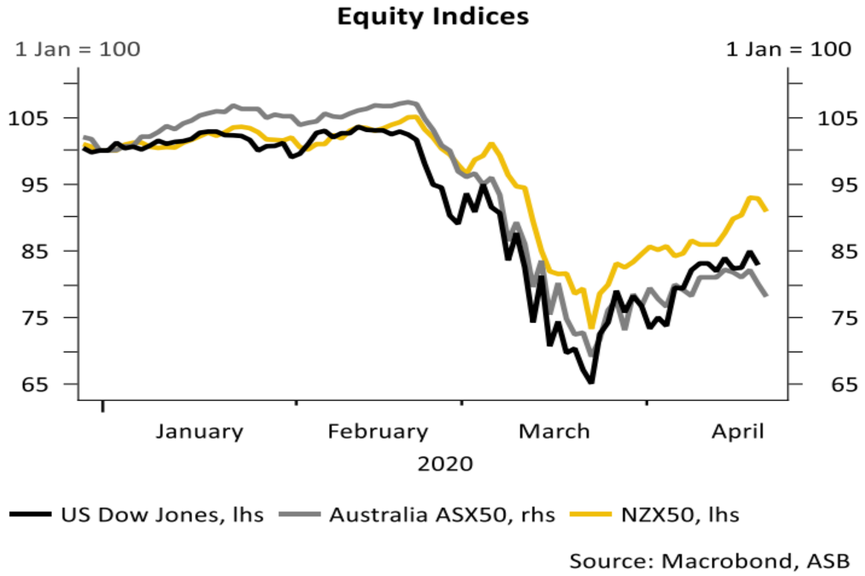
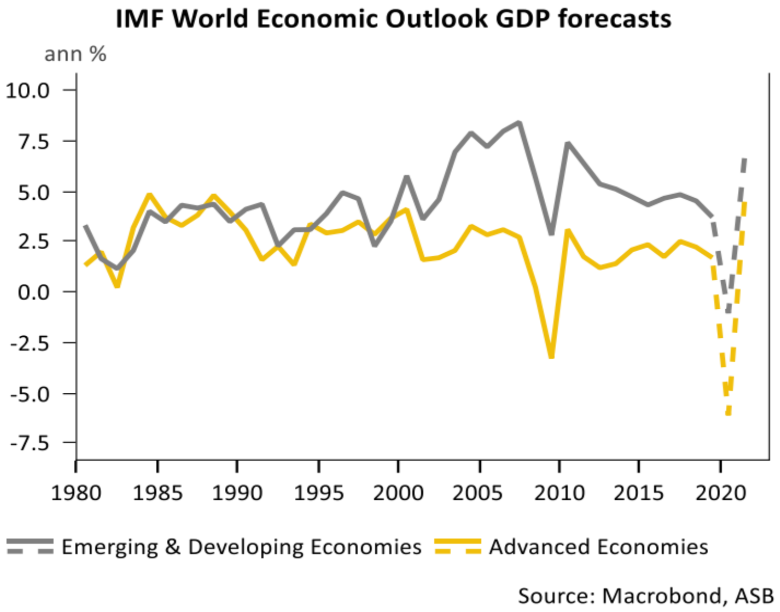
OUR VIEW

- Equity markets reached a low on March 23rd and have since rebounded strongly. Will this recovery continue? – or will prices retreat again? We expect market volatility to remain at elevated levels due to uncertainty.





OUR VIEW

- The impact of falling corporate earnings due to widespread country economic lockdown measures to contain the Covid-19 virus are yet to be reflected in share prices.
- However, there is optimism that the rate of new Covid-19 infections is slowing and governments are beginning to look at relaxing some social distancing measures (without incurring a second wave of infections) and reopening parts of their economies.
- Overall long term fundamentals for equities remain favorable – the consensus is currently that the worst economic impacts from the virus will be felt over the next 3 months. Fund managers have repositioned their portfolios and remained focused on owning quality businesses.
- Widespread fiscal and monetary stimulus across Western countries will mean equities remain attractive to relative to bonds over the long term – with an extended period for low/near zero interest rates. Support packages have been larger than those introduced in the Global Financial Crisis in 2008/09.

OUR VIEW

- Current forecasts are for the global economy to contract by 2.5% in 2020, before a modest rebound of 3% in 2021.
- For now our strategy is to continue to remain neutral on risk assets due to overall uncertainty and to hold cash or cash like assets, to be ready for the recovery when it comes.
- We continue to be positive on the infrastructure sector which continues to be good for diversification and stability – given weak outlook for interest rates and attractive yields on infrastructure investments.
- For the listed property sector there is more uncertainty; to date the recovery in prices has been muted and a range of outcomes is still possible - higher-risk retail property owners are expected to fear worse relative to lower-risk industrial property owners.
- The impact of the virus will eventually pass and the elevated volatility through this period will present opportunities for the long term. Active investors can benefit by staying with their strategies and portfolios are designed to be long term investments.