

# Investment Review & Market Outlook

August 2021

## Portfolio Performance Comparison

Performance of the NorthStar portfolios since inception (January 2015) to August 2021:



— NorthStar Safety Portfolio    
 — NorthStar Defensive Growth Portfolio    
 — NorthStar Cautious Growth Portfolio    
 — NorthStar Balanced Growth Portfolio  
— NorthStar Dynamic Growth Portfolio    
 — NorthStar Adventurous Growth Portfolio    
 — NorthStar Ethical Growth Portfolio    
 — NorthStar Balanced Income Portfolio

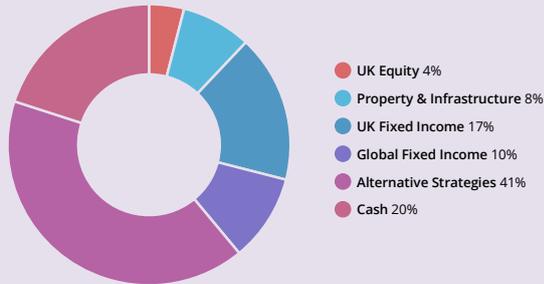
	3 Months	6 Months	1 Year	3 Years	5 Years	Since Inception
NorthStar Safety Portfolio	1.0%	1.7%	4.8%	9.1%	13.1%	18.8%
NorthStar Defensive Growth Portfolio	1.3%	2.8%	9.9%	13.4%	20.9%	30.6%
NorthStar Cautious Growth Portfolio	1.1%	5.1%	14.3%	14.6%	28.9%	42.0%
NorthStar Balanced Growth Portfolio	1.4%	6.7%	19.5%	18.8%	39.7%	58.1%
NorthStar Dynamic Growth Portfolio	1.4%	7.9%	23.5%	20.8%	46.4%	69.8%
NorthStar Adventurous Growth Portfolio	1.3%	8.6%	27.2%	26.9%	59.5%	90.8%
NorthStar Ethical Growth Portfolio	4.3%	8.6%	19.4%	28.4%	51.3%	72.9%
NorthStar High Income Portfolio	1.8%	8.9%	22.2%	14.4%	34.9%	49.9%

Performance data do not take into account platform or advisory charges and exclude any holdings in platform 'cash accounts'. Performance data show returns for discounted 'super clean' funds where these are available. Such funds may not be available on all platforms. Performance data are rounded to the nearest 0.1% so small rounding errors may occur. Data correct as at 01.08.21. Source: FE. The value of investments and the income from them can fluctuate and investors may not get back the full amount invested. Past performance is not necessarily a guide to future performance. The tax treatment of investments depends on individual circumstances and is subject to changes in tax legislation. Figures are provided for illustrative purposes only and their accuracy cannot be guaranteed. Information provided should not be relied upon in isolation when making investment decisions and does not constitute advice or an offer to purchase any investment or product. Please contact us for more information on our range of portfolios.

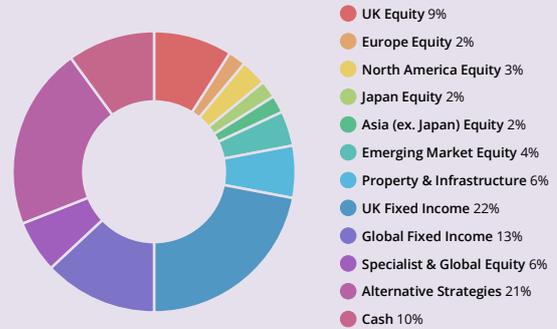
## Portfolio Asset Allocation

Asset allocation of the NorthStar portfolios:

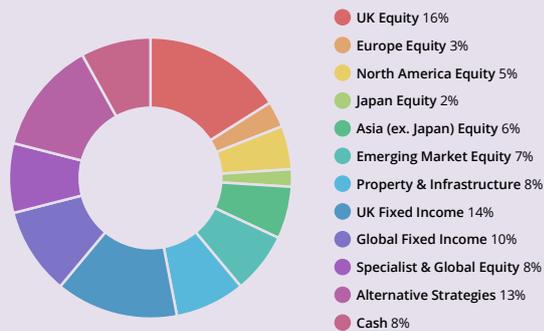
NorthStar Safety Portfolio



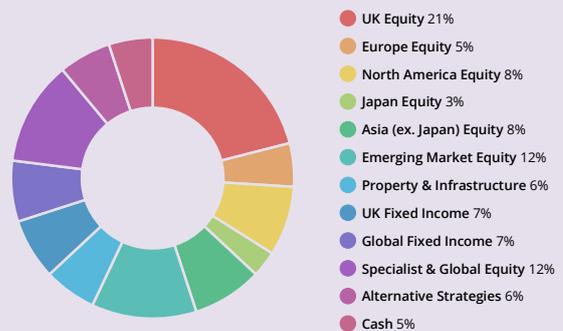
NorthStar Defensive Growth Portfolio



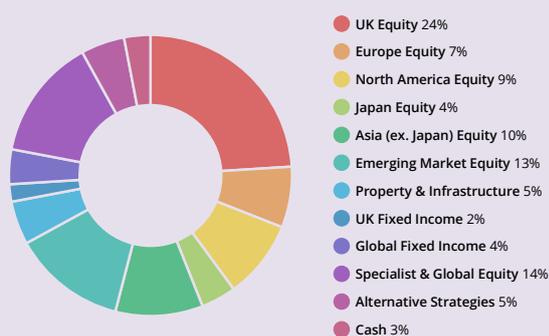
NorthStar Cautious Growth Portfolio



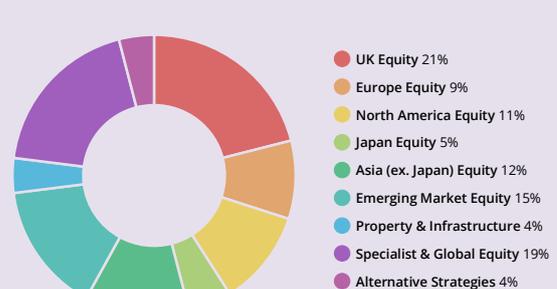
NorthStar Balanced Growth Portfolio



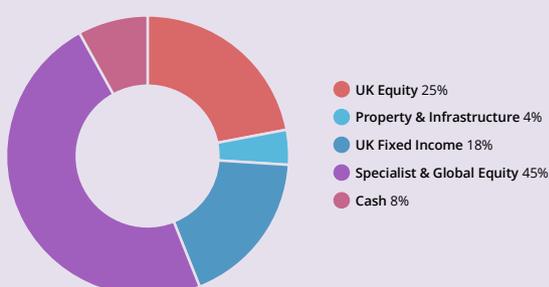
NorthStar Dynamic Growth Portfolio



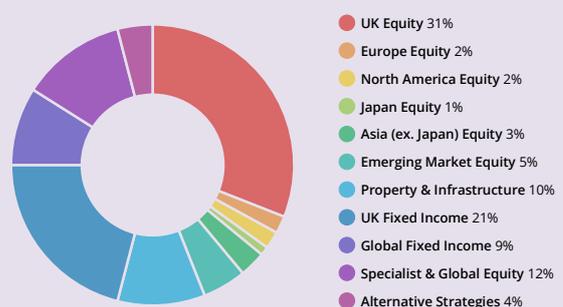
NorthStar Adventurous Growth Portfolio



NorthStar Ethical Growth Portfolio

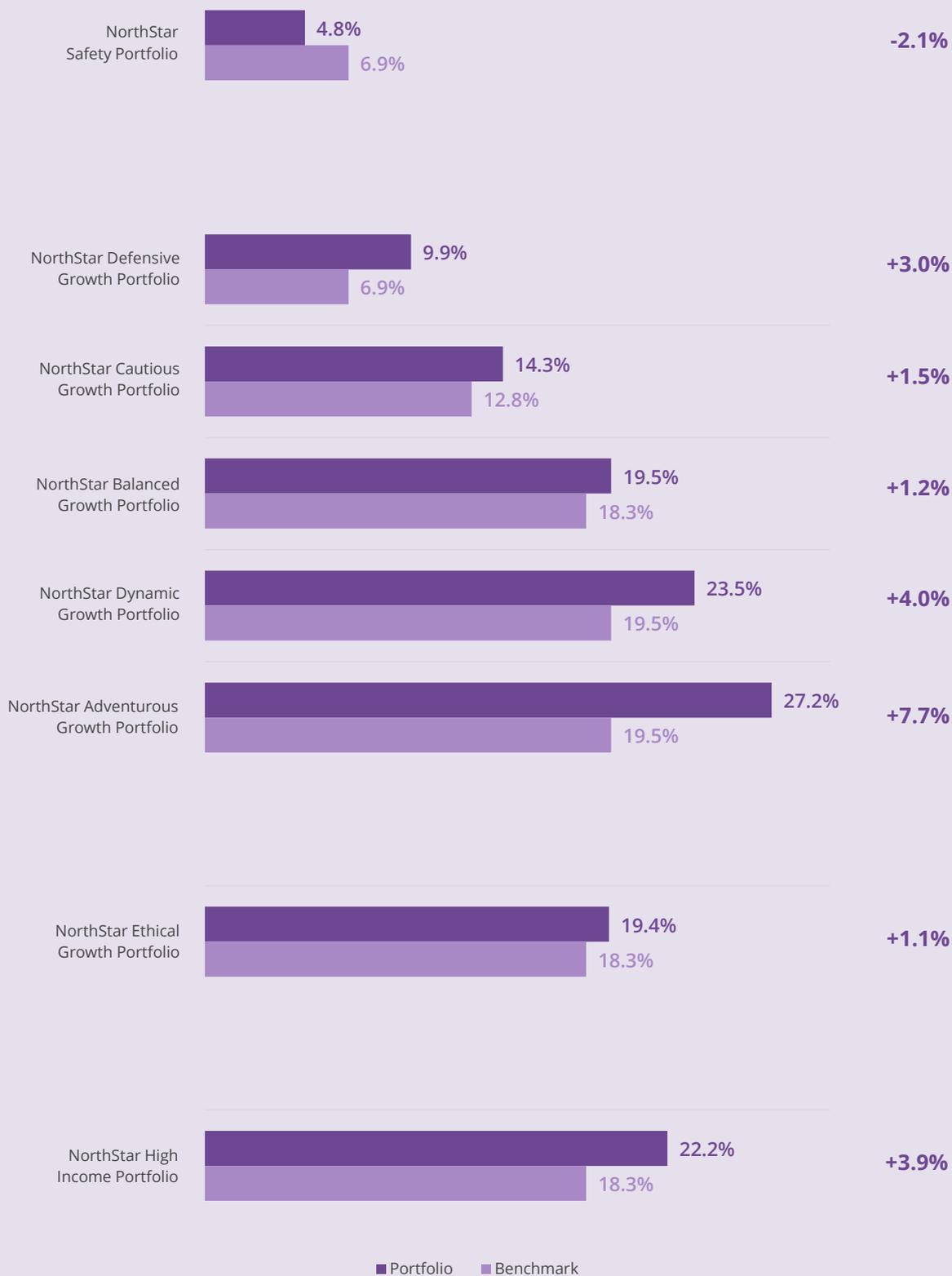


NorthStar High Income Portfolio



## Portfolio Returns

Performance of NorthStar portfolios and associated benchmarks over the past twelve months to August 2021:



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## Economic & Market Update

### UK Equity

- UK equities continue to rebound following the COVID pandemic. Mid and small cap stocks have outperformed their larger counterparts as they're typically more domestically oriented and benefited from stronger Sterling.
- There remain concerns about the pace of re-opening, the spread of new variants and the clarity of government policy in many areas. Some sectors such as 'bricks and mortar' retail and travel are still impacted and it is unclear what the lasting behavioural impact of COVID will be on consumers and businesses.
- Inflation remains above the 2% target. The key question now is whether this starts to become a longer-term issue or is simply a spike as the economy re-opens. This will have a significant impact on investment returns, should interest rates rise, although the Bank of England has suggested they are less concerned with higher inflation at the current time.
- Sterling continued to appreciate against most major currencies following a large sell-off after the UK decided to leave the EU. This has reduced returns from overseas markets for UK investors over recent months.
- Unemployment remains low (lower than expected) following the success of the Furlough scheme. This is now starting to unwind with the unemployment rate expected to tick up from the current level over the next few months.
- The Stamp Duty holiday ending may see house prices in the UK stall or maybe go into reverse after a period of very strong growth.
- The IMF recently upgraded its growth forecast for the UK economy. It now expects it to grow by 7% this year. The UK is now predicted to have the joint fastest growth in the G7, although that follows a contraction last year that was the deepest in that group.

### Europe Equity

- After a slow start to vaccination rollout, many EU countries are now catching up the UK, US and other leading countries. This has provided a much-needed economic boost, with stocks up sharply in recent months.
- Consumer and business confidence is returning quickly in many European countries and this region is expected to perform well during the remainder of 2021.
- The European Commission signed off on the first of the national COVID recovery plans which will receive funding from the €800 billion 'Next Generation EU fund'.

### North America Equity

- US stock markets reached new all-time highs in past few months, driven by stronger than expected economic output following the re-opening of the economy. GDP rose strongly during the first half of 2021, above expectations.

- Inflation is a concern in the US with the prices of many goods and services seeing significant rises. The Federal Reserve may need to take action if this continues over the medium-term but has indicated they are prepared to let inflation remain above target for the time being.
- A significant infrastructure bill looks to have passed congress. This fiscal stimulus will likely bring further GDP growth to the US economy,
- US tech stock continued to make huge profits and share prices continued to rise. The pandemic has been very positive for most tech companies as more activities have moved online. Most analysts see this trend continuing and accelerating over the years ahead.

### Japan Equity

- COVID cases remain very low in Japan compared to the West but vaccination rates are also lagging. A number of 'state of emergency' sanctions have remained in place, causing the economy to lag in recent months. This has impacted investor returns in Japanese equities.
- Japan continues to see mild deflation but there are hopes that inflationary pressure from re-opening post-COVID may push the economy into positive inflation territory.

### Asia (ex. Japan) Equity

- Equities in many Asian regions came under pressure in recent months as COVID numbers surged in some regions and lockdowns continued across Asia.
- The investment picture in Asia is mixed (as is often the case) given the number and variety of different markets and economies and the different approaches taken to the pandemic across the region
- The longer-term structural case for Asia remains intact, despite reduced enthusiasm for the region at the moment due to worries over policy tightening, vaccine progress and regulation in China.

### Emerging Market Equity

- Emerging market equities suffered earlier in 2021 as they are sensitive to any potential rises in US interest rates. Since then, many regions have rebounded somewhat.
- Markets such as Brazil and India continue to perform well, but the picture is mixed with some regions suffering with a greater social and economic impacts from COVID than others and different approaches taken to policymaking.

## Property & Infrastructure

- The US infrastructure deal is significant and could provide sizable opportunities for companies and projects involved in US infrastructure delivery.
- Commercial property markets remain mixed with prime office rentals still unattractive but 'big box' distribution centres and other areas of the markets still looking attractive.
- COP26 may have an impact on both property and infrastructure investment as the world looks to provide some more specific targets on the route to 'net zero' carbon emissions.

## UK Fixed Income

- UK gilts provided stable returns. Some analysts are concerned about higher inflation in the medium-term given recent developments.
- Corporate bonds continued to be a good diversifier. Those at the higher-risk end now have risk and return characteristics more akin to equities. Overall, bond returns have been positive over the past year.

## Global Fixed Income

- Government bond yields in the US fell and remain at very low levels. European government bonds underperformed the US, amid growing optimism about the region's recovery and accelerating vaccination programme.
- Corporate bonds performed better, outpacing government bonds. Both global investment grade and high yield credit produced positive returns in recent months.

## Specialist & Global Equity

- Most developed economy stock markets performed well during the past six months. Specific areas such as pharmaceuticals and technology stock remain at high valuations but many companies in these sectors are providing growing revenues and shareholder returns.
- All eyes will be on COP26 later this year. The impact of policy decisions here could have a significant impact on all companies and especially those in the 'green' space and those producing clean energy.

## Alternative Strategies

- Oil prices rose sharply as OPEC agreed to limit output and global demand spiked higher as COVID restriction begin to end in many regions. This may lead to further global inflationary pressure.
- Low-risk alternative strategies fared less well as traditional long equities strategies provided the highest returns.
- 'Ethical' funds in aggregate fared less well with many stock underperforming relative to the wider market, reducing some of the significant outperformance seen in recent years

## Cash

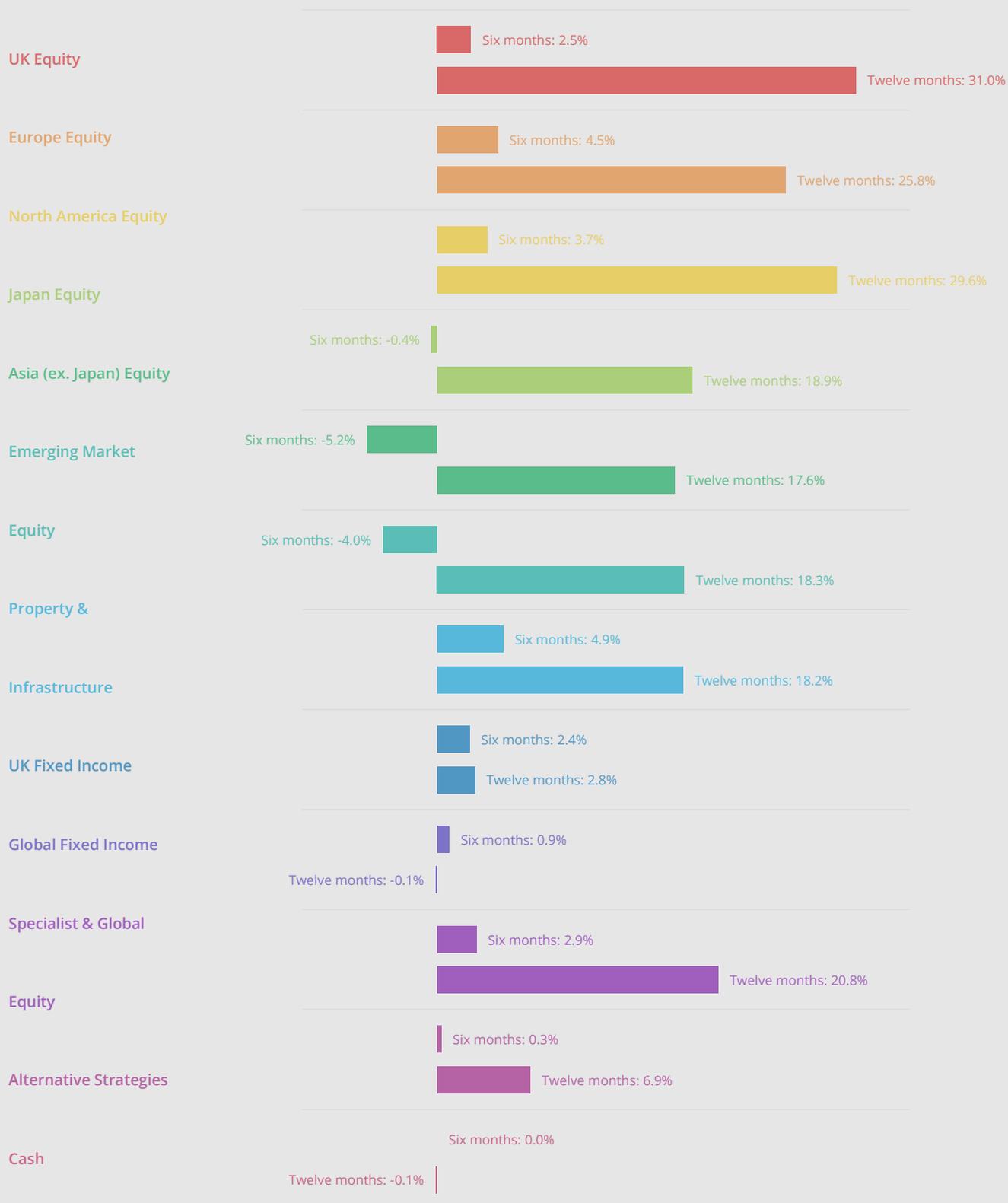
- Cash deposit returns remain very low. The Bank of England kept rates at 0.1% meaning most cash deposits provided little if any return.
- There has been renewed talk of 'negative interest rates' and the practical implications of such a move. Analysts are split on whether this is likely but it is certainly not out of the question.

## Summary

- **COVID:** Many Western economies continue to re-open following the rollout of vaccination programs. In other regions, the picture is more mixed. There remain significant concerns about new variants and higher infection rates over the coming winter months in the Northern Hemisphere. The economic and social decisions taken by policymakers are likely to be a key driver of investor sentiment and portfolio returns during the next few years.
- **Commodities & Real Assets:** The price of many commodities (and other real assets such as equities and property) continue to rise across the world, fuelled by rapidly expanding consumer and business demand as the world emerges from the pandemic. This has caused oil prices to move sharply higher and fuel concerns over inflation in many regions.
- **Inflation:** In the US and UK, as well as in other regions, inflation is now above target. Many central banks have indicated that they are prepared to accept this and will not look to raise interest rates in the short-term. However, rates may have to rise if inflation becomes entrenched rather than proving to be a short-term spike post-COVID. This has concerned markets and will be an important factor to monitor in the months ahead.
- **Performance:** All NorthStar portfolios posted positive returns over the past six months, with four of the eight outperforming their benchmark, one in line and three behind. The biggest gains were seen in the higher risk portfolios with the NorthStar Adventurous Growth Portfolio delivering a return of nearly 9% during this period. The lower-risk portfolios demonstrated a good degree of downside protection when markets fell during the past year and this will be important to protect investors should markets decline.
- **Outlook:** The consensus view is that there are currently more reasons for optimism than pessimism. As economies open up, there is likely to be strong consumer demand and growing business confidence in most regions. That said, significant risks remain due to the unpredictable nature of the pandemic as well as the potential for significant inflation in many regions. We, therefore, expect investment markets to remain volatile but believe there are further returns to be made during the rest of 2021 and into next year.

## Asset Returns

Returns from asset types over the past six and twelve months to August 2021:



Source: FE. Data based on relevant sector averages using year-end data points. Sector proxies used: UK Equity: 50% UK All Companies Sector Average + 50% UK Equity Income Sector Average, Europe Equity: Europe Ex UK Sector Average, North America Equity: North America Sector Average, Japan Equity: Japan Sector Average, Asia (ex. Japan) Equity: Asia (ex. Japan) Sector Average, Emerging Market Equity: Global Emerging Markets Sector Average, Property: 50% UK Property Other + 50% Specialist Sector Average, UK Fixed Income: 33.33% Sterling Corporate Bond Sector Average + 33.33% Sterling High Yield Sector Average + 33.33% UK Gilt Sector Average, Global Fixed Income: Global Bonds Sector Average, Specialist & Global Equity: 50% Global Sector Average + 50% Specialist Sector Average, Alternative Strategies: Targeted Absolute Return Sector Average (from 2006 onwards), 3.5% per annum prior to 2006, Cash: Money Market Sector Average. Performance data shown are on a bid-to-bid basis, with income reinvested and do not take into account platform or advisory charges.

## Economic &amp; Market Data

	Value	6 Months	12 Months
<b>Stock Markets</b>			
 FTSE 100	7,032.29	<b>9.8%</b>	<b>19.2%</b>
 FTSE All-Share	4,030.24	<b>10.7%</b>	<b>22.8%</b>
 Dax	15,544.39	<b>15.7%</b>	<b>26.2%</b>
 Cac 40	6,612.76	<b>22.5%</b>	<b>38.2%</b>
 FTSE Russia	350.83	<b>19.8%</b>	<b>32.0%</b>
 Dow Jones	34,935.47	<b>16.5%</b>	<b>32.2%</b>
 NASDAQ	14,672.67	<b>12.3%</b>	<b>36.6%</b>
 Nikkei 225	27,283.59	<b>-1.4%</b>	<b>25.7%</b>
 SSE Composite	3,397.36	<b>-2.5%</b>	<b>2.6%</b>
 Hang Seng	25,961.03	<b>-8.2%</b>	<b>5.6%</b>
 Bovespa	121,800.80	<b>5.9%</b>	<b>18.4%</b>
 FTSE India	3,852.83	<b>19.7%</b>	<b>43.8%</b>
<b>Currencies</b>			
 £ GBP / \$ USD	\$1.3925	<b>1.2%</b>	<b>5.6%</b>
 £ GBP / € EUR	€1.1712	<b>3.6%</b>	<b>5.3%</b>
 £ GDP / ¥ YEN	¥152.01	<b>5.8%</b>	<b>9.1%</b>
<b>Commodities</b>			
 Brent Crude	\$73.23	<b>29.4%</b>	<b>65.1%</b>
 Gold (LBMA Bullion)	\$1,818.23	<b>-2.3%</b>	<b>-8.0%</b>
 Silver (S&P GSCI Spot)	\$1,247.41	<b>-5.1%</b>	<b>9.1%</b>
<b>UK Economy</b>			
 CPI	<b>2.5%</b> (annual)		
 Base Rate	<b>0.1%</b> (current)		
 GDP (Q4 2017)	<b>-6.1%</b> (annual)		
 Unemployment	<b>4.7%</b> (current)		
 Halifax HPI	<b>8.8%</b> (annual)		

## About NorthStar Wealth Management

At NorthStar, we bring a fresh perspective and innovative approach to wealth management. Our team of chartered financial planners combine their expertise with the latest technology to provide the highest quality independent financial planning and advice. We help our clients take control of their money, grow their wealth, protect their lifestyle and plan for a more certain future.

## Contact NorthStar Wealth Management

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Smarter Financial Planning for the Digital Age

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