ascencia
Investment Management

# Ascencia Investment Management

**Simon Callow** Chief Investment Officer

**Anthony Holt** Director of Investments

Wednesday 26th April 2023

» **Dynamic Investment Solutions.** Defined by life

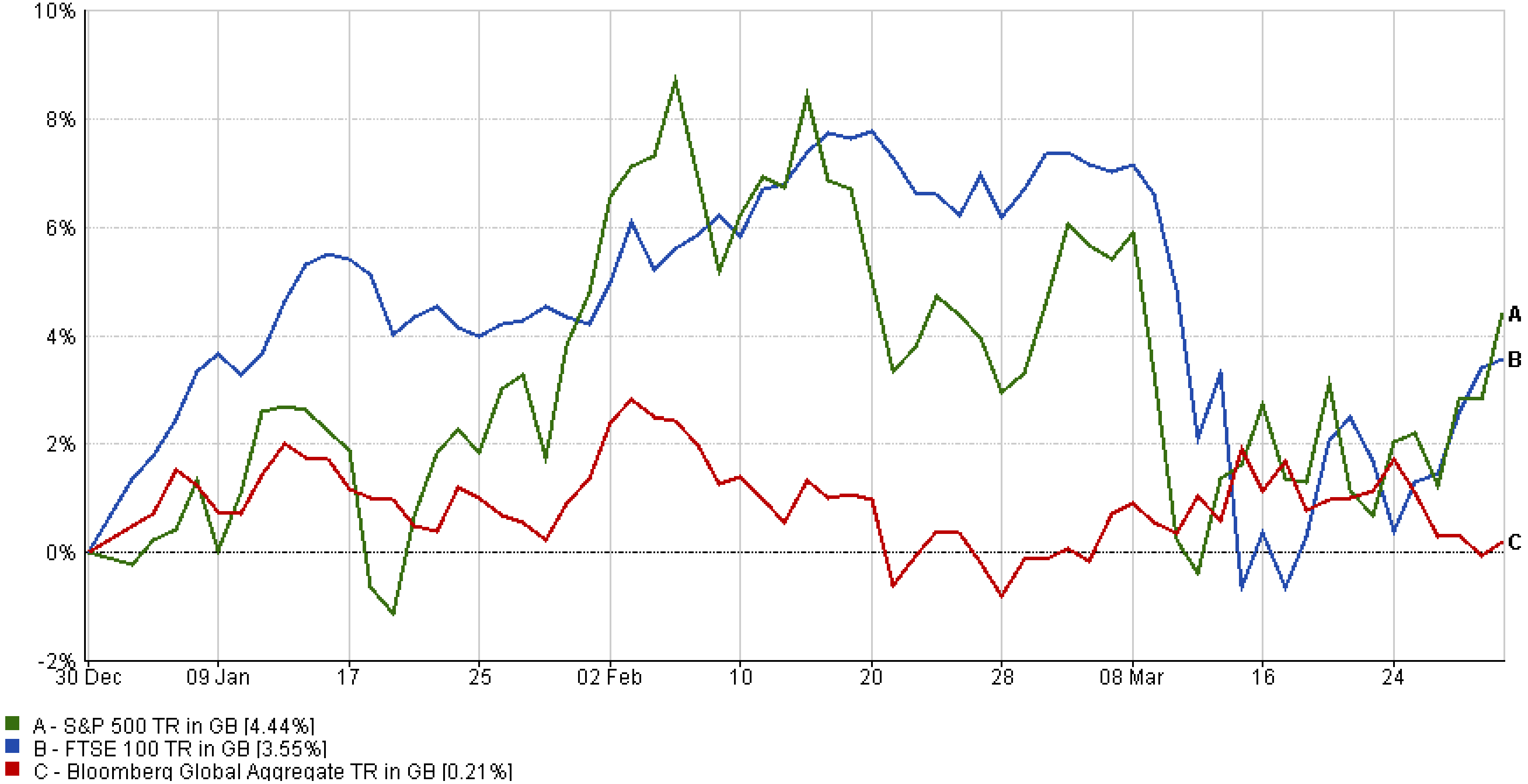
# Agenda

## 2023 – Banking Sector Developments & Interest rates

## Quarter 1 2023 Market Review

## Asset Allocation Implications

# 2023 Q1- Equity & Fixed Income Benchmarks



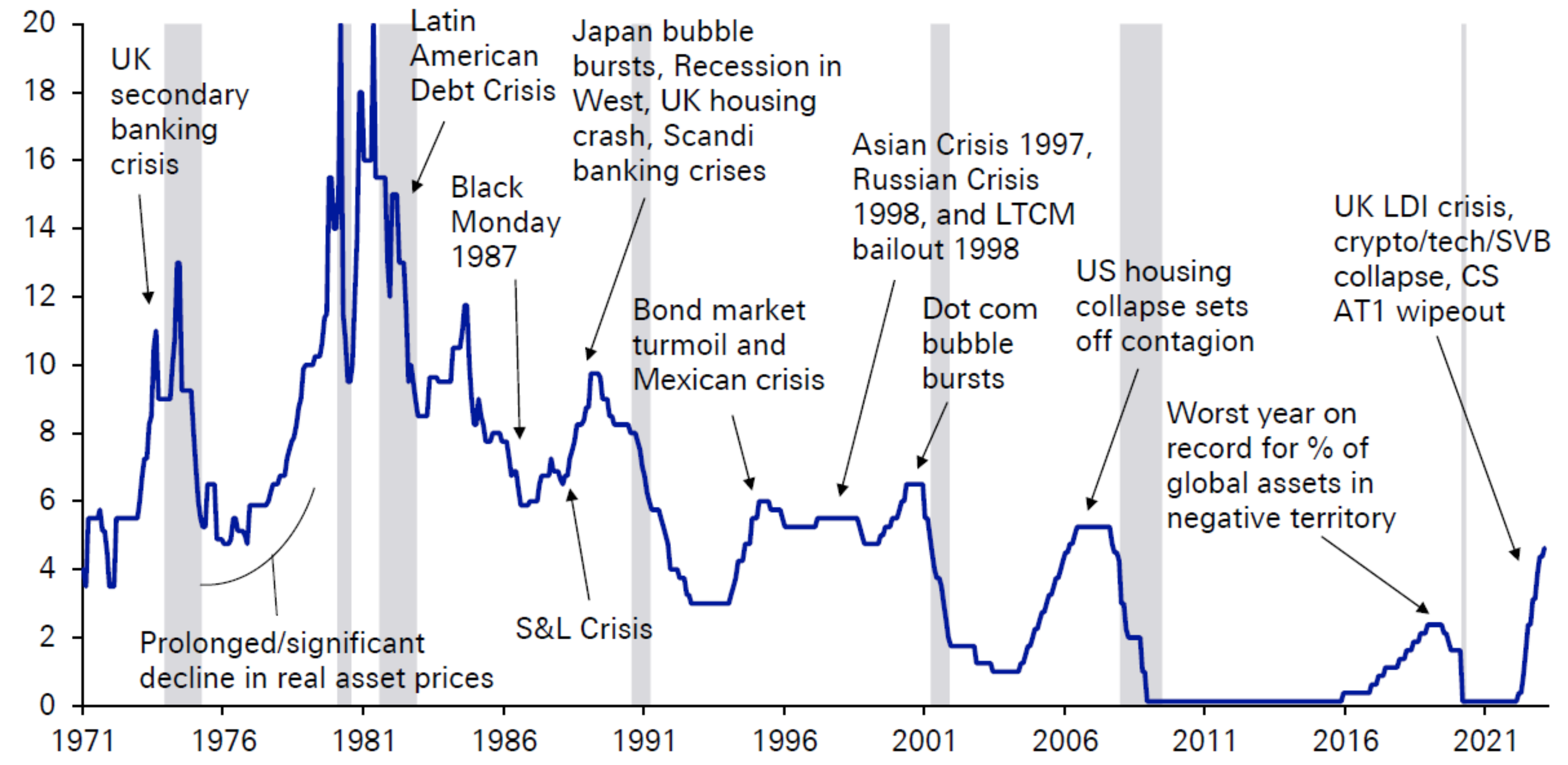

*Source: FE Analytics/Ascencia IM as at 21.04.2023*

30/12/2022 - 31/03/2023 Data from FE fundinfo2023

*For professional and illustrative purposes only.*

# The speed of the interest rate hikes is increasing financial stress

# Historically Interest Rate Hiking Cycles have led to a crisis




*Source: Bloomberg Finance LP, Haver Analytics, Deutsche Bank*

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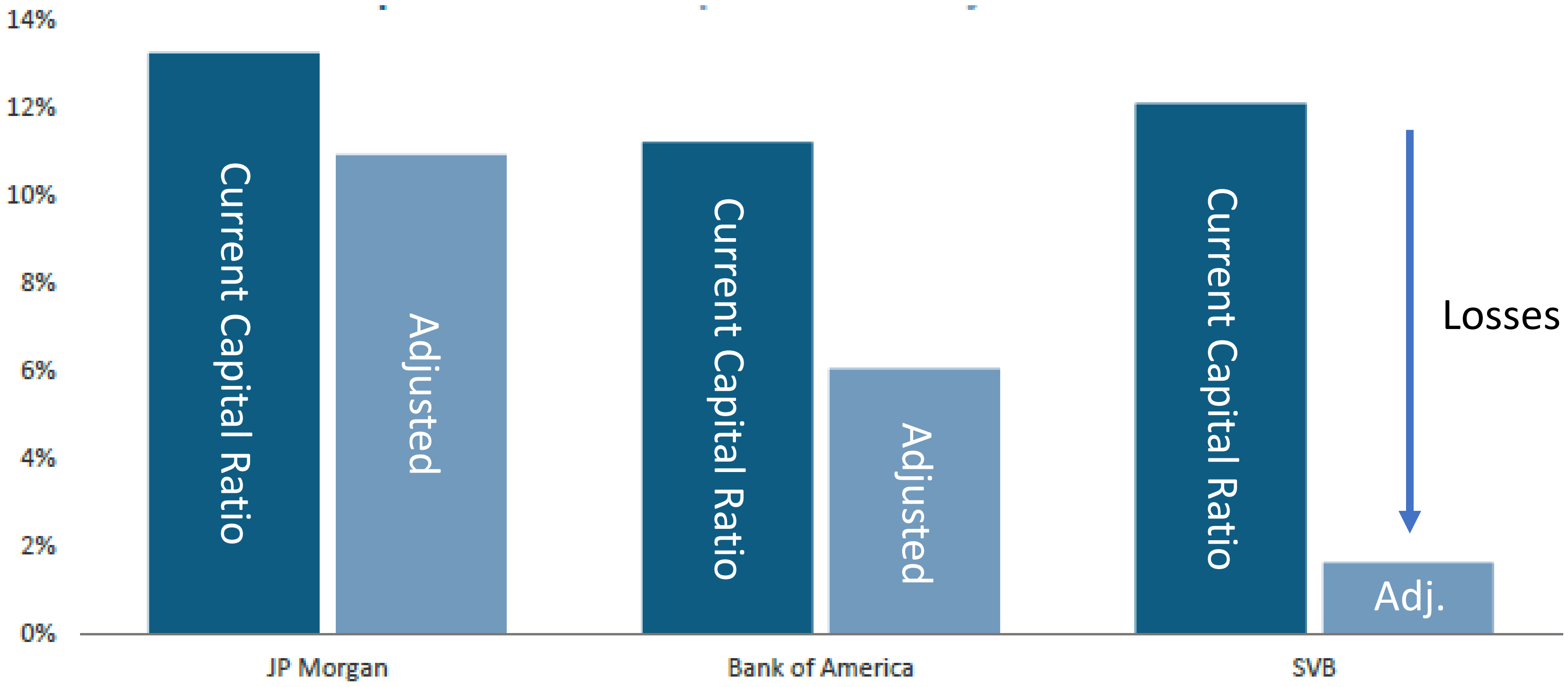
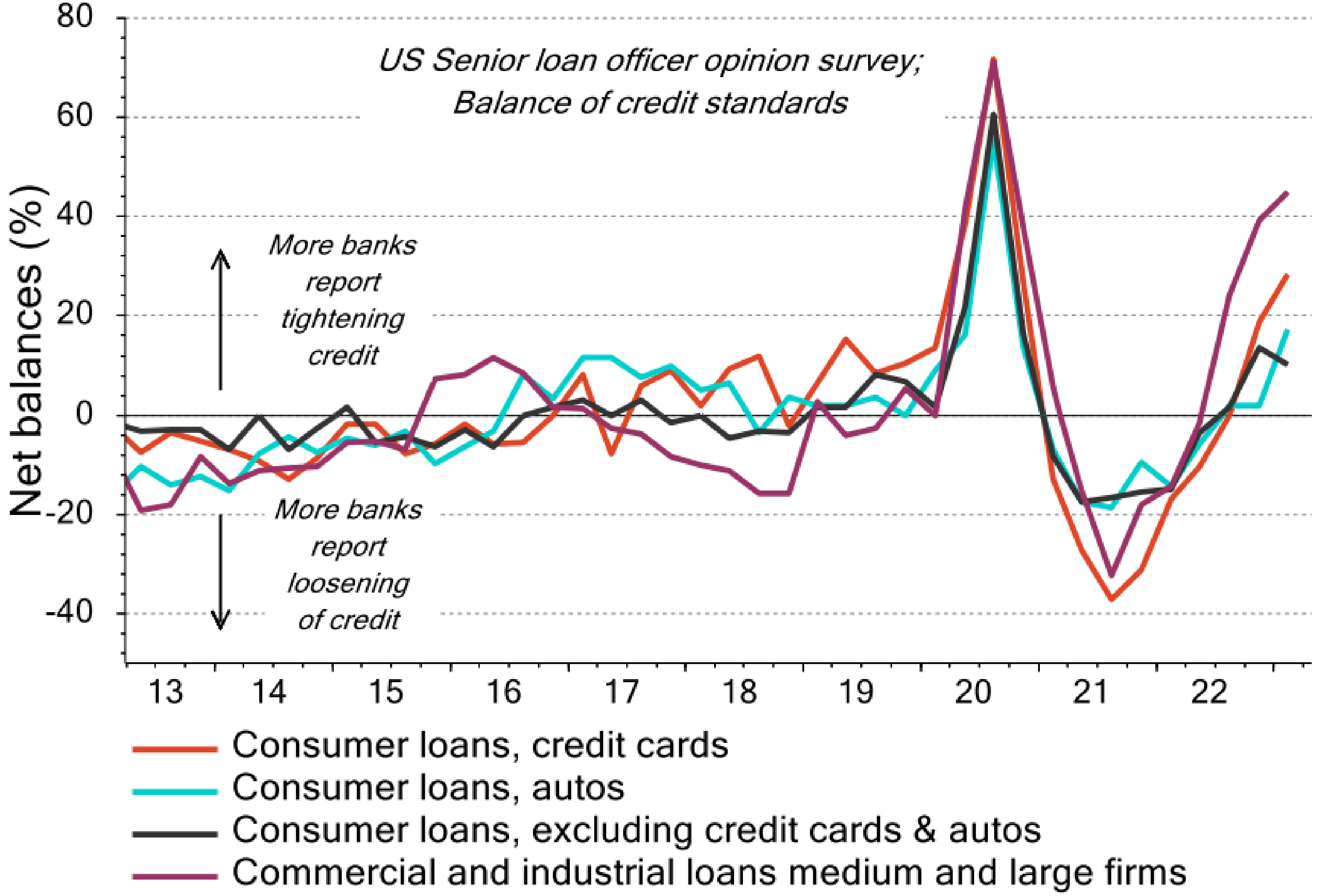
# SVB collateral losses due to rising interest rates




*Source: Latitude Investment Management – April 23*

# Tighter Lending Conditions - US

## US banks are becoming more cautious to extend loans




Source: Refinitiv Datastream / ECR Research

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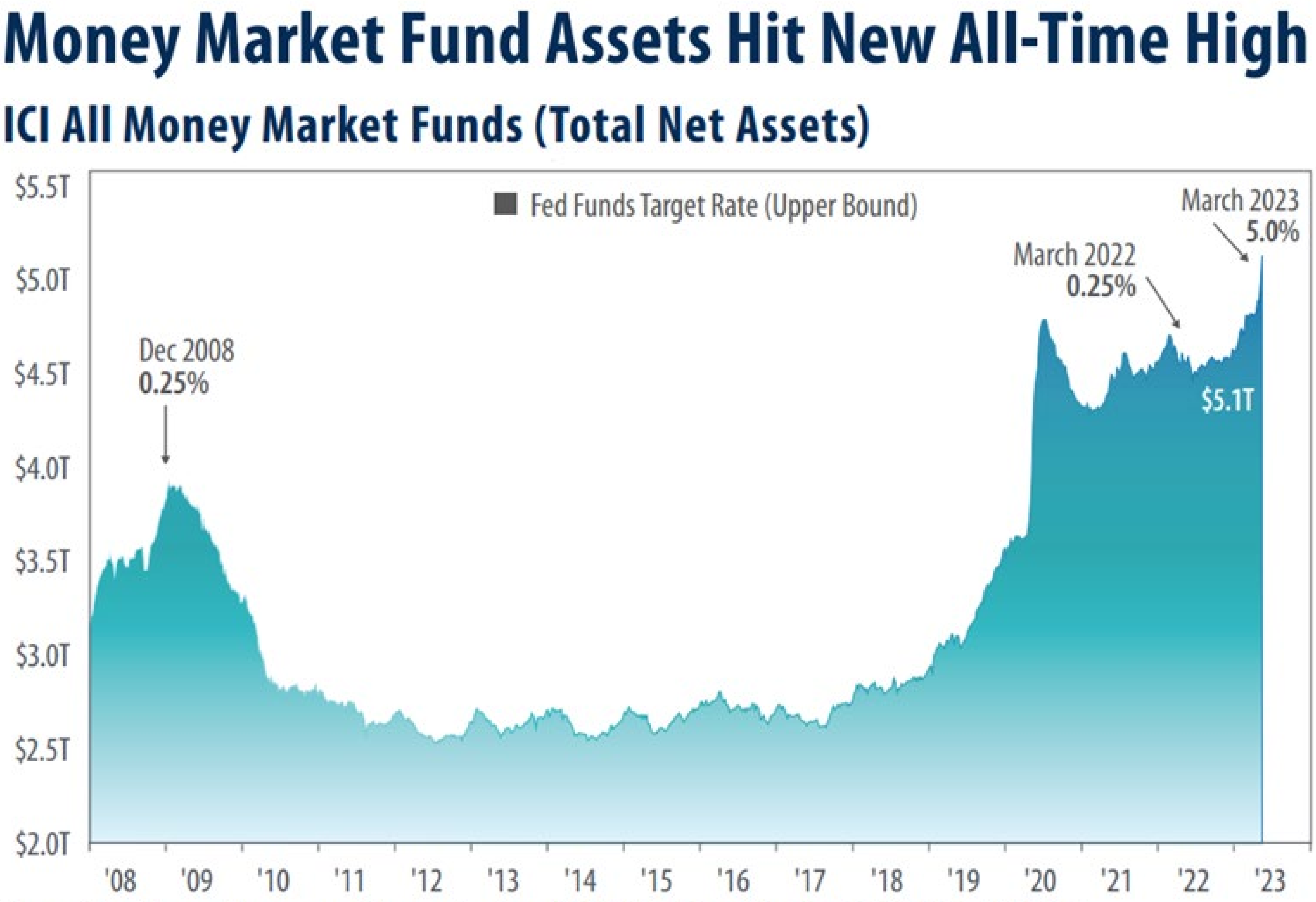
# Money Market Funds – record inflow




Source: Bloomberg and Investment Company Institute (ICI). Weekly data points from 3/21/2007 – 3/22/2023.

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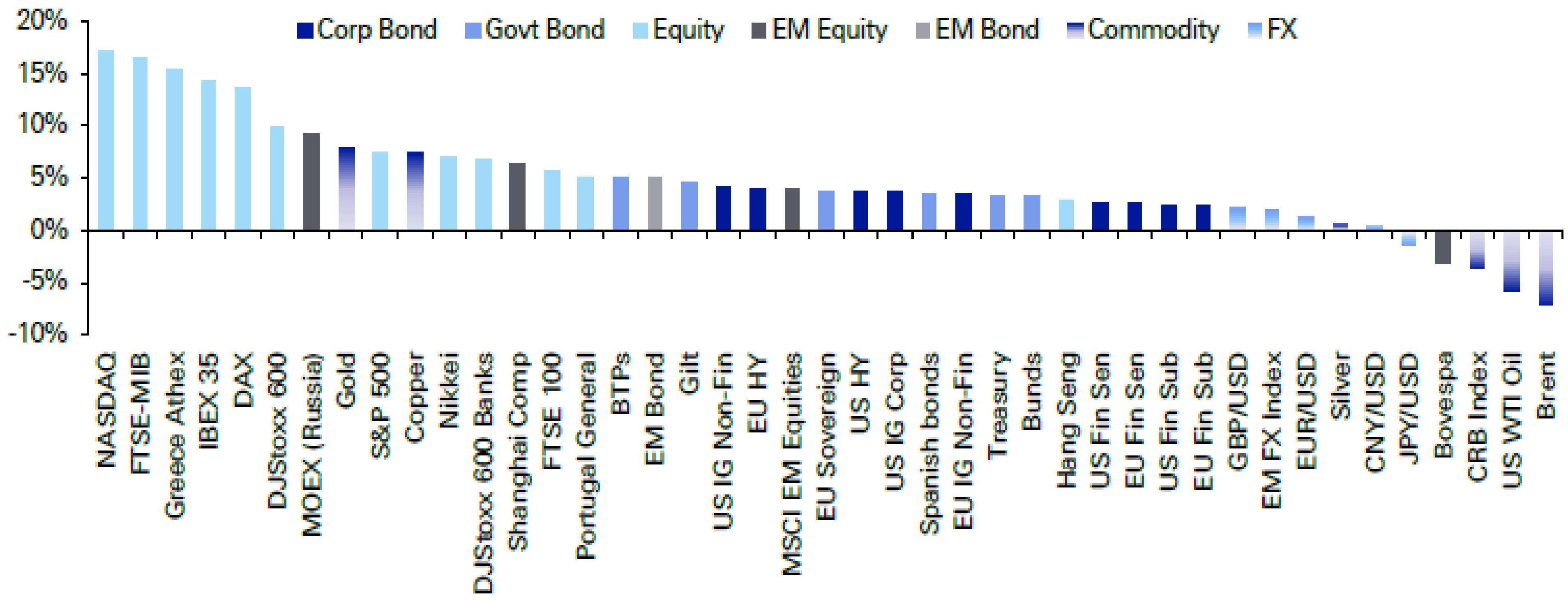
# Implications for Asset Allocation

# Asset Returns over Q1 2023

Figure 4: Total Return Performance of Major Global Financial Assets in Q1 (in USD)




*Source: Deutsche Bank 31/03/23*

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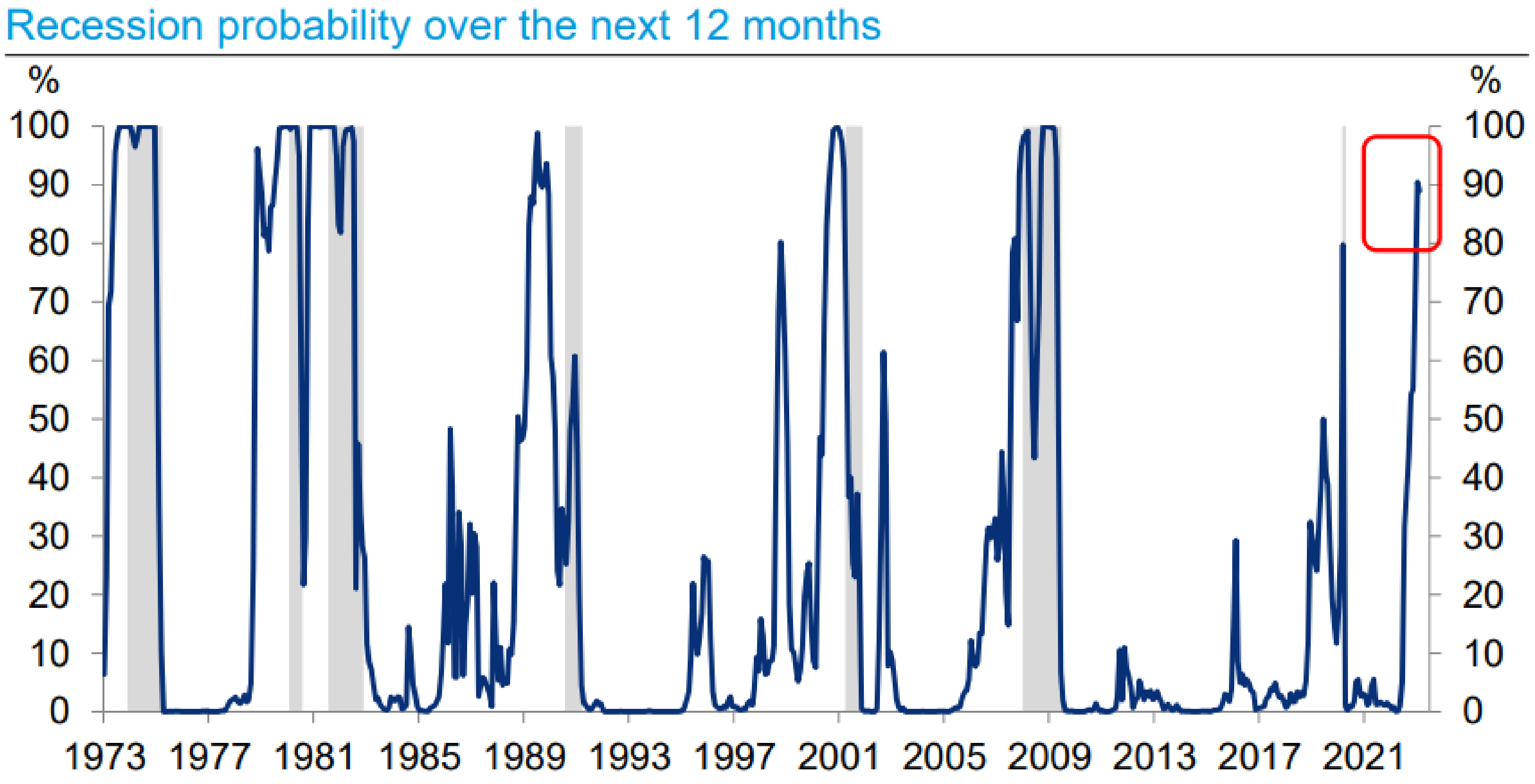
# Our Asset Allocation for Q1 2023

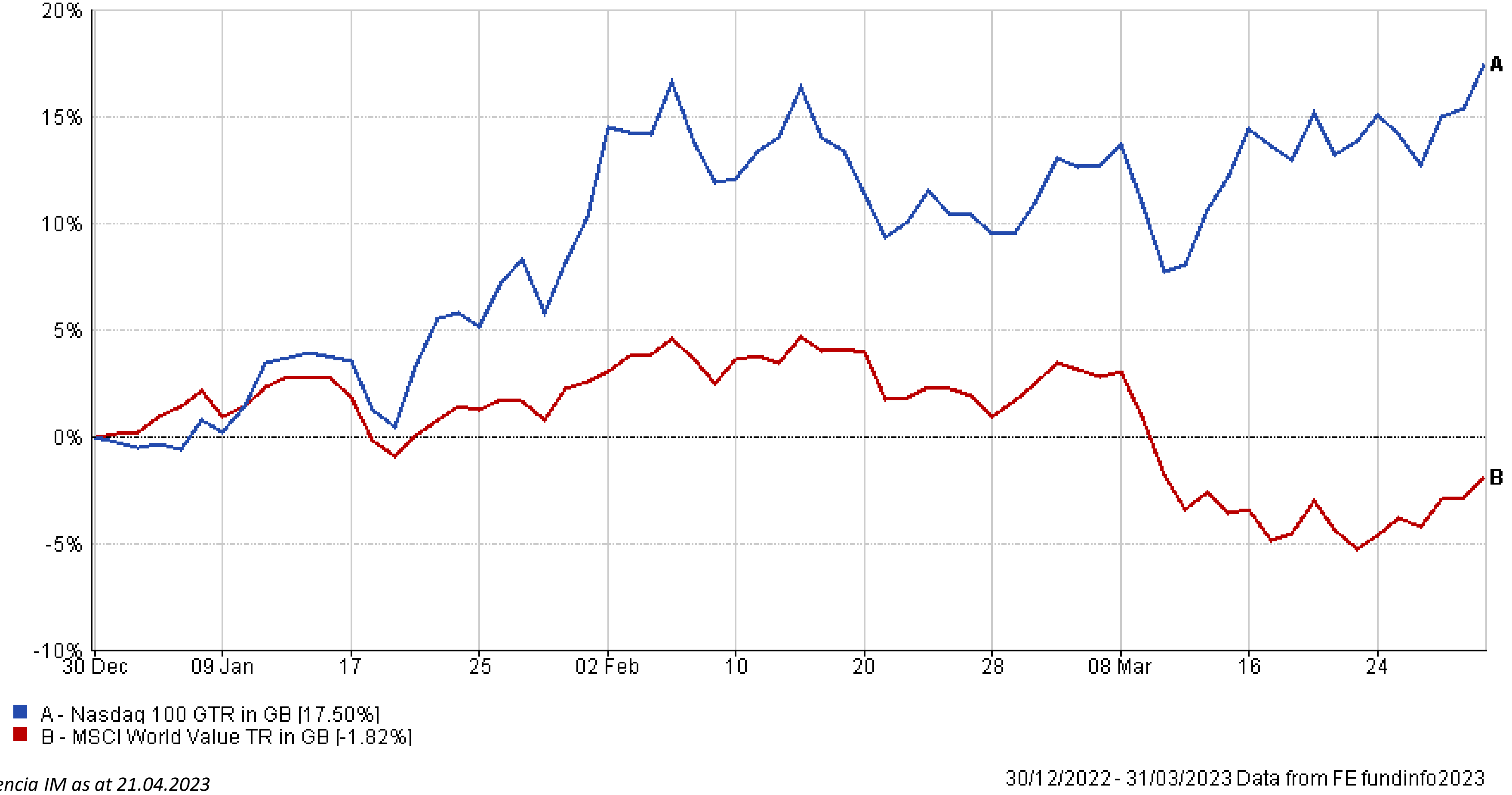
| | Asset Class | Allocation | Rationale |
|---|---|---|---|
| | **Equities** | • Technology<br>• S&P 500 | • Interest rate expectation are falling for 2024 |
| % | **Fixed Income** | • Money Market Funds (cash) | • Attractive yield (c.4%) |
| | **Alternatives** | • Gold miners | • Safe haven |
| | **Currency** | • USD to weaken | • Switch to GBP hedged |

# Recession Probability




*Source: Deutsche Bank 31/03/23*

# US equities – Nasdaq vs MSCI World Value




*Source: FE Analytics/Ascencia IM as at 21.04.2023*

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# Money Market Funds – attractive yields

| Fund | Yield | Average Credit Rating |
|---|---|---|
| LF Canlife Sterling Liquidity I Acc | 4.28% | AA |
| L&G Cash Trust I Acc | 3.80% | A+ |
| HSBC Liquidity Fund Acc | 4.05% | AAA |
| BlackRock ICS Sterling Liquidity Premier GBP | 4.15% | AAA |

*Source: FE Analytics/Ascencia IM as at 21.04.2023*

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# Gold – Outperforming


*For professional and illustrative purposes only.*

# Summary

**Diversification** crucial in a range bound market characterised by volatility

**Inflation** showing signs of slowing

**Interest rate** cycle nearing peak

**Market focus** shifts to 2024 outlook

**Portfolio agility** key in this market environment

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Thank you for listening

# Contact Us

enquiries@ascenciaaim.co.uk

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