



Comment

August 2023

UK equities remains cheap

The effects of weak economic growth in China are starting to become apparent and are now evident in other countries in Asia. While this has hurt the short-term performance of resource stocks that depend on selling into the region, it has had a lesser effect on other sectors. This factor, and the seasonal summer slow-down probably accounted for the weakness in the UK equity market in August.

Good results from the oil companies made Energy the only sector to record a positive return over the month. Although every other sector recorded declines, the worst was Financials where special factors were at work. Given the looming issues in China it is unsurprising that Materials had the second worst performance.

Upward revisions to recently published UK economic growth rates are surprisingly common. While this is undoubtedly good news in the short term it probably means UK interest rates will stay higher for longer as the Bank of England acts to squeeze inflation out of an economy that has proved to be more resilient than expected. The UK equity market remains cheap relative to its international peers with a slightly elevated yield and in a world suffering from slow growth, that remains an attraction.

Valu-Trac Investment Management Limited

VT Munro Smart-Beta UK Fund

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