

# Monthly

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## Gatmore Pensions Summary (GPS) May 2019

### MARKET COMMENTARY

May was generally a poor month for risk assets, although hedge funds stood up well against wider losses. Ongoing geo-political tensions provided the narrative for equity market losses, exacerbated further by sharp declines in oil price as a result of friction in the Middle East. Investment grade credit on the other hand was deemed a safe enough asset by investors, causing yields to fall slightly, in contrast to the widening in high yield credit spreads. As to be expected, Gilts performed well, more than recouping the losses made in the previous month as global political divisions began to weigh on investor sentiment.

Most commentators are now referring to being late cycle and global trade wars may well accelerate economies towards recession, with it being a matter of when, not if.

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.

	JUN 2018	JUL 2018	AUG 2018	SEP 2018	OCT 2018	NOV 2018	DEC 2018	JAN 2019	FEB 2019	MAR 2019	APR 2019	MAY 2019	YTD	1yr	3yr	
WINNERS vs. Gilts				COM 1.9%		EM 4.1%		PE 11.3%	PE 4.4%			PE 4.6%				
		PE 5.8%		HY 1.4%		PRO 3.6%		PRO 11.0%	EQ 3.0%			EQ 3.6%				
	PRO 2.5%	EQ 3.3%		UK 1.2%		PE 3.3%		EM 8.8%	UK 2.3%			UK 2.3%				
	PE 0.0%	EM 2.2%		PE 1.1%		EQ 1.3%		EQ 7.8%	HY 1.4%			EM 2.1%				
	EQ 0.0%	HY 1.7%	PE 4.9%	EQ 0.5%		IG (0.4%)		COM 5.4%	COM 1.0%			HY 0.8%				
	UK (0.2%)	UK 1.5%	PRO 1.6%	IG (0.4%)		COM (0.6%)		HY 4.4%	HF 0.6%			HF 0.7%		PRO 13.8%		PE 10.7%
	HF (0.4%)	PRO 0.9%	EQ 1.6%	EM (0.5%)		HF (0.6%)		UK 3.6%	EM 0.2%			IG 0.5%		EQ 9.9%		EM 9.9%
	HY (0.5%)	IG 0.6%	HF 0.5%	HF (0.7%)		HY (1.0%)		IG 2.3%	IG 0.2%			PRO (0.4%)		UK 8.8%		EQ 9.4%
	IG (0.5%)	HF (0.1%)	IG 0.2%	PRO (2.2%)		UK (1.6%)		HF 2.1%	PRO (0.0%)			COM (0.4%)		PE 8.3%	PRO 10.4%	UK 9.2%
	Over 15y Gilts															
	>15Y (1.0%)	>15Y (0.6%)	>15Y (0.1%)	>15Y (2.8%)	>15Y (1.2%)	>15Y (3.2%)	>15Y (4.7%)	>15Y (2.1%)	>15Y (1.7%)	>15Y (5.5%)	>15Y (2.5%)	>15Y (4.5%)	>15Y (7.9%)	>15Y (6.0%)	>15Y (6.5%)	
	COM (3.5%)	COM (2.1%)	HY (1.0%)		IG (1.7%)		IG (1.2%)		UK 3.3%		IG 0.7%		HY 6.1%	IG 4.4%	HY 6.0%	
EM (4.2%)		COM (1.8%)		HY (1.8%)		HY (0.8%)		PRO 3.0%		PRO (0.2%)		IG 5.3%	HY 4.0%	PRO 5.5%		
		EM (2.7%)		COM (2.2%)		HF (2.2%)		IG 1.6%		HF (0.6%)		EM 4.1%	EQ 0.2%	IG 3.2%		
		UK (3.3%)		HF (3.1%)		EM (2.7%)		EQ 3.1%		HY (1.0%)		HF 2.6%	UK (2.5%)	HF 1.7%		
				PRO (3.2%)		UK (3.5%)		EM 0.8%		UK (2.9%)		COM 2.3%	PE (3.5%)	COM (1.7%)		
				UK (4.9%)		PRO (5.7%)		PE 0.5%		COM (3.4%)		COM (3.4%)	HF (3.7%)			
				EQ (7.4%)		COM (6.9%)		HY 0.5%		EQ (5.8%)		EM (7.3%)	EM (8.7%)			
				EM (8.7%)		EQ (7.8%)		HF 0.0%		EM (7.3%)		PE (11.3%)	COM (12.4%)			
				PE (12.7%)		PE (12.1%)		COM (0.2%)								

### In case you missed it

#### Hedge fund body primes industry for ESG demand

Survey shows that 47% of alternative investors have stopped working with managers that don't consider responsible investments.

[Funds Europe article](#)

#### 'Global property boom is over' as house prices hit breaking point

Buyers are stretched and face low returns in prime property.

[The Telegraph article](#)

#### Warren Buffet's case for capitalism

Buffet disagrees that capitalism could lead to class warfare.

[The New York Times article](#)

#### Woe is us, says the high street – but it is leases to blame really

The collapse of the high street is not just down to the internet, but also to high rents and lease obligations.

[Financial Times article](#)

#### French equity funds inside view: Worse than Brexit

Investors may be losing faith in the way France is coping with economic instability.

[Funds Europe article](#)

### STAT OF THE MONTH

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The number of multi-asset awards won by Gatmore this year.



### GPS VIEWPOINT

## Is There Value In Unloved Strategies?

Since the trough of the financial crisis, equities and high yield credit have enjoyed stellar runs, multiplying severalfold in a stimulative environment for business growth. Hedge fund strategies such as Macro on the other hand have failed to harness the bull run over the same period, despite stand-out performances that preserved capital and generated significant alpha over the worst months of 2008 and 2009. Macro Managers have since experienced a string of outflows, the latest cluster of which came over a poor Q4. Despite posting gains of 1.4% in December, when US equities were down over 9%, outflows topped \$6.5bn according to HFR.

On the other hand, whilst the industry is suffering net outflows, Asset Backed Fixed Income strategies have benefitted from higher allocations. The strategy was the best performer in the years prior, during and post-crisis, doubling assets and far outperforming the S&P 500. However, with only 4% of assets placed in Asset Backed of the whole Fixed Income investment universe (according to Guggenheim), it is clear that this is another under-utilised strategy, particularly in times of adversity.

Bloomberg recently reported S&P 500 ETF inflows in excess of \$11bn, as investors take confidence following strong US equity performance. However, despite stronger than expected 2019 macroeconomic data and an accommodative central bank environment, the growing consensus is that we are nearing the late stage in the economic cycle. Pairing this with various geo-political tensions, investors would be advised to think which strategies may provide the most protection in the next downturn.

### QUOTE OF THE MONTH

*In investing, what is comfortable is rarely profitable.*



**Robert Arnott**

*American entrepreneur and investor*

*Gatemore has received three Multi-Asset Awards this year! This makes a total of six awards for our Multi-Asset Fund in the last three years.*



UK Pension Awards



FT Pension and Investment Provider Awards



Pensions Age Awards

### Important Information

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.** 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.