

2 APRIL 2020

MARCH MADNESS: END OF Q1 /

Andrew Lake - Head of Fixed Income

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.**

FOR PROFESSIONAL INVESTORS ONLY



- 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 inception 20/10/2017.

IMPORTANT INFORMATION

This document contains information or may incorporate by reference data concerning certain collective investment schemes ("funds") which are only available for distribution in the countries where they have been registered. This document is for the exclusive use of the individual to whom it has been given and may not be either copied or transferred to third parties. In addition, this document is not intended for any person who is a citizen or resident of any jurisdiction where the publication, distribution or use of the information contained herein would be subject to any restrictions or limitations.

The contents of this document are provided for information purposes only and shall not be construed as an offer or a recommendation to subscribe for, retain or dispose of fund units, shares, investment products or strategies. Before investing in any fund or pursuing any strategy mentioned in this document, potential investors should consult the latest versions of the relevant legal documents such as, in relation to the funds, the Prospectus and, where applicable, the Key Investor Information Document (KIID) which describe in greater detail the specific risks. Moreover, potential investors are recommended to seek professional financial, legal and tax advice prior to making an investment decision. The sources of the information contained in this document are deemed reliable. However, the accuracy or completeness of the information cannot be guaranteed, and some figures may only be estimates. There is no guarantee that objectives and targets will be met by the portfolio manager.

This communication may only be circulated to Eligible Counterparties and Professional Investors and should not be circulated to Retail Investors for whom it is not suitable. All investment involves risks. Past performance is not indicative or a guarantee of future returns. Fund values can fall as well as rise, and investors may lose the amount of their original investment. Returns may decrease or increase as a result of currency fluctuations.

This document is issued by the following entities: **in the UK:** Mirabaud Asset Management Limited which is authorised and regulated by the Financial Conduct Authority under firm reference number 122140.; **in Switzerland:** Mirabaud Asset Management (Suisse) SA, 29, boulevard Georges-Favon, 1204 Geneva, as Swiss representative. Swiss paying agent: Mirabaud & Cie SA, 29, boulevard Georges-Favon, 1204 Geneva. **In France:** Mirabaud Asset Management (France) SAS., 13, avenue Hoche, 75008 Paris. **In Spain:** Mirabaud Asset Management (España) S.G.I.I.C., S.A.U., Calle Fortuny, 6 - 2ª Planta, 28010 Madrid. The Prospectus, the Articles of Association, the Key Investor Information Document (KIID) as well as the annual and semi-annual reports (as the case may be), of the funds may be obtained free of charge from the above-mentioned entities.

FOR PROFESSIONAL INVESTORS ONLY