"Coronavirus" COVID-19 update for investors. 11th March 2020.

Monday (10th March 2020) saw market volatility shoot through the roof with the VIX index pushing to levels not seen since the Great Financial Crash of 2008 and a number of major equity indices, included FTSE, moved into Bear Market territory (over 20% decline from its recent peak). COVID-19 has provided a massive exogenous shock to the system and the decline in the oil price witnessed on Monday only added fuel to the flames.

We expect the heightened level of volatility to persist for at least the next month or so as the markets grapple with the economic consequences of the Coronavirus. Against this backdrop, we are monitoring our positions carefully and are confident that we are well positioned having built up a cash buffer in Q4, which we will continue to deploy as we see opportunities.

It looks increasingly likely that the authorities will respond with a combination of both fiscal as well as monetary stimuli to help the markets. This is likely to include further asset purchases by Central Banks, extending into the corporate debt market and we hope for some imaginative fiscal support from Finance Ministers.

To put the declines in context, this quarter's returns:
- FTSE 100 Index: -20.9%

- S&P 500 Index: -14.05%

This week's returns (09/03/2020):
- FTSE 100 Index: -7.69%

- S&P 500 Index: -7.6%

Some of our high risk rated portfolios may breach the -10% (quarter) limit, depending on when positions were first taken. We do not carry idiosyncratic risk provided by security selection in the vast majority of our component funds, hence our risk exposure is at systematic level only. This combined with our asset allocation methodology has shielded the portfolios from the extreme moves we have seen in China, the UK and the US markets.

These movements, however, do present us with a once in a 5-10yr opportunity to reposition ourselves and get back to deploying the cash we currently hold.

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