

## Gatmore Pensions Summary (GPS) May 2018

In case you missed it

### MARKET COMMENTARY

May was another month of recovery in the markets, but geopolitical issues continued to create bouts of volatility. Italy caused the biggest stir as coalition talks between the far right and anti-European parties looked set to collapse. Italian yields soared whilst 'haven' assets, such as UK Gilts, saw their price rise sharply later in the month.

At the end of the month the US confirmed they would be applying tariffs on the EU, Canada and Mexico. The EU is set to retaliate, as investors fear a trade war. Trump pulled out of the Iran nuclear deal in May, but kept the door open for renegotiation. Oil rallied as a result whilst companies that had started to expand into Iran were hit hard. Argentina increased interest rates to 40% to stem a run on the peso causing concern over EM contagion and EM equities to fall. Rising rates in the US poured fuel on the EM fire as the dollar strengthened.

Global economic data published during the month showed a slight pick-up in April following a slow Q1. In the UK, warm weather and a royal wedding are expected to boost consumer spending in Q2.

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.

	JUN 2017	JUL 2017	AUG 2017	SEP 2017	OCT 2017	NOV 2017	DEC 2017	JAN 2018	FEB 2018	MAR 2018	APR 2018	MAY 2018	YTD	1yr	3yr	
WINNERS vs. Gilts	PRO 1.1%	EM 6.0%		PE 3.5%				PE 8.5%			UK 6.8%					
	EM 1.0%	EQ 2.4%		EQ 2.2%				EM 8.3%			COM 2.6%					
	EQ 0.6%	COM 2.3%		HY 0.7%				EQ 5.4%			PRO 1.6%					
	IG 0.4%	PRO 1.9%		HF 0.6%	PE 4.2%			HF 2.4%			EQ 0.9%					
	HF 0.2%	PE 1.7%		COM (0.1)%	EM 3.5%			COM 2.0%			PE 0.2%					
	HY 0.2%	IG 1.7%		IG (0.2)%	COM 2.1%		UK 5.0%	HY 1.2%			HF 0.2%					
	COM (0.2)%	HY 1.5%		PRO (0.3)%	EQ 2.0%	PE 5.7%	EM 3.6%	IG 0.6%			HY (0.2)%					
	PE (0.4)%	HF 0.9%		EM (0.4)%	UK 1.8%	PRO 3.1%	COM 3.0%	PRO (1.6)%			EM (0.4)%					
	UK (2.4)%	UK 0.9%		UK (0.7)%	HF 0.7%	EQ 2.3%	PE 2.6%	UK (2.0)%			IG (1.1)%	PE 3.6%				
	Over 15y Gilts															
	>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 2.8%	>15Y 2.1%	>15Y 1.7%	>15Y 7.5%	
		EM 2.2%		HY 0.4%	IG 0.6%	PRO 1.2%		HY (1.4)%	PRO 2.8%		UK 2.8%	UK 1.9%	HY 1.7%	UK 7.4%		
	UK 1.6%		IG 0.1%	EM 0.2%	EQ 1.1%		COM (1.7)%	IG 0.4%		PRO 2.2%	EQ 0.5%	IG 1.3%	EM 6.2%			
	IG 0.8%		PRO (1.0)%	HF 0.1%	IG 0.8%		IG (1.8)%	HY (0.1)%		COM 1.4%	HF (0.7)%		HY 5.3%			
	HY 0.6%			HY 0.0%	HF 0.7%		HF (2.4)%	COM (0.6)%		EQ 0.7%	PE (1.1)%		PRO 4.8%			
	COM 0.4%			COM (0.5)%	HY 0.5%		UK (3.4)%	HF (1.0)%		HF 0.2%	PRO (1.9)%		IG 2.7%			
	HF 0.3%			UK (1.8)%			EQ (4.0)%	EM (1.9)%		IG (0.8)%	HY (2.1)%		HF 0.4%			
	PE 0.2%						EM (4.6)%	UK (2.0)%		HY (1.5)%	EM (2.6)%		COM (2.8)%			
	EQ 0.2%						PRO (6.6)%	EQ (2.3)%		EM (3.5)%	IG (2.7)%					
	PRO (0.2)%						PE (7.4)%	PE (5.2)%								

### LDI dominance will 'come to an end' by 2021

Hymans Robertson and Nomura report predicts LDI trend in DB pension schemes to decline over coming years.

[Professional Pensions article \\*](#)

### Exchange-Traded Funds: the cup overflows

ETFs are expected to surge due to capital market regulations such as MiFID II, with inflows in January 2018 totalling €12.5bn in Europe.

[Funds Europe article](#)

### Report urges pensions overhaul to fix intergenerational unfairness

Intergenerational Commission suggest 'citizen's inheritance' of £10,000 for young adults to assist in the overhaul of UK pensions system.

[Pensions Expert article](#)

### Are diversified growth funds the place to be?

Experts are undecided on the value of the DGF, comparing lack of performance and value against reduced risk and daily pricing.

[Pensions Expert article](#)

### FCA follows through with rules to boost asset manager competition

The FCA has adopted new guidelines following their 2017 report to reinforce the duty of asset managers to investors.

[Investment & Pensions Europe article](#)

### STAT OF THE MONTH

# 30

## \$trillion

Total assets managed by 20 biggest fund managers.

Source: \*Top 400 Asset Managers 2017\*, IPE.

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

# Monthly

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 3x Multi-Asset Award Winner



### GPS VIEWPOINT

## Turns out small really is beautiful!

Barrons have recently released their data on the top 100 best performing hedge funds in 2017, titled “*Smaller Funds Hit the Mark*”, and the CIO of Australia’s sovereign wealth fund has stated that investors need to start looking beyond hedge fund brand names for alpha generation. The truth is now starting to emerge that the well-known funds that have been the home of so many pension schemes have now just got too big to deliver any form of return.

The larger a fund becomes the smaller their investment universe is. Performance then suffers but, to make matters worse, the fund manager is netting a vast income as an ‘asset gatherer’ and performance becomes secondary. This position is further supported by a [report](#) that Gatmore commissioned from *CASS Business School* which proved not only that smaller funds outperformed their larger peers, but also protected capital better in times of market distress.

The pension industry has repeatedly given more money to the ‘brands’ of the fund management world and have got away with it recently due to the strength of the equity markets. However, it looks like statistics are finally pointing to the important realisation that big is not better.

### QUOTE OF THE MONTH

*The bigger they come,  
the harder they fall.*



**Joe Walcott**

THE BARBADOS DEMON, WELTERWEIGHT  
CHAMPION 1901–1904

*We are pleased to announce that this month saw our flagship Multi-Asset Fund win two prestigious awards with the judges recognising our differentiated approach and strong performance.*



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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.