


14/12/2021



Welcome to our Client Webinar

Review of 2021 & Outlook for 2022

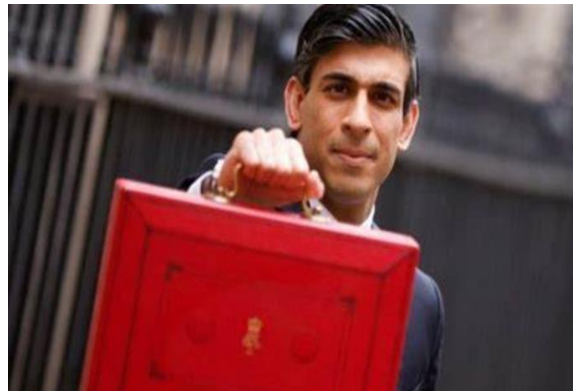
Stephen Mann, Head of Investment Specialists, SPW

Schroders
personalwealth

Today's topics

1. 2021 in review – Marcus Brookes Chief Investment Officer SPW
2. Outlook for 2022 – Keith Wade Chief Economist Schroders
3. Q & A

2021 in Pictures



New Fixed Income Multi Manager funds

Fund	Manager
Global Sovereign bond	PIMCO
	Wellington

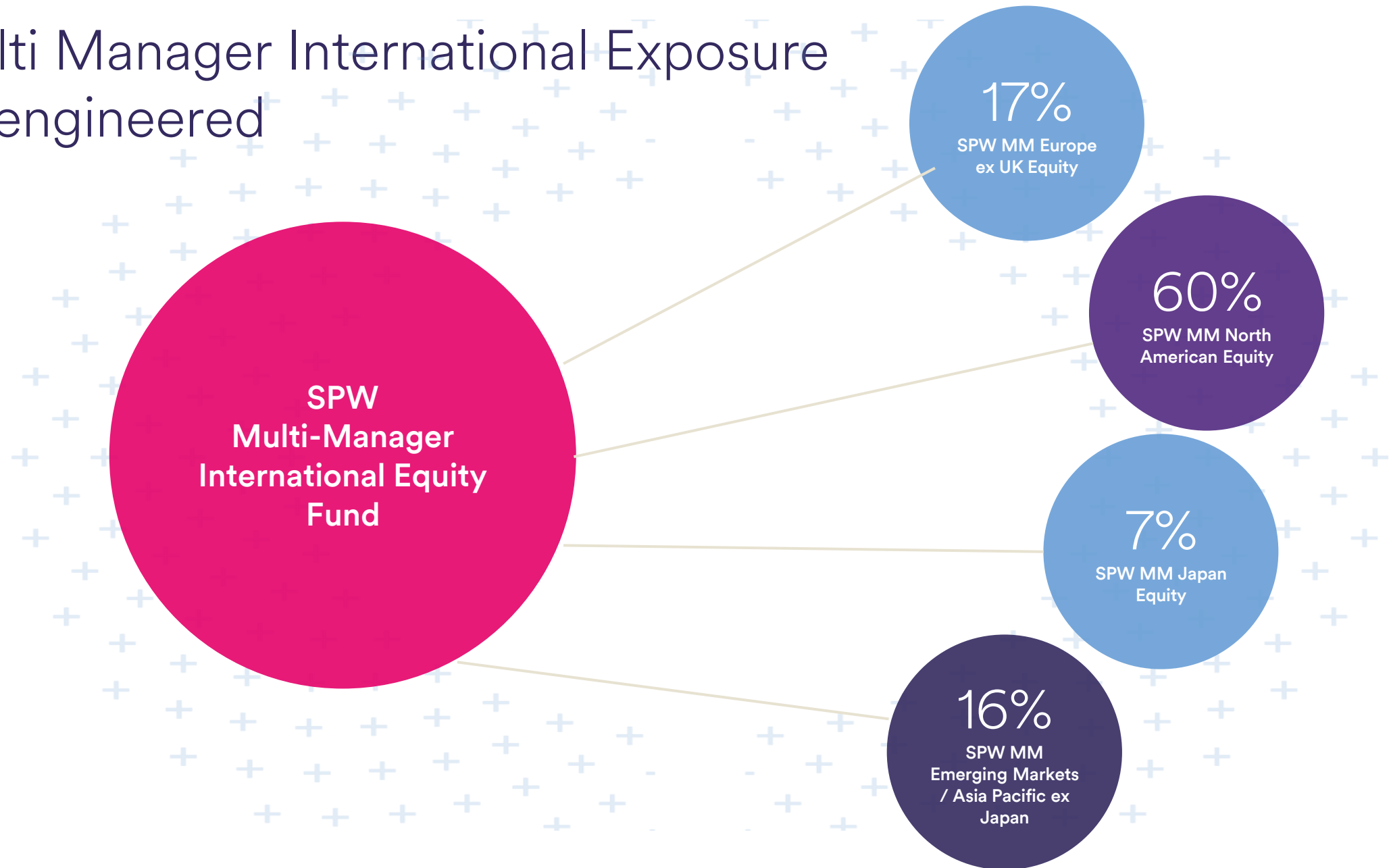
Fund	Manager
Global Investment Grade fund	PIMCO
	Wellington
	BlackRock
	Schroders

Fund	Manager
Global High Income & Emerging Market Debt fund	Barings
	BlueBay EMD
	T Rowe Price
	BlueBay HY

Before funds launched nearly half of clients funds in external assets.
 (Balanced profile) After launch this was less than 10%

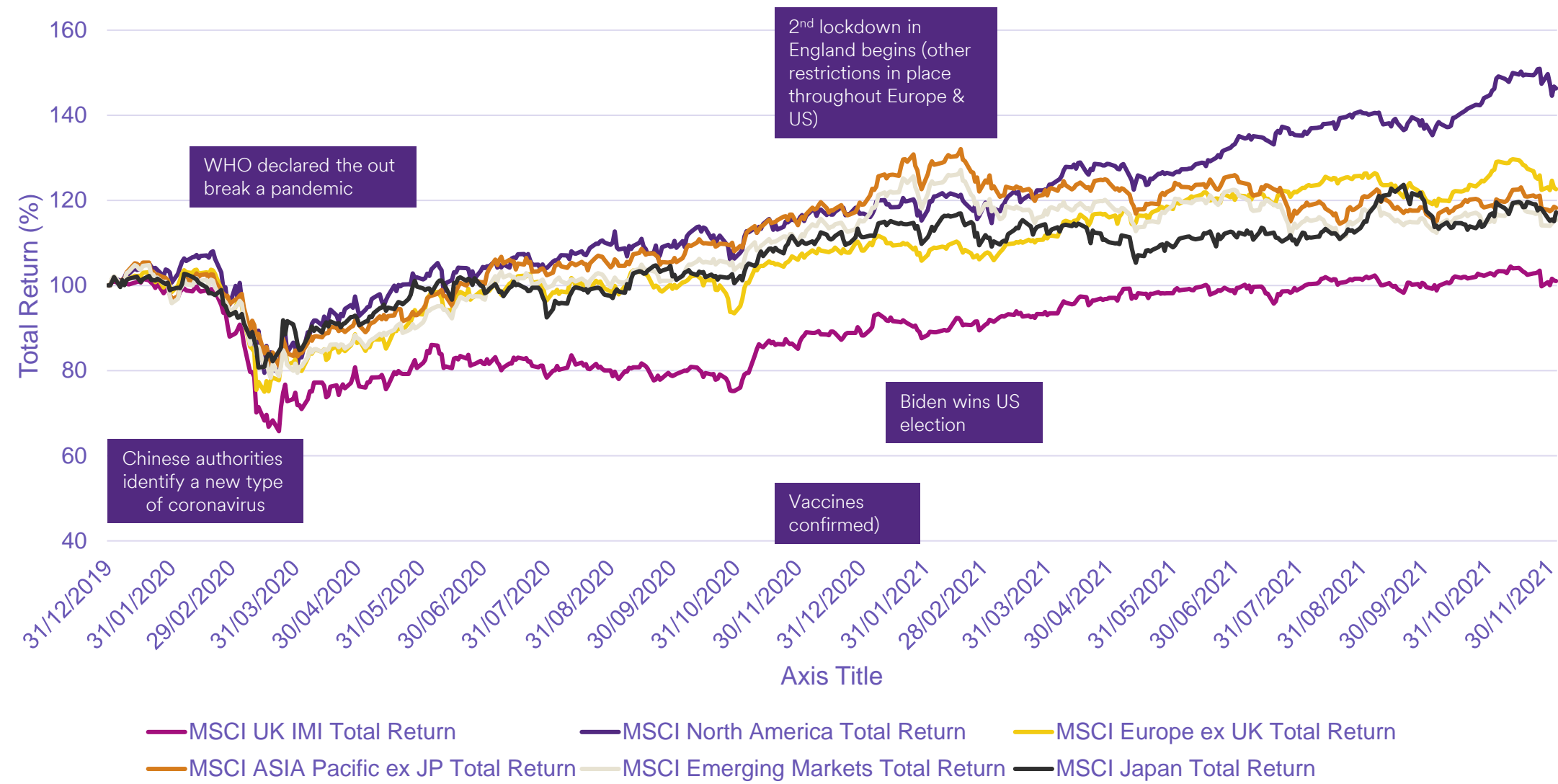
Multi Manager International Exposure

Re engineered



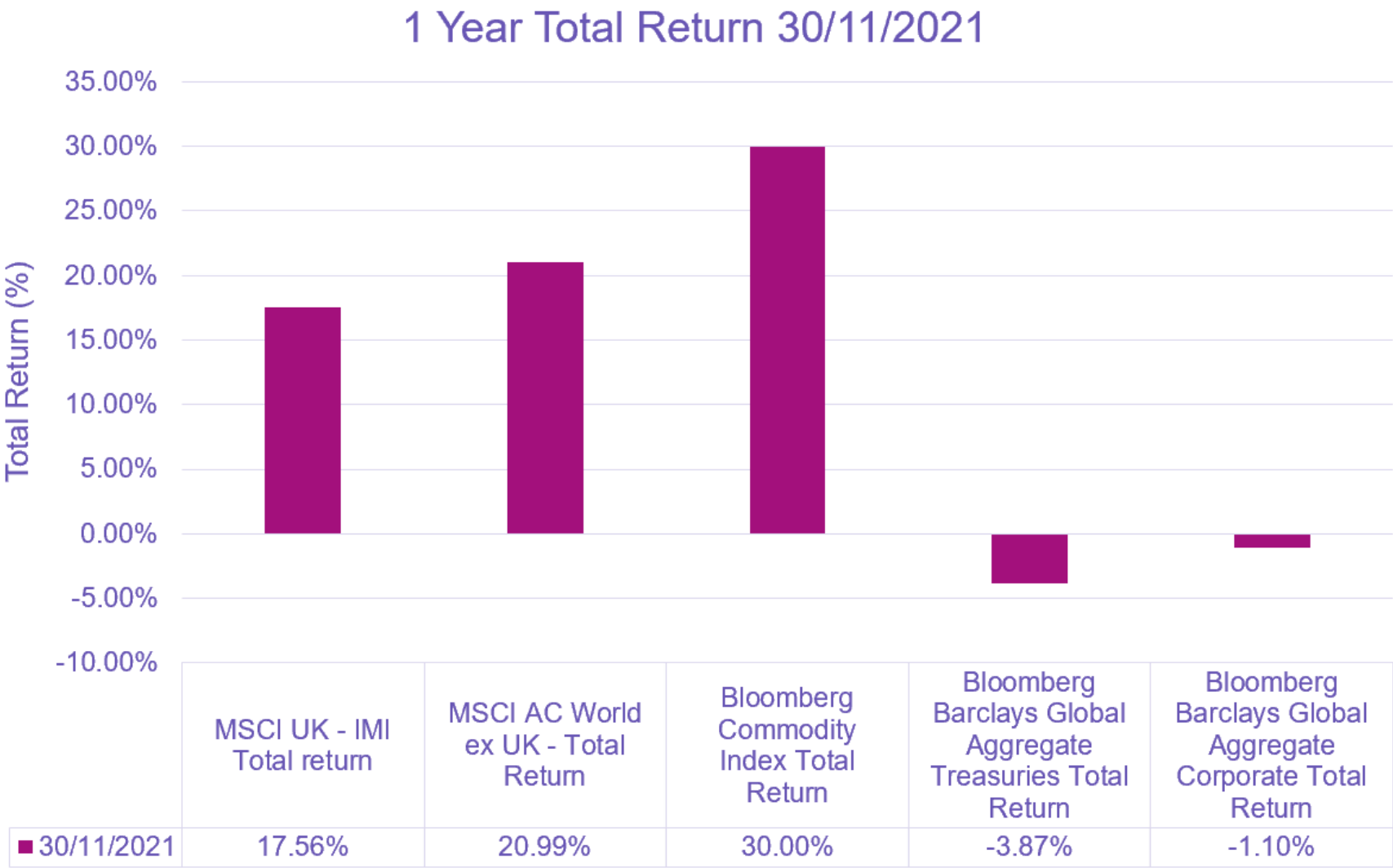
Source: SPW Investment office Dec 21

Navigating a pandemic



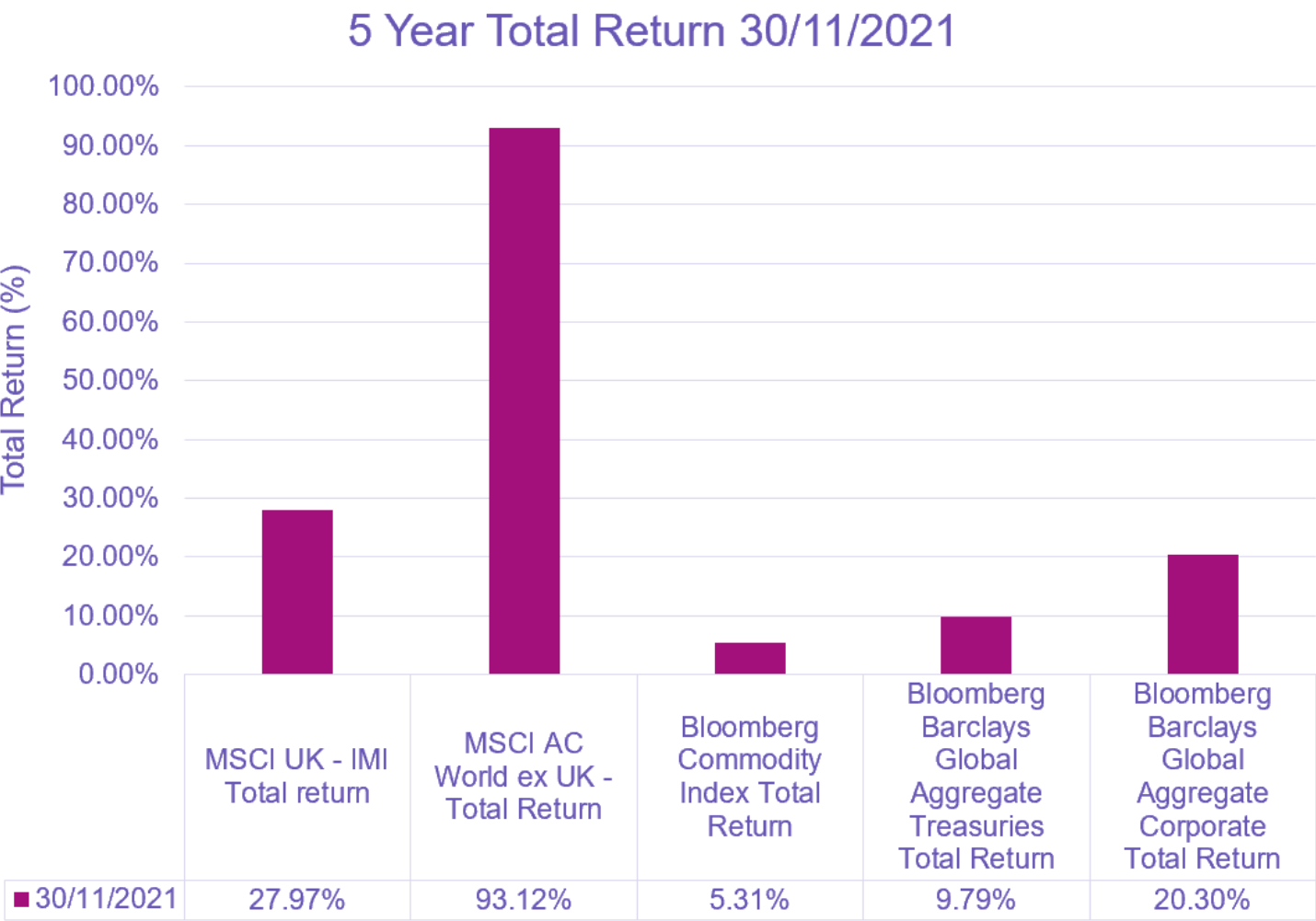
Past performance is not a reliable indicator of future results. Source: FactSet All local currency total returns. Data from 03.01.20 to 03.12.21

Short term asset class returns



Source: FactSet Asset class returns 30/11/20 – 30/11/21 , past performance is not a reliable indicator of future results.

Long term asset class returns



Source: FactSet Asset class returns 30/11/16 – 30/11/21, past performance is not a reliable indicator of future results.

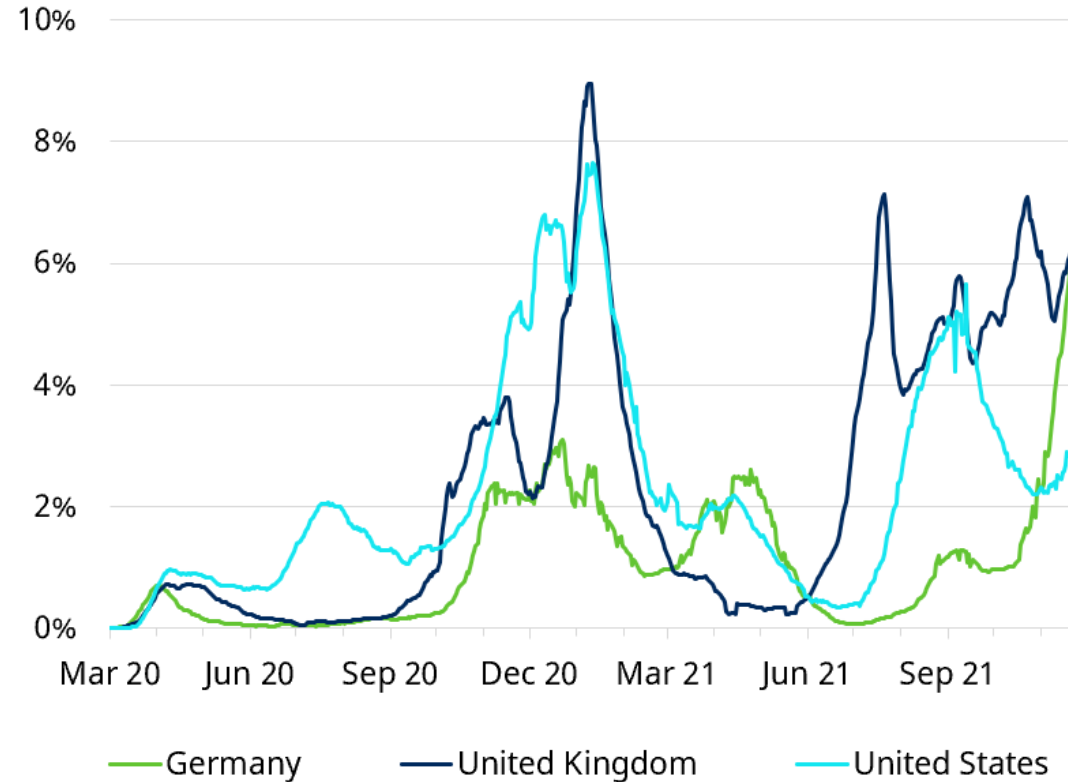
What was on investors minds in 2021 ?

- Coronavirus – further waves and variants
- Return of inflation
- Fiscal Stimulus

Delta variant has triggered another spike up in cases

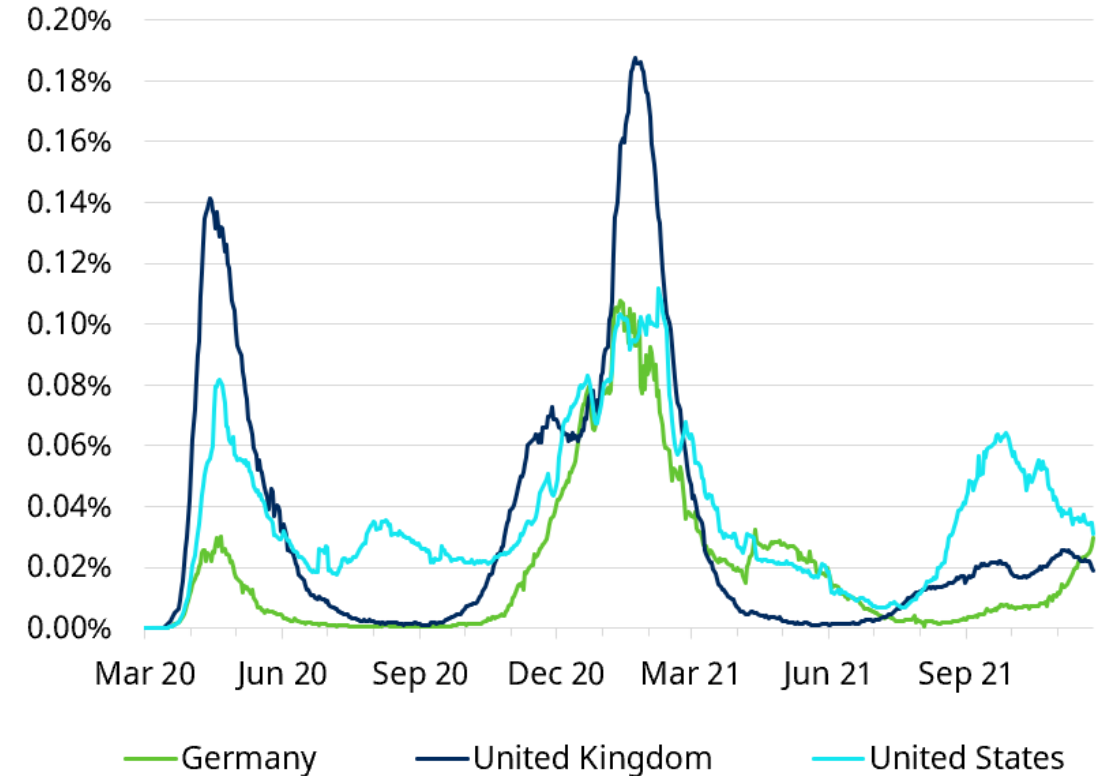
New daily cases (7-day moving average)

(% of population)



New daily fatalities (7-day moving average)

(% of population)

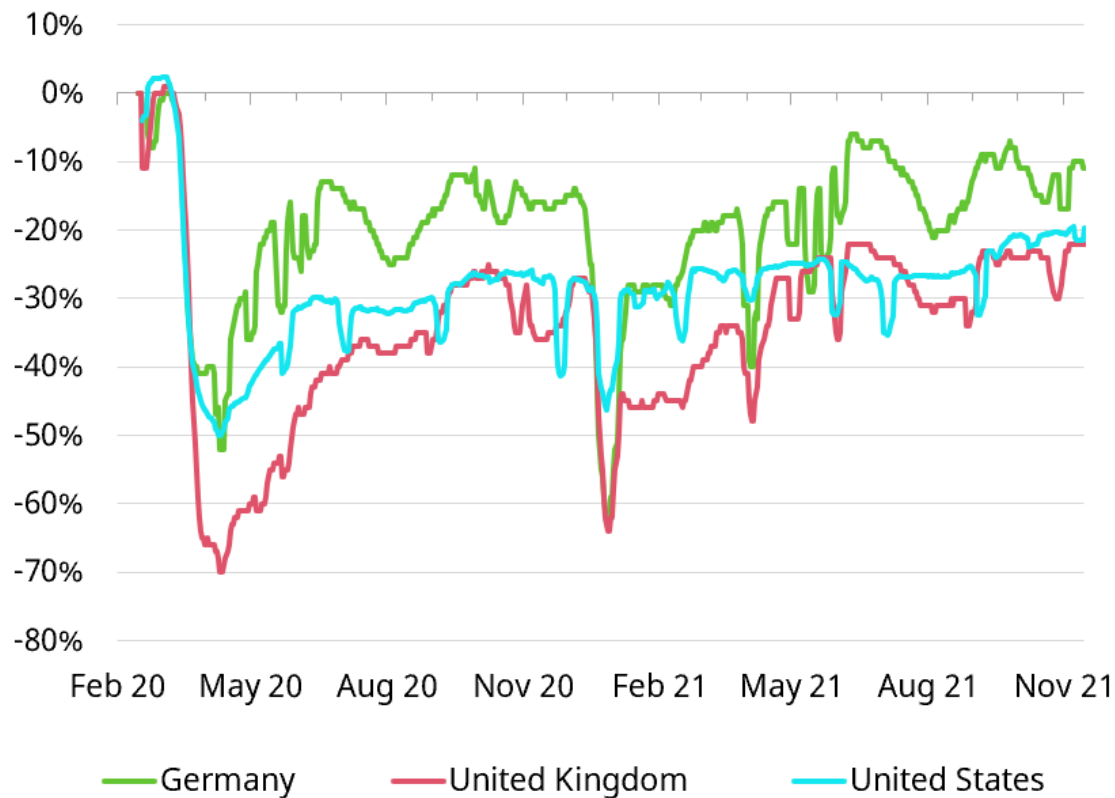


Retail mobility is recovering, but not to workplaces

Mobility data (7-day moving average)

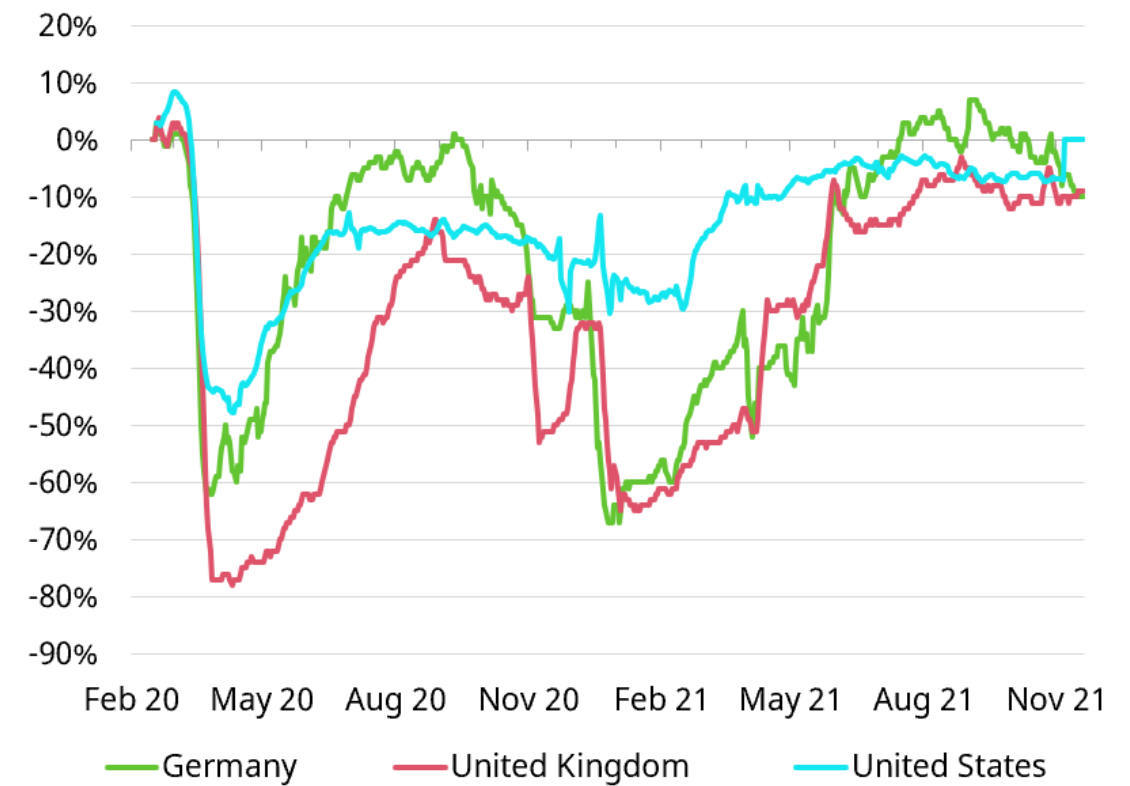
Google mobility data (workplace)

Deviation from baseline (Jan 3rd - Feb 6th 2020)

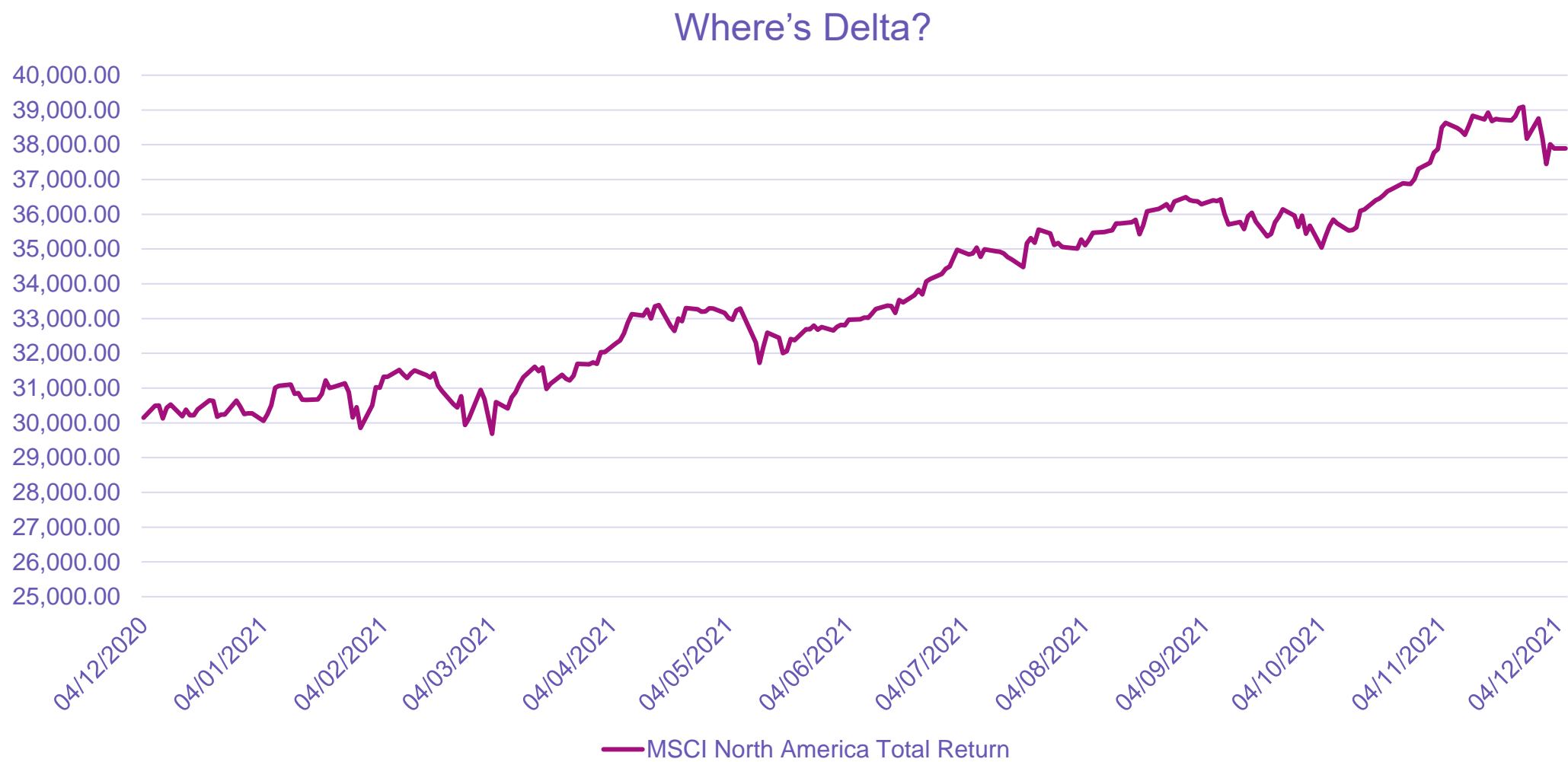


Google mobility data (Retail & Rec)

Deviation from baseline (Jan 3rd - Feb 6th 2020)



MSCI North America Total Return over last 12 months

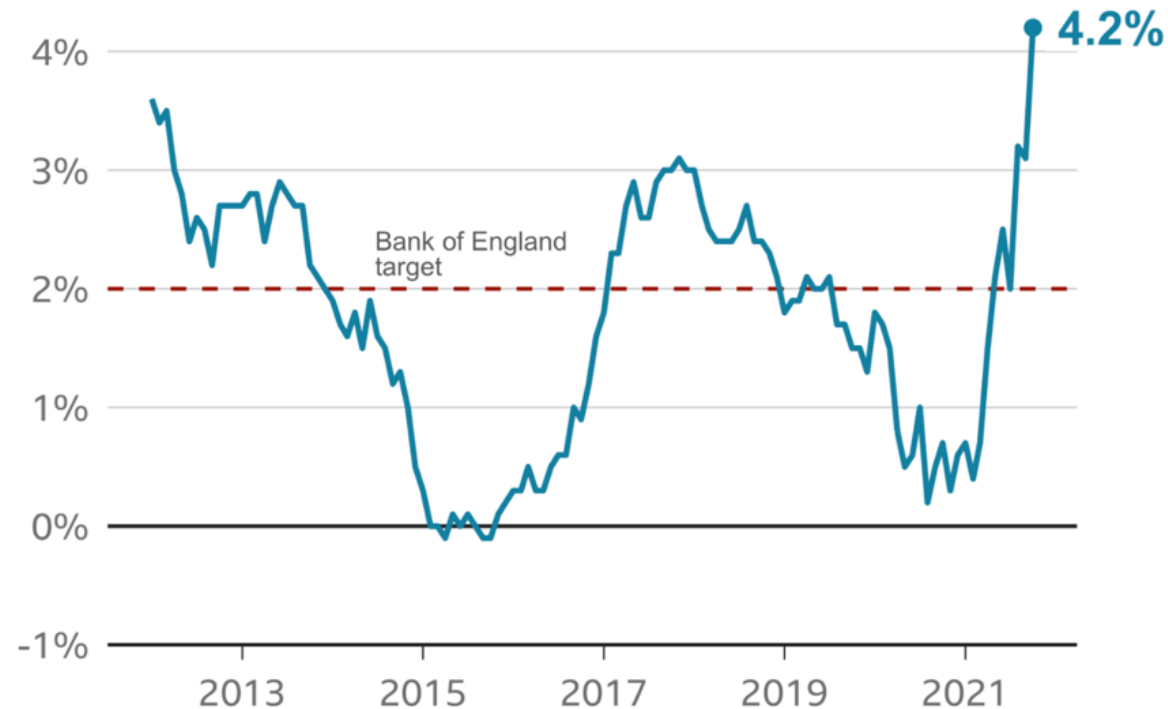


Source: SPW IO, FactSet 06.12.21

Inflation jumps on higher commodity prices and re-opening

UK inflation rose to 4.2%

Consumer Prices Index

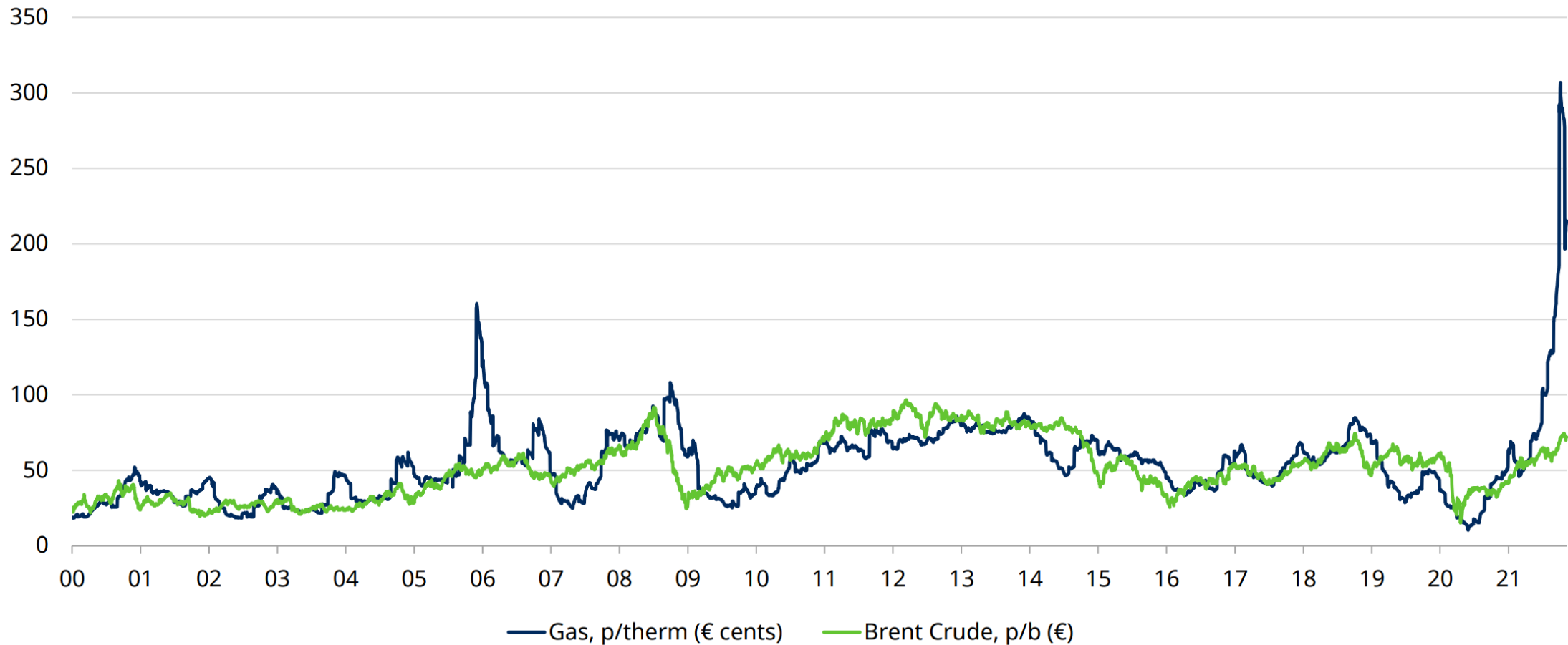


Source: Office For National Statistics

- Inflation has increased due to bottlenecks in supply chains and an increase in energy prices.
- Inventory Shortages persist
 - Skills shortages
 - CO2 shortages
 - Fuel Shortages

Huge spike in European natural gas prices causes concern

Unusual decoupling of gas from the oil price



The US Jobs Plan

\$2.3 trn proposal, front loaded spending with tax increases later.

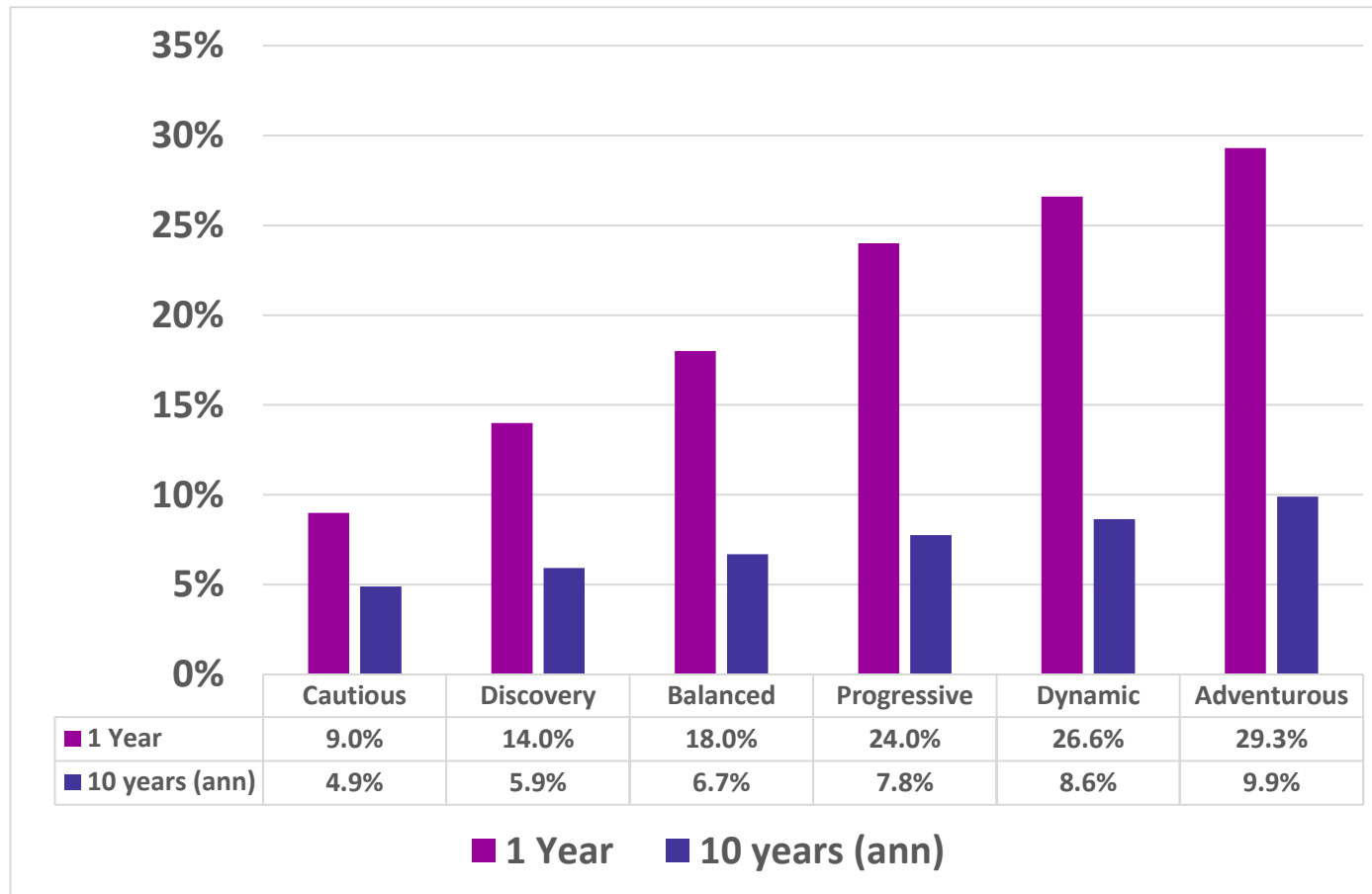
Spending	\$Blns
Transportation and Infrastructure	\$621
Green Housing, Schools, Power and Water	\$561
Investment in Manufacturing including R&D and Semi Conductors	\$480
Elder and Disability Care	\$400
High-Speed Broadband	\$100
Workforce Development	\$100
Total	\$2262

- US GDP proposed Stimulus should boost USA GDP by approximately 3% and global GDP by 1%.
- Potential tax increases to help pay for increase in public spending to follow. However, this is not expected until later into the recovery.

Source: Schroders Economics Group April 2021. Forecasts of future performance are not a reliable guide to actual results in the future, neither is past performance a reliable guide to future performance. The value of investments may fall as well as rise and you may not get back the full amount invested.

Portfolio positioning and performance 2021

Portfolio positioning and performance 2021



Summary of portfolio positions

- Overweight Equities
- Underweight Fixed income
- Overweight Commodities

Source: Schroders Investment Management, Schroders Personal Wealth.

* Profile performance includes additional costs including underlying manager fees and pricing differences which are not included in benchmark performance. Source: Schroders Investment Management and Schroders Personal Wealth. Past performance is not a guide to future performance and the value of investments, and the income from them, may fall as well as rise. This slide is for internal use only. Performance to 31st October 2021

Outlook for 2022

Schroders

SPW client webinar
Outlook 2022

14 December 2021

Keith Wade, Chief economist

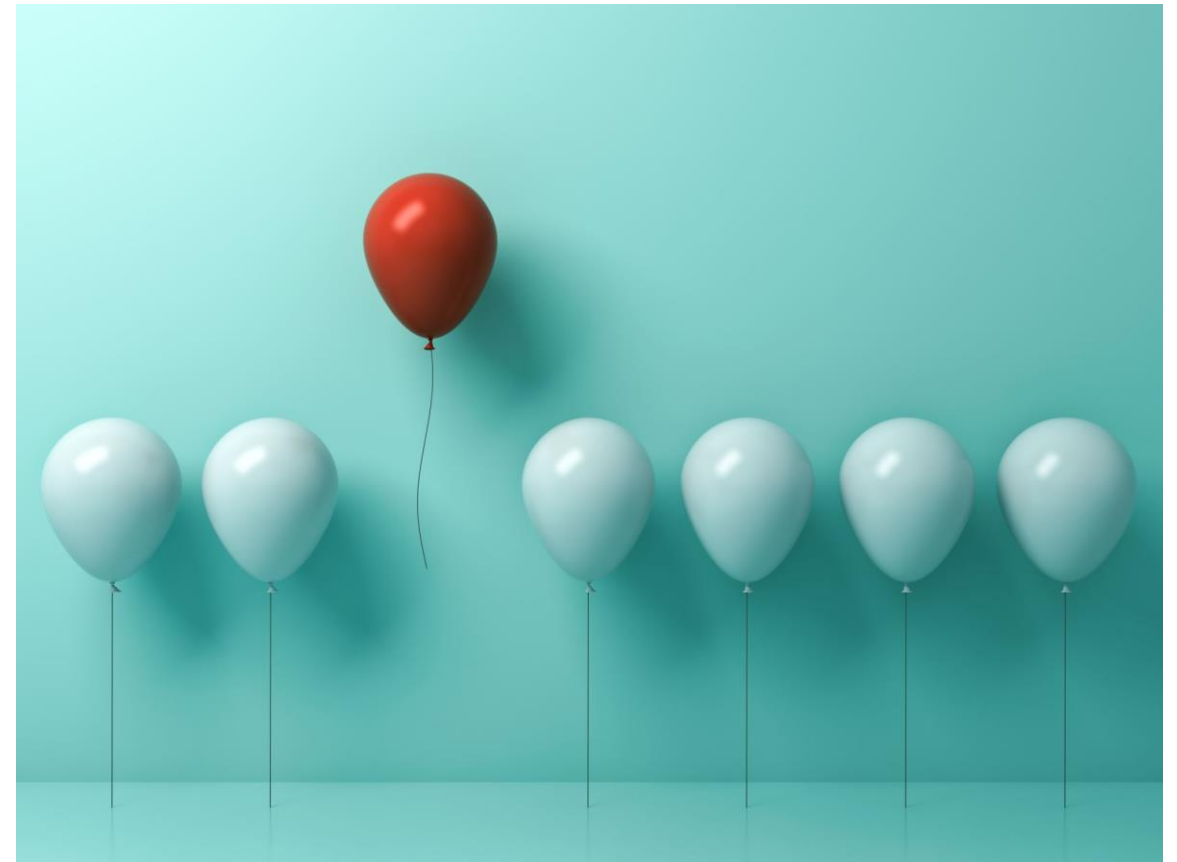


Outlook 2022

Will the rise in inflation be a one off?

Agenda

- Covid update
- Short term indicators
- Growth drivers 2022
- Inflation outlook

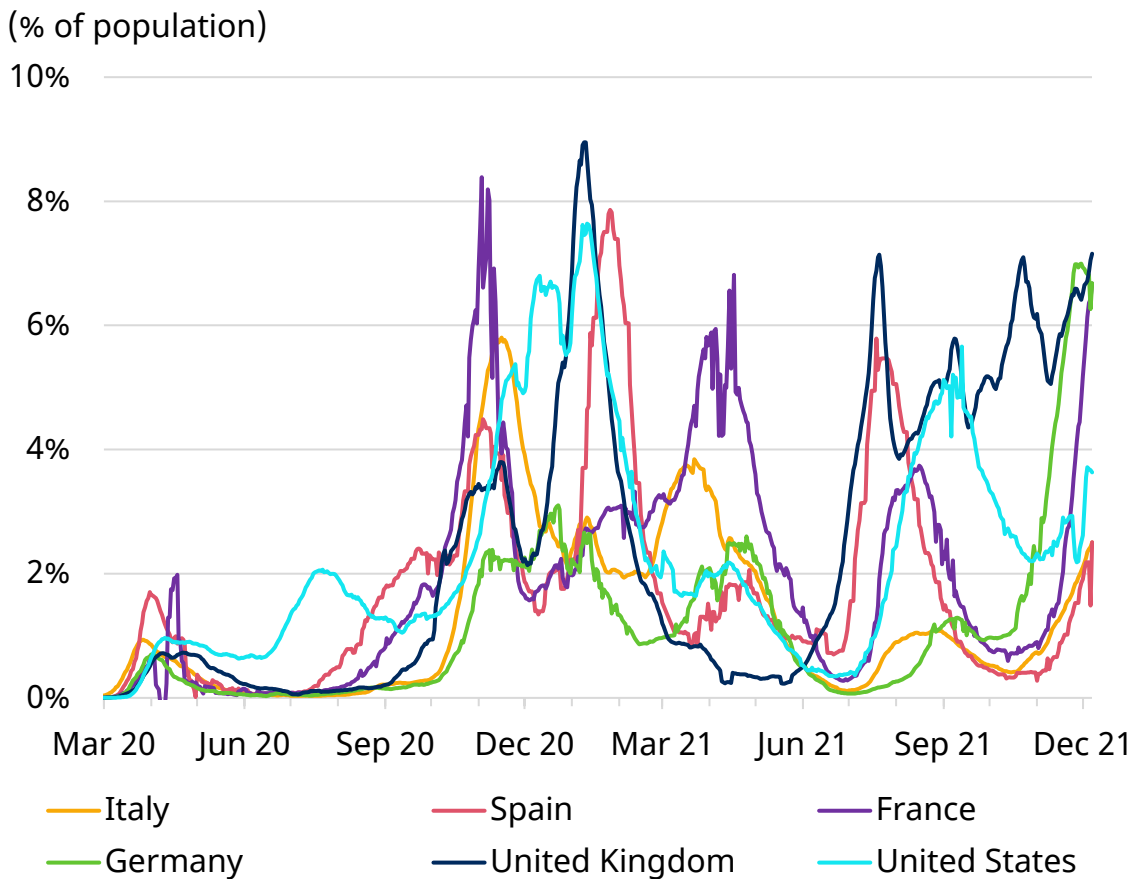


Source: Schroders

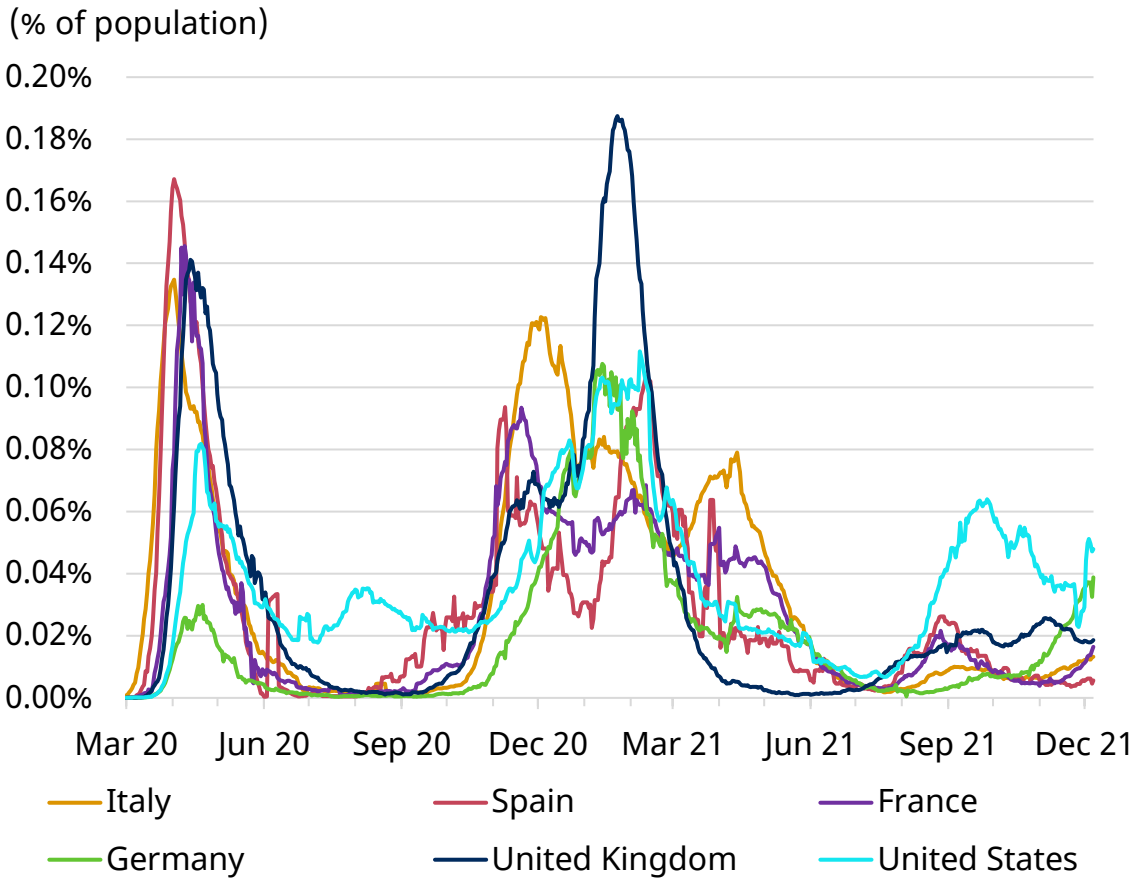
Percentage of population cases & fatalities

Covid update

New daily cases (7-day moving average)



New daily fatalities (7-day moving average)



Source: Schroders Economics Group, Johns Hopkins University. 8 December 2021.

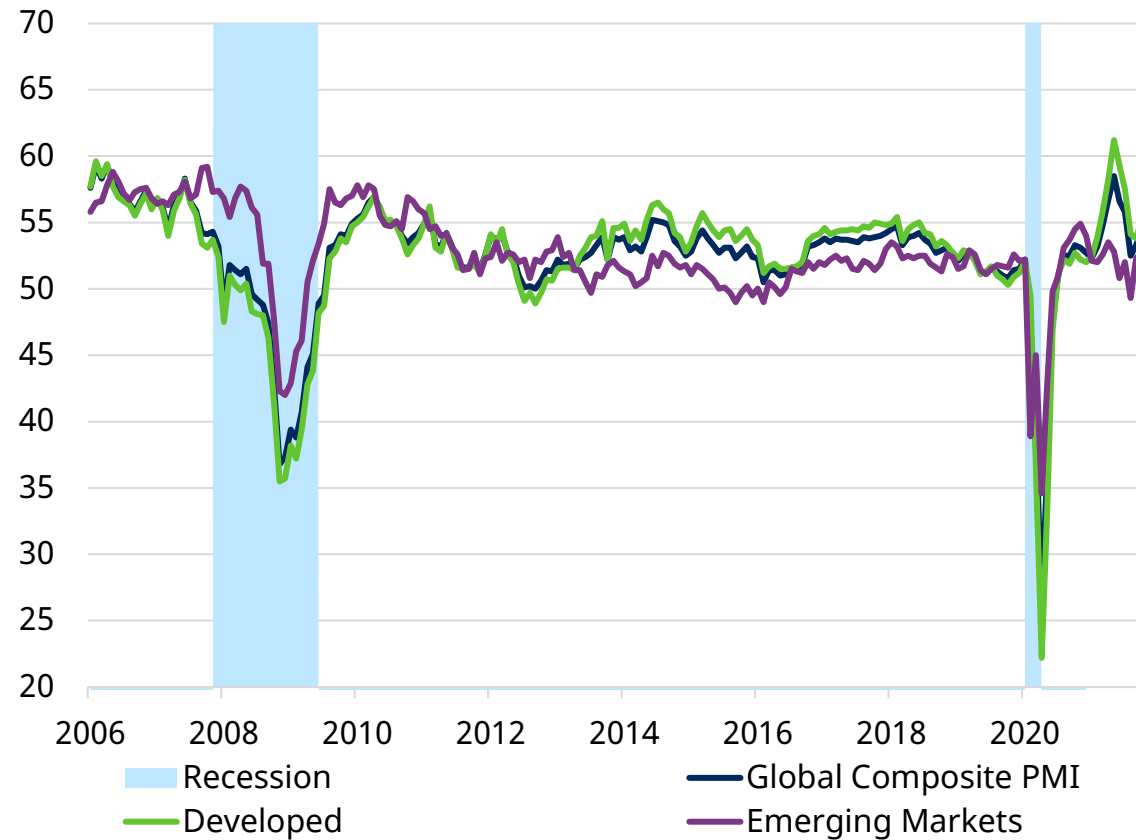
Short term indicators



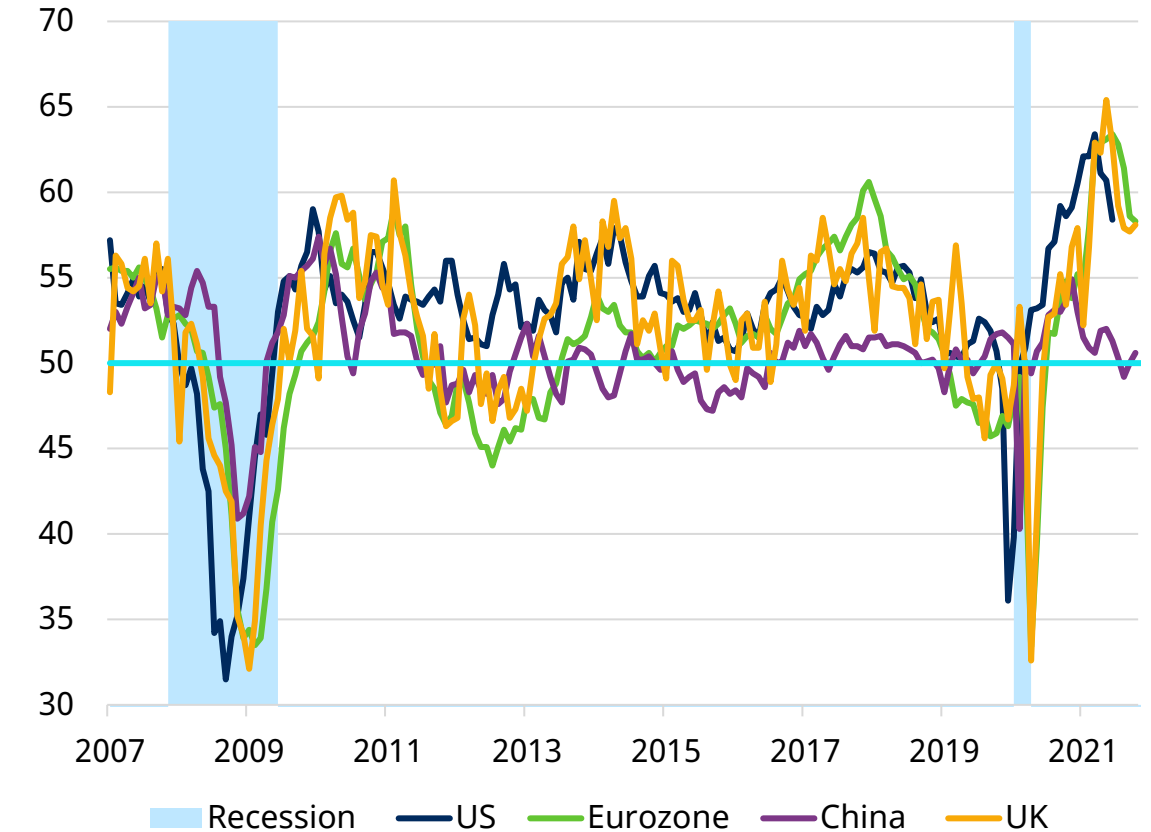
Global activity peaking

Robust activity, but peak growth rate is behind us

Composite PMI's



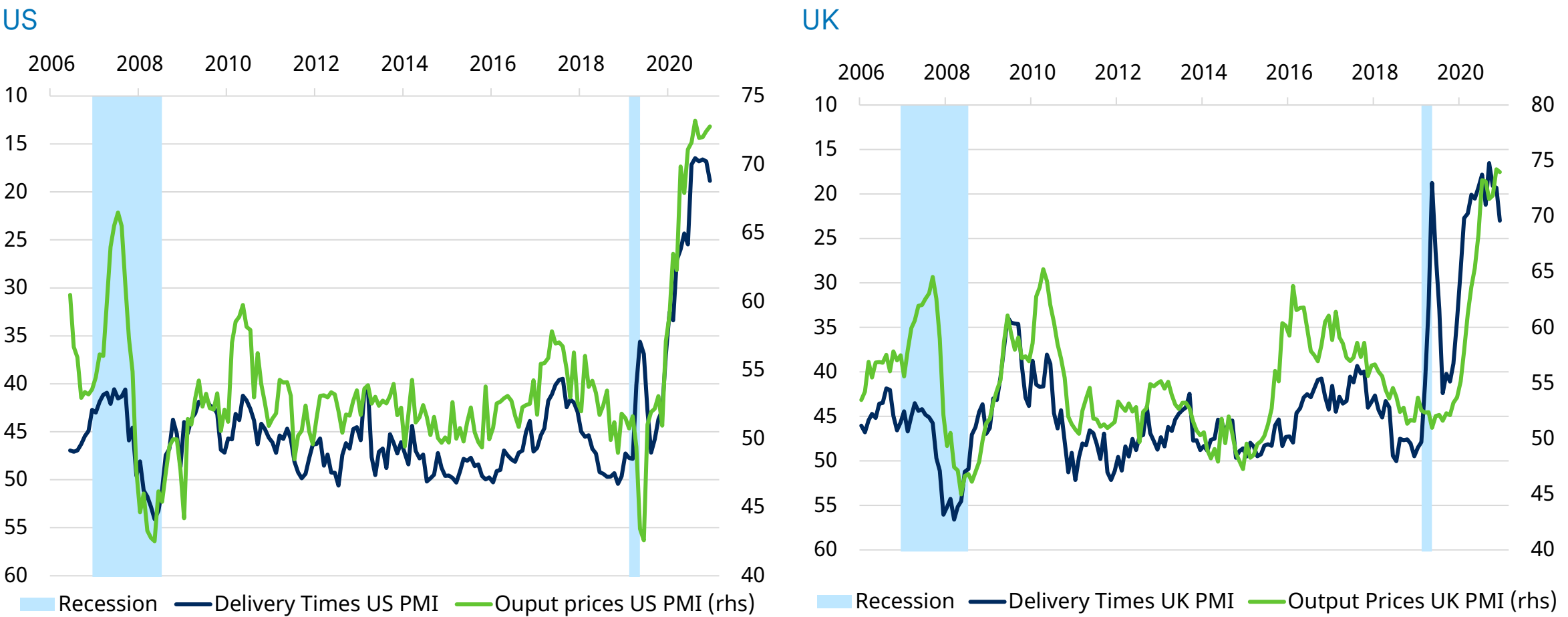
Manufacturing PMI's



Source: Refinitiv, Schroders 8 Nov 2021

Supply side problems easing?

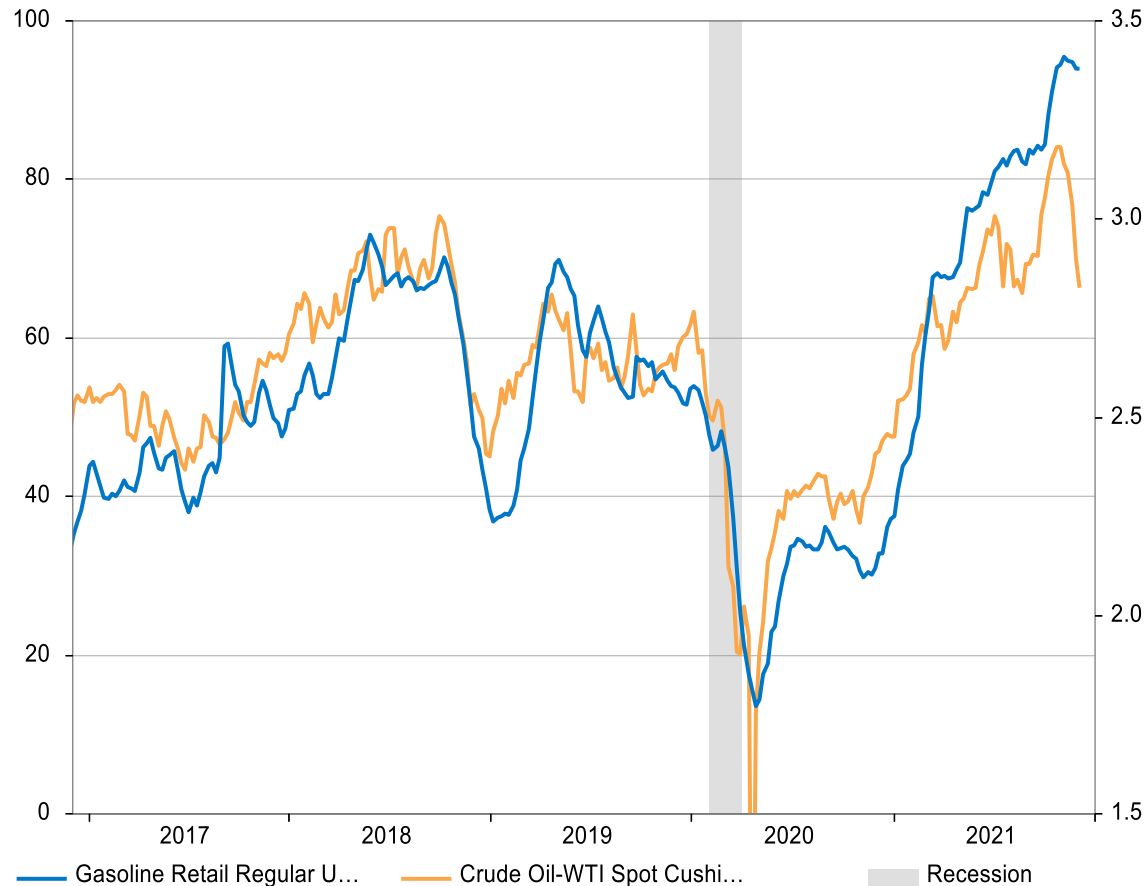
Delivery times peaking, output prices yet to respond



Source: Refinitiv, Schroders Economics Group. 7 Dec 2021

An easing of supply chain pressures?

Oil, semi's and freight prices are now falling



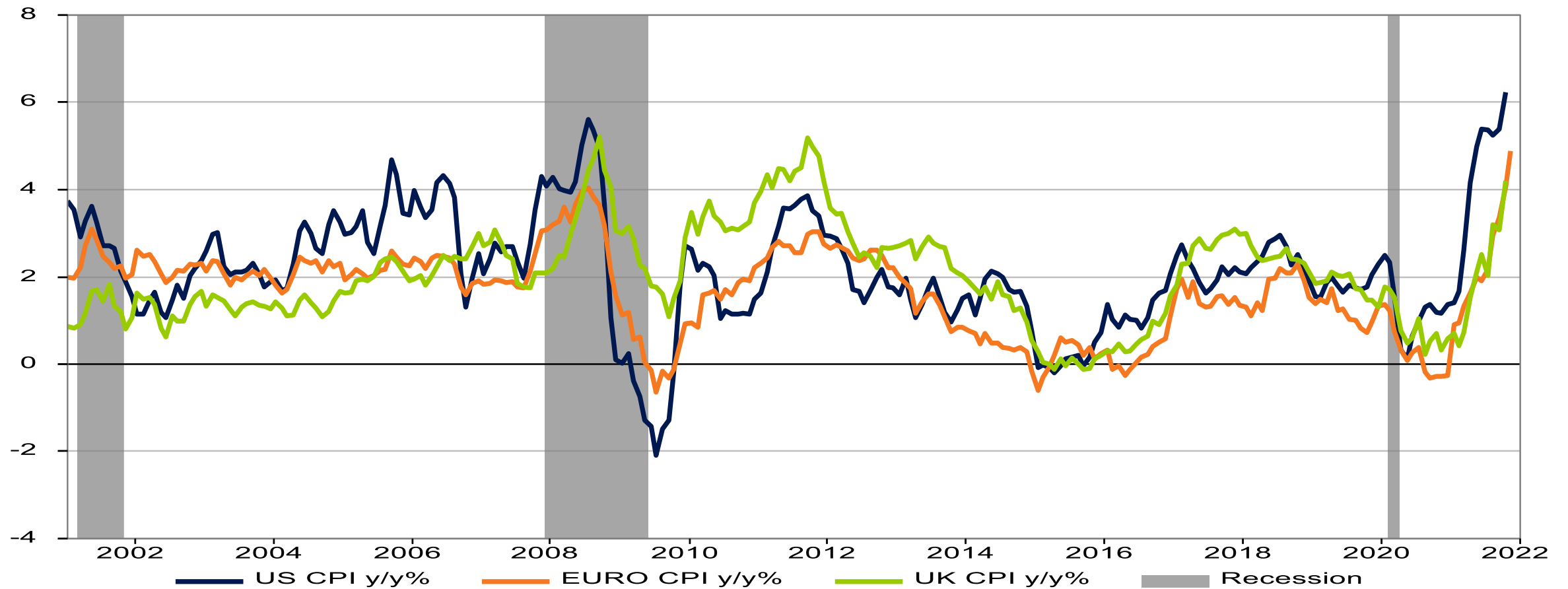
Source: Refinitiv Datastream, Schroders, G0718, Updated 06/12/2021

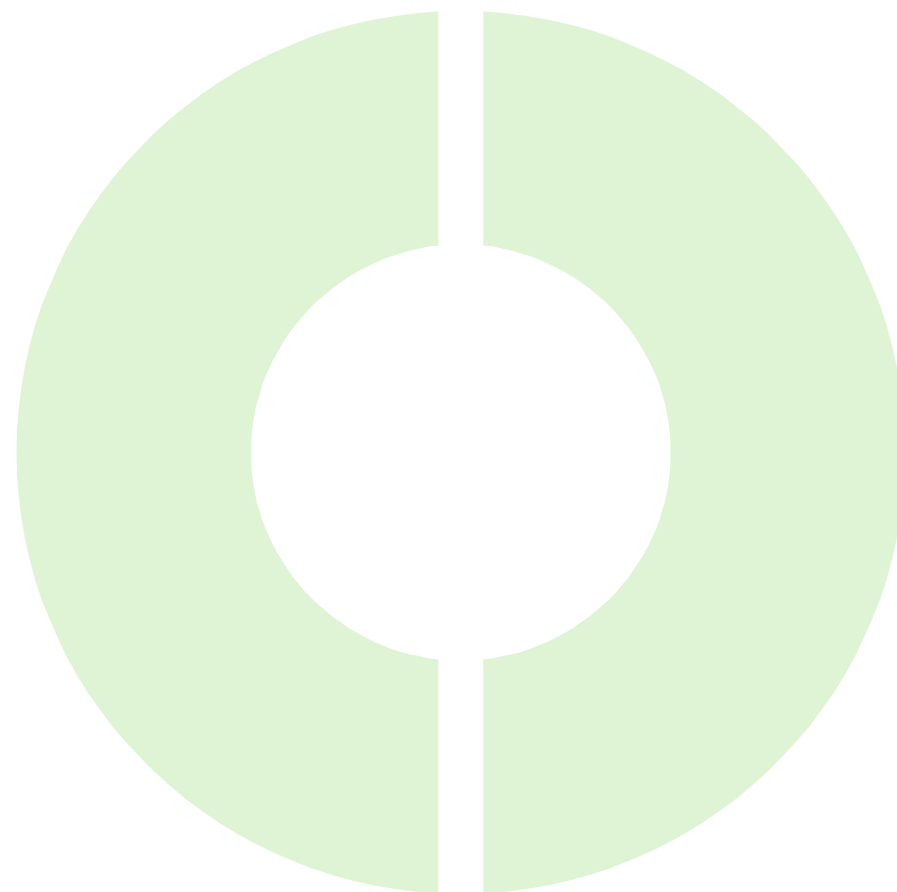


Source: Refinitiv Datastream, Schroders, G0719, Updated 06/12/2021

The inflation surge

US, Eurozone and UK CPI y/y%

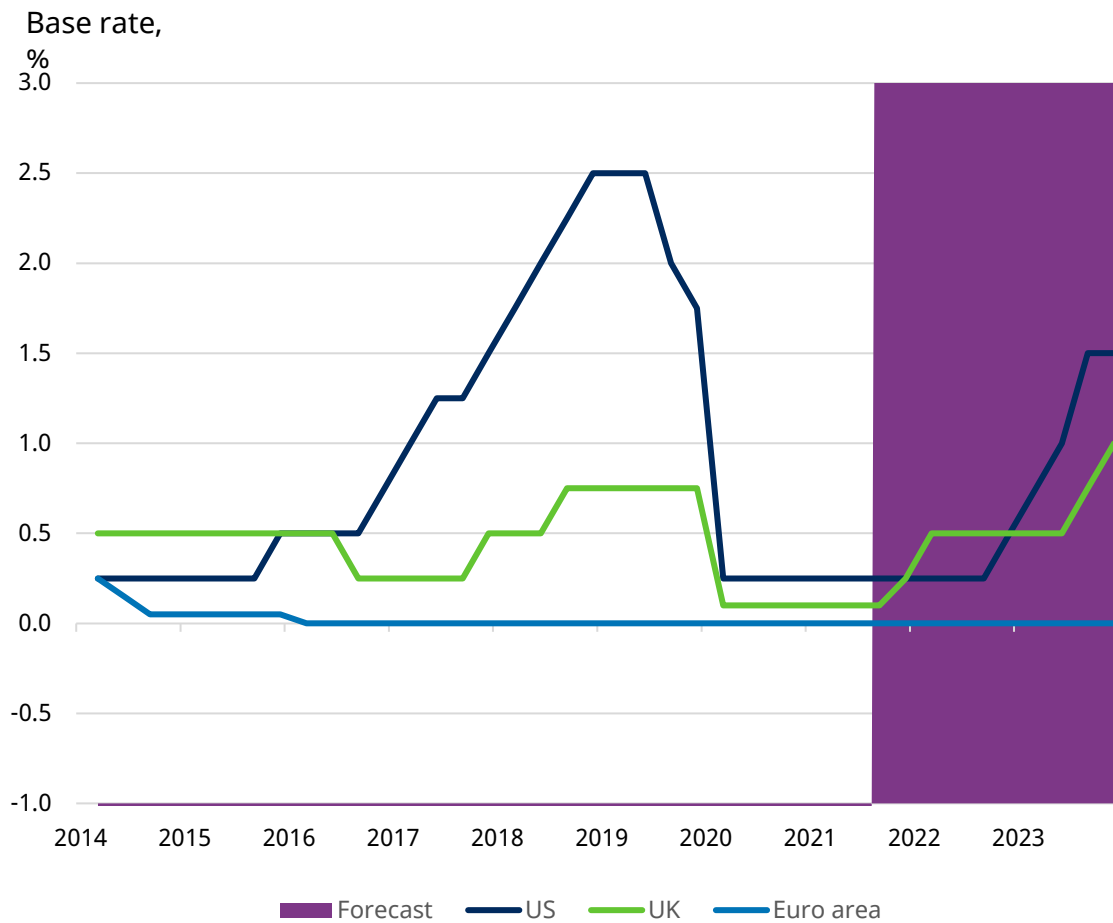
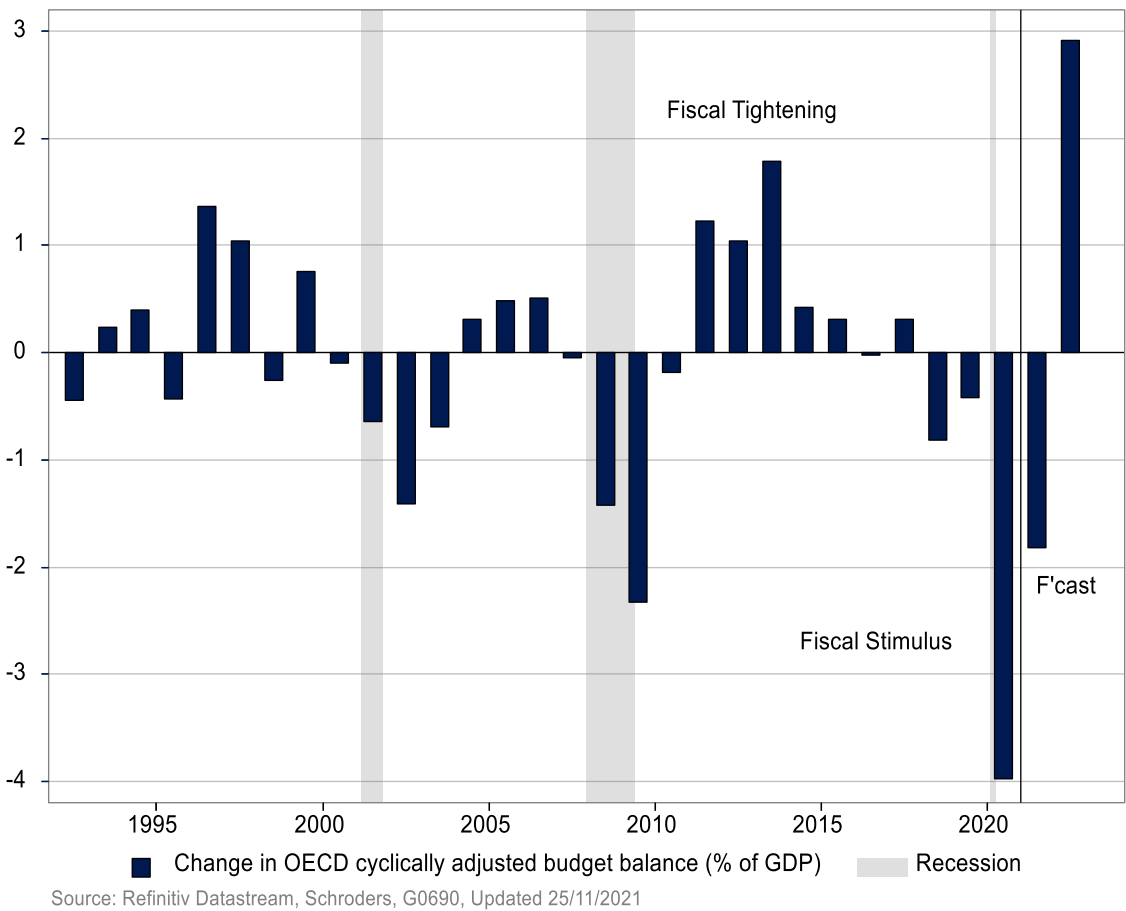




Growth drivers 2022

Growth drivers

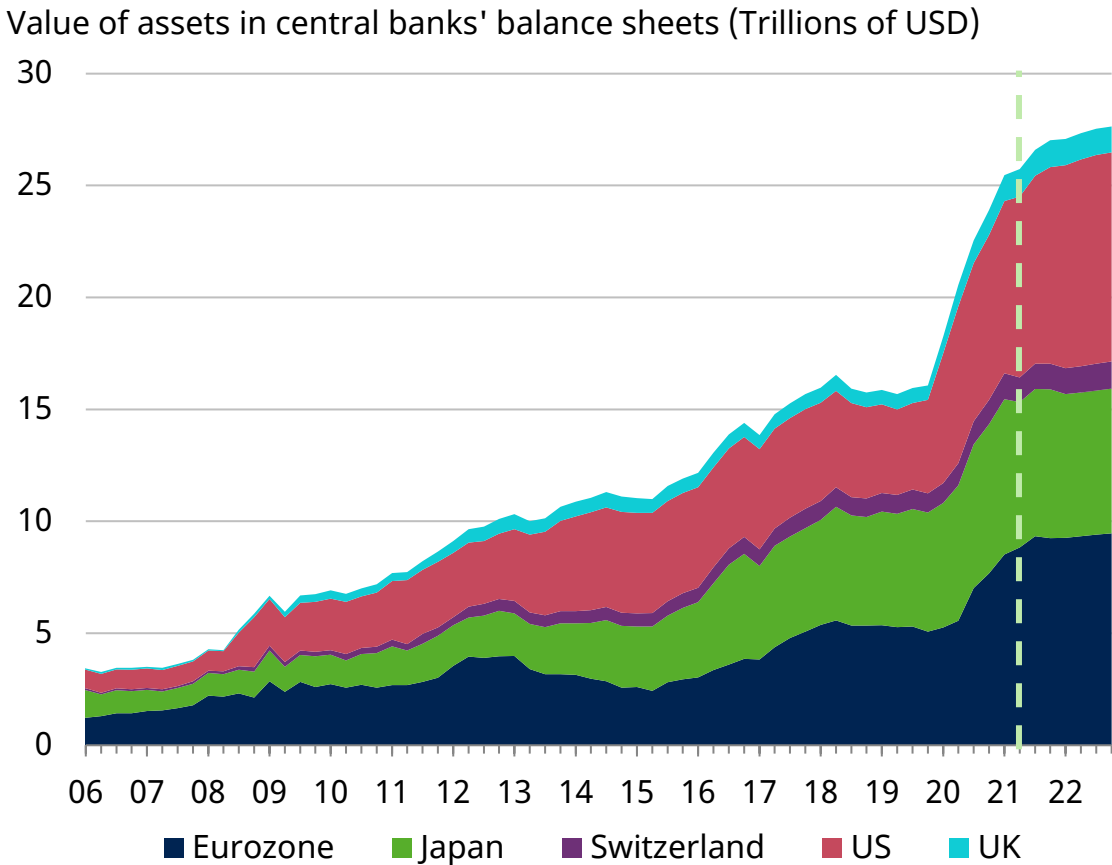
Fiscal and monetary policy turn in 2022



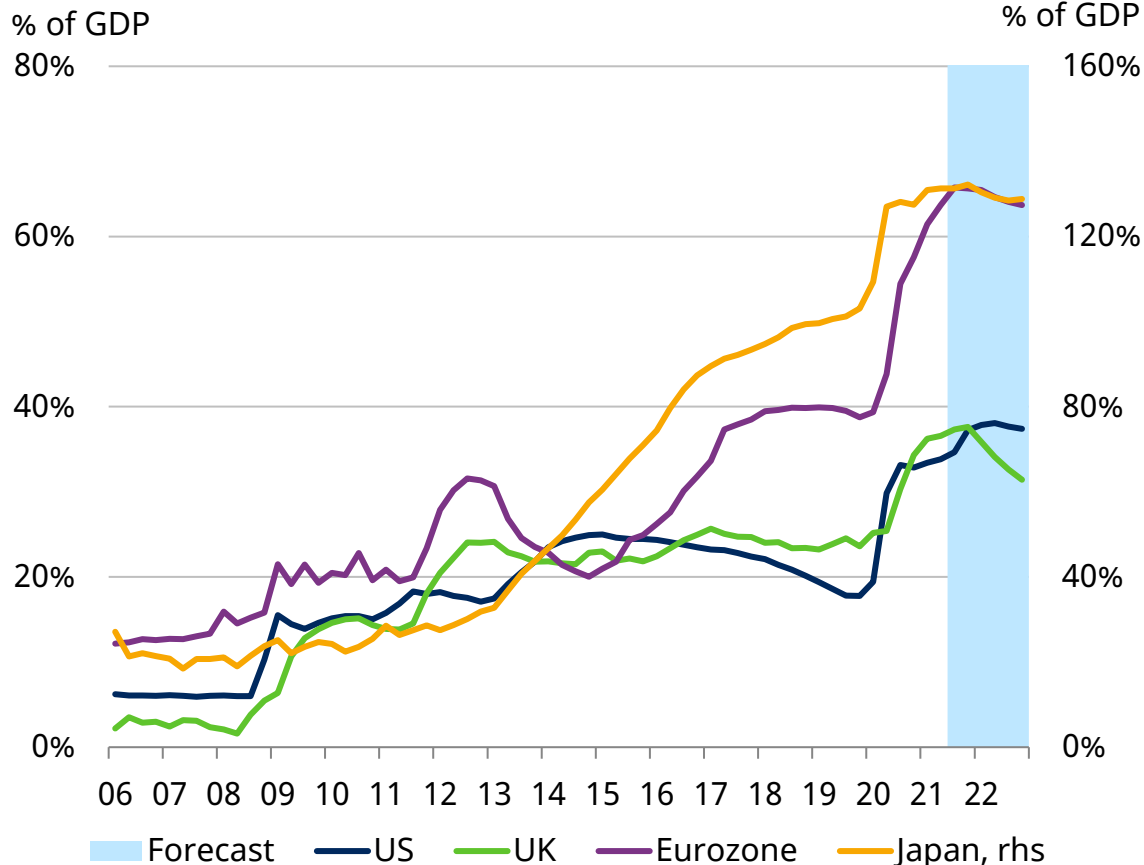
QE put into perspective

Comparison with other central banks

Cumulative size of balance sheets of big 5 central banks



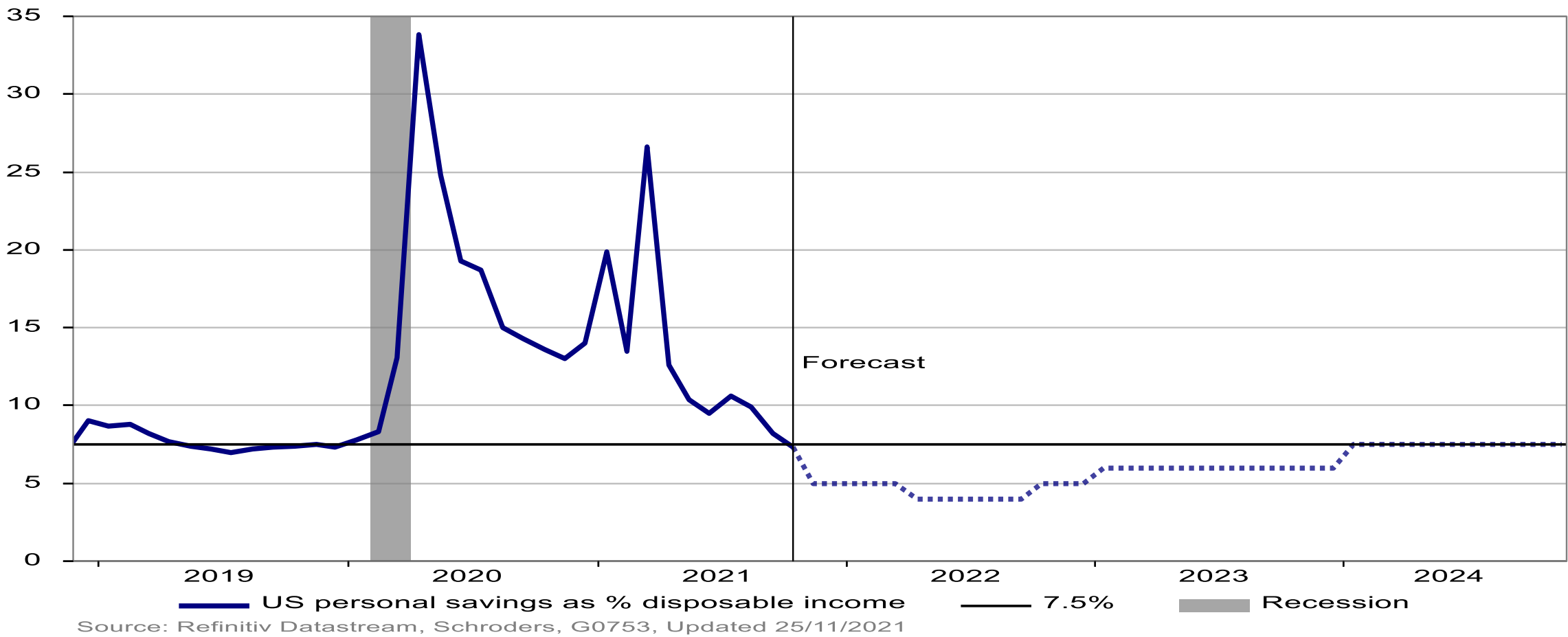
% of GDP comparison



Source: Refinitiv, Schroders Economics Group. 26 August 2021. Please see the forecast risk warning on the important information slide.

Pent-up demand

US households have \$2.2 trillion in excess saving (10.5% GDP)



Growth drivers

Scorecard points to divergence in 2022

	US	Europe		China
		Eurozone	UK	
Monetary policy	0 (+)	+ (+)	0 (+)	+ (-)
Fiscal policy	0 (+)	+ (+)	- (+)	+ (+)
Pent-up demand	+ (+)	+ (+)	+ (+)	0 (0)
Total	+ (++++)	+++ (++++)	0 (+++)	++ (0)

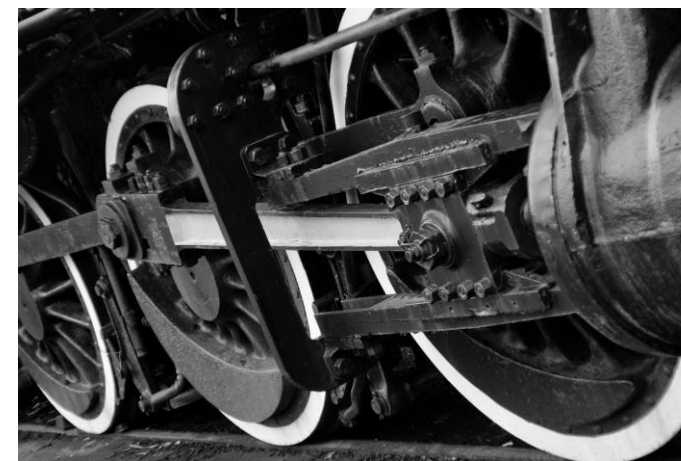
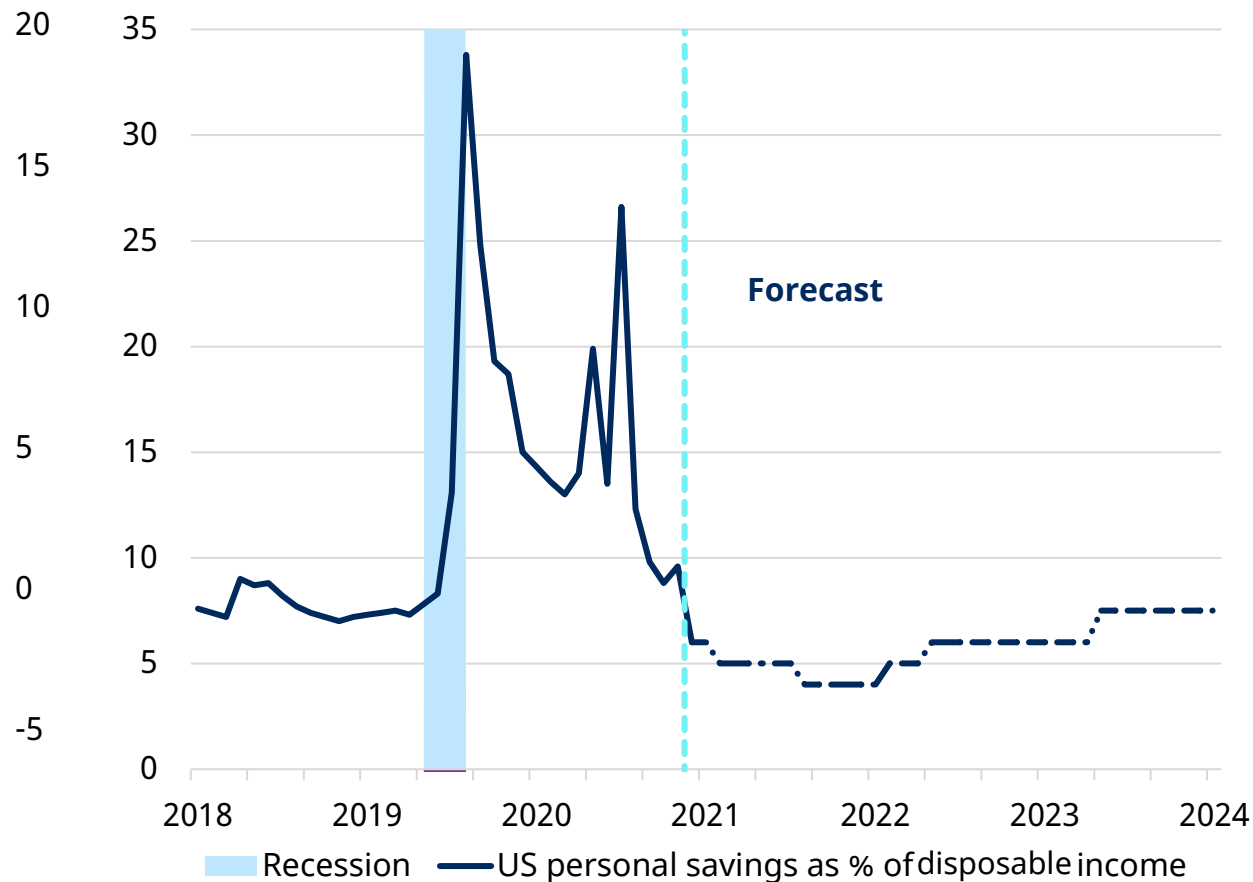
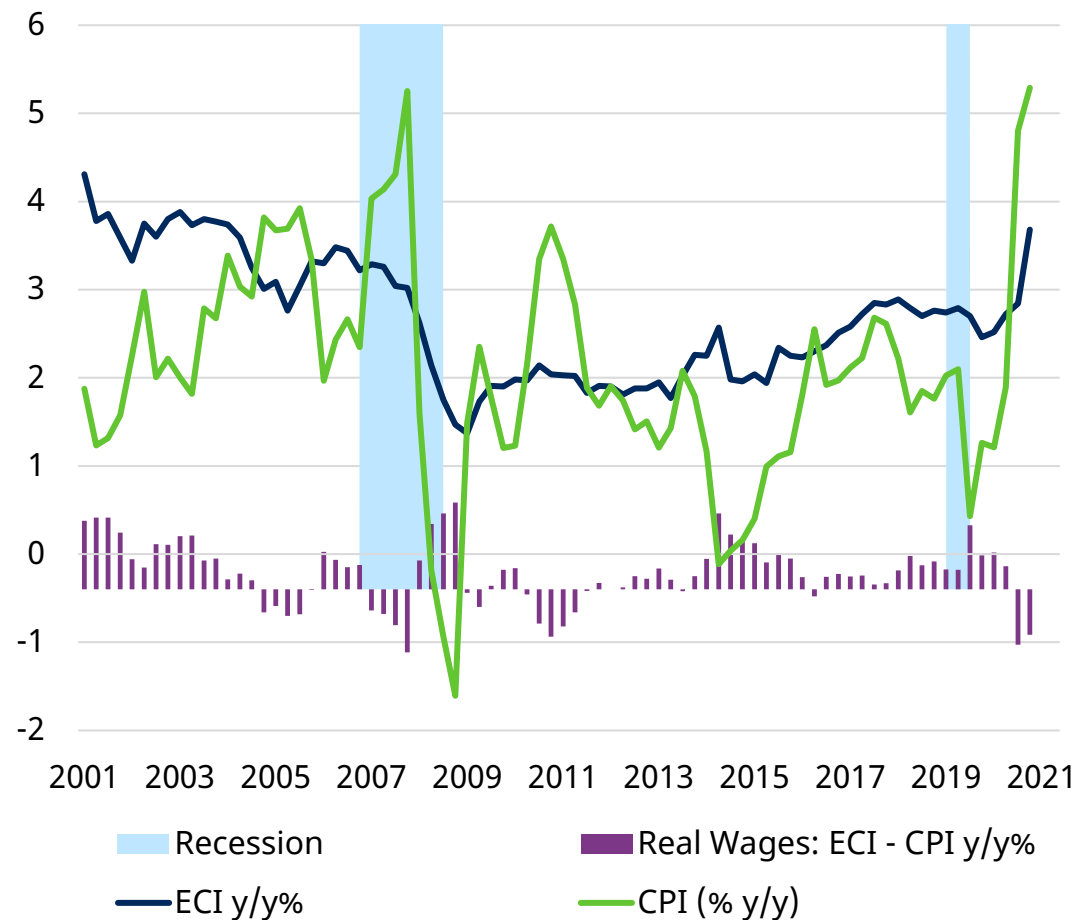


Table 1. Growth scoreboard - 2022 (versus 2021) +/ 0/ - : positive/ neutral/ negative growth impulse
Source: Schroder Economics, 23 November 2021

Will inflation burn itself out?

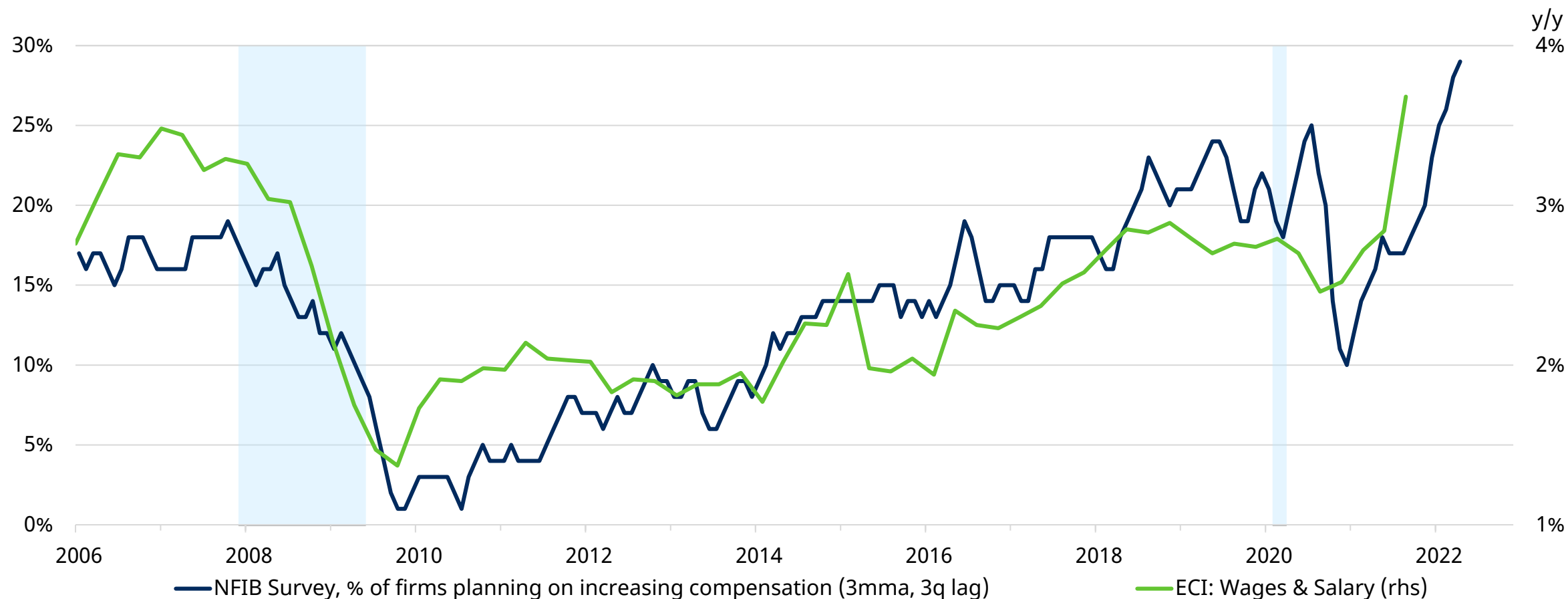
The consumer squeeze in the US: real wages falling, more reliance on savings



Source: Refinitiv, Schroders Economics Group, 11 Nov 2021

Wages have accelerated in the US

Surveys continue to report shortages and higher compensation

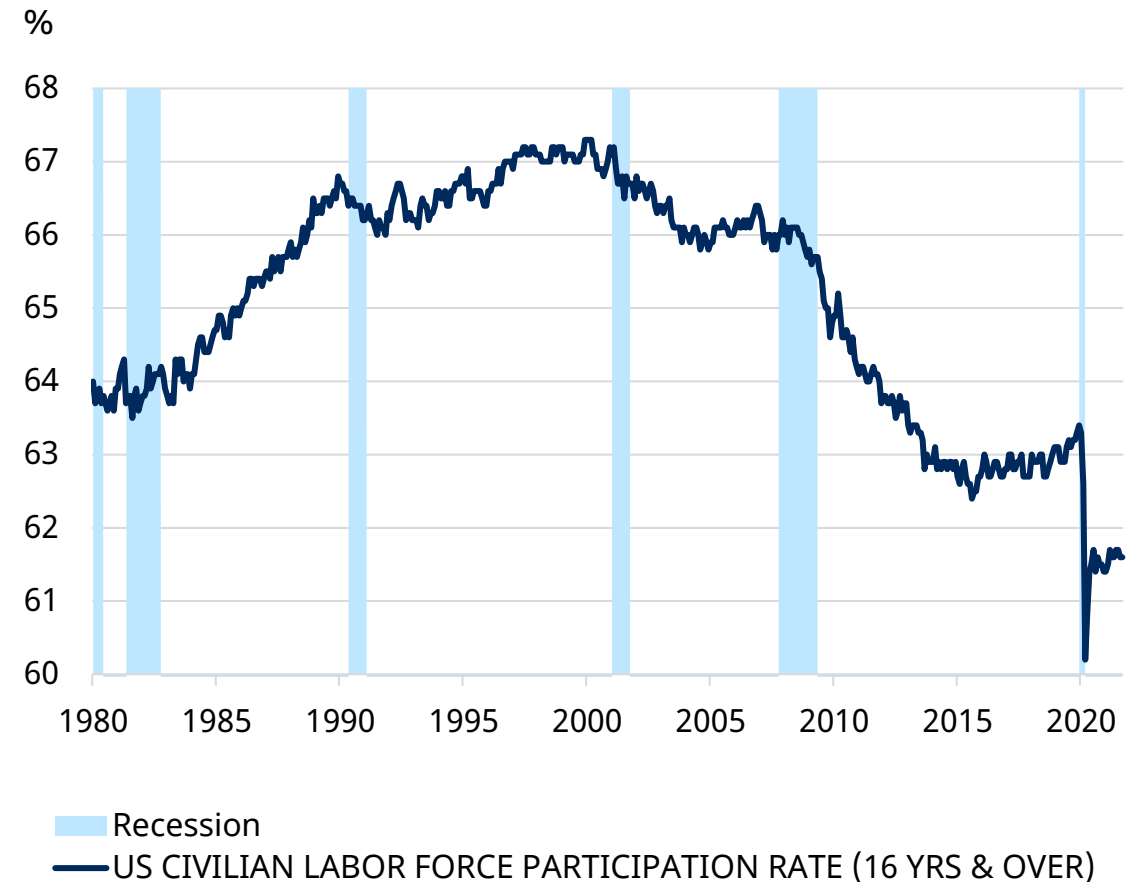


Source: Refinitiv, Schroders Economics Group. 6 Dec 2021

Where have the workers gone?

The labour market has yet to normalise

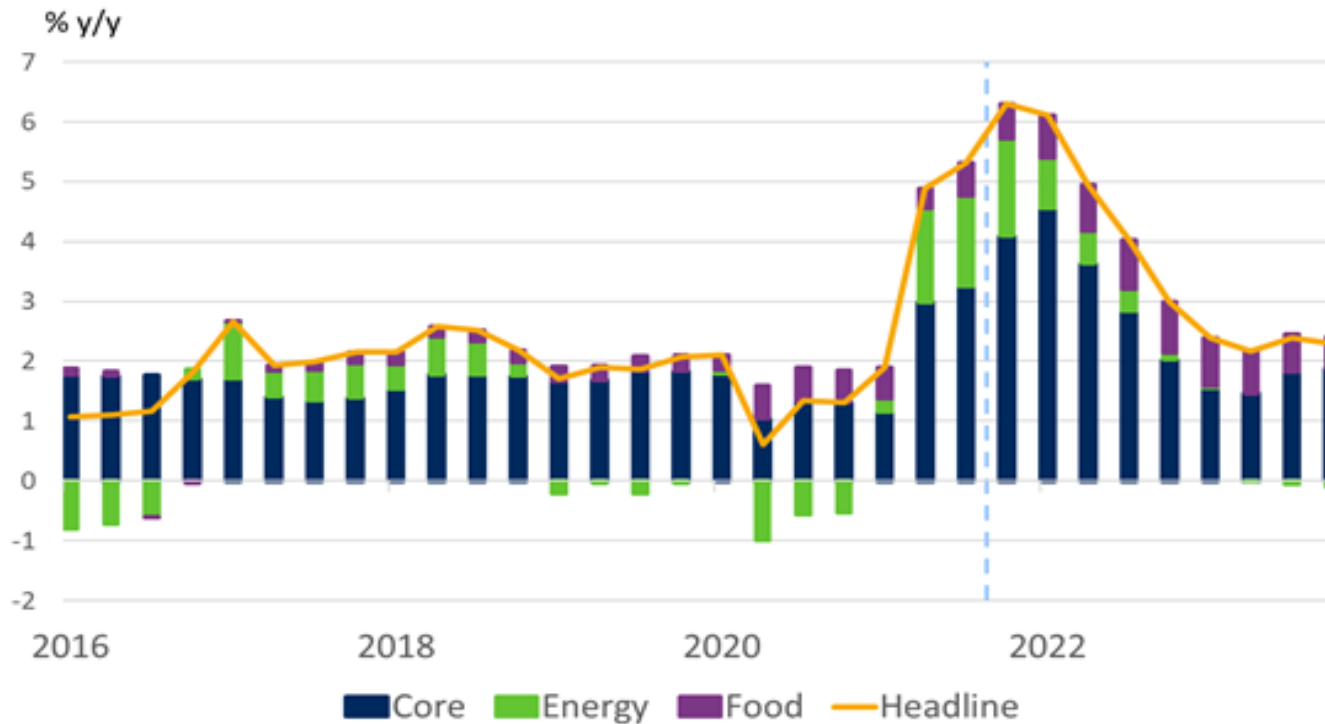
- Participation rate has not returned to pre-pandemic levels
- Labour force has shrunk by 3 million
- Pandemic has affected participation
 - Fear of infection
 - Extra parental responsibilities (home schooling/ caring)
 - Return to study or retraining
 - Early retirement
 - But, WFH has created opportunities
- Slow return of participation implies tighter labour market/ less slack, more wage pressure than previously expected



Source: Refinitiv, Schroders Economics Group. 8 Nov 2021

US inflation forecast

Persists into 2022, but should still decline

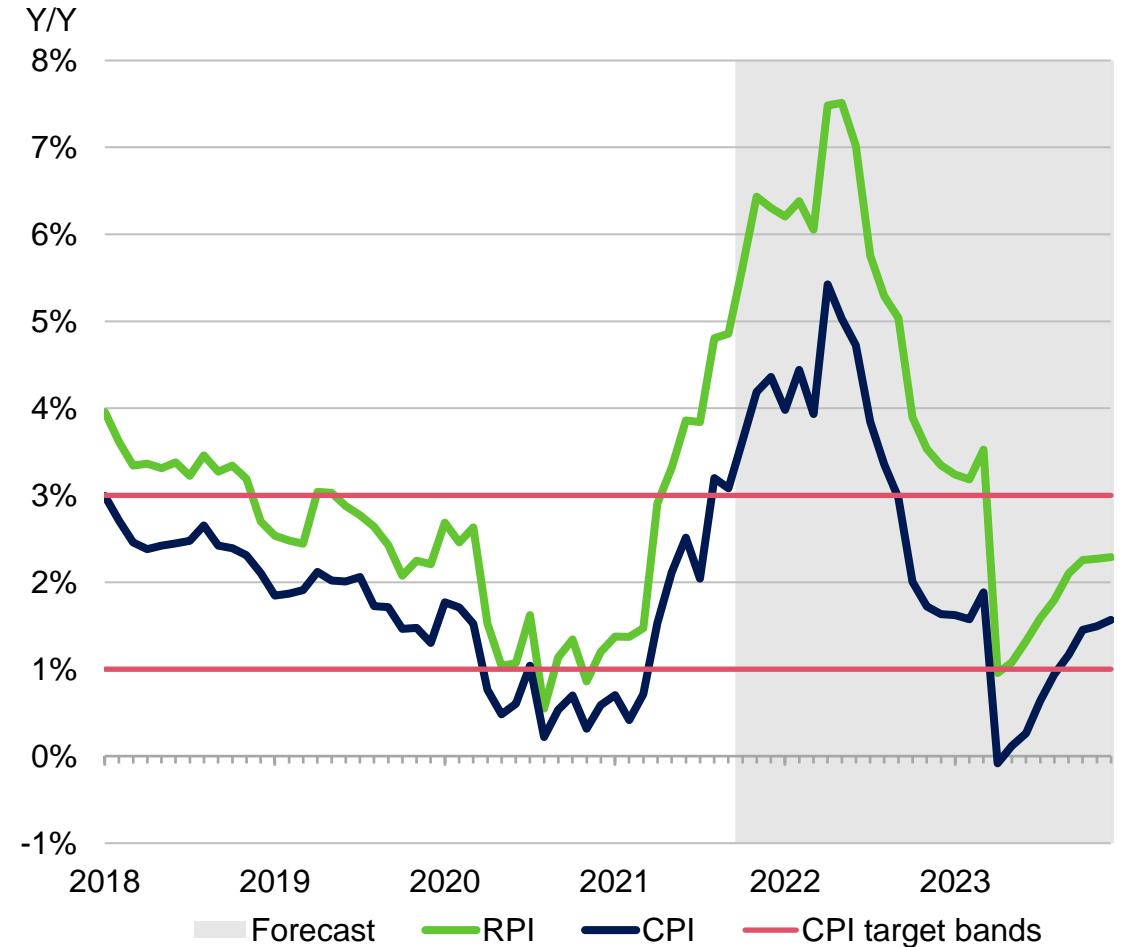
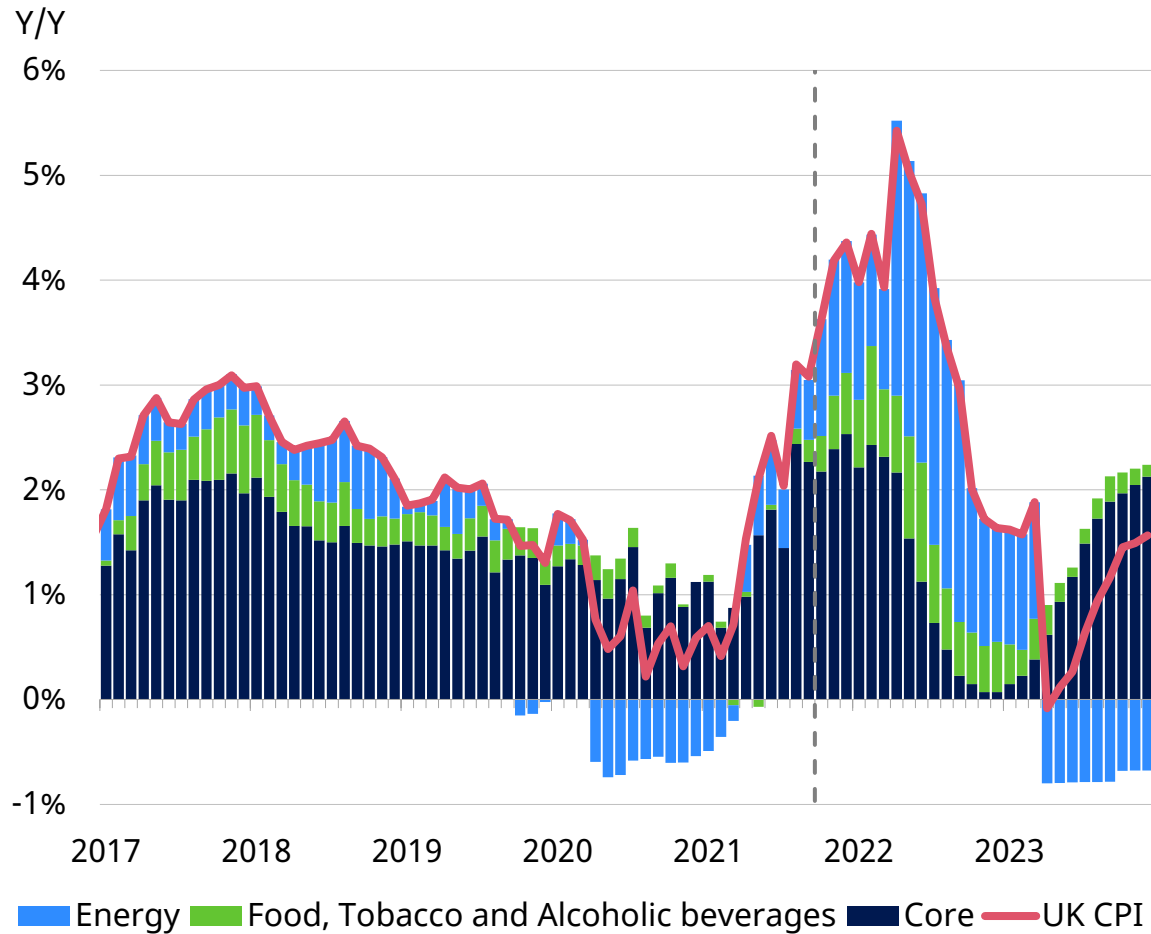


- We have raised our forecasts for US inflation but still expect core inflation to ease in H2 next year as the jump in prices which has accompanied re-opening fades.
- Energy inflation should also fall as base effects wash out. This should result in a fall in overall headline inflation.
- An easing of supply chains should also allow inflation to ease.

Source: Refinitiv, Schroders Economics Group. 26 August 2021. Please see the forecast risk warning on the important information slide.

UK CPI forecast to rise to peak at 5.4% In April 2022

...but then fall back below zero in April 2023



Source: ONS, Refinitiv, Schroders Economics Group. 22 October 2021.

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Thank you

A large, stylized graphic of a globe composed of many small white plus signs (+) arranged in a circular pattern, centered behind the text.

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