



The outlook

Balanced portfolios, strategies being developed to rebuild after a disastrous six months

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The first six months of 2022 were the worst since 1977. Caution is required, yet managers see some room for manoeuvre with rising bond yields and equity securities in companies with solid fundamentals.

The temptation to buy after a profoundly negative six months across most asset classes is strong, but the many unknowns clouding the macroeconomic picture suggest a cautious approach is recommended. While there is no shortage of return opportunities, we are unlikely to see general upturns in the short term.

According to an analysis by Bloomberg, considering a portfolio weighted 60% towards equity and 40% towards bonds, the first half of 2022 was the worst since 1977, when records began, with a drop of 16%. And this is in nominal terms, without

even considering the impact of inflation, which is also at levels not seen for decades. "This poor performance was mainly due to two reasons: first, the tightening of monetary policies by the central banks, and second, Russia's invasion of Ukraine, which caused a surge in commodity prices," notes Davide Renzulli, Head of Advisory at Columbia Threadneedle Investments. The biggest losers were the growth stocks, i.e. those with the highest growth potential in the medium term, primarily technology stocks, which had been the main driver of stock growth in the last five years. The declines have been somewhat generalised and consequently, according to Renzulli, these are the right conditions in which to focus on companies that have been affected despite their fundamentally strong stocks. For example? "Hp, which recently launched a bid to acquire Poly at a 50 percent premium on the

share value, and Synaptics, a company that provides solutions based on the combination of human interface technology and artificial intelligence."

As for the bond market, the scenario is the exact opposite of the situation twelve months ago: "While in the summer of 2020 most issues were offering negative returns, today it is possible to get 23% by staying in the investment grade world (bonds issued by companies deemed solid by the market, ed.) and maturing within five years," emphasises Angelo Meda, Portfolio Manager at **Banor Sim**. "This enables you to build a balanced portfolio, with all asset classes present, from short-term government bonds to equity securities." As regards equity, the expert favours solid companies with low leverage, such as Volkswagen, Inditex, Zalando and Interpump.

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