

Gatmore Pensions Summary (GPS) October 2018

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MARKET COMMENTARY

The US-China trade dispute, rising US rates, China economic weakness and mixed corporate earnings results contributed to significant market volatility in October, with global stocks having their worst month for seven years. Eurozone economic performance was weakened by Italy's economic stagnation, as flat growth and higher bond yields contributed to the Euro reaching 10-week lows against the dollar.

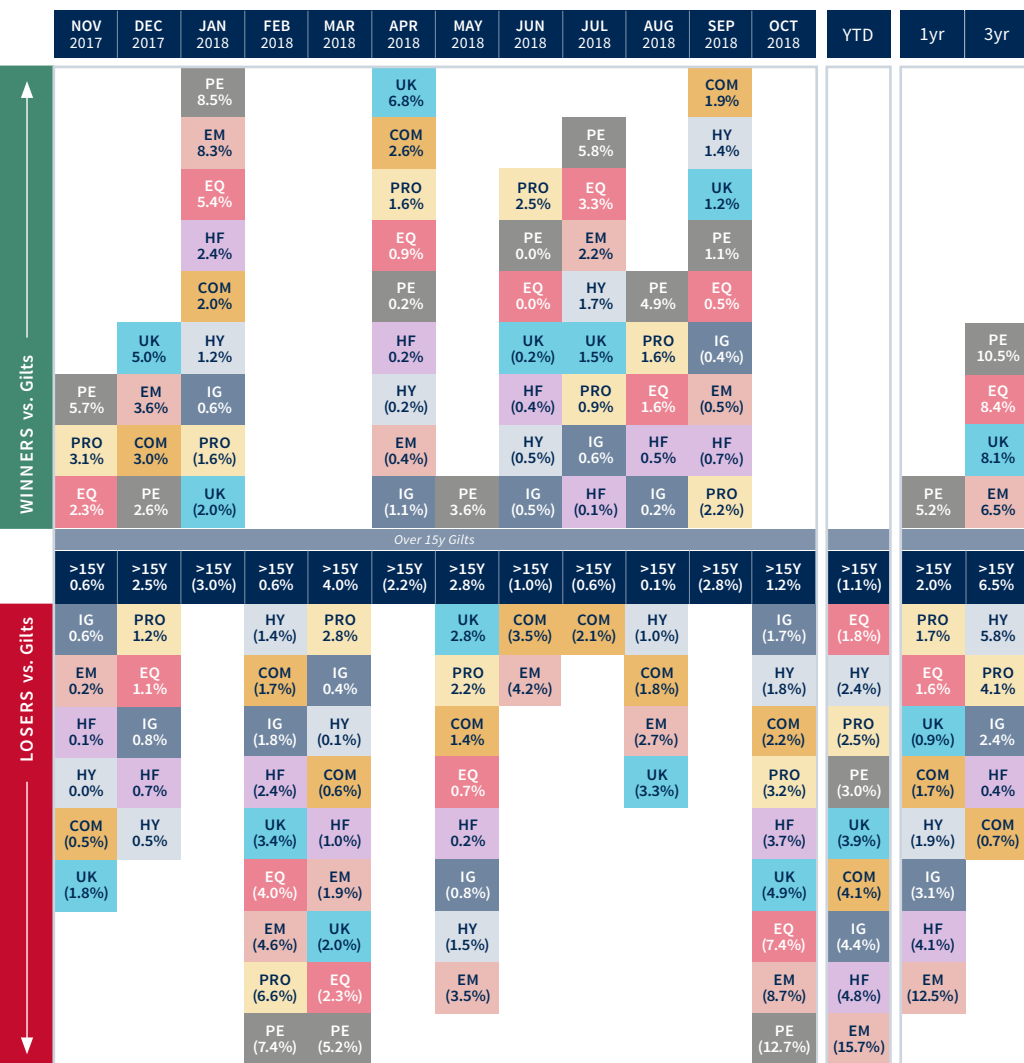
In the UK the Chancellor's budget did little to buoy UK markets and Sterling fell on the lack of Brexit progress. As risk assets faltered, investors headed for 'safe havens' pushing the yield on Gilts down from 2018 highs, making October a tough month for pension schemes.

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.



In case you missed it

Private equity: A bang or a whimper?

Committed capital sits idle as 'dry powder', given high valuations: this war chest of cash yet to be invested now stands at a record \$1.14 trillion.

[Funds Europe article](#)

Life expectancy flatlines for first time in decades

Schemes can now use factors such as socioeconomic background, health and postcode to predict membership life expectancy.

[Pensions Expert article](#)

Europe's fund managers ready for Brexit

Survey shows that more than 1/3 of financial services firms are moving some operations to Europe.

[Portfolio Institutional article](#)

Emerging market debt: Fear of the Fed

Rising rates may lead to borrowers struggling to pay back hard currency debt.

[Portfolio Institutional article](#)

European investors 'ahead of the curve' in sustainable investing

Study shows increase to 83% of European institutional investors predicting sustainable investing will become more important over the next 5 years.

[Professional Pensions article](#)

STAT OF THE MONTH

419

£million

Amount expected to be spent on Halloween in the UK in 2018.

Monthly

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 3x Multi-Asset Award Winner



GPS VIEWPOINT

The return of fundamentals

Over the past decade, three forces combined to suppress what Keynes called ‘animal spirits’, creating an environment where market fundamentals mattered less, and active managers struggled to add value.

The first of these forces was the anchoring of bond yields by central banks who engaged in unprecedented levels of monetary intervention. This created a highly correlated, ‘risk on, risk off’ backdrop to markets.

The second was the dramatic growth of quantitative trading strategies, which now account for over half of global trading volumes. These computer-driven strategies notoriously ignore business fundamentals and so further exacerbated distortions across and within asset classes.

This combination created the perfect environment for the third force: passive investing, which served to further suppress fundamentals. As money flows into indexes, the relative values of companies become increasingly locked-in, leaving active managers less able to exploit mispricing.

As central banks reverse their decade-old policies and borrowing costs rise, poorly-run and over-leveraged companies will be exposed. As these market fundamentals return, quant fund will struggle against more traditional strategies, and passive investing will become less attractive, creating a virtuous cycle for active management — and a welcomed return of ‘animal spirits’.

QUOTE OF THE MONTH

Trying to control your own destiny, not just riding the waves of financial markets... [is] an important way to control risk.

”

Paul Singer

AMERICAN HEDGE FUND MANAGER,
ACTIVIST INVESTOR, PHILANTHROPIST

‘Paul Singer, Doomsday Investor’, The New Yorker, 27 August 2018 issue



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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; (>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.