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INVESTOR

Economic & Political Roundup

Monthly roundup | Investment companies | June 2021

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A collation of recent insights on markets and economies taken from the comments made by chairs and investment managers of investment companies – have a read and make your own minds up. Please remember that nothing in this note is designed to encourage you to buy or sell any of the companies mentioned.

Roundup

As the UK's Covid vaccine programme continues well on track and the dust has finally settled on Brexit, things may finally be looking up for the market, which has been unloved for some time now. Other countries, however, appear to be going the other way as threats of new variants grow stronger and other issues remain at play, such as ongoing tensions between the US and China. Inflation and rising interest rates are fast becoming investors' key concerns. The gold price is climbing.

Global

The worst may not be over yet. The past 12 months have offered some lessons for the long-term investor

AVI Global's chair, Susan Noble, is feeling positive about the Covid-19 recovery and vaccine rollout developments in some countries but believes there is still cause for concern in others, such as Japan.

Majedie's chief executive William Barlow notes that the proportion of corporate results among companies in the US and Europe beating forecasts is the highest it has been in a decade. However, investors' concerns have simply shifted to rising inflation and interest rates from deflation and negative interest rates.

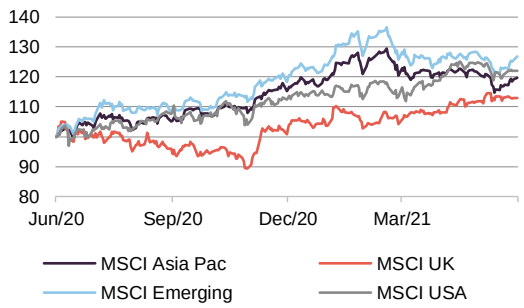
The chairman of Securities Trust of Scotland also notes that stock markets around the world are at all-time highs due to having made rapid recoveries from their 2020 lows. However, he thinks that this means valuations have become stretched and, in many sectors, now look extreme.

Exchange rate	31/05/21	Change on month %
GBP / USD	1.4212	2.8
USD / EUR	0.8179	-1.7
USD / JPY	109.58	0.2
USD / CHF	0.8989	-1.6
USD / CNY	6.3701	-1.6

Source: Bloomberg, Marten & Co

MSCI Indices rebased to 100

Time period 01/06/2020 to 31/05/2021



Source: Bloomberg, Marten & Co

	31/05/21	Change on month %
Oil (Brent)	69.32	3.1
Gold	1906.87	7.8
US Tsy 10 yr yield	1.5943	-1.9
UK Gilt 10 yr yield	0.795	-5.6
Bund 10 yr yield	-0.188	-7.4

Source: Bloomberg, Marten & Co

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BY MARTEN & CO

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May's highlights

Global (continued)

Tom Slater, manager of Scottish Mortgage, reflects on the past 12 months which he feels have offered some lessons for the long-term investor. He says the strength of stock markets in a period of such economic and social hardship highlights the tenuous link between economic predictions and share prices.

North Atlantic Smaller Companies' chair Peregrine Moncreiffe anticipates further volatility over the coming year, with weakness in the first half, followed by a strong recovery as the vaccine finally contains the pandemic.

UK

Share prices are generally back to or above pre-pandemic levels, but this suggests price increases will not be as strong as previous recoveries

Jonathan Cartwright, chair of BMO Capital & Income, notes that share prices are generally back to or above pre-pandemic levels, which suggests stock market price increases from this point will not be anything like as strong as the recovery-fuelled gains experienced in the immediate past.

Odyssean chair Jane Tufnell says while investors have priced in optimistic recovery scenarios in some sectors, they are more cautious in others.

James De Uphaugh and Chris Field, manager and deputy manager of Edinburgh, think the UK is rich in stocks that are exceptionally well-placed both operationally and in valuation terms. They say it has undoubtedly been a Cinderella to global equities, particularly since 2016.

Lowland managers James Henderson and Laura Foll say better than expected earnings are driving share prices upwards. Prices have made a good recovery from the levels to which they fell at the end of the first quarter last year.

BMO UK High Income's manager, Philip Webster, says that what struck him the most about the crisis was the pace of the initial collapse, over just a matter of weeks. But just over a year later, and for the first time in years, he says there feels like a renewed optimism in the UK market with Brexit behind us, an emergence from the pandemic, and valuations that look cheaper than most in the developed world.

This recovery could be far more prolonged and intense than others before

Thomas Moore, manager of Aberdeen Standard Equity Income, believes this recovery could be far more prolonged and intense than previous recoveries.

John Baker and Katen Patel, managers of JPMorgan Elect Managed Income, expect the success of the UK's vaccine rollout programmes, coupled with policies around stimulus programs, to lift business confidence and market valuations.

Schroder Income Growth's manager says the economic impact of the pandemic has reiterated the importance of balance sheet strength.

Downing Strategic Micro-Cap chair, Hugh Aldous, notes more interest in corporate substance and value is growing in the UK.

Roland Arnold, manager of BlackRock Smaller Companies, highlights that the Brexit trade deal has removed a huge cloud that has been overhanging the UK market for a number of years. With these concerns increasingly behind us, he feels there is

real potential for increased flows into UK equities, particularly further down the market cap spectrum into small and medium sized companies.

Manager Nick Train explains why Finsbury Growth & Income has lagged its benchmark and underperformed at the start of the year, largely due to the vaccine announcement and investors seeing a path out of lockdown. The portfolio did not fall as much during difficult times so there was less scope for a bounce back.

Asia Pacific

Bronwyn Curtis, chairman of JPMorgan Asia Growth & Income, notes that most Asian countries have appeared to handle the first wave pandemic better than their global counterparts. But there remain some concerns in other areas, such as China, where geopolitical tensions with the US are still prevalent.

> Most Asian countries appear to have handled the first coronavirus pandemic wave better than their global counterparts

The manager of Schroder AsiaPacific says the spread of returns across markets continued to be high, with technology-heavy Korea and Taiwan the best performing indices across the region. These benefited from upward earnings revisions, driven by ongoing strong export demand for semiconductors and technology products.

Schroder Oriental Income's manager believes sources of volatility are now easier to identify from the new US administration's fiscal and foreign policy, the ongoing relationship between themselves and China to the potential for a further COVID-induced slowdown.

Infrastructure

Ian Russell, chairman of HICL Infrastructure, says core infrastructure continues to play a role at the forefront of post-pandemic life. He is encouraged by the momentum building future infrastructure procurement.

Phil White, managing partner and head of infrastructure at 3i Infrastructure, notes that central bank interventions which have delivered aggressive monetary policy solutions alongside unprecedented fiscal stimulus have had a dramatic effect on public finances. A consequence of this is likely to be rising taxes to balance deficits, even if delayed until economies have had time to recover.

> Public finances have been significantly impacted by central bank interventions

Other

We have also included comments on **Japan** from JPMorgan Japanese; **Europe** from Henderson European Focus and Baillie Gifford European Growth; **global emerging markets** from Barings Emerging EMEA Opportunities; **China** from JPMorgan China Growth and Income; **Latin America** from Aberdeen Latin American Income; **flexible investment** from Caledonia, Livermore, Capital Gearing and JPMorgan Multi-Asset Growth & Income; **private equity** from Harbourvest Global private Equity; **debt** from TwentyFour Select Monthly Income; **biotech and healthcare** from Polar Capital Global Healthcare; and **property** from British Land, Helical, Great Portland Estates, LondonMetric Property, Picton Property, Shaftesbury, Ediston Property, Assura, Grainger, and Hibernia REIT.

Global

(compare global funds here)

Susan Noble, chair of AVI Global - 26 May

Some countries, including the UK, are gradually emerging from restrictions imposed to contain the spread of the COVID-19 virus but there is still cause for concern, with infection rates and levels of restrictions still high in some parts of the world. While the implementation of mass vaccination programmes gives cause for hope, there is still a considerable distance to travel before the world returns to normal. In Japan, for example, the vaccine rollout is progressing slowly, suggesting that it may take some time before economic activity can return to normal. Economies will then be faced with the consequences of the unprecedented level of government stimulus funded by debt and which ultimately must be paid for by tax payers.

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William Barlow, chief executive of Majedie - 26 May

Growth figures are being revised upwards and it is notable that following corporate Q1 results in the US and Europe, the proportion of companies beating forecasts as well as their magnitude is the highest for a decade. Investors' concerns have shifted to rising inflation and interest rates from deflation and negative interest rates. The rise in US Treasury bond yields, albeit from historic lows reflect these concerns. For stock markets this has caused a major rotation away from growth at any cost to previously unloved cyclical companies. Markets are expected to remain volatile having recovered so strongly from March 2020. This market background should favour fund managers with a proven flexible investment process.

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Chairman of Securities Trust of Scotland - 20 May

Many stock markets around the globe currently stand at their all time high levels and have made rapid and substantial recoveries from their 2020 lows. The inevitable effect of these rises in a period of challenging economic conditions is that valuations have been stretched and, in many sectors, now look extreme.

The recovery in markets from their March 2020 lows has been substantial but one feels that the recovery in economic activity and indeed the progress of this pandemic might be less smooth than the current abundant optimism might suggest.

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Tom Slater, manager of Scottish Mortgage - 13 May

The past twelve months have offered some lessons for the long-term investor. The strength of stock markets in a period of such economic and social hardship highlights the tenuous link between economic predictions and share prices. Even if one believes that the time and effort spent predicting the outputs of a complex system such as the global economy are worthwhile, one ought in any case to be cautious about linking that to the prices for individual securities or for stock markets as a whole. Conversely, there are many quite predictable trends in communications, computation, machine learning, energy generation and storage, gene sequencing and synthetic biology that, as they compound over time, can have a huge impact. The vaccine developments that are allowing us to emerge from this crisis are just one example. A small number of big winners have a dramatic impact on investment

returns. It is not an anomaly that Tesla has contributed so much to the portfolio this year. It is a predictable consequence of the structure of stock market returns. You no longer need to inhabit the arcane world of investment to understand such results.

Another example is all too familiar: the spread of Covid-19. The likelihood that you will suffer from the usual human ailments doesn't change much from year to year. That is not true for a virus: the more people who have it, the more will get it. It scales in a non-linear way. It can quickly achieve a prevalence that is unfathomable to those outside the world of infectious disease. Most stock prices don't change much from year to year either but the outliers grow with the same underlying maths as viral spread. Success often begets success and economic advantage accrues highly unequally.

Most financial theorists ignore this inconvenient fact, but our approach is designed to capture the outsized impact of such companies. Changes that were already underway in our society have been accelerated by the impact of Covid-19. This makes it an especially challenging time for those that embrace the concept of mean reversion. We hope we can look forward to normality returning in the year ahead, but 'normality' does not mean that things will return to the way they were before the pandemic struck.

Whilst the basic tenets of human nature are unchanging, the ways in which we work, consume and socialise are not. Lockdown restrictions over the past year have triggered a reappraisal of historical habits and rituals and many will be superseded. This creates opportunities for entrepreneurs; it changes supply chains and drives demand for new products and services. Scientists had been clear about the potential for a global pandemic for some time, but their warnings had not prompted the necessary preparation. The apathetic response to similar scientific warnings about climate change ought now to be questioned.

While we hope that lessons will be learned by our institutions and governments, we can also take inspiration from the leadership that the corporate sector has shown in delivering us from Covid. As with vaccines, so with decarbonisation; the value that Tesla has created by addressing the need to decarbonise has forced a hostile investment community to reconsider its position. Tesla has become one of the world's largest companies as its highly-rated products have continued to improve, along with its ability to manufacture them at scale.

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Peregrine Moncreiffe, chairman of North Atlantic Smaller Companies - 10 May

The outlook for the economy is for further volatility over the coming year with weakness in the first half followed by a strong recovery over the balance of the year as the vaccines finally (and hopefully) contain the pandemic.

Equity markets have, in my opinion, already priced a recovery in corporate profits into current valuations, which do not appear for the most part to be particularly cheap. The core driver of equity markets is therefore the continuing provision of liquidity by central banks, with the only cloud coming perhaps from significant fiscal stimulus combining with an increase in money velocity to prompt some reversal of the deluge of monetary easing measures.

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UK

(compare UK funds **here**)

Jonathan Cartwright, chair of BMO Capital & Income - 28 May

UK stock markets have recovered most of the ground that had been lost as a result of the pandemic, and in some specific areas, such as the Mid 250 and Small Cap, share prices are generally back to or above pre-pandemic levels. This strongly suggests that stock market price increases from this point will not be anything like as strong as the recovery-fuelled gains experienced in the immediate past. Furthermore economic and social conditions need to return to those occurring pre-pandemic in order to justify current stock market valuations overall.

Although Government enforced restrictions on activity are still in place, the path to a post-pandemic environment is becoming clearer and this is leading to many companies having sufficient confidence to restart or grow their dividends.

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Jane Tufnell, chair of Odyssean - 28 May

The pace and progress of recovery that we are seeing is very different across various business sectors and geographies and while investors have priced in optimistic recovery scenarios in some sectors, they are more cautious in others. Alongside this, growth momentum companies, especially those quoted on AIM, have continued to see their multiples expand.

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James De Uphaugh and Chris Field, manager and deputy manager of Edinburgh - 28 May

The UK market has been in the doldrums for an extended period. Indeed, some say of UK equities, 'why bother'? To that, our retort is that the UK is rich in stocks that are exceptionally well-placed both operationally and in valuation terms. While we do not expect a repeat of the exceptionally strong returns of last year, we do think there is scope for further attractive returns. It has undoubtedly been a Cinderella to global equities, particularly since 2016. There are a number of reasons for this. The sword of Damocles that was Brexit has gone. There is also the issue that the UK market plainly has had fewer technology stocks than other markets, particularly the US equity market. But with the UK's vaccine rollout programme among the leading ones around the world, and Brexit 'done', the outlook is much more positive. The UK is home to a wide range of world class business. As well as identifying strong businesses for the long term, an important part of our investment process is thinking about valuation. On this score, we are particularly excited about the opportunities available in the UK: we are firmly of the view that the UK market contains an exciting range of globally leading businesses with the double benefit of being undervalued versus their international peers.

Dividends

Today, we are in a position where the level of dividends paid across the market is generally more sustainable. As economic visibility steadily improves, more companies have begun to reinstate, or rebuild, dividends. A good example of this phenomenon, in an early phase, is in the banking sector.

Outlook

Many of the UK-listed stocks held are priced at a discount to their peers in other markets internationally. With some UK-specific issues such as Brexit receding, and a robust vaccine rollout across the country, there are sound reasons to believe the valuation gap should narrow from here. How quickly this might happen is clearly unknown.

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James Henderson and Laura Foll, managers of Lowland - 25 May

The economy is opening up, with consumer demand returning along with corporate capital spend projects that had been on hold now being actioned. This is happening after a period in which companies have been reducing their cost base and refocusing their business as a response to the uncertainties around the pandemic. The pick-up in sales on the reduced cost base will lead to an improvement in operating margins. The estimates investors have for many stocks may prove to be too low. It is better than expected earnings that is driving share prices upwards. Prices have made a good recovery from the levels to which they fell at the end of the first quarter last year.

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Philip Webster, manager of BMO UK High Income - 25 May

What struck me most about the crisis was the pace of the initial collapse - 33% (peak to trough for the All-Share) - in a matter of weeks. Whilst I've witnessed crises before, I have never seen it happen so abruptly and bring with it an impact on 'all my holdings'. As I stated last year, there were so many unknowns for management teams to deal with and so many uncertainties about the recovery path. Against this backdrop, I must applaud the management teams I spoke to for their dynamism in scenario planning, reshaping businesses and costs, getting staff up and running at home, embracing technology, and continuing to deliver a quality service to their customers. Their communication with the market stepped up significantly and the work taken to position businesses for the recovery, was a major reason for your Company's outperformance in the financial year.

I don't give forecasts, but there are several reasons to be encouraged about the year ahead. The UK market has, for now it seems, turned the corner and gone from being unloved to loved. The potential was always there, but with Brexit, weak growth, and a value bias (when all the market wanted was growth) there has long been a headwind to investing.

How quickly this has changed, and cash is beginning to flow back into UK equities. There are a few reasons for this, the first being valuation. The UK remains cheap against global equity markets that are at or near all-time highs. Alongside valuations, the UK, as I noted earlier, has also handled the vaccination programme well, which bodes well for the opening of the domestic UK economy. Savings rates have been boosted by the pandemic, and signs from markets that have opened ahead of the UK point to a lot of pent-up demand in the system. This will provide a tailwind to more domestically focused mid-caps, which will be larger beneficiaries of this trade.

For the first time in years, there feels like a renewed optimism in the UK market with Brexit behind us, an emergence from the pandemic, and valuations that look cheaper than most in the developed world.

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Thomas Moore, manager of Aberdeen Standard Equity Income - 18 May

There are several reasons why the recovery this time could be far more prolonged and intense than previous recoveries. First, we are emerging from a particularly long period of macro stress (having started at the time of Brexit/Trump in 2016). Second, investor positioning and valuations had become extreme during this period, looking at the divergence between cheap cyclical stocks and expensive quality growth stocks. Third, surging economic data could cause a major shift in market leadership as Cyclicals and Financials start to outstrip other sectors in terms of earnings growth. Policy-makers have made it clear that they are quite prepared to run the economy "too hot" by keeping the foot on the stimulus pedal, rather than returning to the austerity policies of the post-financial crisis era. The justification for prioritising growth over inflation is partly socio-economic - it is believed that those that have suffered most in the past decade, including the pandemic, are the workers in the lowest socio-economic groups who are struggling to make ends meet. However, maintaining loose monetary policy, even as inflation rises, also has implications for asset prices especially commodities, property and equities.

John Baker and Katen Patel, managers of JPMorgan Elect Managed Income - 14 May

The success of the UK's vaccine rollout programmes, coupled with policies around stimulus programs, should lift business confidence and market valuations. While none of the data indicate that the economy is even close to full health right now, they do signal diminishing distress. Given the dearth of competing opportunities with persistently low interest rates, equities continue to look attractive. However, with many shares having already performed strongly, an active and discerning approach to stock investing remains paramount from here. While economic growth in the first half of 2021 will continue to be impeded by the pandemic, the latter part of the year should see significant upside in consumption as vaccines are rolled out globally and pent-up demand is unleashed. Accordingly, we see earnings for global corporations rebounding over this year to nearly their pre-pandemic levels. Amid this backdrop, UK equities look particularly promising given their strong dividend yield, attractive valuations and scope for profit margin expansion. Though every crisis is different, looking out into the next five years, we expect earnings growth to be substantial, front-loaded and not very dissimilar to the rebound from the global financial crisis. Cyclically geared markets, sectors and companies, which have been at the heart of the storm, are likely to benefit, but it is crucial to differentiate cyclical from structural headwinds and tailwinds as the recovery takes shape. While several expectations are priced in, historical experience shows that the potential for growth from a rebounding economy can often be underestimated.

Manager's report for Schroder Income Growth - 12 May

Global markets experienced a record-breaking crash in February and March 2020 as the COVID-19 pandemic spread throughout the world. However, with governments and central banks doing "whatever it takes" in terms of providing support to individuals and businesses through monetary and fiscal policies, as well as a quick breakthrough in developing an effective vaccine, markets rebounded fast. Overall, businesses, consumers and governments have proved to be adaptable and innovative, from vaccine development and roll out to business practices and the use of technology.

The economic impact of the pandemic has reiterated the importance of balance sheet strength, which we also witnessed during the global financial crisis. We prioritise financial strength and robust, sustainable business models in our stock selection.

However, risks do remain. The slow vaccine roll-out and the third wave in the EU, as well as coronavirus variants emerging across the globe, have cast some doubt on the pace of unlocking economies. Additionally, the fiscal and monetary stimulus thrown at the situation over the last twelve months has been unprecedented and could well lead to higher inflation and bond yields.

Hugh Aldous, chairman of Downing Strategic Micro-Cap - 10 May

Developed markets outside the USA, such as ours, seem to have struggled for 20 years in a bearish world compared to the ever-vigorous America. Now more vigour, interest in corporate substance and value is growing in the UK.

Roland Arnold, manager of BlackRock Smaller Companies - 7 May

The vaccine rollout programme continues to gather speed and the market is now heavily focused on the ‘reopening trade’ and the pace at which the world can return to some level of normality. With the UK ahead in its vaccine rollout we are cautiously optimistic about the reopening in the UK. However, questions remain over the vaccine rollout elsewhere in the world and the potential for new vaccine resistant "Variants of Concern"; as such there remains potential for market setbacks and sharp spikes in volatility. Strengthening sterling and the steepening yield curve has caused a challenging headwind for many growth companies. We do not believe this will be a long-term issue and we do not see persistent higher levels of inflation ahead.

The Brexit trade deal removes a huge cloud that has been overhanging the UK market for a number of years. The UK market is under-owned and trades at a discount compared with other global markets. With Brexit concerns increasingly behind us, there is real potential for increased flows into UK equities, particularly further down the market cap spectrum into small and medium sized companies.

Many of the structural shifts that have been witnessed through the pandemic have accelerated and could prove to be permanent, while others are less certain.

Nick Train. Director of the manager of Finsbury Growth & Income - 7 May

There is no getting away from the fact that once the vaccines were announced in November 2020 and citizens and investors began to see a path out of the lockdowns the portfolio started to lag its benchmark and this underperformance continued through the first three months of 2021. There are a number of reasons, but the most obvious is this: because the portfolio did not fall as much during the difficult times, there was less scope for a bounce once confidence recovered.

One way to illustrate what has happened is to consider the performance of Unilever’s share price. During 2020 Unilever’s business held up reasonably well – selling staple food, hygiene, and personal care products all around the world. As a result, Unilever’s share price was something of a safe haven in the context of the UK stock market, actually delivering a modest capital gain in 2020. During the first quarter of 2021, though, Unilever’s share price has fallen 7%, while the UK stock

market is up over 5%. Suddenly its “defensive” qualities seem unattractive, when there are “recovery” stories to chase elsewhere.

Japan

(compare Japan funds **here**)

Nicholas Weindling and Miyako Urabe, managers of JPMorgan Japanese - 20 May

The advent of several viable vaccines has significantly improved the global economic outlook and although Japan is well behind the UK and the US in its vaccine roll-out, this is a short-term concern - the country's economic prospects are still significantly better than six months ago. As always, uncertainties remain. To date the Government has maintained that the Olympics will proceed and, if they do, foreign spectators will not be allowed to attend.

On the political front, a general election is due before end-October 2021. Prime Minister Suga's popularity has been falling and we cannot be sure if he will retain his hold on power. However, his party, the Liberal Democratic Party (LDP), is likely to remain in government after the forthcoming election, as Japan's opposition parties remain weak and disorganised. Regardless of who the LDP nominates as the next prime minister, we expect the government's commitment to key policies such as digitalisation and net carbon neutrality by 2050 to remain in place.

Independent of the economic and political backdrop, the Japanese market is much more vibrant than some investors appreciate, with many new and interesting listings on the Tokyo stock exchange each year, especially in the small and mid-cap space. We believe it is an attractive market in which to build a portfolio different from the pack, particularly for active, bottom-up investors like us, supported by a large research team on the ground in Tokyo.

Europe

(compare European funds **here**)

John Bennett and Tom O'Hara, managers of Henderson European Focus - 26 May

Shortly after the pandemic came to the shores of Europe, we identified the ingredients that would lead to a V-shaped recovery in the industrial world. In a nutshell, those ingredients included naturally occurring lows in the corporate inventory and capital expenditure cycles. The pandemic served to aggravate those lows, driving them yet deeper. Then came the quite extraordinary monetary stimulus from central banks worldwide, followed, to varying degrees, by fiscal expansion. The resultant recovery in demand for industrial goods, as factories and construction sites quickly reopened, has played to our strategy.

Then, as calendar 2020 drew to a close and Europe was suffering from a second wave of infections, we drew succour from the unequivocally excellent vaccine data. This encouraged us to strengthen our view that a second V-shape is likely: this time in the consumer sphere. During the six-month period under review, we tilted the

portfolio towards the consumer discretionary sector. Notwithstanding, at times, hysterical media and political rhetoric concerning vaccine rollouts, vaccine efficacy and even vaccine nationalism, we have resolutely trusted the data.

Manager's report for Baillie Gifford European Growth - 17 May

Our lives continue to be dominated by coronavirus and it's understandable that people focus on this and the prospect of when we are likely to get 'back to normal'. It's perhaps less clear why investors don't spend more time thinking about what happens after that though. Consumer behaviours that have changed forever, digitalisation, the accelerating energy transition and decarbonisation, and astounding advances in medical technology: all are themes which have far larger implications for us over the next decade than knowing when exactly we'll be safely eating in restaurants, shopping on the high street, or holidaying in the Algarve.

n terms of outlook, we really don't think it's hyperbole to suggest that we are just at the start of one of the greatest transitions of market leadership that Europe has ever seen.

Global emerging markets

(compare global emerging markets funds **here**)

Frances Daley, manager of Barings Emerging EMEA Opportunities - 19 May

As I write, the MSCI World Index is now approximately 10% above its pre COVID-19 levels in February 2020, despite the pandemic still raging in certain parts of the world.

This primarily reflects optimism that this year will see a strong recovery in economic activity worldwide. Global growth forecasts have been supported by the continued resilience of the Chinese economy and industrial production, and by more optimistic projections of U.S. economic growth in 2021. Rising consumer confidence, falling unemployment, as well as sizeable infrastructure and stimulus spending packages have combined to encourage hopes of a stronger economic recovery in 2021.

Alongside these positive global trends, the emerging Eastern European, Middle Eastern and African (EMEA) region continues to benefit from distinctive characteristics that stand the markets in good stead as parts of the world emerge from COVID-19. Markets in the region have lower levels of debt, enjoy a higher degree of monetary policy flexibility and offer a range of opportunities for growth and income across sectors and geographies.

Despite these positives, there is bound to be some volatility in the near term, as markets continue to monitor infection rates globally, which in some parts, have risen significantly. Despite recent strong performance, emerging EMEA remains attractively valued compared with both developed equities and global emerging markets, so the risk of a market correction should be somewhat mitigated by the region's catch-up potential.

Asia Pacific

(compare Asia Pacific funds **here**)

Bronwyn Curtis, chairman of JPMorgan Asia Growth & Income - 21 May

Most Asian countries have appeared to handle the first wave pandemic better than their global counterparts, and they are emerging in better economic health since governments in Asia have generally refrained from large scale fiscal stimuli. However, as the resurgence of cases in India demonstrates, the risks to economies and markets will remain elevated until the vast majority of the world's population has been vaccinated. Geopolitical tensions are also a concern as China assumes her role as the leading counterpart to the US, particularly in the Asia Pacific region.

The region continues to offer a broad range of exciting investment opportunities from high quality companies that benefit from the region's developments in technology and increased consumption.

While Asia, and China in particular, has demonstrated comparatively advantageous resilience to the pandemic, India is an exception. At the time of writing it is in the midst of a terrible humanitarian crisis arising from highly virulent variants of the pathogen which are impacting this country nationwide.

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Manager's report for Schroder AsiaPacific - 21 May

North Asia continued to manage the COVID crisis well, whilst many economies across Europe and the Americas experienced second waves. In contrast, economies such as China started to normalise. Domestic growth was recovering, in addition to the strong export recovery. Although the run-up to the US election saw increased tensions between China and the US over a wide range of issues, the new US administration added fuel to the global recovery with hopes of increased fiscal stimulus. This in turn saw long bond yields start to move up which periodically started to unsettle markets.

Sector returns across the region reflected the rotation in the markets that has been seen globally. This was particularly marked from November, following the vaccine news and hopes for more fiscal stimulus from the Biden administration, which raised expectations for a stronger global recovery. Defensive bond-like names in sectors such as utilities, consumer staples and health care lagged as growth expectations picked up and rising long bond yields impacted valuations. The areas seen as the bigger beneficiaries of recovering global growth and higher interest rates, including information technology, materials and financials, outperformed.

The spread of returns across the regional markets continued to be high, with technology-heavy Korea and Taiwan the best performing indices across the region. These benefited from upward earnings revisions, driven by ongoing strong export demand for semiconductors and technology products. The Chinese market started the period robustly, as growth names did well, then faded. This flowed from e-commerce platform stocks coming under increased regulatory scrutiny into their market positioning, as well as investors regionally starting to rotate out of some of the more thematic growth names that had performed strongly. With North Asian markets having done well through the crisis, some of the smaller ASEAN markets started to perform better given their higher exposure to more value-orientated sectors and relatively attractive valuations (value typically thought of as those

companies that appear to trade at a lower price relative to its fundamentals such as dividends, earnings or sales).

In India, the market started to recover from a period of underperformance as concerns on the impact of the virus on the economy, which had already been slowing going into the crisis, started to ease and activity started to recover. This combined with the announcement of structural reforms in areas such as the labour market saw the market outperform over the period.

Outlook

Despite the threat to human life from COVID-19 and its consequent impact on the global economy, stock markets have risen strongly over the last year driven by a cocktail of liquidity, fiscal stimulus, hopes of a successful vaccine rollout and the prospect of a recovery in earnings. Aggregate valuations are now well above long-term averages and increasingly starting to price in a strong recovery in earnings. There are some areas of the market that look 'frothy', such as in selective EV, biotech and tech names. However, the wide divergence of valuations and prospect for the broadening of the earnings recovery means that other areas of the market have lagged and are still trading on relatively attractive valuations, despite the recent rotation in the market which has seen some of the valuation disparities start to narrow.

Sources of volatility are easy to identify, from the new US administration's fiscal and foreign policy, the ongoing relationship between themselves and China to the potential for a further COVID-induced slowdown. Recent increases in infection rates in countries such as India, combined with the relatively low vaccination rates across many parts of Asia compared with the likes of the US and the UK, mean that a full opening up of economies is still some way away.

The recent rise in US long bond yields has unsettled investors. This rise has a potential impact not only on valuations, especially of more highly rated growth stocks, but also in it potentially bringing forward tightening of monetary policy that has been so accommodative for markets. Any tapering of monetary policy clearly remains a risk and we have started to see some price rises in commodities, and goods inflation due to shortages, as economies open up. However, services demand is likely to lag resulting in subdued wage pressure in most developed markets. Whilst comparisons have been drawn with the 'taper tantrum' period of 2013 most Asian countries are in a better position from a current account perspective than then, and short-term external debt in most cases still remains well covered by FX reserves.

North Asian economies and specifically China have managed the COVID crisis well. Strong demand for exports and recovering domestic demand has seen China moving onto a tightening path. Furthermore, as developed economies shift spending away from goods to services as they slowly open up, we are likely nearing the peak in rates of demand growth for Asian exports. Although we still expect normalisation of economies to act as a support for earnings growth in Asia, nascent cost pressures in some areas such as commodities may put some pressure on margins. This could temper earnings revisions in some industries. Given this, we think that many of the obvious recovery trades are now starting to factor the recovery into their valuations and the differentiation between 'growth' and 'value' given relative price moves, will be less of a factor. Rather, stock selection will likely be key ('growth' typically thought of as those companies expected to grow sales and earnings at a faster rate than the market average).

Manager's report for Schroder Oriental Income - 5 May

Despite the threat to human life from COVID-19 and its consequent impact on the global economy, stock markets have risen strongly over the last year driven by a cocktail of liquidity, fiscal stimulus, hopes of a successful vaccine rollout and the prospect of a recovery in earnings. Aggregate valuations are now well above long term averages and increasingly starting to price in a strong recovery in earnings. However, the wide divergence of valuations and prospect for the broadening of the earnings recovery means that, although, there are some areas of the market that look 'frothy', such as in selective EV, biotech and tech names, other areas of the market have lagged and are still trading on relatively attractive valuations despite the recent rotation in the market which has seen some of the valuation disparities start to narrow.

Sources of volatility are easy to identify from the new US administration's fiscal and foreign policy, the ongoing relationship between themselves and China to the potential for a further COVID induced slowdown. The recent rise in US long bond yields has unsettled investors given the potential impact that this could have not only on valuations, especially of more highly rated growth stocks, but also in it potentially bringing forward tightening of monetary policy that has been so accommodative for markets. Any tapering of monetary policy clearly remains a risk and we have started to see some price rises in commodities and goods inflation due to shortages as economies open up, however, services demand is likely to lag resulting in subdued wage pressure in most developed markets. Inflation rising faster than expected is not great for equities in the short-term, but longer term real asset income sources should look attractive versus the return free risk that is fixed income.

Looking at dividends more broadly, there is still a lot of uncertainty as to where near term payments will go given the path of COVID which has unsurprisingly meant caution from some companies, particularly those most reliant on pandemic-related restrictions being eased. Still, despite this, we are expecting earnings to pick up this year as described above which should provide a more supportive backdrop for dividends and potential increases, albeit the timing around increases remains COVID dependent with the uncertainty resulting in a potential lag between any recovery in earnings and that of dividends. Some financials payouts, for instance, remain capped by their regulators but if we see ongoing recovery we are hoping that they will start to allow increased payments.

China

(compare China funds **here**)

Howard Wang, Rebecca Jiang, and Shumin Huang, managers of JPMorgan China Growth and Income - 21 May

Global equity markets welcomed news of effective vaccines, which provided fresh impetus to the sharp rebound in share prices which began in Q2 20. Many equity markets ended 2020 at or near all-time highs and there was a notable rotation into cyclical, financial and value stocks that investors expect to outperform as economic activity strengthens. However, in Q1 21, a commodities boom, fuelled by rising global demand, and supply shortages, has stoked concerns about inflation around the world and led to the rapid rise in bond yields. This has had a significant adverse impact on equity valuations. Share price declines were greatest amongst

technology and other growth and momentum stocks which have performed most strongly since the onset of the pandemic, as the rotation into cyclical and financial stocks continued.

In China, economic activity became more broadly based during the review period, including in certain service sectors that had been severely disrupted by the COVID-19 pandemic. Demand for Chinese exports was particularly strong and domestic consumption remained resilient, including during the Chinese New Year period, despite the measures implemented to restrict domestic travel following a COVID-19 outbreak in January. Retail sales during the holiday period grew 28.7% compared with the same period in 2020 and were 4.9% higher than in 2019. China was the only major economy to register positive growth in 2020, and the IMF expects the rebound in Chinese economic activity to outpace the upturn in Western economies significantly both this year and next. In March, China's annual National People's Congress (NPC) session ended without delivering any big surprises - there were no material changes to either the government's policy stance, its growth targets (+6% GDP) or its focus on supporting domestic consumption. Beijing has also re-emphasised its long-term commitments to technological innovation and self-sufficiency, industrial upgrading, and green energy.

In China, 2020 earnings results were largely in line with or better than expectations, thanks to the improvement in domestic demand, and Chinese equities closed the six months ended March 2021 in positive territory, despite the Q1 sell-off. As in other markets, this sell-off was driven in part by the spike in bond yields, as well as by concerns about tightening domestic liquidity conditions. Also consistent with developments elsewhere, Chinese equities experienced a distinct style rotation away from highly-valued growth and momentum names, into more cyclical, economically sensitive and value stocks. At the end of the period, offshore China equities saw increased volatility arising from the unwinding of large collateral positions in certain US-listed Chinese equities.

Outlook

The global economy is on the road to recovery, evidenced in part by manufacturing survey data reflecting upbeat sentiment in many countries. President Biden's massive stimulus plan has added significantly to US economic momentum. We expect China to continue to lead the recovery, supported by strengthening overseas demand and the rollout of US fiscal stimulus. We are, however, mindful of the associated increase in inflation risks. Although the Fed appears sanguine on the outlook for longer-term inflation, we sense that on average, committee members have shifted to a slightly more hawkish stance. In China, policy makers are likely to continue to support economic activity in the short-term. But they will view inflation and asset price bubbles as risk factors, and we expect a gradual normalisation in China's domestic stimulus policies over time. The government's long-term focus on better quality growth was recently reaffirmed by the National People's Congress.

In summary, we remain optimistic about the outlook for Chinese equities. The country's robust economic outlook, combined with the many opportunities created by structural change, especially in technology and healthcare, will continue to drive positive and sustained returns in Chinese equities over the long-term, and attract increasing interest from foreign investors.

Latin America

(compare country specialist funds **here**)

Richard Prosser, chairman of Aberdeen Latin American Income - 6 May

Several themes influenced the markets' direction. The ebb and flow of the battle against Covid-19 remained foremost in investors' thoughts. Worryingly, Latin America continues to struggle in bringing infections down and mitigating the mounting death toll. Both Mexico and Chile were compelled to re-impose lockdowns in December, with Mexican leader Andres Manuel Lopez Obrador himself succumbing to the virus for a while. The arrival of vaccines brought hope to the battered region, but inoculations were quickly beset by logistical challenges. In Brazil, President Bolsonaro's attitudes to Covid-19 and vaccinations caused political turmoil as infection rates soared. That said, Chile emerged as a bright spot, with the country among the world's fastest in administering vaccinations. The trajectory of the virus and speed and efficacy of these vaccination campaigns will be crucial in buttressing the economic recovery.

Beyond Covid-19, domestic politics was another source of uncertainty. In Brazil, concerns over the country's fragile fiscal position heightened after the government unveiled a new minimum income welfare scheme. In contrast, momentum for other reforms appeared to stall, with little progress on proposed changes to the tax system. Meanwhile, investors were disenchanted by a new law that overturned previous energy market reforms in Mexico in favour of state-owned providers. Political instability gripped Argentina and Peru as well. In Argentina, uncertainty over the export cap on corn after a three-day farmers' strike exposed rifts within the government. As for Peru, a flurry of leadership changes followed the impeachment of former president Martin Vizcarra for alleged corruption. Within a week, large-scale protests forced his replacement, Manuel Merino, to resign. Only after market-friendly technocrat Francisco Sagasti took the reins on an interim basis were investors appeased.

All that said, optimism over vaccines, still loose monetary policies and President Joe Biden's election victory in the US lent support to asset prices. At the same time, we saw some rotation away from growth oriented stocks that benefited from pandemic induced disruptions. Notably, the brightening economic outlook globally buoyed prices of commodities, including crude oil, copper and iron ore, which are crucial drivers of these key regional economies. In particular, this benefited the markets in Chile, Mexico and Peru, along with the mining and energy sectors.

Outlook

Several risks continue to cloud the outlook for Latin America. Most notably, the region is still struggling to contain the pandemic, with national health systems under increasing strain. Much will depend on how quickly nations and governments can overcome problems and ramp up vaccinations. Meanwhile, the recent uptick in inflation could compel the authorities to ease policy support faster than expected. A busy electoral calendar poses further question marks, with upcoming elections in Mexico, Chile and Peru. As for Brazil and Argentina, investors remain watchful on those governments' ability and willingness to follow through on pending reforms.

Nonetheless, there are certainly more reasons to be optimistic at this point. The projected rebound in global growth should prove supportive for the trade and commodity-linked economies across the region. Another point worth noting is that Latin American stocks were relative laggards across the broader emerging market

asset class pick-up in 2020. Therefore, equity valuations look attractive, especially if corporate earnings recover concurrently.

Flexible investment

(compare flexible investment funds **here**)

Will Wyatt, chief executive of the manager of Caledonia - 27 May

We also remain appropriately cautious that the valuations of assets remain elevated. There are also nascent risks associated with higher inflation as pent up demand potentially exceeds supply and the effects of broken global supply chains and increasing domestic protectionism become more prevalent.

Manager's report for Livermore - 26 May

2020 review

2020 will forever be etched in our minds. The COVID-19 pandemic, its immense economic and human devastation, and humanity's fight to survive - through medical and scientific breakthroughs, unparalleled monetary and fiscal stimulus, and individual stories of courage and sacrifice - will all go down in the annals of world history.

Although the year started well for most asset classes and ended even better, only their movements through the year tell the whole story. Once the virus spread out from China, equity and credit markets collapsed globally and developed nation bond yields declined sharply with safe-haven currencies such as the Swiss Franc and US Dollar appreciating, as country after country enforced lockdowns to protect its citizens and prevent their healthcare systems from complete collapse. Central banks and governments across the world responded swiftly and in good measure and seem to have saved the world from a deep economic depression. Global equity markets recovered sharply on these steps taken and hope for effective vaccines against COVID-19 propelled risk markets to further highs.

Floating rate loans in the US declined in line with the broader credit assets but were slower to recover on expectations of very low rates for very long. Rating agencies also acted quickly and downgraded a significant portion of the leveraged loan and high-yield market. The downgrades and a handful of defaults eroded over-collateralization cushions in most CLOs and resulted in steep decline in market valuations of CLO tranches. However, there were almost no forced sales. In April, over 25% of CLO equity in the market (especially short reinvestment period deals) tripped key tests and as expected, diverted some cash away from equity investors to bolster the CLO structure. By October, most CLO deals had recovered, and distributions were made to equity tranches.

Global Investment Environment

An already weak global economy on account of trade tensions between the US and China as well as the uncertainty over the UK's exit from the European Union, was plunged sharply into a recession as the COVID-19 outbreak spread rapidly across the world. Preventive measures to slow the infection rate shut down several businesses sectors, disrupted global supply chains, and movement of people across borders was also restricted which varied from country to country. The

resulting jobs losses, especially in the travel, entertainment and retail sectors, inflicted significant economic damage in addition to the health crisis. Due to lower global production capacity utilization and lower oil prices, consumer price inflation declined in advanced economies. In the second quarter of 2020, GDP in most countries was 10% to 20% lower than at the end of 2019. Unemployment levels rose in most countries and are still above pre crisis levels.

Thankfully, central Banks across the world acted swiftly to lower rates substantially and injected unprecedented amounts of liquidity to ensure orderly functioning of the global markets. In addition, governments responded quickly to provide stimulus, such as forgivable business financing, generous unemployment benefits and short-term work schemes, to blunt the impact of the crisis. These aggressive measures helped stabilize markets and supported household spending which in turn improved sentiments on financial markets by end of March. The decline in new infections, easing of the containment measures in the Summer months, and hopes for an effective vaccine to prevent COVID-19, increasingly allowed a strong recovery of the global economy in the third quarter.

USA: COVID-19 restrictions imposed by governments and the resulting behavioural changes by consumers and businesses resulted in GDP decline of 10% over the first half of 2020, and the unemployment rate spiked to a high of 14.8% in April. To counter the economic decline, the US Federal Reserve (the Fed) eased monetary policy significantly and cuts its policy rate by 1.5%, announced purchase of Treasury and mortgage-backed securities, and introduced various credit facilities to support the flow of credit to households and businesses and support functioning of financial markets. The US government also launched several fiscal measures to support the economy. Still, overall GDP declined 2.5% in 2020. The unemployment rate rose from 3.6% at the beginning of the year to nearly 15% but recovered to 6.3%. Headline inflation fell to 1.2%, from 1.8% in 2019 and remained below pre-COVID-19 levels. In August 2020, the Fed announced that it would seek to achieve inflation that averages 2% over time and is on track to moderately exceed 2% for some time.

Eurozone: COVID-19 spread throughout Europe from mid-February 2020 and most countries introduced restrictive public health measures to limit the spread of the pandemic. Although the measures were eased in May 2020, new strains and colder temperatures caused COVID-19 cases to spread again later in the year. Overall, GDP declined by 6.8% on average for the year. The unemployment rate in the Eurozone area increased, although the rapid expansion of short-time work schemes curtailed the rise. Unemployment rate in the Eurozone was 8.3% in December compared with 7.3% at the beginning of 2020. Eurozone countries and the European Central Bank (ECB) provided extensive fiscal policy support from March 2020 onwards. The ECB eased the conditions and increased the volume of its asset purchase programme. In addition to the short-time work schemes, member states provided liquidity support and loan guarantees for businesses, tax relief and investment in infrastructure. By the end of the year, the ECB had increased the programme to about 15% of GDP and planned to continue it until March 2022. The ECB signalled that it would not raise its key interest rates until inflation had sufficiently firmed.

Headline inflation in the Eurozone area fell to 0.3% in 2020, down from 1.2% in 2019. Core inflation was dampened in particular by declining prices for tourism services owing to the pandemic and a temporary reduction in value added tax in Germany.

Japan: In Japan, GDP declined by 4.9% as a result of the pandemic. In the first quarter, the public health measures were still moderate, but a six-week state of

emergency declared in mid-April 2020 had a strong impact on economic activity. With the easing of measures in May2020, supported by fiscal policy and global demand, the economy recovered quickly although GDP had still not returned to pre-crisis levels by the end of the year. Labour market conditions remained difficult despite employment subsidies to avoid redundancies. Unemployment rose by almost 1% within the year and stood at 2.9% in December. In Japan, core inflation was slightly negative as prices for tourism services, in particular, declined sharply in the second half of December 2020.

Since 2016, the Bank of Japan (BoJ) has placed yield curve control at the centre of its monetary policy. In 2020, it maintained the target for 10-year government bond yields at around 0% and its short-term deposit rate at -0.1%. Further, it announced purchasing Japanese government bonds without an upper limit to stabilise the yield curve across all maturities. It also introduced measures to facilitate banks' lending to small and medium-sized enterprises in particular and increased its purchases of corporate bonds and equity exchange-traded funds (ETFs).

China: China recorded positive GDP growth of 2.3% despite the pandemic. Stringent containment measures put in place in January 2020 resulted in a decline in new infections. The measures were relaxed again in March 2020. After a historic contraction in the first quarter, economic activity recovered quickly, and China's GDP surpassed its pre-crisis level in the third quarter. The recovery was supported by public spending, financial assistance and temporary duty relief for companies. Exports benefited from the increased global demand for medical protective equipment and technical equipment for working from home. The labour market recovered significantly by the end of the year and in urban areas the unemployment rate in December 2020 was back in line with the 2019 levels of 5.2%. Headline inflation was slightly lower at 2.5%, while core inflation hit its lowest level in more than ten years at 0.8%.

To support the recovery, the People's Bank of China lowered its key rates, including its seven-day reverse repo rate by 0.3% to 2.2%, and reduced the reserve requirement ratio for smaller banks.

Brazil, India and Russia were severely affected by the COVID-19 crisis. In India, strict containment measures had a particularly severe impact on economic activity whereas Russia's economy suffered due to the weak global demand for oil. With the easing of containment measures from June 2020, economic activity recovered gradually in all three countries. Headline inflation initially declined in Brazil to 3.2% and Russia to 3.4% but rose in both countries towards the end of the year. In India, however, headline inflation rose to 6.6% as disrupted supply chains caused price increases. The central banks of Brazil, India and Russia also eased their monetary policies. In Brazil, the policy rate was reduced by 2.5% to 2%, in India by 1.15% to 4%, and in Russia by 2% to 4.25%.

Commodities: Commodity prices declined in the first half of the year on account of lower demand. The price of WTI oil futures for May 2020 futures fell temporarily to negative levels on concerns over delivery of physical barrels of oil when storage sites were reaching full maximisation. The oil price recovered as the global economy revived again in the second half of 2020 and output cuts made by OPEC. Industrial metals prices also recovered from the decline in the first half of the year, supported by increased demand from China, and closed 2020 significantly higher than at the beginning of the year. Gold finished the year up 24.6%.

Equities and Bonds: Swift and plentiful monetary policy support helped financial markets recover and hopes for efficient vaccine eventually propelled US equity markets to record highs. Global equity prices also recovered and sovereign credit

spreads in emerging market economies and in the European periphery narrowed. In major developed economies, government yields remained near historical low levels amid continued monetary policy accommodation. Technology and work-from-home related stocks soared with the NASDAQ composite gaining a monstrous 43.6% (compared to 16.3% for the S&P 500). Small cap stocks in the Russell 2000 outpaced the S&P 500 by 3%, but also saw a steeper drawdown during times of volatility. US equities continued to outperform the European markets.

US government and corporate bonds had a positive year; however, their returns were primarily driven by support from the Federal Reserve's monetary policy. The Federal Reserve increased its portfolio of Treasury notes and bonds by 79% since March 2020, with its total assets reaching $7.3 trillion at the end of 2020.

Foreign exchange: At the onset of the COVID-19 pandemic and the ensuing flight-to-safety, the US Dollar and the Swiss Franc gained against most major currencies. However, as recovery took hold, the US Dollar depreciated, more than reversing its appreciation as policy easing by the Fed resulted in the US Dollar losing its interest-rate advantage. Further fiscal stimulus expectations in the US are likely to weigh on the dollar in the long term. The Swiss Franc was one of the most resilient currencies and also one of the best performers at the end of the year alongside the Euro and Australian Dollar with gains of 9% or more.

Loan Market: US Leveraged Loans fully recovered towards the end of 2020 despite a turbulent start. In light of the COVID-19 pandemic, rating agencies downgraded about 47% of the issuers (~USD 550 billion), the highest ever in a year (640 companies or $550 billion, or 47% of issuers) as reported by J.P. Morgan. Subsequently about 13.6% of the issuers were upgraded and the rate of loan defaults slowed towards end of 2020. The Credit Suisse Leverage Loan Index ("CSLLI") generated a return of 2.78%, while the Merrill Lynch High Yield Master II Index ("MLHYI") generated returns of 6.17%. According to S&P Capital IQ, total institutional loan issuance was $287.8 billion, down 7% from 2019, while total institutional loans outstanding stood at $1.2 trillion as of 31 December 2020. In 2020, mutual funds and ETFs investing in US leveraged loans withdrew $27 billion from the asset class, compared to a withdrawal of $38 billion in 2019. However, we expect this trend to reverse in 2021.

The 12-month trailing par-weighted default rate as of December 2020 was at 3.83% versus expectations of around 10% by rating agencies and bank analysts. This compares to 1.39% in 2019 and the long- term average default rate of 2.9%. Looking into 2021, we expect the default rate to moderate from 2020 levels but remain somewhat elevated.

CLO Market: The CLO market began 2020 strongly after a lacklustre 2019 with lower mezzanine tranches rally leading the way. However, the momentum quickly turned negative in the wake of the pandemic and the freezing of the credit markets. The new issue market was effectively shut down as CLO AAA spreads in the secondary market traded at over 400dm. By June, the market recovered somewhat with CLO AAAs in the mid-190s, and the CLO AAA spreads more or less fully recovered and ended the year close to 2019-year end levels.

Given the challenging environment, the refinancing and reset market option was out-of-the-money as liability spreads were higher than locked-in for existing CLOs. However, with the pace of tightening late in the year as well as the demand for yield in an otherwise yield-less fixed income universe, we expect strong demand to return in 2021 and CLO refinancing and reset market to reopen.

Against this backdrop, CLO equity had a challenging year as higher defaults and significantly higher downgrades eroded the over-collateralization cushion resulting in over 25% of CLOs diverting cash from CLO equity tranche to either buying additional loans or pay down liabilities. By October 2020, however, this number had declined sharply in line with the improvement in the loan market as well as active management and trading by CLO managers to reposition the loan portfolios. Although the loan market default rate remained at an elevated level, our CLOs experienced a much lower default rate due to active management and credit selection by CLO managers.

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Jean Matterson, chair of Capital Gearing - 21 May

The pandemic has had a disruptive effect on people and businesses for over a year now.

The economic consequences have been severe and Governments have responded with extraordinary policy initiatives, but it will take time to get back to any semblance of normality and perhaps, and more likely, a 'new normal'. Government debt is at extraordinary levels. This will either have to be inflated away, paid back, or we might suffer significant defaults – or maybe even a combination of all three.

Many businesses will take time to recover, but some 'disruptors' have accelerated the pace of change so their businesses are well placed for the future. This is very evident in both the technology and property sectors, where the pace of change has gained momentum due to the health crisis. Low interest rates make traditional bonds unattractive, especially as inflation may increase when the economies open up again.

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Katy Thorneycroft and Gareth Witcomb, managers of JPMorgan Multi-Asset Growth & Income - 12 May

The economic and policy implications from the Covid-19 pandemic dominated financial market performance in 2020. Equity markets endured their sharpest fall since the Great Depression as the pandemic spread and economies locked down; they rebounded to record highs later in the year following significant stimulus from governments and in anticipation of an economic recovery.

Global markets fell sharply in February driven by concerns over a sudden downward dislocation in global economic activity due to the outbreak of Covid-19 which became a pernicious global pandemic by the end of the first quarter of 2020, spreading to nearly 200 countries. Further contributing to market volatility, crude oil prices plunged to levels last seen in 2002.

The economic impact from social distancing measures and lockdowns was severe, but governments and central banks acted quickly with stimulus: the US government approved a record fiscal stimulus package of over USD 2 trillion, while the Federal Reserve (Fed) and other central banks launched programmes to support liquidity and demand for fixed income assets.

Stocks rebounded from late March 2020 as strong stimulus measures were being introduced by governments and central banks. However, volatility remained heightened as risks around containment of the virus and the longer-lasting economic effects weighed on sentiment.

In September, despite economic data revealing a solid recovery, markets pared some of their gains as investors turned their attention to a possible second wave of

Covid-19 infections, renewed lockdown measures and uncertainty around the prospects of additional fiscal stimulus measures from the US government. At the same time, monetary policy in the US and UK lifted market sentiment and provided support for risk assets.

Market volatility remained high in the fourth quarter, amid heavy news flow regarding the US election, Brexit negotiations and the pandemic. Joe Biden's victory in the US presidential election, additional fiscal stimulus measures from the US government, a Brexit deal and the promise of an imminent Covid-19 vaccine lifted markets. However, markets gave back some of their gains as news of a new and more contagious strain of the virus ignited fears of travel restrictions and further lockdowns.

After a strong start to 2021, most equity markets gave up their gains as January came to a close. The global roll-out of vaccinations and the promise of further fiscal and monetary stimulus helped the market to overlook concerns about virus-driven restrictions but towards the end of February stock markets declined as fears of higher interest rates and inflation intensified.

Private equity

(compare private equity funds **here**)

Investment manager of Harbourvest Global Private Equity - 28 May

Entering 2020, global private markets were in an extended period of outperformance. However, in a span of months, there was a series of shocks, the quantum of which might typically be seen over decades.

Private equity has always invested in the technology, consumer, healthcare, education, and business services areas, but the pandemic has evolved or changed the paradigm - causing us to consider new business models, consumer behaviours, and social norms. This "new idea" environment is creating an investment landscape that we believe could be ripe for value-added investments. We expect to see continued acceleration in the adoption of technology and in the transformation of sectors, with GPs becoming more focused on highly technology-enabled businesses. Also, we anticipate that certain industries will evolve differently as a new market normal develops. For example, the restaurant, food service, and tourism industries have been, and are likely to continue to be, hard hit in the short term, while sectors such as collaboration software, tele-health and home health, online pharmacy, and telecom and internet will continue to carry this growth momentum over the long term.

In 2021, GPs are highly focused on evaluating market risk and are staying extra-vigilant, with many turning to their experience from past market dislocations that continue to resonate. Despite these defensive measures, history shows us that the industry's strongest returns are often generated in challenging times, where disruption creates opportunity. Going forward GPs need to be selective when making new investments and identify attractive return profiles in light of prevailing risk levels.

At the same time, COVID-19 has accelerated trends and reinforced views among many high-quality GPs that the secondary market is an important liquidity tool in their toolkits.

The current co-investment climate continues to be one of high valuations and leverage, as well as low interest rates for high-quality businesses. As was the case prior to COVID-19, GPs have significant amounts of dry powder which should translate into high investment activity in 2021 and beyond.

Challenges clearly remain, but unprecedented times can also be a strong breeding ground for opportunity.

Debt

(compare debt funds **here**, **here** and **here**)

Managers of TwentyFour Select Monthly Income - 18 May

We expect to see some volatility as inflation concerns continue to overhang investors and heavy UST issuance to pay for the huge stimulus is expected to weigh on the market, causing some volatility in the rates curve.

The ongoing developments on the COVID-19 front, such as any delays to vaccine rollouts and its impact on new strains, will also have to be closely watched, as will signs of an eventual reopening of the UK and Europe. With the UK vaccine rollout progressing particularly well, it is likely the UK could reopen first, and pent-up demand could drive economic growth ahead of other European countries. The spike in India is also causing some concern as it could potentially impact the supply chain.

Infrastructure

(compare infrastructure funds **here**)

Ian Russell, chairman of HICL Infrastructure - 26 May

Core infrastructure continues to play a role at the forefront of post-pandemic life: at the front line in facilitating the continued provision of essential services; responding to the pent-up demand of populations on the move again; or as a focal point for government action to stimulate post-pandemic economies while hastening progress towards decarbonisation.

We are highly encouraged by the momentum building behind future infrastructure procurement. Notably, in the UK, we welcomed the release of the Government's 'Build Back Better' policy paper, the National Infrastructure Strategy, the plan for a 'Green Industrial Revolution', the Energy White Paper and the Gigabit-broadband programme. Similarly the $2 trillion infrastructure package set out by the US Administration in March 2021 supports a 'once-in-a-generation' investment programme in its infrastructure.

Phil White, managing partner and head of infrastructure at 3i Infrastructure - 11 May

The central bank interventions which have delivered aggressive monetary policy solutions alongside unprecedented fiscal stimulus have had a dramatic effect on public finances. A consequence of this is likely to be rising taxes to balance deficits,

even if delayed until economies have had time to recover. Corporation tax rises have already been announced in the UK.

Prior to the pandemic, climate change and environmental concerns were an area of focus for investors but it is now clear that the pandemic has heightened awareness of sustainability issues and this can be seen in the way businesses operate and governments set policy. This has moved the focus to investing capital in cleaner and greener businesses. We are seeing increasing interest from infrastructure investors in the energy transition sector as the scale of the investment required becomes apparent, and regulations, subsidies, market demand and project economics become more supportive.

The pandemic has also accelerated the need for greater digital connectivity and created ever greater data storage and usage requirements. This is driving deal flow in areas such as mobile communications towers, subsea fibre-optic cables, terrestrial fibre-optic networks and data centres.

Ecofin Advisors, investment managers of Ecofin Global Utilities & Infrastructure - 20 May

A progressive improvement in economic conditions should prevail in 2021 with an initially super-charged economic recovery settling down to a more maintainable rate. We expect the major trends for EGL's investment universe and the energy transition thematic in place prior to the pandemic to continue apace, as few major activities geared to decarbonisation have slowed or been reoriented due to the health crisis. Moreover, the policy environment is rapidly becoming more supportive; with the US re-joining the Paris Agreement over 70% of global GDP has committed to full decarbonisation. Climate policy ambition around the world, while certainly facilitated by greater public awareness of environmental issues, is largely being driven by the substantial decline in the cost of renewable energy technologies, which now allow for a reduction in end-user electricity tariffs in most countries when replacing fossil fuels with wind and solar.

In the US, the Biden administration is pursuing comprehensive legislation aimed at green infrastructure and climate change initiatives which, with a narrow majority in both chambers, are likely to be passed (in some format). Its single biggest objective is to commit the US to a zero-net-carbon goal by 2050 and to attach meaningful near-term targets and means to achieve that. One of those is 100% decarbonisation of the utility system by 2035 for the following reasons: substantial sums of money spent on renewables projects will not add significantly to customers' bills; many States, legislators and voters like clean energy projects and their positive impact; and the electric grid is destined to be the decarbonisation conduit for almost everything else.

We think the major shift this creates - beyond offering meaningful direct investment incentives - will be to change the mindset of American corporate boards and promote a greater sense of willingness and urgency, regardless of political inclination. The days of companies lobbying actively against decarbonisation initiatives are waning, in favour of adoption and transition. In China, with Xi Xingping having formally announced China's intention to achieve carbon neutrality by 2060, internal activities to decarbonise are accelerating. Together with Europe's and the UK's established leadership in this arena, we can see a more comprehensively global opportunity to address climate policy.

Biotech and healthcare

(compare biotech and healthcare funds **here**)

James Douglas and Gareth Powell, co-managers of Polar Capital Global Healthcare - 11 May

Recent corporate actions and operational performances have underpinned our view that the global healthcare industry should offer some very interesting, medium-term investment opportunities. With relative valuations attractive and absolute valuations supportive, that conviction is heightened further. There is clear evidence that the industry is investing in products, technologies and services that are designed to generate efficiencies. without compromising quality of care. The momentum and investment dollars behind innovation is accelerating, a necessity given the need to produce differentiated medicines and devices to target high unmet medical needs. Consolidation will continue to be an important theme, as will the growth opportunities that exist in emerging markets. We also believe the healthcare industry will continue to outsource non-core activities, maximising cost-base flexibility whilst also looking to enhance return profiles on internal assets. Last, but not least, one of the biggest, post-COVID-19 silver linings could be greater investment in, and respect for, an effective preventative healthcare strategy.

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Property

(compare UK property funds **here**)

Simon Carter, Chief executive of British Land:

With a roadmap out of lockdown, confidence has strengthened and UK economic forecasts for calendar 2021 are being revised upwards. In offices, we expect demand for modern, high quality and sustainable space which helps businesses to perform at their best, to be firm but across the market, our central case is for rents to fall by up to 5% before recovering. We anticipate downward pressure on prime office yields as confidence improves and investors target the yield differential with other European cities. Retail occupational markets remain tough and we expect rents to decline further. However, we are seeing signs of stabilisation on retail parks and our central case is an additional rental decline of around 5%, with the potential for some yield compression given the increased capital targeting this space. Shopping centres, which have been more impacted by COVID-19, are likely to take a little longer to stabilise. We are encouraged by the strong rebound we are seeing on footfall and sales particularly on our retail parks, which are now in line with pre pandemic levels. Urban logistics in London should continue to see strong rental growth of 4% to 5% per annum benefitting from compelling underlying fundamentals.

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Gerald Kaye, chief executive of Helical

The office sector is on the cusp of considerable change and we believe there are four key trends that will shape the use of offices going forward and provide a clear differentiation across the sector.

First, sustainability is at the top of corporate agendas. This is exemplified by the 2021 annual letter to CEOs from Larry Fink, the CEO of BlackRock. He wrote of a tectonic shift in the reallocation of capital to sustainable assets. Tenants will want to occupy the most sustainable and environmentally favourable buildings to achieve both their own net zero carbon targets and those of their stakeholders. For the same reasons, investors will actively seek to acquire these buildings. We believe there will be a "green" rental and yield premium for the most sustainable assets.

The second trend is wellness. In a post-COVID environment, tenants will require the most efficient and up to date air conditioning systems to minimise the risk from airborne viruses. Sensors showing air quality in a building will be essential and office density per worker will decrease so employees will benefit from a more comfortable environment.

Third, buildings will see greater use of technology to optimise their environment and the workplace experience. Sensors that record occupation levels will improve energy efficiency and the management of buildings.

The fourth and final trend is enhanced amenity. There will be greater demand for secure bike parking and high-quality "club style" changing facilities. Buildings should provide an attractive working environment with food and beverage facilities close at hand. As part of this enhanced amenity, we will see an increasing "hotelification" of office buildings, with five-star management a necessity. Assets are moving from passive, low risk, long lease investments to intensively managed shorter leased buildings where maximising tenant retention, rental growth and building performance will be the priorities.

There will be bifurcation in the office sector as the "real" Grade A buildings, which incorporate these facilities and amenities, diverge from the rest in both capital value and rental growth. I would expect this pattern to accelerate as tenants seek working environments that match the expectations of their employees.

Toby Courtauld, chief executive of Great Portland Estates:

Looking ahead, the ongoing vaccination programme and the government roadmap to easing lockdown restrictions is now supporting renewed optimism. Moreover, the last year has reaffirmed to many businesses the importance of their office space for collaboration, creativity and learning, with the best offices acting as magnets for their workforce, providing services and amenity that employees cannot get at home. As a result, prime offices and best-in-class flexible spaces in central London continue to be highly sought after and in relatively short supply, both trends which we expect to persist. As a result, barring further lockdowns, we look forward to rents for the best office space rising over the next 12 months, although we expect further falls for retail. Longer term, we believe the prospects for London remain positive given its status as one of only a handful of truly global cities and the world's top ranked city for innovation.

Andrew Jones, chief executive of LondonMetric Property:

Technology and changing consumer behaviour were already having a profound impact, but COVID-19 has accelerated these shifts with trends that were expected to take years, occurring in just months and in some cases weeks. The behavioural changes that surged during lockdown have been well-mapped; working from home, online retailing, gaming, video on demand, online banking etc. These shifts were only possible due to an exponential increase in technological capability.

At long last, society has reopened and lives are returning to near normality. However, whilst humans need real interaction with each other to thrive, the world continues to evolve and digitise at a rapid rate and COVID-19 has added to the seismic shift in the tectonic plates. The scale of these changes can be discussed, but certain conclusions are uncontroversial.

Firstly, online retailing took a quantum and permanent leap. Previously high barriers of entry were toppled in a matter of weeks and consumers quickly realised the convenience, safety and security of online shopping. Consequently, online retail sales grew by over 40% in 2020, accounting for 28% of total sales and peaking at 36% during the start of 2021, a level higher than the first lockdown. The change in online grocery has been most apparent, accounting for over 15% of food shopping at its peak after doubling from pre-pandemic levels.

Secondly, an unusually large number of retailers have failed or are seriously wounded. Many will blame the pandemic, but the truth is that too many failed to embrace change with an excessive physical estate and they failed to pivot. The pandemic has exacerbated their difficulties and accelerated their demise. Supporting business models that work and starving those that do not is how economies adapt and evolve.

Thirdly, COVID-19 has materially changed the way we work and has accelerated ongoing trends towards home working. Each day, it is becoming more apparent that a substantially higher percentage of office workers will spend some of their week working from home. The pandemic has certainly not generated any new demand for offices.

Unsurprisingly, real estate performances have polarised further. Logistics, healthcare and grocery remain the standout performers, enjoying an ever-wider margin of victory. Conversely, the acceleration of secular declines in physical retail has seen downward repricing of high streets and shopping centres to levels that may now start to encourage alternative use or demolition. For offices, less space is needed and this new reality is yet to be reflected in their yields.

After years of denial, many companies are now experiencing the full force of these structural changes. They are realising that it's not just cyclical, it's permanent, and they aren't quite what they were and are now worrying what they might become.

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Lena Wilson, chair of Picton Property:

The UK's vaccination programme has been one of the most well-executed globally. We are close to restrictions being fully lifted and there is a much-anticipated economic recovery starting to emerge. During the year the UK left the European Union, however there remain several matters to be resolved, such as financial passporting rights. Pending any major Brexit-related disruption or problematic new coronavirus variants, the outlook for the UK economy looks considerably brighter than it did this time last year.

To mitigate the impact of the pandemic and stimulate the economy, there has been a large response both in terms of UK Government policy and measures introduced by the Bank of England, including the furlough scheme, business rates relief, a ban on commercial evictions, record ultra-low interest rates (0.1% since March 2020) and Quantitative Easing. In stark contrast to previous periods of recession, average house prices in the UK rose 7.7% during 2020, largely thanks to the stamp duty holiday, which has been extended in part until September 2021.

In March 2021 retail sales rose higher than pre-pandemic levels, even before non-essential shops reopened. Online retail reached a record proportion of total retail sales in January 2021 of 36.4%, as consumers were restricted from using physical stores. Of course, whilst some retail sectors have struggled, others have thrived. As people were confined to their local area, businesses still able to trade benefitted from this additional footfall at the expense of retailers situated at transport hubs or in central business districts. Many companies with an established online offering had a strong year.

Many households were fortunate to see income levels maintained and outgoings reduced, contributing to a record increase in the household savings ratio, which reached a peak of 25.9% in the second quarter of 2020. As restrictions are eased and retail and leisure businesses reopen, it is expected that this elevated savings ratio will contribute to an economic recovery.

The recovery has begun to gather pace. It is anticipated that healthy consumer spending and interest rates staying lower for longer will contribute to a rapid rebound in the second half of 2021. The Office for Budget Responsibility has forecast GDP growth of 4.0% for 2021 and a recovery to pre-pandemic levels by mid-2022.

Brian Bickell, chief executive of Shaftesbury:

Following the start of the government's roadmap to recovery in March, we have seen an encouraging increase in demand for space and lettings and, since the start of re-opening on 12 April, there has been a welcome return of footfall and spending across our locations, heralding the beginning of the revival in the West End's broad-based economy. Most of our hospitality, leisure and retail businesses have now reopened and will benefit from the footfall generated by the reopening of the West End's world-renowned theatres, cinemas and cultural attractions, hotels and nightlife. There has already been a gradual return of the important local working population, which we anticipate will gather pace once the final stage of lifting of legal social distancing measures is reached, on or after 21 June.

Currently, a material recovery in international travel is not expected to begin until later next year. However, whilst there will be fewer inbound visitors to London, we expect a significant rise in UK domestic tourists and locals coming to the West End for day visits or longer stays. Services are now expected to commence on the central section of the Elizabeth Line in the first half of 2022, bringing a significant improvement in capacity and quality of travel to the West End.

The realistic prospect of a sustained recovery in footfall and trading through the summer and autumn, and particularly in the busy period leading up to Christmas and the New Year, is helping to restore the confidence and stability of businesses which have suffered as a result of the pandemic. As the global pandemic recedes, we are confident that the unique appeal and features of London and the West End will continue to attract businesses and visitors on a scale matched by few other cities.

William Hill, chairman, and Calum Bruce, investment manager, of Ediston Property:

The progress made within the UK to re-open the economy is encouraging, and it is certainly feasible for a strong bounce in the rate of growth to take place. Real estate investment markets are relatively buoyant and have the capacity to respond further when travel restrictions are lifted, and more international capital is unlocked. However, there is much to ponder for investors including the fiscal response to repairing the nation's balance sheet, the potential for inflation and its impact on interest rates, the effect of the pandemic on how we live, work, shop and play and regulatory interventions guiding our journey to net zero carbon.

The success of the vaccination programme and the easing of lockdown restrictions across the UK are reasons to be optimistic. The pathway out of the COVID-19 pandemic is now clearer, but there will still be obstacles to navigate. There is nervousness around new strains of the virus emerging, and until the economy is fully open and restrictions are eased further, a degree of caution should be exercised.

That said, demand for UK real estate remains robust and there is an increased appetite for retail warehouse assets. Retail warehousing has proved to be more resilient than other parts of the retail market, and its attributes are now being more widely understood.

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Jonathan Murphy, chief executive of Assura:

As we head into a summer which we all hope will bring an end to many of the pandemic's restrictions, attention must turn to the NHS's future needs and to how the response to COVID-19 should change the sorts of spaces we need for healthcare in local communities. Demographics remain the same, with a growing, ageing population in the UK requiring care. But this is one of the groups with the greatest reliance on primary care, and research by Age UK suggests that many older people with long-term conditions have been struggling to manage given the more limited access to services during the pandemic, with worsening symptoms, reduced ability to complete day-to-day activities and an increase in pain. While remote consulting is here to stay, it does not work for all patients or every clinical scenario. Healthwatch has warned about the dangers of older people being left behind, so the primary care spaces of the future must be fit for a sophisticated marriage of remote and face-to-face care.

Waiting times for non-urgent procedures grew exponentially last year as the system pivoted to cope with the pandemic, and will take years to clear. The wider health, social and economic impacts of this, such as the mental health challenges of living with long-term pain, are lurking. But it is clear that local access to diagnostic services will be crucial in reducing waiting lists and their ripple effects for wider health and society. The government remains committed to the expansion of access to primary care and to a broader range of professionals there; as Integrated Care Systems become formally part of the landscape in the coming year, the role of primary care as the gateway to wider health services is at their heart.

All of those changes notwithstanding, the primary care and community health estate remains doggedly unfit for purpose. Many of these gateway buildings to the NHS are too old, too small, don't meet accessibility requirements and - as our YouGov research with healthcare professionals found this year - have not provided the flexibility needed during the pandemic and beyond to a future with hybrid care routes. A recovery built on new housing and infrastructure must include the

healthcare provision to care for new communities, and equality of access to healthcare is as much about the NHS's places, spaces and technology as it is the design of local systems and pathways. The NHS's net zero ambition - to become the world's first healthcare system to achieve this - will require a shift like we have never seen before across its vast estate.

Helen Gordon, chief executive of Grainger:

COVID-19 does not change the long-term market fundamentals nor does it change the highly compelling investment case for the professional, large-scale private rented sector and build-to-rent. More and more people will continue to choose to rent for longer periods of their lives and they will become increasingly discerning, looking for quality and service, which plays to Grainger's core strengths. If anything, COVID-19 is accelerating these rental trends.

In the shorter term, we have been closely monitoring live economic data to fully understand the shape and velocity of the UK's newly emerging economic recovery, and how this will flow through to the rental market and, in particular, lettings activity. Comparing this to international examples where vaccine programmes and economic reopening's are more advanced than ours, gives us confidence that the chances of the UK keeping to its roadmap of easing restrictions is looking increasingly likely. Green shoots seem to be appearing, with increased city centre footfall, increased leisure spending and a gradual return to more normal levels of economic activity. This analysis has led us to our positive market outlook.

Kevin Nowlan, chief executive of Hibernia REIT:

Against the backdrop of the COVID-19 pandemic and a 3.4% decline in global GDP in 2020 (source: the OECD), the Irish economy has performed very strongly, recording GDP growth of 3.3% in 2020, the fastest in the developed world. Much of this was due to the contribution of the multinational-dominated sectors, such as technology and pharmaceuticals. Irish output, as measured by Gross Value Added, in the foreign-owned sector increased by 18% in 2020, while other domestic industries declined by 9.5% (source: Goodbody).

The Irish government continues to offer significant support to the labour market through pandemic payments and wage subsidy schemes: the standard measure of monthly unemployment was 5.8% in April 2021 (compared with 5.1% in January 2020), while the COVID-19 adjusted measure of unemployment was 22.4% if all claimants of the Pandemic Unemployment Payment were classified as unemployed (source: the CSO). Much of this emergency support is going to the hospitality and retail sectors, with office-based employment less impacted, particularly given the strong performance of many multinationals in Ireland. The labour market is expected to recover gradually as restrictions ease, in-line with the vaccine rollout. Current government expectations are that all adults in Ireland will be vaccinated by late summer 2021 and the unemployment rate is projected to average 16.3% in 2021, 8.2% in 2022 and 6.0% in 2024, still above the pre-pandemic level of 5.1% (source: the DoF).

While global progress on vaccines and the new EU-UK Trade and Cooperation Agreement (TCA), which came into force on 1 January 2021 and averted the threat of a no-deal Brexit, have been positive developments for the Irish economic outlook, nonetheless risks remain over the pace of recovery from the pandemic and there is additional friction to trade between Ireland and the UK as a result of the TCA.

International tax reforms could negatively affect Ireland's attractiveness for foreign direct investment: while a lot remains uncertain at present, changes to the way multinationals are taxed have been discussed for some time by the OECD under the base erosion and profit shifting process and the US is also discussing corporate tax reform.

As we have noted before, the structural changes that have occurred in Ireland's property market since 2007, namely greater levels of institutional ownership and less debt, have given it greater resilience than existed historically. Furthermore, the Dublin office market entered the pandemic with much healthier fundamentals than it had prior to the Global Financial Crisis in 2008, due in part to the limited speculative development funding available this cycle. While prime headline quoting rents in March 2020 and March 2008 were both in excess of €60 per square foot, the Dublin office vacancy rate in March 2020 was 6.5% versus 12.3% in March 2008 and the unlet office space under construction totalled 3.0m square foot (6.9% of existing stock) in March 2020 versus 4.6m square foot (14.9% of existing stock) in March 2008 (source: Knight Frank, Property Market Analysis).

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