



March Review

The fund returned -11.2% vs the S&P 500 ETF return of -6.89% in sterling terms in March. Whilst we are disappointed to be behind the index in March we are ahead of it over the quarter by 2.79%, and ahead of the sector average by 4.53%, in what has been an extremely weak period for stock prices.

We came into March relatively defensively positioned, with exposure to sectors of the market that benefit from low and falling interest rates in our tactical bucket, which included stocks like homebuilders and retailers, which looked very well positioned until Covid 19 hit. I believe Covid 19, and the resulting lockdowns, have fundamentally changed the investing landscape, and so we have made several changes to the portfolio. We have sold our homebuilders and associated companies, like Home Depot. We have sold our consumer names like Beyond Meat and Planet Fitness, because the outlook for these companies has, almost overnight, become so unsure.

However, it is not all negative news. There are some stocks that we think can perform well in the environment. We've added some Consumer Staples like Walmart, and we've also added a Telemedicine company called Teladoc which allows patients to 'visit' doctors remotely via their internet based platform. We've also added back Amazon to the portfolio as it looks set to increase its share of consumer spending as consumers adapt to the stay-at-home lifestyle.

Market Outlook

The negative effects of the lockdowns caused by the virus are just now being seen in the economic data, and of course the data is very weak. Unemployment has shot up to over 6.6m people, which was around the peak of the last downturn in 2008-9. This, coupled with the decrease in economic activity, means we are guaranteed to have a recession in the USA and globally. Our process and portfolio construction allows us to prepare for this new world and defend against it with our positions in cash, bonds and defensive equities.

We believe that many people in the post-virus world will retain some of the behavioural changes that we are already seeing; like remote learning, remote medicine and working-from-home and we are investing in some of those companies that we believe will emerge from this crisis stronger.