

Investment Update

Dear Client,

The usual suspects of inflation, rising interest rates and concerns about economic growth have not gone away. However, there does appear to be some positive signs that financial markets have found a base after months of broad-based declines.

Falls in portfolio performance during 2022 reflected a wider correction in financial markets, essentially a 'reset' of asset pricing. There have been multiple one-off events, such as Russia's continuing invasion of Ukraine and post-pandemic supply-chain bottlenecks. Both of these factors have been key contributors to a significant rise in inflation. Although this has been painful for us to absorb year-to-date, the current investment backdrop allows us to craft investment strategy and position client portfolios to take advantage of future opportunities and participate in subsequent economic growth and higher returns.

The transition to positive portfolio performance will not happen overnight and the path is unlikely to be a smooth one, particularly as there are still near-term risks to overcome. The biggest risk is an energy crunch in Europe as we approach the winter months. Putin has the ability to cease gas exports to mainland Europe, which in the winter months, would have a crippling impact on countries such as Germany, who are reliant upon Russia for gas. This not only impacts households, but industry too and contagion from such an event is likely to be felt around the developed world.

One does not need a crystal ball to predict potential Russian intervention through the timing and weaponisation of commodities and energy, this is quite obvious to market participants. Therefore, we feel comfortable that such events should be effectively 'priced' into current asset values. Remember, financial markets do not react, the markets pre-empt possible risks and price assets for the future. With this in mind, one would hope that this approach is why we are starting to see a cessation in broad market falls and an emergence of positivity on the horizon.

As investors, Nugenis has constructed and continues to manage its various risk-based investment strategies with a medium-to-long term investment horizon in mind. We do not position portfolios for the now, but for the future. This method has been tried and tested and we remain committed to this robust investment process.

We are by no means out of the woods yet. But we do appear to be a step closer to returning to a positive trajectory.

If you have any questions, please speak to your Financial Planner.

Adam Sketchley FCSI, MBA

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