Monthly

Gatemore Pensions Summary (GPS)

November 2018

GATEMORE

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MARKET COMMENTARY

Equity market performance varied by region in November. The US and Emerging Markets rallied into the final week as US-China trade tensions eased, whilst the UK was hindered by Brexit, and Europe by Italian budget discussions and slower growth.

Despite Theresa May reaching a deal with the EU, UK markets remained bearish of a parliament-ratified deal being reached, sending UK equities and sterling downward.

Over the year to date, long dated Gilts are in negative territory, however few asset classes are outpacing them in what is proving to be a tough year. In fact, US equities is one of the only asset classes to be in positive territory through 2018.

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.

	DEC 2017	JAN 2018	FEB 2018	MAR 2018	APR 2018	MAY 2018	JUN 2018	JUL 2018	AUG 2018	SEP 2018	OCT 2018	NOV 2018	YTD	1yr	3yr
WINNERS vs. Gilts		PE 8.5%			UK 6.8%					COM 1.9%		EM 4.1%			
		EM 8.3%			COM 2.6%			PE 5.8%		HY 1.4%		PRO 3.6%			
		EQ 5.4%			PRO 1.6%		PRO 2.5%	EQ 3.3%		UK 1.2%		PE 3.3%			
		HF 2.4%			EQ 0.9%		PE 0.0%	EM 2.2%		PE 1.1%		EQ 1.3%			PE 11.8%
		COM 2.0%			PE 0.2%		EQ 0.0%	HY 1.7%	PE 4.9%	EQ 0.5%		IG (0.4%)			EM 9.4%
	UK 5.0%	HY 1.2%			HF 0.2%		UK (0.2%)	UK 1.5%	PRO 1.6%	IG (0.4%)		COM (0.6%)	PRO 1.0%	PE 2.8%	EQ 9.0%
	EM 3.6%	IG 0.6%			HY (0.2%)		HF (0.4%)	PRO 0.9%	EQ 1.6%	EM (0.5%)		HF (0.8%)	PE 0.2%	PRO 2.2%	UK 7.4%
	COM 3.0%	PRO (1.6%)			EM (0.4%)		HY (0.5%)	IG 0.6%	HF 0.5%	HF (0.7%)		HY (1.0%)	EQ (0.5%)	EQ 0.6%	HY 6.2%
	PE 2.6%	UK (2.0%)			IG (1.1%)	PE 3.6%	IG (0.5%)	HF (0.1%)	IG 0.2%	PRO (2.2%)		UK (1.6%)	HY (3.3%)	UK (0.7%)	PRO 5.8%
Over 15y Gilts	>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 (2.8%)	>15Y 1.2%	>15Y (3.2%)	>15Y (4.2%)	>15Y (1.8%)	>15Y 4.8%
LOSERS vs. Gilts	PRO 1.2%		HY (1.4%)	PRO 2.8%		UK 2.8%	COM (3.5%)	COM (2.1%)	HY (1.0%)		IG (1.7%)		COM (4.7%)	COM (1.8%)	IG 2.6%
	EQ 1.1%		COM (1.7%)	IG 0.4%		PRO 2.2%	EM (4.2%)		COM (1.8%)		HY (1.8%)		IG (4.7%)	HY (2.9%)	COM 1.6%
	IG 0.8%		IG (1.8%)	HY (0.1%)		COM 1.4%			EM (2.7%)		COM (2.2%)		HF (5.1%)	IG (4.0%)	HF 0.6%
	HF 0.7%		HF (2.4%)	COM (0.6%)		EQ 0.7%			UK (3.3%)		HF (3.1%)		UK (5.4%)	HF (4.4%)	
	HY 0.5%		UK (3.4%)	HF (1.0%)		HF 0.2%					PRO (3.2%)		EM (12.2%)	EM (9.1%)	
			EQ (4.0%)	EM (1.9%)		IG (0.8%)					UK (4.9%)				
			EM (4.6%)	UK (2.0%)		HY (1.5%)					EQ (7.4%)				
			PRO (6.6%)	EQ (2.3%)		EM (3.5%)					EM (8.7%)				
			PE (7.4%)	PE (5.2%)							PE (12.7%)				

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

In case you missed it

Recessions and bear markets: close relations but not twins

Markets are not always predictors of recessions.

Financial Times article *

ESG investing: the temperature is rising

From October 2019 trustees must disclose their policy on ESG, to the extent they have a material impact on financial performance.

Pensions Expert article

How AI could change manager selection at world's biggest pension fund

Japan's Government Pension Investment Fund and Sony Computer Science Laboratories have developed a prototype AI system to deliver more prudent selection and monitoring of fund managers.

Investment & Pensions Europe article

FTSE100 dividends outweigh deficits

The Pensions Regulator voices concerns over increasing disparity between deficit contributions and dividends payments.

Portfolio Institutional article

Landmark GMP ruling to narrow gender gap

Lloyds Banking Group to equalise pensions pay-outs for men and women could mean a £12bn increase on the FTSE 100 balance sheets for pension liabilities.

Portfolio Institutional article

STAT OF THE MONTH

100
years

World War I 100th anniversary of the 1918 armistice.

Source: life.

Monthly

3x Multi-Asset Award Winner

WINNER
DB Multi-Asset Manager of the year
GATEMORE CAPITAL MANAGEMENT LLP
2018
PROFESSIONAL PENSIONS
UK Pensions Awards

WINNER
Multi-Asset Funds (inc DGFs) of the year
GATEMORE CAPITAL MANAGEMENT LLP
2018
PENSIONS EXPERT
Pension and Investment Provider Awards

WINNER
Multi-Asset Manager of the year
GATEMORE CAPITAL MANAGEMENT LLP
2017
PENSIONS AGE
Pensions Age Awards

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GPS VIEWPOINT

Cracks in the credit market

The focus in October and November has been on the sharp falls in equity markets. As well-publicised global issues have come to a head, the UK has fallen 6.4% since the end of September, Europe is down 6.5% and the US is down 2.8%. Volatility is back.

However, away from this there are also worrying signs in credit markets. Morgan Stanley data shows how credit spreads have risen across the globe since late summer. Driven by the withdrawal of liquidity by central banks, European and Emerging Market spreads rose first, followed by US high yield which showed a sharp uptick this month.

Although fundamentals may look relatively strong, the signs are that tightening monetary policy is starting to bite and, over a period when companies have been issuing bonds cheaply to buy back equity, debt has been helping to support the equity market. Perhaps the fall in equity markets is a reflection of rising spreads.

Whilst all eyes are on the equity market maybe we are also coming to the end of the credit bull run.

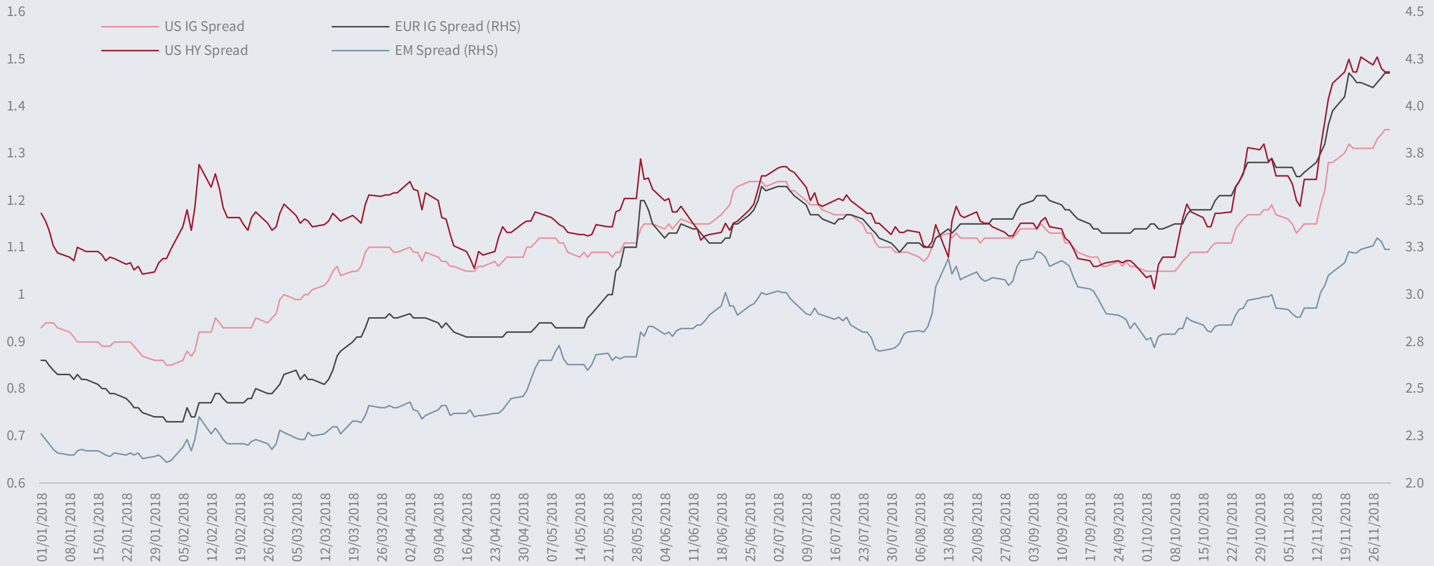
QUOTE OF THE MONTH

Credit is a system whereby a person who can't pay, gets a person who can't pay to guarantee that they can pay.

Charles Dickens

'Little Dorrit', first published in 1855

Credit spreads widening



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Indices. 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. Credit spreads chart: BC UA Corporate Avg OAS, BC U.S. Corp HY Avg OAS, Barclays EA Corp Avg OAS, EM USD Aggregate Avg OAS. Source: Bloomberg.