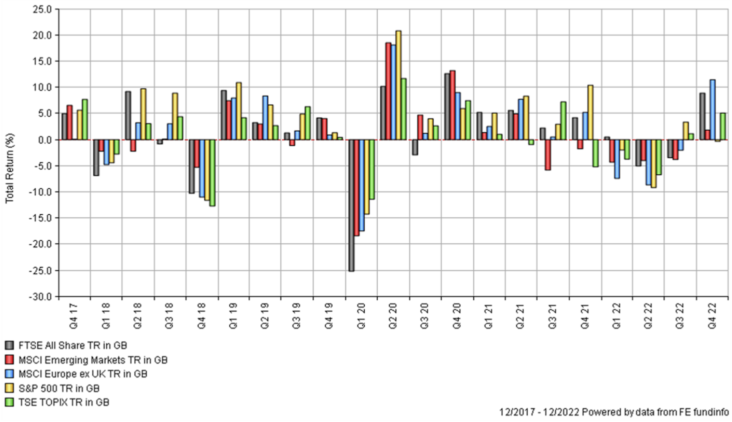
gemini
asset management

marketmatters

Figure 1



12/2017 - 12/2022 Powered by data from FE fundinfo

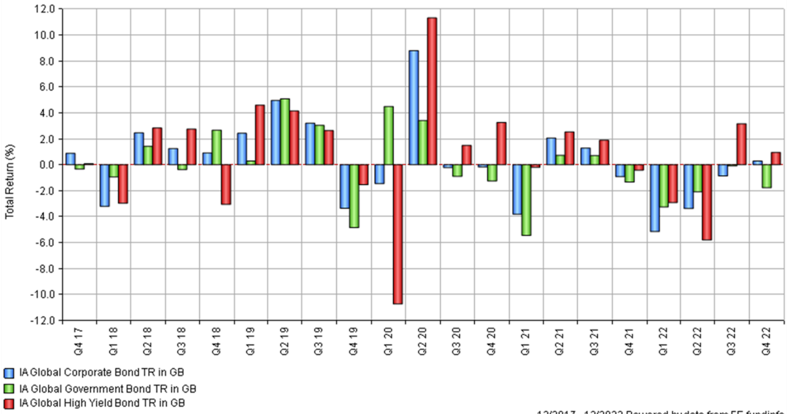
Past performance is not a reliable indicator of future results
There are no charges associated with any of the equity indices in this chart

After a tough start to Q4 2022, equity markets bounced and posted positive quarterly returns in sterling terms, except the US and global emerging market equity— seen in Figure 1.

Both European and UK equities were boosted by slightly improved risk sentiment after some better than expected economic data, and due to company earnings in some sectors remaining more resilient than some analysts had expected. Indeed, it appears as if investors may have taken note of the relative level of 'cheapness' in European and UK equities compared to their 20 year averages in some valuation metrics. Now this doesn't mean they cannot become cheaper, but it was a welcome change to some of the poor equity performance generated earlier in 2022.

Emerging market equities produced some positive return in December to offset some of the losses generated in the first two months of the quarter due to the Chinese Communist Party changing their stance on their 'Zero Covid' policy that had heavily impacted Chinese society over the last few years. Whilst US equities fell following the Federal Reserve's reiteration that they will continue to fight inflation until the 'job is done'. This resulted in the continued tightening of US monetary policy which hit the sectors with some of the highest weights in the US equity index the hardest.

Figure 2



12/2017 - 12/2022 Powered by data from FE fundinfo

Past performance is not a reliable indicator of future results

Bond markets continued to suffer in the final quarter of 2022, as can be seen here in Figure 2 on the right. Investment Association Global Bond sectors show the average performance of the funds which make up that specific investment sector. So for example, the IA Global Government Bond sector performance is an average of the performance of all the government bond funds which are in the sector, whilst the IA Global Corporate Bond sector is the average of all the corporate bonds within the sector.

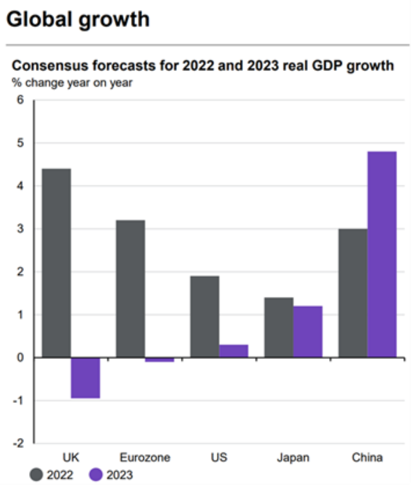
As you can see the Government bond funds fared the worst over the quarter as the major central banks continued to raise interest rates in developed economies. As bond prices move inversely to interest rates, with base rates continuing to go up, the prices continued to fall.

Corporate bonds and High Yield bonds both posted positive performance over the quarter as risk appetite increased slightly on the back of some predictions that the potential upcoming recession in 2023 could end up being more mild than extreme, and the assumption that bond issuers, on the whole, may be able to endure a mild recession without having to default on their debts. Potential recessions in 2023 are by no means a given but a consensus of economic forecasters are predicting them for most major regions at some point during the year, with some time left for some 'bounce back' in economic growth later on in 2023, potentially limiting the negative impacts on businesses and economies.

Gemini Asset Management Limited
Gemini House, 71 Park Road, Sutton Coldfield, West Midlands B73 6BT
T: 0800 255 0123 E: info@gemini-assetmanagement.com W: www.gemini-assetmanagement.com

Gemini Asset Management Limited is Authorised and Regulated by the Financial Conduct Authority

Figure 3



Source:
JPM - Guide to Markets:
- Forecasts are from Bloomberg contributor composite

Data as of 31 December 2022.

Figure 3 shows the consensus forecasts for economic growth in major regions around the world. It is important to note that the 2022 and 2023 forecasts are for the entire calendar year, so they don't illustrate the detail of the journey throughout the year.

For example, you can see that the US is expected to produce positive economic growth in 2023 which, when combined with the idea that a consensus of economists are expecting the US to enter recession in 2023, has led to some concluding that the anticipated recession could be relatively mild and short-lived as the economic recovery out of the expected recession is anticipated soon after the recession occurs.

The chart shows negative economic growth for 2023 in the UK, with the same being expected within the Eurozone. The pathway is expected to be the same with some recovery out of the recessionary lows expected in 2023, but the recovery is not yet forecast to be enough to produce positive economic growth over the year as a whole.

One reason for this is the relatively low levels of productivity generated within the UK economy, with the UK is still below it's pre-covid trend for productivity growth. Productivity is a measure of the economic output by an individual working within an economy, and with this being relatively low in the UK, it makes economic growth harder to generate—the lower the productivity of the economy, the lower the economic growth generated by the economy, all else being equal.

A second reason as to why UK growth is expected to be lower than some other regions is rooted in the level and stubbornness of inflation in the UK. With inflation expected to remain higher and more stubborn than in some other regions, the Bank of England is in turn expected to raise interest rates higher and decrease them at a slower rate than other central banks, which naturally puts the brakes on economic growth generated within an economy.

It must be stressed, that all of the above is based on economic forecasts and there are no guarantees that they may come to fruition. It is because of these uncertainties that we will continue to practice our methods of effective portfolio diversification and not place binary bets on any one given outcome. It is also important to note that we invest in markets and not economies. Economics can have a large impact on asset markets, markets are forward looking and even though there is some potentially poor economic news on the horizon, markets in the final quarter of 2023 displayed more of an appetite for risk than most other periods of the year which typically saw broad declines in asset prices

Portfolio Performance

The table below shows the performance of Gemini Asset Management's (GAM) discretionary risk-rated portfolios over the course of the last 5 years. The table compares the performance of GAM's Discretionary Models against the FTSE All Share and the most relevant Investment Association (IA) Mixed Investment sector. The weight of equity in each IA Mixed Investment sector is the main deciding factor when choosing which is the most suitable comparator to each GAM portfolios but the constitution of the GAM portfolios and the relevant IA sectors could still be very different from one another. Whilst a direct comparison of GAM's portfolios with an equity index such as the FTSE All Share, or the relevant IA Mixed Investment Sector are not like-for-like, it does give an indication of volatility and performance differences on a risk-adjusted basis and can demonstrate the importance of spreading risk through diversification.

Discretionary Performance (%) to 31/12/2022										
Name	3 months	Sector	YTD	Sector	1 Year	Sector	3 Years	Sector	5 Years	Sector
GAM 3	2.48	2.29	-8.82	-10.87	-8.82	-10.87	-0.61	-4.77	5.92	0.06
GAM 4	3.22	3.05	-10.42	-9.47	-10.42	-9.47	2.04	0.46	8.99	6.62
GAM 5	3.59	2.86	-11.58	-10.04	-11.58	-10.04	4.99	5.12	13.50	14.27
GAM 6	3.76	2.86	-12.43	-10.04	-12.43	-10.04	6.55	5.12	15.92	14.27
GAM 7	5.11	2.86	-14.49	-10.04	-14.49	-10.04	5.77	5.12	16.31	14.27
FTSE All Share	8.90		0.34		0.34		7.07		15.50	

Source: Financial Express Analytics data 31/12/2017 – 31/12/2022. Past performance is not a reliable indicator of future results. All figures given do not include any initial, on-going or product provider fees.

The sectors used as comparators with the portfolios are the respective Investment Association Mixed Investment sectors. Gemini's GDP 3 is compared to the IA Mixed Investment 0-35% Shares sector; GDP 4 is compared to the IA Mixed Investment 20-60% Shares sector; and GDP 5, GDP 6, and GDP 7 are compared with the IA Mixed Investment 40-85% Shares sector.

The value of an investment and the income from it could go down as well as up. The return at the end of the investment period is not guaranteed and you may get back less than you originally invested.

Asset Allocation and Fund Review

The Gemini Asset Management investment team reviewed the existing asset allocation model in conjunction with the recommendations and capital market assumptions put forward by our independent actuary, Dynamic Planner. As a result of this there were no changes made to the GAM discretionary models during quarter 4 2022.