

Monthly

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Gatmore Pensions Summary (GPS) November 2019

In case you missed it

MARKET COMMENTARY

The start of November saw some improvement in US-China relations but this again stalled towards the end of the month, particularly after President Trump signed legislation backing the Hong Kong protesters, seen by Xi Jinping as unwarranted interference.

In markets, increased investor confidence saw equities rise, up 2.8%, to take YTD growth past 24% for the asset class. Conversely, Gilts detracted slightly as yields rebounded from recent lows, and UK property was also down, all reflecting the wider economic sentiment in the country. Geopolitics continued to take center stage with the UK election debate and US impeachment proceedings rumbling on.

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 2018	JAN 2019	FEB 2019	MAR 2019	APR 2019	MAY 2019	JUN 2019	JUL 2019	AUG 2019	SEP 2019	OCT 2019	NOV 2019	YTD	1yr	3yr	
WINNERS vs. Gilts	PE 11.3%	PE 4.4%			PE 4.6%		PE 12.8%				EM 4.2%					
	PRO 11.0%	EQ 3.0%			EQ 3.6%		EQ 6.7%				EQ 2.5%	PE 5.5%				
	EM 8.8%	UK 2.3%			UK 2.3%		EM 6.2%				PRO 2.3%	EQ 2.8%				
	EQ 7.8%	HY 1.4%			EM 2.1%		UK 4.0%			PE 4.0%	COM 2.0%	UK 1.8%				
	COM 5.4%	COM 1.0%			HY 0.8%		HY 3.2%			UK 3.0%	IG 1.2%	HF 1.1%				
	HY 4.4%	HF 0.6%			HF 0.7%		IG 2.8%			PRO 2.7%	HY 0.8%	HY 0.1%				
	UK 3.6%	EM 0.2%			IG 0.5%		COM 2.7%			EQ 2.0%	HF 0.3%	EM (0.1%)				
	IG 2.3%	IG 0.2%			PRO (0.4%)		PRO 2.1%			EM 1.9%	PE (0.6%)	IG (0.2%)		PE 31.8%		
	HF 2.1%	PRO (0.0%)			COM (0.4%)		HF 1.6%			COM 1.2%	UK (1.9%)	PRO (1.1%)		PE 15.7%		
															EQ 12.6%	
															PRO 10.3%	
															EM 9.0%	
														UK 7.1%		
Over 15y Gilts																
	>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 (1.3%)	>15Y 14.7%	>15Y 20.1%	>15Y 7.0%	
LOSERS vs. Gilts	IG (1.2%)			UK 3.3%		IG 0.7%		UK 2.2%	PRO 2.5%	HY 0.5%		COM (2.6%)	UK 14.1%	PRO 17.5%	HY 5.8%	
	HY (0.8%)			PRO 3.0%		PRO (0.2%)		PE 1.5%	IG 1.9%	HF 0.4%			IG 10.6%	PE 15.9%	IG 5.3%	
	HF (2.2%)			IG 1.6%		HF (0.7%)		HF 0.8%	HF 0.4%	IG (0.8%)			EM 10.2%	EQ 14.7%	HF 2.3%	
	EM (2.7%)			EQ 1.3%		HY (1.0%)		PRO 0.7%	HY (1.6%)				HY 9.7%	IG 11.9%	COM (2.0%)	
	UK (3.5%)			EM 0.8%		UK (2.9%)		EQ 0.6%	EQ (1.9%)				HF 7.4%	UK 10.2%		
	PRO (5.7%)			PE 0.5%		COM (3.4%)		HY 0.4%	COM (2.3%)				COM 2.5%	HY 8.9%		
	COM (6.9%)			HY 0.5%		EQ (5.8%)		IG 0.1%	PE (2.6%)					EM 7.3%		
	EQ (7.8%)			HF 0.0%		EM (7.3%)		COM (0.7%)	UK (4.1%)					HF 5.3%		
	PE (12.1%)			COM (0.2%)		PE (11.3%)		EM (1.2%)	EM (4.9%)					COM (4.5%)		

France is Europe's new economic growth engine

Macron's reforms lead to corporate tax cuts and fast-paced job creation.

[Bloomberg article *](#)

SuperFund delays are 'egregious waste' of investors' capital

The Pension SuperFund is blaming the Treasury for delays in agreeing regulation which is hindering product growth.

[Pensions Expert article](#)

Bond bubble threatens emerging markets

Fund flows in the search for yield could lead to appreciating currencies and higher inflation.

[Investment & Pensions Europe article](#)

Morgan Stanley sees market returns tumbling over next 10 years

Investors should expect lower returns compared with preceding decades.

[Bloomberg article *](#)

Yield-crazed investors pile into US subprime car loans

Investors and analysts see low unemployment and rising wages as evidence of the subprime sectors viability.

[Financial Times article *](#)

STAT OF THE MONTH

£500k

per year

Royalties estimated to be earned by Slade for 'Merry Christmas Everybody'.

Please see disclosures overleaf for indices used. * Paywall.

Source: Radio X.



GPS VIEWPOINT

Pension Investing: Don't Follow the Money

For most businesses, success comes from providing what customers want: a good service, a solution to a problem and/or the right price.

Pensions investing seems to be different. There is a familiar cycle to our world: find a strategy with a fantastic back test, build a product around it, develop a slick marketing campaign, raise billions, realise history does not always repeat, move to the next. Great for the industry not so good for the consumer.

Does anyone remember 130/30 funds, enhanced indexation, risk parity or portable alpha to name a few. The newest, at least at time of publishing, is multi-asset credit: investing in the "best" global bond ideas (so sold as low risk), nimble, diversified, cash plus 4 or 5%. This is compelling, we have seen the back tests, and there are some good bond managers out there to Hoover up market share. What is not to like? Well, it is credit and credit does not always work. Credit can be illiquid and credit can be volatile. Cash plus 4 or 5% is not a free lunch, it brings high yield, direct lending, distressed, real estate debt and much more into scope. It requires manager skill, specialisms and timing. All these things work, until they don't. Then we start again.

For us, the search for unicorns, whilst exciting, is fruitless. So, we continue to do what we do, avoiding the "hot money" and diversifying across different drivers of return and strategy, which includes credit. We may not be "on trend" and we may miss out on the euphoria but we can live with that. We will continue to grind out good risk-adjusted returns across the market cycle by sticking to our knitting.

QUOTE OF THE MONTH

*Hang on a minute lads –
I've got a great idea.*



Sir Michael Caine

The Italian Job 1969



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.