MUNRO

Comment
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All UK equity market sectors post gains

The UK equity market joined in the global rally during March with gains of low single digits across the board. Larger companies were the best performing cohort making significant progress over their mid - and smaller-cap peers. In part this was due to confidence on the Chinese economy returning as well as continuing gains by the US stock market dragging others along in its wake. As in recent months, currency movements did not have any significant influence.

The best performing sector was Materials, reflecting improved sentiment towards China. It only just failed to record a double-digit percentage increase. Energy was not far behind, but Real Estate separated the two as falling inflation raised hopes that interest rates will fall. Financials had a good month. Low interest rates may dent income but should also reduce bad debts.

No sector had a negative return in March. More importantly the good performance of the three largest sectors, that all have low valuations, was the principal reason the fund, which has a bias to value, did better than the overall market.

The main results season has now ended so many stocks will have gone ex-dividend, i.e., share prices now reflect the payment of a dividend that will be distributed over the next few months. Although individually modest, these cumulative payments accrue over the years to constitute a substantial part of the total return from equities in the long term. Accumulation units of the fund track the progress of this income being reinvested back into the market, and then generating further income. The income units just show the capital value of the portfolio after dividends have been distributed.

As the results season is now essentially complete, the weightings of stocks in the index that the fund tracks have rolled forward and are now largely based on the forecast of dividends to be declared for the next financial year. Encouragingly, the forecast for the total has increased slightly.

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