2 APRIL 2020

MARCH MADNESS: END OF Q1

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What a month and quarter it has been. January was dominated by the V shaped recovery as a result of the US/China trade agreement; since then it has been all about the virus and whether we are going to see another V shaped recovery later this year. The cycle is finally over and we are now preparing ourselves for the new cycle.

March ended on a positive note as markets have continued to rally, with the exception of oil. President Trump is now mooting another $2trn of stimulus, this time for infrastructure. The markets seem to be stabilising somewhat with optimism that the shutdown is going to be of short duration with limited long term damage. Better PMI data from China has somewhat reassured investors that there is some look through to the end of this crisis. Let's not forget, though, that these readings are sentiment readings based on the future rather than previous sentiment and thus should look better in comparison to February.

The S&P 500 Index ended 16.20% down (31 March 2020). Investment Grade bonds caught a bid on massive Quantitative Easing and High Yield rallied 100bps from a wide of 100bps to around 900bps, mostly driven by BB-rated companies. The new issue market is now open – Yum Brands just did an upsized deal at the tight end of price talk that broke at a price of 104 (issued at 100). Carnival Corp did a $4bn bond deal (upsized from $3bn) with an 11.5% coupon (rumoured price talk had been 13%) for a 3 year deal for what is a BBB S&P rated company as at 1 April 2020. The Fundamentals are poor – cruise ships are grounded and it is unclear when business will return to normal. This deal along with an equity offering of the same magnitude should give the Company enough liquidity to get through this crisis but it is not a slam dunk.

More negatively for equities is that buybacks are now off the table (a big support for equities in previous years) and no dividends either. The European Central Bank and Bank of England have said banks should not be paying dividends at this point, so it is interesting that regulators are stepping in. We will see more of this for sectors requiring government support.

The big questions revolve around whether all data is priced in, how long the economic disruption will last, and how long it will take to normalise things. Will our spending patterns bounce back to what they were before? How long will it take for demand to come back?

If this truly is the end, then it will have been the shortest sell-off/end of cycle in history. It took 9 months in 2008/09 to register the same degree of selling off that has taken 3 weeks. The likelihood is that we will see another risk-off period at some point. Fear and greed are still very important drivers of short term direction in our view.

On the Global Fixed Income Funds we have continued to add to better quality credit. It is not easy to source bonds and one needs to be very price disciplined and patient in the face of price agnostic ETFs. We have also added some 10 year US Treasuries. Performance continues to be on a positive trend, but we have lagged some of our higher risk/higher Beta peers over the last week, given our CDX short and higher cash positions.

Mirabaud - Global High Yield Bonds (I cap. USD) ended the month with a YTD total return of -13.16% and Mirabaud - Global Strategic Bond Fund (I cap. USD) -5.96%. Mirabaud - Global Emerging Market Bond Fund (GEMB, I cap. USD) is finally bouncing given the delay between ETF and non-ETF bonds. GEMB ended the month with a YTD return of -18.25%.* Emerging Markets have been particularly impacted given the dual effects of both the US dollar and the collapse in oil and other natural resources.

Finally, it's also interesting to look at other indexes. It is as always up to the reader to make up their own mind, whereupon history will be the judge:

Dow Jones

- The index formed 17 bear markets since January 1900 and they contained 20 bear-market rallies of at least 15% before the lows were in.
- Of the bear markets, 8 contained rallies.
- The average time from the start of the first bear-market rally to the bottom of the bear market was 875 days.
- The longest time was 1616 and the minimum was 133 days.
- On average, 63.42 percent of losses were made before the first bear-market rally started.
- The average drawdown in a bear market was 39.53 percent and the average duration was 28.06 days.
- But if a bear market contained a rally, the average drawdown was 48.15% and the average duration was 1057.75 days.
- The average gain in a bear-market rally was 24.76 percent and the average duration was 140.4 days.

DAX

- The index formed 10 bear markets since October 1959 and they contained 16 bear-market rallies of at least 15% before the lows were in.
- Of the bear markets, 6 contained rallies.
- The average time from the start of the first bear-market rally to the bottom of the bear market was 669.67 days.
- The longest time was 1624 and the minimum was 140 days.

* Net YTD performance figures provided as of 31/03/2020. **Past performance is not indicative or a guarantee of future returns. Indices are not available for direct investment.**

- On average, 54.97 percent of losses were made before the first bear-market rally started.
- The average drawdown in a bear market was 41.48 percent and the average duration was 609.3 days.
- But if a bear market contained a rally, the average drawdown was 48.18% and the average duration was 875.0 days.
- The average gain in a bear-market rally was 23.15 percent and the average duration was 81.19 days.

Net Annual Performance %	2016	2017	2018	2019	YTD 2020
Mirabaud - Global Strategic Bond Fund I cap USD	6.11	5.42	-2.31	7.10	-5.96
LIBOR 3M USD	0.74	1.26	2.32	2.33	0.38
Mirabaud - Global High Yield Bonds I cap USD	9.51	7.27	-4.04	10.72	-13.16
ICE BAML Global HY Index USD Hedged	16.22	7.99	-1.89	14.54	-13.54
Mirabaud - Global Emerging Market Bond Fund I cap USD*	-	0.86	-4.70	12.92	-18.25
50%JPM GBI-EM Broad Diversified / 50% JPM EMBI Global USD	-	1.75	-4.57	13.35	-12.23

Source: Mirabaud Asset Management as of 31/03/2020. **Past performance is not indicative or a guarantee of future returns. Indices are not available for direct investment.** *Mirabaud - Global Emerging Market Bond Fund I cap USD incepted 20/10/2017.