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Strong finish to 2021 for investment markets

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The stop-start nature of the recovery from the pandemic was the main factor influencing investment markets in 2021.

Ongoing uncertainty around the COVID-19 virus caused many challenges for the global economy during the last year: early worries about vaccine manufacturing capacity gave way to springtime optimism, before the emergence of the Delta variant hindered the return to normality.

An impressive vaccine rollout throughout the summer months raised spirits and economic forecasts, before rising cases in Europe and the emergence of Omicron complicated matters again in the fourth quarter.

However, some investment classes have defied the unsettled backdrop to global markets.

Global equity markets rallied in 2021 thanks to robust corporate earnings growth exceeding expectations. This is down to a combination of the arrival of COVID-19 vaccines, strong economic stimuli and low interest rates.

US stocks led the way in strong performance and the overall stock market volatility remained subdued, which is healthy for investors. Retail inflows into equities were incredibly strong throughout 2021 and, crucially, rotated between different sectors or themes. For example, as the economy reopened retail stocks performed well as investors anticipated a return to the high street for consumers. But as variants emerged investors instead looked towards technology stocks once again as more and more people stayed home.

Emphasising the strong performance across equities, in Sterling terms the MSCI All Countries World index returned 19.63% for the full year, its third year of double-digit gains. Bonds struggled however, with the Bloomberg Sterling Aggregate 1-10 Year Index delivering an overall 2.6% drop across 2021. Nevertheless, bonds remain a valuable means of diversifying investment portfolios.

Bonds have remained a source of stability, demonstrating the wisdom of having a diversity of investments in any portfolio. Spreading investment across a range of assets smooths investment returns and reduces the impact of any one particular asset class on a fund. This is an approach Butterfield takes to some of its own investment funds, and one that our clients realise the benefits of.

Across 2021, the Butterfield Multi-Asset Fund – GBP Balanced class B shares saw their investment increase in value by 8.04%, net of all fees and charges. The fund is managed by our local investment team.

Our Butterfield Multi-Asset Fund performed well across the year and highlights that our approach – to deliver a balance between capital preservation and long-term capital growth – is resulting in a trusted investment process. In August 2021, the Butterfield Multi-Asset Fund launched a new 'C' class, with lower investment charges, to offer an additional option for eligible investors.

As we move into 2022, January has seen increased market volatility and near-term falls across most major markets. However, we remain confident in the underlying fundamentals and look forward to seeing how this year progresses. In the meantime, the Multi-Asset Fund, with its diversification across asset class, geography and industry, has sheltered investors from much of the market volatility.

Past performance is not indicative of future performance and investments can go up as well as down.

Stated performance: Information from the TISE website, where the Multi-Asset Fund is listed, price as at 31/12/2021 was £1.7233. Price as at 31/12/20 was £1.5951. There are no dividends paid from the fund, it is accumulating. This equates to an 8.04% increase in price over the year (1.7233/1.5951-1=8.04%).

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