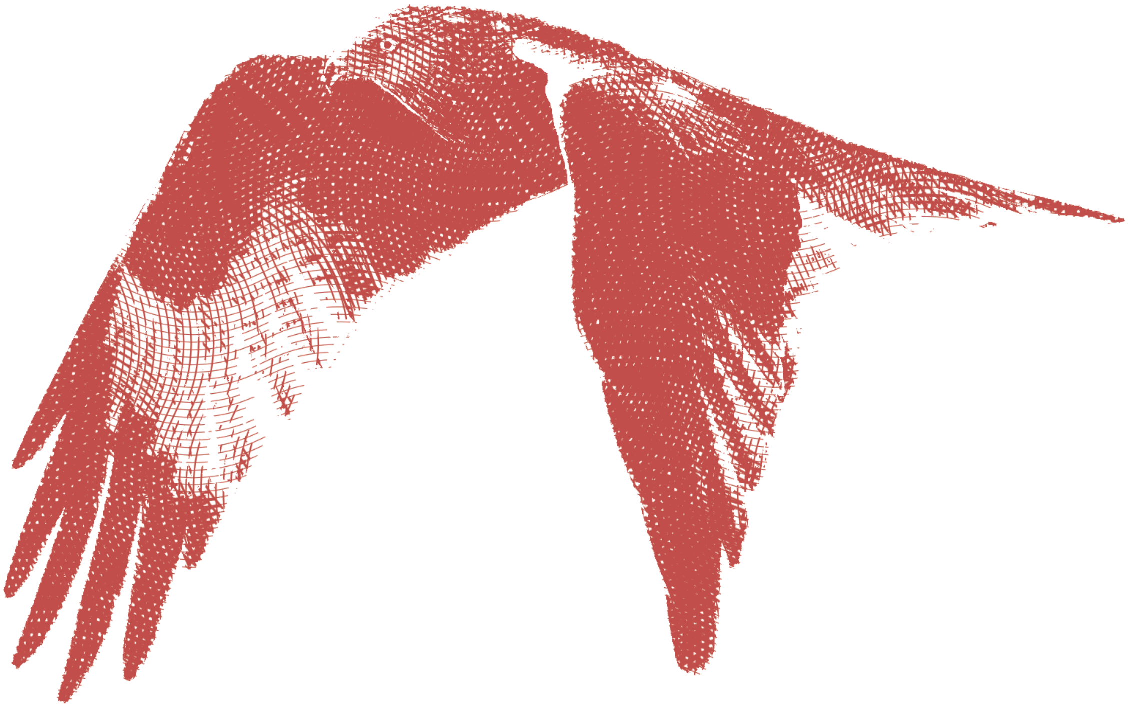
ESTATE CAPITAL INVESTMENT PORTFOLIOS
OUTLOOK

EDITION 33 Summer & Autumn 2020



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ESTATE CAPITAL

Our way of life and all that we live for has been threatened.

The world has not experienced a global pandemic of the magnitude of the coronavirus since the 1917 outbreak of Spanish Flu. Back then, due to the WWI press restrictions, the precise details of that pandemic are not published, but it is reported that 500 million people were infected and that some 40 million people died. It is no wonder that many scientists and philanthropists have been suggesting for some time that a pandemic is the greatest threat to mankind.

Our way of life and all that we live for has been threatened. The self-imposed lockdown to restrict the spread of the virus has created a sharp and deep recession. In March, as stock markets feared the worst, we saw one of the greatest losses of wealth in any one month. In April, through lockdown, we saw as dramatic a loss of liberty as the world can recall in peacetime.

The economy will have one of its worst quarters of financial inaction since the 1930s. If it were not for the massive financial interventions by governments and central banks, led by the US Federal Reserve to limit the impact of the coronavirus crisis, then the world would now be staring at a 1930's style depression.

The style and shape of the 2020 recession is constantly reviewed and analysed. There were early hopes of a V-shape recession. While that has been in part the style of the stock market recovery, it is now unlikely that the real economy will bounce back that quickly. The process of lifting the lockdown is far harder than imposing it.

Records show that the US Dow Jones Industrial Average Index fell 33.47% due to the Spanish Flu, 33.87% due to the great financial crisis and 32.81% in March due to the coronavirus. Markets have priced in the fall in economic activity, the lockdown exit difficulties, massive state support and high unemployment. As of the 14th May, the Dow Jones had recovered 25% from the floor on the 23rd of March but it was still 20.9% off its pre-crisis high of 29398 points on 14th February.

As equity markets fell, so did bonds as investors sought the safety of cash and in particular US$. The massive and decisive intervention by the US Federal Reserve in March to extend its quantitative easing programme to buy up bonds and other credit gave stability to credit markets and with that equity markets.

The global value of money committed to coronavirus measures that support economies, employers and families has been valued at around US$5tn and rising. Bloomberg Economics think that the crisis will cost the world economy US$6tn or the equivalent of a 7% fall in global GDP. The Asian Development Bank (ADB) puts this figure between US$ 5.8tn and US$8.8tn, which is 6.4% to 9.7% of global GDP. Their assumptions were based upon a lockdown of three months and restrictions lasting six months.

We are expecting a slow bumpy ride.

In the past few months, we have witnessed the most dramatic loss of wealth and liberty that the world can recall in peacetime. The Dow Jones Industrial Average fell by 32.81% and billions of people throughout the world have been in self-isolation or official lockdown.

Governments and central banks have co-ordinated the launch of a monetary and fiscal bazooka in order to avoid a depression. There is no past example of the scale and violence of the forces at play against us and the response from governments to beat the virus. National governments and central banks stepped in to 'do whatever it takes' in order to calm concerns over an economic depression and financial meltdown. Governments have now taken on the burden of their respective economies in order to keep them active and able to recover when the virus is in decline.

This monumental and co-ordinated action from the leaders of the G20 group of the world's wealthiest countries has led to an uplift in equity values. Collectively they pledged US$5tn to support the global economy in overcoming the economic impact of the coronavirus.

The US Federal Reserve, led by Jerome Powell, has been decisive. They have taken the role of lender of last resort to the whole international payments system and averted a risk to US$ denominated debt that would have particularly hurt emerging economies. The Feds actions have also stabilised credit markets, which are vital to the stability of all capital markets.

The Fed delivered a US$3bn package of measures and now sits on a balance sheet of US$5.5tn. This support package comes on top of interest rate cuts to near zero levels and the re-starting of a US$700bn quantitative easing programme. In Europe, Germany for example, launched a stimulus package worth 4% of its GDP and guaranteed loans of €822bn along with a further €600bn towards an economic stabilisation fund. These actions were proportionately matched by other G20 members.

Markets responded with significant rallies as analysts and traders came to terms with the implications of the biggest monetary stimulus in human history. We remain in a position whereby central banks are underwriting the financial system while governments are now underwriting the real economy.

What stock markets fear even more than lower corporate profits are corporate bankruptcies. These do more than just lower the expected return-on-capital; they put the return of capital in its entirety at highest risk. This is why we witnessed market panic in the middle of March forcing central banks to step in with all their financial might to prevent the coronavirus crisis from causing a financial crisis. Effectively, the central banks' objective was to allay fears of mass corporate defaults, by intervening in the debt markets to an extent that substantially lowers the risk of widespread defaults. At the same time, injecting vast amounts of additional liquidity helped satisfy the urge of so many to hold more of their capital in cash. This together with governments' fiscal support pledges, has put a safety net underneath global capital markets. Markets are reacting to the double boost of much reduced default risks emanating from bond markets and plentiful liquidity from central banks.

Morgan Stanley is warning that global GDP could fall as much as 5.1% in 2020 after a deep recession in Q2. They believe that even a strong rebound in activity in Q3 and Q4 would not prevent a recession. The level of recession will without doubt depend upon the extent of government action. According to the IMF, world GDP will fall by at least 3.8% this year which, when compared to the drop of 0.1% as a result of the 2008 great financial crisis, is very concerning. At that time global GDP growth was aided by the expansion of China but this time, even though China has been emerging from its coronavirus lockdown, its impact on world GDP will not be as dramatic.

It gives us some comfort and optimism to see that China has restarted its economy and that Wuhan City has been fully released from lockdown. The impact of the coronavirus was a 10% drop in Chinese national output. If the recovery develops as expected, China could potentially return to normal by September.

JP Morgan analysts have published a research note that suggests that 'most risk markets have probably hit their lows for this recession'. This analysis suggests that markets found their floor on 23rd March and has to date been accurate. The stock market recovery so far is looking better in terms of a rebound than both the 1987 and 2008 crises. The VIX volatility index is in decline and P/E ratios have returned to pre-crisis levels. Amazingly with all the dire economic news being reported, leading stock markets have recovered in excess of 20% since 23rd March to the end of April. The S&P 500 grew 31%, the FTSE 100 22% and the Eurostoxx 50 index 20.5%. The FTSE 100 broke through the 6000 level, hitting 6115 on 29th April, having fallen to 4993 on 23rd March. Given the huge relative outperformance of US stocks in April, it is worth noting the difference between the recovery in the US and that in Europe. A full 10% outperformance may seem stark, but given the relatively robust earnings of some of the more software focused names in US Technology, as well as the joined up fiscal and monetary response from the United States, it's clear there is a justification for Europe lagging.

This uplift in stock values came when economic data was showing that the global economy had already hit depressed levels never seen in our lifetimes. The very real pain felt by people most exposed to the economic shutdown is starkly visible and companies are warning about bankruptcy, defaults and dividend cuts. Yet, stock markets have recovered somewhere between two-thirds and half of their late-March losses. Investors may wonder why such a V-shape stock market recovery has occurred so quickly when so much of the global economic hardship is still to occur. Did markets massively overreact? Is a self-imposed recession any different from a non-prompted one? We still do not know when or how Covid-19 will be under control or whether we will suffer a second wave and further lockdown.

The average gains for a bear market are 18% so a 31% recovery in the S&P 500 is remarkable given the news output. However, even though markets have risen from a significant loss they are still heavily down on the market prices of mid-February. The S&P 500 is still -18% off, the FTSE 100 -30% off and the Eurostoxx 50 is -39% off. Given this perspective, while markets have given back significant value, we are still a long way off full recovery.

We are now expecting the recovery to follow a U-shape path. Such an outcome reflects expectations of the lifting of restrictions on movement and the return to work as business restarts, shops re-open and normal activity resumes. Not everything will come back at once and there will be some permanent damage, but the return to work will bring a significant recovery in growth, especially when supported by loose monetary and fiscal policy.

The key risk to our U- shape forecast is a potential return of the virus in the third quarter of this year, resulting in another shutdown in Q4. The Director of the WHO in Europe, Dr Hans Kluge, has warned that Europe could face a second wave of the coronavirus and this could come at the same time as other diseases such as seasonal flu and measles. As the number of Covid-19 cases are falling in the UK, France, Italy and Spain there is concern that they are rising in Russia, Ukraine and Belarus.

Dr Kluge said that now is the time to prepare for a second wave rather than celebrate the end of the first. Prof Chris Whitty, England's Chief Medical Officer, reinforced this concern that a second wave could be even deadlier that the first. It is for this reason that government guidelines on social distancing and hygiene measures are set to continue.

Dr Anthony Fauci, the Director of the US National Institute of Allergy and Infectious Diseases (NIAID) and the scientist advising the White House on their coronavirus strategy has also voiced his concern that releasing lockdown too swiftly could lead to an increase in new infections and fatalities. He said little spikes in contagion can turn into an outbreak undermining the recovery.

New case growth in Seoul has increased, putting doubt over the efficacy of global lockdown easing. South Korea has previously been celebrated as a beacon of hope for the global pandemic given its intensive lockdown allowing it to keep the total number of deaths to fewer than 300. After restrictions were eased in April, authorities have struggled with several infection clusters that have developed. Any rise in case numbers in Asia will concern Western economies particularly given South Korea's approach has been lauded as the global response template.

Given the rate of infections is still growing in countries with permanently warmer weather, like India and Brazil, we cannot be sure whether Covid-19 is following the seasonal pattern of influenza, but for the moment it would appear that the coronavirus' decline, together with the prospect of a vaccine before the winter, is providing a better near-term outlook than we could have recently expected.

We believe that markets have given back significant value, but markets still stand far lower than their February highs. This looks fair value to us given that the global economy is facing a hard recession even if propped up by US$ trillions of government support and central bank stimulus. Consumers will start spending and company profits start recovering but this does not avoid factors such as growing trade tensions with China, sovereign debt, high unemployment and corporate indebtedness all having a negative impact on the pace and style of a recovery. While markets have made steady upward progress since the end of March, we still expect a slow and bumpy ride to recovery.

That said, there will be investment opportunities as businesses develop and new demands emerge. After a heavy equity market collapse, it is often a great opportunity to catch an up market. That opportunity was greater in late March and early April than it is today. Going forward we are taking a relatively cautious stance and our new portfolios reflect that. We recommend that investors do the same in the short term.

'Fiscal support is costly, but worth it, if it helps avoid long-term economic damage and leaves us with a stronger recovery'.

So far, the USA has lost 102,957 people to Covid-19 and these numbers are expected to rise to over 200,000 by August.

This is the largest death rate of any country. Questions are bound to be asked about public policy and access to health care. One further depressing statistic is that 38.6 million Americans filed for unemployment benefits in April and May due to job cuts and the lack of a furloughing scheme. This is almost 25% of the US workforce. As an indication of how severe these job loss numbers are, it took two years after the 2008 great financial crisis to make 8 million Americans unemployed.

The US Federal Reserve launched a programme of US$700bn worth of quantitative easing aimed at buying US Treasuries and municipal bonds. The Fed also cut interest rates to 0%-0.25%. The US Senate has passed stimulus and aid packages to the value of US$5tr which includes direct payments of US$1000 to every US household as well as assistance for businesses and increases to unemployment benefits.

We have been encouraged by the extent of market stability in credit markets that the Federal Reserve has offered. The Fed has expanded its bond purchasing programme not only to buy up US Treasury bonds, but also investment grade corporate bonds and high-yielding grade corporate bonds. The Fed helped support the high-yield sub-investment grade bond market by allowing its asset purchase programme to buy the bonds of so called 'fallen angels'. Fallen angels are bonds that were recently trading as investment grade but have subsequently been downgraded to the high yield sector. This has created an easing of concerns over the liquidity available in the high-yield market to absorb fallen angels with significant amounts of debt.

The Fed allocated US$850bn to buy up all forms of credit including, credit card debt, car loans, student debt and commercial mortgages in order to stem bankruptcies. It is their broad and assured interventions that has underpinned confidence in credit markets and hence equity markets during these exceptionally difficult times. The Fed also reassured markets that the lower band for interest rates would remain at zero until the economy was back "on track".

As US policymakers weigh the next stage of stimulus to bolster their faltering economy, Federal Reserve chairman Jerome Powell has warned that the economic path ahead is still highly uncertain with significant downside risks. To avoid a prolonged recession and weak recovery, Powell said "additional policy measures" might be needed.

US House Democrats have proposed another US$3tn Covid-19 fiscal stimulus package, which if passed, would stand as the largest relief package in history - dwarfing the US$2 trillion stimulus measure enacted in March. The proposal for further stimulus came as the US Treasury announced that it would borrow US$3 trillion this quarter alone to fund its existing stimulus packages, taking total government debt above US$25 trillion. Additional borrowing is expected to push the US fiscal deficit to 19% of GDP, nearly double the 10% it hit during the peak of the global financial crisis ten years ago.

However, Powell said: "Additional fiscal support could be costly, but worth it, if it helps avoid long-term economic damage and leaves us with a stronger recovery." The severe decline in economic activity has already erased all the job gains of the past decade with the unemployment rate spiking to 14.7%. The unemployment rate during the Great Depression peaked at an average of 24.9% in 1933.

We have been encouraged by the extent of market stability in credit markets that the Federal Reserve has offered.

US-China trade negotiations restart.

US-China Phase Two negotiations have re-started. Negotiations last year were decidedly difficult. We expect a similar passage in this round of talks not least with Donald Trump wishing to pin the blame for the coronavirus on China.

Donald Trump's recent comments suggesting that Covid-19 began in a laboratory in Wuhan province and calling the coronavirus 'Chinese Flu' has stoked these tensions. The White House is said to have started preliminary discussions to explore ways of 'punishing' China for its response to the coronavirus though details are not yet forthcoming. There is talk of the US possibly cancelling its debt obligations with China which would effectively mean that China's stockpile of US Treasuries would be worthless. In reality, this is very unlikely given the knock-on impact this would have on the US dollar as the world's reserve currency and on US funding costs going forward.

Given how much uncertainty and the resulting volatility that the US-China trade war provided to markets in 2018 and 2019, this is undoubtedly a risk through 2020. The White House will be keen to proactively respond to perceived failings in the Chinese response but will equally be concerned about the economic recovery and stock market performance. Donald Trump will be well aware of the risks of increasing tensions whilst the economy is weak and stock markets still well off their highs. Should markets continue to show weakness this may test the appetite for pursuing China.

Donald Trump has suggested that he will review the Phase One trade deal agreed with China earlier this year. Specifically, this review will check whether China is delivering on its obligations to buy an additional US$200bn of American goods over the next 2 years and is expected to coincide with a reassessment of the temporary license given to Huawei to operate in the US.

In Beijing, the annual Communist Party parliamentary session has just rubberstamped a proposal to align Hong Kong's legal status much more closely with mainland China. This will give the Chinese authorities far-reaching powers to crack down on the freedoms of the people of Hong Kong. This also entirely devalues their parallel announcement of intending to honour the US-China Phase One trade truce of January, because the US would never be able to do the same if China effectively annexed Hong Kong.

We expect US policy towards China to be a key theme of the US Presidential election given Joe Biden has already accused Donald Trump of being soft on China. Whilst financial markets have bounced from their lows in March, the broader economy remains fragile so any resurgence in tariff risks could lead to bouts of volatility. Neither US presidential candidate will benefit from being seen directly as China's friend during the election campaign, but Donald Trump will benefit greatly if the US economy is recovering well.

The BoE are forecasting a 14% fall in 2020 followed by a 15% recovery in 2021.

The UK government has stepped in to protect the jobs of the UK workforce by promising to pay 80% of an employee's income up to a maximum of £2,500 until October and maybe longer.

This will allow employers to stand down staff and avoid mass unemployment. Companies have the confidence to keep workers on even if they are inactive. This allows the country's productive capacity to be quickly engaged when lockdowns are lifted and some form of normality returns. It is estimated that the furloughing scheme is expected to cost £100bn by October. The scheme is currently covering the income of 8.4 million workers. The Chancellor launched similar support to the self-employed and two million have already applied for government grants costing £2bn so far.

The UK government furloughing scheme has been a bold and important job and business retention scheme, but equally the longer lockdown measures continue, the scheme could become a delay on redundancies rather than a job saving programme. The government is expecting between 7 and 10 million workers to be furloughed in total. The numbers of furloughed workers that return to employment will depend upon how solvent their employer is and what market exists for their goods.

Actions of this nature are unprecedented and are being rolled out in many other countries. These are the actions of governments transforming the social safety net and seeking to prevent a depression at all costs. The Treasury believes that the impact of Covid-19 upon our economy can and will be followed by a recovery. This would not be the case if millions of people were out of work and economically inactive.

The underwriting of salaries and the improvements to universal credit and housing benefits, came just days after the Chancellor launched a range of financial measures including a £330bn government backed loan scheme, £30bn of business grants, a 12 month freeze on business rates and £1bn in renters support. The Bank of England (BoE) has cut interest rates twice, from 0.75% to 0.25% and then to 0.1%, the lowest UK interest rate ever. On top of this the BOE originally offered mortgage holders a three-month mortgage holiday which has since been extended to six months.

The government is making unprecedented endeavours to minimise unemployment. Despite government support, we saw 1.2 million new unemployment benefit claims in April alone as we start to head towards jobless figures not seen since the 1980s. One in eight British adults have no savings at all and therefore it is expected that a desperate growth in credit card debt and overdrafts will follow this pandemic.

There is a fine balance to be made between health and wealth as the country moves out of lockdown. There is also a balance between the government paying or subsidising the wages of 8.4 million PAYE workers and potentially 5 million self-employed workers and how long can it continue. The important furloughing scheme currently costs £10bn per month and could yet rise to over 8 million recipients. The ongoing sustainability will depend upon the rate of return to work over the next few months.

The Bank of England has warned that UK GDP will fall by -25% in Q2, will recover in Q3 and Q4 but not reach pre-virus levels until 2022. The BoE made no changes to either the UK interest rate or to the scale of the quantitative easing (QE) programme. Whilst there was no change to the overall level of asset purchases, the Monetary Policy Committee in early May, did note “that the stock of asset purchases will reach £645bn by the beginning of July, at the current pace of purchases.” Given that the economy and financial markets will likely still need liquidity assistance at this point, the BoE will need to reassess the current amount of committed capital. Sterling was broadly unchanged as markets expect this further accommodation in the months ahead, especially given the Bank has reaffirmed that it “stands ready to take further action as necessary to support the economy.”

With £180bn of gilt issuance in Q2 to pay for Covid-19 measures the Bank’s QE bond buying programme will have to continue. There is some suspicion that the BoE QE programme will be purchasing the governments gilt issuance and therefore will be directly funding the deficit. Even though the BoE does not purchase gilts in the primary (direct) market and only in the secondary market, the link in size and timing is a remarkable coincidence.

Around the world high state spending will result in fast rising national debt levels. Our own Treasury is expected to borrow £273bn in 2020/21, which is six times more than we borrowed in 2019/20. This level of borrowing will leave the UK with a deficit of 14% of GDP, which is far higher than the 10% deficit built up after bailing out our banks in 2008. The past ten difficult years of deficit reductions through austerity measures have been reversed dramatically. Inevitably, there will be a future payback period with spending cuts and higher taxes.

The Treasury has assessed the full cost to the Exchequer of the coronavirus crisis to be around £300bn this year. The recent report forecasts a deficit of £337bn, far higher than previously estimated by analysts. The Chancellor's Budget in March forecasted a deficit of £55bn. These forecasts are based on an expected U-shape recovery. If the UK instead manages a V-shape recovery, then the deficit may be limited to £209bn. If we suffer an L-shape recession the coronavirus crisis could set us back over £500bn in this year alone and see the deficit rise to a dangerous £516bn.

The Treasury report stated that the U-shape recession forecast will need £25bn in extra annual tax rises to cover the cost. This equates to an increase in the basic rate from 20% to 25%. The L-shape recession would cost us £90bn in extra taxes or cuts.

The Office of Budget Responsibility (OBR) expects UK borrowing to hit 15.2% of national GDP. On VE Day 1945 debt levels stood at 22.1% of national GDP. These forecasts confirm that the British public finances are in their worst state since WW2 and clearly explain why the government want to get the economy moving again.

These figures come after the Bank of England (BoE) warned that the UK would face the sharpest recession on record. The BoE is forecasting a fall of -14% in 2020 but that this decline will be short and sharp as renewed economic activity will result in a predicted 15% recovery in 2021. The BoE expect the decline to be less prolonged than that of the Global Financial Crisis, which took 5 years to fully recover from. This time the BoE expects the economy to rebound within 2 years. This prediction has however been called 'optimistic' by some investment managers. The economic pull back will be aided by the extensive furloughing scheme which will allow workers to return to the economy swiftly.

The BoE expects unemployment to rise to over 9% this year up from the recent low rate of 4%. Inflation is expected to fall to zero by Q1 2021, partly helped by falling petrol prices and energy costs. Inflation is expected to stay exceptionally low for at least 2 years.

The BoE Chief economist, Andrew Haldane believes that over half of the UK's 33 million strong workforce are now either unemployed (2.3 million), furloughed (8.4 million), or on shorter working weeks (8 million).

The BoE is examining expanding the scope of QE to buy assets further down the risk spectrum like 'fallen angels' and high yield corporate bonds, similar to the actions taken by the Fed, in order to limit business failures and greater unemployment. The BoE is also expected to add another £100bn in June to its existing £645bn QE purchases taking the BoE balance sheet to 50% of the size of the UK economy.

According to Capital Economics, the British economy could take up to 5 years to fully recover to its pre-coronavirus position. Their model predicts a lasting economic hit with unemployment rising from 4% to nearly 9%, household incomes declining by up to 10% and 100,000 business failures. Capital Economics forecast that UK GDP will not return to 2019 levels until early 2022. These forecasts broadly match those of the Bank of England.

There has been pressure on the value of sterling over the past few months due to a damaging cocktail of issues affecting the country including the Brexit negotiations stalling, the high number of Covid-19 cases and deaths and the ballooning national debt. All these points are weighing on the value of the pound which hit a 35-year low of US$1.15 in March and now stands at US$1.22. However, a weak sterling can be helpful to our exporters and particularly our international focused companies.

There has been some suggestion that the BoE is looking into negative interest rates in the UK. This may be a new and alien concept to UK investors, but it has been the norm across the Eurozone, Switzerland, Sweden and Japan for a considerable time. The lower the rate at which the government can borrow to pay for all the coronavirus crisis costs, the less of an interest burden this constitutes for the future. Given that all western nations are increasing their borrowing at a similar rate versus their GDP, there is much less pressure to reduce the national debt levels in the near future in order not to be shunned by the bond markets for 'profligate spending habits'. This is why economists are currently far less concerned about austerity measures coming back in quite the same way as after the global financial crisis more than ten years ago.

The eurozone is becoming the single biggest danger to global financial stability.

The Eurozone has been less co-ordinated in its response to the coronavirus crisis than either the US or the UK and therefore their chances of emerging from the crisis early will have be affected.

The leaders of the Eurozone have agreed to a €500bn rescue package to aid businesses and households badly hit by the coronavirus. The agreement was delayed due to southern European countries accusing northern countries of not doing enough to support them at this time of crisis. The coronavirus has stirred a feeling from the southern European nations, particularly Italy, that the Eurozone does not provide it with sufficient support.

Italy had wanted the package to be as large as €1.5tn and that the repayments would not be linked to specific nations. France lined up alongside Italy and Spain in pursuing this strategy. The EU Covid-19 emergency package averted an immediate crisis but did expose some stark differences between the nations. The northern bloc rejected any move towards joint debt and fiscal transfers.

The package is made up of three elements, healthcare support, credit guarantees and an unemployment relief scheme. At 4.5% of GDP this is expected to be a substantial first step, but other EU wide measures are likely to be needed.

Despite this and previous support packages, Italian sovereign bond yields have been rising over the last couple of weeks in spite of equities becoming more buoyant. This is because there are many knock-on impacts of the EU and Eurozone response on the political backdrop in Italy. Domestic tensions are already high given the perception that the Northern bloc are focused on their own economies but not the wider European communities.

The European Central Bank (ECB) has supported the bond markets in Spain, Italy and Greece with an additional €750bn Pandemic Emergency Purchase Program (PEPP) of eurozone sovereign bond purchases and additional liquidity for banks. Even with this investment, EU leaders will need to take further steps which at the moment are being argued over between the Northern wealthier countries and the Southern indebted nations. Italy is particularly hurting as it is being hit by both an economic contraction and an exploding deficit. Italy's debt to GDP could rise from the current 135% to as much as 155% of GDP over the months ahead. This level of debt is considered unsustainable for a country that does not control its own currency.

The ECB further increased its actions to shelter the eurozone economy by lending to eurozone banks at a rate of -1% as long as that money is provided as lending to households and businesses. The European Banks are therefore now getting paid 1% to lend by the ECB. However, the ECB did not follow the path of the Fed in its asset purchase policy to include high yield credit. Should the ECB decide to extend the scope of its buying to fallen angels, this will provide further support to the European high-yield market. This would be positive for risk in general.

ECB Chair Christine Lagarde had previously warned EU leaders of 'doing too little too late or the Eurozone GDP will contract by 15% this year'. Mrs Lagarde has also highlighted the different approaches of member governments and the economic dangers this could bring. The economically stronger northern block is spending up to 14% of their GDP on support packages in order to achieve a swift recovery. The weaker southern block simply does not have the economic capacity to do this and are spending as little as 1%, which will impact upon their own recoveries. The ECB is cautious of doing European governments' jobs for them given Christine Lagarde has been very clear that governments need to step up with their own fiscal stimulus.

A large-scale €750bn EU wide Recovery Fund providing non-repayable grants and loans to all member states has now been unveiled in the EU parliament by Commission President Ursula von der Leyen. The Commission has dubbed the plan as Next Generation EU. However, without the backing of all 27 EU member states, it cannot go ahead. Germany and France have backed plans for the money to be raised on the capital markets.

The so called 'fiscal four' of Austria, Denmark, Sweden, and The Netherlands have stated that they are willing to contribute and back the Recovery Fund, but are determined that the fund is in the form of repayable loans and not debt sharing. A loan heavy programme is unlikely to be as warmly welcomed by the Southern bloc who are eager for fiscal burden sharing given their weaker economic status.

If we do not see coordinated fiscal burden shared across the EU, then individual countries will need to drive their own economic recovery. This is easier said than done for cash strapped countries such as Italy that will need to expand their budget deficits and finance this with bonds. As there is little appetite from investors to absorb a sizeable quantity of new Italian debt in the current environment, the ECB will need to pick up large quantities of Italian debt in the primary market. The decision of the German Constitutional Court may limit the ECB ability to facilitate such a programme.

The ECB does not wish to be the financial underwriter of insolvent countries or to buy sub-investment grade bonds. This policy mismatch with the Fed has concerned markets about the extent of support available in Europe and this is playing out in stock market returns.

The eurozone is becoming the single biggest danger to global financial stability. The pressure placed upon eurozone economies due to the coronavirus has brutally exposed its structural weaknesses.

The German courts have exposed the imbalances in Europe.

In early May, the German Constitutional Court, ruled that the German government had failed to hold the ECB to account for some of its asset purchase programs, which are intended to support the EU's economy through the coronavirus crisis.

The Court ruled that the ECB had breached EU treaty law in overstepping their mandate in their bond purchasing programme. The ECB QE bond purchasing assets now sit at €2.2tn. This ruling suggests that the ECB bond purchases violate the EU ban on one eurozone member subsidising the debt of another. To get around this ruling, the ECB have in the past been buying sovereign debt in the secondary not primary (direct) market.

The ECB has been given three months to provide an explanation. While this clearly raises some risks to the continuation of printing euros to fund asset purchases, the ECB should be able to satisfy the court's conditions. Markets took the ruling in their stride as another EU workaround is expected.

The Court did not say that the recent €750bn Pandemic Emergency Purchase Program (PEPP) was a problem, nor did it say the ECB had exceeded its remit. The European Monetary Union (EMU) should address this issue through a clear mandate, rather than 'muddling-through' yet again. Some commentators are now expecting a treaty change to legalise the ECB's actions but that will not be easy as this highlights the greater debate about the imbalance in eurozone sovereign debt.

The German Constitutional Court did however rule that some aspects of the ECB's Public Sector Purchase Programme are unconstitutional given the ECB's mandate and the EU treaties. The 7 to 1 ruling shows a mistrust by the German Constitutional Court over what they perceive as mission creep by the ECB. Given Germany's economic size within both the EU and the Eurozone, a failure of the Bundesbank to support future risk mutualisation would be a negative for European risk assets. The ruling may confirm to many German politicians that the ECB is already overstepping its mandate into a grey area and providing monetary support to member states. This will put pressure not only on future quantitative easing participation but also deliver political pressure to resist fiscal burden sharing. Whilst fiscal burden sharing is a separate topic to the ECB's monetary activity, if there is a feeling that the central bank has already allowed burden sharing via the back door, fiscal support may look even less likely going forward.

The German Constitutional Court's decision highlights the lack of unity in Europe over the need or legal ability to provide support for weaker member states. Whilst there is a monetary union within the Eurozone, a lack of fiscal union has proven problematic during the Eurozone debt crisis and more recently during the coronavirus pandemic. This German court ruling that aspects of the ECB's quantitative easing is unlawful shows a lack of unified support for burden sharing even within the monetary union. A lack of economic coordination within the Eurozone has been a key driver of our decision to underweight European equities and this decision reaffirms this view.

The German Constitutional Court has now marked out the limit of ECB intervention and this may have consequences to the range and scope of financial support the ECB can offer. Therefore, national governments will now have to decide how to react to the ruling, particularly Angela Merkel. A crisis in confidence would occur if Germany refused to support the ECB as QE in Europe would stop without German backing.

The key issue in the German Constitutional Court ruling against the ECB bond purchasing programme is that if France, Italy, Spain and Greece are denied future funding, then tax rises and spending cuts will have to result. Germany on the other hand, is able to offset the cost of the coronavirus. German Courts are exposing the imbalances in Europe and siding with their long-held aversion to inflation and support for sound money.

Without Fed intervention we may not have seen the swing back in credit markets.

As equity markets fell so did bonds, as investors sought the safety of cash and in particular US$. However, both US and UK sovereign bonds cushioned portfolio losses.

The massive and decisive intervention by the US Federal Reserve in March to extend its quantitative easing programme to purchase bonds and other credit gave stability to credit markets and with that equity markets. The panic sell-off and rush to cash did however cause spreads to widen on both corporate bonds and treasuries.

The US Federal Reserve launched a programme of US$700bn worth of quantitative easing aimed at buying US Treasuries and municipal bonds. On top of this, the Primary Markets Corporate Credit Facility (PMCCF) and Secondary Markets Corporate Support Facility (SMCSF) will result in a further US$200bn of investment grade corporate bond purchases this year.

The Fed has expanded its bond purchasing programme not only to buy up US Treasury bonds but also investment-grade corporate bonds and high-yielding grade corporate bonds. The Fed helped support the high-yield sub-investment grade bond market by allowing its asset purchase programme to buy the bonds of so called ‘fallen angels’. Fallen angels are bonds that were recently trading as investment grade bonds but have subsequently been downgraded to the high-yield sector. This has eased of concerns over the liquidity available in the high-yield market to absorb fallen angels with significant amounts of debt.

Despite the QE support, it was noticeable how different forms of bonds behaved through the market downturn. Sovereign debt was able to endure the reduction in market values, but corporate debt initially fell, particularly high-yield bonds. High-yielding bonds are more aligned to equity performance and, as would be expected declined the furthest of the credit markets. After the Fed committed capital to these markets, there was a strong swing back that stabilised values.

The comparisons between US Treasuries, UK Gilts, UK Investment Grade Bonds and UK High

Yield Bonds are illustrated below by the gross fund performance over 1 month firstly ending on 27th March and secondly ending on 12th May.

Royal London Short Duration High Yield Bond Fund	-11.64%	+0.86%
Threadneedle High Yield Bond Fund	-14.15%	+2.71%
Vanguard UK Investment Grade Bond Fund	-8.52%	+1.74%
Vanguard UK Government Bond Fund	+2.56%	+1.38%
Vanguard US Government Bond Fund	+3.53%	+0.23%

Clearly, US Treasuries and UK Gilts were able to withstand the market turmoil and supported portfolio values but we may not have seen the swing back in the corporate credit markets without Federal Reserve intervention.

The ever-increasing global debt burden means that the financial system is sensitive to changes in interest rates. Rate cuts are typically used to stimulate a weakening economy and are not usually a welcome development for stock markets in the 12 months after a cut, but bond markets can fare much better. The current levels of sovereign borrowing and QE programmes means that both short-term and long-term interest rates are at their lowest levels of all time. With interest rates already anchored to the floor, GDP falling and inflation a luxury for the future, interest rates are expected to remain low for several years.

For these reasons we are happy to increase our exposure to investment-grade corporate bonds along the yield curve, as they now look to offer better returns than sovereign debt and are far less exposed to defaults than higher-yielding sub-investment grade credit. With a recession ahead, corporate bonds can offer useful returns. As protection against another downturn, we will overweight longer-dated credit, gilts and US treasuries. We are likely to see periods of volatility ahead so the balance of growth and security is wise.

Oil is unwanted.

Due to the economic slowdown, the demand for oil and therefore oil prices have been under severe pressure for several months.

The price of Brent crude oil was US$50pb on 5th March and fell to US$22.76pb by 30th March due to the combination of a supply glut, the coronavirus influenced collapse in global demand and a bitter price war between Saudi Arabia and Russia over market share.

The first sign of strain was in March when the biggest fall in crude oil prices for twenty years was resolved with an agreement between OPEC and Russia after heavy pressure and support from G20 nations. The agreement cut oil production across all producers by 9.7 million barrels per day with a 2.5 million per day reduction coming from both Saudi Arabia and Russia. On news of this deal, oil prices recovered to US$31.48pb.

Oil prices were then hit even harder in mid-April when the price of US oil futures fell for the first time ever to below zero. The US-focused West Texas Intermediate (WTI) oil futures price for contracts delivering in May collapsed to minus -US$40.32 pb when traders had to pay to get rid of their oil. The WTI contract sees oil physically delivered from US pumping stations to Cushing in Oklahoma. The demand and subsequent price have been hit by massive oversupply and a collapse in the use of oil for transportation, air traffic and manufacturing.

Brent Crude Oil prices then also came under pressure, falling to below US$18 pb, as the seaborne market started reacting to the increasing cost of renting oil tankers. This lack of demand and oil glut has meant that the world's oil storage capacity is completely full. Large crude oil tankers have now been commissioned to store rather than ship oil. Storage for unwanted oil is costing between US$150,000 and US$225,000 per day in tanker storage rates. These large crude carriers are now seen floating in the Bristol Channel and North Sea.

Although manipulated by OPEC and Russia, the price of oil is a barometer for global economic activity. These unprecedented price falls represent the times we are living through.

Saudi Arabia announced that they would cut production over the next month to the lowest level in 18 years to provide some stability to oil prices. Additionally, investors calculated that even with these cuts there will likely be a large amount of oversupply given the depressed demand caused by the coronavirus. WTI now stands at US$29.52pb and Brent Crude is priced at US$32.50pb as of late-May. This is the lowest price range for oil since 2016.

We expect Chinese demand will be crucial for oil producers coming out of this crisis. China's incredible rise is one of the main reasons why oil was on a secular uptrend for nearly the last two decades. Of course, as the global economy emerges slowly from lockdown, fuel consumption in both cars and aeroplanes should pick-up again. Some of this near-term recovery in demand is likely already reflected in oil prices. In the medium term, it is unlikely that oil prices will be as high as we have become used to over the last few years, but stability in the US$30-US$50pb region would not be unexpected. Even though current oil prices look low by recent standards, they are quite typical by historical standards. Periods of low oil prices may cause some short-term trouble, but they have almost always boosted the global economy later down the line.

Large crude oil tankers have now been commissioned to store rather than ship oil.

Gold has been the best asset class so far this year.

During the market sell off in March some so called safe haven assets did not behave quite as one might have expected. At first, gold funds fell in value as mining equity was dragged down with the rest of the overall equity market, only to massively rebound once the price of gold started to rise. Gold fell from US$1,687 per ounce in early March to US$1,472 per ounce on 17th March, a fall of 12.7%. Since then and on the back of the economic fallout of the coronavirus crisis, it has risen to US$1732 per ounce, a gain of 17.66% from the low of 17th March. Gold has been the best asset class so far this year and the performance of the Blackrock Gold and General fund illustrates this well.

The gross performance of the Blackrock Gold and General Fund is illustrated below over 1 month ending firstly on the 27th March and secondly on the 12th May.

Blackrock Gold and General Fund	-8.53%	+30.59%

Holdings in a gold miners fund like the Blackrock Gold and General, can magnify the rise in the price of gold and therefore during rising gold markets fares particularly well. However, in falling gold markets losses are magnified. By their very nature gold miners' funds are volatile. Gold's attraction has increased as interest rates are exceptionally low and the economy weak. Gold is a defensive asset but is not always supportive of positive investment returns. We are expecting gold prices to continue to rise on the back of demand, but we are not increasing our portfolio holdings above 2% as there are less volatile defensive investments available.

It is against this unprecedented background that we make our investment recommendations
26th May 2020

PORTFOLIO SELECTIONS

In March, we witnessed an equity market fall of over 30% that matches the falls of the 2008 Great Financial Crisis and the 1917 Spanish Flu crisis. Given the magnitude of lost value, markets have been swift to recover between 20% and 30%, but still remain between 20% and 40% off their pre-crisis highs of February. We think that markets are now offering fair value given the pending recession, sovereign debt levels, trade tensions with China, unemployment and the slow release from lockdown. We think we have already had the quick wins in stock market gains in the three weeks after 23rd March. Now, we are in for a slow and bumpy recovery through to 2022 when we should return to normal.

It would be common after stock market falls, to position a portfolio with higher levels of equity to benefit from a recovery in value. We have, however, retained the relatively cautious asset allocation that has been our hallmark for the past 2 years. This positioning held our portfolios in good measure through the bottom of the market in the third week of March. Our portfolios lost money but not as much as the national averages.

The figures below illustrate the gross performance of our portfolios against their respective benchmarks in the one month up to Friday 27th March.

Cautious Portfolio	-8.72%	Benchmark	-8.84%
Conservative Alpha	-9.85%	Benchmark	-12.48%
Balanced Beta	-13.02%	Benchmark	-12.48%
Balanced Alpha	-11.55%	Benchmark	-14.08%
Speculative Beta	-14.29%	Benchmark	-14.08%
Speculative Alpha	-12.75%	Benchmark	-14.08%

From the above figures we can see that our active Alpha portfolios offered better downside protection than the index tracking passive Beta portfolios which by their nature just follow markets.

Since late March, the recovery in value within the portfolios has been reassuring and evidence of the strong selection in the underlying funds. The figures below illustrate the gross performance of our portfolios against their respective benchmarks in the one month up to Tuesday 12th May.

Cautious Portfolio	+2.58%	Benchmark	+ 2.36%
Conservative Alpha	+3.58%	Benchmark	+2.99%
Balanced Beta	+3.67%	Benchmark	+2.99%
Balanced Alpha	+5.03%	Benchmark	+3.96%
Speculative Beta	+4.54%	Benchmark	+3.96%
Speculative Alpha	+5.60%	Benchmark	+3.96%

Again, from these figures it can be seen that the higher the equity content within the portfolio the greater the recent recovery. Our overweight position in US and tech stock aided the returns along with holdings in investment-grade bonds and gold.

Looking further into the analysis of stock market performance it is clear that the USA has rebounded further and faster than other markets. This is due to the Federal Reserve's actions and because the world's leading tech companies are American corporations. The US tech giants have prospered through lockdown as internet communication and on-line shopping has grown. We now expect this to be the new normal. We have held an overweight position in the US for several years and hold funds that are invested in companies like Amazon, Microsoft, Apple and Facebook. Even with the greatest number of Covid-19 deaths, the USA is still the world's most dynamic economy. We will continue to hold T. Rowe Price US Large Cap Growth and Loomis Sayles US Equity Leaders in all portfolios with Schroder US Smaller Companies in our Speculative Alpha portfolio.

We expect trade tensions and anti-China rhetoric to dominate the next few months as we head towards the US presidential elections in November. Because Donald Trump needs a strong economy and a stock market recovery, he may not risk another trade war with China in the near term.

The return on equity values in both the UK and Europe have lagged behind that of the USA. The UK market has benefited from falling sterling values, massive government stimulus and interest rates at near zero. However, markets are concerned about the chances of a failed Brexit negotiation, high government borrowing, high unemployment and a slow release from lockdown. These factors will hold back a swift recovery just as they will in Europe.

The issue of a hard Brexit may resurface again with arguments over a level playing field and access to fishing waters. A hard Brexit is not in any country's best interests especially as we are all looking at a potentially harsh recession. We hope that politicians will reach an agreement before July's deadline. The British people took on the coronavirus crisis with great national solidarity but the divide over Brexit may resurface if Brexit again becomes a dominant issue in Q4 2020. We have maintained our holdings in Lindsell Train UK Equity and Liontrust Special Situations in all our active portfolios and Standard Life UK Smaller Companies in our Balanced and Speculative Alpha portfolios.

We are concerned about the imbalance of sovereign debt levels within Europe. The political and economic tensions this is causing are somewhat limiting the eurozone from applying their full economic strength to combat the coronavirus crisis and the recession. The German Constitutional Court ruling may restrict or limit the ECB from buying up further Italian sovereign debt and this will have economic as well as political repercussions. Europe does not have a tech industry like the US, nor the dynamic youth of Asia. It has older industries and high national debts. The recent slowness of its co-ordination and emergence from the crisis only highlight this. For these reasons we again have no direct holdings in European equity or bond markets and have directed this allocation to the USA, Asia and to global specialist sectors.

As far as Asian and emerging markets are concerned, they will benefit from the extremely low price of oil but there will be a mixed recovery from the crisis. Due to this, we have reduced our holdings in JP Morgan Emerging Markets and sold our holdings in Stewart Indian Subcontinent. We have redirected this allocation to the First State Greater China Growth fund as we wish to benefit more from China's early emergence from lockdown and its growing economic strength.

Fixed interest markets have behaved a little differently than expected as a number of our long-standing holdings in strategic bonds, corporate bonds and high-yield bonds exhibited an element of equity like losses and disappointed us in their downside protection. We have been overweight in US treasuries and UK gilts which cushioned losses and maintained value throughout the market turmoil. As soon as the Federal Reserve started buying up corporate credit across the risk range, there was a significant bond market rebound. Interestingly, the passive bond funds outperformed the active bond funds during this period, which is the exact opposite of what occurred with the equity funds.

Going forward, we have reduced our exposure to high-yield bonds in preference to more secure investment grade bonds which with greater QE support, should offer attractive risk related returns along the yield curve. We have maintained our holdings in UK gilts and US treasuries, but added to our exposure in UK and global investment-grade bonds and to some long-dated credit as we seek to provide greater downside protection and improve negative correlation within the Edition 33 portfolios.

It would be normal to invest in gold in the run up to a recession. Our holdings in the Blackrock Gold and General fund were the best performing over the past six months and particularly in April. We are going to retain our holding but not increase them as gold mining funds are notoriously volatile.

We have maintained our other specialist holdings in First State Global Listed Infrastructure and Polar Capital Technology. The Polar Capital Technology fund was the next best performing fund in the last six months. We have removed our holdings in Blackrock Global Property Securities due to recent poor performance, volatility and the recent addition of a 5% entry charge to new investors. This is a great disincentive to keep the fund and so it has been removed. We think that the property sector and rental payments are going to go through a tough period and therefore, avoiding this sector for a while suits us. We are also avoiding the global insurance market as we expect claims experiences to worsen. We have therefore removed Polar Capital Global Insurance.

We have increased our holdings in index tracking passive funds across all portfolios mainly in the fixed interest sectors. This is a result of the more secure and superior performance from our index tracking bond funds compared to our actively managed strategic and corporate bond funds. This has also resulted in portfolio costs falling.

Overall, the new portfolios have been improved due to the recent market experiences and are more robust going into a recession with greater downside protection. The Speculative Alpha and Speculative Beta portfolios have a greater exposure to equity for investors seeking greater capital returns over time. We think the next year will be one of consolidation and lower hard-earned returns and therefore recommend a cautious outlook going forward. These new Edition 33 portfolios are positioned to achieve this.

We have decided to stop offering a Conservative Income portfolio. This is because clients are asking for a monthly set amount of income instead of a natural dividend. Additionally, over the past several years there has been an out performance of growth stocks over value stocks. With dividends now likely to be cut, investment for income is less attractive than investment for growth which can be taken as income. All investors in the Conservative

Income portfolio will automatically be switched to the Conservative Alpha portfolio and their income withdrawals maintained.

As of 12th May 2020, the best performing funds held in our portfolios over the past 6 months have been;

Blackrock Gold and General	36.89%
Polar Capital Global Technology	20.46%
T. Rowe Price US Large Cap Growth	13.52%
Loomis Sayles US Equity Leaders	11.57%
Blackrock North American Index	8.25%

The reason for these outperformances is that the great winners in the Coronavirus crisis were gold and tech companies.

As of 12th May 2020, the poorest performing funds held in our portfolios over the past 6 months have been;

Polar Capital Global Insurance	-20.28%
Blackrock Global Property Securities	-19.44%
Stewart Indian Sub-Continent	-18.95%
Blackrock UK Equity Index	-17.32%
Franklin UK Equity Income	-16.48%

The returns on the above funds are all related to the heavy sell off in equities due to the coronavirus crisis. This would not have been the case without the pandemic.

As far as the 33rd Edition of our portfolios is concerned, across all six portfolios, seven new funds have entered our selections while ten funds have either been dropped or substituted. We have done this for a number of reasons. These being performance related, cost related or that a fund has lost an analysis rating. There are also sectors that we no longer wish to invest in.

The funds removed are: -

	TER
Royal London Corporate Bond	0.54%
Threadneedle High Yield Bond	0.68%
Royal London Short Duration Credit	0.39%
Royal London Short Duration Global High Yield	0.64%
Muzinich Global Tactical Credit	1.03%
Artemis Strategic Bond	0.61%
Axa US Short Duration High Yield Bond	1.02%
Stewart Indian Sub-Continent	1.24%
Polar Capital Global Insurance	1.11%
Franklin UK Equity Income	0.90%

The funds added are: -

	TER
Vanguard UK Long Duration Gilt Index	0.13%
Henderson Long Dated Credit	0.59%
Vanguard Short Dated Investment Grade Bond	0.15%
Royal London Ethical Bond	0.55%
Fidelity Asia Pacific Opportunities	0.90%
Ballie Gifford International	0.65%
Legal & General UK 100 Index Trust	0.10%

Collectively our six portfolios outperformed their respective benchmarks on 36 out of 36 occasions. This is our best relative performance against the national averages in 16 years.

We are pleased to report that at the time of writing, our six portfolios have performed very well compared to the relevant national Investment Association (IA) benchmarks. The relative performance is measured over six time periods:- 6 months, 1 year, 2 years, 3 years, 4 years and 5 years. Collectively our portfolios outperformed their respective benchmarks on 36 out of 36 occasions which is an 100% competency. This is our best relative performance against the national averages in the 16 years we have been managing portfolios.

Our performance is reported on the next page of this Outlook report as well as on our website **www.estatecapital.co.uk**

PORTFOLIO PERFORMANCE

The Estate Capital Investment Portfolios

The Estate Capital Investment Portfolios now offer six risk related investment strategies designed for medium to long-term investors seeking capital growth and income from a portfolio of leading investment funds. The individual funds that make up our diversified portfolios are selected on the quality of the fund manager and both the quality and consistency of past performance.

There is a wide range of asset classes across global markets available to investors. Our portfolios bring together a diversity of global equities, fixed interest securities, cash deposits, commodities, precious metals, infrastructure and property. The global balance of investments across differing asset classes is the primary driver of portfolio returns.

Our asset allocation is built using a fully modelled asset allocation tool. This system is powered by research from actuaries Willis Towers Watson and investment data from Financial Express.

This modelling system offers us great accuracy to build and test the most efficient blend of assets for our six model portfolios. Each new edition of our portfolios is published on our website with fact sheets, performance figures, risk ratings and range of returns.

We benchmark and publish our portfolio performance against the most relevant national averages and are happy to say that our selections have enjoyed an enviable track record.

The global balance of investments across differing asset classes is the primary driver of portfolio returns.

Cumulative Portfolio Performance from 21st May 2020

Below are the past five year's gross investment returns for each of our portfolios from 21st May 2020

Portfolio	*6 months*	*1 year*	*2 years*	*3 years*	*4 years*	*5 years*
Cautious	-1.81%	1.36%	4.35%	9.98%	23.52%	22.97%
Conservative Alpha	-1.32%	2.27%	5.27%	14.20%	29.51%	30.78%
Balanced Beta	-4.25%	-0.06%	1.91%	7.69%	28.94%	24.47%
Balanced Alpha	-1.47%	2.68%	5.00%	14.94%	39.44%	37.57%
Speculative Beta	-4.75%	0.29%	2.05%	9.13%	36.52%	29.81%
Speculative Alpha	-2.21%	2.13%	4.95%	16.48%	46.20%	40.32%

Discrete Portfolio Performance from 21st May 2020

Below are the gross investment returns for each of our portfolios for each 12 month period over the last five years from 21st May 2020

Portfolio	*2020*	*2019*	*2018*	*2017*	*2016*
Cautious	0.66%	3.71%	5.27%	10.13%	0.90%
Conservative Alpha	1.07%	4.07%	8.16%	11.49%	2.38%
Balanced Beta	-1.24%	3.12%	5.63%	17.13%	-2.24%
Balanced Alpha	0.60%	4.11%	8.36%	18.98%	0.73%
Speculative Beta	-1.67%	3.66%	6.30%	22.10%	-3.41%
Speculative Alpha	-0.38%	5.13%	9.42%	22.92%	-1.72%

The value of investments can fall as well as rise. Past performance is not a guide to future performance. Cumulative and discrete performance charts show % growth from 21st May 2020 calculated using bid prices with income reinvested into the fund net of tax.

Asset Allocation June 2020 - Edition 33

Portfolio	*Risk*	*Money Markets*	*Fixed Interest*	*Property*	*UK Equity*	*US Equity*	*Europe Equity*	*Asian Equity*	*Japan Equity*	*Global Equity*	*Other Assets*
Cautious	3	19%	52%	0%	8%	9%	1%	8%	1%	2%	0%
Conservative Alpha	4	16%	42%	0%	8%	14%	2%	11%	2%	3%	2%
Balanced Beta	5	10%	39%	0%	10%	21%	2%	13%	2%	3%	0%
Balanced Alpha	6	8%	35%	0%	9%	21%	3%	15%	2%	5%	2%
Speculative Beta	7	8%	27%	0%	12%	28%	3%	17%	2%	3%	0%
Speculative Alpha	8	7%	22%	0%	13%	25%	4%	18%	2%	9%	0%

Perspective Range of Return & Volatility

Portfolio	*Risk*	*Return*	*High*	*Low*
Cautious	3	3.58%	17.58%	-10.42%
Conservative Alpha	4	4.21%	21.62%	-13.20%
Balanced Beta	5	4.71%	25.53%	-16.12%
Balanced Alpha	6	5.35%	29.58%	-18.89%
Speculative Beta	7	5.90%	33.55%	-21.75%
Speculative Alpha	8	5.90%	33.55%	-21.75%

Investment Ratios

Portfolio	*Risk*	*Beta*	*Alpha*	*Sharpe Ratio*	*Info Ratio*
Cautious	3	0.99	2.00	0.00	1.22
Conservative Alpha	4	0.80	3.89	0.13	1.29
Balanced Beta	5	0.97	1.90	0.00	1.10
Balanced Alpha	6	0.80	2.81	0.09	0.74
Speculative Beta	7	0.91	1.08	0.00	0.44
Speculative Alpha	8	0.91	3.00	0.11	0.98

Maximise your returns with a level of risk you're entirely comfortable with.