

IAG REPORT 6 MAY 2023

Preamble.

The Investment Advisory Group was set up in April 2014 to administer the investment of £27620 – the proceeds from the sale of a Treasury bond with the twin objectives of at least generating the income provided by the bond (£1127 p.a.) while preserving the level of the capital employed.

Investment Strategy.

The Strategy, which may be found on the Parish Council's website as Financial Regulations Appendix 1.0, was reissued during the 2021/22 financial year and reflected the increased flexibility to the Group particularly when considering the sale of investments as well as taking into account environmental and ethical considerations. No further changes are recommended at this time.

Valuation.

As at noon on 10th May 2023 the portfolio was valued at £25151 against £28991 in May 2022.

Dividends received and anticipated.

For the year ended 31st March 2023 these totalled £1623 against an estimate of £1432 which was projected this time last year. The amount expected in this financial year is £1966 which, if achieved, will be a record, be a return of 7% on capital employed and some 74% over the £1127 which the original Government bond provided.

Changes to the portfolio made in the last year.

GSK was sold before its demerger of Haleon and Phoenix, the life insurer, was purchased on 1st August at 646p- some 51p greater than the price at which I had recommended on 18th July. Put that down to the inflexibility that arises when purchases cannot be executed without Council approval. Likewise, SWEF was sold and Next Energy Solar Fund bought at some time after the recommendation. Since then NESF has fallen because of the Government's Windfall tax.

Comments and outlook.

I wrote last year that the one sure thing that can be relied on is that the markets over the next year will continue to be extremely volatile. Quite so. To add to the myriad woes of last year we now have a banking crisis which to date has been more costly in assets lost than the financial crisis of 2008/9. Although greatly impacted by all this the portfolio is a conservative one and has borne up fairly well against other model portfolios because of its defensive nature. From an income perspective it has done remarkably well.

Looking individually at the investments, HSBC has improved despite the headwinds- banks generally do better when interest rates rise and, despite current events, it is still wise to have a stake in the Far East because that is really where future growth lies. There are continuing calls for the Bank's Asia interests to be split off and listed separately but the Board is reluctant to concede to this and has just won a vote at its AGM to reject it.. It has just reported triple earnings for the first quarter and restored its quarterly dividend. It also estimates that it made a cool \$1.5 billion from its £1 purchase of the UK division of SVB. Some going! CAML has recently been disappointing as it reflects lower copper prices but is maintaining its output and dividend and the longer term outlook for copper continues to be promising. Regional REIT remains in the doldrums but still provides a good income, its price is far below the value of its assets and it will eventually improve when interest rates ease. Phoenix and NESF are two steady defensive stocks.. I recommend no further changes at this time.

Peter Davis

For the Investment Advisory Group

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