

Monthly

Gatmore Pensions Summary (GPS) January 2019

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MARKET COMMENTARY

After a December that rocked markets, January provided some reprieve with a broad-based rally reminiscent of the start of 2018. Though concerns remain around global growth and US-China trade relations, markets were buoyed by reports of progress on the latter and the Federal Reserve taking a more dovish stance. The UK lagged global equities, weighed down by pervasive Brexit concerns, which also buoyed long dated Gilts. In Europe, recession worries in Germany and Italy hampered European market performance. The more upbeat market sentiment benefited credit markets as well, with the more risk on environment being most beneficial to high yield credit but also accretive for higher quality corporate bonds.

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.

	FEB 2018	MAR 2018	APR 2018	MAY 2018	JUN 2018	JUL 2018	AUG 2018	SEP 2018	OCT 2018	NOV 2018	DEC 2018	JAN 2019	YTD	1yr	3yr
WINNERS vs. Gilts			UK 6.8%					COM 1.9%		EM 4.1%					
			COM 2.6%			PE 5.8%		HY 1.4%		PRO 3.6%		PE 11.3%	PE 11.3%		
			PRO 1.6%		PRO 2.5%	EQ 3.3%		UK 1.2%		PE 3.3%		PRO 11.0%	PRO 11.0%		
			EQ 0.9%		PE 0.0%	EM 2.2%		PE 1.1%		EQ 1.3%		EM 8.8%	EM 8.8%		PE 15.7%
			PE 0.2%		EQ 0.0%	HY 1.7%	PE 4.9%	EQ 0.5%		IG 0.4%		EQ 7.8%	EQ 7.8%		EM 14.9%
			HF 0.2%		UK 0.2%	UK 1.5%	PRO 1.6%	IG 0.4%		COM 0.6%		COM 5.4%	COM 5.4%		EQ 11.6%
			HY 0.2%		HF 0.4%	PRO 0.9%	EQ 1.6%	EM 0.5%		HF 0.6%		HY 4.4%	HY 4.4%		UK 8.9%
			EM 0.4%		HY 0.5%	IG 0.6%	HF 0.5%	HF 0.7%		HY 1.0%		UK 3.6%	UK 3.6%		HY 8.7%
		IG 1.1%	PE 3.6%	IG 0.5%	HF 0.1%	IG 0.2%	PRO 2.2%			UK 1.6%		IG 2.3%	IG 2.3%		PRO 7.4%
															PRO 8.2%
LOSERS vs. Gilts															

In case you missed it

Is consolidation only for the healthy?

Our view on the subject of pension consolidation.

[Pensions Expert article](#)

Volatility: how 'algos' changed the rhythm of the market

High frequency trading algorithms now dominate the market-making that was once done by people.

[Financial Times article *](#)

Will we see a rerun of a market meltdown, just like in 2016?

Fed Chairman compares the current economic climate to that of three years ago.

[Financial Times article *](#)

Dividends hit record level in 2018; yields 'exceptionally high'

The yield on UK shares is anticipated to reach 5% for the top 100 companies.

[Professional Pensions article *](#)

Chart of the week: pension funds' objectives for 2019

123 asset owners share their priorities for the year ahead.

[Investment & Pensions Europe](#)

XPS Pensions: Trustees must 'wake up and smell the coffee' after CMA review

Advisors may be steering trustees towards their own products and services whilst spinning the CMA review to suit their bias.

[Professional Pensions article *](#)

STAT OF THE MONTH

13 slams

Number of England Six Nations grand slams, the highest.

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 3x Multi-Asset Award Winner



GPS VIEWPOINT

Is Consolidation Only For The Healthy?

Consolidation, a specially created entity absorbing the assets and liabilities of companies — generally healthy pension schemes — is the next evolution for pension funds. Love it or hate it, there is no doubt that once one deal is done many more will follow and consolidation has the potential to be a game changer for pension funds.

While this approach may work well for healthier schemes, which is good business for the consolidator, it is far from clear for how consolidation might work for weaker ones. The failure to properly address this is what is missing from the DWP consultation in January - despite it being a key issue in the 2017 Green Paper.

What we would like to see is a way of bringing weaker, so-called 'zombie' schemes, into the consolidation fold to benefit members, corporate sponsors and the Pensions Regulator. The Green Paper itself discussed the potential to simplify Regulated Apportionment Arrangements (RAA) or change member benefits.

If a means can be found for companies to address their pension liability, they may actually be able to flourish. This is a more attractive option than leaving them to limp on for a few years, delaying the inevitable insolvency and the accompanying entry of the failed company's scheme into the PPF.

There needs to be a way of offering consolidation to weaker schemes as well as more attractive, healthy ones. Such a system would be a win for members, a win for the PPF and a win for weak companies.

For more detail, see our [op-ed piece](#) in Pensions Expert on 16 January.

QUOTE OF THE MONTH

The desire to be a politician should bar you for life from ever being one.

”

Sir William Connolly (Billy Connolly)

Scottish stand-up comedian, musician, presenter, actor and artist



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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.