April 2020 Market Review

Overall Market Backdrop, April

- Equity markets worldwide had a month of strong positive returns. The S&P 500 had its best monthly return since 1987.
- US oil futures prices tumbled into negative territory for the first time.
- Small Cap was the strongest performing factor with a return of 11.56% (MSCI ACWI Small Cap).
- Fixed Income continued to rally.
- U.S. junk bonds rallied the most since 1998.

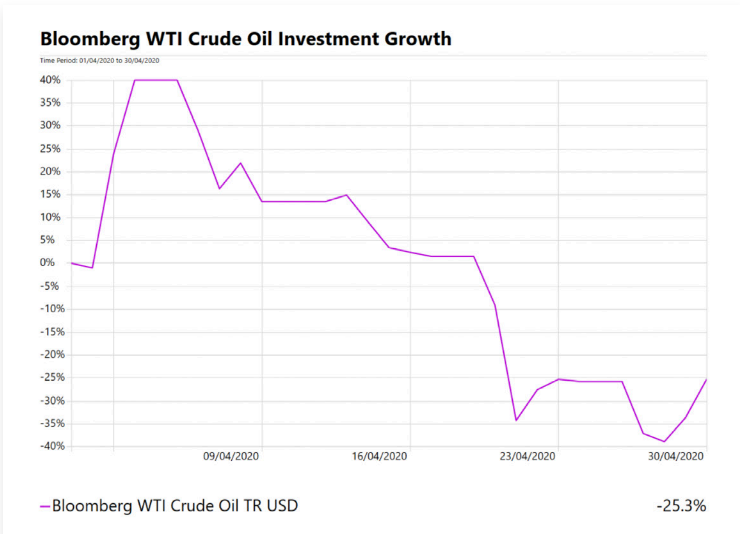
As of 30/04/2020	1 Month	3 Month	YTD	I Year	3 Years	5 Years
S&P 500	**10.9%**	**-5.2%**	**-4.7%**	**4.2%**	**33.0%**	**88.5%**
MSCI Europe (ex-UK)	**4.4%**	**-12.5%**	**-13.9%**	**-8.0%**	**0.1%**	**21.8%**
FTSE All Share	**4.9%**	**-18.8%**	**-21.5%**	**-16.7%**	**-7.5%**	**4.8%**
MSCI Asia Pacific (ex-Japan)	**7.2%**	**-4.9%**	**-8.0%**	**-4.4%**	**11.0%**	**31.7%**
MSCI Emerging Markets	**7.3%**	**-8.6%**	**-12.4%**	**-9.1%**	**4.3%**	**21.2%**

Source: Morningstar

Drivers of Market Conditions in April

1 May future contracts for WTI crude oil crashed to -$36.98 per barrel as oil caused by weak demand and difficulties finding storage in the US for the oversupply of oil. This reflected falling underlying oil demand and continued high levels of production by producers designed to undermine shale producers.

2 COVID-19 continued to spread with over 3 million confirmed cases worldwide and a heavy saturation within the US (over 1 million cases).



3 Equity markets have recuperated some of the losses and bounced back in April with strong returns. Two drivers supported the bounce:

a. Countries around the world started plans to reopen their economies, as new infection/death rates fell or plateaued in selected countries. Eurozone's largest economy Germany started lifting restrictions such as small shops reopening and secondary schools from 3rd May.

b. Government and central banks provided unprecedented amounts of stimulus to reduce the damage of an economic lockdown. The US Senate passed the 'CARES Act' which amounts to nearly 2 trillion dollars of support for hard hit industries, small businesses and the unemployed.

4 With many central banks committing to purchasing more government and corporate bonds, we have seen bonds rally within the past couple of months. The US Federal Reserve and other central banks have commenced Quantitative Easing Infinity (QEI), a follow on for previous phases of quantitative easing after the 2008 crisis.

5 US investors rushed to buy US Junk bonds as they followed the lead of the US Federal Reserve which on the 9th April stated it would begin buying high-yield debt via ETFs. The inflow injected was over $7.5 billion, a record amount. The combined effect of these actual and promised inflows caused the average yield for high yield debt to fall by 1 percentage point to 8.5% [1].

What else impacted portfolios during the month?

The global equity recovery was largely spearheaded by the US; The S&P 500 gained more than double the returns of the UK (FTSE All Share). This was reflected in our UK bias portfolios, as they marginally lagged our Global portfolios.

The factors that produced considerable returns throughout the month were Small Cap and Growth. While most factors in general seem to have diverged from the benchmark (MSCI ACWI); Momentum which has outperformed in recent months can now be seen to fall in line with the benchmark in April (having a difference of only 0.16%).

Value and Small Cap, especially UK Value and UK Small Cap factors have continued to underperform their world counterparts. This has been consistent for recent years leading some researchers to suggest a lost decade for these factors. Previous lost decades have been followed by mirror image winning decades (2).

Factors					
As of 30/04/2020	**1 Month**	**YTD**	**I Year**	**3 Year**	**5 Year**
MSCI ACWI Momentum	**8.7%**	**-1.4%**	**6.2%**	**40.1%**	**86.6%**
MSCI ACWI Growth	**10.5%**	**-0.5%**	**9.1%**	**37.7%**	**80.1%**
MSCI ACWI (Benchmark)	**8.5%**	**-6.9%**	**-0.1%**	**20.6%**	**59.0%**
MSCI ACWI Large Cap	**8.6%**	**-7.8%**	**-0.5%**	**19.4%**	**54.1%**
MSCI ACWI Small Cap	**11.6%**	**-16.8%**	**-12.3%**	**-0.7%**	**32.6%**
MSCI ACWI Value	**6.9%**	**-16.8%**	**-12.5%**	**-1.9%**	**24.7%**
MSCI UK Small Cap	**10.5%**	**-25.1%**	**-17.1%**	**-8.6%**	**11.8%**
MSCI UK Value	**0.5%**	**-27.3%**	**-25.9%**	**-16.6%**	**-10.8%**

Source: Morningstar

[1] Bloomberg - U.S. Junk Bonds Rally Most in Two Decades With Fed Now a Buyer.

[2] Factor Performance (2010-19): A Lost Decade, David Blitz (Robeco).

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