

## Gatmore Pensions Summary (GPS) April 2018

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### MARKET COMMENTARY

After two months of heightened volatility and market weakness, some normality was restored in April as equity markets recovered slightly. Trade tensions seemed to ease between the US and its major trading partners and the heightened geo-political tension on the Korean peninsula of six months ago all but disappeared, both improving investor sentiment.

Towards the end of the month some weaker data points took the shine off the strong global growth story. Europe and the UK in particular saw a slowdown in economic activity and inflation fell more than expected in the UK. Investors moved from being 'certain' of a Bank of England rate rise in May to pushing it out to the end of the year at best, causing sterling to weaken significantly, which in turn boosted UK equities.

In the US, President Trump met with the Eurozone's most powerful leaders, Macron and Merkel, but little common ground was found on trade, climate change, or Iran. Later in the month it was reported that the US was ready to pull out of the Iran nuclear deal, which may cause further geo-political tension.

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.

	MAY 2017	JUN 2017	JUL 2017	AUG 2017	SEP 2017	OCT 2017	NOV 2017	DEC 2017	JAN 2018	FEB 2018	MAR 2018	APR 2018	YTD	1yr	3yr	
WINNERS vs. Gilts		PRO 1.1%	EM 6.0%		PE 3.5%				PE 8.5%			UK 6.8%		EM 21.7%		
		EM 1.0%	EQ 2.4%		EQ 2.2%				EM 8.3%			COM 2.6%		PE 15.1%		
		EQ 0.6%	COM 2.3%		HY 0.7%				EQ 5.4%			PRO 1.6%		EQ 13.1%		
		UK 4.9%	IG 0.4%	PRO 1.9%		HF 0.6%	PE 4.2%		HF 2.4%			EQ 0.9%		UK 8.5%		
		EM 3.0%	HF 0.2%	PE 1.7%		COM (0.1)%	EM 3.5%		COM 2.0%			PE 0.2%		COM 8.0%		
		EQ 1.9%	HY 0.2%	IG 1.7%		IG (0.2)%	COM 2.1%		UK 5.0%	HY 1.2%		HF 0.2%	COM 2.2%	HY 4.6%		
		PE 1.7%	COM (0.2)%	HY 1.5%		PRO (0.3)%	EQ 2.0%	PE 5.7%	EM 3.6%	IG 0.6%		HY (0.2)%	EM 1.0%	IG 3.8%		
		IG 1.7%	PE (0.4)%	HF 0.9%		EM (0.4)%	UK 1.8%	PRO 3.1%	COM 3.0%	PRO (1.6)%		EM (0.4)%	EQ (0.2)%	HF 2.9%	PE 11.6%	
		HY 1.3%	UK (2.4)%	UK 0.9%		UK (0.7)%	HF 0.7%	EQ 2.3%	PE 2.6%	UK (2.0)%		IG (1.1)%	HY (0.6)%	PRO 1.8%	EQ 8.0%	
	Over 15y Gilts															
	LOSERS vs. Gilts	>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 (2.2)%	>15Y (0.7)%	>15Y (0.2)%	>15Y 6.7%
		HF 0.2%			EM 2.2%		HY 0.4%	IG 0.6%	PRO 1.2%		HY (1.4)%	PRO 2.8%		HF (0.9)%		UK 6.6%
PRO 0.2%				UK 1.6%		IG 0.1%	EM 0.2%	EQ 1.1%		COM (1.7)%	IG 0.4%		UK (0.9)%		EM 6.0%	
COM (1.3)%				IG 0.8%		PRO (1.0)%	HF 0.1%	IG 0.8%		IG (1.8)%	HY (0.1)%		IG (2.0)%		HY 5.8%	
				HY 0.6%			HY 0.7%	HF 0.7%		HF (2.4)%	COM (0.6)%		PRO (4.0)%		PRO 3.6%	
				COM 0.4%			COM (0.5)%	HY 0.5%		UK (3.4)%	HF (1.0)%		PE (4.6)%		IG 2.6%	
				HF 0.3%			UK (1.8)%			EQ (4.0)%	EM (1.9)%				HF 0.5%	
				PE 0.2%						EM (4.6)%	UK (2.0)%				COM (4.2)%	
				EQ 0.2%						PRO (6.6)%	EQ (2.3)%					
				PRO (0.2)%						PE (7.4)%	PE (5.2)%					

### In case you missed it

#### CMA: Evidence consultants 'steer' clients towards own fiduciary management services

Fiduciary management has grown £123bn over the past ten years (to 2017) with nearly 50% of schemes sticking with their investment consultants for their initial mandate.

[Professional Pensions article \\*](#)

#### Will the white paper be a catalyst for DB consolidation?

DWP Defined Benefit Schemes white paper confirms that better governance 'improves every aspect of a scheme's fabric' leading to improved investment returns.

[Professional Pensions article \\*](#)

#### Schemes told to be active owners to ensure long-term returns

Investors have started taking ESG into account, but there is still scope to exercise ownership more actively, a group of international experts said at the World Pensions Forum held in Paris last week.

[Pensions Expert article](#)

#### CMA finds evidence of poor competition in consultants sector

CMA concerned about the level of fee transparency from consultants and fiduciary managers.

[Investment & Pensions Europe article](#)

#### Govt to make wilful pension scheme neglect a criminal offence

DWP confirms its intention to introduce legislation of criminal offence of those who have committed 'wilful or reckless behaviour' in pension schemes.

[Pensions Age article](#)

### STAT OF THE MONTH

# 390%

Total mature market debt as a percentage of GDP.

Source: The Institute of International Finance.

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

# Monthly

## Gatemore Pensions Summary (GPS)

April 2018



### GPS VIEWPOINT

## Absolute return – is it really?

Just as investors had become used to the perennial rise in equity markets, the last three months have reminded everyone that what goes up can come down. Equities fell 3.7% in February and 2.3% in March before staging a comeback in April (up 1.9%), and market volatility has risen from the lows of 2017 to the highest level since 2015. In pensions world, after years of focusing on bonds and matching, growth investing has come back into vogue, with a focus on absolute rather than relative return.

Over the last few years, as equity markets roared ahead, investors holding diversified portfolios have underperformed the broader equity market. Trustees and advisers have lost sight of the importance of diversification in an environment when passive equities were outpacing most asset classes. However, as volatility has come back and looks set to stick around, those with diversified portfolios that deliver absolute returns should start to feel much happier. But a word of caution: not all funds which claim to be diversified are truly so; some are only in name and remain highly correlated to equities. It is down to trustees and their advisers to separate those who are able to preserve capital in difficult environments from the imposters.

### QUOTE OF THE MONTH

*My two rules for investing:  
Rule one – never lose money.  
Rule two – never forget  
rule one.*



**Warren Buffet**  
BUSINESS MAGNATE, INVESTOR,  
PHILANTHROPIST

15<sup>th</sup> of April – 106 years since the  
RMS Titanic sank in the Atlantic Ocean



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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.