



Offshore Global Model Service update March 2020

In these unprecedented times, markets have continued to fall despite pledges of support from both governments and central banks around the world. The G-7 group of nations has now agreed a co-ordinated action as the world comes together to combat the virus and its effects.

Risk assets continued to come under pressure during the first half of March 2020. The speed and severity of the recent fall in equity markets is unlike anything that many market participants have ever seen in their lifetimes. To complicate matters, a liquidity crunch within the US Treasury Bond market, something that is unheard of, effectively rendered the market untradeable. Corporate and High Yield Bond markets suffered dearly during the month, with credit spreads widening out at the fastest pace on record. Literally, there were a few days last week where I looked at the screens in disbelief as nothing worked....not even Gold!

Unfortunately both equity and bond markets have been incredibly volatile, with pricing and liquidity hampering our core fixed income funds, which suffered mark-to-market losses throughout the last week, but this something that we and our clients have to live with from now on.

At the moment, all we know is the Coronavirus continues to spread across the globe, rightfully this is causing high levels of fear and panic in both everyday life and financial markets. We have absolutely no idea how long the virus is going to last, nor do we have any idea how the current supply/demand shock will impact macroeconomic growth and corporate earnings. Realistically, nobody has a clue. Much of the recent liquidity measures introduced by central banks is to ensure the capital/financial markets can continue to function, meaning it will have limited real economic impact in the short-term. The reality is, we will need global governments to coordinate and fire a Fiscal Bazooka to help the private sector cope in the interim; we do not know what is coming, nor do we know what sort of shape it will take – this in itself is causing uncertainty. Finally, we need to see some evidence that the governments are taking necessary steps to get the virus under control; this should calm things down and bring some much needed confidence.

Safe to say, investing client capital in this sort of environment is extremely challenging. All we can do is observe the behaviour of those around us, understand where we are in the market cycle and position client portfolios accordingly. For now we are keeping a watching brief before wanting to dip a toe back into what feels like shark infested waters.

A look inside the Princely Collections – image description

For more than 400 years, the Princes of Liechtenstein have been passionate art collectors. The Princely Collections include key works of European art stretching over five centuries and are now among the world's major private art collections. The notion of promoting fine arts for the general good enjoyed its greatest popularity during the Baroque period. The House of Liechtenstein has pursued this ideal consistently down the generations. We make deliberate use of the works of art in the Princely Collections to accompany what we do. For us, they embody those values that form the basis for a successful partnership with our clients: a long-term focus, skill and reliability.

www.liechtensteincollections.at

Bauer brothers, Hortus Botanicus, Plants collected by Prior Norbert Boccius, detail from "Rosa Sinensis flore multiplici" (Volume 10, folio/plate 1154), 1795 © LIECHTENSTEIN. The Princely Collections, Vaduz-Vienna. From the second half of the 18th century, botany was given a boost by numerous expeditions and the attempt to cultivate exotic plants even in European gardens, and it became established as a science in its own right. Paintings of flowers also blossomed against this backdrop. The brothers Joseph Anton, Ferdinand Lukas and Franz Andreas Bauer created an illuminated composite manuscript containing more than 2700 illustrations of plants for the House of Liechtenstein. In its attention to detail, it satisfied the scientific basis postulated by 18th century naturalists, such as Carl von Linné and Vienna-based Nikolaus von Jacquin, for a systematic recording of flora. At the same time, the Bauer brothers were able to combine this with an artistic interpretation. The Chinese hibiscus, also known as China rose, depicted here is native to tropical and subtropical regions and has been successfully cultivated in Central Europe as well.

Get in contact

If you require further information, or would like to discuss how we could possibly assist you, please do not hesitate to email pimsteam@lgtvestra.com or call us on +44 (0) 1534 786 400.

Kind regards,

Nick Jewer

Senior Investment Analyst

Lucia Boletta

Intermediary Relationship Manager