BROOKS MACDONALD

Inflation outlook still calling the shots

Brooks Macdonald Quarterly Market Overview Q3 2023

Inside

05
UNITED KINGDOM
Weather puts a dampener on economic picture

06
UNITED STATES
Economy remains resilient while underlying inflation falls

07
EUROPE
Eurozone dodges recession but struggles to grow

Contents

3 **Welcome**
Still beating back inflation

4 **Introduction**
Inflation still challenges the interest rate outlook

5 **United Kingdom**
Weather puts a dampener on economic picture

6 **United States**
Economy remains resilient while underlying inflation falls

7 **Developed Europe (excluding UK)**
Eurozone dodges recession but struggles to grow

8 **Asia Pacific (excluding Japan)**
China's faltering economic recovery prompts policy easing

9 **Japan**
Easing prices support more positive economic outlook

9 **Emerging Markets**
Emerging market performance mixed given economic uncertainties

10 **Outlook**
The macro economic outlook is not the only consideration

Still beating back inflation

A risk that interest rates are higher for longer.

In this edition of our quarterly market overview, we focus on the impact of inflation. As noted in the introduction, annual inflation rates in Europe and the US are well below the post-pandemic peaks of last year, but they are not yet at the central banks' 2% inflation target.

So, it continues to be a bumpy ride for investors with soaring inflation, sky-high interest rates and the ongoing war in Ukraine.

One of our critical tasks as your investment manager is to identify short- and long-term trends in the global economy that might affect your investments. To help you navigate our approach, we've introduced new signposts on our views for each region's economic and market outlook. This quarter shows a mix of positive and neutral signposts, outlining once again that although there has been progress in the fight against inflation, the outlook remains uncertain.

Now, more than ever, our commitment to professional excellence as your investment manager remains the same. As we look ahead, we are working every day to protect and enhance your wealth through high-quality investment management and exceptional client service.

> **One of our critical tasks as your investment manager is to identify short- and long-term trends in the global economy that might affect your investments.**

Whether you are investing for retirement, a home, or a child's education, whatever your ambition, it is with a sense of responsibility that we undertake our role in helping you achieve financial well-being. We are proud of the powerful blend of talented people we have in Brooks Macdonald, and together, we are confident and ambitious in what we can achieve and the difference we can make.

I hope you enjoy reading this quarter's report and would like to thank you once again for investing with us. If you would like to discuss any of the content in this market overview, or have any questions more broadly, please get in touch with your Brooks Macdonald contact who will be very happy to help you.

Kind regards,

Robin Eggar
Managing Director
Head of UK Investment Management

Introduction

Inflation still challenges the interest rate outlook

Next steps for markets depend on how the inflation picture evolves.

The inflation outlook is still calling the shots. While the latest annual inflation rates in Europe and the US are well below the post-pandemic peaks of last year, they are equally still not yet at the central banks' 2% inflation target. Over the past year or so, getting economies to see some pull back from peak inflation rates has arguably been relatively straightforward. Economic supply versus demand imbalances have continued to unwind post-pandemic, tough year-on-year comparables have helped the maths, and the rapid hikes from central banks have started to bite. Going forward however, getting inflation rates all the way down to target, especially without an outsized negative impact on economic growth may prove to be much harder.

Inflation continues to be multifaceted, and adverse inflation inflexion risks worried the market during Q3 in particular. Energy prices which had initially dragged inflation rates lower earlier in the year, started to move higher over the summer. This was driven by a relatively constructive global energy demand picture on the one hand, versus voluntarily extended crude oil supply curbs from Saudi Arabia and Russia on the other. While core consumer gauges (which exclude energy and food prices) still generally moved lower during Q3, should higher oil prices prove to be more of a sustained feature, this could ultimately filter through as a headwind for many economies. Neither is the inflation picture uniform globally, with very different messages between the world's two largest economies. While US consumer inflation remains some way above the 2% target, China instead spent Q3 flirting with outright annual deflation risks.

For most advanced economies, if Q3 has generally been a story of stickier inflation, the flipside is that this has in part been the result of more resilient economic growth, at least as far as relative to expectations – in July the International Monetary Fund upgraded its estimate for calendar Real (constant prices) Gross Domestic Product (GDP) global growth from 2.8% to 3% in 2023, with an unchanged 3% growth estimate to follow in 2024. With labour markets still comparably tight, and annual nominal wage rates starting to edge over inflation, a consumer that is still able and willing to spend has helped companies continue to post solid earnings results and outlooks. As a result, global recession fears have been pushed back, but questions remain whether this is a global recession that has been cancelled, or merely just one that has been delayed. Perhaps not surprisingly, markets have been skittish, continuing to move back and forth between the 'no-recession and soft-landing' camp (where interest rates curtail inflation without unduly impacting economic growth), and the 'recession and hard-landing' camp during Q3.

The inflation picture continues to lead the actions for central banks and dominate sentiment for markets. Sticky inflation remains a risk, whether brought about by resilient consumer demand or a resurgence in cost-push inflation via the energy market. This might lead to a longer period of peak interest rates, in turn weighing more on economic growth. Equally, should inflation fall sufficiently quickly, this would give central banks the confidence that they can ease monetary policy settings and language and still see inflation settle around their target levels. Financial markets meanwhile do not operate in a vacuum – following a more constructive consumer and business picture relative to what had been feared at the end of last year, equity valuation multiples so far this year have recovered some of their 2022 full-year downdraught and globally are back around their longer-term average.

> **"Sticky inflation remains a risk, whether brought about by resilient consumer demand or a resurgence in cost-push inflation via the energy market.**

As we weigh up this nuanced investment outlook, the challenge for asset allocation is how to take a calculated position so that we keep exposure towards more than one economic scenario materialising. The following pages outline how we are well-positioned, staying invested and keeping balance, as we seek to help you our clients target your own investment goals.

Weather puts a dampener on economic picture

Predictions of economic recession are not realised despite slow summer growth.

The UK economy continued to show some resilience and produce mild growth over the quarter, defying, at least for now, the gloomier predictions of an imminent recession. GDP rose by 0.2% quarter on quarter in the second quarter of the year – above forecast and higher than the previous quarter's 0.1% growth rate. The manufacturing sector outpaced services for once, growing by 1.6% and compared with just 0.1% growth in the services sector. However, the more recent GDP figure for July illustrated the rather 'up-and-down' nature of the UK economy at present, as it fell by -0.5% over the month, following 0.5% growth in June. Admittedly, July's disappointing data partially reflected the unseasonal wet weather experienced over the month, though industrial action didn't help either. The damp mid-summer saw a higher-than-forecast month-on-month fall in retail sales in July, although they rose slightly in August.

Inflation was another key factor exercising investors' attention. Headline inflation continued to ease from the peak of 11.1% set in October last year and had fallen to 6.7% by August. This latest figure was a positive surprise given the market had forecast a mild reacceleration in annual inflation for the month. Food prices began to ease during the quarter but stayed at double-digit levels. Core inflation (which excludes food and energy prices) had appeared to be stuck close to May's 31-year high of just over 7% as it rose by 6.9% in both June and July but August saw the figure decline materially to 6.2%.

Annual growth of regular pay (excluding bonuses) in Great Britain was 7.8% in the three months to July. This was the same as the previous three-month period and according to the Office for National Statistics it was the highest annual growth rate since comparable records began in 2001. While this was positive for employees, it was less welcome news for the Bank of England (BoE) which has been

> **❝ ... the commentary from the Bank of England indicated a determination to 'see the job through'.**

concerned about wage inflation causing overall inflation to stay at high levels. As was widely anticipated, in August the BoE raised interest rates by 0.25% to a 15-year high of 5.25% and left them unchanged in September after 14 consecutive increases. BoE Governor Andrew Bailey cautioned that they could remain higher for longer to get inflation back to its 2% target. More broadly, the commentary from the Bank of England indicated a determination to 'see the job through'. Bailey's deputy, David Ramsden, warned that inflation remained 'much too high', while Bailey himself talked of the UK economy's 'unexpected resilience'. Although Bailey suggested interest rates were "much nearer" their peak, he didn't rule out further rises.

Our view

We have a positive outlook for UK equities. This might appear to run counter to the present challenge of muted economic growth versus stubborn inflation, but the domestic picture is not the only driver for the UK equity market investment case. The UK economy and equity market are not the same. UK equities in aggregate have a large international skew, with around three quarters of their revenues at an equity index level derived from outside the UK. As such, the UK stock market is particularly sensitive to global trends, be they exposure to a still-resilient US consumer-led economy, a generally improved European energy-cost outlook in 2023, or a continuing, albeit slower than hoped-for, China-economic growth recovery picture so far this year. The continued relative valuation attraction of UK equities makes up an important component of our barbell strategy (describing balance between different equity investment styles). The UK value exposures that we seek, including resources and financials exposure at an index level provide an important foil to our growth exposures in other asset classes and regions globally.

United States

Economy remains resilient while underlying inflation falls

US Federal Reserve offers no commitment to halting interest rate rises.

Investors in US equity markets continued to second-guess how the US Federal Reserve (Fed) might respond to economic data in its commitment to use interest rates to tame inflation. Economic growth picked up marginally to an annualised 2.1% (downgraded from an initial reading of 2.4%) in the second quarter of 2023 from 2% in the first quarter. This allayed some anxiety about monetary policy direction and helped the market rebound towards the end of August. Inflation meanwhile appeared to be coming under control, with the annual rise in consumer prices in June easing to 3% from 4% in May – the lowest level in over two years. Thereafter, headline inflation picked up, increasing by 3.2% in July and 3.7% in August. Less favourable base effects and reduced falls in energy costs were behind the rise in August. However, core inflation continued to fall, reaching 4.3% in August which marked the fifth successive decrease from March's 5.6% level. The downward trajectory of core inflation increased investor expectations that the Fed could ease the pace of interest rate rises.

The Fed hiked interest rates by 0.25% to a range of 5.25%-5.5% in July, although Fed Chair Jerome Powell refused to say when they would go up again. The minutes from the Federal Open Market Committee's July meeting showed that most policymakers had supported the increase. However, by September, public comments from Fed policymakers seemed to point in both directions; some supported further interest rate rises, while others thought this was no longer necessary. Interest rates were left unchanged in September which maintained the Fed's 'higher for longer' narrative.

> **"While investors kept a close eye on Fed comments, the Fed focused on key drivers of inflation.**

While investors kept a close eye on Fed comments, the Fed focused on key drivers of inflation such as unemployment and consumer spending. In the labour market, the threat of wage-driven inflation continued, with still-elevated job vacancies and lower numbers of people claiming unemployment benefits. Alongside the start of strikes in the automotive sector, these all indicated persistently tight labour market conditions.

Regarding consumer spending, retail sales were fairly sluggish but headed upwards. Modest but higher-than-forecast rises in retail sales reported by the US Census Bureau in July and August added pressure on the Fed to keep hiking interest rates. On the political front, attention towards the end of the period was on the looming possibility of a government shutdown on 1 October, if Republicans and Democrats fail to reach agreement on spending levels. It would mean many government departments might have to close temporarily.

Our view

NEUTRAL

We have a neutral outlook for US equities. Corporate results in aggregate continued to reflect a still-resilient US consumer, with mentions of 'recession' in US company management post-result call transcripts falling for four calendar quarters in a row, and close to 10-year averages. While analysts' earnings growth expectations for calendar year 2023 remain muted, there is a significant assumed up-tick with over ten percent year-on-year growth estimated in 2024. Markets have responded by lifting valuation multiples this year, unwinding some of last year's multiple compression. Additionally, we recently introduced smaller-capitalised sized US company exposures. Here we are seeking to take advantage of a relative valuation derating versus larger capitalised companies post pandemic, as well as capture domestic sensitivity to a more resilient US economic picture. The US has an important role in providing growth investment-style exposures within the context of our current equity barbell balanced approach to asset allocation. Our US equity weights also support our longer-term investment themes of technology, healthcare, and sustainability which the US has exposure to at an aggregate equity index level.

Eurozone dodges recession but struggles to grow

European Central Bank hikes interest rates twice despite inflation slowly falling.

Investors had some positive economic news to digest early in the period when eurozone GDP for the first quarter of 2023 was revised upwards to 0.1% growth from an initial estimate of a -0.1% fall. This meant that the eurozone economy had narrowly missed entering a technical recession which is when two consecutive quarters of falling GDP occurs. However, for the second quarter, a preliminary estimate of 0.3% growth was subsequently revised down to -0.1%, largely due to weaker external demand and increased imports. Additionally, a lower level of consumer confidence held back recovery in the region's economy.

> **"The ECB's strategy of higher interest rates to bring down inflation appeared to be making some inroads.**

Interest rate rises continued to be the order of the day for the European Central Bank (ECB). It implemented a 0.25% hike in July to take the deposit rate to 3.75%, followed by another 0.25% rise in September, taking the rate to a record 4%. Not unlike other major central banks, ECB policymakers said they were following a meeting-by-meeting approach to deciding their next move. This made the situation frustrating for investors who have to rely on 'signals' given by central bank officials as the main indicators of what might happen next. The ECB's strategy of higher interest rates to bring down inflation appeared to be making some inroads however, and Eurozone annual inflation moderated to 5.3% in July from 5.5% in June, and subsequently to 5.2% in August. Core inflation, which excludes volatile energy and food prices, also eased slightly. Although this gave the ECB some room to consider pausing its interest rate hikes, the central bank remained concerned that there was still some way to go before it could become more relaxed about inflation levels. In fact, the ECB raised its projection for average eurozone inflation to 5.6% in 2023 and 3.2% in 2024 against its target of 2%.

Higher consumer prices dampened the mood of consumers during the quarter and the European Commission's measure of both economic sentiment and consumer confidence remained below their long-term averages. Meanwhile, the European Commission painted a downbeat picture for future economic growth. Its Summer 2023 Economic Forecast downgraded eurozone economic growth to 0.8% from its previous prediction of 1.1% growth. The outlook for 2024 was similarly redrawn from 1.6% to 1.3% growth with the impact of high inflation and interest rates expected to linger into next year.

Our view

NEUTRAL

We have a neutral outlook for Developed Europe (excluding UK) equities. European natural gas prices, having earlier this year fallen sharply from the highs of last year, are providing some relative relief for both businesses and households. Additionally, the hope is that China's economic stimulus efforts alongside a continued resilient US demand picture can over time help to feed into European export-led economic growth prospects. Despite challenging near-term economic data, the European Central Bank (ECB) in September continued to forecast positive annual average Real GDP growth across the euro area for 2023, 2024 and 2025. Supporting value-investment-style exposures added earlier this year, the region's banks are expected to see an improved profit outlook medium term given a backdrop of positive nominal interest rates versus the hitherto decade of arguably lost-earnings under the ECB's prior negative interest rate regime. While structural tensions between euro area monetary union versus fiscal and political sovereignty remain, these concerns are now balanced by the relatively more constructive medium-term outlook and valuations that we see.

China's faltering economic recovery prompts policy easing

Investor outlook tested as China's government grapples with a sluggish economy.

Asia-Pacific equities (excluding Japan) suffered mixed fortunes during the period as investor sentiment waivered over the ability of China to push its economic recovery forward. July's optimism that stimulus measures taken by China's government would benefit the region waned as anxiety about the country's economy grew. While China's economic annual growth rate in the second quarter looked impressive at first glance, with a 6.3% year-on-year GDP growth rate, it was heavily flattered by a weaker prior year comparison. On a quarter-on-quarter basis, China's GDP in Q2 grew 0.8% versus Q1. For context, China's official annual GDP growth rate forecast for 2023 as a whole remains at 'around 5%'.

Chinese equities dropped as economic data continued to disappoint alongside further problems in the debt-laden property sector. Some of the measures unveiled by the government to prop up the economy failed to meet investors' hopes. However, above-forecast rises in Chinese industrial production and retail sales in August offered some hope that recovery was underway. In a move aimed at stimulating lending activity, the People's Bank of China cut interest rates for the second time in three months in August, followed by a cut in its reserve requirement ratio for most banks in September. Boosting hopes of a turnaround for risk assets given enhanced policy support, the Chinese government also announced in August that it would reduce the stamp duty on stock trading, marking the first time it had been cut since 2008.

> ...the People's Bank of China cut interest rates for the second time in three months in August.

While concerns about China affected the mood of investors across the region, in Australia, growing confidence about the outlook for inflation was reflected in the Reserve Bank of Australia's decision to leave interest rates unchanged at 4.1% in September for the third consecutive month. The central bank believed that inflation had passed its peak but would stay high for some time. Meanwhile, quarter-on-quarter increases in the country's economic growth of 0.4% in the second quarter was a repeat of its first-quarter growth.

Our view

We have a positive outlook for Asia Pacific (excluding Japan) equities, reflecting the opportunity to gain exposure to attractively valued markets and their faster-growing economies – the IMF estimates that China and India will contribute around half of global GDP growth this year. While China's equity performance in particular has disappointed this year, its policy makers continue to have enviable room for manoeuvre. With inflation pressures absent, in recent months China has cut interest rates and loosened mortgage restrictions, lowering credit cost to businesses and indirectly incentivising households to spend pandemic-accrued savings. Balancing attractive equity valuations, we are mindful of the current geopolitical climate as regards China, especially in the context of ongoing efforts by many global trading partners in the west to diversify and de-risk supply chains. While we remain vigilant towards the investment climate in the region, within our broader Asia Pacific ex-Japan allocation, we seek a value-investment-style skew, recognising the positive optionality for a continued China-driven domestic economic recovery.

JAPAN

Easing prices support more positive economic outlook

Bank of Japan in no rush to phase out monetary stimulus.

Japanese shares gained during the quarter, benefiting in part from continued monetary policy support during the period. The annual core inflation rate, which in Japan excludes fresh food prices but still includes fuel costs, eased from 3.3% in June to 3.1% in July and was unchanged in August. This supported the Bank of Japan's (BoJ) stance that pricing pressures were gradually moderating. Leaving its short-term interest rate unchanged at -0.1% in September however, the BoJ suggested that it was in no rush to phase out its hitherto massive monetary stimulus, with BoJ Governor Kazuo Ueda noting that "we have yet to foresee inflation stably and sustainably achieve our price target". On economic growth, Japan's second-quarter GDP expanded by an annualised 4.8% and a notable pick-up from the first quarter's 3.2% growth rate, helped by robust exports. Looking ahead, a government survey of large manufacturing companies for the third quarter of 2023 indicated that business conditions for the sector were improving, although caution around higher import costs and raw material prices remained.

> **"...caution around higher import costs and raw material prices remained.**

Our view

NEUTRAL

We have a neutral outlook for Japan equities. Market performance has been supported this year by hopes that after years of false dawns around stock market reforms in particular, we might have finally reached a tipping-point. For Japanese listed companies with a market price below the book value of their net assets, the Tokyo Stock Exchange earlier this year tasked them to 'disclose policies and specific initiatives for improvement'. Additionally, a welcome reemergence of inflation after years of stagnation has buoyed the outlook for the country's financial sector. As such, Japanese banks might be expected to see a margin benefit from the recent re-pricing higher of longer-dated bond yields. Balancing hopes for better corporate governance and capital allocation, Japan still has well-documented structural headwinds: high public debt levels and a declining and aging population. These provide an unwelcome backdrop for the BoJ as it might look to unwind decades of unconventional monetary policy, following which the central bank owns around half of the Japanese government bond market.

EMERGING MARKETS

Emerging market performance mixed given economic uncertainties

US dollar reverses initial weakness, presenting a currency headwind for performance.

The performance of emerging market equities was mixed over the period, despite some initial optimism around China's efforts to boost its economy. In currency markets, a weakening US dollar in early July supported emerging market equities initially but the situation later reversed and dollar strength proved to be a familiar narrative for much of Q3. Brazilian companies benefited when the country's central bank cut interest rates in August for the first time since 2020, followed by a second cut in September. Also of note, in August the Brazilian government announced a massive spending plan to bolster the economy, focused on infrastructure investment and designed to kickstart a green transition. Meanwhile, South Africa's market was buoyed by a recovery in commodity prices, and the country's economy grew more than forecast in the second quarter of 2023. Elsewhere, Turkish shares rallied significantly as the central bank again hiked interest rates to tackle rampant inflation, with investor sentiment buoyed on hopes of a return to more conventional economic policy. Finally, India's economy grew more than expected in the second quarter of 2023 on a strong service sector performance and rising consumer demand.

> **"...dollar strength proved to be a familiar narrative for much of Q3.**

Our view

NEUTRAL

Our neutral outlook for Emerging Market equities disguises a more cautious view towards the mix of emerging countries outside of our preferred Asia Pacific (excluding Japan) focus. US dollar strength which re-emerged during much of Q3 was a reminder of the challenges for dollar-denominated debt and investment flows into the region more broadly. Given the still-uncertain global economic outlook, this headwind for commodity prices might also weigh against those emerging markets which are more resource-export-led. It is notable that China, a consumer of significant shares of global commodity export markets, has appeared to prioritise a domestic, services-led, consumption recovery rather than lean on the past-model of infrastructure spend to boost its economy. This might challenge the traditional emerging market 'playbook' where emerging market export growth feeds off a Chinese-led global commodity reflation narrative. Coupled with a so-called 'near-shoring' of global supply chains post pandemic, this has undoubtably complicated what might otherwise be a more-normal economic growth profile that emerging economies might hope for.

The macro economic outlook is not the only consideration

For investors what is priced into markets matters more.

The macro economic outlook clearly matters, but trying to estimate what might be priced into markets arguably matters more. Time and again, the challenge for investors is not only to determine the macroeconomic path, but also to understand how markets might react. The key concern at the start of this year had been around the risk of recession, and the timing, duration, and magnitude if it came. Through this year, but especially in Q3, the soft-landing narrative has gained traction but tail-risks remain, not least the risk around time lags that monetary policy typically exhibits. While not our central scenario, even in the event that a global recession were to land, the outlook for risk assets would be extremely difficult to forecast due to three factors: difficulty timing the start of the downturn given the current resilient economic growth data, difficulty assessing how deep any downturn would be and lastly, whether equities might in fact welcome a recession if it were to meaningfully bring down inflation and interest rate expectations.

While we are mindful of the recent uptick in energy price inflation, recent inflation readings, while bumpy, have on the whole continued to point to a disinflationary trend. It is too early to say where inflation will settle, however the month-on-month inflation readings suggest with increasing confidence that peak inflation is behind us. Crucially, for our forward-looking investment strategy settings, we know that we do not need to wait for inflation to fall back to target before we see a corresponding performance across risk assets. Indeed, from longer-dated studies, historically a disinflationary backdrop, as economies transition between inflation regimes from 'high inflation and rising' to 'high inflation but falling', has typically boded well for relative equity investment performance. With global equity forward-looking Price/Earnings Per Share valuations around their historical thirty-year average, we are, in aggregate, modestly overweight equity risk relative to our strategic asset allocation ranges.

Within equities this year we have seen rapid swings between market optimism and pessimism around inflation and economic growth. As such we have maintained our equity barbell investment approach with an equal weighting between value and growth investment styles. To us, the amplitude and frequent rotation of change of investment style leadership post pandemic is an important reminder of the advantage of our barbell, first introduced at the beginning of 2021. That said, we continue to take conviction views within our global equity allocations, giving regional and country granular guidance.

Within fixed income, to manage interest rate sensitivity we have maintained a short-duration fixed income positioning during Q3, with a preference for shorter dated (three-to-five year) weighted-average maturities. Following confidence in the maturity of the current interest rate hiking cycle, we lifted our sovereign exposures earlier in the summer such that we now have an equal balance between sovereigns compared to corporate credit. Within credit, we prefer investment grade over high yield however, wary that the yield premium for the latter is not in our view providing sufficient reward for the additional risk.

Finally, within alternatives, we have recognised for some time now that income is back in fixed income. As such, earlier this year, in order to fund our increased fixed income allocations we lowered weightings to alternatives such as commercial property and alternative income. Balancing this, we continue to have exposures to structured return products which provide diversification to our expected returns across more vanilla equity and bond asset classes.

> **“Within equities this year we have seen rapid swings between market optimism and pessimism around inflation and economic growth.**

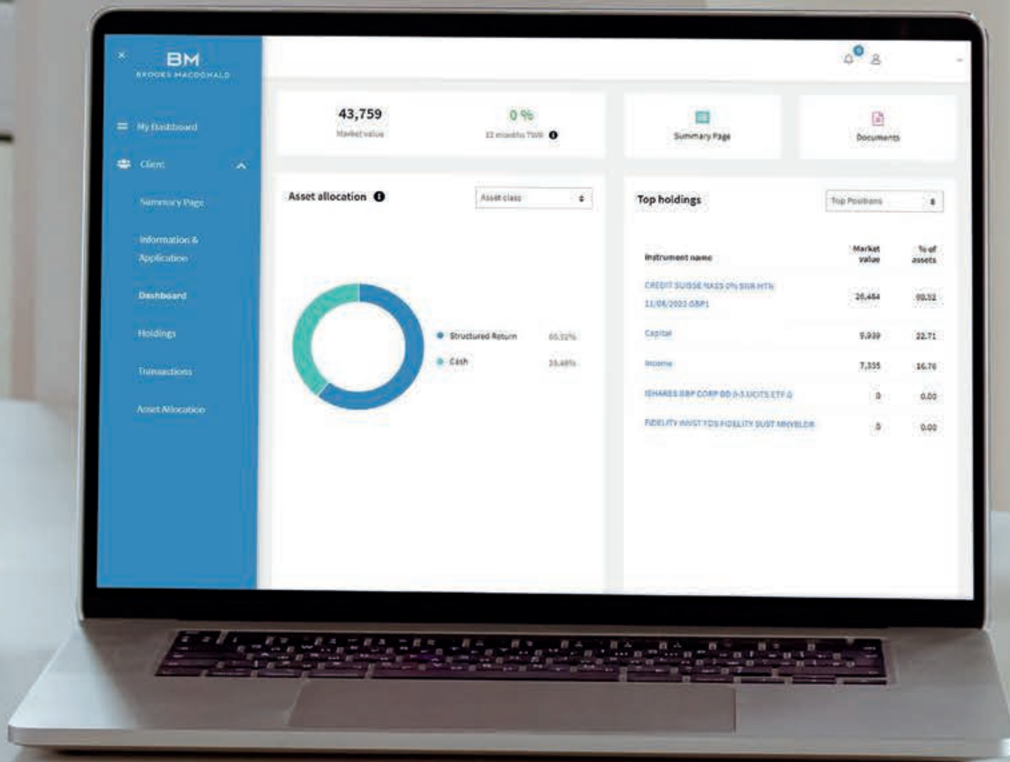
To repeat our opening introductory message, as we weigh up the investment outlook, the challenge for asset allocation is how to take a calculated position so that we keep exposure towards more than one economic scenario materialising. Simply, there is not enough visibility currently to decidedly shift our investment weight behind a single expected sustained outcome. Instead, staying invested but keeping balance continues to be our goal, and in turn helping you our clients target your own investment goals.

InvestBM - the easiest way to access your investments

Viewing your portfolios online couldn't be easier! If you haven't heard about InvestBM yet and would like to find out more, please speak to your Brooks Macdonald contact.

BM

BROOKS MACDONALD



Important information

Investors should be aware that the value of investments and the income from them can go down as well as up and that neither is guaranteed. Past performance is not a reliable indicator of future results. Investors may not get back the amount invested. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment. Investors should be aware of the additional risks associated with funds investing in smaller companies, emerging or developing markets. Changes in interest rates may also impact the value of fixed income investments. The value of your investment may be impacted if the issuers of underlying fixed income holdings default, or market perceptions of their credit risk change.

The information in this document does not constitute advice or a recommendation and you should not make any investment decisions on the basis of it. This document is for the information of the recipient only and should not be reproduced, copied or made available to others.

Brooks Macdonald is a trading name of Brooks Macdonald Group plc used by various companies in the Brooks Macdonald group of companies. Brooks Macdonald Group plc is registered in England No: 04402058. Registered office: 21 Lombard Street, London, EC3V 9AH.

Brooks Macdonald International is a trading name of Brooks Macdonald Asset Management (International) Limited. Brooks Macdonald Asset Management (International) Limited is licensed and regulated by the Jersey Financial Services Commission. Its Guernsey branch is licensed and regulated by the Guernsey Financial Services Commission and its Isle of Man branch is licensed and regulated by the Isle of Man Financial Services Authority. In respect of services provided in the Republic of South Africa, Brooks Macdonald Asset Management (International) Limited is an authorised Financial Services Provider regulated by the South African Financial Sector Conduct Authority. Registered in Jersey No: 143275. Registered office: Third Floor, No 1 Grenville Street, St Helier, Jersey, JE2 4UF.

More information about the Brooks Macdonald Group can be found at www.brooksmacdonald.com.

The views in this Quarterly Market Overview report are correct as at 22 September 2023. All information is current at the time of issue and, to the best of our knowledge, accurate.

This document is made of 100% recycled paper. Please recycle when finished.

BROOKS MACDONALD