PIER FINANCIAL INVESTMENTS

PIER News | Autumn 2021

Pier's strong performance continues

In the Spring Newsletter we were able to report year on year double digit growth for all of the equity weighted portfolios, following the bounce in markets from March 2021

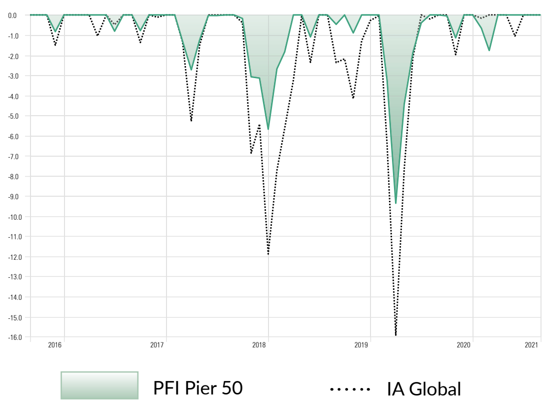
Pier Portfolios have continued with this positive growth so that year on year performance, ie Sept 20 to Sept 21, is still showing strong returns with the higher equity models sustaining their double digit growth. Given that the latest figures are building from a much higher base as they now exclude the extreme market falls of the early pandemic, they are in many ways more pleasing, as is their performance against their respective broad IA indices.

What has also continued, is the way the lower risk portfolios have experienced both less draw down in poor markets and also lower ongoing market volatility. In this way more cautious clients are being offered lower risk /lower return alternatives to our growth models but as you can see from the table these clients are still being provided with very acceptable returns.

An example of how the risk moderation works is provided in Fig 1 where the performance of **Pier 50** through a number of market downturns is compared against the full market. The shaded area shows the amount the portfolio fell and the dotted line shows the full market fall. The investment returns for **Pier 50** are highlighted in red on the Pier performance table.

The table below show that **Pier 50** returned 12.49% over the last 12 months and 37.31% over the last 5 year. This compares to **Pier 100**, which experiences the full ups and downs of the market for those willing to endure the ride, but returned 26.69% over the last 12 months and 70.35% over 5 years.

Fig 1 **PIER 50 Portfolio Drawdown vs 100% Global Equity benchmark**
Time period: 01/09/2016 to 31/08/2021



Performance of Pier Portfolios shown is cumulative and net of both Fund Manager fees and Pier Portfolio management fees of 0.39%. All information provided by Morningstar.

As of date: 31/08/2021	Return 6 months	Return 1 Year	Return 3 Years	Return 5 Years	Volatility 3 Years
PFI Pier 100	13.71	26.69	32.42	70.35	15.18
PFI Pier 90	12.58	23.76	30.47	63.56	13.60
IA Global	14.31	26.36	41.54	84.17	16.16
PFI Pier 80	11.46	20.87	28.39	56.83	12.05
PFI Pier 70	10.35	18.05	26.19	50.18	10.55
IA Mixed Investment 40-85% Shares	9.63	17.92	22.95	42.94	11.96
PFI Pier 60	9.23	15.24	23.96	43.67	9.09
PFI Pier 50	8.12	12.49	21.64	37.31	7.72
PFI Pier 40	7.02	9.78	19.16	30.51	6.46
IA Mixed Investment 20-60% Shares	6.07	12.12	15.52	26.69	9.72
PFI Pier Multi-Asset	7.20	7.12	22.88	29.55	5.78
IA Mixed Investment 0-35% Shares	4.30	7.10	12.32	18.18	6.55
PFI Pier Zero	2.67	-0.61	8.80	7.35	4.58
IA £ Strategic Bond	2.76	5.55	16.00	19.72	6.69

The volatility is an indication of the fluctuations in value a portfolio might experience with the range for the higher risk portfolios being the greatest.

Market update

In April we spoke about the adjustments to the fixed income component of the Pier Portfolios, in particular, the move towards short dated US Treasury Securities. Having now had some time for these changes to bed-in we have seen inflation across major markets rising sharply, driven by a range of factors. In the US inflation has hit 30-year highs, whilst closer to home, UK inflation has seen an eight-fold increase between February and August. Moving to shorter duration fixed income assets has provided useful protection to capital values against this backdrop with inflation linked assets adding to the overall return.

Since our last update equity markets have enjoyed good growth. In June shares in the US were hitting all-time highs, across both the more tech focused NASDAQ and the boarder S&P 500, thanks to growth stocks. At the same time the recovery of the price of oil saw it achieve a two-year high. More recently in the US, GDP data showed that the US economy has returned to pre-pandemic levels. The traditional US corporate earnings season ended with 86% of companies posting higher than expected earnings and the highest earnings per shares figures seen since 2019.

As the world edges it's way slowly out of the pandemic, through increased vaccination rates so demand for goods and services has improved, and this has continued to feed into valuations. The MSCI World index hit a new all-time high in September, with the US and European markets holding at their peak levels too.

At home the hospitality trade received an added boost thanks to the later stage progression of the England team and the relaxing of almost all of England's Covid restrictions, although a hike in the gas price and recent delivery chaos at the petrol pumps have taken the gloss off the summer gains, the UK market is still well up over 6 months.

In China, however, GDP has been lower than anticipated with the cost of raw materials and a slowing housing market taking its toll. China also announced restrictions on companies in the education sector, thereby reducing their ability to generate profits. This announcement coupled with the recent state of Evergrande, China's largest property developer, is likely to keep global eyes focused on the Chinese economy in the year ahead.

There is much interest in the news that the US Federal Reserve is looking seriously into scaling back its programme of buying $120billion per month of a mixture of US Treasuries and mortgage-backed securities, and what that will mean for potential interest rate rises. Which brings us back to concerns over inflation which still persist and the fixed interest themes outlined earlier.

Market conditons obviously affect the decisions which shape and influence the make-up of the Pier Portfolios range, but as always our focus is on long term returns not short term fixes. As you would expect we remain committed to the wisdom of tracking based solutions as the most cost effective method of delivering those returns through diversified portfolios and continue to review the individual holdings to consider tracking error, cost and transparency.

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Environmental Social Governance (ESG)

In our next Newsletter we will focus on our ESG portfolios which will by then have gone through their first year. These portfolios are designed to screen out companies that could be deemed to be harmful to the climate or society such as oil and arms companies, and weight instead towards those making positive contributions.

The ESG Portfolios' clear screening criteria and competitive cost, have attracted a number of clients and early indications are that these portfolios are also doing very well. However, clients should be aware that excluding profitable companies from a portfolio could well affect returns over time and so these portfolios are for clients who are prepared to sacrifice some of their investment return in the pursuit of a more socially and environmentally friendly investment solution. From their first anniversary we will also include these portfolios in our monthly performance data.