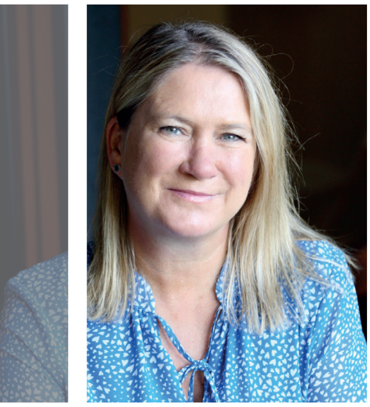
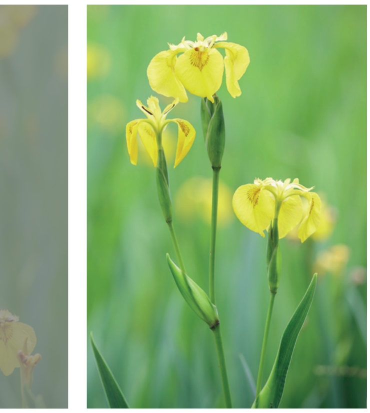
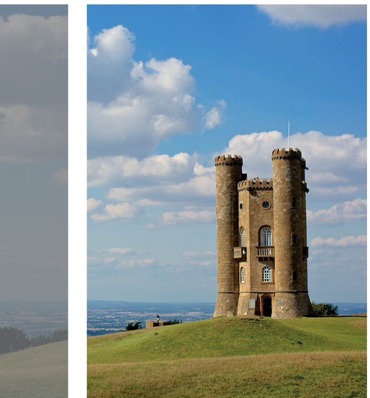
SPRING
2022

BFP

BROADWAY BULLETIN







WELCOME TO OUR SPRING 2022 NEWSLETTER

Just as we feel the world is starting to return to what could be considered a new "normal" we're overwhelmed by the alarming rise in the cost of living and the terrible events taking place in Ukraine.

I am personally appalled by the events that have snowballed in such a short period of time affecting so many people in such devastating ways. Economic responses, including sanctions, have led to market turmoil and anxiety about what may come next. An emotional reaction is natural. However, professionally, my message remains consistent. When it comes to investing, it's best to resist the urge to act. It's not easy, but in a situation such as this, we suggest you steel yourself for what may come over the shorter term and try to keep emotions out of the investing decisions.

For those that I've met during the last few months, you'll know that our view is very much to wait and see what impacts the inflationary rises may have over the longer term. It's too soon to consider a change in the assumptions used, particularly as it "was" expected that rising inflation would peak during the Spring. Already accelerating to multi-decade highs, inflation may have impetus to climb further still, beyond our previous expectations, as the supply of goods from the Russia/Ukraine region is constricted. Higher energy prices coupled with a potentially more challenging business environment owing to the conflict could weigh on economic growth and corporate profits. As a result, equity markets may respond poorly in the short run. That said, I still feel it's not helpful to make knee-jerk reactions to implementing higher long-term inflation rises within the financial forecasts and suggest we wait for a few more months to see how matters change.

We've included an informative article from our strategic investment partner, Albion, which very much reflects why we take this stance and we hope you find this helpful. As always, if you would like to discuss any concerns with us regarding this, please don't hesitate to contact us.

On a separate note, we are sad to say goodbye to Claire Butler who worked at BFP for over 15 years. Claire has left to return to her roots of client administration with a firm based in Cheltenham. We'd like to thank her for all her hard work over the years and wish her every success in her new role. We hope being based in a town with the appeal of shops does not impact on her bank account too much!

Best wishes

Keri Carter, CFP™
CERTIFIED FINANCIAL PLANNER™ Practitioner
Managing Director

UNCERTAINTY ABOUNDS – IT ALWAYS DOES

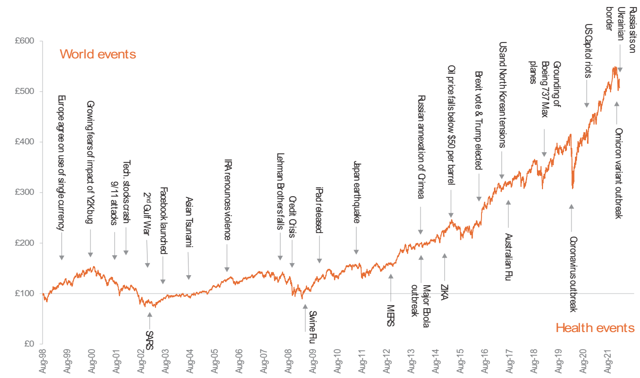
Today, it certainly feels like the world is in a very uncertain place. Authoritarian states are flexing their muscles, with Russia violating Ukraine's sovereignty and China's ongoing subjugation of Hong Kong with the new National Security Law alongside its apparent support for Russia, being cases in point.

The West continues to struggle with what is hopefully the back-end of the Covid crisis as populations gather immunity through vaccination and infection, and as new drugs and treatments come online almost daily. Economically, the greatest challenge is soaring inflation, hitting levels not seen for several decades.As a consequence, interest rates and yields on bonds have started to rise and global equity markets have started the year down. That can all feel both gloomy and unsettling.

It is always easy to feel that the present is more uncertain than the past. We have all but forgotten the Armageddon scenarios of events such as the Y2K software bug issues of 2000 (planes expected to fall out of the sky, nuclear power stations potentially out of control etc.), the emotional and geopolitical impact of 9/11, or the fear many felt in 2008 when Lehman Brothers failed and the meltdown of the financial system was a real risk.

The chart below illustrates that over the mid- to longer-term the markets absorb the consequences of such events and power forwards as capitalism drives the relentless pursuit of profit opportunities.

Figure 1: Material global event are ever present



Data source: Vanguard Global Stock Index ACC, 4/8/1998 to 14/2/2022 in GBP used as proxy for the performance of global equities. Its use in this chart does not constitute any form of recommendation and is provided for educational purposes only.

Being shaken out of markets based on today's news is about the worst mistake any long-term investor can make.

WHAT IS TO BE DONE ABOUT THE UKRAINE SITUATION?

The short answer is 'not much'. As ever, all the news that we see and worry about – including the invasion of Ukraine by Russia - is already reflected in market prices. New news, as it develops, will have an influence on those prices, but by its very definition this is a random process that is hard to benefit from unless you own a crystal ball. It is likely that markets will be volatile as events develop. The US market actually rose on the day Russia invaded. In terms of direct portfolio exposure it is worth noting that Russia represents around 0.35 % of global equity markets, and that is before this is diluted down in any portfolio by bond holdings. To put this in perspective, the global market weight of Apple is over 4 %! In fact, Apple's cash reserves alone are of a broadly similar magnitude to Russia's entire market capitalisation.

No-one has any real idea as to the wider impact of a Russian invasion, but even if markets fall, you need to ask yourself the following questions:

- Do you understand that equity markets can go down – sometimes materially – as part of their journey to delivering positive longer-term returns after inflation? If this is a surprise to you, then you need to speak with (or possibly fire!) your adviser.

- Have your financial and personal circumstances changed recently to such an extent that you need immediate liquidity from your equity positions? That is most unlikely. Feeling uncertain about markets is not a valid reason for seeking to get out of markets.

- Do you remember that your high-quality bonds provide several valuable attributes?

They provide more stable values, supporting a portfolio against equity market falls; liquidity to meet any liabilities without having to sell equities when they are down; and the dry powder to rebalance the portfolio and buy more equities when they have fallen to get the portfolio back up to the right level of risk.

One piece of advice would be to try not to look at the news too much. It can feel unsettling and is increasingly full of sensationalist speculation and hyperbole. Instead, perhaps take a look at a news site that tries to balance out the regular news with positive news stories which tend to be underreported www.goodnewsnetwork.org/category/news/

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