

Monthly

CONTACT

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

Gatmore Pensions Summary (GPS) May 2020

In case you missed it

MARKET COMMENTARY

Lockdown measures were gradually lifted to varying degrees in May as the rate of new virus cases and fatalities fell. Equities continued their recovery, advancing 5.0%, and gains were made in other risk assets. US unemployment rose sharply to 14.7%, suggesting an economic recovery would perhaps not be as quick as previously hoped. Coverage of the economic impact and the shape of the recovery is substantial and the dispersion of predictions is as wide as we have seen for a long time, meaning caution is key.

Gilt yields were relatively flat during the month, with a slight fall in the value of over 15 year gilts, whilst Sterling fell marginally from \$1.25 to \$1.24. Following a torrid first four months of 2020, the oil price rebounded almost 90% to produce its strongest month on record.

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.

	JUN 2019	JUL 2019	AUG 2019	SEP 2019	OCT 2019	NOV 2019	DEC 2019	JAN 2020	FEB 2020	MAR 2020	APR 2020	MAY 2020	YTD	1yr	3yr
PE	12.8%				EM 4.2%		EM 7.5%						PE 6.3%		
EQ	6.7%				EQ 2.5%	PE 5.5%	COM 5.0%						HY 5.1%		
EM	6.2%				PRO 2.3%	EQ 2.8%	PE 4.3%						EQ 5.0%		
UK	4.0%				PE 4.0%	COM 2.0%	UK 1.8%	EQ 2.9%					COM 4.3%		
HY	3.2%				UK 3.0%	IG 1.2%	HF 1.0%	UK 2.8%					UK 3.3%		
IG	2.8%				PRO 2.7%	HY 0.8%	HY 0.1%	HY 2.6%					PE 21.1%	IG 1.5%	
COM	2.7%				EQ 2.0%	HF 0.3%	EM (0.1%)	HF 1.2%					EQ 11.2%	HF 1.4%	
PRO	2.1%				EM 1.9%	PE (0.6%)	IG (0.2%)	IG 0.9%					EM 9.2%	PRO 1.0%	
HF	1.6%				COM 1.2%	UK (1.9%)	PRO (1.1%)	PRO (0.1%)					PRO 7.8%	EM 0.8%	
Over 15y Gilts															
>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 5.5%	>15Y (0.4%)	>15Y 17.0%	>15Y 21.5%	>15Y 9.4%
UK	2.2%	PRO 2.5%	HY 0.5%		COM (2.6%)			IG 1.6%	IG 0.3%	HF (5.9%)	IG 4.8%		IG 0.6%	PE 9.2%	PE 7.3%
PE	1.5%	IG 1.9%	HF 0.4%					PRO 0.8%	HF (1.4%)	IG (7.2%)	HY 4.4%		HF (2.8%)	EQ 8.1%	EQ 6.6%
HF	0.8%	HF 0.4%	IG (0.8%)					HF 0.4%	HY (1.8%)	COM (12.8%)	UK 3.9%		HY (6.8%)	IG 6.5%	IG 4.0%
PRO	0.7%	HY (1.6%)						HY 0.1%	COM (5.0%)	EQ (13.1%)	HF 2.9%		EQ (7.3%)	HF 2.9%	HY 1.5%
EQ	0.6%	EQ (1.9%)						EQ (0.4%)	EM (5.3%)	UK (13.4%)	COM (1.5%)		PE (14.0%)	HY (1.1%)	HF 0.7%
HY	0.4%	COM (2.3%)						PE (0.5%)	PRO (8.2%)	HY (13.5%)			EM (16.0%)	EM (4.4%)	EM (0.2%)
IG	0.1%	PE (2.6%)						UK (3.4%)	EQ (8.3%)	EM (15.4%)			UK (18.2%)	UK (11.8%)	PRO (0.9%)
COM	0.7%	UK (4.1%)						EM (4.7%)	UK (9.0%)	PE (19.5%)			COM (21.2%)	PRO (15.2%)	UK (3.0%)
EM	1.2%	EM (4.9%)						COM (7.4%)	PE (16.6%)	PRO (23.1%)			PRO (22.5%)	COM (17.1%)	COM (6.9%)

Druckenmiller says risk-reward in stocks is worst he's seen

The effects for the US may lead to a slew of bankruptcies.

[Bloomberg](#)

Tepper says stock market most overvalued ever outside '99

Individual stock valuations are "nuts".

[Bloomberg](#)

Will there be more blood for the oil sector?

History shows this is a return to the past.

[Institutional Asset Manager](#)

Coronavirus is strengthening the hand of ESG investors

ESG-focused companies may be better equipped for the downturn.

[Financial Times*](#)

Wall Street heavyweights are sounding alarm about stocks

Investors predict higher taxes and increased regulation post-pandemic.

[Bloomberg](#)

Citi warns markets are out of step with grim reality

Citi doubts V shape recovery assumption.

[Financial Times*](#)

STAT OF THE MONTH

32.1%

Amazon share price performance year to date

Please see disclosures overleaf for indices used.
 *Paywall.

Source: Google.



GPS VIEWPOINT

The Return of Dispersion

For ten years the stock market rose and fell like the tides of the sea. If you held on long enough, your stock pick would likely follow the same path as every other, perhaps not at the same pace or to the same degree but you would generally do well.

Even as Covid-19 began to spread around the world, stock markets capitulated together, indiscriminately.

However, since the last week in March the rebound in markets has masked the dispersion between individual stock and sector performance, reflecting the businesses and industries that may sink or swim as we come through the crisis.

For example, airlines, event businesses and high streets are going to struggle for some time yet, whereas online retailers and technology companies are doing very well, perhaps accelerating the inevitable move from real to virtual. This may therefore be the turning point for active managers who now have greater opportunity to add value by being selective.

QUOTE OF THE MONTH

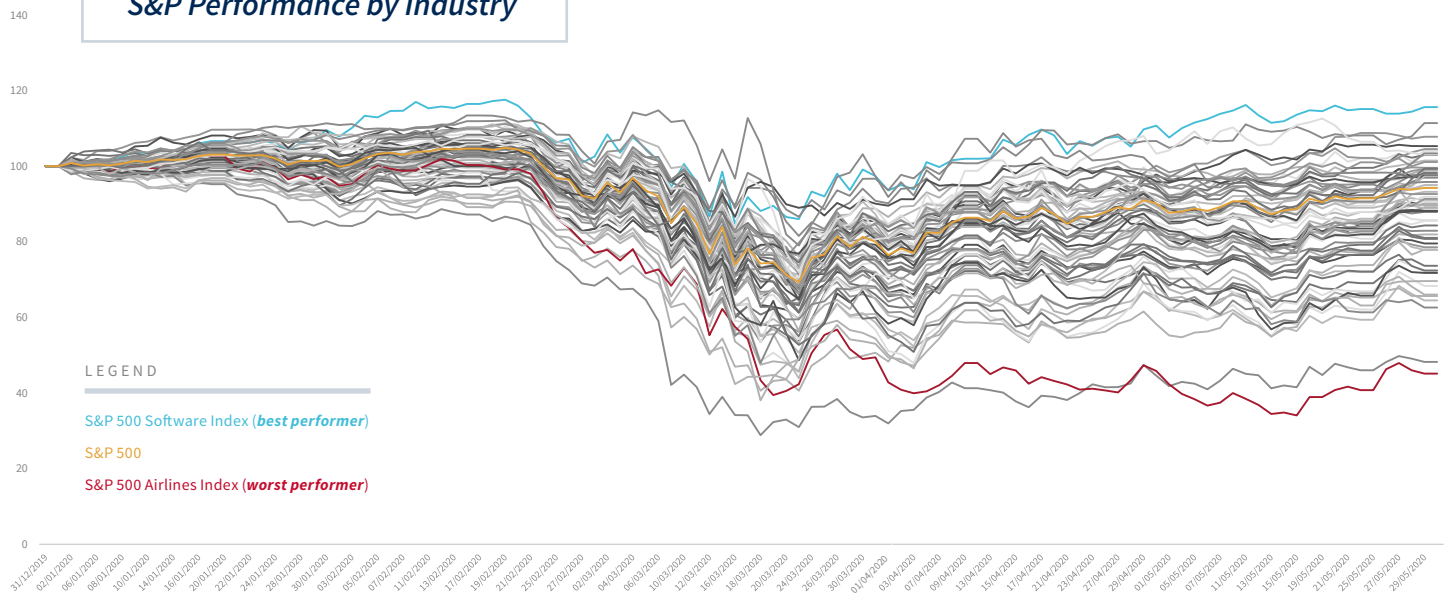
As I sat, strapped in my seat waiting during the countdown, one thought kept crossing my mind... every part of this rocket was supplied by the lowest bidder.



John Glenn

The first American to orbit the Earth, circling it three times in 1962.

S&P Performance by Industry



Important Information

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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 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.