

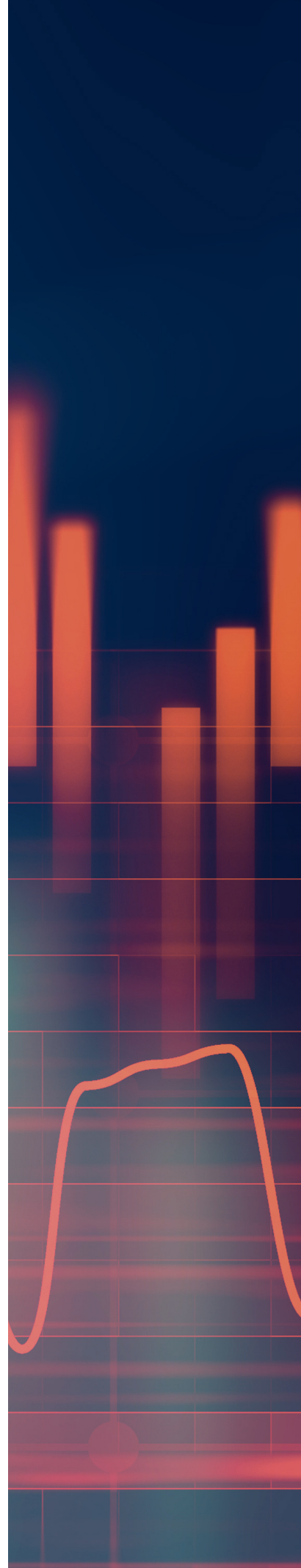


Reeves Short Term Portfolio

October 2022

Short Term Portfolio Update

The short-term whilst a defensive portfolio has not been sheltered from the impacts of external factors. The portfolio has outperformed the other Reeves models year-to-date as Cash continues to protect capital however this position is exposed to inflation. The impact is that the time value of money deteriorates (spending power), hence the importance central banks place on controlling rising prices. Aggressive monetary policy has caused a gradual downturn in fixed income as the value of bonds that already exist within the market falls. Whilst the capital element of fixed income has depreciated the income element of the funds has moderately increased. Schroder Global High Yield outperformed the other fixed income holdings generating a return for the year. The underlying investments generated income in USD and whilst it remains strong, this fund has been sold to capture the profit. Ruffer Diversified Return was introduced, the team has a proven track record and strategy that fits in line with the needs of our short-term portfolio investors, “capital preservation in all market conditions.” We hope that this objective can be met over the medium-long term and in doing so it will remain a core holding for the portfolio.



Short Term Portfolio Update

MARKET ROUND UP

The issues economies face worldwide seen in the first half of 2022 continue to cause uncertainty within the markets. Inflation remains stubbornly high despite the efforts of central banks to reduce it. August saw UK CPI fall from 10.1% in July to 9.9%, a sign which many investors believed could see the Bank of England allow a monetary policy pivot. The celebrations were cut short following Liz Truss' first move in the house commons, with a tax cutting agenda and a dash for growth. However, the lack of a fiscal consideration of her proposal was swiftly recognised by investors. Pension swap arrangements which form apart of liability-driven investing for defined benefit schemes were triggered as 20-year gilt yields jumped to 5%. To meet obligations defined benefit pension funds have to sell liquid assets to raise capital, which is predominantly fixed income, but this has spilt over into the equity market. Causing a cycle of driving asset prices down. The BoE has stepped in to provide price stability which ends on the 14th of October but has indicated that it may continue until markets have calmed. The actions of her administration has caused forecasts for inflation being adjusted to increase, which sees CPI back to double digits for the remainder of 2022 and further monetary policy. In the US there are signs of inflation decreasing throughout the fourth quarter following positive job market data. The USD is strong against all currencies due to attractive US interest rates and being a relatively safe asset. Anything priced in USD is being boosted by its strength such as US treasury notes. A global recession is being priced into the markets, labour markets remains strong and Credit defaults remain isolated which could reduce its severity. Fixed income tends to outperform relative to other asset classes in period of negative growth, the current shortfall being caused by negative sentiment.



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

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