

WORD ON WEALTH STREET

What was your most disappointing investment call of H1?

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Given the substantial rally in risk assets throughout 2019, I would have to say the most disappointing call was not fully joining the party.

We have been cautiously positioned for some time. While we have increased our equity weightings in some interesting areas following the Q4 sell-off, in hindsight we could have gone further.

However, given that this is a quantitative easing-fuelled rally, all assets have fared very well, particularly our favoured US Treasury

and long duration credit positions, so the relative underperformance of our traditional bond allocations versus equities has been negligible, and we can sleep at night.

Another disappointment is the ongoing underperformance of UK equities, where we have a positive contrarian view. We are resisting all urges to attempt to 'time' this market, believing that market timing is futile. Investors will be rewarded for holding unloved and undervalued assets over the long term.

**OLIVER FOCHLER**CHIEF EXECUTIVE OFFICER,
STONE MOUNTAIN CAPITAL,
LONDON

Although H1 was very profitable thanks to our decision to increase our alternative

investment exposure and add uncorrelated alpha sources to our core portfolio book, we made a bad call on our tactical trading allocation.

Our CTA short volatility exposure has not performed well over the past few months, despite a strong start in Q1. Fuelled by the trade war and the turbulence in oil markets, the volatility spike in May caused problems in the manager's underlying portfolio. As a result, we are reducing our exposure to the strategy and looking to add long volatility without negative carry characteristics to our portfolio.

Our other bad call was to top up our existing investment in the crypto space at its highest level this year by buying listed exchange-traded notes. This gave away a small part of our gains from earlier this year, but we are willing to stick with this position.

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In uncertain times, it pays to take a prudent investment view. That's why the Fidelity Global Dividend Fund focuses on high quality stocks with strong balance sheets and predictable cash flows that can provide portfolio diversification.

Portfolio Manager Dan Roberts' conservative approach and global remit has helped the fund outperform the index and beat 100% of its peer group with lower volatility and drawdown than the sector average since its launch in 2012 - achieving its aim of a steadier ride through unpredictable markets.

	Mar 14 - Mar 15	Mar 15 - Mar 16	Mar 16 - Mar 17	Mar 17 - Mar 18	Mar 18 - Mar 19
Fidelity Global Dividend Fund	19.7%	6.2%	23.6%	-4.5%	15.3%
MSCI AC World	18.4%	-1.2%	32.3%	2.4%	10.5%
Peer Group Average	12.8%	-0.5%	26.0%	-1.3%	8.6%

The value of investments and the income from them can go down as well as up and clients may get back less than they invest. As a result of the annual management charge for the income share class being taken from capital, the distributable income may be higher but the fund's capital value may be eroded, which will affect future performance. The fund can use financial derivative instruments for investment purposes, which may expose it to a higher degree of risk and can cause investments to experience larger than average price fluctuations. Changes in currency exchange rates may affect the value of an investment in overseas markets.

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Performance data source: Morningstar, 31.03.2019, bid-bid, net income reinvested. © 2019 Morningstar, Inc. All rights reserved. Peer group is the IA Global Equity Income sector. Morningstar Rating™ as of 31.03.2019, in the Global Equity Income Category™.

We have already observed crypto bouncing back strongly.



JAMES GARDNER
SENIOR WEALTH MANAGER,
PILLING & CO,
MANCHESTER

After a disappointing 2018, we increased our exposure to emerging markets early this year in anticipation of a progressive shift in the direction of US interest rates. We hoped that rates would prove a positive catalyst, improving sentiment towards emerging markets. Although a loosening of interest rates, under the right circumstances, should have that effect, the implications of an abrupt change could actually be quite detrimental to markets linked to global economic growth.

As it turned out, expectations moved from nearing a peak in the US interest rate cycle to anticipating up to two cuts in 2019!

Although it initially looked like a timely call, May proved a particularly disappointing month for markets due to increasing trade tensions resulting in greater fears over global growth. However, reassuring noises on the US-China trade talks and firmer commodity prices, notably oil, have helped markets recover in June, which hopefully bodes well for the remainder of 2019.



LUKE EVANS
WEALTH MANAGER AND BRANCH
PRINCIPAL,
RAYMOND JAMES, MAYFAIR

Despite a positive return of 6.1% over the first six months of this year, the Miton UK Multi Cap Income fund has actually lagged the peer group and the rally experienced in many other major indices.

Our clients are undoubtedly still happy with the positive absolute return, and on a three-year view the risk-adjusted performance speaks for itself. The managers are upbeat at the moment on valuation grounds, and this aligns with my own view that parts of the UK market look cheap relative to global peers.

We're continuing to support the fund for the time being, but we will monitor the situation carefully. It is also worth noting that the Diverse Income Trust, which has a similar mandate, is on a rare discount, which could be of interest to longer-term investors.



ADAM ROSS
INVESTMENT DIRECTOR,
CANACCORD GENUITY WEALTH
MANAGEMENT, LONDON

The first half of the year was a very strong period for investments, with global equity

markets up over 10% and even 20% in some cases.

In that kind of environment, it is hard to find anything that has been too disappointing!

In hindsight, my biggest disappointment was not being more overweight equities.

We managed to maintain our equity positions through the declines of Q4 2018, as we stuck to our view that the global economy was in decent shape despite the political noise that dominated the headlines.

When markets started to recover in 2019, I wish I had had the courage of my convictions to add materially to areas that had been hit hard in 2018: emerging markets, technology and the US.

However, because we focus on managing risk as well as returns, it would not have been right to add to our positions, as we still believe that we will see more frequent bouts of volatility in the medium term.

Managing the risk in a client's portfolio is as important as the returns, and having the discipline to manage client risk can lead to missing out in the short term, so it is important to remember that it is this process and discipline that produces a strong return over a longer period.

For investment professionals only

For a
steadier ride
through unpredictable markets

