Monthly

GATEMORE

CONTACT

Gatemore Capital Management LLP

020 7580 0300
info@gatemore.com
www.gatemore.com

Gatemore Pensions Summary (GPS)

March 2020

MARKET COMMENTARY

March was another volatile month for equities, as countries around the world entered Covid-19 lock-down. The Dow Jones fell 27% to mid-March, before a sharp revival saw it enter a technical bull market. Nevertheless, equities still sold off 13% over the period. Governments and central banks took evasive action, with the Bank of England cutting rates to a record 0.1% and sanctioning a £200bn QE programme to help businesses survive a lengthy period of inactivity. Gilt yields fell by 0.1% over the month, and Sterling dropped from $1.29 to $1.24, having dropped as low as $1.15, its lowest level for over 35 years. The Brent Crude oil price fell to nearly $20 a barrell, its lowest for over 20 years, as demand evapourated.

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.

	APR 2019	MAY 2019	JUN 2019	JUL 2019	AUG 2019	SEP 2019	OCT 2019	NOV 2019	DEC 2019	JAN 2020	FEB 2020	MAR 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%						
	COM (0.4%)		HF 1.6%			COM 1.2%	UK (1.9%)	PRO (1.1%)	PRO (0.1%)						
Over 15y Gilts	>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 2.5%	>15Y 11.2%	>15Y 17.6%	>15Y 8.0%
LOSERS vs. Gilts		IG 0.7%		UK 2.2%	PRO 2.5%	HY 0.5%		COM (2.6%)		IG 1.6%	IG 0.3%	HF (5.9%)	IG (5.4%)	IG 1.3%	IG 3.0%
		PRO (0.2%)		PE 1.5%	IG 1.9%	HF 0.4%				PRO 0.8%	HF (1.4%)	IG (7.2%)	HF (6.9%)	HF (1.4%)	EQ 2.3%
		HF (0.7%)		HF 0.8%	HF 0.4%	IG (0.8%)				HF 0.4%	HY (1.8%)	COM (12.8%)	HY (15.0%)	EQ (9.6%)	PE (0.3%)
		HY (1.0%)		PRO 0.7%	HY (1.6%)					HY 0.1%	COM (5.0%)	EQ (13.1%)	EQ (20.6%)	HY (10.0%)	HF (0.6%)
		UK (2.9%)		EQ 0.6%	EQ (1.9%)					EQ (0.4%)	EM (5.3%)	UK (13.4%)	COM (23.3%)	EM (17.7%)	HY (0.6%)
		COM (3.4%)		HY 0.4%	COM (2.3%)					PE (0.5%)	PRO (8.2%)	HY (13.5%)	EM (23.6%)	UK (18.4%)	EM (1.6%)
		EQ (5.8%)		IG 0.1%	PE (2.6%)					UK (3.4%)	EQ (8.3%)	EM (15.4%)	UK (23.8%)	PE (21.3%)	PRO (3.4%)
		EM (7.3%)		COM (0.7%)	UK (4.1%)					EM (4.7%)	UK (9.0%)	PE (19.5%)	PRO (28.8%)	COM (22.3%)	UK (4.1%)
		PE (11.3%)		EM (1.2%)	EM (4.9%)					COM (7.4%)	PE (16.6%)	PRO (23.1%)	PE (33.2%)	PRO (22.5%)	COM (8.6%)

Please see disclosures overleaf for indices used.
** Paywall.*

In case you missed it

Analysts point finger at 'risk parity' strategy in market rout

Risk parity funds have dropped more than 50% over a few weeks.

Financial Times article *

Distressed debt balloons to almost $1 trillion, nears 2008 peak

Government fiscal lifelines may not be enough as forced closures of companies continue.

Pensions & Investments Online article

Quants are liquidating stock exposures at fastest pace on record

Financial markets have been stalled in a cycle of selling, deteriorating liquidity and spiking volatility.

Bloomberg article

Coronavirus will change how we shop, travel and work for years

Online learning and teleworking could be the new normal following Covid-19 outbreak.

Bloomberg article

Economists are losing hope in a 'V-shaped' post virus recovery

Restrictions being lifted and then re-imposed could lead to double-dip recession.

Bloomberg article

STAT OF THE MONTH

11 trading days

The fastest bull — bear — bull market ever seen. Only 1929 is close (18 days).

Source: Morgan Stanley.

Monthly

Gatemore Pensions Summary (GPS)

March 2020

6x **Multi-Asset Award Winner**

GPS VIEWPOINT

Diversification: Back in Fashion

Over the last ten years we have had it easy. Investing in pretty much anything would have produced strong returns, so it is not surprising that investors have bought into the market as cheaply as possible: why pay more if it makes no difference?

However, over the last six weeks cheap and passive would have been the last place an investor wanted to be. We have seen countries lock down cities and borders, and people become rightly fearful about their health and their livelihoods. Nobody working today has lived through anything like this and the markets have reacted sharply and quickly. Equities are down 24% from their peak in February (having given up 34% before a month-end recovery), credit spreads have blown out to 10% and the oil price has dropped to $20 per barrel.

There is good news though: good old-fashioned diversification has worked. Those that did not throw in the towel and jump on to the passive bandwagon are now a lot happier than those that did. The "on trend" allocations to risk-parity and equities are coming under pressure and there are major cracks in credit and lending markets. However, our Multi-Asset Fund has allocations to funds that are actually producing positive returns in this environment, including volatility trading, and the value of diversification is now being seen.

QUOTE OF THE MONTH

It's the end of the world as we know it, and I feel fine.

REM

'It's the end of the world as we know it'

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.