Investment Update - December 2022

Dear Vobis Investors,

Where do we start on what has been an unprecedented year where we saw war in Europe, the 2nd Elizabethan reign come to an end, inflation rates hitting a 40 year high, the UK government quite literally blowing up its own gilt market and Harry Kane missing a penalty.

Many of us were unsure as to how the country and the planet would find its feet after the pandemic. Not many, if any, would have foreseen the events that unfolded during the year, and I am sure most of you would agree that we would welcome calmer waters and a less frantic follow up act in 2023.

The investment committee's endeavours in navigating the capital markets in such testing conditions have increased the quantum of trading for our clients this year. This is due to intensive periods of volatility and sectors such as corporate bonds and government debt being pummelled by rapid rate rises. We would all welcome the markets to become more stable in 2023 and there are signs of positivity during this last quarter that inflation, especially in the US, has peaked and will start to fall during 2023.

This should calm markets and present opportunities in certain sectors that we will seek to take advantage of with tweaks to the portfolios rather than wholesale changes we have had to make this year.

Reasons to be cheerful

Investor optimism has been picking up this quarter with equity and fixed income markets making gains and overall volatility reduced. The jobs market in the US remains resilient and US consumption remains in relatively good shape, signalling a rosier economic outlook than initially feared.

UK Plc however has to deal with the impact of Brexit, which is inflationary in itself, regardless of the impact the war is having. UK Government stability is crucial and a roadmap for growth is essential to combat the increase in debt levels due to the pandemic and the energy crisis.

We have been keeping a close eye on the developments in China as their approach to Covid has been different to the West however the recent shift in approach should see an end to the restrictions. This won't be easy and is fraught with complications.

Thinking positively, a reopening of China and the subsequent easing of supply chains will be key to bring global price pressures down faster. Whilst the timeline for a Chinese reopening is impossible to predict, when it happens could go some way to plug the demand gap left by slowing growth across US and Europe and counterbalance the inflationary issues as a result of the war.

If 2023 was the year in which the war came to an end in an orderly fashion, the markets are likely to see this very favourably as this would bring down food and energy prices further reducing inflation and allowing central bankers more wiggle room and assess their more restrictive monetary paths.

From all the team we hope you enjoy the festivities with your families and friends and look forward to taking on the challenges in 2023, just not as many please.

Many thanks,

RStott

Richard Stott, CEO