BERENBERG
PARTNERSHIP SINCE 1590

July 2020

Arundel and Brighton Diocese

Market Review & Outlook

Market Review & Outlook Overview

BERENBERG
PARTNERSHIP SINCE 1590

2020 Q2 Review

- **Markets bounce back:**
  - In stark contrast to end of the first quarter, which saw the fastest 30% drawdown recorded in global equities, the second quarter began with the largest 50-day rally in market history
  - Central banks had a large part to play, as stimulus packages were deployed across the globe, from interest rate cuts and lending schemes to asset purchasing programmes
  - After spending most of the quarter locked down, nations began to ease restrictions towards the end of the quarter and economies started to reopen
  - Assuming nations can succeed in reopening their economies, focus will shift to on-going issues, such as the Brexit negotiations, the upcoming presidential election and the potential for new trade tariffs

Markets reaction:

- Equity markets across the board experienced strong gains over the quarter, recovering a significant portion of losses seen in the first quarter as stimulus measures filtered through markets
- Asset purchasing programmes supported government bond prices and narrowed spread on corporate bonds, while gold remained in high demand due to ongoing uncertainty and record low interest rates

Outlook

- We expect a sharp initial recovery in the global economy as lockdowns are eased and economic activity restarts, which will then recover at a slower pace as nations ramp their output back up
- Inflation is not a pressing issue and is unlikely to constrain economic growth for another 2 years or so
- We view the risk of a set back in markets rising in the short term as the initial impact of stimulus measures wanes

Summary:

- Credit and equity markets recover significantly after a difficult first quarter
- Central banks swiftly deploy stimulus to ensure the smooth functioning of markets
- Bond yields fall as central banks purchase assets
- Key political events are on the horizon, with the Brexit negotiations and a presidential election

Market Review & Outlook
2020 Q2 Key Themes

BERENBERG
PARTNERSHIP SINCE 1590

Central banks open the floodgates

- Central banks acted swiftly in ensuring markets functioned smoothly in the wake of Covid-19, implementing measures in a matter of weeks that took years to roll out post financial crisis
- Interest rates have been cut to historic lows, with potential scope to fall further as Andrew Bailey revealed negative rates for the UK were under active review
- Asset purchasing programmes have been heavily utilised, with the Bank of England targeting £745bn, the ECB €1.35trn and the Fed announcing an unlimited programme that can buy up to $750bn of individual corporate bonds

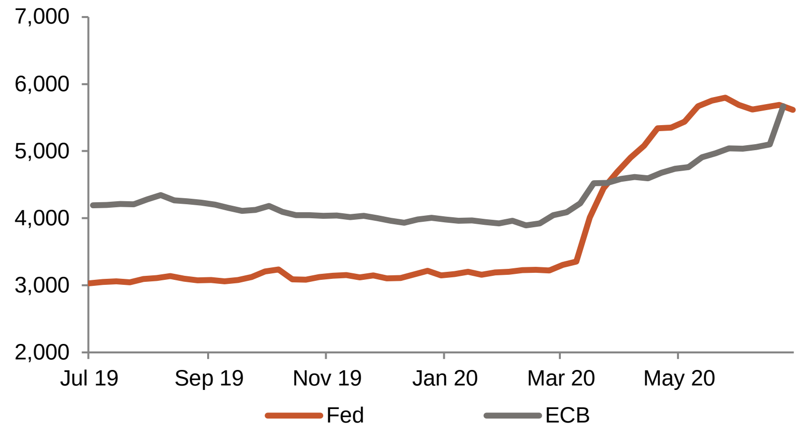
Sector impact diverges

- Performance of sectors in response to the pandemic has varied greatly
- Leisure has suffered from reduced air traffic, while hospitality will face on-going issues as social distancing measures remain in place
- The energy sector faced both supply and demand issues, which led to WTI oil futures briefly trading negative as storage was limited in the US
- Technology has proved resilient, as global lockdown measures caused a surge in demand for technologies that make remote working possible

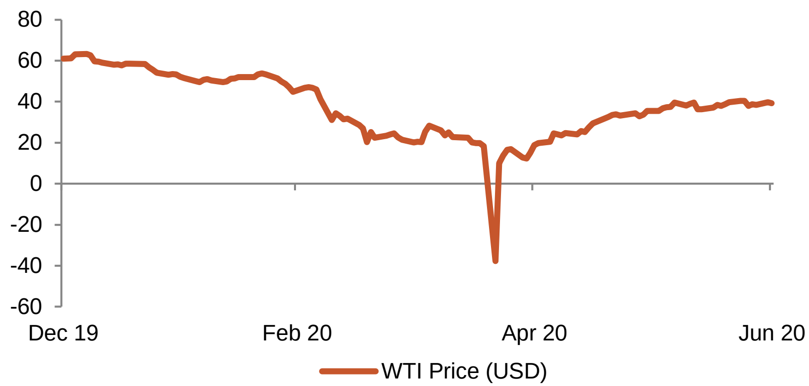
Brexit reaches crunch time

- The deadline to extend Brexit negotiations has passed, leaving the UK and the EU six months to negotiate a comprehensive future relationship
- Key sticking points remain in adherence to the "level playing field", governance and the role of the ECJ and fisheries
- Intensified negotiations will continue, as parties seek to achieve some form of arrangement ahead of the European Council on 15-16 October

Central bank balance sheets expand (£ billion)



Price of oil nears multi-year lows following price war



Source: Bloomberg L.P

Market Outlook

BERENBERG
PARTNERSHIP SINCE 1590

Recovery sharp initially as economies reopen then slows

- We expect a sharp initial recovery as economic activity resumes following the lockdown period
- Following this our expectations are that the recovery continues at a slower pace as economic output trends to its pre-Covid-19 level
- Our economists believe GDP levels will return to their pre-Covid-19 levels after two to three years
- We see limited risk of inflationary pressures building in the near term, so monetary policy is likely to remain very loose

Equity allocation is now broadly neutral

- We have a positive outlook on equities on a long term view given that discount rates look to be lower for a significant amount of time
- Shorter term, we are more cautious as we see risks of a set back rising as the initial shock of stimulus packages can not go on forever
- We have recently trimmed our position in equities to a broadly neutral level after the significant market rally

Regional variation

- We are defensively positioned on a relative basis, but have an overweight position in emerging markets
- Equity valuations are optically expensive following a sharp rise, although lower for longer interest rates merit higher valuations
- On a long term view, we think the low inflation, low interest rate environment will benefit our quality growth style

Interest rate exposure remains unattractive

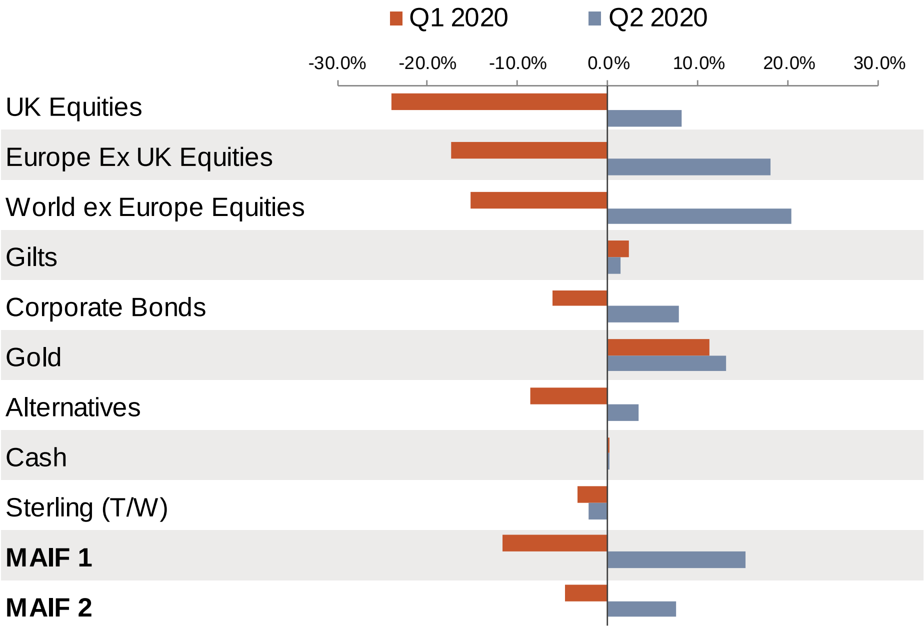
- We retain a cautious approach to both interest rate sensitivity and yield following the decrease in yields last quarter.
- We are keeping the average maturity of our bond exposures low and corporate bond weightings moderate.
- We are retaining gold for now as a diversifier. We are cautious on other alternative investments in a difficult environment for liquidity.

Risks to our outlook

- Further outbreaks could cause recurring lockdowns prolonging the economic downturn
- The second round effects of the lockdown could grow, such as a liquidity squeeze or credit crunch

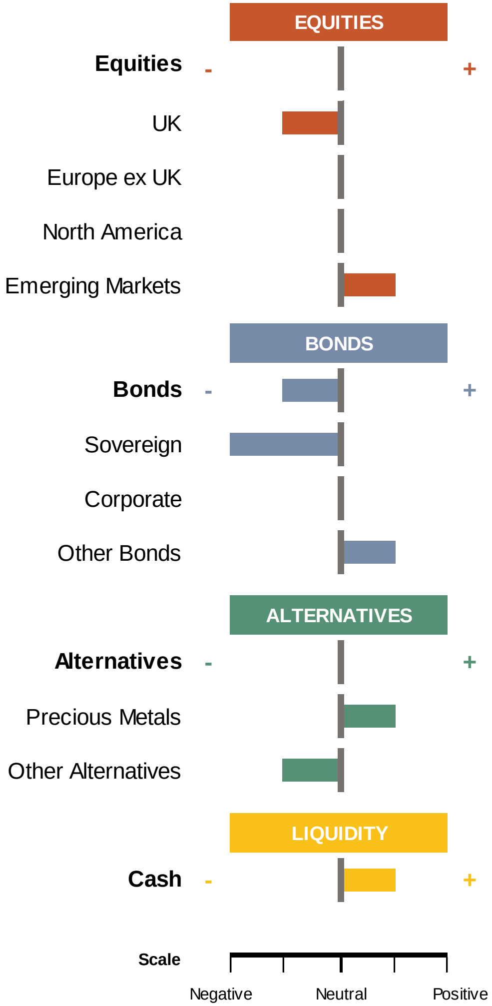
Market Review & Outlook
Asset Performance And Outlook

Asset performance



Source: Bloomberg Finance L.P., Berenberg PMP
Total Return in Sterling to Close of Business 30/06/2020

Outlook

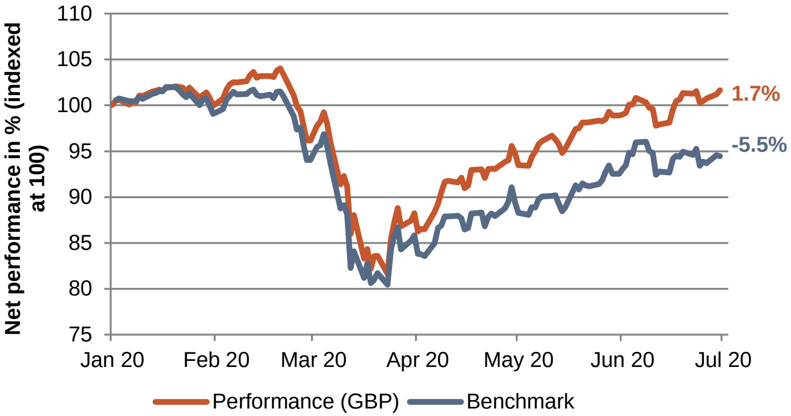


Performance

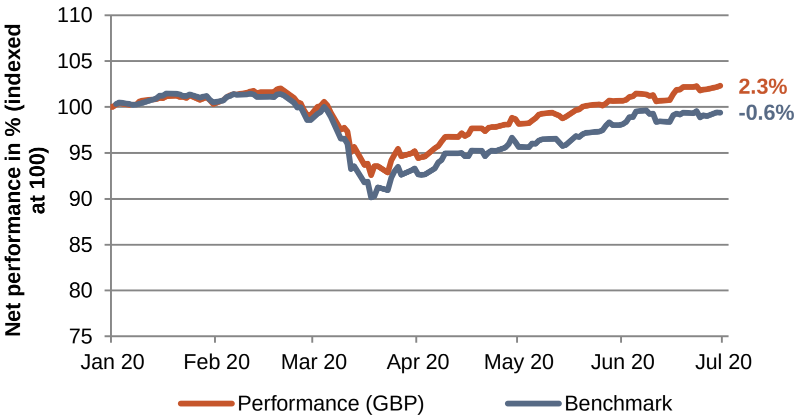
Performance Overview

BERENBERG
PARTNERSHIP SINCE 1590

MAIF 1 Distributing (YTD*)



MAIF 2 Distributing (YTD*)



Portfolio Manager Commentary

- ***MAIF 1 –*** +22.9% vs benchmark +6.7% since inception
  +1.7% vs benchmark -5.5% YTD*
- ***MAIF 2 –*** +11.7% vs benchmark +7.4% since inception
  +2.3% vs benchmark -0.6% YTD*

Equities

- We had a good start to 2020, after a strong 2019 We were slightly overweight equities but took some profits in January and reduced our exposure to equities. The outbreak of the Covid-19 hit equity markets significantly; MAIF 1 was down close to 20% in March.
- We have acted opportunistically to buy some quality growth stocks such as PayPal, Straumann, LHC Group and Halma . As a result, we have a close to neutral equity position from being10% underweight previously. Due to this change in weight, we were able to profit from the recovery in equity markets.
- The highest contributors to performance have been PayPal (+0.88%), Microsoft (+0.75%), Tencent (+0.57%) and LHC Group (+0.55%). The laggards of the portfolio have been BP (-0.69%) and Lundin Energy (-0.67%); both of which have now been exited.

Bonds

- We have sold the position in the Global Evolution Frontier Market Fund as Covid-19 hit Frontier Markets the hardest.
- Marks & Spencer bonds (in MAIF 2) got a downgrade and is now HY. The bonds are also part of MAIF 2 where we are not allowed to invest in HY. The liquidity of these trading bonds have been poor.

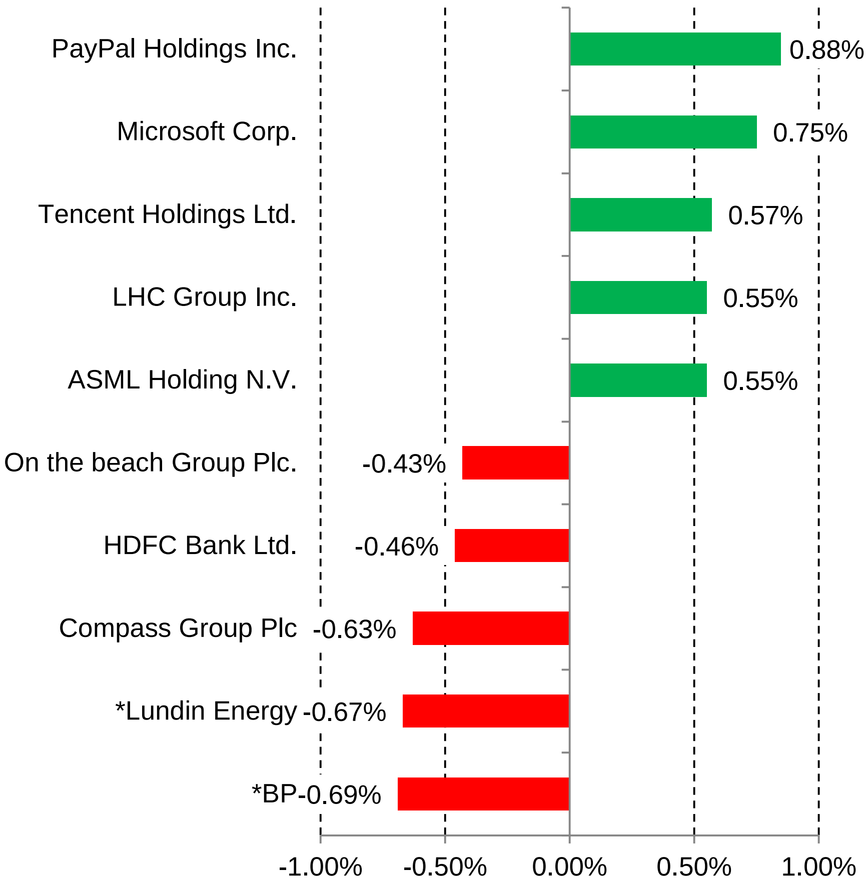
*Note: YTD figures are taken from 01/01/20 – 30/06/20

Source: Berenberg Portfolio Management Program. Note: The shown historical performance corresponds to the performance of the real managed wealth management mandate. Past performance is neither an indicator of future performance nor a guarantee of future returns.

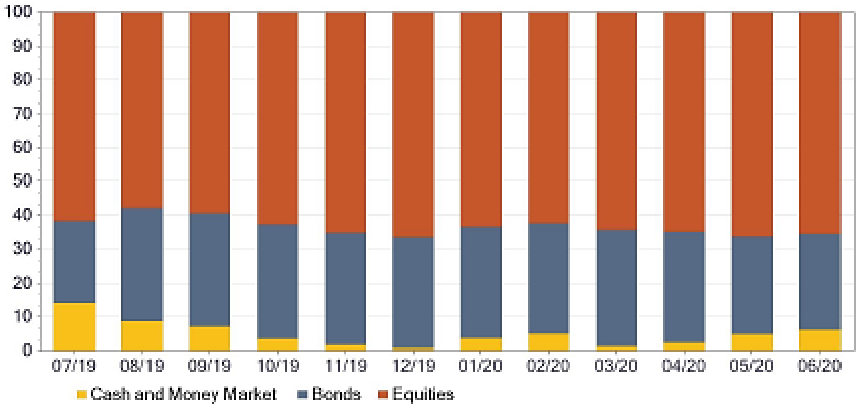
Performance Overview

BERENBERG
PARTNERSHIP SINCE 1590

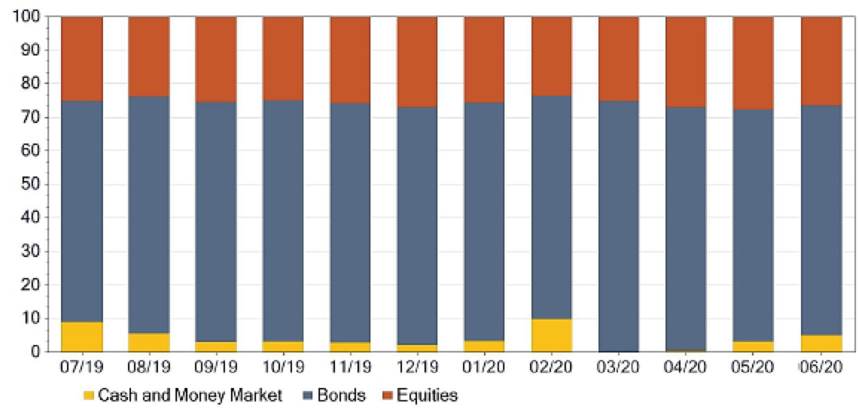
Top 5 Contribution Gainers and Laggards: MAIF 1 DIST



MAIF 1 Distributing (LTM)



MAIF 2 Distributing (LTM)



Source: Berenberg PMP 01/01/2020 – 30/06/2020 Period: 01/01/2020 – 30/06/2020

*Note, due to the carbon restrictions of the portfolio, positions in BP Plc and Lundin Energy AB have now been exited and are no longer in the portfolio.

The shown historical performance corresponds to the performance of the real managed wealth management mandate. Past performance is neither an indicator of future performance nor a guarantee of future returns.

.

Important Information

BERENBERG
PARTNERSHIP SINCE 1590

We present Berenberg's general ESG approach. Whilst concrete products are named in this document, if you are interested in Berenberg's ESG approach, we would welcome the opportunity to discuss a product selection and the level of an investment with you personally in a subsequent investment consultation. Please note that this document does not constitute or replace individual investment advice. We have not considered the suitability with regard to your knowledge and experience, your investment objectives and your financial circumstances. The sole purpose of this document is, therefore, to provide you with clear information about Berenberg's ESG approach. Please do not hesitate to contact us for a full consultation.

Important Information

BERENBERG
PARTNERSHIP SINCE 1590

Important Notice

This presentation is not, nor is it intended to be, a personal recommendation, advice on investments or an offer or solicitation to buy or sell financial instruments or other investment or banking products.

Nothing in this presentation is intended to constitute, or be relied upon as, financial, investment, legal or tax advice. You should consult your own advisers on such matters as necessary.

All reasonable care has been taken to ensure that the facts stated in this presentation are accurate and that any forecasts, opinions and expectations are fair and reasonable. In preparing this presentation we have only used information sources which we believe to be reliable. However, the information contained in this presentation has not been independently verified and accordingly we do not warrant or represent that it is complete or accurate. No reliance should be placed on the accuracy or completeness of the information.

Please note the stated date of preparation. The information contained in this presentation may become incorrect due to the passage of time and/or as a result of subsequent legal, political, economic or other changes. We do not assume responsibility to indicate or update you of such changes and/or to prepare an updated presentation. We do not assume liability for the realisation of any forecasts contained in this presentation or other statements on rates of return, capital gains or other investment performance.

By accepting this presentation document and/or attending this presentation, you agree to be bound by the provisions and the limitations set out in, or imposed by, this presentation document and to keep permanently confidential the information contained in this presentation or made available in connection with further enquiries to the extent such information is not made publicly available (otherwise than through a breach by you of this provision). The distribution of this presentation document in jurisdictions other than the United Kingdom may be restricted by law and persons into whose possession it comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of laws of any such other jurisdiction.
Nothing contained in this Important Notice shall exclude or restrict any liability for which we are not permitted to exclude or restrict by the Financial Conduct Authority, under the Financial Services and Markets Act 2000, or any other applicable regulatory authority or legislation.

For the explanation of used terms please visit our online glossary at http://www.berenberg.de/en/glossary

As of: 21 July 2020