



Reeves Power Portfolio

August 2022

Power Portfolio Update

The Power portfolios continue to be volatile due to the equity exposure. Because of the significant rally, the power portfolios have captured the greatest gains out of all the models during July. This highlights the upside potential of the portfolios and for investors with longer investment horizons can expect greater long-term returns.

It is important to note that the downside potential is as significant as the upside as we have seen throughout this year. Value equities since the change have provided some comfort however the portfolio is positioned for the long-term which tends to favour investments weighted towards growth such as Tech. This has resulted in short-term fluctuations which for investors can feel unpleasant, but growth tends to outperform value over longer periods with July reinforcing this assessment. We maintain the current asset allocation as sentiment still remains uncertain.

MARKET ROUND UP

For the second consecutive quarter, the US economy contracted in real terms, signalling a technical recession. The Fed surprisingly increased interest rates by another 0.75% despite slowing growth. However, a statement following the increase indicated reduced tightening. This has led equities to their best month since 2020.

The market is still determining whether the lows of June were the lowest we are going to see or whether this rally sets up for further volatility ahead. However, investors are welcoming positive returns amid negative market sentiment. Inflation still remains the main concern for central banks with the Eurozone recently reporting a higher-than-forecasted inflation rate. The outlook for Europe remains bleak with concerns over a credit crunch towards the end of the year being the greatest hindrance on growth for the region. The global economy remains unclear, further exacerbated by a mixture of good and bad news for markets throughout July. Big tech has reported strong quarterly growth despite a shrinking economic backdrop and manufacturing activity has declined over recent



Reeves Independent Limited: 30 High Street, Gosforth, Newcastle Upon Tyne, NE3 1LX
Tel: 0800 989 0029
Email: info@reevesifa.com

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