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September 2021

Investment Review

Covid 19 and the Markets

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I thought in this review it would be interesting to look at how Covid continues to affect market conditions and the outlook for the future.

UK and Europe

In the UK and Europe, the vaccination programme has been effective against hospitalisations despite daily case numbers remaining high.
The UK lifted all restrictions in August and self-isolation for those who are fully vaccinated is no longer required if they come into contact with someone who tests positive.

UK employment has been strong since June. The proportion of the workforce on the furlough scheme which is due to end this month remained steady at around 7% but with job vacancies at record highs it seems likely that the scheme should be able to wind down successfully. This may help alleviate some of the labour constraints the economy is currently facing.

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The FTSE 100 is still undervalued compared to pre Covid levels. This will be due (although not exclusively) to sectors such as hospitality and travel being affected by the pandemic, it shows that as confidence returns there is scope for additional growth.

The USA

The USA with a lower vaccination take up continues to see a higher correlation between cases and hospital admissions.

Despite the strong growth and reaching all-time highs the US markets continue to move forward with the recent perceived good news that the US infrastructure bill containing $550 billion of new spending was passed by the Senate. It now requires agreement in the house of representatives with some democrats wanting it tied to the much larger $3.5 trillion spending bill.

When we speak with fund managers and other professionals the consensus is that there is still value in the US markets especially technology, construction and healthcare.

Emerging Markets

China in reaction to the Delta variant has continued with its strategy of mass testing and mobility controls, this has contained the virus but has limited some economic and supply chains.

These regulatory changes have been driving emerging markets. We have seen some volatility in this sector but believe normality will return opening up these economies further.

Cases in India remain low despite a rebound in mobility, but outside of China and India, the slow pace of emerging market vaccinations has left many countries vulnerable to the Delta variant.

Economic data continues to be strong despite the Delta variant spreading across the globe.

With the announcement of booster third doses being planned any disruption to the global markets and supply chains hopefully will be limited.

Blended Portfolio

The chart above illustrates a blend of our portfolios compared to the much riskier FTSE100

Tax Changes for Health and Social Care

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The government have announced tax changes to fund £12 billion a year to be spent on the NHS and social care across the UK.

National Insurance contributions (NICs) will increase by 1.25% for one year only for employees, employers and the self-employed **from April 2022**. This will cover both Class 1 (employee and employer), Class 1A and 1B and Class 4 (self-employed) NICs.

From April 2023, a new ringfenced Health and Social Care Levy of 1.25% will be introduced which will apply to those who pay Class 1 (employee and employer), Class 1A and 1B and Class 4 (self-employed) NICs and will also be extended to those over State Pension age who are in work. When the new levy comes into effect, National Insurance rates will revert back to current levels.

The levy will also apply to individuals above State Pension age with employment income or profits from self-employment above £9,568.

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The levy will be administered by HMRC and collected through the current reporting and collection procedures for NICs – Pay As You Earn and Income Tax Self Assessment.

Like National Insurance, levy contributions will apply UK-wide, people will pay the same in England, Scotland, Wales and Northern Ireland.

From 2023-24, levy contributions will need to appear as a separate item on payslips. Where possible a generic message should be included payslips for the next tax year (2022-23).

The government will also increase by 1.25% from April 2022 the rate of income tax which is paid by people who receive dividend income from shares.

For more information please visit **GOV.UK** and search for '**Our Plan for Health and Social Care**'.

Source – HMRC

We will detail the changes and the impact on our clients once further detail is received.

Summary

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I know I may sound like a broken record, but we do believe that asset allocation is key to the performance of your investments.

We monitor all our investment funds daily and review our strategy on a regular basis.

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Keeping in touch

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