Handelsbanken
Wealth & Asset Management

Mid-Year Investment Outlook 2022

Contents

The first half of 2022 has been extraordinary for financial markets, in very challenging ways. Investors have reacted with significant discomfort to sharp interest rate hikes from some of the world's leading central banks, who are attempting to engineer a gentle economic slowdown (as opposed to a painful recession) amid sky-rocketing inflation.

How successful these central bank strategies will prove to be remains to be seen, and – unfortunately – financial markets rarely react well to uncertainty. This makes for an extremely difficult investment environment, and we are acutely aware of how unsettling it can be to experience such periods of volatility. However, we would reiterate that markets move in cycles, and we continue to believe that investing in a diverse mix of assets, and holding one's nerve through a range of financial market conditions, will prove to be the right course of action over the long run.

With this in mind, this edition of our Mid-Year Investment Outlook opens with a look back at an extraordinary period for financial markets and the global economy, before turning to the future. In our opening article, *How did we get here, and where are we going next?*, we consider the remarkable years leading up to 2022, and look to the path ahead. We also dive into the question at the forefront of everyone's minds – *Why is inflation so high?* – with a dynamic infographic which explains the cocktail of factors pushing prices higher. In doing so, we also unpick the areas where central banks can (and can't) help.

Next, we take a look at interesting developments in bond markets. Despite a turbulent start to the year for bonds, we think we are now witnessing some attractive opportunities for savvy bond investors. In this article (*When did bond markets become so interesting?*) we also take a look at some of the specific bond holdings at work in our investment strategies. Moving on to stock markets, our third article – *Smoke without fire: are stock markets predicting recession?* – considers the latest signals being sent to investors, and highlights what investors could be missing as they focus on fears of an economic downturn.

Last, but most certainly not least, we take a look at the biodiversity crisis emerging across our planet. *Investing in the planet's natural wealth* considers how (and why) investors might invest in our world's own assets, as we finally begin to awaken to this all-encompassing emergency and the investment possibilities it presents.

Graham Bishop, Chief Investment Officer

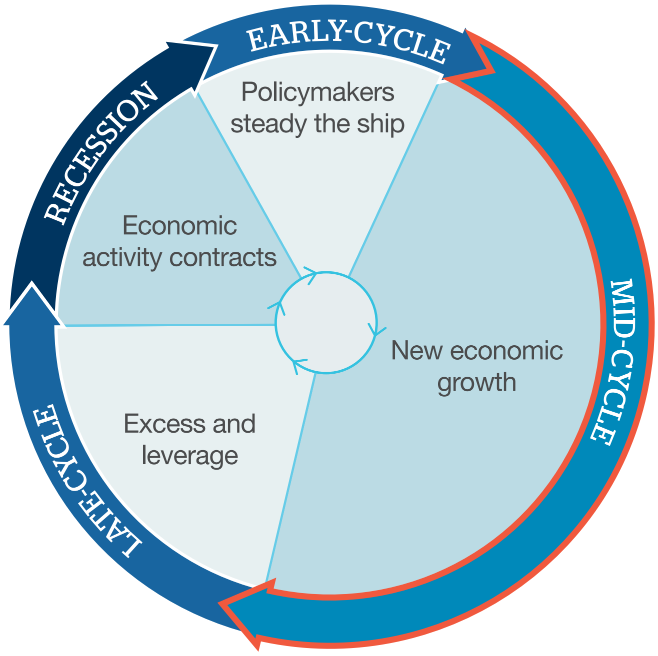
How did we get here, and where are we going next?

The past five years have been nothing if not eventful, with the latter half dominated by a crippling global pandemic, sky-rocketing inflation, and the devastating outbreak of war in Europe.

As we approach the mid-point of 2022, we take a look at how a remarkable (often for all the wrong reasons) half-decade has played out for the global economy and financial markets, as well as in our own investment strategies.

Where has the past half-decade taken the global economy?

Since 2017, the economic landscape has played host to government and central bank stimulus, interest rate changes, higher demand, and supply chain issues. When trying to assess this complex picture, we find that it is helpful to take a step back, and chart our course through the 'economic cycle' (sometimes known as the 'global business cycle').



There are four phases in the economic cycle. The first is recession, marking a general decline in economic activity. The second is the 'early-cycle' phase, a time when policymakers intervene to set the scene for economic recovery. Third comes the 'mid-cycle' phase, an expansionary period, when new growth can be harnessed. The final phase – 'late-cycle' – is characterised by excess, and the use of borrowed money as finance.

In the most recent cycle, we skipped over the late-cycle phase, leapfrogging into unexpected recession (caused by a natural disaster – COVID-19 – rather than financial system pressures) and straight into rapid early-cycle recovery (all in 2020). We believe that we are back into the mid-cycle phase once more.

How did this journey look for our investment strategies?

2017 was a decent year, and our investment strategies held roughly the right amount of risk to find reward in financial markets. With hindsight, greater exposure to growth-focused areas of global stock markets would have been helpful to our performance, but 2017 still delivered a fairly solid year of returns.

By contrast, 2018 was a weaker year for our investment strategies. We held an appropriate amount of risk for the market environment, but this was among the toughest years for financial markets since 1921. A global approach, diversified across a range of asset types, did not work well for anyone in 2018: an astonishing 90% of global assets failed to produce a positive return after accounting for inflation.

2019 marked a return to better performance for our investment strategies, bolstered by increased exposure to the US stock market. In particular, our positions in US software and technology businesses were strong.

The now infamous 2020 was a good year overall in performance terms, though headline numbers masked a year of extremes. Specialist protection strategies ('tail-risk hedging') within our own investment strategies provided a buffer, allowing us to keep hold of riskier asset types. They also generated cash payouts that let us buy into the right assets at the right time, at attractive prices.

An upbeat market mood rode through into 2021. Over the course of the year, we lowered risk levels slightly in our investment strategies, taking profits in some of our corporate debt and stock market positions, but keeping our high conviction themes in place.

How have different types of financial assets fared?

The past five years have been kind to riskier asset types like shares. Fair winds from ultra-accommodative central banks have fuelled risk-taking among investors, pushing stock markets higher.

It's been a very different story for lower risk assets like government bonds. After 40 years of relative favour, the past five years have delivered two calendar years (2018 and 2020) of negative real returns for the assets traditionally known as investor 'safe havens'. Low yields on bonds (bond yields move inversely to bond prices) have created challenges, especially for our lower risk investment strategies, which hold a greater proportion of lower risk asset types like bonds. However, central banks are now normalising their policies in the wake of the pandemic, and bond markets are repricing to reflect this, with yields beginning to rise. At some point, bonds should present a better reward-to-risk profile to investors once more.

Alternative asset types (which lie beyond traditional bond and stock markets) have delivered mixed performance for our investment strategies in recent years. We have already mentioned our 'tail-risk hedging' position, which proved very important during the financial market lows of 2020. While we are yet to be rewarded for our exposure to other alternative assets, we believe we are well positioned to receive the full benefit of these diverse holdings in the future.

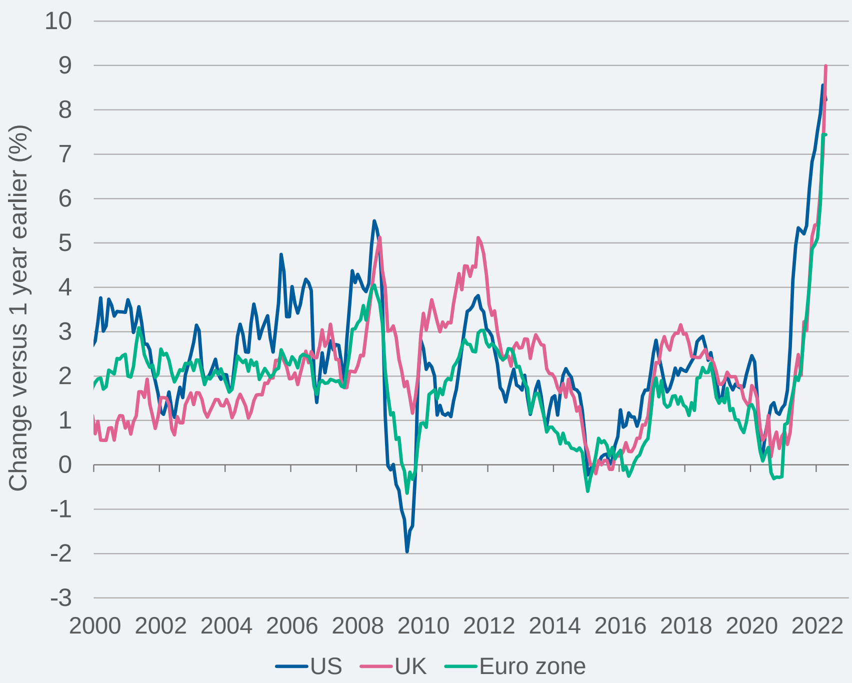
It's understandable that our clients are asking about inflation at the moment. Having grown accustomed to well-behaved, low inflation, we are now in a period of pricing pressures not seen since the 1980s.

How did inflation get so high, and will it stay at these levels?

Inflation is the product of a huge range of factors, and the COVID-19 pandemic created a perfect storm for pricing pressures to build – from supply chain disruptions to the release of pent-up, post-lockdown consumer demand. On page 7, you can see an illustration of the factors pushing prices higher, and discover what central banks can (and can't) do to control the inflation picture.

Inflation may be at its peak, but we do not know how far (or how quickly) pricing pressures will fall from here

Headline inflation in the US, UK and Eurozone



Source: Macrobond

This chart uses CPI (Consumer Price Index) data to measure the rate of inflation.

Critically, we believe that most of the factors pushing prices upwards today are likely to fade over the medium term. In the US, inflation has already passed its peak. In the UK, this may take a little longer, and the impact on the UK economy could also be longer and more pronounced than in the US. UK employment levels are also high, with fewer unemployed people than job vacancies for the first time since records began. Wages are rising too, but not quickly enough to keep pace with inflation, meaning that the real-world value of wages is falling. This is clearly impacting consumer activity, as well as consumer confidence, and will continue to do so over the near term.

Realistically, even as inflation begins to come down, it could settle a little higher than we've become used to. Roughly speaking, we believe that consumer demand should begin to stabilise in 2022, and supply chains should start to normalise. This should take some of the heat out of inflation data, though the journey is unlikely to be straightforward.

Are inflation-linked investment goals still realistic?

Most of our investment strategies target returns which are linked to inflation levels. These strategies aim to outperform their inflation-linked targets over any given five-year period, in order to strip out shorter-term market and economic noise. While more rigorous inflation is relatively recent, it has still hurt our strategies' five-year performance numbers.

There's no getting away from the simple fact that inflation-linked performance targets are tough to beat, as (historically) inflation is comparatively stable, with no exposure to financial markets and limited volatility. It is even tougher to beat when inflation is high. Nevertheless, we believe that these targets continue to keep us focused on finding solutions that will grow the real wealth of our clients over the long run. As ever, we must also remind readers that past performance is not a reliable guide to future results.

"Realistically, even as inflation begins to come down, it could settle a little higher than we've become used to. Roughly speaking, we believe that consumer demand should begin to stabilise in 2022, and supply chains should start to normalise."

Graham Bishop, Chief Investment Officer

Why have financial markets had such an uneasy start to 2022?

In recent years, investors have grown used to very supportive policies from central banks, who have set interest rates at very low levels and spent money in financial markets. Today, central banks have begun to shift towards a more neutral stance, meaning higher interest rates and a reduction/end to their asset purchase programmes. In doing so, they hope to deliberately slow down economic activity, thereby controlling inflation.

Financial markets have reacted with discomfort to these adjustments. As bond market investors reset to expectations of higher interest rates, bond prices have broadly fallen (bond yields, which move inversely to prices, have risen). In stock markets, investors have been reassessing the market's relative winners and losers, and share prices have been trading at cheaper valuations.

Such episodes of financial market indigestion are actually very normal, but they can feel unsettling. We know that it can be very difficult to hold one's nerve amid this kind of market turbulence. As your asset managers, please be assured that we continue to focus on your long-term aims, and remain watchful for attractive investment opportunities.

Why is **inflation** so **high?**

	1	2	3	4	5	6
	High demand from consumers	Buoyant housing markets	High commodity prices	High employment levels	Rising wages	Supply chain constraints
Can central banks influence this?	Yes	Yes	Indirectly	Indirectly	Indirectly	No
How?	Raising interest rates to slow down the economy				Lessening businesses' ability to raise wages by hiking borrowing costs, and encouraging prudence	Central banks are helpless when it comes to supply chain issues
What does this do?	The cost of borrowing money (including mortgages and business financing) goes up, lowering demand for borrowing		Economic activity is reduced, bringing down demand for commodities and lowering their market price	With lower economic activity, recruitment drops and employment levels fall	Limits the impact wage pressures can have on long-run inflation	

When did bond markets become so interesting?

It's fair to say that the first half of 2022 – a period marked by interest rate rises and high inflation – has not been particularly fortuitous for bond markets. It's easy to see why. Bond prices generally fall when interest rates rise, and rising inflation erodes the real-world value of the returns paid on bonds (which tend to be fixed). However, despite all the noise, we believe that bond markets have steadily begun to present some more attractive opportunities to savvy investors.

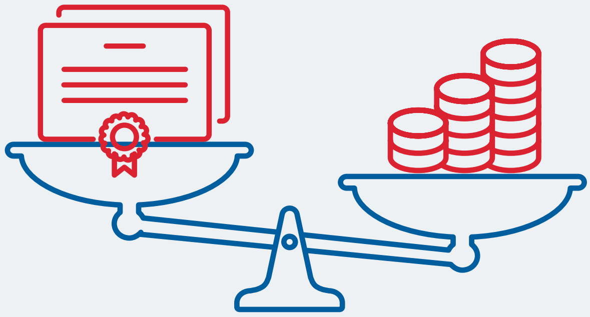
Government bond markets have quietly begun to offer attractive returns

Investor views on government bonds are very dependent on their views on the outlook for the economy. As central banks attempt to slow down economic activity, interest rates are set to increase over the medium term. However, interest rates are likely to hit a natural ceiling as the economy slows down and inflation falls. Recession in the US is never impossible, but we believe that there is a relatively low probability of a serious economic downturn. There are also signs that – while pricing pressures continue to rise in the UK – inflation is probably at or close to peaking in the US. Reflecting this news, bond market pricing is already pointing to slower growth and more aggressive interest rate rises.

Against this backdrop, some government bonds look more attractive than they have done for some time. At more than 2% at the time of writing, the yields currently being paid on 10-year government bonds in the UK have risen markedly since the lows of 2020 (when demand for bonds pushed prices higher and yields lower – close to 0%). The yields on shorter-dated UK government debt, such as the 2-year bond, have also risen. Yields offered on US government bonds are currently higher still (of course, for UK investors buying US bonds, there are exchange rate risks here, as returns must be translated from dollars into sterling). Importantly, set against the returns available on cash savings, government bonds currently offer a compelling opportunity to capture a higher rate of financial return via a relatively low-risk investment.

The yields paid on 10-year UK government bonds have reached roughly 2%, rising from around 0% in 2020, when high demand pushed bond prices up and yields down.

Figures correct to June 2022



Developed market government bonds at work in your investment strategies

- At the moment, our government bond exposure remains relatively **short-dated** (i.e. we mainly hold bonds with a fairly short time left until they mature, and return capital to bond holders), cushioning our investment strategies from some of the near-term volatility in bond markets. Our bond positions are heavily skewed towards UK government debt, which we believe is relatively attractively priced.
- We recently adjusted some of our **UK government bond holdings**, switching into longer-dated debt in an effort to improve our investment strategies' tax efficiency. This meant moving to UK government bonds which pay lower coupons (often referred to as the 'interest' on a bond), but which are trading at less than their face value. These bonds have a higher anticipated overall return (if held until their maturity date). 'Gains' on the capital invested in these bonds are typically tax free for investors, with tax only paid on the regular coupon payments.

Developing economies present a range of risks, but are they worth it?

Investing in developing economies presents many unique and varied challenges. However, we would remind readers that no investment comes without risk: the important thing is to be aware of the risks you are taking on, and to be confident that the potential rewards available provide you with fair compensation for your risk taking.

For bond markets in developing economies, the potential for default (failing to make payments) is high on the list of risks. Earlier this year, amid its worst financial crisis in decades, the Sri Lankan government defaulted on its debt for the first time in history when it became unable to make coupon payments on bonds it had issued. The fact that this was deemed headline-worthy tells us that this turn of events is unusual, but it is not unthinkable.

In developing economies, a substantial hurdle for both governments and companies issuing debt into bond markets relates to exchange rates. This debt is often issued in US dollars rather than the local currency, removing direct local currency risks for bond holders, but increasing the risk of default. When the value of the US dollar rises relative to local currencies, it is much more challenging for bond issuers to make coupon payments, and to ultimately repay capital to bond holders when the debt matures.

Reflecting the risks investors take on by entering bond markets in developing economies, bond yields there are attractive – the yields offered on government debt are often around 7% (though this naturally varies by country) and bonds issued by businesses offer even higher yields. In periods of crisis, such as the war in Ukraine, yields often spike higher, though they typically fall again in due course.

Bond markets in developing economies are as varied as the economies themselves, and certain areas present more attractive opportunities than others. When we invest on your behalf in developing economies, we are especially mindful of risks, potential reward, and overlooked segments of this diverse area of the market.

“In developing economies, a substantial hurdle for both governments and companies issuing debt into bond markets relates to exchange rates. This debt is often issued in US dollars rather than the local currency, removing direct local currency risks for bond holders, but increasing the risk of default.”

Scott Ingham, Investment Director

Developing market debt in our investment strategies

- We hold **high-yielding Asian corporate bonds** across many of our investment strategies, seeing value in this 'bombed out' area. High-yielding debt in Asia is dominated by Chinese real estate. Defaults (including the high-profile case of Evergrande Group) became prevalent during the pandemic, when economic activity and property development dropped sharply, and China's new regulations on company debt limits came into effect. As a result, bonds in this area are trading at very low prices. With prices reflecting what we believe to be an unduly negative scenario, we perceive an attractive investment opportunity.
- A number of our investment strategies also hold a position in the **Indian bond market**. This is a local currency holding (so the bonds are priced/coupons paid in rupees), and has been performing well for our strategies. We continue to like the Indian bond market, which has reassuring barriers to entry and tends to behave quite differently versus other developing economy bond markets.

Stock market investors have been unsettled by recent developments at the world's leading central banks. This is because policymakers have been attempting to wean financial markets (and the global economy) off the generous economic stimulus packages and extremely low interest rates in place over the past few years.

Smoke without fire: are stock markets predicting recession?

For central banks, this is a concerted attempt to slow down activity (thus controlling inflation) without entirely derailing the economy. But for stock markets, the combination of higher inflation and rising interest rates has been unnerving. As a result, anxious stock market investors have been re-evaluating their favoured areas of the market, and pushing share price valuations lower in the process.

At the mid-point of a year which has not begun well for stock markets, it's fair to ask: is the house on fire, or just smoking?

Interpreting a turbulent 2022 for share prices

Like the US economy, the US stock market is the most influential in the world. It is also a reasonable (if imperfect) indicator for the economic outlook, or at least a good indicator of what investors think lies ahead for the economy.

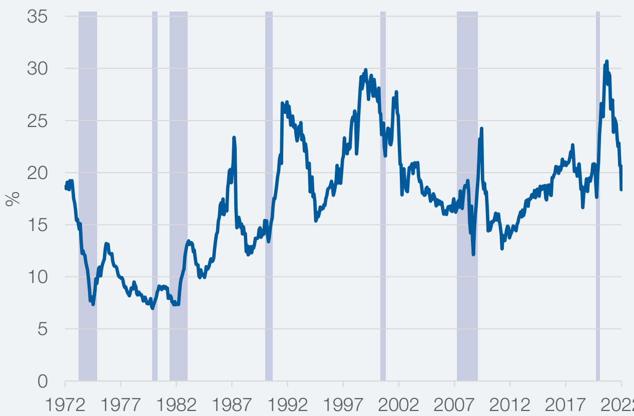
A good measure for US stock market performance is the S&P 500 Index, which tracks the share prices of the largest US-listed businesses. In 2022, the S&P 500 has experienced one of its worst ever starts to a calendar year. Relative to company earnings, share prices in the S&P 500 have fallen markedly (although it's worth noting that this price-to-earnings ratio is still only sitting at around its 10-year average). In a wider financial market context, share prices still look relatively cheap when set alongside bonds, albeit this gap has closed.

Turning to specific areas of the stock market, the technology sector has garnered significant attention in the first half of 2022, with sharp share price falls for some of the market's most high profile businesses. Other sectors have also demonstrated signs of investor unease; the share prices of banks and homebuilders have suffered, reflecting investor concerns around future levels of economic activity, heightened by higher prices and borrowing rates.

Some of these signals are slightly murky, and – in places – decidedly mixed. Nevertheless, taken altogether, they do suggest that the S&P 500 is indicating an economic slowdown ahead. However, we largely view the journey stock markets have taken in 2022 so far as a period of financial market indigestion, rather than cause for undue alarm.

Can the US stock market foretell recession?

Share prices relative to company earnings in the S&P 500 Index, with periods of recession shaded



Source: FactSet

Assessing the likelihood of recession

The global economy moves in cycles, meaning that periods of recession are technically always coming, as are periods of economic recovery and growth. However, the term 'recession' refers to a quite specific set of circumstances: two consecutive quarters of negative economic growth. Today, stock market investors may be predicting a slower pace of the growth ahead for the US economy (as the US central bank intends), but we think it's unlikely that these embattled share prices herald all-out recession in the near future. But if the house isn't on the brink of an inferno, where did all the smoke come from?

Lots of factors are in play. For example, it's fair to suggest that the share prices of larger US companies had previously outstripped their earnings potential, and have now readjusted to reflect more longer-term average earnings. What's more, some signs of excessive corporate behaviour have also left the market, with business activity like mergers & acquisitions edging lower. We are also seeing examples of companies and company executives taking the opportunity to buy back shares.

> "The term 'recession' refers to a specific set of circumstances: two consecutive quarters of negative economic growth. Today, stock markets may be predicting a slower pace of the growth ahead for the US economy, but we think it's unlikely that these embattled share prices herald all-out recession in the near future."
>
> Jaisal Pastakia, Investment Director

Meanwhile, as investors focus on their fears over economic slowdown, we think they are undervaluing key areas of the stock market. For example, the shares of smaller US businesses have fallen out of favour, with the underperformance of small and mid-sized US company shares consistent with significantly lower economic activity than is currently being reported. These shares appear to be priced for severe (and imminent) recession, which we think is unlikely. Within our investment strategies, the shares of smaller US companies are an area of high conviction for us – we believe they are currently unduly overlooked, and therefore represent the potential for attractive future returns.

Finally, we would note that we are far from complacent, and we believe that investors ignore financial market signals (however mixed) at their peril. But for now, while there may be plenty of smoke in the air, we don't yet see any sign of impending fire.

Investing in the planet's natural wealth

Biodiversity is a single word encompassing – quite literally – a whole world of meaning. When we talk about biodiversity, we are referring to the variety within and between the Earth's species, as well as variability within the ecological systems that these species inhabit (geology, soil, air, and water).

These are the planets natural assets, and biodiversity directly facilitates a wide range of goods and services for us all, including our most critical resources: food, water and medicine. Today, though, the planet's biodiversity is in crisis. As investors, what can we realistically do to change this? And – to ask a deeply uncomfortable question – is it financially worth our while to act?

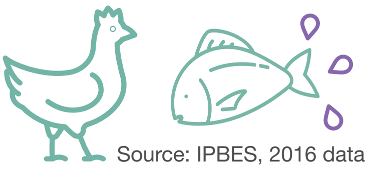
What does biodiversity mean for the global economy?

The global economy is hugely reliant on well-functioning ecosystems, and financial markets themselves are extremely vulnerable to further loss of biodiversity. According to the World Economic Forum, more than half the value of the global output of goods and services ($44trn) is highly or moderately dependent on nature.

However, over the past century, the planet has experienced an unmatched deterioration in its natural assets. So far, humans have caused the loss of 83% of all wild animals and half of all plants.[1] The loss of wild pollinators around the planet is already impacting an enormous range of plants, including major food crop varieties, as well as species we are reliant upon for medicinal purposes. In the water, a third of reef-forming corals, two-fifths of amphibian species, and more than a third of marine mammals are under threat.[2] The earth and the sea – though heavily overloaded – provide the planet's only true sink for carbon emissions: the weaker they grow, the more desperate the climate change situation becomes. The biodiversity crisis is real, urgent, and far-reaching.

$1.2trn

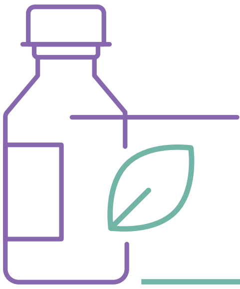
The combined **market value** of the **planet's livestock** and **fisheries**



Source: IPBES, 2016 data

Importantly, while global economic growth has cost the planet dearly, the depletion of our planet's biodiversity will come home to roost for humans unless we take steps to protect our natural assets. Some biodiversity declines can be recovered through the restoration of damaged ecosystems, but other changes are already irreversible. If not for the sake of the planet, then for the sake of ourselves, it is critical that we act now.

But we need to act collectively – restoring the planet's biodiversity simply cannot be achieved on an individual basis. In the same way that recycling household plastic waste and opting for reusable coffee cups are a step in the right direction, but cannot alone halt climate change, small-scale steps like rewilding one's own back garden are not enough to make a real difference in isolation. As with the climate change crisis, by acting in unison, investors can play a critical role in turning the tide for biodiversity loss.



70% =

cancer treatment **drugs** which are **natural** or **inspired by nature**

Source: IPBES

Does investing in biodiversity make financial sense?

Happily, we believe that it makes both ethical and financial sense to invest in biodiversity. Unfortunately, this is currently an overlooked area for investors, with the investment community only in the early stages of awakening to the crisis.

Nevertheless, a number of our sustainable investment strategies directly invest in this area through a fund which identifies companies adopting innovative approaches to protecting and restoring biodiversity. The fund's manager also has a relationship with the UK's Natural History Museum, helping to determine the validity of each of the biodiversity-focused stocks within the fund. Through this fund we are able to tackle biodiversity loss by promoting conservation, agricultural solutions and engaging with indigenous communities. Our position in this fund offers something new and different to our sustainable strategies, and represents an under-researched and under-exposed area of high impact and importance. While this investment is not suitable for all of our sustainable strategies (partly because it focuses on shares, which are relatively higher risk assets), we expect our position here to deliver superior growth in financial terms over the long run.

We are on the lookout for further opportunities in the area, where we see potential for robust growth supported by increased awareness and regulation. Natural ecosystems are the bedrock upon which economic growth, our health, and our livelihoods are built. So, setting aside ethical considerations or environmentalist principles, rising to meet the challenge of protecting and restoring the planet's biodiversity is in our collective best interest.

What are the world's policymakers doing to tackle the biodiversity crisis?

Investors cannot – and should not have to – act alone. Fortunately (if a little belatedly), policymakers are sitting up and taking note of the crisis.

- Later this year, the in-person events of the UN Biodiversity Conference ('COP15') are set to take place in China, with attendees aiming to produce biodiversity guidance akin to the Paris Agreement on climate change.
- In 2015, the international Task Force on Climate Related Financial Disclosures (TCFD) was created, seeking to provide investors with information about what businesses are doing to mitigate climate change risks. Today, a Taskforce on Nature-related Financial Disclosures (TNFD) is also in the works, aiming to help companies to report on nature-related risks, including biodiversity.

"Happily, we believe that it makes both ethical and financial sense to invest in biodiversity. Unfortunately, this is currently an overlooked area for investors, with the investment community only in the early stages of awakening to the crisis."

Caroline Von Celsing, Investment Associate

[1] World Economic Forum

[2] IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services)

Key investment terms

Alternative asset	Any investment that does not fall in the traditional asset classes of stocks, bonds or cash. Alternative investments include private equity, hedge funds, commodities, real estate and infrastructure.
Assets	Anything having commercial or exchange value that is owned by a business, institution or individual.
Bond (government or corporate)	An investment in the debt of a government or corporation, where investors receive a fixed rate of interest over a specified time period, at the end of which the initial amount is repaid.
Capital	Typically refers to cash that is being put to work for productive or investment purposes.
Central bank	A public institution which manages the currency of a country/group of countries and controls the money supply (the amount of money in circulation).
Commodities	Raw materials or primary agricultural products that can be bought and sold, such as gold, copper or wheat.
Coupon	The interest paid by the government or company that has raised a loan by selling bonds.
Developing economy or market	Countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body.
Diversification	Holding different types of assets in a portfolio to spread the risk.
Economic cycle	The fluctuation between an economy's periods of expansion (growth) and contraction (recession).
High yield bonds	Bonds issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality (higher-rated) bonds, but have the potential for higher rewards.
Index	A representative portfolio of shares, bonds or commodities which helps to track market trends and performance.
Inflation	The rate at which the price of goods and services rises.
Real return	The money made or lost on an investment, adjusted for changes in prices (inflation) in an economy.
Recession	A period of economic decline, technically defined as two consecutive quarters of negative growth.
Risk	The level of risk in a portfolio is essentially the probability for loss (though it can technically refer to the probability of gain too).
Share/stock	A stake representing part ownership of a company.
Supply chain	The network of individuals, organisations, resources and activities involved in the production and delivery a product.
Tail-risk hedging strategies	Specialist investment strategies designed to offer some protection against extreme market falls.
Valuation	The worth of an asset or company based on its current price.
Volatility	The degree to which the price of a given asset, or price levels of a given market, rapidly changes. The higher the volatility, the riskier the asset/market tends to be.
Yield	The interest received from a bond, usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Investment team

Graham Bishop
Chief Investment Officer

David Absolon
Investment Director

Scott Ingham
Investment Director

Charu Lahiri
Investment Director

Ben Matthews
Investment Director

Jaisal Pastakia
Investment Director

Nikki Howes
Investment Manager

Nathan Henry
Investment Associate

Caroline Von Celsing
Investment Associate

To find out more please get in touch:

London Office
No.1 Kingsway
London
WC2B 6AN
Tel: 020 7045 2600

The Asset Management Awards 2022

Winner: Multi Asset Manager of the Year award

2022 Wealth Briefing European Awards

Winner: Specialist Wealth Manager With Assets Under Management Between £2-5 Billion

2022 PAM 50 Most Influential

Tracey Davidson, Chair of Handelsbanken Wealth & Asset Management has been named in the 2022 PAM 50 Most Influential list

2021 Wealth Briefing European Awards

Winner: High Net Worth Team

Commended: Tax Team

Commended: Marketing or PR campaign

Assessing the performance of our investment strategies

Our 'target return' performance benchmarks

Most of our investment strategies aim to deliver financial returns at levels linked to the rate of UK inflation (measured by the Consumer Price Index, or CPI). Over any given five-year period, these strategies target returns which are a pre-defined level above the rate of inflation. Our CPI-linked goals are known as the strategies' target return benchmarks, and are designed to help customers evaluate the strategies' performance in a real-world context. These targeted returns range from CPI+1% for our lowest risk (Defensive) strategies up to CPI+4% for our higher risk (Growth) strategies. Our highest risk (Adventurous) strategy is the exception, as it does not use a CPI-linked goal. Instead, this strategy aims to beat the returns offered by the global stock market (represented by the MSCI All Country World Index).

If the strategies deliver total financial returns to investors (after all costs and charges have been taken) equivalent to the total return of their target return benchmarks, we consider the strategies to have achieved their targets.

Our financial market performance benchmarks

The performance of our investment strategies can also be compared to representative indices for two of the main asset types in which most of the strategies invest. These indices are 'MSCI United Kingdom (£) – net total return' (representing the performance of UK shares) and 'BoA Merrill Lynch UK Gilts' (representing the performance of conventional UK government bonds). These indices are known as the strategies' comparator benchmarks, and are designed to help clients evaluate the strategies' performance in a financial market context.

- Find out more about our services by contacting us or visiting our website: wealthandasset.handelsbanken.co.uk
- Learn more about wealth and investment concepts in our 'learning zone': wealthandasset.handelsbanken.co.uk/learning-zone/
- Understand more about the language and terminology used in the financial services industry and our own publications through our 'glossary of terms': wealthandasset.handelsbanken.co.uk/glossary-of-terms/

Registered Head Office: No.1 Kingsway, London, WC2B 6AN. Registered in No: 4132340

wealthandasset.handelsbanken.co.uk