

Gatmore Pensions Summary (GPS) July 2019

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In case you missed it

MARKET COMMENTARY

Although Q2 US GDP growth of 2.1% beat estimates, the FOMC elected to cut interest rates by 25bps in July's much anticipated Federal Reserve meeting. This was followed by a more hawkish guidance for the second half of the year than expected, in turn leaving equities muted for the month. Boris Johnson was named UK Prime Minister, and with increased talk of a no-deal Brexit, Gilts yields outperformed all other asset classes and sterling tumbled to \$1.21, its lowest level since the July 2016 referendum result. With the outlook for Eurozone manufacturing growing ever bleak, the departing ECB President signaled a rate cut into negative territory, as well as the resumption of QE.

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.

	AUG 2018	SEP 2018	OCT 2018	NOV 2018	DEC 2018	JAN 2019	FEB 2019	MAR 2019	APR 2019	MAY 2019	JUN 2019	JUL 2019	YTD	1yr	3yr	
WINNERS vs. Gilts		COM 1.9%		EM 4.1%		PE 11.3%	PE 4.4%		PE 4.6%		PE 12.8%					
			HY 1.4%	PRO 3.6%		PRO 11.0%	EQ 3.0%		EQ 3.6%		EQ 6.7%					
			UK 1.2%		PE 3.3%	EM 8.8%	UK 2.3%		UK 2.3%		EM 6.2%					
			PE 1.1%		EQ 1.3%	EQ 7.8%	HY 1.4%		EM 2.1%		UK 4.0%					
		PE 4.9%	EQ 0.5%		IG 0.4%	COM 5.4%	COM 1.0%		HY 0.8%		HY 3.2%					
		PRO 1.6%	IG 0.4%		COM 0.6%	HY 4.4%	HF 0.6%		HF 0.7%		IG 2.8%					
		EQ 1.6%	EM 0.5%		HF 0.6%	UK 3.6%	EM 0.2%		IG 0.5%		COM 2.7%					
		HF 0.5%	HF 0.7%		HY 1.0%	IG 2.3%	IG 0.2%		PRO 0.4%		PRO 2.1%					
		IG 0.2%	PRO 2.2%		UK 1.6%	HF 2.1%	PRO 0.0%		COM 0.4%		HF 1.6%					
						Over 15y Gilts										
		>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 0.2%	>15Y 3.2%	>15Y 11.5%	>15Y 11.2%	>15Y 3.0%
	LOSERS vs. Gilts	HY 1.0%		IG 1.7%		IG 1.2%		UK 3.3%		IG 0.7%		UK 2.2%		HY 10.0%	PRO 9.8%	HF 1.9%
COM 1.8%			HY 1.8%		HY 0.8%		PRO 3.0%		PRO 0.2%		PE 1.5%		EM 9.2%	IG 7.2%	COM 0.7%	
EM 2.7%			COM 2.2%		HF 2.2%		IG 1.6%		HF 0.7%		HF 0.8%		IG 8.3%	HY 6.5%		
UK 3.3%			HF 3.1%		EM 2.7%		EQ 1.3%		HY 1.0%		PRO 0.7%		HF 5.1%	PE 4.4%		
			PRO 3.2%		UK 3.5%		EM 0.8%		UK 2.9%		EQ 0.6%		COM 4.4%	EQ 4.2%		
			UK 4.9%		PRO 5.7%		PE 0.5%		COM 3.4%		HY 0.4%			UK 2.3%		
			EQ 7.4%		COM 6.9%		HY 0.5%		EQ 5.8%		IG 0.1%			HF 1.0%		
			EM 8.7%		EQ 7.8%		HF 0.0%		EM 7.3%		COM 0.7%			EM 2.2%		
			PE 12.7%		PE 12.1%		COM 0.2%		PE 11.3%		EM 1.2%			COM 5.4%		

Size matters less than skill in asset management's new world

Performance is coming from boutique firms who focus on doing one thing well.

[Financial Times article *](#)

How can trustees recession-proof their investment strategies?

Trustees should look to stress protection, trading strategies and global government bonds for recession protection.

[Professional Pensions article *](#)

The Disneyworld trap

ECB President warns of further quantitative easing if risk outlook doesn't recover.

[Investment & Pensions Europe article](#)

The Pension Superfund announces second deal

The Pension Superfund has signed its second deal taking £300m of defined benefit liabilities from an unnamed pension scheme.

[Professional Pensions article *](#)

STAT OF THE MONTH

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Boundaries hit by England in Cricket World Cup final



GPS VIEWPOINT

Negative Yields

As global growth slows, Central Banks have turned dovish and investors have piled back into already inflated bond markets, resulting in record levels of negatively yielding debt. In total \$11.5 trillion of assets are now negatively yielding.

The impact is particularly pronounced in European credit markets where the ECB's unconventional monetary policy of buying corporate bonds has left little room for further tightening of credit spreads. There is now over €500 billion of European credit with a negative yield, accounting for 25% of the market. Even more extraordinary is the €100 billion of BBB rated Euro corporate debt with a negative yield.

This means investors are already paying to invest in the debt of companies that only just qualify as Investment Grade. This begs the question, if Central Banks really need to 'turn the taps back on' in the face of further economic weakness, how effective will further easing be and can central bankers invent more unconventional monetary policies to stimulate the economy without creating more asset bubbles?

QUOTE OF THE MONTH

Two roads diverged in a wood, and I took the one less traveled by, and that has made all the difference.



Robert Frost

'The Road Not Taken', 1916



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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.