On reflection

We are now able to look back on a very challenging period of administrative activity for Desire Wealth Management following the rebalances of our client portfolios.

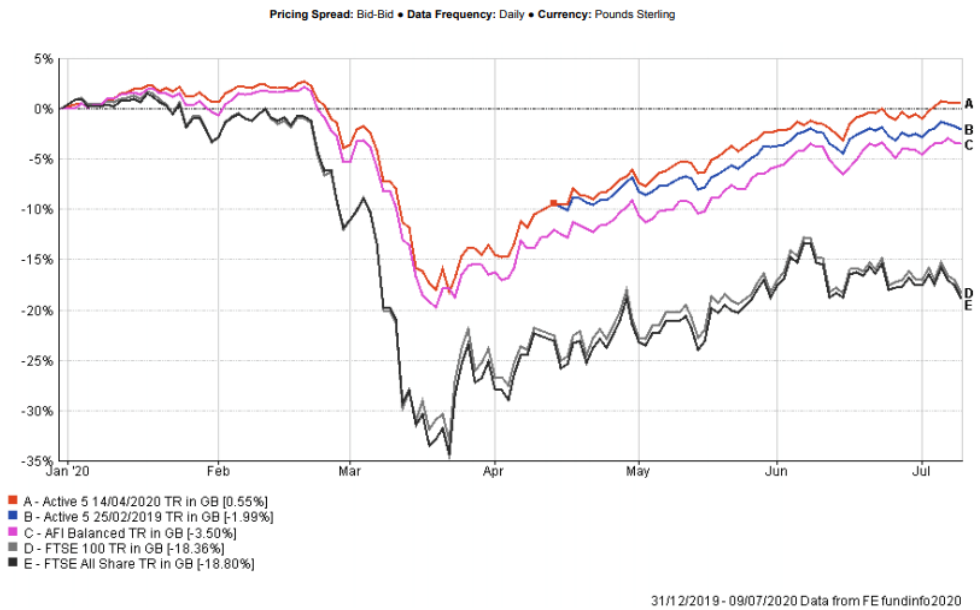
We can reflect on how well we performed whilst challenged by individually working from home and what impact these changes had on our clients.

Firstly, I am pleased to confirm that each member of staff performed exceptionally and worked beyond the high standards we come to expect within the organisation. Louise and I would like to thank once again, Dionne, Emma and Gaynor for helping us make sure everything ran smoothly.

Secondly, the 30th June signified the end of the second quarter and enabled us to assess how we performed in selecting the right funds to improve the portfolios for the benefit of our clients. The fundamental reason for the timing of our rebalances was to make sure no clients found themselves drifting into a higher risk level by leaving the portfolio's unchanged throughout the current pandemic.

The chart below illustrates that our portfolios have also performed well, the decision to change them being fully justified. Our Active 5 model below (in Orange) has returned 0.55% from *1st January 2020 to 9th July 2020,* compared to our previous version (in Blue) -1.99% over the same period. Both versions continue to outperform the AFI Balanced Index, which is made up of the recommended portfolios of a panel of leading UK Financial Advisers.

In addition, the chart also confirms our justification that throughout the current market phase, cheaper index tracker funds, typically linked to the FTSE100 and FTSE All Share Indices, should continue to be avoided in favour of active management.



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Whilst past performance should never be a guide to future returns, one final point to note is our monitoring and advisory service has paid for itself in terms of performance alone over the last 6 months due to the additional 2.54% improvement in performance between our new and old version of the Active 5 portfolio. We differ from a number of advisers who charge to make the changes, something we proudly do within our service proposition.

Whilst we have only used the Active 5 portfolio to make the chart easier to read, if any client would like to see how any of the other Active models have performed, please do get in touch.

In other news, stock markets were back on the front foot early this week as hopes for a quick economic bounce back from the pandemic in China was supported by positive market commentary from a state-backed investment publication.

Towards the end of the week the UK markets faded, with the FTSE100 falling at the close of each daily session to end the week down, testing the glass floor of the 6000 point barrier once again.

We have continued to engage with clients throughout the week. A common theme is to fall into the trap of trying to work out what is going to happen over the next 3 to 5 weeks, rather than focussing on the next 3 to 5 years. We continue to have many well informed and highly educated commentators sharing their thoughts with us on key topics and portfolio positions and very few talk about weeks or months, preferring to summarise their views in quarters, half-years and years to guide us through trends, outcomes and hurdles.

They do signpost particular chapters, the next being the second quarter earnings season in the US which gets underway next week. This will be a crucial reporting period, shining a light on the first full period under the shadow of Covid-19. The messages from company bosses from next week will provide a tangible test of whether the stock market has gone too far too fast in the recovery from what looks like being the shortest bear market ever.

This week Rishi Sunak himself was treading a narrow path between doing too little for an economy under severe pressure and risking over-doing stimulus at an unaffordable cost for future generations. During his mini-budget this week he announced a raft of new stimulus measures for revitalising key segments of the UK economy. This budget came shortly after the re-opening of bars and restaurants, and despite pictures of busy streets in central London, proved less of a Super Saturday than perhaps the government had hoped for. Footfall in high streets, retail parks and shopping centres was around 50% lower than on the equivalent Saturday a year ago.

Looking further ahead, the US Presidential Election is coming onto investors radars as the opinion polls point more clearly to a possible Joe Biden Presidency. Donald Trump's handling of both the pandemic and the aftermath of the killing of George Floyd and the rise of the Black Lives Matter movement has made it more likely that the Trump era could (hopefully) be restricted to one term of office. Last week the odds of Biden winning the election hit 59%, with investors starting to think seriously about what this outcome might mean for markets.

Key areas of focus include taxation, with Biden expected to at least partially reverse the big cut in Corporation Tax introduced by Trump. He cut the headline rate from 35% to 21%. Healthcare will be in the White House's sights too, with Biden promising an expansion of Medicare and a renegotiation of the prices that Government pays to pharmaceutical companies. A question mark also hangs over technology, where the Democrats have indicated a willingness to go after the likes of Facebook and Amazon.

The US Presidential Election offers a genuine choice this year and markets are likely to price in the likely outcome as November approaches. It is not a simple case of Trump being good for markets and business and Biden bad. Investors are likely to welcome an end to some of the more chaotic parts of the Trump White House and I will no longer need to subscribe to his Twitter account!

Finally, the golf buzz continued in the Fox household this week, our daughter passed her playing assessment at the local course and has become a member. Louise, never one to miss the true benefit, says she will now enjoy the peace and relative tranquillity as I find myself no doubt being beaten on regular occasions by what I am sure will now be two members of the household.

All we need now……. is some of that glorious weather.

Have a good weekend.

Kindest regards

Wesley Fox Dip (PFS)
Managing Director