 2022, we have witnessed a combination of geopolitical instability, macro-economic shifts and market volatility in all asset classes at a level which rivals the most challenging periods in recent history. There is little to suggest that this period of uncertainty will end soon. The

risks of recession, elevated inflation, supply side shocks and significant changes in monetary policy are clear and present dangers for investors.

By the end of June, equity markets had suffered substantial losses. The S&P 500 was down -20%, with the FTSE 250 and key European indices in similar territory. There were pockets of relatively stronger performance with single digit declines in Japan and China, the latter recovering from April lows as the government's more constructive policies started to have an effect. Bond markets also suffered, with the yield on 10-year US treasuries rising from 1.5% at the end of 2021 to a 10-year peak of 3.5% in mid-June, with corresponding sizeable losses for investors. These developments made the last six months the most treacherous start to a year for traditional balanced portfolios on record.

The risks associated with the fundamental shift in central bank policies towards higher interest rates and balance sheet shrinking, to which I referred earlier this year, are by no means behind us. Central banks are faced with the difficult and delicate task of arresting the recent surge in inflation, without causing a recession. The outlook for corporate earnings is challenging, as costs rise and economic activity slows, and there remains a risk of further exogenous shocks, particularly in energy supply and pricing.

Nevertheless, as the market adjusts to these new norms, the resulting disruptions will continue to present opportunities.

Commodities & natural resources

(compare commodities & natural resources funds **here**)

Evy Hambro and Olivia Markham, managers of BlackRock World Mining - 23 August

The first half of 2022 was certainly volatile and it seems that from where we started the year to where this period has ended is radically different. The mining sector moved from spectacular returns during the first few months to giving back almost all of them during the month of June alone, with the Company's Reference Index falling by 15.9% during the month. In isolation this is disappointing given the huge gains made during the first five months, but when looked at versus broader financial markets the result remains well ahead on most metrics.

In hindsight, the ongoing COVID-19 related economic weakness in China, the threat of a recession in the developed economies and the Russian invasion of Ukraine were too much for commodity prices, triggering a violent sell-off as the first half of the year ended. Stale long positions were liquidated at speed during June causing downward moves in share prices. The scale of falls were reminiscent of the panic selling in 2008, despite the strong balance sheets that mining companies have today.

At the time of writing it is too early to see how well the companies have done during the first half of the year. Finding a balance between managing the cost pressures from inflation, whilst trying to capture strong prices when selling production, is going to be key to successful first half year results. Nevertheless, cash generation is likely to have remained high and with capital allocation continuing to favour shareholder returns it is our expectation that dividends will once again be at healthy levels.

Energy transition

Last year we mentioned the energy transition as a key factor behind expectations for better than forecast demand for commodities over the medium to long term. This remains the case and probably even more so given the move in Europe to rapidly diversify energy needs away from Russia. However, the near-term focus of governments on dealing with inflation is likely to offset the impact of green infrastructure related demand for the balance of this year and into 2023.

Base metals

Base metal prices started the year strongly, peaking just after the invasion of Ukraine in March. However, since then they have declined by over 30% with inflation turning from a tailwind to headwind impacting demand and triggering a central bank policy response and slowing of the global business cycle. The COVID-19 related lockdowns in China have also caused a sharp dip in demand which is yet to be fully recovered after reopening.

The copper price started the year strongly reaching over US$4.85/lb in early March. However, since then, it has fallen nearly 23% to finish the first half of the year down by 15%.

As the global business cycle has slowed, we have seen physical data for copper deteriorate, premiums decline and treatment charges rise. Exchange stocks remain low but have increased by nearly 220,000 tonnes since January and there is some evidence of stockpiles of concentrate. Chinese demand is expected to improve into the second half of the year which should support demand, but there is still uncertainty around the continuing zero COVID-19 policy, weak property market and slower export demand given the deterioration in western economies. Stimulus from China could support a stronger market outlook. We remain confident in copper decarbonisation led demand supporting prices longer term, along with persistent supply side challenges noting the global business cycle's impact and uncertain outlook for short-term demand.

On the supply side, production has generally disappointed year-to-date with forecasts of production growth declining to around 3% this year from closer to 5%. Chile, which accounts for one-third of global copper supply, has seen year-to-date copper production decline by 6% versus 2021. Production halts include mining at Las Bambas in Peru stopping for 52 days due to community protests and a pipeline leak at Los Pelambres in Chile.

In 2021 global nickel use rose by 17% while supply only grew by 5.3% creating a deficit market, but in 2022 supply is projected to grow 17.5%, led by Indonesia. We have seen significant supply announcements from Indonesia across many different nickel products including nickel pig iron for stainless steel and nickel matte and nickel sulphate which go into battery demand. If these projects come to fruition by 2025, Indonesia could reach 60% of global supply compared with 30% in 2020.

Bulk commodities and steel

Following China's curtailment of steel production at the end of 2021, our expectation was for a stronger market and higher steel output levels post the Beijing Winter Olympics in February. This largely played out with steel demand increasing and iron ore restocking occurring during March, which resulted in the iron ore price holding a healthy range between US$130-160/tonne. However, ongoing weakness in the Chinese property market and China's zero COVID-19 policy saw the price fade towards the end of the first half of the year with the price finishing flat for the six months at US$122/tonne.

Iron ore supply has been weaker than expected with Ukrainian predominantly high-grade material being largely removed from the market, labour constraints impacting Pilbara production and weather impacting Brazilian production. This kept the iron ore market tight during March and April which saw port stocks drawn down and blast furnace utilisation rates in China increase, supporting the iron ore price. However, as domestic steel demand weakened due to China's zero COVID-19 policy, finished steel exports from China increased, particularly in May, putting pressure on global steel and in turn iron ore prices. Encouragingly, as we ended the six-month period, the Chinese Government announced a major US$1.1 billion infrastructure investment to support the economy which should see infrastructure investment increase by 8% year-on-year supporting commodity demand.

Precious metals

Precious metals have remained largely range bound at high levels over the first half with the gold price down by 1% and silver by 12%. The gold price has been largely driven by two opposing forces, geopolitical tension with the Russian invasion of Ukraine which saw the gold price reach US$2,056/ounce in March and, on the flip-side, the US Federal Reserve rate hikes increasing real rates and the US Dollar. We continue to expect a largely range bound gold price for the remainder of the year, with the gold price holding up despite increases in real interest rates, which is typically a headwind to the gold price and highlights the market's concern that central bank interest rate rises may not be able to curb inflation and may potentially induce a recession.

The price of silver has underperformed the gold price during the first six months of the year, with the gold/silver ratio rising to 88 due to its exposure to the deteriorating industrial demand outlook. Longer term we see upside potential from greater solar penetration and increased usage of semi-conductors, both of which rely on silver due to its high level of electrical conductivity.

An encouraging feature of the gold equity market over recent years has been the increased focus on shareholder returns, with focus on free cash flow and dividends. However, results in 2022 have shown margin compression due to rising labour, energy and other input costs. Whilst the portfolio has continued to hold a lower allocation (16.5%) to gold companies versus a similar time last year (18.3%) we have maintained our strategy of focusing on high quality producers which have an attractive operating margin and solid production profile and resource base. Amongst our gold companies, Newmont Corporation's performance continues to stand out in the sector, a reflection of its cash return policy. In addition, the Company's exposure to the royalty companies Franco-Nevada (3.0% of the portfolio) and Wheaton Precious Metals (2.5% of the portfolio) aided performance given the stronger margins and lack of exposure to cost inflation.

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Richard Hayden, chair of Riverstone Energy – 17 August

The start of 2022 saw global economies continue their recovery from the COVID-19 pandemic. The gradual re-opening of borders around the world and a slow return towards travel and higher levels of consumption meant that oil demand for 2022 was expected to recover towards pre-pandemic levels of 100 million barrels per day. This was despite ongoing lockdowns in China and global supply chain disruptions which threatened global growth.

However, alongside this recovery in demand we have seen a new geo-political crisis which has had significant impacts on energy markets and the world economy. The

war in Ukraine has brought not only suffering and tragedy for the people of that country but also a new supply-side constraint. The ongoing conflict has affected European and US relations with Russia and profoundly changed the world's energy supply and demand dynamics.

The world, and Europe in particular, has almost overnight been forced to try to reverse years of policy development to re-balance energy supply chains, with countries scrambling for new sources of energy away from Russia. Almost overnight we have seen a change in priorities and policies that had previously received long-term support and investment. Most notably in evidence has been the exit of western companies from Russia across multiple sectors including energy and the banning of non-pipeline oil imports to the EU from Russia. This has exacerbated what were already higher levels of price volatility and has resulted in price increases in all areas of the energy market, which in turn has contributed to the return of inflation in the world's major economies.

This has happened at a time when the supply of oil and gas is already tight following years of underinvestment by the industry. Organization of Economic Cooperation and Development (OECD) and US crude inventories were low going into the year and as we come to the mid-point of 2022 are looking tighter still. Spare OPEC capacity is reportedly limited and the ability to increase and transport production from other sources and countries remains marginal in the near-term.

So how has this impacted commodity prices year to date? For the year so far, we have seen oil spot prices at eight-year highs and wholesale gas prices approximately doubling. Despite this dramatic increase, we expect continued price volatility as we see a steady increase in demand and global markets are likely to remain under-supplied in both oil and gas. While oil and gas are at multi-months lows due to recession fears and economic slowdown in China, overall prices are still materially up from last year. Higher energy prices are partly fuelling rapid inflation and a cost-of-living crisis which is particularly pronounced in Europe. Recent forecasts from the OECD estimated that average inflation in its 38 member countries rose to 10.3% in June of this year - more than double its previous forecast. Rising interest rates by central banks to rein in inflation may only exacerbate market volatility. Due to recession fears, natural gas and oil prices are all up materially over the last 12 months.

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Adrian Brown, chair of BlackRock Energy and Resources Income – 4 August

As the Company's financial year began on 1 December 2021, markets were buoyant with many major indices achieving either all-time highs or pre-COVID-19 levels. However, supply constraints coupled with increasing demand as post-COVID-19 economic activity restarted, caused inflation to rise sharply. An already challenging market environment was exacerbated by Russia's invasion of Ukraine and the resulting humanitarian crisis. The energy supply shock that resulted drove energy prices ever higher, pushing inflation to a 40 year high of 9.4% in the UK in June 2022.

Against this backdrop, the Traditional Energy sector had the strongest start to the year in both relative and absolute terms (the MSCI World Energy Index was up by 51.6% over the period compared to an increase in the MSCI ACWI Metals and Mining Index of 12.7% - both in US Dollar terms with dividends reinvested). In contrast the Energy Transition portion of the portfolio performed less well as margins were impacted by cost inflation and a "growth" to "value" rotation drove a sell-off in share prices in high growth sectors. Your Company's portfolio was well-positioned

to weather these trends, as the portfolio managers increased Traditional Energy exposure through 2021 and into 2022 to stand at 41.0% at the end of the period, and moved to lower weighting in the Energy Transition sector (21.1% at 31 May 2022).

With the impact of the COVID-19 pandemic receding, the longer-term implications for the global economy are beginning to play out, compounded by increased geopolitical tensions. Commodity prices remain elevated, partly due to the war in Ukraine and the continued sanctions on Russia, while labour markets remain tight, underpinning higher inflation trends in the US and Europe. This has put increasing pressure on central banks to raise interest rates, increasing the risks to economic growth. However, either way, it is likely that inflation remains entrenched above central bank targets for some time to come.

Technology & media

(compare technology & media funds **here**)

Walter Price and Mike Seidenberg, managers of Allianz Technology – 8 August

Global equities tumbled over the first half of 2022, posting their worst two-quarter drop since 2009, as Russia's invasion of Ukraine sparked the biggest energy price shock since the 1970s. Inflation accelerated sharply, and concerns grew that major central banks would need to be more aggressive in raising rates and that a period of negative growth may be needed to tame rising prices. China's strict zero-Covid policy further undermined sentiment as it led to lockdowns in major cities which hit demand and added to supply chain disruptions.

At a sector level, energy was a rare bright spot in major indexes, with share prices surging along with oil and gas prices. Elsewhere, however, sector returns were steeply negative. The consumer discretionary, communication services and information technology sectors fell the most, with 'new technology' stocks declining sharply as the prospect of higher interest rates lessened the appeal of companies that may not generate meaningful earnings until well into the future, e.g. Snapchat.

As inflation surged to multi-decade highs, central banks in developed markets responded - although they were viewed as being 'behind the curve' compared to many emerging market central banks which had already started to raise rates. In March, the US Federal Reserve (Fed) hiked rates for the first time since 2018 and implemented two more increases in April and May, with each becoming more aggressive. The European Central Bank (ECB) finally abandoned its dovish stance in the second quarter, signalling it would likely raise rates by 0.25% in July and would implement more aggressive rate rises later in the year. China and Japan were outliers, with the former becoming more supportive, particularly to its beleaguered property sector, while the Bank of Japan maintained its dovish stance.

The transition to a post-Covid economy has been complicated by a sharp rise in inflation, persistent supply chain challenges, and more hawkish central banks. However, we continue to expect technology to be the persistent driver of long-term economic growth.

Outlook

In our view, the technology sector continues to benefit from strong tailwinds which should continue to drive attractive long-term appreciation. There is no question in our minds that the Covid-19 crisis has already spurred the use of technology and will continue to change how we live and work in the future. Additionally, many businesses are struggling to find workers to meet customer demand and need technology solutions to improve productivity of limited staffs. As companies need to reduce costs and improve productivity, we expect to see accelerating demand for innovative and more productive solutions such as cloud, software-as-a-service, artificial intelligence, cyber security, etc. We are in a period of rapid change, where the use of technology is key to the prosperity of most industries. This environment is likely to provide attractive growth opportunities in many technology stocks over the next several years.

Private equity

(compare private equity funds **here**)

Sir Laurie Magnus, chair of Pantheon International - 4 August

The global recovery from the COVID-19 crisis has been upset by rising geopolitical tensions, including the tragic war in Ukraine. The combination of rising inflation (particularly for energy, minerals and food), rising interest rates and uncertain supply chains has materially altered the outlook for the economy and raised the spectre of recession. The valuations of businesses in public markets have already come under pressure.

It is impossible to foresee how all the current economic and geopolitical challenges will play out, particularly the war in Ukraine and the sanctions on Russia. PIP has no direct exposure to investments in Ukraine or Belarus and the valuation of its tiny exposure to Russian assets has been reduced to zero

Pantheon monitors carefully the level of debt in PIP's underlying investee businesses and seeks assurance that appropriate and manageable capital structures are in place. A large proportion of PIP's portfolio companies are "asset light" and orientated towards growth capital backed businesses, which carry little or no debt. Small and mid-market buyouts, which are a significant proportion of PIP's portfolio, typically have lower levels of debt than those at the larger end of the private equity market. In addition, many of PIP's private equity managers employ dedicated debt specialists who are disciplined and experienced in their use of leverage and in negotiating terms with lenders.

Richard Gray, chair of CT Private Equity - 26 August

After a very strong period for the portfolio in 2021 this year started with considerable momentum in the private equity market internationally. This reflected the resilience demonstrated by the asset class during the pandemic and the resulting ongoing strong appetite for private equity by international investors. The private equity business model involving strong alignment of interest and the constructive involvement of skilled investors in the affairs of investee companies was tested profoundly and proved robust. The recovery from the pandemic has created new

challenges with shifts in consumer behaviour, supply chain constraints and labour shortages foremost amongst these. In February a fresh set of serious challenges arose through Russia's invasion of Ukraine. Extremely high energy prices and inflation in food prices have seriously compounded the problems and higher interest rates are an obvious consequence. The risks involved in all sorts of business activity have been elevated and the private equity sector is by no means immune. The very strong flow of realisations seen in 2021 has moderated somewhat but it remains at very healthy levels and dealflow in the year so far has remained very good.

Debt

(compare debt funds **here**, **here** and **here**)

Antonio Roman, manager of Axiom European Financial Debt - 23 August

The first half was always going to be challenging as the anticipated turn of the interest cycle but the steps we took to mitigate the impact enabled us to more fully-invest as the events unfolded. Over the course of the first six months, the backdrop worsened as the war in Ukraine sped up the general market declines and interest rate rises.

In the short term, the shortage of key commodities has seen a sharp increase in inflationary pressures and, although on a purely arithmetical basis that is likely to be largely transitory, it has resulted in a further acceleration towards the normalisation of interest rates, which have been at historic lows for over a decade.

We continue to see value in the subordinated debt of European banks and insurers. With the fundamentals stand stronger than ever, normalising interest rates and a new monetary environment, there continues to be a conducive backdrop where central banks protect and support financial institutions as critical links in the transmission of their policy. The perpetually evolving dynamics of regulations provide a welcome set of catalysts that we expect to generate further value over the next six months.

Rhys Davies and Edward Craven, managers of Invesco Bond Income Plus - 18 August

With interest rate expectations rising sharply and new threats to economic growth emerging, the first half of 2022 proved to be a very difficult environment for investment across a broad range of asset classes, including high yield bonds.

The ICE BofA European Currency High Yield Index (GBP hedged) returned –14.4% over the period. To give this significantly negative return some context, gilts returned –14.7% and high quality credit rating sterling investment-grade returned –14.8%. Non-investment grade BB-rated bonds returned –14.2%, B– rated bonds returned–14.4% and the weaker or riskiest lenders at CCC rated & lower returned –16.7%.

The yield of the high yield index rose from 3.43% at the end of 2021 to 7.65% at the end of June. The credit spread widened from 337bps to 648bps.

Interest rate expectations began to rise in the final months of 2021, as evidence of higher and persistent inflation emerged, and central bank rhetoric became more hawkish in response. This shift accelerated in the early months of this year, with the

market moving rapidly to price in a series of rate hikes. While longer duration assets were more sensitive to this change, yields moved higher across bond markets.

As the year has continued, credit spreads have also widened. The extent of the tightening programme is itself a threat to growth, but concerns have been increased by two new factors, the invasion of Ukraine and the impact of Covid lockdowns on Chinese economic activity. In the first quarter of the year, the more interest rate sensitive, BB part of the high yield market underperformed. In recent months, the single B and CCC cohorts have been weaker, a sign of this increased focus on growth risks.

The market's yield is now just below the level it briefly reached in March 2020. With that exceptional period aside, it is as high as it has been in the last decade. The credit spread, although not at such an extreme level, is also at the upper end of its range.

In this far less positive environment for borrowers, high yield bond supply has fallen to just €20bn in European currencies (€7.5bn net of redemptions) in the first half of 2022. 2021 was a record year for issuance, when 307 bonds came to market, with a gross nominal value of €150bn (€88.3bn net). Given that such a large amount of financing was put in place at last year's lower yields, many corporates may be able to wait to issue new bonds, in hope of better market conditions.

However, at some point the market will need to re-open, at terms acceptable to creditors and borrowers. We have already seen a small number of deals completed at higher coupons. This is an environment that should offer some exciting opportunities for income-oriented investors.

Although there is clear evidence in business activity and consumer confidence indices of weaker economic conditions ahead, the default rate remains low. The Moody's measure of annual global high yield defaults was 2.1%, well below its average of 3.9%. It is predicted to rise to 3.3% over the next year.

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Team at RM Infrastructure Income - 8 August

Quantitative easing compressed spreads in liquid bonds as central bank buying combined with cheap money meant that in the search for yield investors purchased many names indiscriminately and taking substantial duration and credit exposures. This risk /reward profile in traditional corporate bond funds seemed unattractive to RM Funds. The recent reversal in credit spreads and underlying government bond yields has been swift and regardless of whether there is a recession or not, credit now offers attractive opportunities. For private credit, all in yields and borrower cost of funds are rising to reflect tighter credit conditions. This is a good thing for investors seeking to allocate to the sector as this lender led market allows for continued strengthening of covenant and security packages combined with higher returns.

A year ago, in the 2021 Interim Report we noted that *"the yield on the 10-year UK government bond rose during the period from circa 30bps to 85bps. Whilst this is a material move given the initial starting point as the yield has more than doubled the current 85bps yield level is still extremely low by historic standards. There are therefore clear risks to government bonds, investment grade and high yield prices should these government benchmark yields move materially higher".*

Within the investment team at RM Funds this has therefore been our base case scenario outcome for several years and hence the focus on short-dated maturities and high yielding well covenanted loans. UK Government 10-year yields are at 2.2%

at the Period end leading to price declines in the "risk free" 10-year UK Government bonds of circa 15% since the last half yearly report was released. This higher UK government yield curve combined with wider credit spreads has led to meaningful price reductions across corporate bonds.

Whilst the markets are volatile with inflation and rises in interest rates dominating investors thoughts, the actual outlook for investors seeking corporate bond exposure is now better than it has been for many years. Quantitative Easing and the movement to Quantitative Tapering combined with a shift in interest rate expectations have led to a significant movement in prices such that credit and interest rate risks are beginning to be priced more appropriately by the public markets. Benchmark names are trading at multi year elevated yield levels thus offering real value. Importantly private credit prices over public credit curves and therefore we are expecting to see RMII portfolio yields continue to rise as new capital is deployed with higher coupons. RM expect to see continued higher pricing over the coming months leading to increased coupons and thus RM think this environment is an excellent one to be allocating capital to bespoke loans. Our focus for the deployment of these new loans remains on linking coupons to SONIA or Bank of England base rate and working with borrowers that can pass through inflationary cost pressures within their business.

Renewable energy infrastructure

(compare renewables funds **here**)

Helen Mahy, chair of The Renewables Infrastructure Group - 5 August

The conflict in Ukraine has brought energy security sharply into focus. As the UK and the EU revisit their approach to energy independence, this provides further impetus to renewables investment in addition to the well-established climate action imperative. TRIG continues to play an important role, principally as a long-term owner of assets and therefore facilitating utilities and developers in Europe to recycle capital into new projects. With a significant portfolio of 2.4GW, including 463MW of new capacity in construction, we remain an active participant in the drive to a more sustainable future and greater energy security within the UK and western Europe.

Environmental

(compare environmental funds **here**)

Managers of Impax Environmental - 2 August

Russia, Ukraine and an accelerated energy transition

Europe has, over the last few decades, become heavily dependent on energy imports from Russia. On the eve of Russia's invasion of Ukraine in February, Russia supplied 41% of the bloc's natural gas, 37% of its imported oil, and 19% of its coal. European reliance on Russian energy imports may have helped persuade President Putin that the West would be unlikely to take decisive action in response to an attack on Ukraine.

If so, it is now clear that Putin miscalculated. The Western economic response has been robust. A major component of that response is a commitment to rapidly reduce energy imports from Russia. That involves both switching to other suppliers of oil and gas as well as an acceleration of plans to decarbonise its economy.

In May, the European Commission unveiled its REPowerEU plan, which sets out how it proposes to meet these two goals. For example, it increases the 2030 target for renewables to 45% from the current 40%, including via mandating solar panels on all new buildings and addressing bottlenecks in permitting of renewable energy projects. It also proposes doubling the rate of heat pump deployment to reduce gas use, and promoting domestic biomethane and renewable hydrogen production. It also proposes increasing its binding energy efficiency target to 13% from 9%.

These measures, which have been approved by the European Parliament and member state governments, will require additional investment of €210 billion by 2027; this compares with the €100 billion per year that the EU is currently spending on Russian fossil fuel imports.

The EU's plans are ambitious and have already boosted a number of renewable energy companies within IEM's portfolio. The response from energy efficiency stocks was more muted. We believe that the Commission could have gone further with its energy efficiency goals, and we expect subsequent action in this area to support that sub-sector.

Shifting our attention to the US energy transition, President Biden's original US$2.2tn "Build Back Better" bill, which was to include US$555bn of spending on clean energy, remains in limbo. Discussions are ongoing on a reduced US$1tn package including US$500bn of spending, much of which would be focussed on extending renewables tax credits. The outcome of these negotiations remains uncertain and time is short given an effective deadline of 30 September to pass the bill.

Addressing the global food crisis

As well as sending energy prices soaring, conflict in Ukraine has also disrupted global food markets. Russia and Ukraine accounted for 24% of global wheat exports by value, 57% of sunflower seed oil exports and 14% of corn from 2016 to 2020, according to data from UN Comtrate1. The war has caused food price inflation globally and threatens tens of millions with food insecurity, malnutrition and even famine, the UN has warned2.

IEM is exposed to sustainable food and agricultural companies that are working to reduce costs and increase yields with new technologies and approaches. For example, Darling Ingredients (United States, Recycling and Value-Added Waste Processing) converts food waste into value-added products, including animal feed which can replace corn, and Trimble (United States, Sustainable Agriculture), which produces global positioning software used by farmers to reduce inputs like fertilizer and increase yields. Natural ingredients company DSM (Netherlands, Sustainable Agriculture) also has a significant animal feed business, supplying supplements that improve the uptake of nutrition. One of the core markets targeted by Corbion (Netherlands, Sustainable Agriculture) is shelf-life extension for bakery products, helping to reduce food waste.

Climate change is not the only global environmental challenge we face. Concerns are increasingly being raised about the loss of biodiversity: environmental groups talk of the "twin crises" of nature and climate. IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services), the leading intergovernmental body that assesses the state of the natural world, has warned

that 1 million of the world's estimated 8 million plant and animal species are at risk of extinction3.

As well as an ecological disaster, the loss of biodiversity will have profound economic impacts. The World Economic Forum has found that around half of GDP4 is generated by sectors that depend on the services nature provides, such as food or other raw materials, purification of water and air, and cultural or spiritual benefits.

These concerns are triggering a response from policymakers and the business community. Negotiations are ongoing for a Global Biodiversity Framework under the Convention on Biological Diversity, a sister treaty to the UN climate convention. Business coalitions have formed to lobby for policy action on biodiversity protection, such as Business for Nature, and the Natural Capital Declaration, aimed at financial institutions. This year, the Taskforce for Nature-related Financial Disclosure launched its risk management and disclosure framework to encourage organisations to report and act on nature-related risks, mirroring an earlier initiative on climate.

We see opportunities for investments that are contributing to solutions and biodiversity is systematically included in our investment framework as an environmental problem that needs to be addressed. More broadly, our investments over the last 20 years have made a significant contribution to protecting biodiversity. Many of our sustainable food and agriculture holdings make a direct contribution to reducing the impact of agriculture on nature. Given the links between climate change and biodiversity, our investments that help to mitigate greenhouse gas emissions also provide indirect benefits to biodiversity protection. We will continue to closely follow developments in anticipation of policy frameworks that will lead to incremental investment opportunities.

Accelerating M&A activity

Over the last 20 years, mergers and acquisitions ("M&A") activity has been an important driver of the Company's performance, with large industrial and financial buyers willing to pay rich valuations to acquire companies with leading technology and proven business models.

Historically activity came in waves, including the rapid consolidation of water treatment technologies during the early to mid 2000s and of the waste management sector in the period prior to the Global Financial Crisis. In recent years, M&A activity has been more muted; IEM's holdings have tended to be the acquirers rather than the targets of acquisition.

There are some early signals that this is beginning to change. In May, Switch (US, Cloud Computing), which operates high-efficiency data centres, was acquired by a private equity firm in an US$11 billion deal which valued the company at a 15% premium to its market price. Another private equity deal, targeting pallet pooling company Brambles (Australia, Waste Technology Equipment), collapsed in May due to market volatility. Resurgent M&A activity indicates that industrial and financial buyers also see value and attractive growth in environmental markets, with this theme expected to continue going forward.

Outlook

In the near term, the macro and equity market outlook will remain fragile and uncertain until visibility improves in taming inflation, with elevated risks of a hard landing or recession, further aggravated by potential weaponisation of gas flow by Russia in the run up to winter in the EU. Against this challenging backdrop, we take comfort from the quality, balance and diversification of the portfolio, and from the

combination of earnings delivery with a substantially de-rated valuation which is bringing compelling opportunities to add to core holdings.

Longer-term, the Managers' conviction in the drivers of environmental markets remain intact despite the invasion of Ukraine by Russia, higher inflation data and supply chain disruptions. In recent months these markets have been bolstered by global policy measures, build-back-greener initiatives, planned sector adaptation roadmaps, consumer behaviour, fast-moving technological advances and the ever-growing financial cost of extreme climate events. European dependence on Russian gas has likewise reawakened energy security concerns, which should accelerate the net zero transition. We believe this bodes well for the long-term growth and performance of IEM.

Property

(compare UK property funds **here**)

Paul Williams, chief executive of Derwent London – 10 August

Rents and yields in the London office market were stable through H1 2022 with prime buildings continuing their outperformance in both occupational and investment markets. Geopolitical events caused the macroeconomic environment to deteriorate through the period leading to rising inflation and interest rates, with upward pressure on yields emerging since the half year. Despite this, the Group is well positioned with a high quality portfolio and strong balance sheet.

Offices have an important role for companies in attracting and retaining talent. An increasing number of businesses have actively re-engaged with their long-term occupational requirements as Covid restrictions have lifted which translated into high market take-up in the first half of 2022. However, leasing transactions are taking longer to complete as decision making timescales are being extended. The supply of top quality buildings remains relatively constrained and established businesses with large requirements continue to enter into early pre-let discussions. In addition, we may see some development deferrals as market conditions lead to a re-appraisal of schemes.

Despite some of the large Tech companies pulling back on their space expansion plans, there remains a broad range of businesses with active requirements. A variety of international companies continue to choose London for their UK or European HQ.

CBRE reported a net withdrawal of tenant-controlled space in H1 across central London. Combined with strong take-up, market vacancy has reduced to 8.2% (December 2021: 8.8%) although this masks the ongoing divergence between the West End at 4.3% (now back in line with the long-term average since 2000 of 4.2%) and the City at 12.3% (long-term average 6.6%). Space under offer is close to record levels at 4.3m sq ft, 1.7m sq ft of which is in the West End.

We expect the flight to quality to continue. We maintain guidance for 2022 of average ERV growth in our portfolio of 0% to 3%, following 0.9% growth in H1. Following a strong start to the year, the macroeconomic environment has weakened. The substantial increase in financing costs and inflation, among other factors, is bringing upward yield pressure across the real estate sector. London

continues to have global appeal and we believe our portfolio will prove more resilient given the location and scarcity of our high-quality portfolio.

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Aubrey Adams, chairman of Tritax Big Box - 15 August

Year to date, the occupational market has been very strong with record demand from a wide range of occupiers leading to historically low vacancy rates and driving attractive levels of rental growth. Occupational demand is supported by long term structural drivers, some of which have been accelerated by the pandemic, such as the transformation of retail due to demographic and technological change, the drive to enhance sustainable performance, and the need to increase supply chain efficiency. Looking forward, the extent of this demand gives us confidence in both the ongoing strength of the occupational market and our ability to support our customers by producing solutions which enhance efficiency and supply chain resilience.

Investment demand remained high in the first quarter of the year, with pricing for high-quality investments supported by the significant weight of money looking to be deployed into the sector. Sentiment shifted through the second quarter as the deteriorating economic environment caused reduced investment activity. Our high-quality investment portfolio is focused on prime assets, let on long leases to resilient customers and with strong ESG credentials; we therefore expect our relative performance to remain attractive in the face of a potentially more uncertain investment market.

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Fredrik Widlund, chief executive of CLS Holdings - 16 August

The economic, geopolitical and market situation and outlook have deteriorated markedly since the end of the first quarter with the impact of the Russian invasion of Ukraine contributing to existing inflationary and supply chain pressures. CLS though retains significant protection through its well-placed portfolio with over half of its leases being index-linked and the majority of its financing at fixed rates.

Our focus remains on minimising vacancy in our existing portfolio with the potential to capture significant uplifts from the portfolio's net reversion and the increased rents that will be commanded from our higher quality refurbished space with great tenant amenities and facilities.

We believe that our strategy and business model remain well-placed for the long-term success of the company with significant benefits from our focus on, and the diversity benefits of exposure to, the three largest economies in Europe (Germany, France and the UK). Our portfolio has significant opportunities to grow rental income over the next couple of years.

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Duncan Garrood, chief executive of Empiric Student Property - 13 August

We are encouraged that occupancy for the next academic year 2022/23 is currently at 92%, which is ahead by 10% compared to the same time pre-pandemic. With greater confidence that market conditions are normalising and progress on further improving our business and portfolio, we are increasing our guidance for revenue occupancy to 90% to 95% for 2022/23 academic year, and we expect to be toward the top of this range, assuming no further disruption.

2021 saw investment volumes in the UK student accommodation sector total just over £4.1bn despite the lingering effects of the COVID-19 pandemic. In 2022 so far, investment volumes have been considerable, highlighting demand from a growing list of private equity, sovereign wealth funds, property companies and private individuals looking to increase exposure in the sector. Investors have been prepared to look beyond wider economic market sentiment to focus on the UK student accommodation sector's strong long-term growth prospects.

Student demand figures for the upcoming year are looking positive. In the UCAS June Deadline results the key points were:

- Total undergraduate applicants up slightly by 0.2%
- Non-EU international applicants up 9% with growth in applicants from China and India
- Chinese applicants up 10%
- Indian applicants up 20%
- EU applicants down by 27%
- Total applicants up 6% from 2019/20 applications

We are encouraged to see the year-on-year trend of growth in students, fuelled by the desire of international students to study in the UK, and in top quality UK universities in particular. UCAS is predicting that by 2026 there will be over a million applicants for UK universities, and that at least a fifth of those will be international students. This means overall applications are projected to grow nearly 50% over the next five years.

There is also a long-term trend of growing numbers of postgraduate students. The data for this is not as recent as UCAS, which only records undergraduate applications, but the latest figures from the Higher Education Statistics Agency reported 743,000 UK post graduate students in 2020/21 which was up 16% on the previous year. This gives us confidence that our Postgrad product, which we are piloting in Edinburgh, will have significant attraction.

Lawrence Hutchings, chief executive of Capital & Regional - 14 August

The current macroeconomic environment, heightened by inflationary pressures on the consumer and exacerbated by the impact of the tragic war in Ukraine, presents a challenging market backdrop. Whilst this has inevitably tempered some of the optimism that was building in the recovery from COVID, we remain well-positioned to navigate such challenges given the hard work undertaken in the period.

The actions taken over the last 12 months to restructure the balance sheet and refocus the portfolio have stabilised the business. This, aligned to the naturally more defensive nature of our well-located, affordable and needs-based community shopping centres, leave us well positioned to withstand any cyclical pressures and to take advantage of opportunities to grow the business and further utilise our proven skills and management expertise.

Ian Hawksworth, chief executive of Capital & Counties -16 August

There has been strong operational momentum at Covent Garden over the first half of the year, with encouraging leasing demand across all uses, high occupancy levels and rent collection patterns continuing to normalise. Footfall continues to

trend towards pre-pandemic levels and customer sales in aggregate are ahead of 2019 levels, reflecting the appeal of Covent Garden and London's West End.

Footfall patterns and consumer behaviour continue to evolve, with activity levels typically being higher at and around weekends. There has been a growing number of international tourists since Easter and through the summer contributing to strong trading performance of retail and hospitality customers.

The Elizabeth Line opened on 24 May 2022 which will further improve the West End's connectivity and accessibility, adding around 10% to central London's rail network capacity. The changing travel and footfall patterns it will bring over time are expected to benefit Covent Garden and create valuable medium-term asset management opportunities.

Looking ahead, there is strong operational momentum at Covent Garden with demand across all uses. Customer sales in aggregate are ahead of 2019 levels and footfall continues to improve providing us confidence in our leasing strategy for further rental growth. There remain macroeconomic and political headwinds and the West End is not completely insulated. However the West End has demonstrated remarkable resilience and our unique portfolio of prime investments provides a greater degree of resilience.

We are delighted that shareholders have recognised the benefits of the merger with Shaftesbury Plc by voting in favour of the transaction and we are looking forward to bringing the two companies together once the CMA process completes. We believe the merger of Capco and Shaftesbury represents a compelling strategic fit creating an almost irreplaceable portfolio.

The combination will generate both short- and long-term benefits including greater efficiencies and synergies, a more diverse portfolio with a stronger operational platform of scale and efficiency and enhanced access to capital. There is significant revenue growth potential to be captured over time through the difference between annualised gross income and ERV. Shaftesbury Capital will combine the best of both companies, to create a leading central London REIT and seek to deliver long-term value for shareholders.

Andrew Cowley, manager of Impact Healthcare REIT- 22 August

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