

KMG April Investment Strategy Update

Rebalancing your portfolios April 2023

Our Investment Committee met early in the year, and again more recently in the light of news around banks and fears, particularly in the Press, that things could get a whole lot worse in the financial market before it gets better.

On the one hand we want to protect the value of portfolios against the worst effects, as we did during the Covid outbreak and on multiple occasions over the years, but we also want to avoid holding assets that seem unlikely to generate meaningful growth over the longer term, and this includes cash in particular.

Given our outlook as we have talked about in the accompanying Bulletin, it is not our expectation that the financial system will fall over as it did in 2008/9. The rapid rise in inflation and interest rates have caused pressure and there was and will continue to be companies that cannot cope in the new environment. However, unlike the last 10 years where if you lent your money to the Government or a large and relatively secure company you got next to nothing in interest, you can now do so and generate a worthwhile return without taking additional risks.

As a result we are using some of the cash held for security over the past couple of years and buying a broad range of fixed income as a way to bring in more income than cash offers even in higher rates of today.

Since it seems likely there will be more financial regulation rather than less as a result of recent events, and it is therefore likely that we are close to, if not actually at the high point for interest rates for the time being, this provides a much more reasonable opportunity to move in this direction than for quite some time.

Investment changes

We are altering our investment in Asia by switching from JPM Asian Growth to the Invesco Asian fund, in order to take advantages of organisations with lower price tags but just as much potential to benefit as the region continues to get back to normal after extended Covid restrictions.

We are looking to halve the cash that we had been holding at a relatively high level, putting this back into the market and taking advantage of fixed income opportunities through the Schroder Strategic Bond fund as well as the Fidelity Short Dated Corporate Bond fund.

Full details of the changes along with the Key Information will be shown on the KMG website.

Tax

Where changes are made within portfolios there may be some capital gains tax incurred when switching outside a tax-free wrapper. Any changes within the VT KMGIM Medium-High fund will not be taxable.

Fund charges

The fund charges for the portfolios will either remain the same or increase slightly as a result of investing cash into the market. These increases are between 0.01% and 0.03%

depending on the portfolio. There is no change to the funds fee of the VT KMGIM Medium High fund.

More details of the changes are shown on the KMG website at the following address:

<https://www.kmg.co.uk/news/news/>

Thank you for your continued support. We continue to feel very comfortable that the future is significantly more positive than previously in this economic cycle.

Best wishes and yours sincerely,

The KMG Team