

VIEWPOINT

Newsflash

A new month and the 161st issue of Viewpoint from Imperium Capital.

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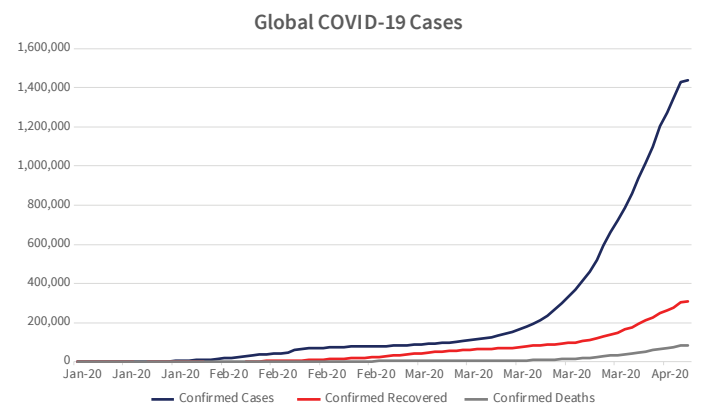
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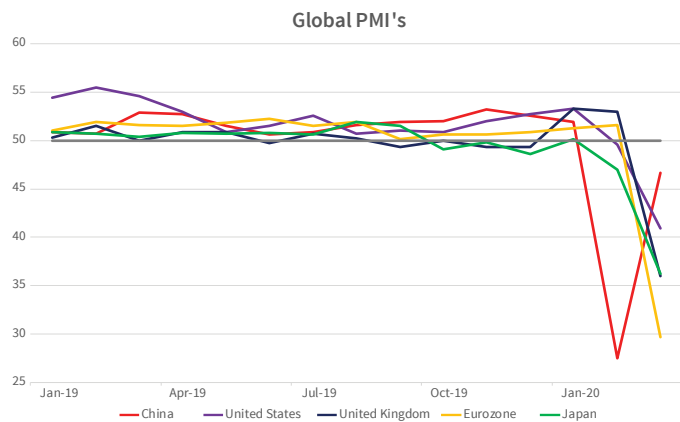
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Market Commentary

Three months ago, investors were looking forward to an improved year of global growth and corporate earnings. That was then. The coronavirus crisis is an era defining event; life before coronavirus and life afterwards. Above all it is a humanitarian crisis on an epic scale, the speed of its destruction amply illustrated by its spread: on February 29th there were 85,000 confirmed cases across 58 countries, with 2,924 deaths, by 6th April there were 1.25m cases and over 69,000 deaths as the pandemic reached 207 countries.



It has delivered an economic shock with a speed and severity unprecedented in modern times. As we move inexorably towards the peak of the crisis across the developed World, the scale of the humanitarian, economic and wealth destruction is becoming apparent; to be followed in due course across the developing world, where inferior healthcare, limited social safety nets and higher levels of poverty are likely to lead to even more devastation.



Source: Bloomberg, as of 31st March 2020

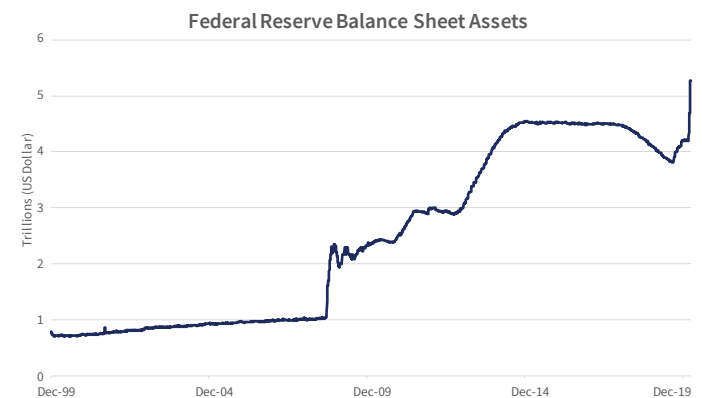
Uncertainties and risks remain extremely high: we do not know when the peak will come, nor how long it will take to descend on the other side before the lockdowns, now affecting the vast majority of the world's GDP, are lifted. With no visibility yet on the depth and duration of the shutdowns, it is impossible to be certain about the ultimate damage to employment and the corporate sector. Plainly, the longer the crisis persists, the greater the long term damage will be. What is clear is that the world has been plunged, in a matter of days, into a deep recession touching virtually all parts of economic activity. Leading indicators published in March are at all-time lows and early estimates suggest that the sudden combined supply-demand shock will cut GDP by 20-40% annualised in the lockdown period, much higher than anything experienced in living memory. Perhaps the most stunning news on the state of the economy came from the US, where in just two weeks initial jobless claims rose a staggering 10m, which amounts to almost 7% of all non-farm jobs in the US.



Source: Bloomberg, as of 7th April 2020

The speed and depth of the downturn, in the economy and markets, triggered a major credit and liquidity event in March; severe dollar shortages emerged and cash became king as

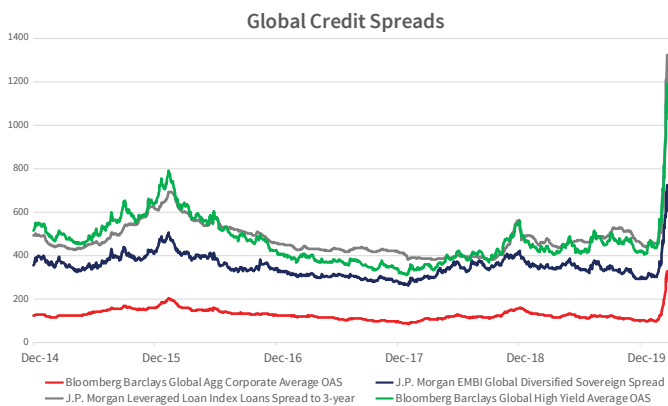
panic selling and frantic deleveraging pushed markets into free-fall. It was only when the Federal Reserve stepped in with a massive support package that the risk of a downward spiral was averted, effectively committing to unlimited asset purchases, including for the first time corporate bonds, as well as liquidity backing for the huge commercial paper market and money market funds. With similar support from other big central banks, markets rallied sharply from the late March lows.



Source: Bloomberg, as of 31st March 2020

This was a key moment in the crisis. It removes the risk of the deep recession triggering a systemic financial crisis, and it is important in this context that the vast majority of banks worldwide have substantially stronger capital positions than in 2007/8 when the global financial crisis hit. Backed up by increasingly large fiscal support packages from governments, many in the range of 10-15% of GDP and with the US alone committing \$2.2tn, the risk of recession turning into depression has also been averted.

The scale of the damage to markets is well illustrated by the S&P 500, by far the biggest, most liquid and most important equity market, which fell by 34% between its all-time peak on 19th February and 23rd March, when the Fed stepped in. The subsequent rally left the S&P still with a 12.4% fall in March, 20% down for the quarter. All equity markets followed the same path, with some emerging markets (notably Latin America, down 35% in March, 46% year to date) suffering steeper falls compounded by currency weakness against a burgeoning US dollar. The dollar's fall in the early stages of the crisis was rapidly reversed as the liquidity crunch took hold: the dollar appreciated by an extraordinary 8.4% on a trade weighted basis in just 10 days in mid-March. No asset classes were spared in these few days, with credit spreads blowing out to the highest since the financial crisis, gold falling 12% and even US Treasuries, the safest haven up until then, fell sharply, with the yield on 10 year Treasuries more than doubling from 0.5% to 1.2% in just 7 trading days, producing a capital loss of 7%.



Source: Bloomberg, as of 31st March 2020

While volatility remained high, the Fed's moves brought some recovery and greater differentiation between and within markets, so that by month end US Treasuries had returned 3.3% in the month, 9.0% year to date, while investment grade bonds were down 7.1% and high yield down 11.5%, not far short of the drop in developed market equities of 13.2% in March (21% year to date). In a sea of negative returns perhaps the stand-out drop was in the oil price, down 55% in March and 65% year to date, with the impact of the huge drop in demand compounded by a price war between Saudi Arabia and Russia, following their failure to reach agreement on production cuts. Of note was the outperformance of the Chinese stock market, down a relatively modest 7% in March and 10% year to date, buoyed by the peak of the crisis in China and signs of the economy slowly returning to life as lockdowns were lifted.

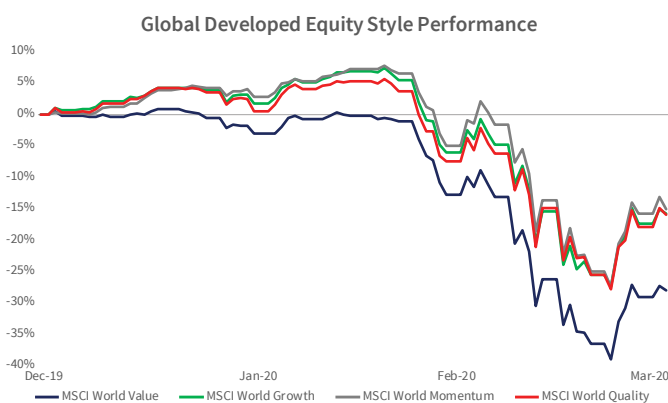
Although the indiscriminate sell-off during March brought everything down sharply it was notable that over the quarter, as lockdowns and recession took hold and sustainability, balance sheet strength and cash generation became critical, quality and growth stocks substantially outperformed value and small cap stocks, with financials, listed real estate and infrastructure also hit very hard. Whereas growth and quality stocks globally fell 15% in Q1, value, infrastructure and real estate fell 27-29%.

While uncertainty remains intense, we can be certain of two things: recovery will come, and markets have already discounted a great deal of bad news. Risks are high and no-one can predict with certainty when the virus will be contained enough to enable a return to normal life. But ingenuity and innovation, with the finest minds across the whole of humanity working urgently to overcome the virus, give hope that containment will come sooner rather than later. Antibody tests and vaccines will be produced in record time and should materially reduce the risks of rolling outbreaks of the virus as lockdowns are phased out. Similarly with markets, we cannot predict with confidence when the bear market will bottom, but the extraordinary levels of support provided by central banks and governments will ensure that the fabric of economies is largely intact as we exit the crisis; a deeper and longer lasting recession has been avoided, and the seeds of a recovery have been sown.

We think it is important, therefore, to look beyond the short term unpredictability, risks and uncertainties to identify longer term implications and opportunities, to visualise and plan for the recovery, and to construct portfolios accordingly. We see no prospect of a return to the 'normality' that prevailed before coronavirus at any time in the foreseeable future. The world will come through this with business and consumer confidence fractured, savings depleted and debt levels substantially higher. Businesses and individuals will spend less and save more, to repay debt and build precautionary savings, for a long time to come. Some output has been permanently lost and the pick-up in economic activity which will come as the lockdowns are lifted, as pent-up demand is released, is highly unlikely to return growth to prior levels on a sustainable basis.

Governments will have built up vastly higher debt as they pour huge sums into their economies to preserve as many lives, jobs and businesses as possible. While ongoing fiscal support seems inevitable, not least in heavy spending on healthcare, social welfare and unemployment benefits, not to mention support for businesses, there will be a pressing need to return to fiscal sustainability. This will be a longer term constraint on growth and will be especially testing for those countries which went into the crisis with structural weaknesses and those which have no control over their currency.

As a result, central banks will be required to provide continuing extraordinary levels of monetary support; not at recent crisis levels to provide vital liquidity, but to support growth by keeping interest rates across the developed world at or near zero for as far as the eye can see, and with continuing asset purchases and balance sheet expansion to help to fund government deficits. Helicopter money might have finally arrived. Moral hazards will be set aside, over-ridden by humanitarian needs.



Source: Bloomberg, as of 31st March 2020

The crisis is a further blow to globalisation. Nationalism has driven the response to the crisis to date, each country acting to protect its own interests above all else. Security of supply chains will surely play a greater role in sourcing arrangements than in recent decades. Will other nations be prepared to continue to rely on China, or any other single country, for up to 30% of imports of intermediate manufactured goods, and 50% in the case of computers and electronic equipment? Production of vital goods and services is likely to be brought home wherever possible.

The EU faces yet another time of reckoning. Several countries, notably Italy and Spain, will end up with unsustainable levels of debt to GDP, in Italy's case likely to be well over 150%. Will this be the catalyst finally to forge a full monetary and fiscal union with Eurozone-wide fiscal transfers and debt mutualisation or will there be another muddle through, to leave a number of countries relatively impoverished and growth at very weak levels longer term? The risks of an EU breakup could reappear.

It is likely that some industries will be permanently damaged by the crisis and some companies will not survive. Travel, tourism and leisure spring to mind, but there will be others. The disruption and structural shifts of recent years across many industries could well accelerate. This is about survival of the fittest, those with strong balance sheets, cash flow and sustainable business models in a low growth and challenged world.

The growing calls for redistribution of wealth will be louder and are likely to fall on more receptive ears politically. The way in which this is handled by governments will have important ramifications for politics generally and for economic growth. Deep seated, long lasting changes are on their way, with important implications for investors. But it is important to recognise that capital markets will begin to discount the recovery, and the winners and losers, well ahead of the end of the humanitarian crisis. While the news remains unrelentingly grim, the greater differentiation that is emerging between asset classes, markets, sectors and companies is encouraging. Markets have moved on from the liquidity crisis and panic selling to a more sober analysis of the damage to economies and companies, and the opportunities which are emerging from the extraordinary dislocation.

We recognise the uncertainties and risks ahead, and believe it is appropriate to be cautious about making big shifts in portfolios after such huge moves in markets and exceptional levels of volatility. We are broadly maintaining our equity weightings after the steep falls in order to ensure we participate in the upswing when it comes. We continue to hold a blend of equity styles but have tilted the balance towards higher quality companies that have the resilience and balance sheet strength to see them through this period

and which operate in industries which will emerge relatively unscathed. In the early stages of the market recovery these companies might not bounce back as much as those which have been more substantially damaged, but they will preserve capital better if the crisis persists for an extended period and will do well longer term; they are on valuations today which have not been available for some years.

There has been widespread evidence of mispricing within fixed income and certain real assets (listed property and infrastructure), which were particularly heavily sold off in the liquidity crunch in March; the risk: return trade off here is compelling longer term. Higher quality corporate bonds are at yield spreads, i.e. the yield premium above government bonds, not seen since the financial crisis and offer a low risk way of taking advantage of the dislocation in markets. We are therefore adding some holdings in this area to portfolios. Within infrastructure, there are some companies which will be hurt by the lockdowns but the majority provide essential services which are not oversupplied and where normal activity is either largely continuing or will resume in full in due course.

Finally, we see very poor value in safe haven government bonds, where yields have fallen to new lows and in many cases are negative in absolute terms. But we retain some US Treasury exposure to protect capital, while holding inflation protected bonds and gold, both of which have proved to be stores of value over the years and which offer the added protection from inflation longer term: not today's problem but not to be dismissed given the anticipated policy action which we set out above.

These are the most challenging conditions that many, probably most, of us have experienced in our working lives. In aggregate globally, we have never been richer, we enjoy the most sophisticated technology and healthcare of any generation; yet the world has been laid low by a pandemic which has required a return to the most basic solution: stay at home. The global economy has suffered a sudden and dramatic stop, with consequences which are still to play out in full. We have set out the way in which we believe the economy will evolve, a short, sharp burst to life as the virus risk is contained, then a protracted period, many years, of slow growth, caution and rebuilding. With zero interest rates and low inflation, that is likely to be a good period for risk assets: not big returns but positive and gradually recovering the losses inflicted in recent weeks. We recognise the great uncertainty and risks ahead, and we do not profess to have all the answers, plainly no-one does. But recovery will come, and by staying invested, with the adjustments we have made to portfolios, we will be positioned to weather any further storm ahead and participate fully in the upswing in markets when it arrives.

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 31 March 2020				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
United States	S&P 500 NR	USD	-12.4%	-19.7%	-19.7%	-7.5%
United Kingdom	MSCI UK NR	GBP	-13.4%	-23.9%	-23.9%	-19.1%
Continental Europe	MSCI Europe ex UK NR	EUR	-13.8%	-21.0%	-21.0%	-10.7%
Japan	Topix TR	JPY	-6.0%	-17.5%*	-17.5%*	-9.5%*
Asia Pacific (ex Japan)	MSCIAC Asia Pacific ex Japan NR	USD	-14.0%	-20.7%	-20.7%	-15.2%
Global	MSCI World NR	USD	-13.2%	-21.1%	-21.1%	-10.4%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-22.8%	-36.5%	-36.5%	-21.9%
Emerging Asia	MSCI EM Asia NR	USD	-11.7%	-18.1%	-18.1%	-12.1%
Emerging Latin America	MSCI EM Latin America NR	USD	-34.5%	-45.6%	-45.6%	-40.8%
BRICs	MSCI BRIC NR	USD	-14.4%	-20.9%	-20.9%	-14.8%
China	MSCI China NR	USD	-6.6%	-10.2%	-10.2%	-5.8%
Global emerging markets	MSCI Emerging Markets NR	USD	-15.4%	-23.6%	-23.6%	-17.7%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	3.3%	9.0%	9.0%	14.2%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	-1.8%	1.9%	1.9%	7.3%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	-7.1%	-3.6%	-3.6%	5.0%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	-11.5%	-12.7%	-12.7%	-6.9%
UK Gilts	JP Morgan UK Government Bond TR	GBP	1.6%	7.0%	7.0%	10.9%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-5.6%	-3.2%	-3.2%	1.7%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-2.6%	0.2%	0.2%	4.4%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-6.8%	-6.2%	-6.2%	-3.4%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	-13.4%	-14.8%	-14.8%	-10.0%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-1.8%	-0.4%	-0.4%	0.0%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.1%	4.3%	4.3%	8.4%
Global Government Bonds	JP Morgan Global GBI	USD	0.1%	3.1%	3.1%	7.4%
Global Bonds	ICE BofAML Global Broad Market	USD	-1.9%	0.3%	0.3%	4.8%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	-11.7%	-12.4%	-12.4%	-4.9%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	-9.9%	-8.7%	-8.7%	-3.1%

Source: Bloomberg | Past performance is not indicative of future returns. | *) denotes estimate

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 31 March 2020				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
US Property Securities	MSCI US REIT NR	USD	-21.8%	-27.2%	-27.2%	-22.0%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	-35.3%	-34.8%	-34.8%	-34.8%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	-14.0%	-21.8%	-21.8%	-22.2%
Global Property Securities	S&P Global Property USD TR	USD	-21.3%	-27.4%	-27.4%	-22.0%
Currencies						
Euro		USD	0.0%	-1.6%	-1.6%	-1.7%
UK Pound Sterling		USD	-3.1%	-6.3%	-6.3%	-4.7%
Japanese Yen		USD	0.5%	1.0%	1.0%	3.1%
Australian Dollar		USD	-5.9%	-12.7%	-12.7%	-13.6%
South African Rand		USD	-12.2%	-21.5%	-21.5%	-18.7%
Commodities & Alternatives						
Commodities	RICI TR	USD	-21.0%	-32.1%	-32.1%	-30.5%
Agricultural Commodities	RICI Agriculture TR	USD	-5.9%	-12.7%	-12.7%	-11.0%
Oil	Brent Crude Oil	USD	-55.0%	-65.5%	-65.5%	-66.7%
Gold	Gold Spot	USD	-0.5%	3.9%	3.9%	22.0%
Hedge funds	HFRX Global Hedge Fund	USD	-5.9%*	-6.9%*	-6.9%*	-1.4%*
Interest rates						
United States			1.75%			
United Kingdom			0.75%			
Eurozone			0.00%			
Japan			-0.10%			
Australia			0.75%			
South Africa			6.25%			


Market Performance - UK (All returns in GBP)



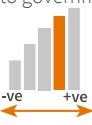


Asset Class/Region	Index	To 31 March 2020				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
UK - All Cap	MSCI UK NR	GBP	-13.4%	-23.9%	-23.9%	-19.1%
UK - Large Cap	MSCI UK Large Cap NR	GBP	-11.1%	-22.0%	-22.0%	-18.7%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	-22.2%	-31.1%	-31.1%	-23.6%
UK - Small Cap	MSCI Small Cap NR	GBP	-23.3%	-32.2%	-32.2%	-21.4%
United States	S&P500NR	USD	-9.8%	-14.1%	-14.1%	-3.1%
Continental Europe	MSCI Europe ex UK NR	EUR	-11.6%	-17.4%	-17.4%	-8.5%
Japan	Topix TR	JPY	-2.9%	-11.8%*	-11.8%*	-2.5%*
Asia Pacific (ex Japan)	MSCIACAsia Pacificex Japan NR	USD	-11.5%	-15.2%	-15.2%	-11.2%
Global developed markets	MSCI World NR	USD	-10.7%	-15.5%	-15.5%	-6.1%
Global emerging markets	MSCI Emerging Markets NR	USD	-12.9%	-18.3%	-18.3%	-13.7%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	1.6%	6.8%	6.8%	10.7%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	0.4%	1.0%	1.0%	1.6%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	0.7%	3.8%	3.8%	6.0%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	2.5%	11.2%	11.2%	17.5%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	-4.2%	1.7%	1.7%	2.2%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	-1.0%	1.7%	1.7%	3.0%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	-5.9%	1.8%	1.8%	1.9%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-5.6%	-3.2%	-3.2%	1.7%
US Treasuries	JP Morgan US Government Bond TR	USD	6.4%	16.4%	16.4%	20.0%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	-7.1%	-3.6%	-3.6%	5.0%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	-11.5%	-12.7%	-12.7%	-6.9%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-2.6%	0.2%	0.2%	4.4%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-6.8%	-6.2%	-6.2%	-3.4%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	-13.4%	-14.8%	-14.8%	-10.0%
Global Government Bonds	JP Morgan Global GBI	GBP	3.0%	10.3%	10.3%	12.5%
Global Bonds	ICE BofAML Global Broad Market	GBP	-1.9%	0.3%	0.3%	4.8%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	-11.7%	-12.4%	-12.4%	-4.9%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	-7.3%	-2.3%	-2.3%	1.5%

Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 31 March 2020				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
Global Property Securities	S&P Global Property TR	GBP	-19.0%	-22.3%	-22.3%	-18.2%
Currencies						
Euro		GBP	3.3%	5.0%	5.0%	3.2%
US Dollar		GBP	3.3%	6.8%	6.8%	5.0%
Japanese Yen		GBP	3.8%	7.9%	7.9%	8.3%
Commodities & Alternatives						
Commodities	RICI TR	GBP	-18.7%	-27.3%	-27.3%	-27.2%
Agricultural Commodities	RICI Agriculture TR	GBP	-3.1%	-6.7%	-6.7%	-6.7%
Oil	Brent Crude Oil	GBP	-53.7%	-63.1%	-63.1%	-65.2%
Gold	Gold Spot	GBP	2.4%	11.2%	11.2%	27.9%
Interest rates						
United Kingdom			0.75%			
United States			1.75%			
Eurozone			0.00%			
Japan			-0.10%			

Asset Allocation Dashboard

Asset class	View
Equities	
<p>Developed equities</p> 	<ul style="list-style-type: none"> » We are in an extraordinary market at the time of writing and it is difficult to reflect meaningful views given the backdrop, and in what is a fast changing landscape. » We are mindful of risks to global growth from Coronavirus related risks which have now become entrenched more globally, including the US. After the strong (US) rebound in recent weeks there is a risk this rolls over. » 'Coronarisk' remain central to risk pricing today. Governmental and central bank action has been instrumental in putting a floor under some markets in recent weeks. + The repricing has improved valuations across the board, even after the rebound + Panic selling is offering up opportunities to buy quality equities, cheaper - Business shutdowns will impact corporate earnings if Coronavirus risk is not contained, notably so in global manufacturing supply chains - Dividends are likely to fall, and share buybacks to largely dry up - Earnings are likely to move sharply lower as the year progresses; where they settle to market pricing is the key question
<p>UK equities (relative to developed)</p> 	<ul style="list-style-type: none"> » The Brexit path plays a firm second fiddle to Corona risk today. Nonetheless, the UK market's larger cap constituents are more globally focused than they are UK, and have earnings shielded in large part from FX swings, which makes them less sensitive when/if those issues resurface. Thus the UK is not unattractive when thinking beyond 2020 » The government's financial response to the crisis has largely been well received but places a meaningful burden on public finances. + Most UK assets remain at a multi decade discount to the global index. Long term investors can buy into some great UK businesses at today's levels, and be paid handsomely while they wait. - UK Plc is having to deal with an extraordinary fallout from the Covid-19, with the high street already under extreme pressure - The banks and energy heavy UK index may continue to struggle against this backdrop.
<p>European equities (relative to developed)</p> 	<ul style="list-style-type: none"> » Europe is firmly front and centre of the developed market Corona outbreak, notably so Italy and Spain » Knock on effects will undoubtedly damage the economy and corporate earnings, and potentially reignite tensions within the Eurozone should borders become less porous in light of the coronavirus » Politically we are seeing signs of increasing tensions once again as funding of and support for crisis hit countries falls on neighbours' shoulders. + Renewed ECB asset purchases or policy stimulus will likely provide support to risk assets in the region. - The ECB has little room to manoeuvre with rates at current levels; more devolved fiscal action and helicopter money may be needed.
<p>US equities (relative to developed)</p> 	<ul style="list-style-type: none"> » The US has repriced meaningfully through Q1, and notably bounced back harder than one might expect given that at the time of writing it is ground zero in this epidemic. Active stockpickers have a better choice today than 3 months ago, but the outlook is far from clear today. + The US remains one of the higher quality markets, and the Dollar something of a haven. It is a natural home for those looking to retest the equity water, and that could keep US equities supported + The Fed has thrown the kitchen sink at the (bond) market and this provides an implicit floor for the other side of the balance sheet, which should be constructive for equities. - US equity valuations remain elevated vs other regions today, in spite of the recent falls. - The US now has by far the highest rate of reported infections and talk of reopening after lockdown feels premature compared to other (European) markets which are weeks ahead of the US.
<p>Japanese equities (relative to developed)</p> 	<ul style="list-style-type: none"> » Following recent price moves Japanese equities continue to trade at favourable longer term valuations. Government policy and Bank of Japan efforts to support the market may provide a degree of support over other DM economies. + BoJ ETF buying is supportive. Asia appears to be slightly ahead of other DM economies in the evolving global Corona-cycle which could put Japan on the front foot when infection rates drop. - In a protracted risk off scenario Yen strength resulting from its safe haven status would hurt Japanese equities - There is a notable absence of catalyst for any rerating - Recent growth stats were knocked by the consumption tax hike. That, and risks in the region from Coronavirus, could weigh on Japanese corporates
<p>Emerging market equities</p> 	<ul style="list-style-type: none"> » On a longer term view we remain in favour of EM assets more generally over DM but recognise the risks to developing economies from the Corona Virus, and the potential for lower reporting and testing rates in these markets. » It is pleasing to see EM 'holding down' relatively well. Whether that is due to China being further ahead in this cycle, or whether genuinely a safer place to be invested, is difficult to discern right now. + "EM currencies have taken a hit of late. For businesses that earn foreign income this translates into better earnings that helps in some way to offset weaker revenues that will likely eventuate through 2020 + Valuations remain very attractive today. - Emerging markets remain prone to bouts of volatility and flow reversal at times of heightened perceived risk, now being a good example of that. Whilst EM has actually performed a little better, it is not usually a place to hide for long.

Fixed Income	
<p>Government</p> 	<ul style="list-style-type: none"> » DM governments are more expensive than ever following the supernormal moves in bond markets through the Coronavirus-stricken Q1. In more recent days they have at times struggled to provide the level of diversification expected, and liquidity has also been tested. Cash may prove a better diversifier in the short term. + Quality government bonds remain one of the better diversifiers, over the long term, in a multi asset portfolio, even when they are optically expensive. For that reason we advocate having at least some exposure despite extreme valuations. - Liquidity in the treasury market has been tested several times recently, both in the cash treasury market and repo. This causes some concern, but can be allayed with unlimited Fed firepower.
<p>Index-linked (relative to government)</p> 	<ul style="list-style-type: none"> » Inflation linked bonds have cheapened in the recent sell off with medium term inflation looking abnormally cheap. Whilst near term the inflation outlook looks limited, over 5 to 10years we take a more constructive view than the market and view breakevens more favourably at these levels. + Index linked bonds are one of the few ways to meaningfully protect against inflation risk, and with the amount of money pumped into the system, and more scope for helicopter style money, it is a more meaningful concern down the line + Valuations remain attractive today. - Inflationary forces remain muted today, arguably more than at any time in recent years (in the near term at least).
<p>Investment grade Corporate (relative to government)</p> 	<ul style="list-style-type: none"> » Investment grade bond spreads moved sharply higher to peak at post GFC wides and present a compelling opportunity today even after the tightening we've seen since the peak. Implied default rates are excessive at current spread levels. Were absolute yields not so low this would be on our highest rating. + Compelling valuation today which is largely a liquidity premium following sizeable redemptions through the worst weeks in March. With the Fed stepping in to support IG bonds we see that as something of a line in the sand for the asset class. - Liquidity remains challenged - The IG universe remains at greater risk of BBB downgrades today given the Corona backdrop
<p>High Yield Corporate</p> 	<ul style="list-style-type: none"> » As we saw in investment grade, spreads widened significantly in march for high yield bonds, to a level that presents an attractive opportunity. We are mindful of the more equity like characteristics of the asset class, and sensitivity of the (US) index to energy, so hold back from a more meaningful upgrade while IG remains so attractive. This is likely to evolve though. + Maturity profiles have been extended in the recent good years, and rates policy and stimulus measures will be directed to keep credit markets functioning, as evidenced by the Fed stepping in to buy HY ETFs - largely to support 'fallen angels' - just before Easter. - Any further weakness in equity markets, for which there is a real possibility at this time, will likely hit HY bonds more than IG - There is still a meaningful amount of energy exposure in US high yield markets and recent oil price weakness is a headwind for the asset class
<p>Emerging market debt</p> 	<ul style="list-style-type: none"> » The asset class has not been immune from recent price action. However with spreads back to levels not seen since the financial crisis the asset class looks optically attractive and we continue to rate more highly. + We believe EM bonds continue to offer some of the best longer term real return opportunities in bond markets today, moreso after recent price action, and implied default rates look excessive. - Renewed Dollar strength may weigh on EM assets, with local bonds and FX likely bearing the brunt - EM governments will come under pressure if Corona related expenditure and support rises
<p>Convertible bonds</p> 	<ul style="list-style-type: none"> » Convertible bonds have done a good job of limiting capital loss during the recent sell off. » We continue to favour an allocation to convertibles in a multi asset portfolio for the convexity the asset class brings. + The natural convexity provided by convertibles should continue to provide reasonable protection against any further equity weakness, which is quite possible. - With implied vols having gone through the roof, any return to more normal levels may crimp future returns, and come off a lower delta base.

Real Assets /Alternatives	
<p>Commodities</p> 	<ul style="list-style-type: none"> » The prices of some commodities continues be buffeted by newsflow (OPEC oil price war) and more recently the Coronavirus outbreak. These risks seem likely to persist in the near term » Commodity prices are primarily supply and demand driven (Coronavirus and oil a prime example) and idiosyncratic factors can be as important as the global economic cycle. + Gold remains a reasonable hedge against risk off outcomes, and deflationary sentiment, as witnessed more recently, though granted nearer term protection has softened. - Coronavirus will continue to weigh on the commodities sector for some time to come - Gold is sensitive to real rates and susceptible to pricing lower on any meaningful move higher in rates, albeit unlikely in the near future.
<p>Property</p> 	<ul style="list-style-type: none"> » Property remains an attractive asset class for investors requiring yield and recent price action only improves that, where dividends can be maintained » When viewed against high quality, longer duration Sterling assets and inflation linked bonds, property still holds appeal, with selective industrial and office space having more attractive fundamentals than under pressure high street retail. + Premium yields should attract capital and provide some floor to prices, notwithstanding recent market turbulence + The longer duration qualities of the asset class make it a good diversifier over the long term within multi asset portfolios; less so in the short term as we have seen. - As a long duration asset class property remains susceptible to any repricing in long term bond yields - UK property remains sensitive to eventual Brexit terms, which will continue to evolve through 2020; the retail sector also remains under pressure - Rent holidays and tenants being unable or unwilling to pay pressures cashflow and ability to pay out income.
<p>Infrastructure</p> 	<ul style="list-style-type: none"> » Infrastructure stocks have not been spared from recent volatility. Nonetheless, their income generating potential should in the medium term support the sector and attract buyers of quality infrastructure assets, at a time when the need for infrastructure capital and investment remains in the medium to longer term. + In a multi asset portfolio the usually more defensive nature of the asset class and a degree of inflation protection make the asset class appealing. + The asset class offers a high yield at a reasonable valuation today - both equity and debt flavours. - As a long duration asset class infrastructure remains susceptible to any repricing higher in long term bond yields. - Regulation can work both for and against the underlying investments, and underlying infrastructure stocks remain exposed to these risks.
<p>Liquid Alternatives</p> 	<ul style="list-style-type: none"> » We define this section as less/non-directional, absolute return type strategies that seek to capture long term risk premia or market mis-pricings, and includes hedge fund alternatives/systematic strategies in predominantly UCITS vehicles. » We favour owning an allocation to a basket of liquid strategies today to provide additional diversification with high quality bonds having become even more expensive. + These strategies provide additional diversification with reasonable return potential. - The sector is relatively young and growing. Thorough due diligence is vital, and blend is recommended, as idiosyncratic performance can be unpredictable.
Currencies*	
<p>GBP</p> 	<ul style="list-style-type: none"> » We maintain our more neutral rating on Sterling today. The currency has moved aorund sharply through this episode and it would be easy to be caught offside given the volatility. The recent 50bps cut in rates and the new Chancellor's stimulatory package is unlikely to lift the currency higher anytime soo, but it remains cheap on long term valuation measures.
<p>Euro</p> 	<ul style="list-style-type: none"> » The Euro has shown itself to be the favoured carry currency in recent years and this recent volatility has led to short covering. Not a time to be short and we take a more neutral view going forward given low confidence about the risk recovery being sustained » In real terms the common currency looks about fair value today but there is no obvious and imminent catalyst for an uplift, and on balance the local fundamental backdrop appears weak which makes the currency largely unattractive today.
<p>Yen</p> 	<ul style="list-style-type: none"> » Rate differentials continue to offer little reason to buy the Yen. However, in real terms the Yen remains cheap today. What sets the Yen apart from Sterling and the Euro is the currency's diversifying qualities at times of risk. If there is a time to own it then it is now as global uncertainty remains high and it provides some portfolio protection.

Past performance is not indicative of future returns. *Currencies views are expressed versus the US Dollar

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