

Gatmore Pensions Summary (GPS) August 2018

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MARKET COMMENTARY

Fear surrounding emerging markets and Brexit, versus the broadly positive macroeconomic environment, contributed to a mixed market sentiment through August, with EM and UK equities performing poorly in an otherwise positive month for risk assets.

In the UK a perceived increase in the likelihood of a no deal Brexit saw sterling fall, only to recover somewhat on the back of more positive comments made by Michel Barnier.

In the US, Fed chairman Jerome Powell, citing strong growth and falling employment, saw no reason to halt, or accelerate, the gradual tightening of monetary policy.

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.

	SEP 2017	OCT 2017	NOV 2017	DEC 2017	JAN 2018	FEB 2018	MAR 2018	APR 2018	MAY 2018	JUN 2018	JUL 2018	AUG 2018	YTD	1yr	3yr
WINNERS vs. Gilts	PE 3.5%				PE 8.5%			UK 6.8%							
	EQ 2.2%				EM 8.3%			COM 2.6%			PE 5.8%				
	HY 0.7%				EQ 5.4%			PRO 1.6%		PRO 2.5%	EQ 3.3%				
	HF 0.6%	PE 4.2%			HF 2.4%			EQ 0.9%		PE 0.0%	EM 2.2%				
	COM 0.1%	EM 3.5%			COM 2.0%			PE 0.2%		EQ 0.0%	HY 1.7%	PE 4.9%			
	IG 0.2%	COM 2.1%		UK 5.0%	HY 1.2%			HF 0.2%		UK 0.2%	UK 1.5%	PRO 1.6%			
	PRO 0.3%	EQ 2.0%	PE 5.7%	EM 3.6%	IG 0.6%			HY 0.2%		HF 0.2%	PRO 0.9%	EQ 1.6%	PE 9.8%	UK 4.1%	EM 11.4%
	EM 0.4%	UK 1.8%	PRO 3.1%	COM 3.0%	PRO 1.6%			EM 0.4%		HY 0.5%	IG 0.6%	HF 0.5%	EQ 5.5%	HF 1.6%	UK 10.3%
	UK 0.7%	HF 0.7%	EQ 2.3%	PE 2.6%	UK 2.0%			IG 1.1%	PE 3.6%	IG 0.5%	HF 0.1%	IG 0.2%	PRO 3.1%	COM 0.5%	PRO 8.7%
	Over 15y Gilts														
LOSERS vs. Gilts	>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 0.6%	>15Y 0.1%	>15Y 0.6%	>15Y 0.0%	>15Y 6.9%
	HY 0.4%	IG 0.6%	PRO 1.2%		HY 1.4%	PRO 2.8%		UK 2.8%	COM 3.5%	COM 2.1%	HY 1.0%	UK 0.2%	UK 0.2%	HY 0.4%	HY 6.3%
	IG 0.1%	EM 0.2%	EQ 1.1%		COM 1.7%	IG 0.4%		PRO 2.2%	EM 4.2%		COM 1.8%	HF 0.5%	HF 0.5%	EM 0.7%	IG 3.3%
	PRO 1.0%	HF 0.1%	IG 0.8%		IG 1.8%	HY 0.1%		COM 1.4%			EM 2.7%	HY 1.9%	HY 1.9%	IG 1.2%	HF 1.7%
		HY 0.0%	HF 0.7%		HF 2.4%	COM 0.6%		EQ 0.7%			UK 3.3%	IG 2.4%	IG 2.4%		COM 1.9%
		COM 0.5%	HY 0.5%		UK 3.4%	HF 1.0%		HF 0.2%				COM 3.9%	COM 3.9%		
		UK 1.8%			EQ 4.0%	EM 1.9%		IG 0.8%				EM 7.2%	EM 7.2%		
					EM 4.6%	UK 2.0%		HY 1.5%							
					PRO 6.6%	EQ 2.3%		EM 3.5%							
					PE 7.4%	PE 5.2%									

In case you missed it

DGFs: Facing the litmus test

Predicted increases to market volatility will test product claims of higher reward for lower risk.

[Portfolio Institutional article](#)

FTSE 100 schemes increase bond allocation to de-risk

Two thirds of FTSE 100 schemes have more than 50% invested in bonds.

[Professional Pensions article *](#)

Scheme members want ESG transparency

80% of 22-34 year olds would like to see more sustainable investing.

[Portfolio Institutional article](#)

Superfunds play vital role in the future of DB

Superfunds could offer a more protected future for some schemes and in turn reduce risk of claims on the PPF.

[Pensions Expert article](#)

PPF weighs in on CVA deals

PPF says they 'do not agree to CVAs lightly' stating that the deals often address cost of property issues only, rather than the business' over all viability.

[Portfolio Institutional article](#)

STAT OF THE MONTH

69%

Growth rate of UK plc's debt level in seven years: at an all time high of £390.7bn

Monthly

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 3x Multi-Asset Award Winner



GPS VIEWPOINT

Poor Board Governance Blights UK Businesses

In 2016 when we first researched DX Group we were struck by just how much its chairman had on his plate. It was our view that this was a good business with poor corporate governance. The company's shares had dropped 95% from their IPO price a few years earlier.

We invested late in 2016 and, over the course of eight months, worked with the company to install an entirely new board, including an executive chairman with a successful track record in the industry. DX is now on an entirely better trajectory under a new, more watchful, leadership.

In an attempt to tackle poor corporate governance such as we first experienced with DX Group, the Financial Reporting Council announced last month a new UK Corporate Governance Code. Unfortunately, the much-overhyped reboot fails on most of the crucial issues. The secret to improved corporate governance is down to several factors: ensuring board members have limited outside commitments; having a truly independent board of directors; creating incentive structures that align boards and management to all stakeholders; and a strict enforcement mechanism rather than a soft "comply or explain" regime.

Bad corporate governance can hurt or kill a company, which is bad for all stakeholders, including shareholders, employees and pensioners. The FRC had a chance to clean up the boardroom but instead merely rearranged the mess.

FEATURE ARTICLE

THE TELEGRAPH

Poor Board Governance Blights UK Businesses

By *Liad Meidar*, Managing Partner
and Chief Investment Officer, Gatmore



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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.