

8th January 2019

We enter 2019 with a different political and economic backdrop to that which we faced when we entered 2018.

A year ago, the economic backdrop looked relatively benign and it was against this backdrop that equity markets held their own or advanced for the first nine months of the year.

At the end of September however the mood changed as the trade dispute between the US and China took a turn for the worse and the UK's negotiations with Europe looked to have reached a terminal impasse. Since then equity markets have slid, leading to negative year end returns of 6.3% in the USA, 12.3% in Emerging Markets, 12.6% in the UK, 14.7% in Europe and 16.8% in Japan. Collectively across the globe equities have posted a loss of 9.7% for the year.

We diversify our client's portfolios by holding different asset classes. In addition to equities, you are invested in other less risky asset classes such as Property and Bonds. This diversification that we build into client portfolios means that you have fared better this year than the equity markets. Taken as a whole, however, this has been the worst year for investment returns since the financial crisis of 2008.

Entering 2019 concerns do remain and the sad truth is that many of these are political. Markets remain worried about, amongst other things, global growth slowing due to ongoing trade disputes, interest rates in the US continuing to rise and of course closer to home, Brexit.

"Politics is perhaps the only profession for which no preparation is thought necessary." (Robert Louis Stevenson 1850-1894)



There are however reasons to be optimistic. The results of the US mid-term elections and pressure from corporate America will soon begin to reign in Trump and some of his more ill-conceived notions. An orderly resolution to the US-China trade row would calm the nerves of a lot of investors. With deadline dates set for steps in the Brexit road this situation will also pass to a less emotive background hubbub shortly and elsewhere in Europe a dispute between Italy and the European Commission over the Italian budget has begun to be resolved.

For those of a certain age (and disposition) I recall the immortal words of Alfred E Neuman (the coverboy for MAD magazine) observing “How come we choose from just two people for President, and fifty for Miss America?”.

It is important not to lose sight during this short-term turmoil of the fundamental reason for investing, to obtain real returns (returns above inflation) over the long-term. Markets rise over the long-term, but this trend will contain periods where the market rises (about 75% of the time) and falls (about 25% of the time).

Markets will therefore recover this year’s losses, but this will not happen overnight and we have to accept that there is scope for some volatility in the months ahead.

As a firm we have been working especially hard over the last six months to further develop the investment proposition that we provide to our clients. This spring we will launch a Managed Portfolio Service and amongst other benefits this service will allow us to offer our clients more diversified portfolios (which in turn should enable us to reduce the volatility of your portfolios) and allow us to react to market events more quickly.



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We have recruited Peter Botham, previously the Chief Investment Officer at Brown Shipley, a large Private Bank, to oversee the management of these portfolios. Peter is an extremely well-respected figure in the investment industry and has over thirty years' experience successfully managing investments.

With the launch of our Managed Portfolio Service, Throgmorton will enter an extremely select group of firms' that can claim both to be Chartered Financial Planners and to be able to provide their clients an industry leading investment management service.

We will be talking to you more about this step over the coming months.

In the meantime, let me leave you with a couple of interesting thoughts. Firstly, it occurs to me that there are worse things than getting a wrong number call at 4 AM, in that it could be a right number. Secondly, why is it that at a recent class reunion I felt younger than everyone looked?

On that note may I wish you, as ever, a happy, peaceful and prosperous New Year.

Best Wishes

Yours Sincerely



Frank McWilliams

