

## Gatmore Pensions Summary (GPS)

March 2018

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### MARKET COMMENTARY

Despite a continued positive economic backdrop, markets experienced continued volatility in March, with only a few asset classes posting positive returns. In contrast to February's inflation driven correction, much of the market volatility was driven by the US threatening and imposing tariffs on a number of imports, seemingly targeting China. Retaliation from China only added to investor's fears of a full-blown trade war, something almost all economists would agree is a negative for the global economy. To add to the pressure, news surrounding Facebook, Amazon and Tesla, and the prospect of increased regulation in the technology sector, weighed on those names in particular, but also the broader technology space. During the month, US Treasury yields fell as investor's expectations of growth and inflation seemed to wane. As shown, Gilts were the best performing asset class we track in the GPS as Gilt yields fell meaningfully, with significant swings during the final negotiation and approval of a Brexit transition deal. Although short-dated yields rose slightly due to tightening monetary policy, falling long-dated yields meant the yield curve flattened significantly in the month.

#### PERIODIC TABLE INDEX KEY

UK	UK Equities
EQ	World Equities
EM	Emerging Equities
>15Y	UK 15+ Gilts
IG	Global IG Credit
HY	Global HY Credit
COM	Commodities
PRO	Global Property
HF	Hedge Funds
PE	Private Equity

### PERIODIC TABLE OF ASSET CLASSES

The chart below shows stacked performance figures for selected asset classes from best to worst. From left to right it shows a monthly performance for the last 12 months, then the YTD, 1yr and 3yr numbers. Gilt returns run across the middle, with anything above it outperforming and anything below underperforming.

	APR 2017	MAY 2017	JUN 2017	JUL 2017	AUG 2017	SEP 2017	OCT 2017	NOV 2017	DEC 2017	JAN 2018	FEB 2018	MAR 2018	YTD	1yr	3yr	
WINNERS vs. Gilts			PRO 1.1%	EM 6.0%		PE 3.5%				PE 8.5%						
			EM 1.0%	EQ 2.4%		EQ 2.2%				EM 8.3%						
	EM 2.2%		EQ 0.6%	COM 2.3%		HY 0.7%				EQ 5.4%						
	HY 1.7%	UK 4.9%	IG 0.4%	PRO 1.9%		HF 0.6%	PE 4.2%			HF 2.4%						
	PE 1.5%	EM 3.0%	HF 0.2%	PE 1.7%		COM (0.1)%	EM 3.5%			COM 2.0%						
	EQ 1.4%	EQ 1.9%	HY 0.2%	IG 1.7%		IG (0.2)%	COM 2.1%		UK 5.0%	HY 1.2%						
	IG 1.4%	PE 1.7%	COM (0.2)%	HY 1.5%		PRO (0.3)%	EQ 2.0%	PE 5.7%	EM 3.6%	IG 0.6%						
	PRO 0.7%	IG 1.7%	PE (0.4)%	HF 0.9%		EM (0.4)%	UK 1.8%	PRO 3.1%	COM 3.0%	PRO (1.6)%						
	HF 0.4%	HY 1.3%	UK (2.4)%	UK 0.9%		UK (0.7)%	HF 0.7%	EQ 2.3%	PE 2.6%	UK (2.0)%						
	Over 15y Gilts															
	>15Y 0.2%	>15Y 0.8%	>15Y (3.3)%	>15Y 0.2%	>15Y 3.4%	>15Y (4.0)%	>15Y 0.5%	>15Y 0.6%	>15Y 2.5%	>15Y (3.0)%	>15Y 0.6%	>15Y 4.0%	>15Y 1.5%	>15Y 2.2%	>15Y 6.1%	
LOSERS vs. Gilts	UK (1.3)%	HF 0.2%		EM 2.2%		HY 0.4%	IG 0.6%	PRO 1.2%		HY (1.4)%	PRO 2.8%		EM 1.4%	PRO 0.9%	UK 5.4%	
	COM (1.5)%	PRO 0.2%		UK 1.6%		IG 0.1%	EM 0.2%	EQ 1.1%		COM (1.7)%	IG 0.4%		HY (0.4)%	UK 0.2%	IG 3.3%	
		COM (1.3)%		IG 0.8%		PRO (1.0)%	HF 0.1%	IG 0.8%		IG (1.8)%	HY (0.1)%		COM (0.4)%		PRO 2.0%	
				HY 0.6%			HY 0.0%	HF 0.7%		HF (0.8)%	COM (0.6)%		IG (0.8)%		HF 0.5%	
				COM 0.4%			COM (0.5)%	HY 0.5%		UK (3.4)%	HF (1.0)%		HF (1.0)%		COM (3.2)%	
				HF 0.3%			UK (1.8)%			EQ (4.0)%	EM (1.9)%		EQ (1.1)%			
				PE 0.2%						EM (4.6)%	UK (2.0)%		PE (4.8)%			
				EQ 0.2%						PRO (6.6)%	EQ (2.3)%		PRO (5.5)%			
				PRO (0.2)%						PE (7.4)%	PE (5.2)%		UK (7.2)%			

### In case you missed it

#### VIDEO: ETF risks

Could ETFs be an explosive contributor to the next financial crisis?

[Watch the video](#)



#### Consultant-recommended funds do not beat market, says watchdog

According to the CMA, there is no evidence that products rated 'Buy' by consultants have significantly outperformed benchmarks.

[Investment & Pensions Europe](#)

#### Investors should bet on smaller nimbler companies and countries

In a time of turmoil and conflict, the best strategy is to go small and nimble.

[Financial Times \\*](#)

#### Asset managers pay out £34m compensation after FCA action on 'closet trackers'

A number of asset managers pay millions in compensation to investors who paid active management fees for closet tracker funds.

[Professional Pensions \\*](#)

#### Could black box approach take off in the industry?

The airlines industry's black box thinking method could fix issues facing defined benefit schemes, according to Pensions Institute.

[Pensions Expert](#)

### STAT OF THE MONTH

# 41.3

## \$trillion

The value of global pension assets in 2017 has grown by \$4.8trn, more than 13%, to \$41.3trn.

Source: Portfolio Institutional.

Please see disclosures overleaf for indices used. \* Paywall.

# Monthly

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### GPS VIEWPOINT

## *Black Box Thinking applied to the pensions industry*

Black Box Thinking is a process of learning from mistakes, championed by Matthew Syed, famous for his table tennis and BBC Radio podcast. In the airline industry, the Black Box captures flight information and is built to survive the impact of a plane crash. When recovered it gives flight crash experts critical data about the potential cause, allowing improvements to be made to airline safety. A recent article published in *Pensions Expert*, talks about how this can be applied to other industries, including pensions, so that rather than making excuses and blaming others for mistakes, there is open dialogue and lessons can be learned. This got us thinking about how we do things at Gatemore. We may not get every decision right and not every fund we select turns out to be a gem, but that is why we diversify. Interestingly, two years ago we introduced a 'pre-mortem' for every fund decision, setting out the reasons why we liked the investment, what the risks were and how we should monitor success. The result is that, if something does go wrong, we are able to assess what we missed and what we could have done differently, without any recriminations. The process has worked well and it focuses the mind when carrying out fund manager monitoring. In short, we wholeheartedly buy into the concept of Black Box Thinking and believe it would be beneficial to many industries, including our own.

### QUOTE OF THE MONTH

*Intelligence is the ability to adapt to change.*



**Stephen Hawking**  
THEORETICAL PHYSICIST  
AND SPACE TRAVELLER  
1942 – 2018

### Important Information

Investors should read and carefully consider the Fund's offering documentation in full prior to making any investment decision in relation to the Fund.

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**Indices in the periodic table** – (UK) FTSE 100 Total Return Index GBP; (EQ) MSCI Daily TR Net World Ex UK USD; (EM) MSCI Emerging Net Total Return USD Index; (>15Y) FTSE Actuaries Govt Securities UK Gilts TR over 15 Yr; (IG) Bloomberg Barclays Global Agg Corporate Total Return Index Value Unhedged USD; (HY) Bloomberg Barclays Global High Yield Total Return Index Value Unhedged; (HF) Hedge Fund Research HFRX Global Hedge Fund Index; (PRO) S&P Global REIT USD Total Return Index; (COM) Bloomberg Commodity Index Total Return; (PE) Thomson Reuters Private Equity Buyout Index.