Dynamic Portfolios
A solution from Foster Denovo

The Bulletin No. 1 – 20th June 2022

Major US stock market as 14th June 2022

Sources: FE Fundinfo & Yahoo Finance

Major US stock market returns following bear market start

Source: Based on data from www.wsj.com

Bear market date	1 day later	1 week later	1 month later	6 months later	1 year later	3 years later
21/10/1957	0%	3%	2%	9%	31%	39%
28/05/1962	5%	4%	-5%	11%	26%	59%
29/08/1966	2%	3%	3%	18%	25%	26%
29/01/1970	-1%	0%	5%	-9%	11%	36%
27/11/1973	2%	-2%	2%	-9%	-28%	7%
22/11/1982	0%	2%	2%	1%	32%	63%
19/10/1987	5%	1%	8%	15%	23%	35%
12/03/2001	1%	-1%	-1%	-7%	-1%	-5%
09/07/2008	1%	0%	2%	-27%	-29%	8%
12/03/2020	5%	-3%	11%	35%	59%	?
Average	2%	1%	3%	4%	15%	30%

Key points

- A major US stock market index covering the largest 500 companies fell into a 'bear market' on 14th June 2022.
- Bears hibernate, so bears represent a market that's retreating, in contrast, a surging stock market is a bull market, because bulls charge.
- A 'bear' market is a term that describes a sustained market downturn of 20% or more from a recent high; 3rd January 2022 as shown above.

Why is this happening?

- Historically low interest rates have proved a stimulus to the US economy during the pandemic, this has partly helped maintain share prices at higher levels resulting in all-time highs.
- To combat rapidly rising inflation, the Federal Reserve (the US central bank) has raised interest rates quicker and more than previously anticipated.
- Company profits are impacted from increased borrowing costs because of higher interest rates, whilst higher inflation impacts consumer spending. This has led to a sharp selloff in shares of companies irrespective of the fundamental merits of the underlying businesses.

How long will this last?

- This is unknown. However, whilst noting the **past performance is no guide to future returns**, as shown above what can be said is that since 1957 this major US stock market's average return …
- … one month after closing in a bear market has been around 3%, with 2 out of 11 of the bear markets above staying under water after one month…
- … six months after has been around 4%, with 4 out of 11 remaining negative after six months…
- … and 3 years after, has been around 30%, with, so far, 1 out of 10 bear markets (2001) having minus returns after 3 years (2020 excluded).

What does this tell us?

- Bear markets can be psychologically challenging in the short term to those invested 100% in equities or shares. Making decisions during market turmoil often leads to poor long-term outcomes.
- For most investors, unless money is required immediately, those smartly diversified should zoom out from the short term and focus on the long term, the same timescale of their financial objectives and goals.

FD DP & SDP performance since inception to 31st May 2022

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DP Plus & Lite 4 on Clearview v Cash+ 2.75%

DP Plus & Lite 8 on Clearview v Cash+ 5.75%

SDP Active 4 on Clearview v Cash+ 2.75%

SDP Active 8 on Clearview v Cash+ 5.75%

Past performance is no guide to future returns

All sourced: FE Fundinfo

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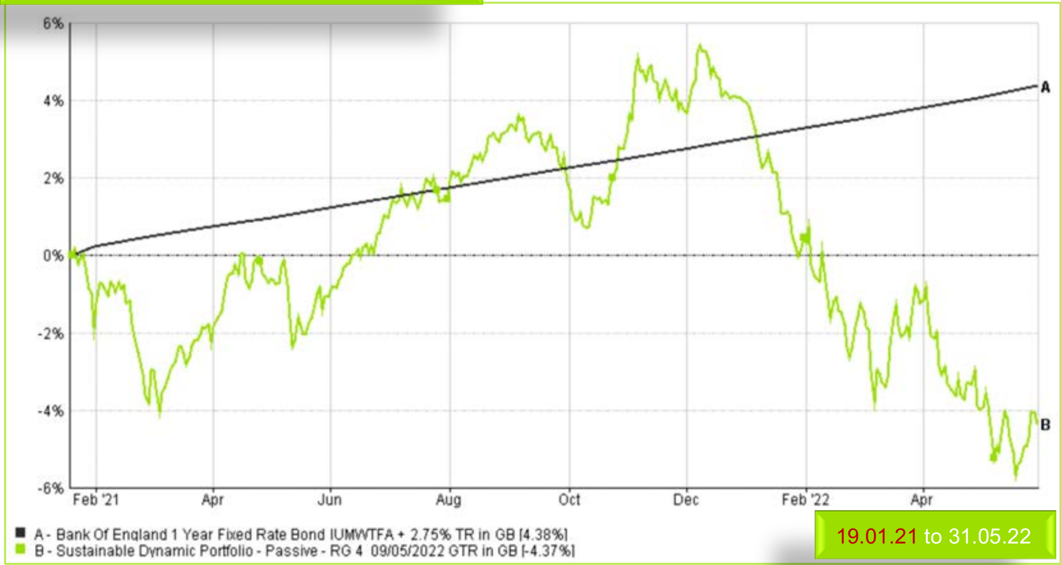

SDP Passive 8 on Clearview v Cash+ 5.75%

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Important notes

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The value of investments and the income that can be earned from them may go down as well as up and a client may not get back the full amount invested. Rates and bases of taxation are subject to change. The risks of investment associated with different asset classes, for example, overseas equity, property, corporate debt, commodities, and alternative assets vary in their nature.

Yield

If this document quotes any historic yield, it reflects distribution declared over the past twelve months as a percentage of the unit price. It is based on a snapshot of the portfolios on that day.

Ongoing charges figure (OCF)

The OCF is defined as the expected total cost of managing and operating the fund for the coming year. The OCF includes the annual management charge (AMC) paid to the fund manager plus the additional operational charges of the fund (custody, distribution, audit, registration and regulatory fees). The OCF does not include an estimate of performance fees unlike a previous measure, total expense ratio (TER), which was based on the experience over the prior year.

The OCF figures quoted in this report are net of any rebates paid to Clearview from the OCF. Any such rebates received are credited to the client's portfolio. The OCF figures in this report do not include Clearview's own charges or those of the Foster Denovo Partner; neither do they include any dealing costs associated with buying or selling the funds.

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