

# L&G Mixed Investment Funds

MONTH IN FOCUS

## THE HEADLINES

- **Democratic Party wins Georgia Senate run-off election, increasing chance of large further fiscal stimulus...**
- **...developed-market bond yields rise over the month...**
- **...bitcoin reaches all-time high of above \$40,000 per coin – interesting, but no impact to portfolios.**

## MARKET OVERVIEW

January was a mixed month for risk assets as market participants digested the impacts of the longer-than-expected lockdowns across Europe and the United States. As COVID-19 cases remained stubbornly high in these countries, we saw efforts to vaccinate populations ramp up across the developed world. In the US, the Democratic Party managed to achieve a double victory in the run-off Senate elections in Georgia, claiming control of the Senate with a thin margin in the process. Meanwhile, Trump supporters laid siege to the US Capitol building – all this a fortnight before the Biden/Harris inauguration.

US equity small-caps were the strongest performers across the month, driven by the prospect of increased fiscal stimulus following the Democrats taking control of the Senate. We also saw strong performance for emerging market and Asia Pacific equities. This comes as China continues its remarkable recovery from the effects of the pandemic and countries in the Asia Pacific region continue to keep the spread of the virus largely under control. European and large-cap US equities finished slightly down on the month given the struggles to contain the virus in these regions and following a period of stronger performance. In fixed income, we saw sovereign bond yields in developed markets rise, in our view a result of the increased chance of fiscal stimulus in the US.

## FUND PERFORMANCE REVIEW

The Mixed Investment Funds' returns were slightly negative in January as we saw weakness across bond and some equity markets.

Over the month we increased our exposure to US equities and reduced European equities in most of the funds, in line with our recently reviewed long-term asset allocation strategy.

We also increased exposure to listed infrastructure in some of the funds. We believe this asset class provides increased diversification benefits, and as a real asset it tends to protect against higher inflation over the long term.

## RECENT PORTFOLIO CHANGES



US EQUITIES, LISTED INFRASTRUCTURE



EUROPEAN EQUITIES

## MARKET OUTLOOK

We maintain our positive view on risk assets as there is still plenty of room for economies to expand as recoveries progress, and we believe the economic impact of the reintroduction of lockdowns will be temporary.

As a result of the Democratic victory in the Senate run-off elections in Georgia, we see an increased likelihood of a large additional fiscal stimulus in the US which we expect to be supportive for the continuation of the bull market in equities. We are beginning to see the effects of the longer-than-expected lockdowns across the UK and Europe and are revising down our expectations for growth in the first half of the year as a result of this. However, we expect a strong recovery in the second half of the year and into 2022, and we expect central banks to maintain an accommodative stance until there are signs of sustained increases in inflation. We believe investors will continue to look through the current economic fog and so we maintain our positive standpoint on risk.

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