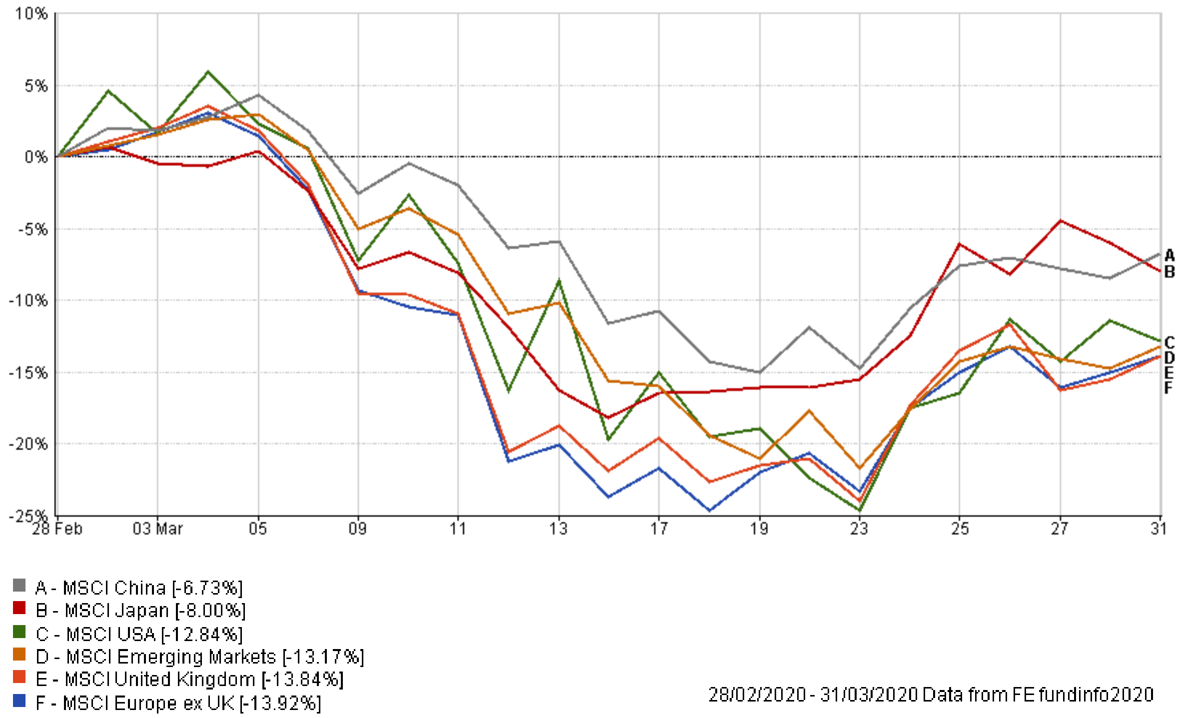
Monthly Investment Note

March 2020

BROOKS MACDONALD

Market Overview

Month in brief



March was another extremely challenging month for global equity markets as Coronavirus spread and countries went into lockdown to try to contain the outbreak. There has, however, been an unprecedented response from both Governments and Central Banks across the world in an attempt to minimise the impact of the virus on economies.

The UK announced a momentous support package, including commitments to pay a significant portion of workers' wages during the shutdown, enabling companies not to lay off staff despite the dramatic fall in sales. The Bank of England cut interest rates by 65 basis points to just 0.10%.

Sterling suffered, hitting multi-decade lows versus the US dollar, as investors sought safety in cash, particularly US dollars.

The US, meanwhile, unveiled a $2 trillion dollar package – including grants to small businesses and credit backing to investment grade companies. The US Federal Reserve also cut interest rates down to a range of 0%-0.25%.

Similar measures were taken across Europe, most notably in Germany as the 'balanced budget' approach was abandoned and the European Central Bank announced a 'Pandemic Emergency Purchase Programme', worth up to €750 billion for the purchase of corporate and government bonds.

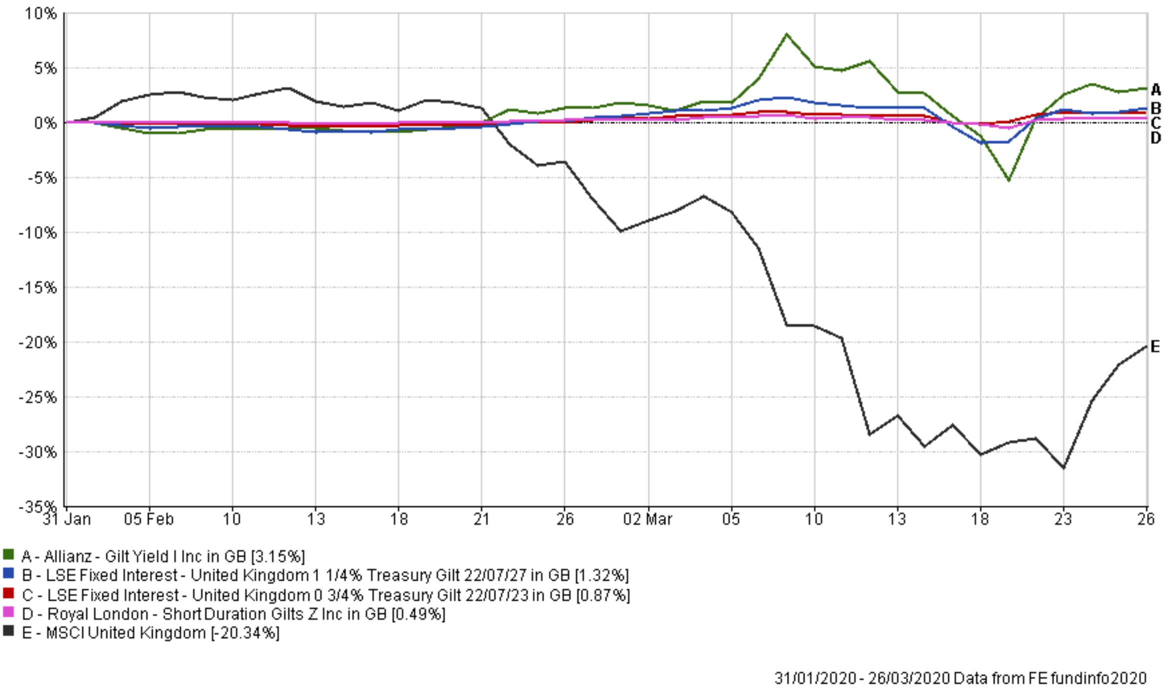
The oil price fell sharply, nearing $20 per barrel in the latter stages of the month. This followed a disgreement between Saudi Arabia and Russia surrounding cuts to supply, compounding the impact of falling demand as a result of the Coronavirus outbreak.

Summary: March 2020

Top Buys	Top Sells
- Royal London Sterling Credit - Fidelity Moneybuilder Income - UBS 14.95% FTSE S&P Defensive Autocall	- 0.75% UK Gilt 2023 - Allianz Gilt Yield -1.25% UK Gilt 2027

Top Sale

UK Sovereign Debt Exposure



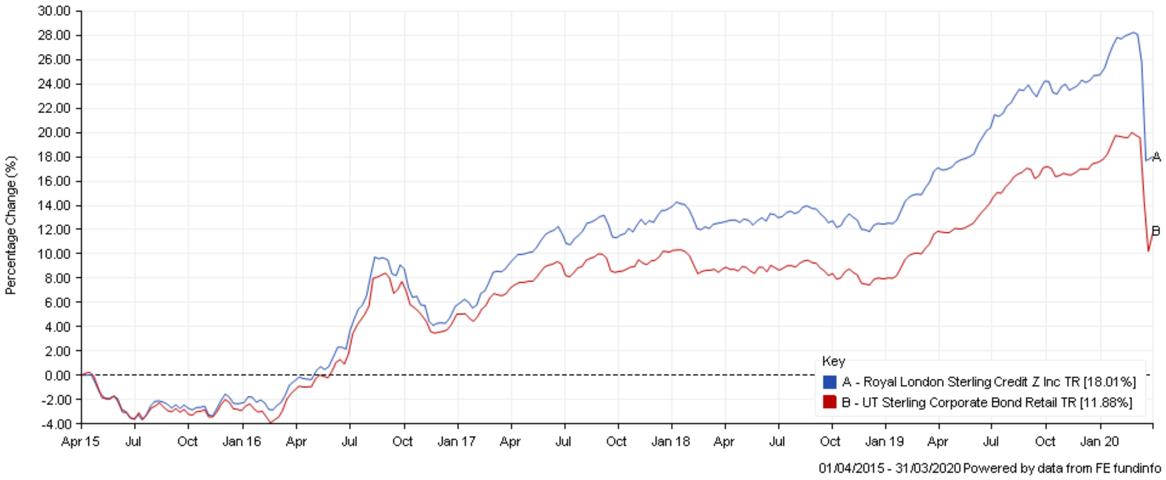
Our top sale over March was the 0.75% UK Gilt 2023 as part of a wider sale of UK sovereign debt exposure in the Hampshire office which also included the 1.25% UK Gilt 2027, Royal London Short Duration Bond fund and the Allianz Gilt Yield fund (except in low risk profiles).

The defensive qualities of sovereign debt have been demonstrated over the past month. As equity markets fell by as much as 30% across the world, UK sovereign debt rose in value as investors sold out of riskier assets (equities) and moved into 'safe haven' assets such as government bonds. Action by Central Banks in cutting interest rates to support economies also helped to drive the price of gilts higher as yields on government bonds fell, pushing values higher (due to the inverse relationship between yield and price).

Given the rally in values of sovereign debt assets, and with little potential upside remaining, we took the opportunity to take profits from the sector as we look to take advantage of distressed pricing in other areas of the market.

Top Buy

Royal London Sterling Credit



Following the sale of UK sovereign debt within the UK fixed intrest sector we have increased our exposure to UK corporate debt to bring portfolios back into line with UK fixed interest guidance. The recent volatility in markets has seen UK corporate debt also fall in value, as demonstrated in the Royal London Sterling Credit fund performance graph shown above. This sell off has seen credit spreads widen signifcantly, offering an attractive entry point to the sector.

Credit spreads represent the difference in yield between two bonds of similar maturity but different credit quality – in the case of the above graph a UK government bond and a UK BBB rated corporate bond. As can be seen, for the past 8 or so years credit spreads have been at record lows, meaning there has been little reward in yield terms for taking on the credit risk of corporates. As concerns surrounding the potential creditworthiness of companies in a recessionary environment have increased, corporate bonds have also been sold by the market and credit spreads have widened significantly. We feel, however, that given the unprecedented support from governments, combined with the rock bottom interest rates across the world, that the market has priced in a significantly more negative scenario for UK corporates than is likely to be seen. As such, we have taken advantage of the lower prices to increase exposure to UK corporate debt which offers a significant pick up in yield over sovereign debt, along with the potential for capital growth as values recover.

Further Purchases

UBS 14.95% FTSE S&P Defensive Autocall

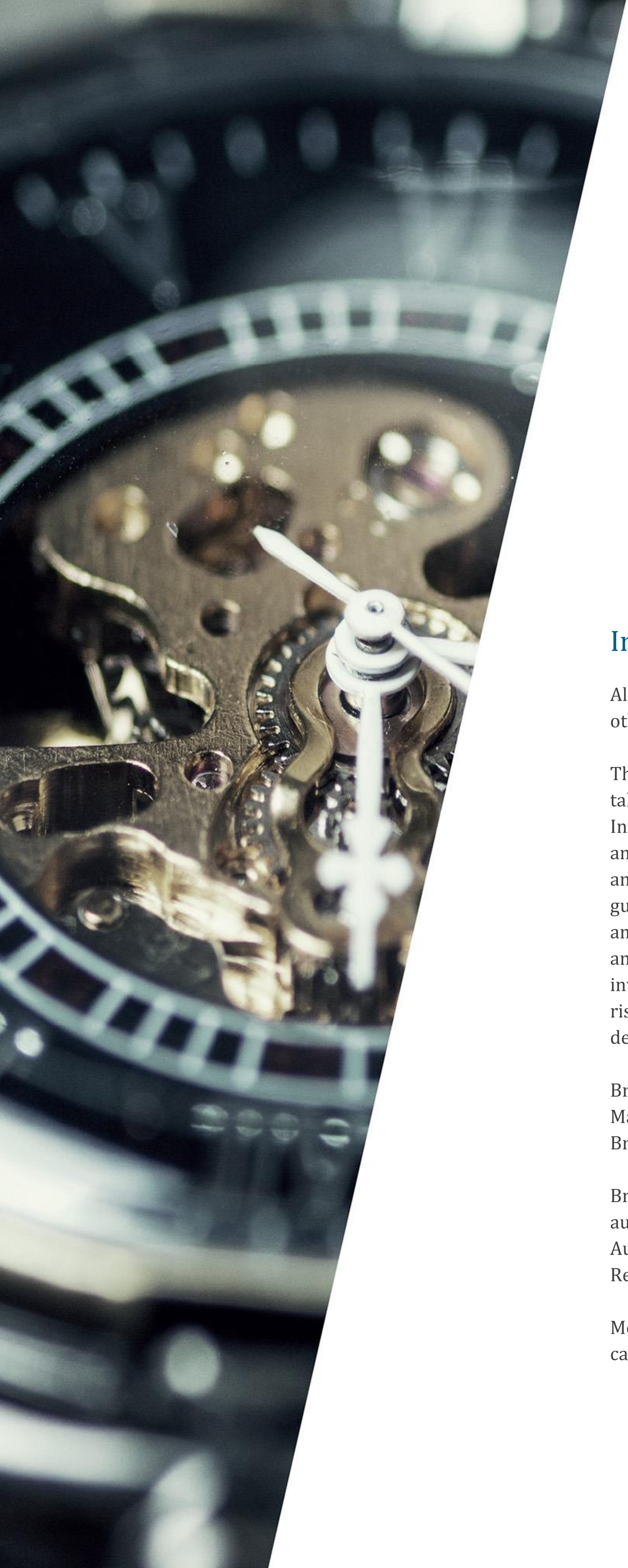
Date	Index Level %	Index Level UK Index	Index Level S&P 500	Return (p)
16th March 2020	Strike 100%	5,151.08	2,386.13	100p
30th March 2021	100%	5,151.08	2,386.13	114.95P
16th March 2022	100%	5,151.08	2,386.13	129.90p
16th March 2023	100%	5,151.08	2,386.13	144.85p
18th March 2024	100%	5,151.08	2,386.13	159.80p
17th March 2025	90%	4,635.97	2,147.52	174.75p
16th March 2026	Maturity 65%	3,348.20	1,550.98	189.70p

If the final level of any index has fallen below 65% of its starting level then the initial capital will be at risk. This loss of capital will be in line with the loss of the index, i.e. for every 1% the index is below its initial level, you lose 1% of your initial capital.

We also purchased a new structured product during March, the UBS 14.95% FTSE S&P Defensive Autocall. You may notice that the coupon, 14.95%, is significantly higher than the traditional 7%-8% you would normally see, with no difference in the underlying terms. This increased coupon reflcts the 'favourable' market conditions for structured product issuance over March.

There are a number of factors that contribute to the pricing (the annual return) of a structured product at issuance i.e counterparty risk, interest rates, market levels and volatility.

Whilst clearly the lower market levels were favourable for issuances, it was predominantly the level of volatility in the market that led to the extremely attractive coupon of 14.95%. As volatility increased sharply, the underlying put options (protection against falling markets) being sold under the 'bonnet' of these products, increased in value, thereby giving the issuing bank more to invest to generate returns. This product was issued close to the peak in volatility in March at levels not seen since the credit crisis, hence the signifiantly increased coupon. This demonstrates the value in our dedicated structured return research team that can identify, and then quickly exploit, these pricing opportunities for the benefit of client portfolios.



Important Information

All data provided by Brooks Macdonald, unless otherwise stated.

The performance indicated for each sector should not be taken as an expectation of the future performance. Investors should be aware that the price of investments and the income from them can go down as well as up and that neither is guaranteed. Past performance is not a guide to the future. Investors may not get back the amount invested. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment. Investors should be aware of the additional risks associated with funds investing in emerging or developing markets.

Brooks Macdonald is a trading name of Brooks Macdonald Group plc. used by various companies in the Brooks Macdonald group of companies.

Brooks Macdonald Asset Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales, No. 184918. Registered office: 72 Welbeck Street, London, W1G 0AY.

More information about the Brooks Macdonald Group can be found at www.brooksmacdonald.com.