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ASSET MANAGEMENT (C.I.) LIMITED

INVESTMENT MEMORANDUM

September was a difficult month for markets and this performance pulled down returns in the quarter from bond and equity markets so that international equity markets overall ended slightly lower although there was some currency mitigation for sterling based unhedged investors. Bonds endured a poor quarter although with some relative outperformance from U.K. bonds. In the currency markets, sterling was the weakest of those in our table as the U.S. dollar regained its strength. In the commodity markets, and stoking inflation fears, oil showed a significant increase after OPEC+ supply cuts.

The tables below detail relevant movements in markets:

International Equities 30.06.23 - 29.09.23

Total Return Performances (%)				
Country	**Local Currency**	**£**	**US$**	**€**
Australia	-0.2	+0.8	-3.3	-0.3
Finland	-1.1	-0.1	-4.0	-1.1
France	-4.0	-2.9	-6.8	-4.0
Germany	-4.5	-3.5	-7.3	-4.5
Hong Kong	-9.9	-6.1	-9.8	-7.1
Italy	+1.3	+2.4	-1.7	+1.3
Japan	+2.2	+3.1	-1.1	+2.0
Netherlands	-11.6	-10.7	-14.3	-11.6
Spain	-0.6	+0.5	-3.5	-0.6
Switzerland	-3.3	-1.5	-5.4	-2.6
UK	+2.4	+2.4	-1.7	+1.3
USA	-3.0	+1.0	-3.0	-0.1
All World Europe ex UK	-2.9	-1.5	-5.5	-2.6
All World Asia Pacific ex Japan	-1.1	+1.3	-2.7	+0.3
All World Asia Pacific	N/C	+2.0	-2.1	+0.9
All World Latin America	-1.3	-0.5	-4.5	-1.6
All World All Emerging Markets	-0.1	+2.6	-1.5	+1.5
All World	-2.2	+0.9	-3.2	-0.2

Source : FTSE All World Indices

FTSE UK Government Securities Index All Stocks (total return) : -0.6%

International Bonds - Benchmark Ten Year Government Bond Yields (%)

Currency	30.06.23	29.09.23
Sterling	4.38	4.44
US Dollar	3.84	4.57
Yen	0.39	0.76
Germany (Euro)	2.39	2.84

Sterling's performance during the quarter ending 29.09.23 (%)

Currency	Quarter Ending 29.09.23
US Dollar	-3.9
Canadian Dollar	-1.5
Yen	-0.5
Euro	-0.8
Swiss Franc	-1.8
Australian Dollar	-0.5

Other currency movements during the quarter ending 29.09.23 (%)

Currency	Quarter Ending 29.09.23
US Dollar / Canadian Dollar	+2.5
US Dollar / Yen	+3.5
US Dollar / Euro	+3.2
Swiss Franc / Euro	+1.0
Euro / Yen	+0.3

Significant Commodities (US dollar terms) 30.06.23 - 29.09.23 (%)

Currency	Quarter Ending 29.09.23
Oil	+22.2
Gold	-1.4

MARKETS

Because of weakness at the end of September, markets overall ended the quarter slightly lower, although, for sterling based investors with international equity portfolios, there was some mitigation due to the weakness of sterling.

The total return on the FTSE All World Index in local currency terms was -2.2%, in sterling terms +0.9%, in US dollar terms -3.2% and, in euro terms, -0.2%. Looking at individual markets in local currency terms, the UK and Japan were the best performers with the FTSE UK Index returning +2.4% and the FTSE Japan Index +2.2%. However, the position changes in sterling terms. The strongest performer was the FTSE Japan Index, +3.1%. There was, of course, no change in the FTSE UK Index, +2.4%, but there were also above average performances from the FTSE All World All Emerging Markets Index, +2.6%, the FTSE Asia Pacific Index, +2.0%, the FTSE All World Asia Pacific ex Japan Index, +1.3%, and the FTSE USA Index, +1.0%.

Fixed interest securities had a difficult quarter although taking ten year government bonds as a benchmark, the UK gilt held up relatively well, with the gross redemption yield rising just 6 basis points to 4.44%. Elsewhere, the moves were much larger, with the gross redemption yield on the US Treasury bond up 73 basis points to 4.57%, on the Japanese Government bond up 37 basis points to 0.76% and, on the German Bund, up 45 basis points to 2.84%.

In the foreign exchange market, sterling weakened against all the currencies in our table. Against the US dollar it fell by 3.9%, against the Swiss Franc by 1.8%, against the Canadian dollar by 1.5%, against the euro by 0.8% and against the yen and the Australian dollar by 0.5%.

In the commodity markets, the supply squeeze orchestrated by OPEC+ is being felt, with the price of Brent crude rising by 22.2%. Gold eased back slightly by 1.4%.

ECONOMICS

Whilst the Ukraine war continues and prolongs the agony for so many people and the stand off in diplomatic and trade relations between the west, primarily the USA and China, drags on, not to mention the concern that China may one day invade Taiwan, the main influence on markets at present is the course of inflation and interest rates. Both of these issues have been holding back bond and equity markets towards the end of the quarter.

Core inflation rates are what central bankers and economists will tend to focus upon as they exclude volatile items like food and energy to give a better picture of underlying trends. The latest core inflation figures are 4.3% for the USA, down from 4.7% the previous month, 4.5% for the eurozone, down from 5.3%, 6.2% for the UK, down from 6.9%, 3.1% for Japan, unchanged, and China 0.8%, also unchanged from the previous month. These levels of core inflation remain well above target levels of around 2%. For this reason, central bankers show no inclination to ease monetary policy with the Federal Reserve and Bank of England keeping interest rates at elevated levels and the ECB raising them at its most recent meeting. China is an exception to this statement where the problem to avoid is deflation. Current policy rates are 5.5% for the USA, 5.25% for the UK and 4.5% for the eurozone. Japan has a negative interest rate, -0.1% whilst in China it is 3.45%. It means that there are still negative real interest rates measured against core inflation in the UK and Japan whilst they are positive in the USA and China. Japan and China are special cases so it is more pertinent to discuss the position in the UK, USA and eurozone.

That the international equity markets so far this year have made modest progress is quite impressive given the headwinds provided by rising interest rates which have naturally also impacted fixed interest markets. The thinking behind the expectation that equities would be affected by rising interest rates is a simple one namely that companies' future cashflows, discounted at a higher rate, would reduce the net present value of these cashflows and, hence, depress share prices and the effect would be most marked on the more speculative technology companies where earnings may be well in the future and more uncertain. It hasn't turned out that way with the large technology companies performing well against a very difficult background. So the conventional theory has not, so far, worked very well. Having said that, shares towards the end of the quarter have found the going harder as the "higher for longer" mantra on interest rates has taken hold so that investors may be facing a "Table Mountain" outlook i.e. interest rates plateau at current levels for some time.

It follows from this that the course of inflation is going to remain at the centre of investors' attention as downward movement here will be key to unlocking interest rates from their present level. However, the rise in oil prices, as a result of the move by OPEC+ to reduce supply, is putting upward pressure on headline inflation and is an unwelcome addition to the list of uncertainties which face investors. For whilst central bankers and economists might concentrate on core inflation rates, if volatile items impact on headline rates people will notice. At the moment, headline inflation in the USA of 3.7% is below the core rate of 4.3%, as is the case in the eurozone where the core rate is 4.5% slightly above the headline rate of 4.3%. In the UK, the position is the other way round with the headline rate at 6.7% against a core rate of 6.2%.

Although inflation has fallen considerably since its peak, it still presents central banks with a difficult dilemma. It is generally agreed that central banks made a big mistake in 2021 when they misdiagnosed the rise in inflation at the time as "transitory" and therefore failed to tighten monetary policy appropriately. Of course, they could not have anticipated that Russia would attack Ukraine and the consequential further effect on inflation but initial damage was done by underestimating the effect of Covid-19 on supply chains and the inflation which ensued. However, what central bankers fear is that high inflation becomes embedded in the minds of individuals and businesses. If the diagnosis of "transitory" inflation in 2021 had been correct and inflation levels had fallen back, central bankers could have taken a reasonable view that consumers and businesses would not build higher inflation into their expectations. In the event, their misreading of the situation meant that they were behind the curve and when the war broke out and prices soared they were left with no option but to tighten monetary policy aggressively since it was clear that consumers and businesses had now built high inflation rates, by recent standards, into their expectations. This is reflected in the number and intensity of industrial actions which are not just confined to the UK. If pay and price expectations are elevated, central bankers would react by intensifying their monetary tightening to try to squeeze inflation out of the system. By intensifying the squeeze, they risk triggering a recession. This is where we are today and, in the short term, it is making markets more nervous. As a side point of interest, the ONS says that wage rises in the UK are now in excess of the inflation level.

If we look at what is happening in the US economy, we see one which has been surprisingly robust given the speed and sharpness of the rise in interest rates. Q2 annualised growth was 2.1% which, whilst not high, is still impressive in the face of the adverse policy headwinds. The unemployment rate is 3.8% and the Purchasing Managers Indices (PMI) show a neutral position with the manufacturing PMI at 48.9 and the services PMI at 50.2. The mix of the economic data coming out of the USA does not give huge direction for the monetary policy makers at the Federal Reserve, hence the rather ambivalent statements from the Chairman. As best one can read the position at the moment, it is that rates may not be increased from this level but they may stay there for some time, hence the "Table Mountain" analogy. The reason that Wall Street has fallen from recent high levels, is that some investors were anticipating an early reduction in interest rates on the back of an expectation that the US economy was weakening to give a "goldilocks" outcome of inflation falling to near target level but in the context of avoiding a recession. Of the major economies, the USA is in the best position but there are plenty of issues to concern investors. The USA has a large budget deficit, like many other countries, estimated by the Economic Intelligence Unit to be around 5.9% of GDP this year, an unhealthily high figure. There is also the threat caused by the partial UAW strike against the major car companies causing not only economic damage but, depending upon the terms of the ultimate settlement, threatening an uptick in inflation through knock on effects. There is the rather unreal situation of the US President and the probable Republican candidate standing on the picket lines in solidarity with the UAW yet, if it succeeds in its demands, it will make the Federal Reserve more cautious than ever about cutting interest rates or it may even raise them further, neither of which will help the US economy to grow.

We have begun to discuss political and regulatory developments as they affect markets in these reviews recently because they are important factors and investors should often consider them in tandem with economic influences on markets. As far as the USA is concerned, the constitutional checks and balances can help to mitigate some of the more unhelpful measures which politicians might want to propose if they were unchecked by Congress. There are factors in the USA which could give investors pause for thought which is why next year's Presidential and Congressional elections are so important. The President had proposed an investor and business unfriendly budget for 2023 including significant personal and business tax increases and one measure which could be quite a negative for markets, namely his proposal for a 4% tax on share buybacks against a recently introduced 1% rate which is an irritant rather than a game changer for share buybacks which have been a significant support for equity markets. The theory behind share buybacks is that they are used mainly as a way of recycling cash from companies that do not need it for investment requirements to those that do. Unfortunately, this theory has become conflated with the idea that any boost to earnings per share caused by share buybacks helps directors to meet their share or salary incentive targets rather than provide the economic benefit the theory suggests. It is fair to say that there was some bipartisan support for the original tax on share buybacks but the magnitude of the increased buyback tax which the President proposed would not get past the Republican controlled House of Representatives. As we have said in previous reviews, Congressional deadlock can be helpful for stock markets because it means potentially damaging legislation cannot be passed thus giving more certainty to investors about the background against which they would invest. But as well as political considerations, we have also been focusing in recent reviews on the increasing activism of various US regulators in the field of Mergers and Acquisitions (M&A) activity. This is an area the President can influence with his nominees at the activist end of the spectrum, particularly targeting the technology sector and Big Tech in particular as well as banks. Some of the activity has moved beyond traditionally regarded competition areas like market share and into the realms of hypothesis. Whether or not one thinks institutions like the Federal Trade Commission and Department of Justice are correct, it is not positive for markets since M&A activity is a driver of share prices. In the USA, however, the courts can exert counter influence in some cases, for instance Microsoft's attempt to purchase Activision Blizzard where the FTC was pushed back. A summary of the US position in this respect is that political influences have increased in the US regulatory world but companies have some protection from the courts in cases of regulatory overreach. Whilst the regulatory position in the US has changed, it has not reached a level where it has become a significant market factor but it requires monitoring with the technology and healthcare sectors particularly in the regulators' crosshairs, it seems.

But, for the moment, the main influence on US markets is the debate about interest rates. As mentioned, and this is applicable to most countries, core inflation remains above the Federal Reserve's target rate and, having been behind the curve in raising interest rates in a timely fashion two years ago, the Federal Reserve is likely to be cautious on the downside. Of course, the US dollar is the world's major reserve currency which means there is always a demand for US dollars but the fact remains that, according to the Economic Intelligence Unit's forecast, it will, as stated earlier, run a budget deficit of 5.9% of GDP in 2023 and the market will also have to absorb securities from the Federal Reserve's action to reduce the size of its balance sheet. The vast supply of securities coming to the market, whether through new US Treasury bonds or bills to finance the budget deficit or from the Federal Reserve through its Quantitative Tightening (QT) programme, is likely to weigh on US fixed interest securities' prices and have a knock on effect elsewhere.

Looking to a market where political influences are arguably more important than economic ones, namely China, we see a case where market underperformance has been notable because of the capricious nature of political interventions essentially to ensure the primacy of the Chinese Communist Party (CCP). Shareholders come a long way down the list of the CCP's priorities and with the economic pressure increasing on the government because of the disappointing economic recovery after Covid lockdown measures were lifted and the enormous pressures in the property sector, the background lacks any degree of predictability for investors, hence the liquidation of Chinese securities by some foreign institutions and the belief amongst a number of foreign investors that the market is uninvestable. Normal valuation metrics are redundant in a market like China which is the most extreme example of a case where political interference can harm investors. Given that China is the world's second largest economy with, in the right circumstances, still enormous potential, it is unfortunate that political actions have forced many foreign investors either to disinvest completely or reduce their exposure.

It is also instructive to compare China with India where the market has performed much better. Everyone recognises the enormous potential of India and the demographics are much better than for China. There have been political problems and concerns in the past, and there still are, but supply side reforms have been made and are continuing and this has proved a much more attractive proposition for foreign investors. In a significant way, the divergent movements of the stock markets of these two huge economies demonstrate very neatly the contribution which political and regulatory influences can make to the performance of stock markets and the reason why these can be important in shaping investment policies.

Back in Europe, we see further examples of the danger which ill-considered political interventions can have. In Italy, there was the sudden and unexpected announcement of a windfall tax on Italian banks, initially causing Italian bank shares to be marked down by 10%. The government has been back pedalling in the face of widespread criticism, including from the ECB, but the damage was done. The implications of a windfall tax are quite clear. It would weaken banks' capital base and their ability to absorb losses, it would deter some lending and it would raise their cost of capital. The effects would not be limited to the Italian banking sector. Investors would be more cautious about the Italian market generally, causing share prices to be lower than they would otherwise be and, again, raise companies' cost of capital. Similarly, in Spain, the government has introduced a windfall tax on banks which is being vigorously contested by the banks in the courts and has again met with ECB disapproval for the reasons mentioned above. Utilities have also been targeted for additional taxes. Again, this informs investors' views on Spain with negative economic and stock market consequences.

From the political to the economic in Europe where forecasts for economic growth are poor. In its September 2023 Economic Outlook Interim Report, the OECD forecasts eurozone growth at 0.6% this year and 1.1% next year. In the eurozone's largest economy, Germany, negative growth of 0.2% is forecast for this year, rising to just 0.9% next year. This represents the dilemma which the ECB faces. Because the core eurozone inflation rate of 4.5% is so much above target it is reluctant to reduce interest rates and could possibly increase them, yet, by keeping monetary policy on a tighter rein, it risks moving the area into recession. Add to that high levels of government debt as a percentage of GDP in the area and one moves into the realm of some countries' financial credibility being questioned. Whilst interest rates were so low as a result of ECB policy, the pressure was not so great although it was still significant. Now, with interest rates having increased so much they will increasingly assume much more importance as average interest rates increase not only because of new borrowing to fund the various countries' budget deficits but also because of the refinancing of existing maturities at higher interest rates in many cases. Greece has the highest level of borrowing in the eurozone, around 190% of GDP, but is on the road to financial orthodoxy. Italy, the third largest eurozone economy, is the main concern because of its size. Outstanding public debt at around 150% of GDP is too large for comfort and its growth prospects are very modest. The OECD sees growth this year and next at just 0.8%. It needs a much higher rate than this for it to feel comfortable with its position. To go back to the earlier point about the damage that ill thought political interventions can have on markets, Italy needs to attract investors not repel them with capricious taxation with all the malign effects on an economy which we outlined. France and Spain also have to be careful as their outstanding public debt/GDP ratio is still well over 100%. The euro has been a weak currency, one reason perhaps being the concerns about the finances of some of its members. The political atmosphere in a number of the eurozone countries is febrile at present which does not give investors a great deal of comfort. Of course, Europe has many world class companies and should comprise a significant part of an international equity portfolio but merits a discount in some countries for the type of populist measures seen in Italy and Spain. Switzerland forms an important part of our European exposure and, although it faces challenges of its own, hosts many high quality international companies and we see the risk lower in that market than in some other European ones.

In the past, well before Covid, we often wrote about the eurozone not being an optimal currency area and the problems which this could bring. During Covid, the ECB obviously followed an extremely aggressive monetary easing programme, both through interest rates and quantitative easing (QE), and the underlying problems of the monetary union were swept into the background. Now, with some semblance of normality returning, the potential problems are beginning to emerge again with definite signs of stress in the government bond markets in the eurozone. One of the most important foundations of the single currency was the Stability and Growth Pact which aimed to drive economic convergence through financial discipline in terms of limits on budget deficits, 3%, and moves to reducing outstanding government borrowing as a percentage of GDP towards 60%. The rules were suspended during Covid but now that period of grace is about to expire, although the European Commission proposes a review of the rules, and we see countries like France and Italy moving away from these disciplines in their recent budgets. As stated above, we are beginning to see signs of stress in the eurozone government bond market and, as interest rates rise, so does the cost of servicing government debt. If investors lose confidence in, say, Italy's ability to finance its debt, it will affect not only Italy but confidence in the euro as a whole. Italy, being the eurozone's third largest economy, would be a much more serious problem than Greece. Lacking its own currency, it does not have the flexibility of the UK. With the ten year government bond yield approaching 5% and the spread over the German Bund at around 200 basis points, signs of stress are rising. And, of course, the ECB has a vast amount of Italian government debt on its balance sheet. Figures for the size of Italian government debt are eye watering at €2.8 trillion. It is time for investors to reconsider the risks that monetary union entails, especially if countries like Italy are unable to make progress on moving to meet the disciplines of the Stability and Growth Pact. The country's debt is rated only one notch above junk. The ECB has in its armoury the Transmission Protection Instrument (TPI) which it has not yet used but which is available if the eurozone government bond market's transmission process for monetary policy is not working properly. But buying, say, Italian government bonds would depend upon no change in fundamentals. If a country like Italy pursued a loose fiscal policy causing its budget deficit to increase then the TPI would not be used. It remains to be tested.

Moving to the UK, we have seen a market with some of the same issues as the eurozone. It is a market which has been underperformed this year, one reason being because of the old economy nature of many of its stocks and a lack of technology companies but this is also the case for much of Europe. We have to come back to political and regulatory issues as a concern for the market. We have written about this in previous reviews regarding the UK but, as an example of a negative message to send out to the rest of the world, the windfall tax on energy companies, could hardly be a better example. At a time when the government is prioritising energy security and preparing to license more North Sea exploration, this could hardly be a more ill thought out measure, with consequences exactly the opposite of what was desired. Again, like the Italian and Spanish windfall tax measures that we have detailed above, the effect is to deter investment, make the country a less attractive place in which to invest, reduce shares' ratings below what they would otherwise be and raise the cost of capital. It is true that UK shares look cheap compared with those in other markets, but a measure like this comes with a cost. The same might be said of the seemingly possible regulatory overreach in the UK, as in the USA. Again, it might be fashionable amongst regulators to go after BigTech, and this applies to regulators in the USA, UK and EU, but it comes at a cost, particularly in the UK and EU which do not have a significant number of home-based technology companies. It is no good for countries like the UK aiming to want to attract technology companies if their regulators are taking steps to thwart their aims. A good example was the UK's initial blocking of Microsoft's bid for Activision Blizzard which the EU, itself no friend of technology companies, had allowed. It is true that the US regulators tried to block the bid but were ultimately unsuccessful and it looks as if the CMA has, unusually, rowed back after much pressure and a gesture by Microsoft, but the investment point which we are trying to make is that political and regulatory actions, such as we have described, lessen the attraction of a particular country for investors, whether it is making physical investments or stock market investments. We emphasise that we are not saying whether these actions of the politicians and regulators were right or wrong, just pointing out the consequences for investors which are much less subjective. When economic conditions are as difficult as they have been, inevitably politicians, and perhaps regulators, feel pressure to respond and business is the scapegoat. Anti-business feelings also become stronger but the flip side of this is that the investment climate worsens and feeds on to a country's stock market performance.

So where does all this leave investors? At the moment, although still higher for the year to date and with far superior returns to those achieved by bonds, equities are finding the going tough, at least temporarily, in the face of weakness in bond markets and an increased feeling that interest rates will remain higher for longer than previously expected because of inflation levels still well above central banks' target rates and surprising resilience shown by the US economy. In a situation like this, it is instructive to look at what one would not invest in and bonds remain such an asset class for us as they have for a long time, notwithstanding the steep rise in gross redemption yields which has occurred in such a short time and therefore a corresponding sharp fall in price. Remember that these are supposed to be "safe" assets and investment grade bonds are just that in the qualitative sense because they are unlikely to default, but they are not "safe" in terms of price movements. In the traditional 60:40 portfolio, equities/bonds, the 60% was the supposed growth element and the 40% the moderating element for the more volatile equity part of a profile. Two examples, admittedly both at the extreme end of the spectrum and aimed at a particular class of investor, but good credits, show the value destruction which has occurred. If we look at the UK index linked 2073 bond, the total return since issuance in November 2021 has been -79.8% at the time of writing. Not many private investors would be buying an issue like this but the price performance is, nevertheless, astonishing. If we take another example of a strong economic credit, Austria, its then 100 year bond when issued in June 2020 has shown a total return of about -67%. Again not many private individuals would buy a 100 year bond and these two examples are extreme, but they show what happens when bonds are seriously overpriced, as they have been for a long time when central banks were suppressing interest rates. Right along the maturity spectrum, investors have suffered losses which, traditionally, with the 60:40 model they would not have been expecting. Notwithstanding gross redemption yields which are approaching historically more normal levels, we do not consider that the asset class offers good value for reasons which we have touched upon earlier. Budget deficits are still elevated, with hardly any countries in surplus and many running significant deficits which have to be financed. If we look at forecasts from the Economist Intelligence Unit for 2023 projected budget deficits, the USA, as we have mentioned before, at 5.9% of GDP stands out but, as the US dollar is the world's major reserve currency, it has a significant advantage. But the bond vigilantes have started to return and, as discussed earlier, the eurozone may have a particular problem because a number of important members, like France, Italy and Spain, are well over the Stability and Growth Pact's required budget deficit level. If there is a loss of confidence in one or more of the main members of the eurozone, which cannot issue their own currency, unlike the USA or UK, then the risk of contagion is there.

The eurozone is not an optimal currency area and, rather than economic convergence, there has been divergence. Given the economic pressures which governments like those of France and Italy face, the pressure to keep fiscal policy looser than eurozone rules require is a part of weakness which bond vigilantes might exploit. And, of course, it is not just budget deficits which have to be financed. Central banks like the Federal Reserve, Bank of England and ECB are or will be running down the size of their balance sheets as they embark on quantitative tightening (QT) which will mean further supply for the markets. The bond market requires careful watching as there are far more negative than positive influences. So, we still regard this as an unattractive area.

Turning to cash as an investment, rather than holding it for potential future liabilities or for opportunistic purchases of securities in the event of serious market weakness, as we often do in portfolios that are largely fully invested, its relative attraction has clearly risen, as short term deposit rates have increased and inflation fallen so that the large negative real interest rates have significantly narrowed or even turned positive. Cash, to us, certainly seems preferable to fixed interest securities as an investment at present but, for long term investors, the real returns, whether negative or positive, are likely to be well below those of equities on the assumption that the world economy will still continue to grow and company profits and dividends with them. Cash is therefore not attractive to us as an asset class. As always, one has to accept the pros and cons of equity investments but, for those who can accept the negative ones, the long term returns on equities, superior to those on bonds and cash over the long term, remain the clinching point to us.

In the short term, we accept that equities may be affected by negative influences such as an unsettled bond market and the threat of rising inflation caused by OPEC+'s supply constraints as well as any further unexpected consequences arising from Russia's invasion of Ukraine. That is not a reason for changing our positive view on equities and raising our cash content because getting back in to shares could be at higher prices when confidence returns to markets. We would not wish to suffer this opportunity cost.