

# Market Update

*11<sup>th</sup> June 2020*

- There has been a strong global market recovery, with the US market now in positive territory for the year.
- Much of the impetus behind the global market rally has come from government policy responses.
- As these policy responses are nearing an end, we expect negative news flow to come to the fore.
- This leads us to be more cautious, reducing our equity content.
- In the fixed income markets, credit exposure shows little long term return potential.
- We are looking to reduce this exposure in our more cautious portfolios.
- Government policy across the globe is moving more towards sustainable investment.
- This theme is likely to continue to gain momentum and we intend to participate in funds that will benefit from it.

Markets have rebounded strongly from their lows in March. The degree of this recovery is somewhat surprising. In the US, for example, markets are now in positive territory for the year to date. Much of the global market rally has been driven forward by policy responses from both governments and central banks. As these interventions are nearing an end, it is therefore likely that markets will need to absorb a significant level of negative news flows over the coming months. At the beginning of 2020, we felt that markets were not cheap and today we believe that the additional risk favours a more cautious portfolio positioning. We have therefore taken the decision to reduce our equity exposure in line with this ongoing uncertainty.

In fixed income markets, credit exposure shows little long term return potential but could contribute to the downside should there be a market downturn. As a result, we are reviewing these weightings, particularly within our more cautious portfolios.

In addition, we are considering re-allocating some of our equity exposure to capture new trends which we think will emerge from the Covid crisis, sustainable investing in particular. This theme was gathering momentum before the outbreak of this pandemic and, in our opinion, the impact of Covid-19 will intensify this. Government policy across the globe is moving towards sustainable investment, for example both the UK and Europe are preparing budgets which are likely to favour these strategies. Meanwhile in the US, Joe Biden is ahead in the polls and he too advocates a more responsible approach to running society, one which both favours the disadvantaged members of society and places a greater emphasis on environmental issues. We are therefore seeking opportunities among funds which adopt an approach that is sympathetic to these considerations and which could be significant beneficiaries of this emerging trend.

Jason Broomer, Investment Director

#### Important Information

Our thoughts expressed in this document relate only to the portfolios we manage, or advise on, on behalf of our clients and as such may not be relevant to portfolios managed by other parties. This document is for the use of Professional Advisers only and is not intended for the use of Retail Investors and should not be passed on to any such persons. Square Mile Investment Services Limited makes no warranties or representations regarding the accuracy or completeness of the information contained herein. SM does not offer investment advice or make recommendations regarding investments and nothing in this document shall be deemed to constitute financial or investment advice in any way. This document shall not constitute or be deemed to constitute an invitation or inducement to any person to engage in investment activity and is not a recommendation to buy or sell any funds or individual stocks that are mentioned in this document. Past performance is not a guide to future returns and the value of capital invested and any income generated from it may fluctuate in value. Square Mile Investment Services Limited is registered in England and Wales (08743320) and is authorised and regulated by the Financial Conduct Authority (625562).