

Gatmore Pensions Summary (GPS) June 2018

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MARKET COMMENTARY

Following stronger performance during April and May, equity markets fared less well in June. US international trade policy continued to worry investors as the US threatens to increase tariffs on imports.

The global economic backdrop remained strong with better than expected US employment data, however there were some concerns around inflation given the recent rise in the oil price. Data coming out of the UK was less positive with most indicators pointing toward a continued slowdown, despite a revision upwards of Q1 growth. Uncertainty for businesses and consumers is being blamed for holding the UK economy back, as Brexit negotiations make little progress. More positively the new Italian finance minister committed Italy to the Euro and to reduce the level of debt in the economy which saw both Italian bond and equity prices rise. In the UK yields rose slightly with Gilts underperforming most asset classes.

Emerging markets were the worst performing equity sector. Rising US interest rates, typically seen as being a difficult environment for emerging markets, coupled with a potential trade war is weighing on emerging market assets.

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.

	JUL 2017	AUG 2017	SEP 2017	OCT 2017	NOV 2017	DEC 2017	JAN 2018	FEB 2018	MAR 2018	APR 2018	MAY 2018	JUN 2018	YTD	1yr	3yr		
WINNERS vs. Gilts	EM 6.0%																
	EQ 2.4%																
	COM 2.3%																
	PRO 1.9%																
	PE 1.7%																
	IG 1.7%																
	HY 1.5%																
	HF 0.9%																
	UK 0.9%																
	Over 15y Gilts																
	>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 (1.0%)	>15Y 1.1%	>15Y 4.2%	>15Y 8.3%		
LOSERS vs. Gilts		EM 2.2%		HY 0.4%	IG 0.6%	PRO 1.2%		HY (1.4%)	PRO 2.8%		UK 2.8%	COM (3.5%)	PRO 0.5%	HF 2.3%	PRO 7.0%		
		UK 1.6%		IG 0.1%	EM 0.2%	EQ 1.1%		COM (1.7%)	IG 0.4%		PRO 2.2%	EM (4.2%)	EQ 0.5%	HY 1.1%	EM 5.6%		
		IG 0.8%		PRO (1.0%)	HF 0.1%	IG 0.8%		IG (1.8%)	HY (0.1%)		COM 1.4%		COM (0.0%)	IG 0.4%	HY 5.5%		
		HY 0.6%			HY 0.7%	HF 0.7%		HF (2.4%)	COM (0.6%)		EQ 0.7%		HF (1.0%)		IG 3.0%		
		COM 0.4%			COM (0.5%)	HY 0.5%		UK (3.4%)	HF (1.0%)		HF 0.2%		PE (1.1%)		HF 0.8%		
		HF 0.3%			UK (1.8%)			EQ (4.0%)	EM (1.9%)		IG (0.8%)		HY (2.5%)		COM (4.5%)		
		PE 0.2%						EM (4.6%)	UK (2.0%)		HY (1.5%)		IG (3.2%)				
		EQ 0.2%						PRO (6.6%)	EQ (2.3%)		EM (3.5%)		EM (6.7%)				
		PRO (0.2%)						PE (7.4%)	PE (5.2%)								

In case you missed it

PPF chief hints at closing superfunds' regulatory advantage

Superfunds who offer cheap insurance alternatives in the form of bulk annuities spark concern.

[Pensions Expert article](#)

Regulators wrestle with rapidly expanding ETF industry

Growth in ETFs leads to consideration of legislations amendments.

[Professional Wealth Management article](#)

Lesley Titcomb to quit TPR next February

TPR Chief Executive to leave after four-year term next February.

[Professional Pensions article *](#)

Government to work with industry on growing social impact investment

Government make plans to create investment opportunities that tackle social challenges for disadvantaged communities.

[Professional Pensions article *](#)

Why schemes are flocking to passive funds

Passive funds are believed to be a better value for money and set to increase in usage by 6% each year.

[Professional Pensions article *](#)

Hedge Funds: Activist funds turn up the heat

Shareholder activism in Europe is rising with capital deployed to the region reaching 35% of total activist capital.

[Investment & Pensions Europe article](#)

STAT OF THE MONTH

14,848

Active hedge funds worldwide.

Monthly

Gatimore Pensions Summary (GPS)

June 2018

 3x Multi-Asset Award Winner



GPS VIEWPOINT

Past Performance is no Guarantee

The World Cup is here and the most successful teams in tournament history have stumbled and the highest paid players in the world have underperformed.

The biggest casualty so far has arguably been Germany, although you can add Argentina, Spain and Portugal to the list. This is a team that invested hugely in academies and youth football after they finished bottom of their group in Euro 2000. Since then they have had teams in five Champions League finals, winning it twice, were runners up in Euro 2008 and won the 2014 World Cup, having also got to the final in 2002. This was a team expected to do well this time round and is where all the “safe” bets were placed.

This made us think: are the football giants like the big fund groups that are too predictable, being beaten by more efficient, nimble teams that are able to exploit them?

In any industry it is often the newer, more efficient teams, those that challenge and bring something new that are successful. As in football, past performance, size and infrastructure is no predictor of future performance and it is no different in fund management, which is why we are always on the lookout for the next success story, not the last.

QUOTE OF THE MONTH

Some people get rich studying artificial intelligence. Me, I make money studying natural stupidity.



Carl Icahn
BUSINESSMAN, INVESTOR AND
PHILANTHROPIST



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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.