

# Monthly

## Gatmore Pensions Summary (GPS) August 2020

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### In case you missed it

### MARKET COMMENTARY

Although a second wave of coronavirus did not fully materialise during August, global cases grew, and the UK responded by adding several countries to their two week quarantine list. Meanwhile, Brexit negotiations proved unfruitful, with the proposed UK and France fisheries agreement becoming the latest sticking point, with neither side showing willingness to make concessions. Whilst US non-farm payroll data continued to point to a recovery in employment, the Federal Reserve Chairman reiterated the importance of lenient fiscal policy to support the prolonged effects of Covid-19 on the economy. Global equities again posted strong gains, advancing 6.8%, led by the US which had the best August for over 30 years. Long-dated Gilts receded 5.6%, whilst sterling continued to take advantage of dollar weakening, moving to \$1.34 from \$1.31 at the end of the previous month. Brent crude oil finished the month at \$42.6p/b, continuing its recovery.

#### 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.

	SEP 2019	OCT 2019	NOV 2019	DEC 2019	JAN 2020	FEB 2020	MAR 2020	APR 2020	MAY 2020	JUN 2020	JUL 2020	AUG 2020	YTD	1yr	3yr
EM		4.2%		7.5%					6.3%	7.4%			16.3%		
EQ		2.5%	5.5%						5.1%	3.2%	10.3%	6.8%	6.8%		
PRO		2.3%	2.8%	4.3%					5.0%	2.7%	8.9%	6.8%	6.8%		
PE	4.0%	2.0%	1.8%	2.9%					4.3%	2.4%	5.7%	2.2%	2.2%	29.5%	
UK	3.0%	1.2%	1.0%	2.8%					3.3%	2.3%	4.9%	1.9%	1.9%	18.1%	
PRO	2.7%	0.8%	0.1%	2.6%					21.1%	1.5%	2.3%	4.5%	1.8%	14.5%	
EQ	2.0%	0.3%	0.1%	1.2%					11.2%	1.4%	2.1%	4.2%	1.6%	7.8%	
EM	1.9%	0.6%	0.2%	0.9%					9.2%	1.0%	1.8%	4.0%	1.4%	5.4%	17.2%
COM	1.2%	1.9%	1.1%	0.1%					7.8%	0.8%	1.7%	1.3%	0.3%	4.8%	10.6%
Over 15y Gilts															
>15Y	0.9%	3.1%	1.3%	2.4%	6.3%	2.1%	2.5%	5.5%	0.4%	1.3%	0.5%	5.6%	9.6%	3.4%	7.0%
HY	0.5%		2.6%		1.6%	0.3%	5.9%	4.8%					6.8%	3.9%	5.1%
HF	0.4%				0.8%	1.4%	7.2%	4.4%					6.7%	12.7%	3.6%
IG	0.8%				0.4%	1.8%	12.8%	3.9%					1.7%	14.3%	2.8%
					0.1%	5.0%	13.1%	2.9%					1.3%		1.7%
					0.4%	5.3%	13.4%	1.5%					0.4%		0.9%
					0.5%	8.2%	13.5%						9.0%		3.1%
					3.4%	8.3%	15.4%						15.9%		3.3%
					4.7%	9.0%	19.5%						19.0%		
					7.4%	16.6%	23.1%								

**Nobel-winning economist Paul Krugman starkly laid out the disconnect between the stock market and the economy in a scathing op-ed**

Krugman argues market values of tech firms lean toward investor perceptions rather than the economy.

[Business Insider](#)

**How the Fed is bringing an inflation debate to a boil**

With trillions at stake, COVID-19's legacy could be higher inflation.

[Bloomberg](#)

**The dubious appeal of ESG investing is for dupes only**

ESG advocates argue to invest in those who take ESG seriously rather than changing corporate incentives.

[Financial Times](#)\*

**Apple's \$2 trillion market capitalization is so big that it's now worth almost as much as the entire UK stock market**

Apple stock has rocketed approx. 114% since March.

[Business Insider](#)

**Gold to gain on massive currency debasement, SkyBridge says**

Gold hit a record-surge in early August to \$2075.47 an ounce.

[Bloomberg](#)

### STAT OF THE MONTH

# 1986

The last time the S&P produced an August return this high.

### GPS VIEWPOINT

## Deja Vu All Over Again

Whilst investment solutions for pension fund trustees have evolved over the last twenty years, service provision feels all too familiar.

The growth in fiduciary management is certainly a trend to continue, whether provided by the big three “consulting” firms or the increasing number of asset managers moving into the space. Traditional consultants do remain and are carving out a market providing oversight, fiduciary selection, strategic thinking and monitoring. However, the industry has been bifurcating into fiduciary managers and consulting firms for a while and the CMA review may well speed that up.

The exception to this polarisation is the big three, who provide both. However, it is going to become increasingly difficult to claim independent advice when that advice includes funds your asset management business is managing. If that does not change naturally, legislation may well force it.

We therefore see the world in five years as managers of assets and consultants. The management of assets may well be by asset class or across an entire pension fund portfolio, but they are still managers, and the consultants will continue to provide independent oversight. Sound familiar? This has been a long road to end up where we started.

### QUOTE OF THE MONTH

*Same as it ever was,  
same as it ever was.*



*‘Once in a Lifetime’  
Talking Heads*



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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.