September 2020
Market Review

Global Equities Markets (%)						
As of 30/09/2020	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
MSCI Emerging Markets	1.91	4.71	1.28	5.37	11.49	80.02
MSCI Asia Pacific (ex-Japan)	1.31	5.06	6.28	9.71	19.62	93.52
MSCI Europe (Ex-UK)	0.59	1.20	-1.39	-0.51	6.73	55.53
MSCI ACWI IMI	0.36	3.32	2.96	4.44	25.25	88.47
S&P 500	-0.40	3.98	7.72	9.13	44.33	120.28
FTSE All Share	-1.69	-2.92	-19.92	-16.59	-9.33	18.57

Source: Morningstar

Overall Market Backdrop, September

- The majority of global equities struggled while Emerging Markets and Asia Pacific saw modest returns.
- The US 10yr Treasury yield has ended the month close to its starting monthly yield of 0.67%. The month saw a tough market environment with fiscal stimulus fading and an increase in Covid-19 cases.
- No additional policies have yet been announced for the US as the country is rapidly approaching a fiscal cliff with unemployment benefits and business support set to expire.
- Minimum Volatility was the strongest performing factor with a return of 2.5%.
- Covid-19 cases have continued to spread, and deaths have now exceeded 1 million.

Drivers of Market Conditions in September

1. Equity markets struggled throughout the month as market volatility returned after months of steady gains, this was caused by several reasons:

    a. In the US there have been elevated levels of volatility ahead of the November U.S. election. The U.S. election could have significant implications for markets as U.S. fiscal stimulus, public investment, taxation, regulation and foreign affairs policies could shift. Furthermore, there has still not been any progress made in producing a new U.S. fiscal package and the likelihood of this happening before the election is now low. The US have also continued to expand the list of banned Chinese tech exports which has increased geopolitical tensions between the US and China.

    b. In the UK and the rest of Europe the pandemic is continuing to spread causing a second spike and new daily highs for cases in many countries, this has caused stricter lockdown measures such as curfews which will impact business' and threatens to stall any economic recovery.

    c. With rising volatility, there was an equity sell-off in the US, with the energy and technology sector leading the decline.

2. The US equity sell-off further fuelled investor fears which lead to global investors turning to safer assets - dragging global yields lower. In addition to the equity sell off, rising COVID-19 cases contributed to the market uncertainty.

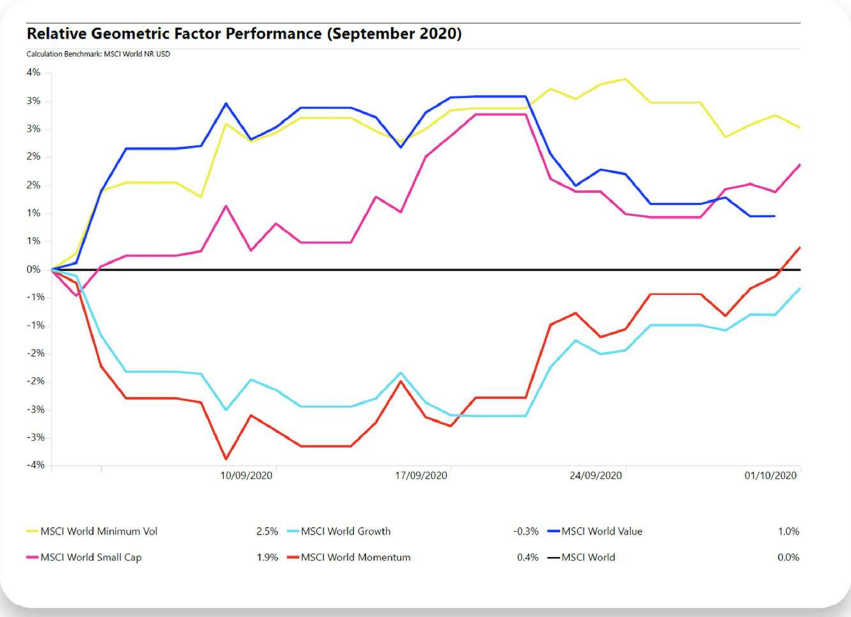
3. In Europe, with cases increasing rapidly there have been more draconian social distancing measures, lockdown measures have been reinstated in many countries such as Spain, France, Germany, and the UK.

4. Crude oil prices fell for the month driven by weak demand and rising COVID-19 case which threatens the economic recovery for many countries.

5. European countries continue to provide economic support

- **a.** The French government announced a 100 billion stimulus plan to dampen the economic impact of COVID-19. This stimulus will be spread over 2-years and includes public investments, subsidies and tax cuts.
- **b.** Spain to extend the furlough scheme for 'as long as necessary' with 70% of their base salary for the first six months, before dropping to 50% for the following months.

How did Factors Perform in September?



The chart shows the relative Factor performance benchmarked against a global index (MSCI World).

Minimum Volatility was the highest performing factor with a return of 2.5% for the month. Min-Vol is a defensive factor and traditionally shows a stronger performance in market downturns and increased volatility, like we have seen in September 2020.

Small-Cap and Value have outperformed the benchmark, recent underperformance of Value has made Value even cheaper and Value has traditionally done well in economic restarts as it contains cyclical assets. Both the factors avoided major downward pressure from the US equity sell off as it mainly impacted large US Technology stocks.

Growth and Momentum had weak performances with Growth underperforming the benchmark and having a negative return for the month. The US equity sell off was spearheaded by Energy and Technology stocks, with Large Technology stocks suffering the most. This is believed to be driven by uncertainty and increasing investor concerns about stretched Technology valuations.

Factor Performance (%)						
As of 30/09/2020	**1 Month**	**3 Months**	**YTD**	**1 Year**	**3 Years**	**5 Years**
MSCI World Minimum Vol	**2.50**	**0.05**	**-0.51**	**-4.65**	**26.98**	**82.82**
MSCI World Small-Cap	**1.90**	**2.71**	**-4.05**	**-2.04**	**11.15**	**71.85**
MSCI World Value	**1.00**	**-0.73**	**-12.49**	**-12.64**	**0.67**	**49.62**
MSCI World Momentum	**0.40**	**6.29**	**18.90**	**17.71**	**59.70**	**148.73**
MSCI World (Benchmark)	**0.00**	**3.15**	**4.22**	**5.24**	**29.78**	**92.81**
MSCI World Growth	**-0.3**	**6.75**	**21.85**	**24.40**	**63.72**	**143.05**

Source: Morningstar