



April 2020 Update

By Saftar Sarwar- Chief Investment Officer. Binary Capital Investment Management

We witnessed significant investment market falls in late February and throughout much of March. In April there has been a concerted increase in markets, almost mirroring the falls we witnessed in March. Despite facing the biggest economic global contraction in more than a generation investment markets appear to be behaving less correlated to this scenario. Why is this?

Firstly, no-one really knows. Short-term market movements can be irrational, difficult to understand and also easily reversed. In saying all of this, it does appear that investment markets, bolstered by strong government actions: fiscal and monetary policies, *appear* to be discounting the economic turmoil and contraction *this* year. Markets are already looking at 2021 and the expected path to a 'new normal' of economic growth. The Bank of England itself says there will be: "only limited scarring of the [UK] economy" - I suspect the economic impact in the UK and probably more widely could be *deeper* than this initial analysis and more prolonged. 2021 could equally be a challenging year as it faces the knock on from the 2020 'economic winter'.

It is worth stressing; we are long-term and patient investors. Throughout the investment volatility of 2020 we remained fully invested, we did not change asset allocation. At the start of the year, we had already moved slightly defensive - with an allocation to Gold. This patient way of investing, I have no doubt, will do well for us in the coming months, years.

As we have stayed fully invested, with minimal changes it is pleasing to note the good performance in April 2020 across our portfolios and more generally so far for 2020. By way of examples, our Active Balanced portfolio was +10.9% in April compared to an index return of +7.87%, a level of out-performance of around 3%, with out-performance for the year so far of around 1.5%. The ESG focused Sustainable Growth portfolio rose by +9.14% in April, out-performing the benchmark by +1.27%, also out-performing year to date as well. Such out-performance is also reflected in other portfolios, with our Active Growth portfolio showing a return above the index, in the four months to April 2020, of around +3.8%. It is difficult to compare our peer group in an exact like for like comparison, evidence shows we have *significantly* outperformed such a group.

We have a forward-looking mindset. We look to invest in sectors, industries and themes that will perform well in the future, over 5 - 10+ years. Naturally, this gives our portfolios a significant growth bias - a focus on technology, healthcare and consumer growth sectors. Such sectors have performed well over the years and indeed so far in 2020. I expect this to continue. These themes are long-term secular trends and will not be disrupted with short-term economic contraction, indeed many companies in such sectors are benefiting from the economic turmoil, Amazon, Illumina to name two.

As ever we remain vigilant, focused and determined to provide exceptional investment and portfolio management in an era of increasing consensus. We remain committed to our strategy and philosophy. We will continue to work hard for the benefit of our clients and all stakeholders.

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Source of data: Bloomberg, Binary Capital IM.

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