

Investment news

Pitcher Partners Investment Services Pty Ltd

Investment year in review and outlook

Kellie Davidson – Partner

Despite fluctuating risks, 2021 delivered attractive returns across many risk assets for the year.

Equities and commodities (ex-iron ore) stood at the top of the performance charts for the last 12 months, while fixed income investors, especially those with higher interest rate duration, bore the brunt of rising interest rate expectations, fuelled by escalating inflationary pressures.

The Omicron COVID variant has certainly created alarm around the world in recent weeks. Whilst there is still a lot we don't know about this latest variant of the coronavirus, its highly mutated structure appears to drive much higher levels of transmission / infection than previous variants, although its health impact to date appears to be less severe than Delta - but it's still early days. We expect infection levels to rise globally, prompting further rounds of vaccinations/booster shots across many countries.

Whilst this is likely to impact economic activity, we still believe the ongoing re-opening of many economies will result in above trend GDP growth over 2022 both here and offshore. Corporate earnings should benefit from strong household balance sheets and greater business investment – although labour scarcity amid ongoing supply chain pressures will challenge some sectors more than others.

Financial Markets at 30 November 2021

Indices	Current	3 months	1 year
ASX 200	7,256.0	-3.3%	11.33%
ASX 200 (Acc)	83,815.6	-2.1%	15.48%
US S&P 500	4,567.0	0.8%	26.10%
Japan Nikkei	27,821.8	0.1%	5.25%
UK FTSE 100	7,059.5	-1.2%	12.66%
MSCI World (AUD)	14,777.6	1.8%	26.55%
German Dax	15,100.1	-5.0%	13.61%
French CAC	6,721.2	0.5%	21.79%
HK Hang Seng	23,475.3	-8.1%	-10.88%
Shanghai Comp	3,563.9	1.0%	5.08%
ASX 200 Prop (Acc)	66,502.6	3.9%	20.78%
Global Prop	3,109.4	-1.4%	24.50%
Australian Bonds	10,382.0	-3.0%	-3.23%
International Bonds	1,100.1	-0.6%	-0.84%
Commodities			
Gold (oz)	1,774.5	-2.0%	-0.14%
Oil (Barrel)	66.2	-4.4%	45.96%
Iron Ore (Tonne)	94.4	-38.4%	-23.63%
Aluminium	2,625.0	-0.9%	28.36%
Copper	9,442.5	0.3%	24.57%
Lead	2,275.5	-0.9%	9.93%
CRB Index	219.2	-0.2%	36.94%
Currencies			
AUD/USD	0.7	-2.3%	-2.95%
AUD/EUR	0.6	1.6%	2.08%
AUD/GBP	0.5	1.1%	-2.78%
AUD/JPY	80.7	0.6%	5.29%
AUD/RMB	4.6	-3.4%	-6.09%

December 2021

We believe some of the inflationary pressures, particularly those offshore, will begin to subside in 2022 as they compound off higher starting values that have been generated this year, however any policy mis-step by central banks in the face of these pressures looms as one of the major risks to financial markets in 1H22 at the very least. All eyes are currently on the Federal Reserve and the trajectory of its tightening cycle over the coming months.

Whilst many events have characterised 2021, certainly one element has been the rapid acceleration in interest, awareness and action around responsible investing, especially with respect to climate change. At Pitcher Partners Investment Services, we have and continue to dedicate significant resources to ensure you have the opportunity to invest and monitor those investments in-line with your interests and values. Morten Frederiksen, who leads our ESG efforts, outlines the further enhancements we have made this year in the main article for this newsletter.

Last but certainly not least, we wish you, your family and friends a very happy, healthy and safe festive period and look forward to continue working with you in 2022 and beyond.

Responsible investment at Pitcher Partners Investment Services

Morten Frederiksen – Senior Investment Analyst – ESG

The last few years has seen a surge in investor interest and capital flowing into responsible investment funds, stocks, and ETFs. The heightened focus on sustainable investing, impact investing, etc, has seen a rise in the number of products available in the market to cater for investors seeking to allocate their capital into vehicles that promise a better outcome on a number of fronts, be it sustainability, climate change, social impact, and others.

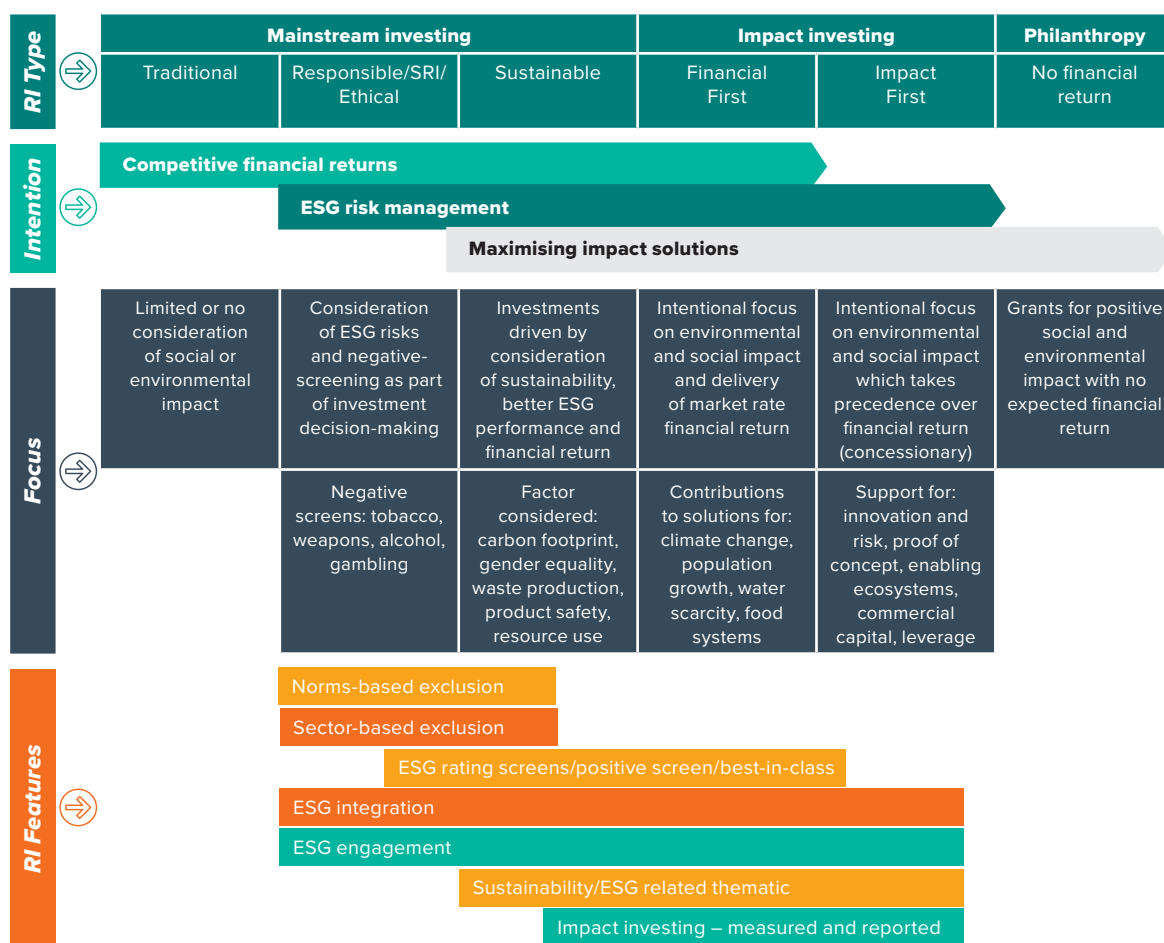
There are several factors driving this interest, among them a frustration from lack of action in effecting change, regulatory changes, and a shift in perception that returns and an improved outcome, whether social, environmental or other, are not mutually exclusive. An increasing focus among consumers, investors and voters that climate change is a major area of focus and concern is also driving interest in responsible investing.

Pitcher Partners Investment Services has not sat idly by, developing internal processes and initiatives to better serve client needs in this area. During the past 12 months alone, Pitcher Partners Investment Services has developed an internal Responsible Investment Charter, outlining internal processes and procedures in offering responsible investment products to clients.

This has seen several investment process enhancements, efforts to improve how we analyse and review the data on responsible investment, and how we best avoid ‘greenwashing’ cases, where financial products look to take advantage of the hype around responsible investment areas, such as climate change, but without adhering to the best practices. The rise in responsible investing has seen numerous cases of greenwashing, and it is imperative for us to ensure that any claims made regarding responsible behaviour is adhered to in the products.

We have also completed several internal reviews of products that we have approved for client portfolios, and significantly added to the range of available products, by selecting numerous market-leading and unique investment products for inclusion on our approved product list.

Responsible investment spectrum



Source: Sonen Capital, Impact Investing Hub, Pitcher Partners Investment Services

As part of the roll out of our Charter, and the wider initiatives, Pitcher Partners Investment Services has also commenced a training programme, using a market leading training course to ensure that advisors and research staff are informed about the trends and facts within the responsible investing area. This is also to encourage ongoing debate and monitoring of developments within the responsible investing sphere.

As part of the commitment to ensuring a high standard when it comes to responsible investing, Pitcher Partners Investment Services has joined the Responsible Investment Association of Australasia (RIAA) as a member.



RIAA is a leading organisation promoting responsible investment and training for financial services firms. This has also begun the pathway to seeing several Pitcher Partners Investment Services advisors pursuing certification with RIAA.

Pitcher Partners Investment Services is committed to ensuring the highest of standards within responsible investing and is pursuing further developments over the coming months and years. Please do reach out to your Pitcher Partners Investment Services adviser if you wish to discuss any element of responsible investment in further detail.



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