Appian
Asset Management

Monthly Monitor

January 2021

Where are we now (2021)?

What transpired in 2020 with the onset of the coronavirus pandemic proves the futility of trying to write outlooks for the year ahead, but there is no doubt that the start of a new year allows everyone take stock of where we are now. So this piece is not an outlook for the year, but rather a review of where the investment world (and us) sits at the start of 2021.

Economies and Society at large remain in the midst of one of the largest shocks of our generation as governments across the world continue to tackle the coronavirus pandemic through aggressive lockdowns. However, the end of the pandemic is in sight with developed economies set to vaccinate 70% of their populations by the end of Q2 this year. Whilst the effect that the last year has had on society as a whole will take time to understand, the effect on the Global economy is becoming clear. The pandemic **did not**, as some professed back in March, lead to a great depression. Because this risk was recognised by Central Bankers and Governments alike who reacted with appropriate speed and size to counteract the threat.

This means that we start 2021 looking out onto a global economy that is set to recover and grow because it was, and continues to be supported by accommodative Central Banks and free-spending Governments. Because of this it is set to be turbo-charged in the second half of the year as the pent up demand from consumers hits the economy. As we said back in March, the pandemic impact on the economy will not create an economic depression. Rather it is the catalyst that takes us out of the sluggish growth/low inflation environment we have been in since the global financial crisis into a period of more inflationary growth.

So what does this economic picture mean for financial markets in both the long term and the short term? Regular readers will be aware that we believe that the possible changes to the longer-term trajectory of financial markets are larger than many expect, with the outcome being the end of the forty year bull market in Bonds.

In our view this will result in a greater appetite for real assets that offer inflation protection. And within the equity market, a significant rotation from the large cap growth stocks that have dominated for the last decade towards more value oriented equities and small cap equities. We detailed this in our September monthly monitor entitled: Something Important has changed: the long term outlook for Financial Assets. In the short term, we enter 2021 optimistic that our funds will perform well as the economy improves, but are aware that the economy is not the stock market and that wider indices may experience significant headwinds due to the high weighting of expensive stocks within indices. Those interested in this view will find it in our December monthly monitor entitled: It's (Not) the Economy, Stupid.

A lot of the views we outlined through 2020 were contrarian in nature as we didn't subscribe to the widespread negativity that swept across markets in the early months of the year. The release of positive vaccine data in November has seen our views become less contrarian and more widely held as investors have recognised that the pandemic will end. This has been the catalyst for a strong end to the year for Global Equity Markets through November and December, which saw them rise 12%. Our Funds significantly out-performed during this period with the Appian Dividend Growth fund rising 24% and the Appian Global Small Companies Fund rising 28%. Our equities were also a driver of our multi-asset performance over this period, with the Appian Multi-Asset Fund appreciating 9.2% and the Appian Impact Fund 11.2%.

The big question facing you as investors as we start this year is do you agree with our view that the global economy will emerge from lockdowns and grow in the years ahead? If you do, are you willing to invest in assets that will benefit in a more inflationary environment? If you don't and believe that the lockdowns we are living through today are the new normal, then the assets such as long-term bonds and US growth stocks may perform. However the odds on that scenario are getting slimmer by the day. Stick with us!

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Appian AM NAV's Fund Prices 31-12-2020

NAV		MTD	QTD	YTD	SI
		%	%	%	%
AMAF	156.2777	2.22%	7.69%	-1.81%	56.28%
AGDGF	198.8797	4.30%	20.52%	-7.23%	98.88%
AGSCOF	191.6944	5.91%	25.43%	2.37%	91.69%
AIF	118.2203	3.32%	9.52%	6.74%	18.22%
AELF	103.0606	-	-	-0.63%	3.06%
ABPF	123.67	-	-	-2.68%	23.67%

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Warnings

- **If you invest in any of the funds you may lose some or all of the money you invest.**
- **Past performance is not a reliable guide to future performance.**
- **Appian Funds may be affected by changes in currency exchange rates**
- **The value of your investment may go down as well as up.**