

Discretionary Portfolio Service

Quarterly Review Q4 2019



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Market Review

The portfolios grew strongly in the fourth quarter as markets finished off the year in fine style to ensure 2019 was a good year for investors. The portfolios outperformed leading stock market indices, including the booming US market which closed 2019 at an all-time high.

The S&P 500 was up nearly 30% for the year whilst the major UK indices were up c12%. The 2019 return for Fundamental portfolios, in the main, was somewhere in the middle of these.

The disappointment has been the underperformance of the UK blue chip market comparative to its peers. Hopefully the recent general election result will bring a little more certainty surrounding Brexit and confidence in UK companies will return. We can live in hope!

Looking back over 2019, the sharp falls in equities during the fourth quarter of 2018 were quickly followed by a strong rebound in the first four months of 2019 as central banks signalled that rather than raise interest rates they would provide yet more stimulus to try to keep the economic expansion intact. Equities clearly believed the central banks would succeed.

Then, from the end of April to the end of September, global equities broadly traded sideways with some bumps in the road, as investors digested the ebbs and flows in the trade negotiations between the US and China, and the continued deterioration in macroeconomic indicators.

However, the fourth quarter decided the year in favour of the bulls as global equities rose 9% in the last three months of the year driven by the mitigation of significant political risks, at least for now.

Firstly, US tariffs on China were scheduled to increase on 15 December but a phase one trade deal avoided that outcome and provided a significant relief for equity markets. The fact that the US also didn't impose tariffs on European Union auto exports also helped support equities. How long the trade peace will last is anyone's guess but the market ended the quarter cheered by the fact that the worst case scenario for trade had, at least for now, been avoided.

The large majority for the Conservative Party in the UK election brought relief for UK companies, especially small and mid-caps. The result removed the threat of nationalisation for some utility companies and should mean that the withdrawal bill will go through on the 13th January 2020. Now the fun and games of negotiation really start!

Company news

Given the returns on the portfolios, it was no surprise that a number of stocks rose strongly in the quarter. The likes of **WH Smith**, **XP Power** and **Apple** were up in the region of 30%.

Shares in **Games Workshop** surged to new highs following a brief but positive update in November with pre-tax profit for the six months to 1 Dec set to have climbed approximately 34% to £55m.

Sports Direct as it was formerly known, although not a stock we widely hold was up c60% in the quarter. Now known as **Frasers Group plc**, it's amazing what a change of name can do given it's struggles in recent months.

Investor's Champion, a business affiliated to us, continues to publish regular commentaries on companies we are looking at.

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