

MARKET UPDATE

April 2020

“Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning” - Winston Churchill

Back in 1665, Isaac Newton socially distanced himself from the horrors of then rampant bubonic plague and managed to formulate a theory of universal gravitation and discover differential and integral calculus. However, if your lockdown experiences do not make the history books, you should console yourself that normally the unsung heroes and heroines are the backbone of any country- as acknowledged multiple times over recent weeks.

The world’s equity markets have been gracing the history books in recent weeks with the biggest monthly falls in around a decade in March and followed by the biggest monthly rises in around a decade in April.

It is a well-known fact that markets, over a shorter time period, are ‘voting machines’, heavily influenced by fear, greed and other sentiment considerations. Flow of funds matter too, and whilst the flow of monies into global equity markets have been patchy for a long time, central banks and governments have learnt the lesson of the global financial crisis of 12 years ago and have undertaken stimulus efforts and intervention policies at far greater speed and magnitude. One would have been labeled a ‘mad person’ if, at the end of 2019, one predicted that within 6 months there would be a widespread wage subsidy scheme, and near zero interest rates in both UK and United States, and government borrowing at unprecedented levels.

The above interventions have provided some form of a potential economic bridge away from the current lockdown recessionary conditions. In April, equity markets believed this bridge was heading for a 2021 economic recovery. Sadly, this is not a guaranteed destination but at least, in the last month, the markets have travelled hopefully. As past economic, market and even health crises have shown over time, human ingenuity tends to win out.

There’s an old saying in the investment industry: “Sell in May and go away”. However, this may well prove to be the wrong move this year. The UK, along with much of the western world, is about to embark on the next stage of the crisis, where lockdown restrictions are progressively eased. Challenges, uncertainties and changes to ‘normal life’ will remain plentiful for individuals, businesses and financial markets; so expect a continuation of volatility and, over the next quarter, some record falls in GDP in the western world. The better news is that

much of this is already anticipated and some of the Asian economies have given us some insights into what to expect.

Sadly, we are very far away from Newton’s ‘year of wonders’ but his observation that “we build too many walls and not enough bridges” feels very apt as a general rallying call for the rest of this year.

BAM MODEL PORTFOLIOS

April proved to be a good month for all of our model portfolios: outperforming their respective benchmarks where we are able to make monthly comparisons. We expect the changes we made in April, as detailed in the factsheets, to prove fruitful over the months and years ahead. As we move into a new phase of fighting the virus, notwithstanding the volatility in the markets, the gradual return to work will be seen as good news for the different economies. As such, financial markets should continue to respond favorably. We remain mindful of the potholes on the bridge to recovery though which is likely to be a lengthy one.

SOCIAL IMPACT MODEL

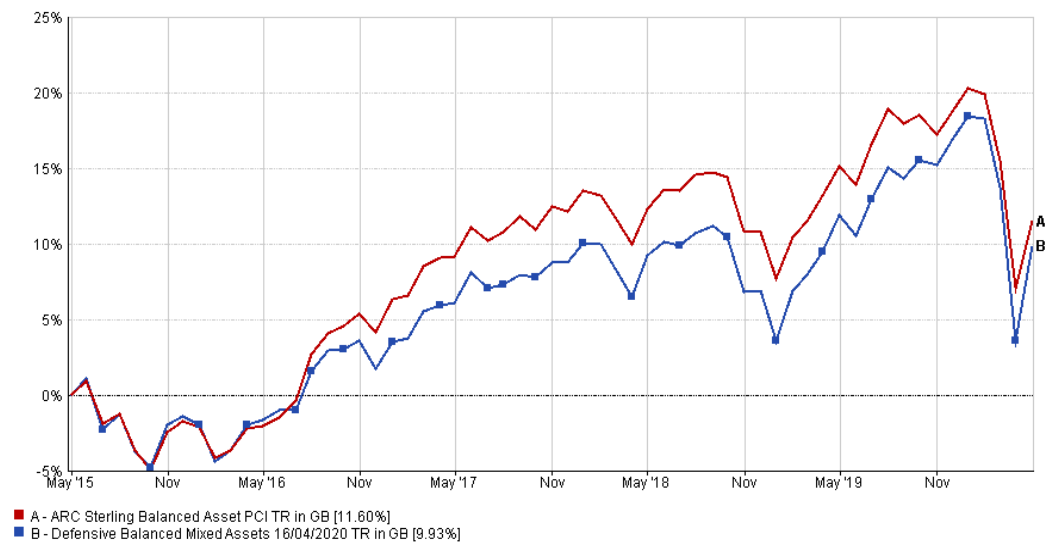


5 YEAR MODEL PERFORMANCE VS BENCHMARK*

DEFENSIVE MIXED ASSETS MODEL



DEFENSIVE BALANCED MIXED ASSETS MODEL



BALANCED MIXED ASSETS MODEL



FOCUSED GROWTH MIXED ASSETS MODEL



BAM figures take into account normal dealing costs but not Beckett fees. Source: FE Analytics – Total Return.

The investments mentioned in this report are intended as long-term investments. Some of them may go down as well as up and you therefore may not get back the full amount invested. Where investments are denominated in foreign currencies, changes in the rate of exchange may have an adverse effect on the value or price of the investment in Sterling terms. Past performance is not necessarily a guide to future performance. This document should not be construed as an offer document or solicitation and is circulated because the contents may be of incidental interest. The opinions stated are those of Beckett Asset Management Ltd, which is authorised and regulated by the Financial Conduct Authority.