

Monthly

CONTACT

Gatmore Capital Management LLP
 020 7580 0300
 info@gatmore.com
 www.gatmore.com

Gatmore Pensions Summary (GPS) October 2019

In case you missed it

MARKET COMMENTARY

Global growth concerns remained in October, despite some perceived improvement in global trade and a general easing of recessionary fears globally. Through the month, risk assets rallied with equities, particularly Emerging Markets, performing strongly. Conversely 'haven' assets, such as UK government bonds, performed poorly as yields rose from their lows in September. The Federal reserve cut rates for the third time this year but cited the thawing Sino-US relations and strong consumer activity as reasons to pause any further rate cuts. The UK extended Article 50 past the PM's do or die deadline, and the UK is now set for an election on 12 December.

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

Gatmore nominated for European Asset Management Firm of the Year < €20bn award by Funds Europe Awards 2019.

[Fund Europe Awards 2019 shortlist](#)

Do investors have to sacrifice returns to invest responsibly?

Studies show ESG investments can enhance returns.

[Funds Europe article](#)

Corporate debt 'timebomb' could trigger new global crisis

Company debt held by pension funds and insurers may be unable to cover interest costs in the event of a material downturn.

[The Times article *](#)

Fallen angels on the horizon

Bonds are being downgraded to junk, after investments were riskier than predicted.

[Portfolio Institutional article](#)

The small-cap conundrum

Small-cap indices outperform over time, but there is little proof that size alone explains returns.

[Investment & Pensions Europe article](#)

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.

	NOV 2018	DEC 2018	JAN 2019	FEB 2019	MAR 2019	APR 2019	MAY 2019	JUN 2019	JUL 2019	AUG 2019	SEP 2019	OCT 2019	YTD	1yr	3yr	
WINNERS vs. Gilts	EM 4.1%		PE 11.3%	PE 4.4%		PE 4.6%		PE 12.8%				EM 4.2%				
	PRO 3.6%		PRO 11.0%	EQ 3.0%		EQ 3.6%		EQ 6.7%				EQ 2.5%				
	PE 3.3%		EM 8.8%	UK 2.3%		UK 2.3%		EM 6.2%				PRO 2.3%				
	EQ 1.3%		EQ 7.8%	HY 1.4%		EM 2.1%		UK 4.0%				PE 4.0%	COM 2.0%			
	IG (0.4%)		COM 5.4%	COM 1.0%		HY 0.8%		HY 3.2%				UK 3.0%	IG 1.2%			
	COM (0.6%)		HY 4.4%	HF 0.6%		HF 0.7%		IG 2.8%				PRO 2.7%	HY 0.8%			PE 14.9%
	HF (0.6%)		UK 3.6%	EM 0.2%		IG 0.5%		COM 2.7%				EQ 2.0%	HF 0.2%	PRO 26.1%		EQ 12.1%
	HY (1.0%)		IG 2.3%	IG 0.2%		PRO (0.4%)		PRO 2.1%				EM 1.9%	PE (0.6%)	PE 24.9%		PRO 9.7%
	UK (1.6%)		HF 2.1%	PRO (0.0%)		COM (0.4%)		HF 1.6%				COM 1.2%	UK (1.9%)	EQ 21.1%	PRO 23.1%	EM 7.4%
	Over 15y Gilts															
LOSERS vs. Gilts	>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 6.6%	>15Y 0.9%	>15Y (3.1%)	>15Y 16.2%	>15Y 17.8%	>15Y 6.6%	
		IG (1.2%)		UK 3.3%		IG 0.7%		UK 2.2%	PRO 2.5%	HY 0.5%		UK 12.1%	PE 13.4%	UK 5.8%		
		HY (0.8%)		PRO 3.0%		PRO (0.2%)		PE 1.5%	IG 1.9%	HF 0.4%		IG 10.8%	EQ 13.0%	HY 5.2%		
		HF (2.2%)		IG 1.6%		HF (0.7%)		HF 0.8%	HF 0.4%	IG (0.8%)		EM 10.4%	EM 11.9%	IG 4.4%		
		EM (2.7%)		EQ 1.3%		HY (1.0%)		PRO 0.7%	HY (1.6%)			HY 9.6%	IG 11.8%	HF 2.2%		
		UK (3.5%)		EM 0.8%		UK (2.9%)		EQ 0.6%	EQ (1.9%)			HF 6.2%	HY 7.8%	COM (0.7%)		
		PRO (5.7%)		PE 0.5%		COM (3.4%)		HY 0.4%	COM (2.3%)			COM 5.2%	UK 6.5%			
		COM (6.9%)		HY 0.5%		EQ (5.8%)		IG 0.1%	PE (2.6%)				HF 3.5%			
		EQ (7.8%)		HF 0.0%		EM (7.3%)		COM (0.7%)	UK (4.1%)				COM (2.6%)			
		PE (12.1%)		COM (0.2%)		PE (11.3%)		EM (1.2%)	EM (4.9%)							

Please see disclosures overleaf for indices used. * Paywall.

Source: UK statistics.

STAT OF THE MONTH

1923

The last December election in the UK



GPS VIEWPOINT

The Consequences of a Yield Hunt

In October the IMF published its Global Financial Stability report which highlighted liquidity concerns in credit markets. It examined 1760 bond funds (c. 60% of outstanding fixed income assets globally) and concluded that 17% would be unable to meet liquidity demands if their largest month's redemption occurred again.

This is not a surprising statistic given that the world has been on a yield hunt for the last 10 years. As QE has suppressed global yields (25% of global bond yields are now in negative territory), investors have sought more and more exotic and/or higher yielding solutions to satisfy their thirst.

The problem is then that higher yielding assets become less higher yielding and the risk of default and illiquidity is underpriced. Come the crunch, the perceived liquidity is just not there.

Globally this is an issue, but closer to home, those that have piled into direct lending and emerging market debt to "match" pension liabilities should ask the question — is this now a return free risk?

QUOTE OF THE MONTH

Usually, just as a holder's desire to sell an asset increases, his ability to sell it decreases.



Howard Marks

American investor and writer, co-founder of Oaktree Capital Management



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.

Important Disclosure on Gatecore Capital Management LLP – Gatecore Capital Management LLP is authorised and regulated by the Financial Conduct Authority. Registered No. OC346366. Registered Office: 33 Cavendish Square, London W1G 0PW, United Kingdom. The information in this document is communicated by Gatecore Capital Management LLP "Gatecore" and is directed only at persons who are professional clients, eligible counterparties and professional investors, as defined in EU Directive 2011/61/EU (AIFMD) for the purposes of the rules and guidance of the Financial Conduct Authority and the services or investments referred to in this document are only available to professional clients, eligible counterparties and professional investors. Retail clients should not rely on the information herein.

Accuracy of information – All information presented in the tables herein has been extracted or sourced from third parties which Gatecore believe to be reliable and any opinions expressed based on such information is given on the basis that no reliance can be placed on it (such information and opinions to referred herein as "Content"). No representation, warranty or undertaking, express or implied, is made or given by Gatecore or any representative of Gatecore as to the accuracy, reliability or completeness of the Content. In no event will Gatecore or any of its directors, officers or employees be liable to any person for any direct, indirect, special or consequential damages arising any use or misuse of the Content.

The Content is valid as at the date of this document and are subject to change depending on changing market conditions. Gatecore has no obligation to update, modify or amend this document or to otherwise notify any recipients if the Content changes or becomes out of date or inaccurate.

No investment advice – The Content does not constitute generic or tailored investment advice. The Content is provided on the understanding that any person who acts upon or in reliance on the information does so at its own risk.

Risk factors – The investments described herein may experience substantial or sudden loss, including total loss of investment. Past performance is not necessarily a guide to future performance or returns. Applications to invest in any product referred to in this document must only be made on the basis of the documentation relating to the specific investment.

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.