

BoE steps in once more

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It's almost like the last week didn't happen.

The market moves following the 'mini-Budget' had initially been reversed – bond yields had come down, while sterling had recovered from all-time lows. The Bank of England was credited with stepping in and calming market nerves.

It turns out those nerves have not been calmed. Bond yields and sterling are back to 'mini-Budget' levels and the Bank of England is warning of a "material risk to UK financial stability" as it steps in to buy more government debt.

Will this be enough to settle markets...? Only time will tell, but the fact that the Bank of England is stepping in pre-crisis, as opposed to post-crisis, is a good sign. Making sure the cogs of the financial system are working is its job. And fine-tuning its approach to the issues at hand is the sensible way to go about it.

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Whatever happens next, it's important to remember that these challenges are mostly isolated to the UK, meaning that non-UK assets are likely to be shielded from some of the worst UK-related outcomes. While it's been covered before, it is worth reiterating the key messages:

Our portfolios are structurally diversified away from UK exposure. As we've said time and time again, having all of our eggs in one basket has never been our approach:

- **Currency:** Holding foreign currency offers protection against specific local shocks – whether natural disasters or political uncertainty. In our Balanced portfolios, 40% of the portfolio is in non-Sterling currency. We can (and do) tactically increase or decrease this weight if needed – but it's certainly a reassuring starting point.
- **Equity:** Our equity holdings are also extremely diversified; only around 10% of the sales of the companies we hold comes from the UK – the economic health of the global economy is far more important to returns.
- **Bonds:** Similar to our equity positions, our bond holdings are also globally diversified. In a balanced portfolio, around 2% of the total portfolio is in UK-based fixed income securities, and even in the Cautious profile, the overall weight to UK bonds is less than 10%.

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