

Monthly

Gatmore Pensions Summary (GPS) February 2020

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MARKET COMMENTARY

February was one of the worst months for equity markets for some time on the back of escalating fears surrounding the impact of the coronavirus on the world economy. The last week of the month saw equities produce their largest weekly loss since the financial crisis. By Friday's close, broader equity markets had fallen in excess of 8% for February. Other risk assets also experienced aggressive downward moves, with crude oil tumbling to \$50p/b and broader commodities contracting 5% as global manufacturing stalled. The US dollar strengthened, as investors moved assets into more stable dollar priced securities, with gold gaining significantly over February. Gilt yields fell sharply in the final week of February, as UK investors sought safety.

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.

	MAR 2019	APR 2019	MAY 2019	JUN 2019	JUL 2019	AUG 2019	SEP 2019	OCT 2019	NOV 2019	DEC 2019	JAN 2020	FEB 2020	YTD	1yr	3yr	
WINNERS vs. Gilts		PE 4.6%		PE 12.8%				EM 4.2%		EM 7.5%						
		EQ 3.6%		EQ 6.7%				EQ 2.5%	PE 5.5%	COM 5.0%						
		UK 2.3%		EM 6.2%				PRO 2.3%	EQ 2.8%	PE 4.3%						
		EM 2.1%		UK 4.0%			PE 4.0%	COM 2.0%	UK 1.8%	EQ 2.9%						
		HY 0.8%		HY 3.2%			UK 3.0%	IG 1.2%	HF 1.0%	UK 2.8%						
		HF 0.7%		IG 2.8%			PRO 2.7%	HY 0.8%	HY 0.1%	HY 2.6%						
		IG 0.5%		COM 2.7%			EQ 2.0%	HF 0.3%	EM (0.1%)	HF 1.2%						
		PRO (0.4%)		PRO 2.1%			EM 1.9%	PE (0.6%)	IG (0.2%)	IG 0.9%						PE 7.9%
		COM (0.4%)		HF 1.6%			COM 1.2%	UK (1.9%)	PRO (1.1%)	PRO (0.1%)						EQ 7.6%
	Over 15y Gilts															
LOSERS vs. Gilts	>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 (2.4%)	>15Y 6.3%	>15Y 2.1%	>15Y 8.5%	>15Y 21.0%	>15Y 7.3%	
	UK 3.3%		IG 0.7%		UK 2.2%	PRO 2.5%	HY 0.5%		COM (2.6%)	IG 1.6%	IG 0.3%	IG 1.9%	IG 10.9%	IG 5.6%		
	PRO 3.0%		PRO (0.2%)		PE 1.5%	IG 1.9%	HF 0.4%			PRO 0.8%	HF (0.8%)	HF (0.4%)	HF (0.4%)	EQ 5.4%	EM 4.9%	
	IG 1.6%		HF (0.7%)		HF 0.8%	HF 0.4%	IG (0.8%)			HF 0.4%	HY (1.8%)	HY (1.7%)	HY (1.7%)	HF 5.3%	PRO 4.9%	
	EQ 1.3%		HY (1.0%)		PRO 0.7%	HY (1.6%)				HY 0.1%	COM (5.0%)	PRO (7.4%)	PRO (7.4%)	HY 4.5%	HY 4.4%	
	EM 0.8%		UK (2.9%)		EQ 0.6%	EQ (1.9%)				EQ (0.4%)	EM (5.3%)	EQ (8.6%)	EQ (8.6%)	PRO 3.8%	HF 1.7%	
	PE 0.5%		COM (3.4%)		HY 0.4%	COM (2.3%)				PE (0.5%)	PRO (8.2%)	EM (9.7%)	EM (9.7%)	PE (0.1%)	UK 0.9%	
	HY 0.5%		EQ (5.8%)		IG 0.1%	PE (2.6%)				UK (3.4%)	EQ (8.3%)	COM (12.0%)	COM (12.0%)	PE (1.9%)	COM (5.2%)	
	HF 0.0%		EM (7.3%)		COM (0.7%)	UK (4.1%)				EM (4.7%)	UK (9.0%)	UK (12.0%)	UK (12.0%)	UK (2.7%)		
	COM (0.2%)		PE (11.3%)		EM (1.2%)	EM (4.9%)				COM (7.4%)	PE (15.1%)	PE (15.5%)	PE (15.5%)	COM (11.1%)		

In case you missed it

'Monstrous' run for responsible stocks stokes fears of a bubble

Firms with highest ESG rankings trade at 30% more than those without.

[Financial Times article*](#)

The real concerns about the transition to CPIH

From 1990 to date a shift to CPIH would have produced only 84.7% of the RPI value.

[Professional Pensions article](#)

Open ended illiquid funds pose "systemic risk" FCA warns

The liquidity mismatch between redemption terms and underlying assets are under scrutiny.

[Portfolio Institutional article](#)

Private equity firms can't afford to ignore the climate crisis

Despite recent climate disasters, ESG remains secondary in due diligence for many firms.

[Private Equity International article*](#)

Trustees should always protect pensions

Index-linked Gilts, RPI-linked pensions and annuities will fall with CPIH change.

[Investment & Pensions Europe article](#)

STAT OF THE MONTH

6 trading days

A record number of trading days for S&P 500 to hit correction territory.

Please see disclosures overleaf for indices used.
* Paywall.

Source: Bloomberg.

GPS VIEWPOINT

What colour shall we paint the bike shed?

I was recently reminded of an old book called Parkinson's Law by C. N. Parkinson, which contains the metaphor of a bike shed. In a nutshell, if you take a multi-million pound, complicated project to a board of directors, that board will consider strategic fit, cost-effectiveness, investment and will have a sensible debate about its validity. However, if you propose a new bike shed, heated debate will be had on the colour of it. The nub of the story is that people argue about the things they have enough knowledge about to do so — projects can get stopped because of the colour not because of the viability of having a new bike shed. This has been extended to suggest that the amount of debate generated by change is inversely proportional to the complexity of that change!

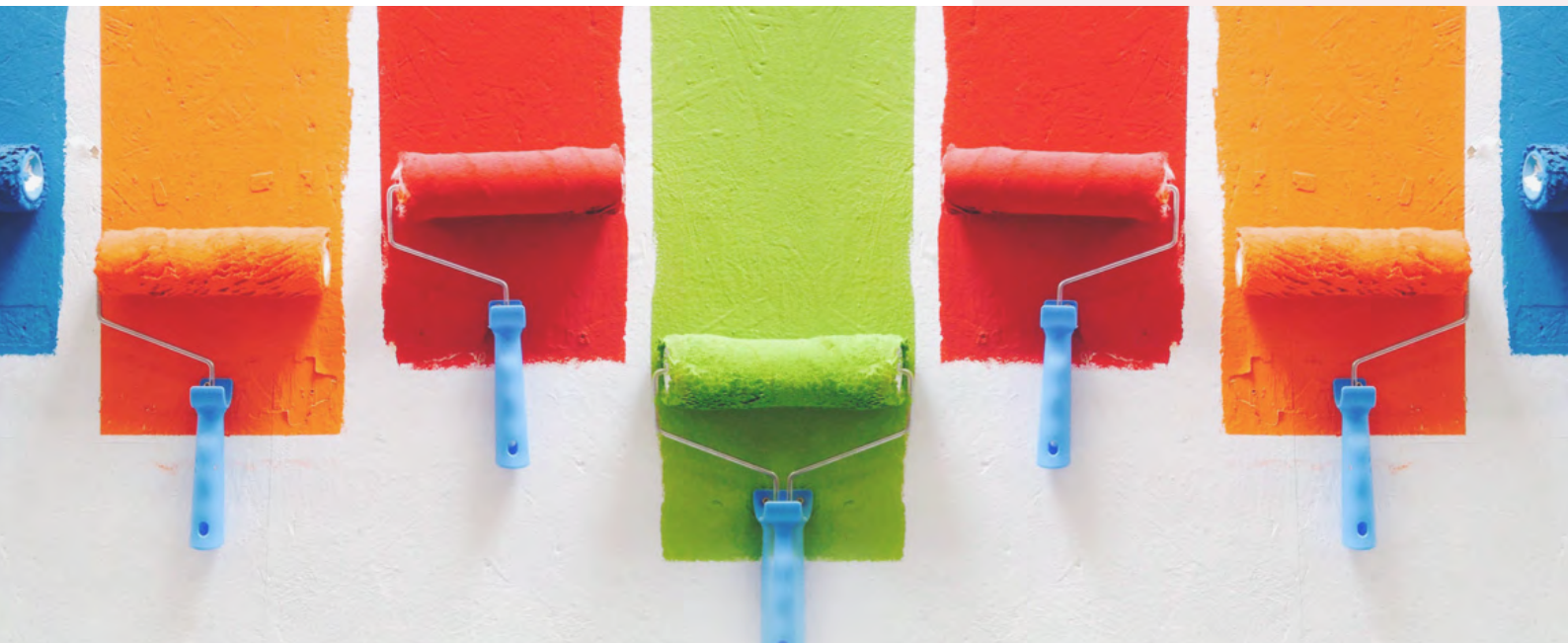
And that got us thinking: this sounds a lot like discussions on fund managers. There have been a number of occasions where we consider a new fund idea, but the focus moves on to a specific portfolio investment, one month's performance or an individual's demeanour? The hard part is to step back from the emotive and focus on the things that matter: the fit within the overall strategy and the cost-effectiveness. The debate needs to be sensible. This is not always easy as the industry is not short of opinions. However, it is critical to successful portfolio management.

QUOTE OF THE MONTH

One can't see the wood for the trees.

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Old English Proverb



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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.