



## **YOU Asset Management Client Seminar**

- **13<sup>th</sup> September 2022**

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# YOU Asset Management Client Seminar – **Agenda**



- Welcome
- Review – **What is the macro outlook?**
- Performance – **What returns have been delivered?**
- Stay invested – **Taming your emotions along the investment journey**
- What's next? **Developing our investment solutions**
- Q&A

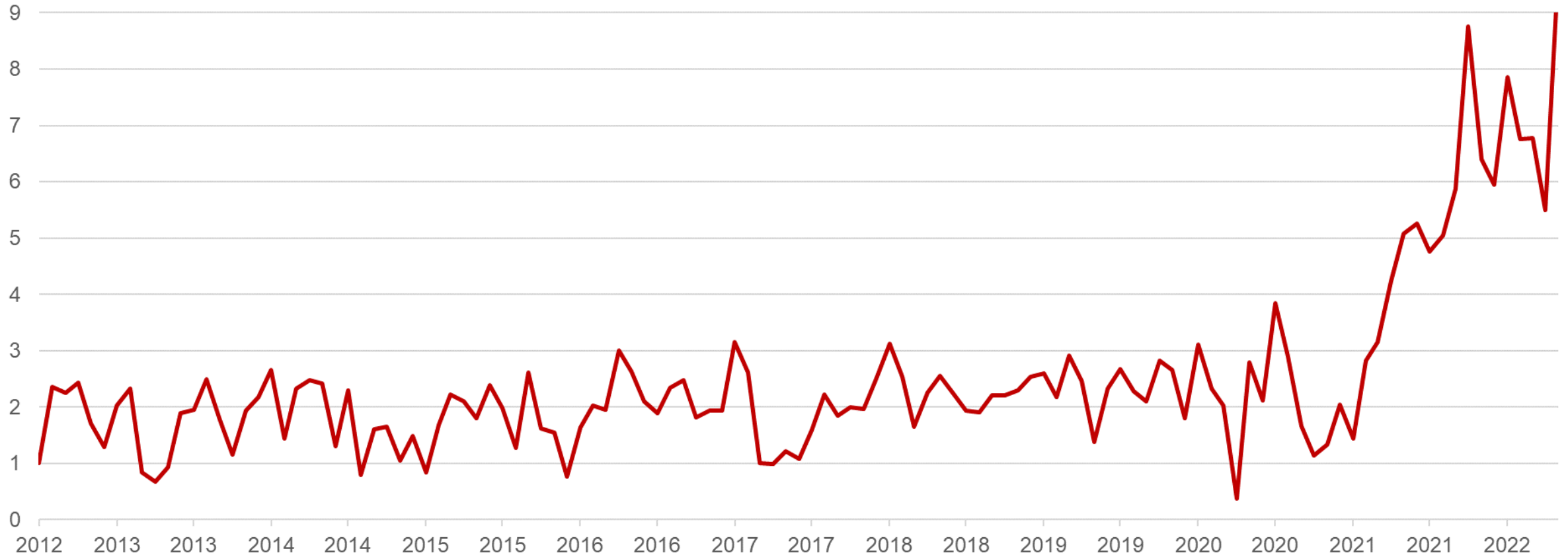
Review – **What is the macro outlook?**

# Macro – The macro drivers were also familiar



Markets continued to be held to ransom by inflation....

**US Trimmed-Mean Consumer Price Index (%)**



# Macro – The main drivers were also familiar



....And the resulting impact on interest rates

10 Year Constant Maturity US Treasury Yield (%)

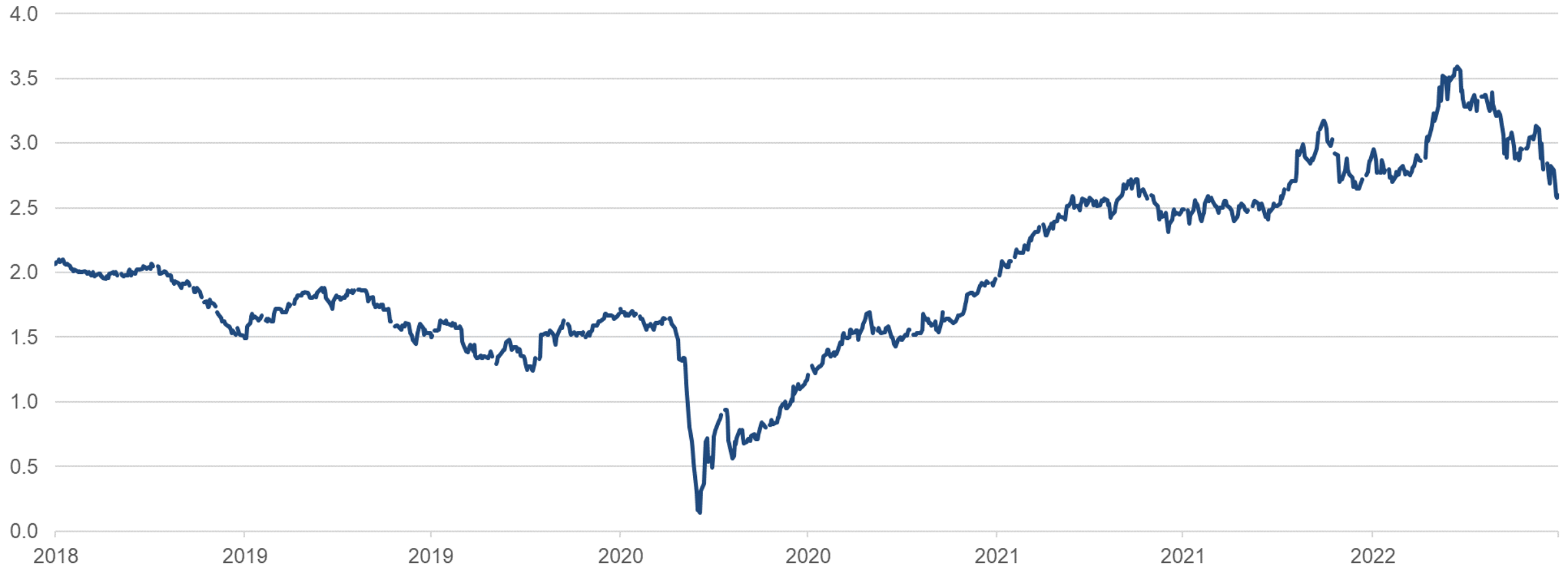


# Macro – However...



We are increasingly of the view that the worst of inflation is in the rear-view mirror

5 Year US Breakeven Inflation Rate: Market Implied Expected Inflation over the next 5 years, on average



# Macro – The inflation picture is evolving



Supply chains are healing:

### Fig. 1 Ocean Delivery Time Continues to Fall

Cargo Ready Date to Destination Port Departure, to 7/10/22



Sources: Flexport Research

# Macro – The inflation picture is evolving



Commodity prices have likely peaked:





# Macro – The bargain hunt begins



We are seeing increased use of heavy discounting by overstocked retailers:

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## Inflation-Battered Americans Get Chance to Go Bargain Hunting

Despite rising prices, deals can be had in categories like television and clothing at Walmart, Target, Best Buy and other retailers.



By Daniela Sirtori-Cortina and Allison Nicole Smith  
June 15, 2022 at 2:26 PM GMT+1

Listen to this article

▶ 3:31

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A nationwide inventory glut has led to unexpected bargains for US shoppers, especially for goods that used to be hot sellers during the pandemic.

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### "It's a retail armageddon": Overstocked stores give big discounts as supply chain backlog eases

BY CARTER EVANS  
UPDATED ON: JULY 7, 2022 / 7:16 PM / CBS NEWS

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RETAIL INVENTORY

SOME STORES OVERSTOCKED BY MORE THAN 30%

SOURCE: STRATEGIC RESOURCE GROUP

MONEYWATCH

INVENTORY OVERLOAD LEADS TO SHOPPER SAVINGS

CBS EVENING NEWS WITH NORAH O'DONNELL

# Macro – However...

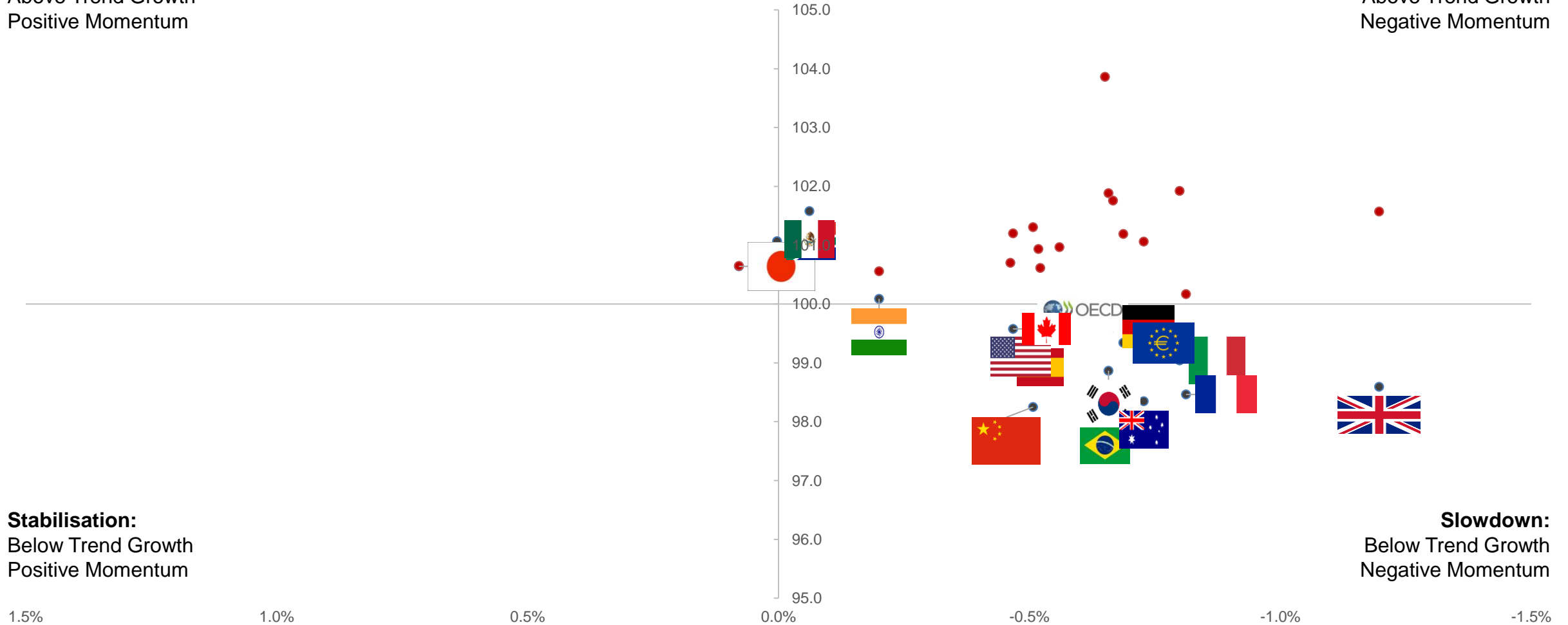


... And we think the threat of recession is now the fear that stalks the land

**Acceleration:**  
Above Trend Growth  
Positive Momentum

## OECD Composite Leading Indicator: Macroeconomic Clock: 2022-06

**Deceleration:**  
Above Trend Growth  
Negative Momentum



**Stabilisation:**  
Below Trend Growth  
Positive Momentum

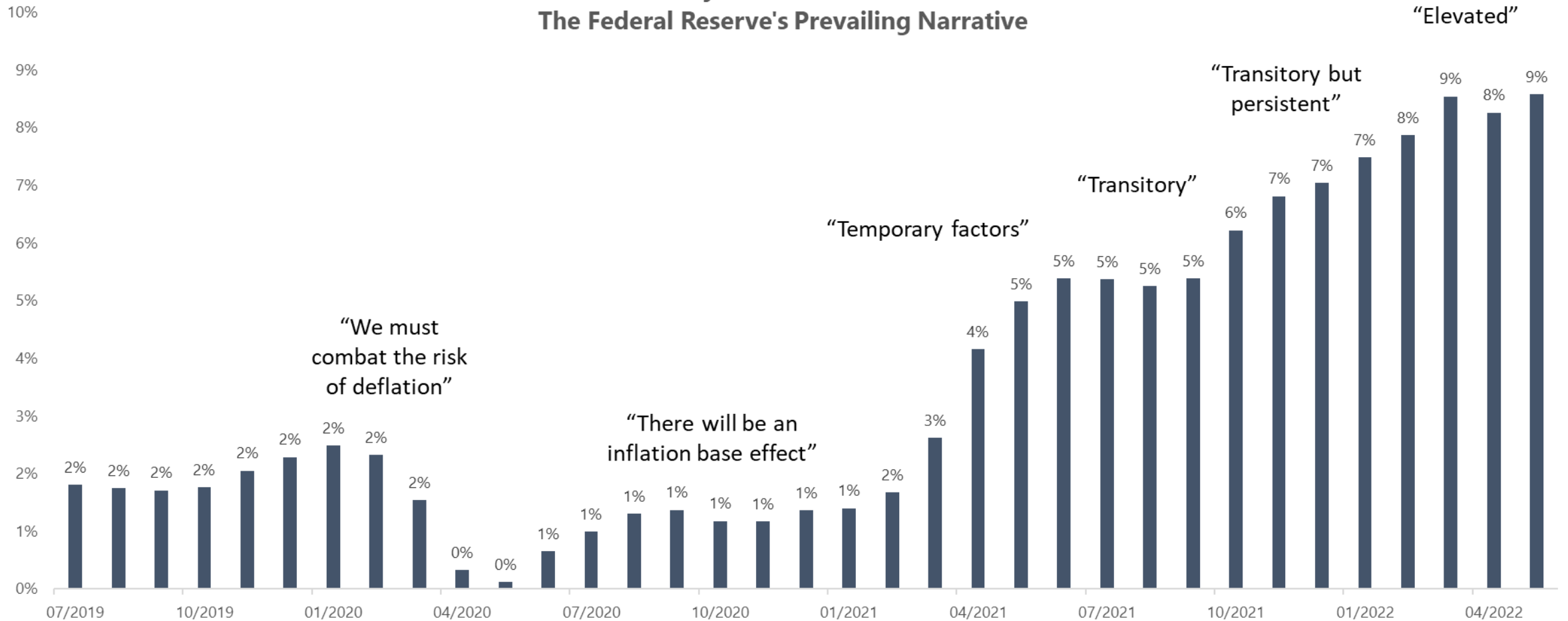
**Slowdown:**  
Below Trend Growth  
Negative Momentum

# Macro – Atoning for sins of the past



The concern is that central banks are like generals fighting the last War...

### US Monthly Annualised CPI Rate & The Federal Reserve's Prevailing Narrative

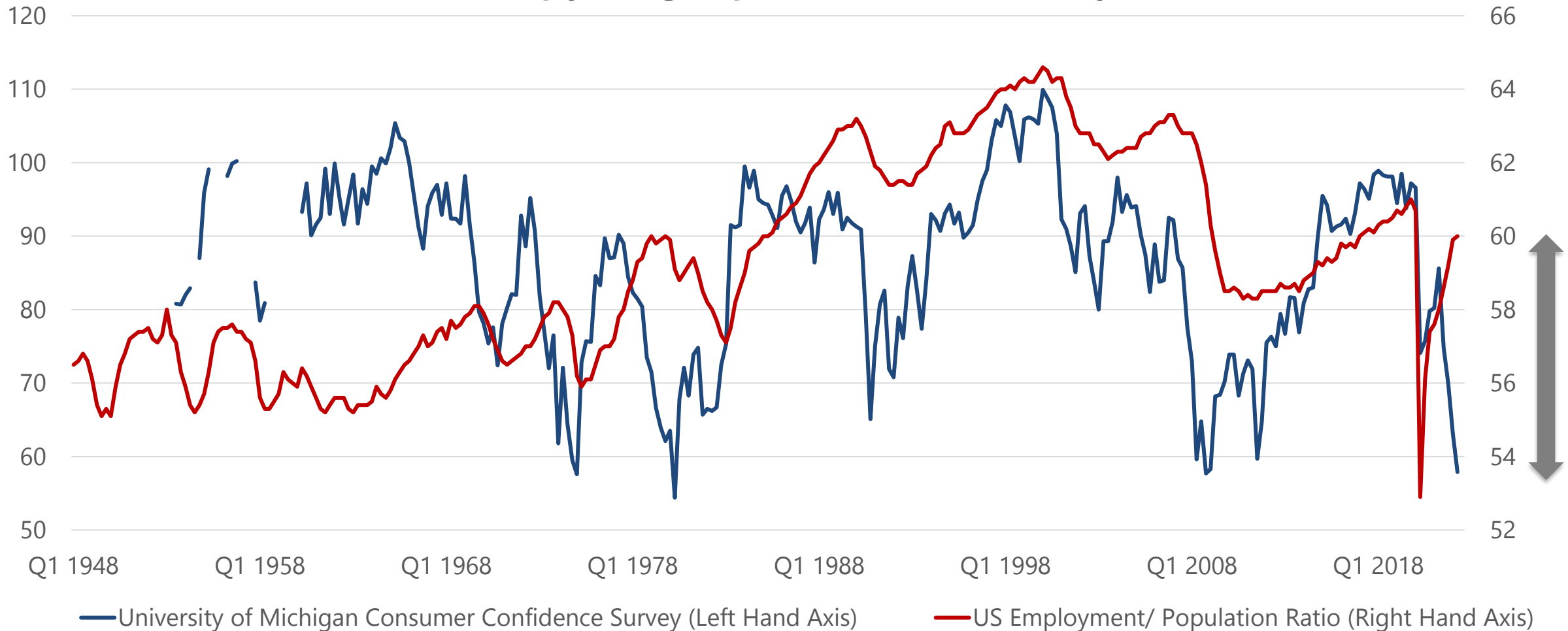


# Macro – Mind the gap!



And are focusing too much on backward, rather than forward-looking data...

## Sharply divergent pictures of the US economy:



# Macro – **The Wiley Coyote moment**



There is significant worry that this man is about to make a mistake....



# Macro – The Wiley Coyote moment



And the same applies closer to home...

UK business & economy [+ Add to myFT](#)

## Bailey pledges to bring UK inflation back down to 2% target

BoE governor says interest rates could rise more sharply than previously as household costs surge

A photograph of Andrew Bailey, the Governor of the Bank of England, speaking at a press conference. He is wearing a dark suit, a white shirt, and a blue tie. He has his hands raised, with his index fingers pointing upwards, as if emphasizing a point. The background is a dark blue wall with the 'Bank of England' logo repeated in white.

Andrew Bailey says 'there are more options on the table than another 25 basis points' © Stefan Rousseau/PA

Valentina Romei YESTERDAY 107

## Macro – **How does this change our views?**

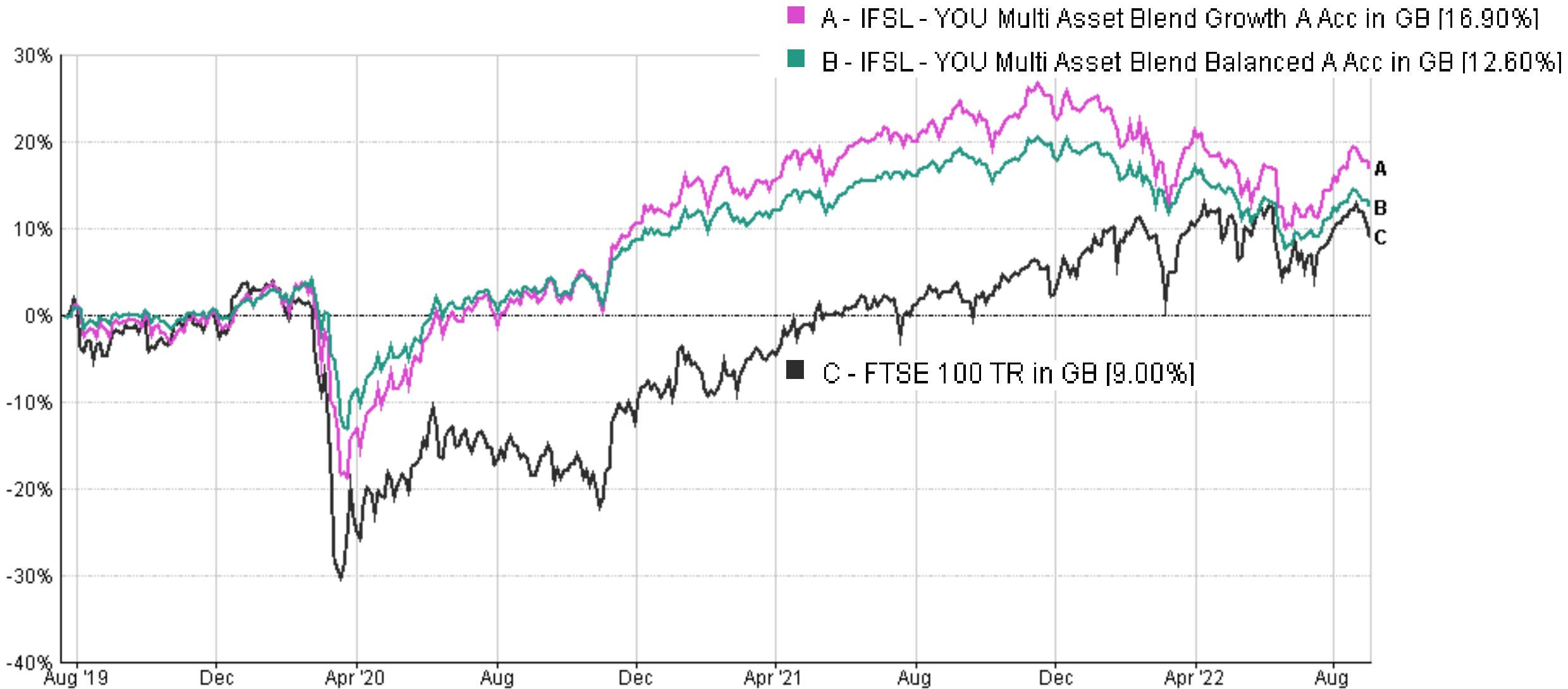
The rapidly evolving economic landscape has made us:

- More constructive on high-quality government bonds and investment grade credit
- Slightly less keen on riskier credit such as high yield – but confident opportunities will arise
- More bullish on *growth* equities relative to *value* equities - but with the right managers, both present opportunities
- We are increasing diversification in the portfolios, with new exposures to carbon, managed futures, commodities and new equity managers
- We remain very diversified on a style and geography basis, and think there could be significant opportunity in the Far East

Performance – **What returns have been delivered?**



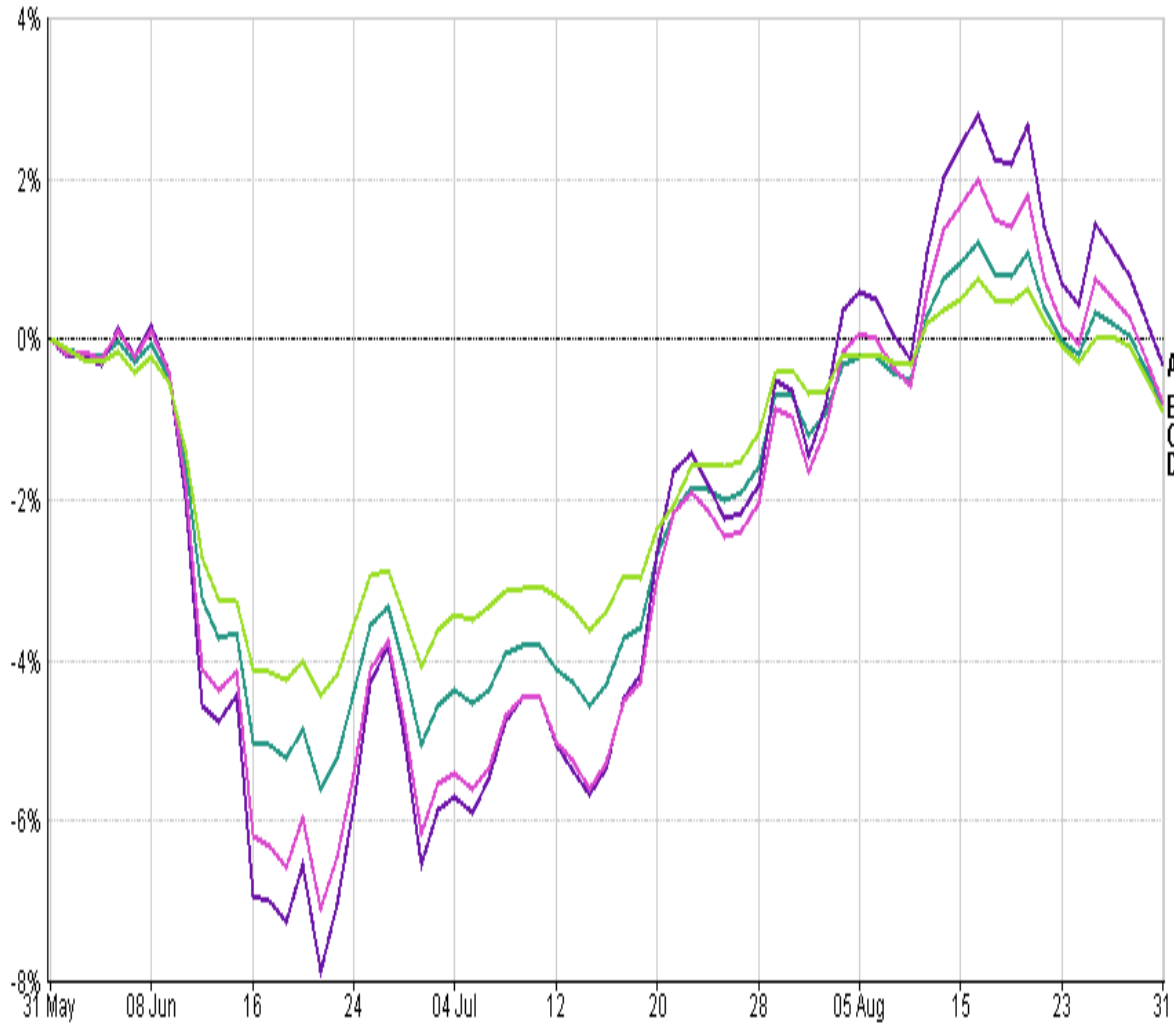
# Performance since launch – Multi-Asset Blend Funds



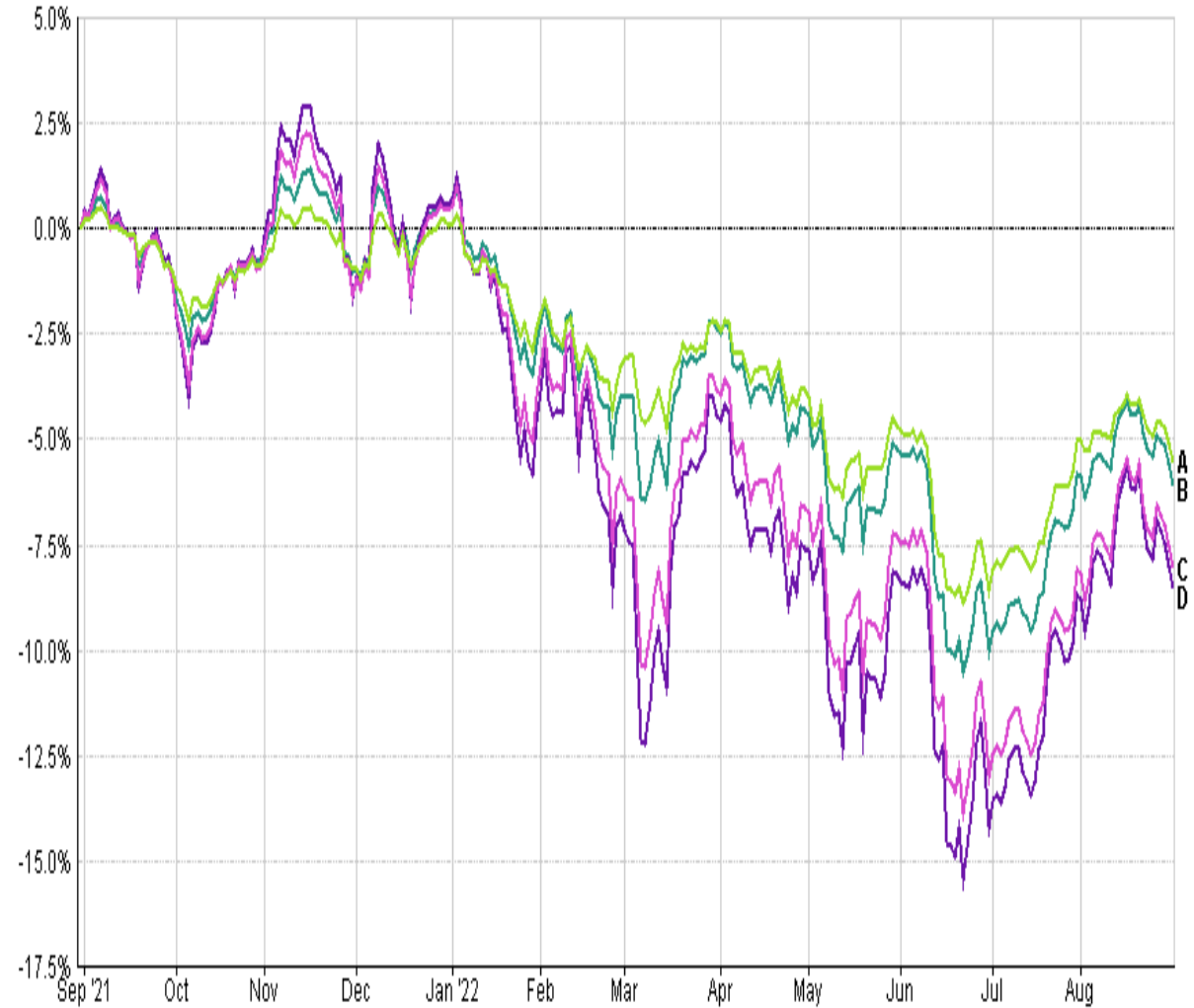
# Performance over the short-term – Active MPS



## YTD



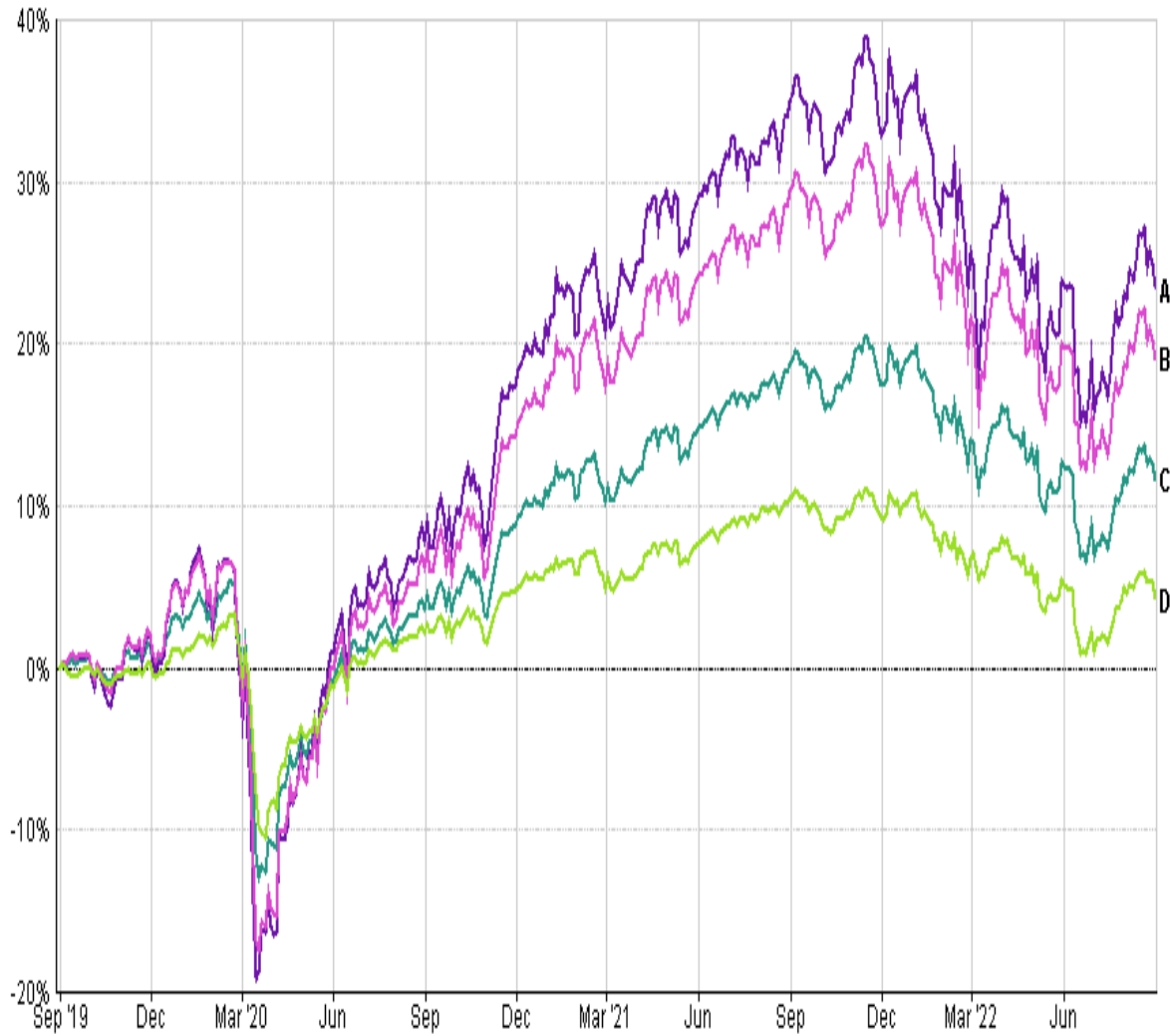
## 1 Year



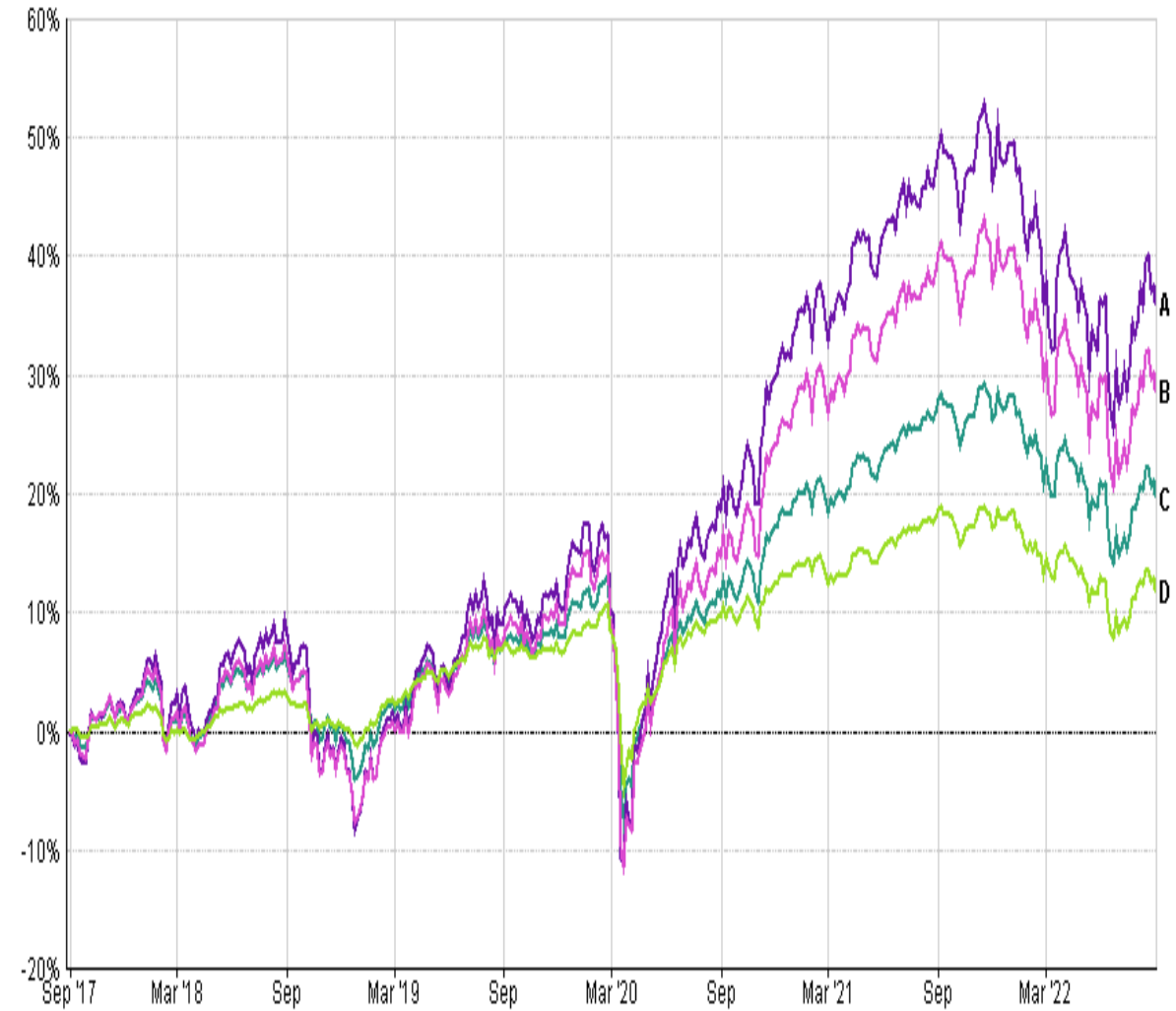
# Performance over the short-term – Active MPS



## 3 Years



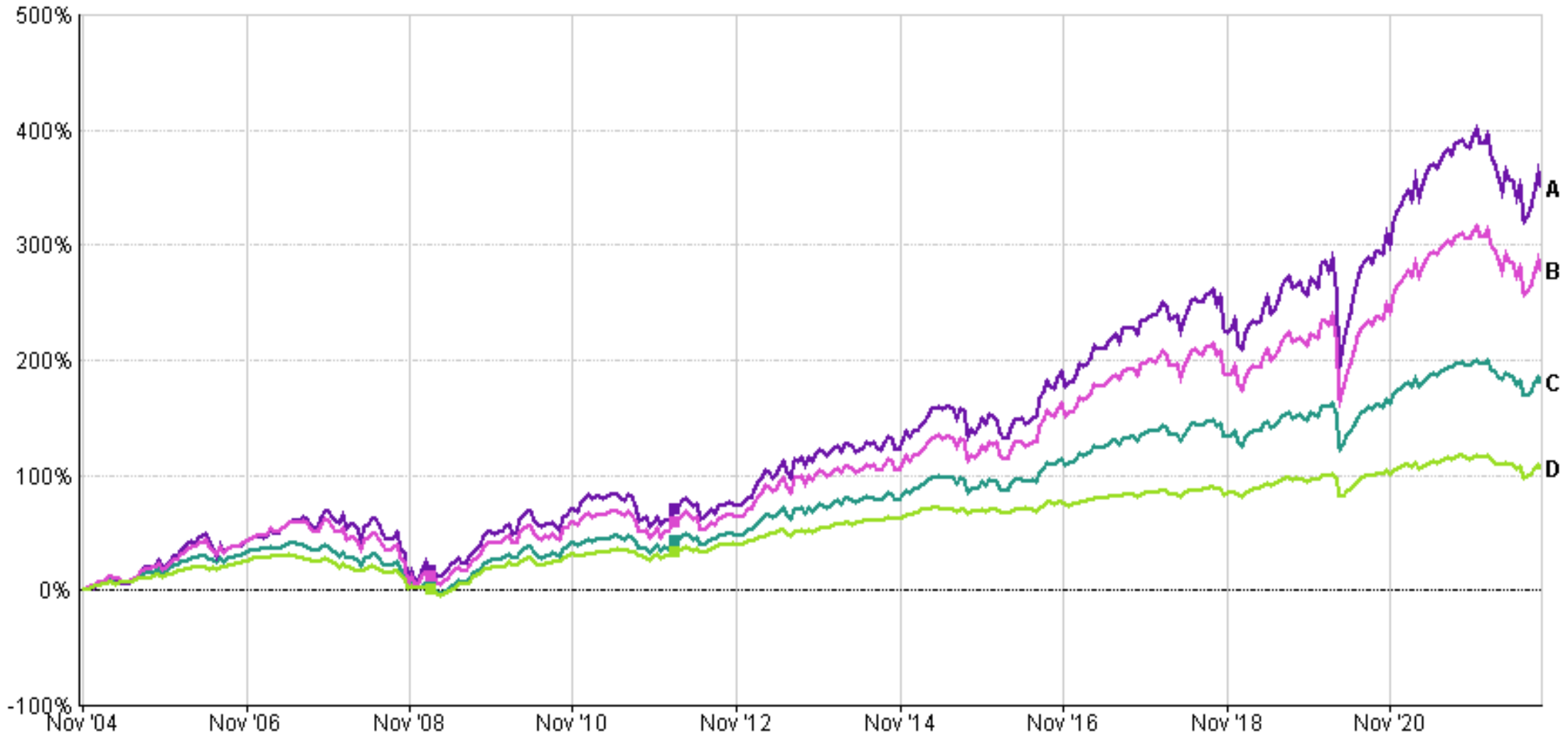
## 5 Years



# Performance over the long-term – **Active MPS**

**Since Inception**

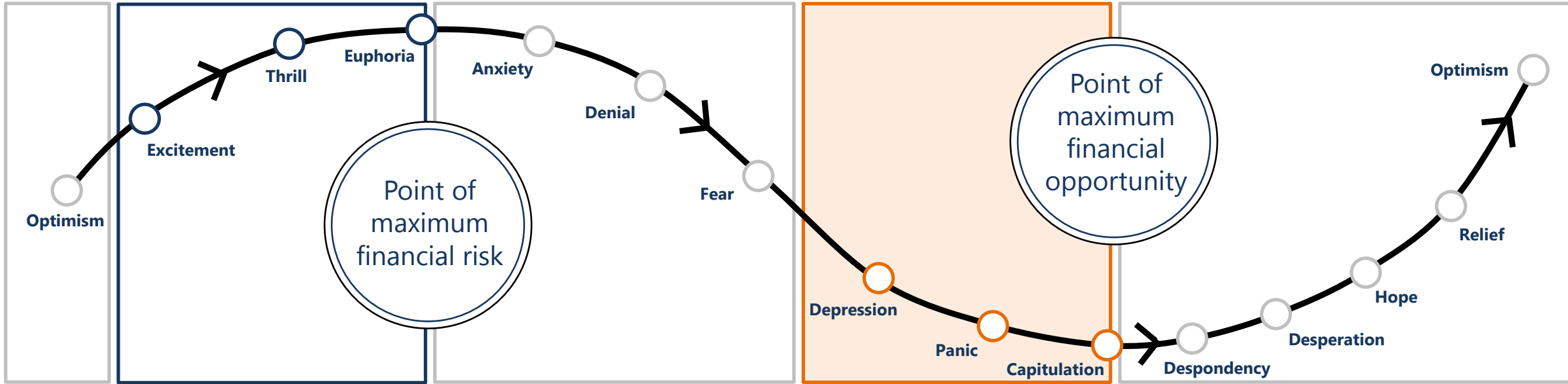
**17 Years and 10 months**





**Stay invested** – taming the temptations of our emotions

# The investment journey – The cycle of market emotions



**+55%**     **Jan 2015 – Dec 2019**

- Return to full employment in U.S.
- Optimism rises with U.S. tax cuts
- Trade war creates volatility in 2018
- 2019 Fed rate cuts extend the cycle

**+5%**     **Jan 2020**

- Reports of a virus outbreak in Wuhan, China
- Small number of cases report in Europe and North America by the end of January 2020

**-35%**     **Feb 2020 – Mar 2020**

- COVID-19 pandemic market crash

**+73%**     **Mar 2020 – Dec 2020**

- Markets rebound despite lockdowns
- Technology sector surges on working from home
- Vaccine hopes arrive in November 2020

**+5%**     **Dec 2021**

- Central banks forward guidance that interest rates will rise in 2022
- Expectations rise that inflation to be brought under control in 2022

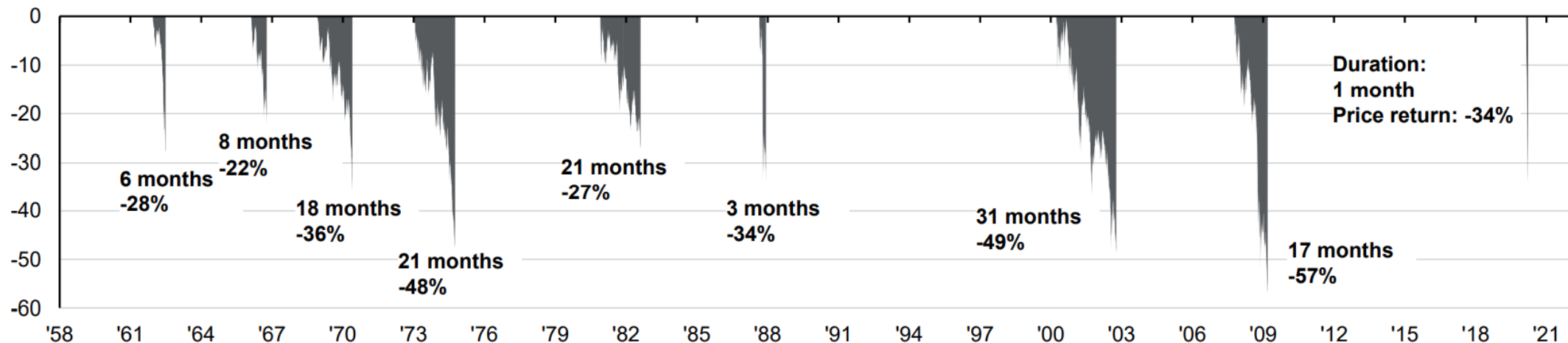
**-10%**     **Jan 2022 – Jun 2022**

- Rotation in market leaders
- Expectations for the number of rate hikes increases
- Russia invades Ukraine
- Inflation rises

# Pain and Gain – **Bad times hurt but good times last longer**

- A bear market represents a -20% or more decline from the previous market high
- There have been nine bear markets since 1958
- The average of those saw a decline of -37% and lasted 14 months in duration
- The largest bear markets, prior to the pandemic, were the two most recent, adding to the behaviour finance problem that the most recent experience has more weight in decision making

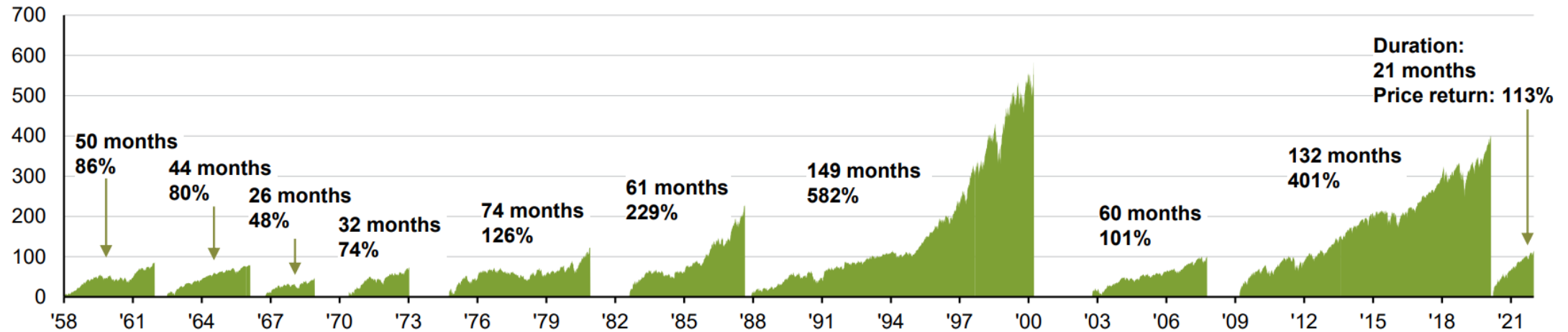
**S&P 500 bear markets, %**



# Pain and Gain – **Bad times hurt but good times last longer**



**S&P 500 bull markets, %**



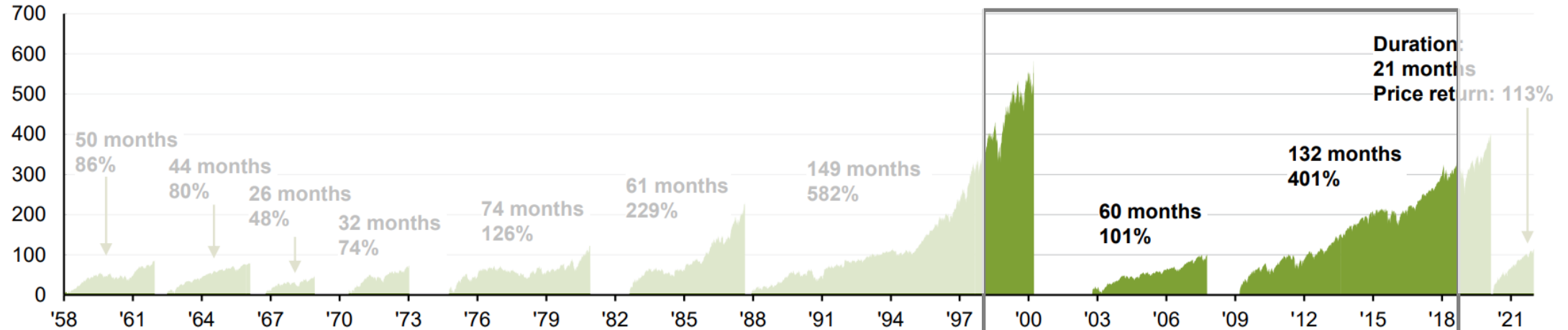
- A bull market represents a +20% increase from a market trough
- There have been ten bull markets since 1958
- The average of those saw an increase of +182% and lasted over five years duration
- Even though the bull markets are stronger and last longer, we tend to feel pain 2.5x more than we do gain
- That is why it is important to keep reminding ourselves of the importance of staying invested longer



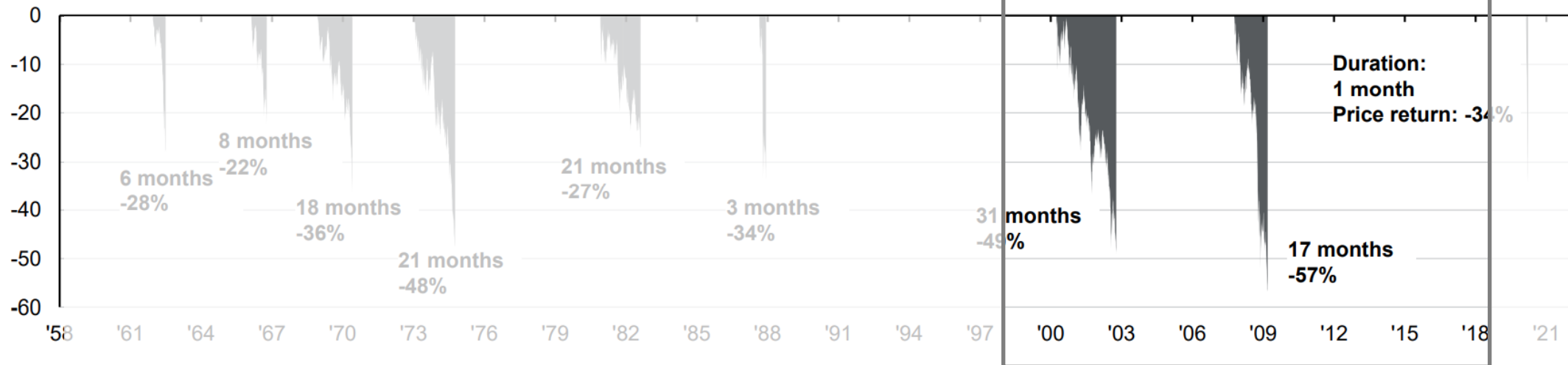
# Pain and Gain – Bad times hurt but good times last longer



**S&P 500 bull markets, %**

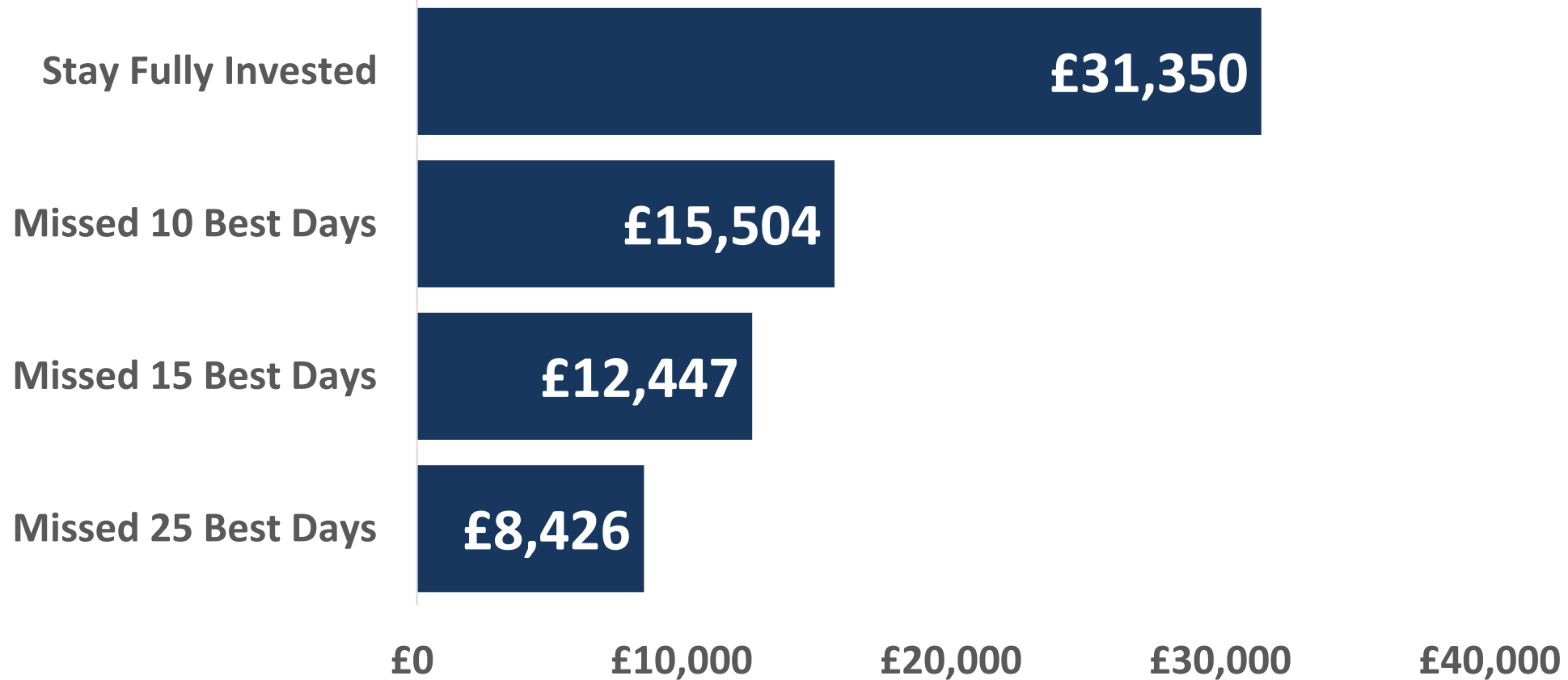


**S&P 500 bear markets, %**



# Timing the markets? **Taking the good with the bad**

*£10,000 invested in FTSE All Share 20 years ago*



# Timing the markets? Taking the good with the bad



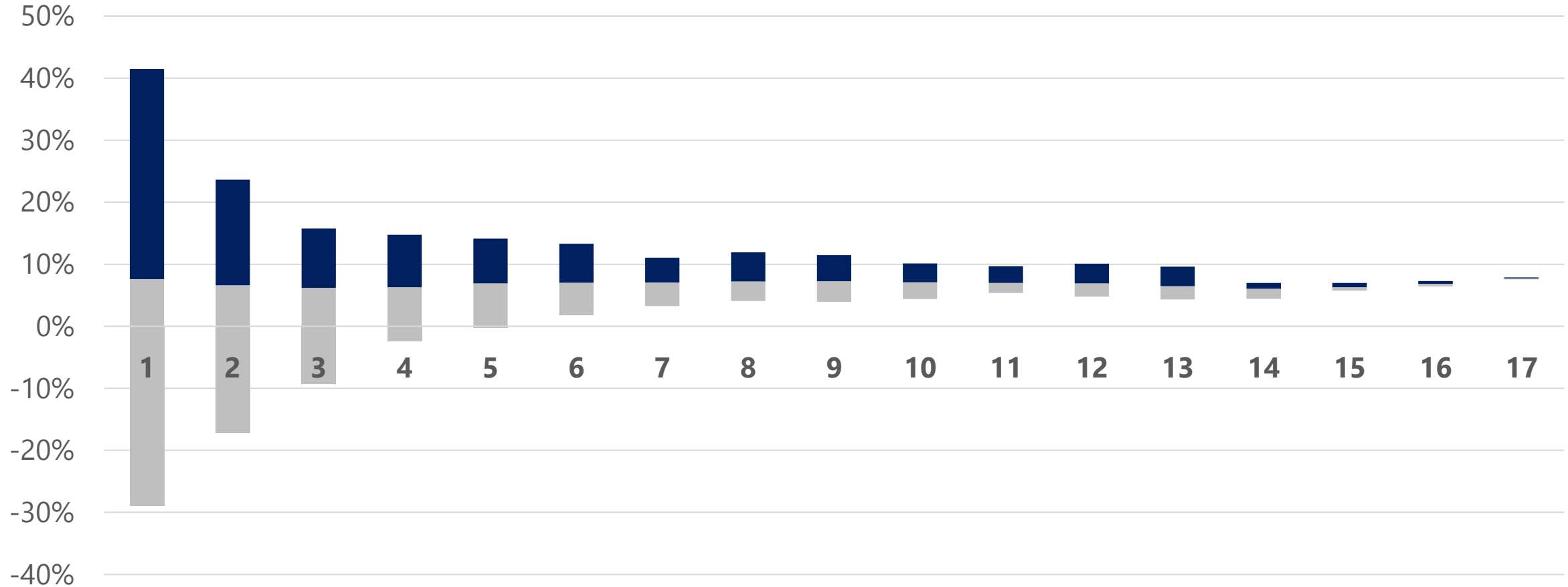
Decade	Cumulative		Annualized	
	Price Return	Excluding 10 Best Days Per Decade	Price Return	Excluding 10 Best Days Per Decade
1930	-42%	-79%	-5%	-35%
1940	35%	-14%	3%	-49%
1950	257%	167%	14%	-90%
1960	54%	14%	4%	-40%
1970	17%	-20%	2%	-37%
1980	227%	108%	13%	-119%
1990	316%	186%	15%	-130%
2000	-24%	-62%	3%	-38%
2010	190%	95%	11%	-95%
<b>Average Since 1930</b>	<b>114%</b>	<b>44%</b>	<b>6%</b>	<b>1%</b>

Cumulative loss of missing the best 10 days in each of the decades

# Does timing matter? **Rolling returns is the answer**



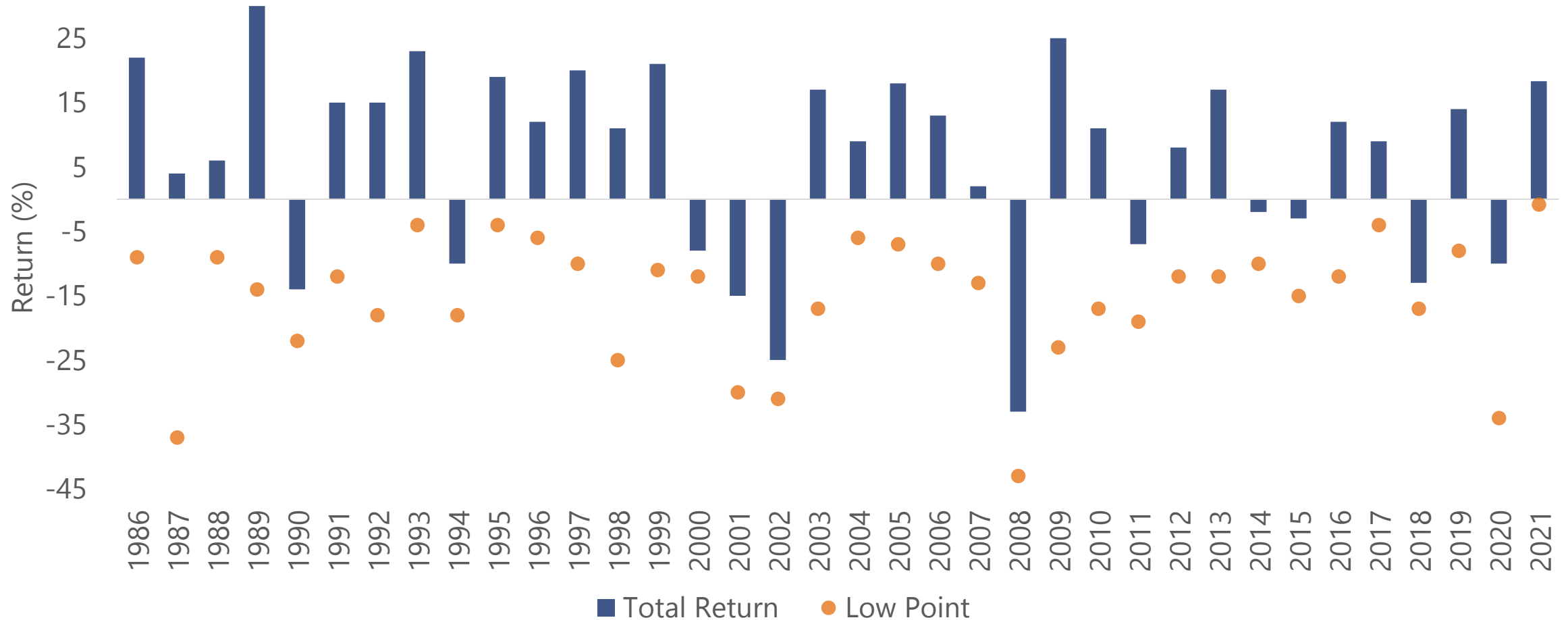
### Rolling Returns - Active 06



# Calendar year returns – Stay invested for better returns



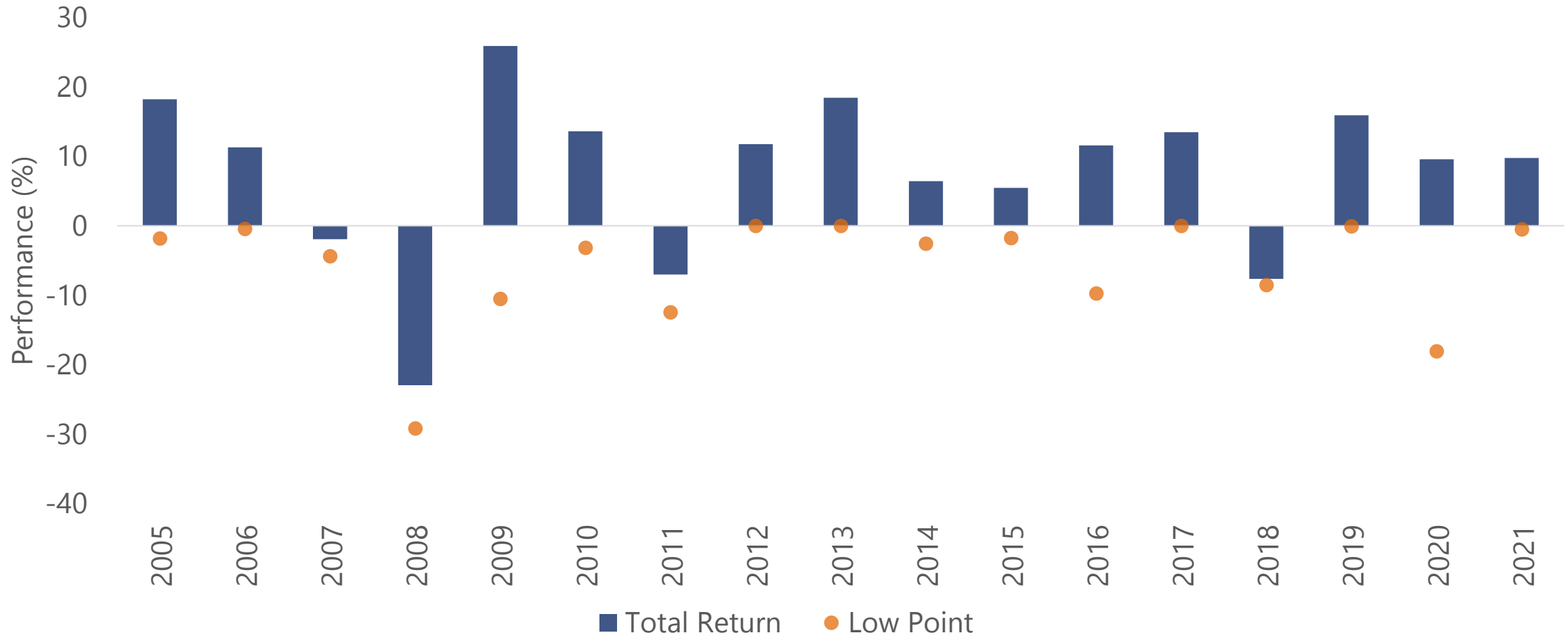
## FTSE All Share



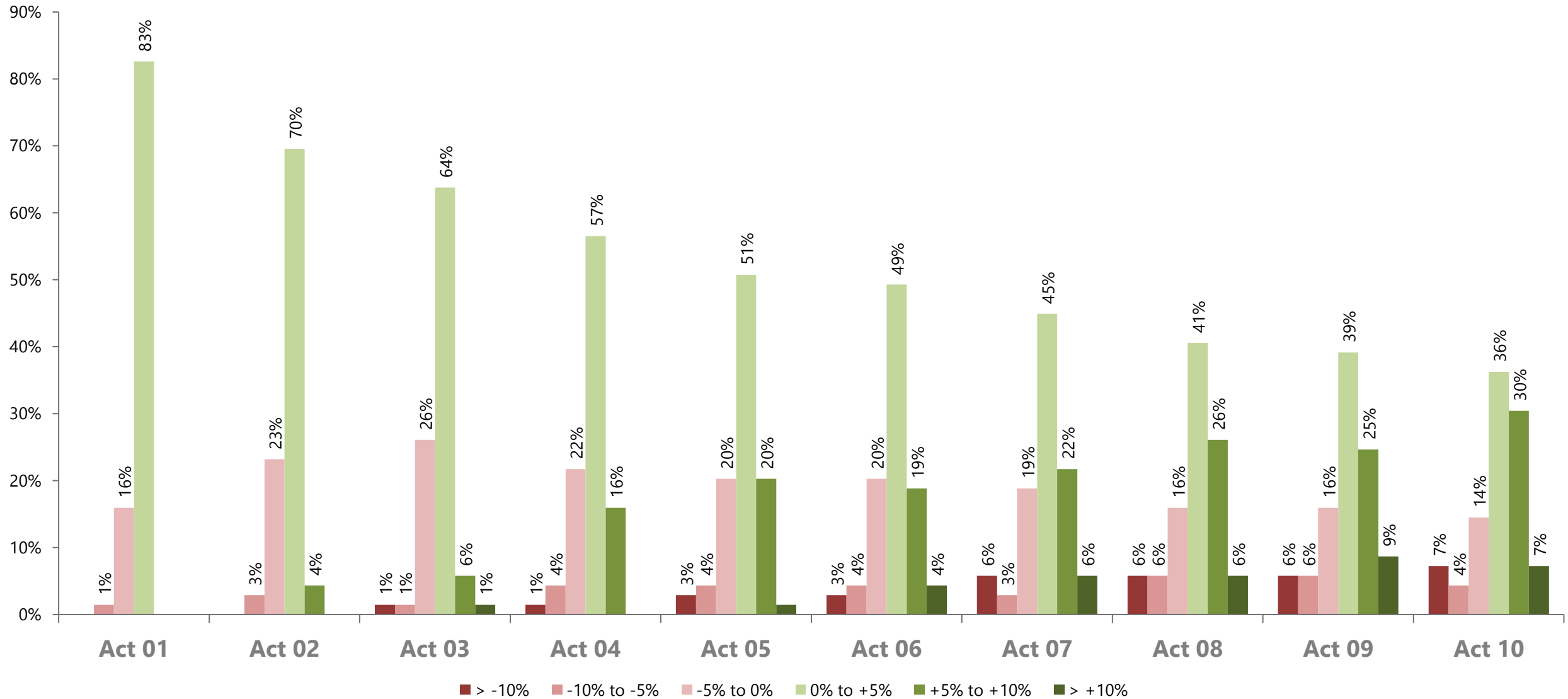
# Calendar year returns – Stay invested for better returns



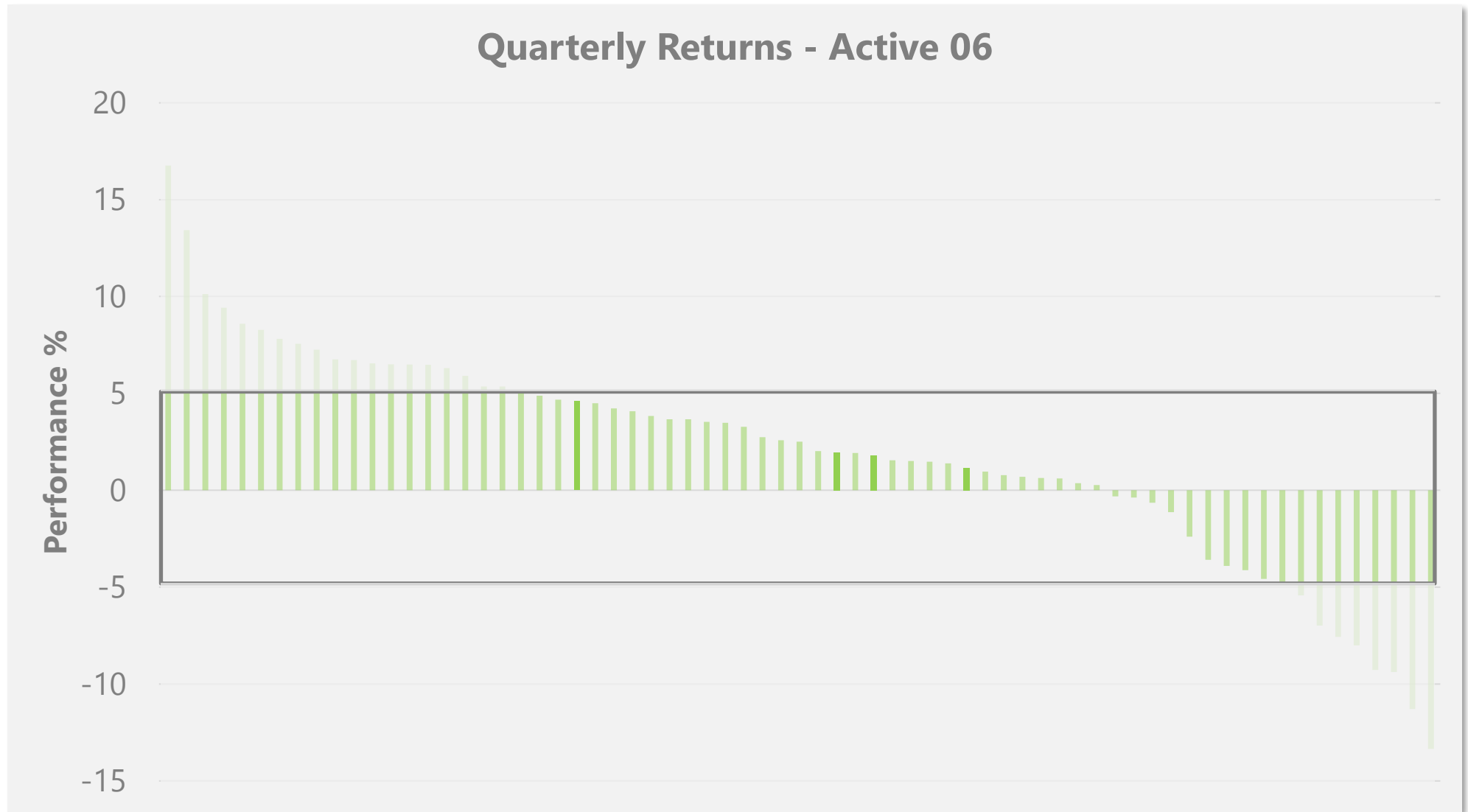
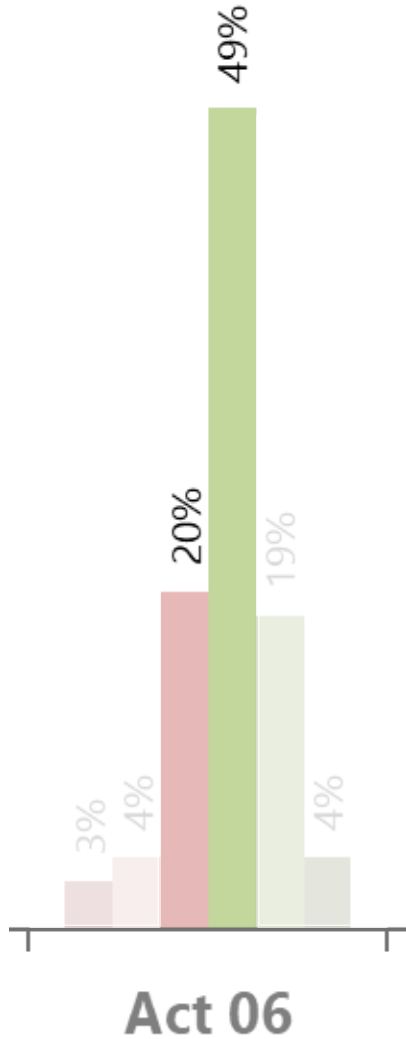
## Active 06



# Discrete quarterly returns – Stay invested for better returns

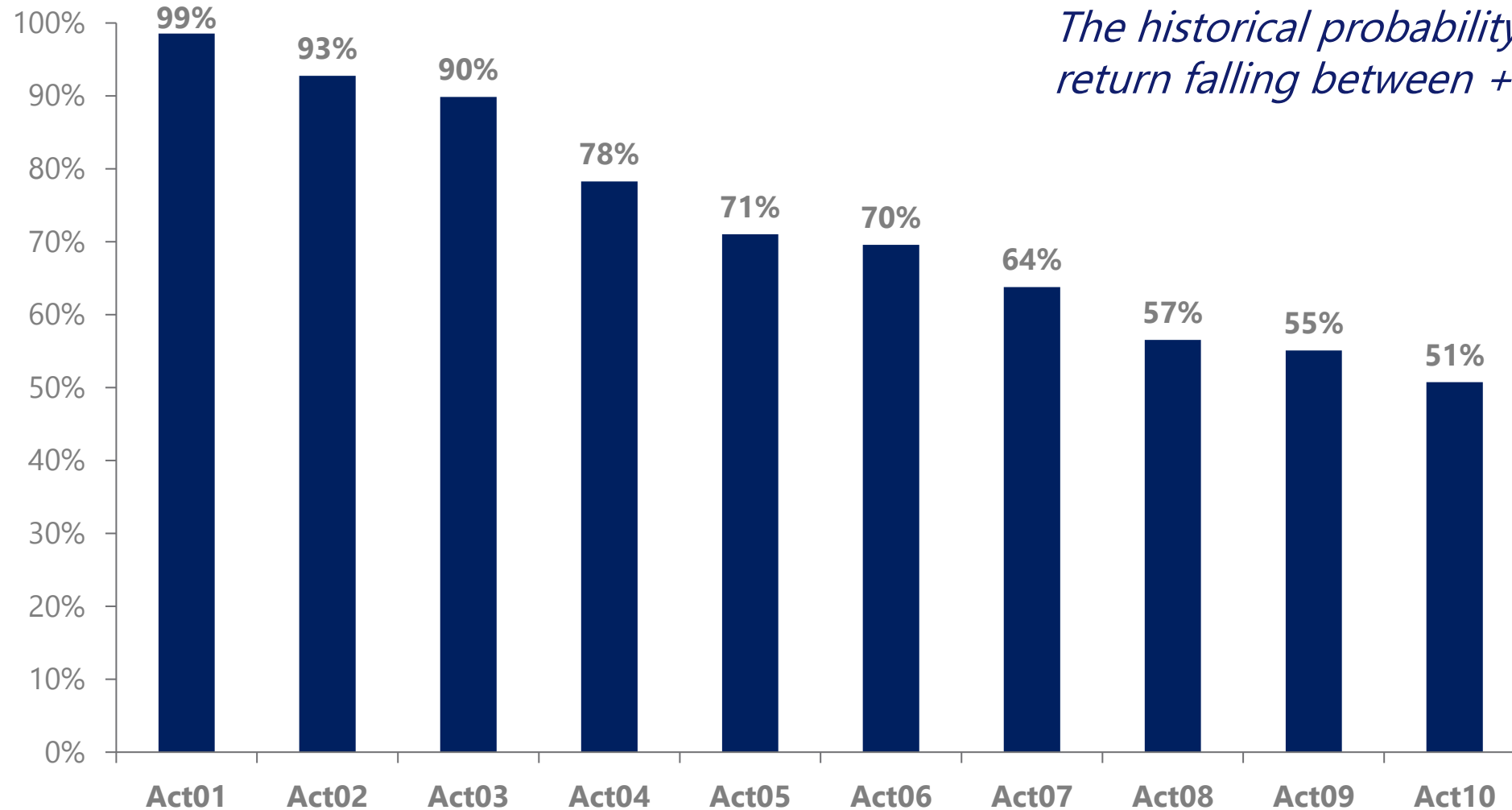


# Discrete quarterly returns – **Stay invested for better returns**



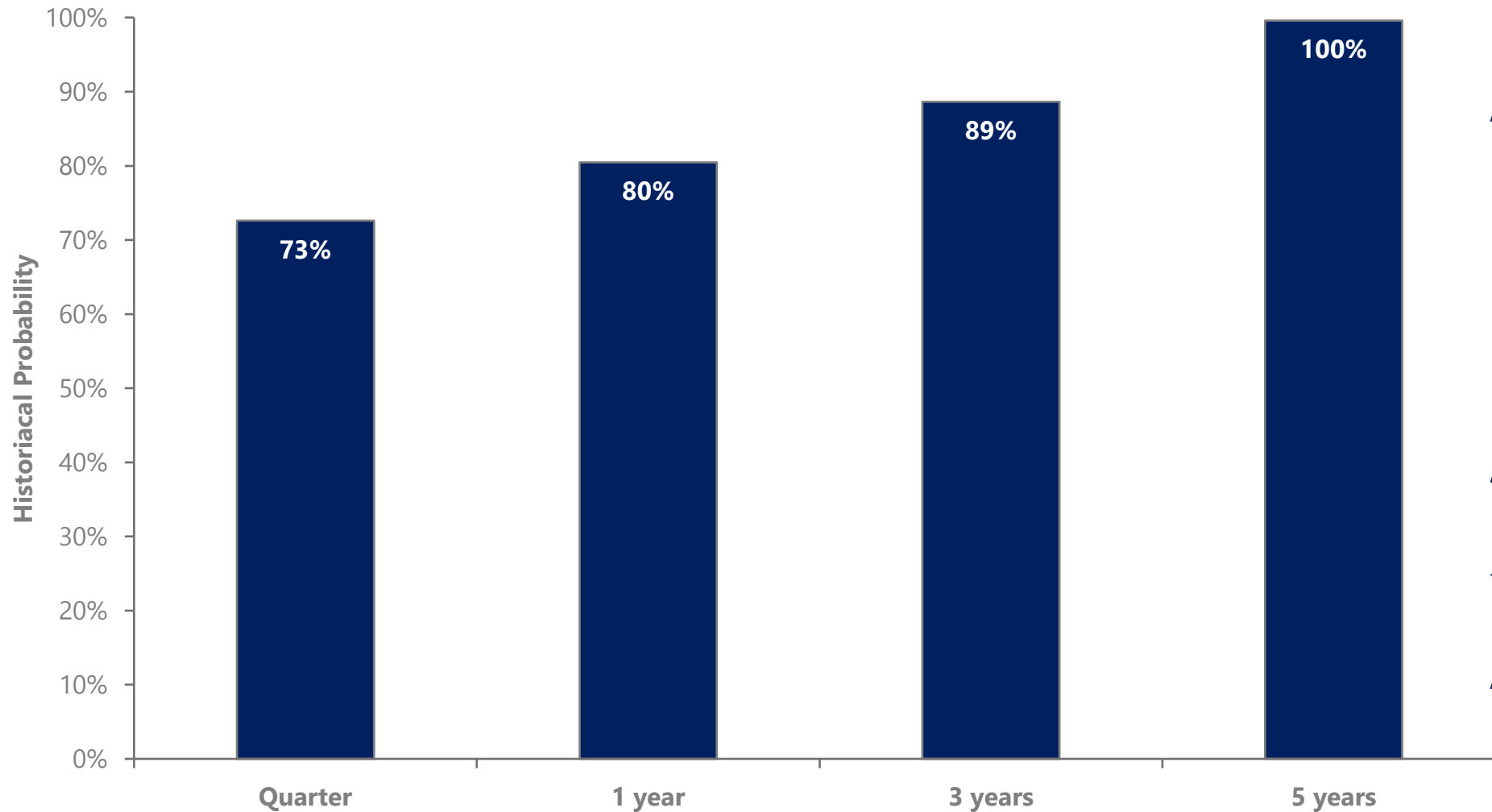


# Discrete quarterly returns – Stay invested for better returns



*The historical probability of your quarterly return falling between +5% and -5%.*

# Discrete quarterly returns – Stay invested for better returns



*The historical probability of receiving a positive return increases the longer you are invested.*

*The positive probability is the average of all the Active MPS risk ranges for that period.*

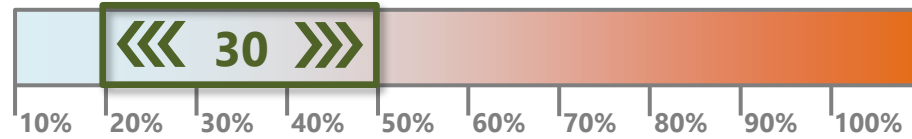


**What's next?** – developing our investment solutions

# Multi-Asset Blend Funds – The full range

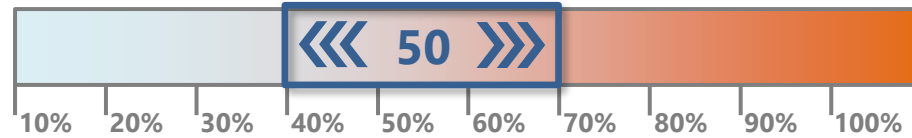


**Cautious**



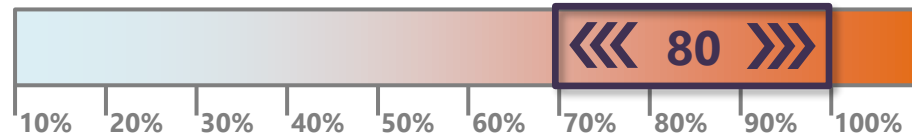
IA Mixed Investment 0-35% Shares

**Balanced**



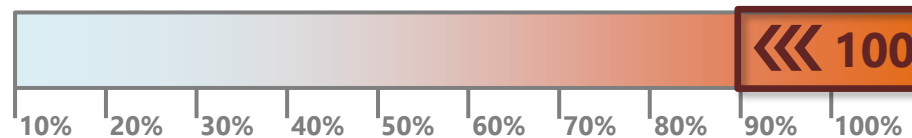
IA Mixed Investment 20-60% Shares

**Growth**



IA Mixed Investment 40-85% Shares

**Adventurous**



IA Flexible Investment

## Important Information



The Active Portfolios, one to ten were launched on 1<sup>st</sup> November 2004 (Equip Portfolios were renamed Active Portfolios on 1<sup>st</sup> October 2019). The Income Portfolio was launched on 1<sup>st</sup> November 2010. The Enhanced Passive Portfolios were launched on 2<sup>nd</sup> April 2013. The Ethical Portfolios were launched on 1<sup>st</sup> April 2015. The calculation date for all performance figures quoted is to 18<sup>th</sup> August 2022, unless otherwise stated. Past performance is not a guide to future investment returns. The value of investments and the income from them may fluctuate and you may not get back your original investment. All the performance information is based on unit holdings priced in GBP (Sterling) unless otherwise stated. Fund percentage growth is calculated with income re-invested back into the fund net of tax. For fund or sector average benchmarks the percentage growth is also calculated net of tax. Index benchmarks will not normally include re-invested income at all. Performance is bid to bid. The benchmarks used in this publication are Asset Risk Consultants Private Client Indices, unless otherwise stated. If you have moved portfolios during the quarter or have not been fully invested in the portfolio for the entire quarter, then the performance figures quoted in the review will not be the same as you have experienced. Performance can vary depending on the dates on which switches are carried out may be considerably different to that quoted. YOU Asset Management are authorised and regulated by the Financial Conduct Authority. YOU Asset Management is registered in England No. 06150317. Registered office: Building 2, Watchmoor Park, Riverside Way, Camberley GU15 3YL. All the information contained in the communication is believed to be reliable but may be inaccurate or incomplete. Any opinions stated are honestly held but are not guaranteed and should not be relied upon. This is not a buy, sell or hold recommendation for any particular investment.

## Summary – **Key takeaways from today's seminar**



- Performance has been strong during the pandemic
- Long-term performance continues to be resilient
- Management of expectations as central banks look to climb back to 'normal'
- Management of expectations over inflation fears
- Management of expectations over the war in Europe
- Stay invested – be in control

## Q&A



- Thank you for attending our seminar
- Now it is time for any questions and answers