

## Outlook

The markets will continue to be extremely volatile and difficult over the next few weeks and months but opportunities are continuing to present themselves.

Growth has clearly collapsed, and the key question is not how bad it will be but for how long it will extend. Stimulus has been huge. Monetary authorities in 2008 didn't even have the tools they have now, so it took a long time to first create them, then deploy them – this time, the tools have been deployed very rapidly. In addition, fiscal stimulus is being promoted globally, in the order of 5-10% of GDP, rather than the irrational hysteria about fiscal austerity that characterised the last crisis, which in turn reduced the ability of fiscal policy to mitigate the economic damage. All the ingredients for a significant recovery are there. We have just seen the worst five weeks ever in financial markets, and whilst in the near-term equities will be heavily driven by moves in credit, news flow around Covid-19 cases and economic data, the fiscal and monetary response should mitigate some of the near term damage and help foster a recovery in due course. For medium term investors equity valuations are now on your side for the first time in years.

Having been positioned very defensively at the top in markets (at the lower end of our growth equity ranges, and overweight long-dated government bonds and gold), we moved to a more neutral position on the first move lower as the virus came to Italy. We have added to growth assets over the course of March, adding high quality equities and some cyclicals, and rotated our defensive exposure away from long dated bonds and gold due to the extreme levels they got to.

As government bond yields surged in the middle of the month credit spreads also widened significantly providing us with an opportunity to add some high-quality corporate debt to the defensive side of the portfolios at a particularly attractive level for the medium-term investor.

The merits of investing in our actively managed multi asset funds with a proven investment process continue to be evident as we navigate these uncertain times. We will continue to actively manage our risk and our exposures using all available instruments, asset classes and derivative products available to us for everything from short term tactical trades to long term fundamental holdings.

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