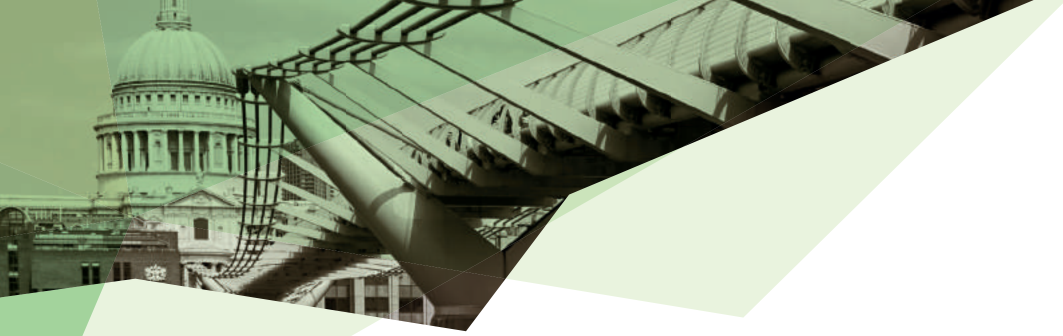


Investec
Wealth & Investment

View from the bridge

April 2020

Background

One word has dominated the headlines for citizens, politicians and investors in the first quarter and that is coronavirus.

Such an addition to most people's vocabulary was accompanied by phrases such as furloughs, social distancing, self-isolation and enforced lockdown, as businesses and authorities worldwide grappled with the challenge of containing the spread of the virus. These developments provided a total contrast to the relatively optimistic state of the world as we entered the New Year and indeed, as can be seen from the chart, global equity markets continued their upward march of the final quarter of 2019 well into the early part of February, before suffering a very sharp fall triggered initially by the spread of the virus and subsequently magnified by a sharp fall in the price of oil. Though what is now seen as a global pandemic began in the little known city of Wuhan in China before Christmas, the initial interpretation of such a viral outbreak was mild and focused mostly on supply chains from China that had only recently reopened after the conclusion of the first phase of the trade agreement between China and the US. At that stage the predicted impact to global economic activity was minor.

As evidence of the virus spread from China to the West, initially to Europe and subsequently to North America, it became apparent that the potential disruption to global economic activity would become much more substantial. By quarter end, more than 37,000 people had died. In January GDP growth was expected to be about 3.2%, slightly ahead of the rate estimated to have been achieved last year; by early March that forecast had been halved and by the end of the month it had been revised to zero, with a number of commentators predicting that estimates would fall into negative territory as April progressed. Quite a lot of growth will have been recorded for Q1, as the real effect of the shutdowns didn't occur until well into March, but Q2 will feature a disastrously large negative and it is too early for a confident assessment to be made of the second half of the year, other than to hope it cannot stay at such depressed levels for too long given the volume of stimulus being injected by Governments and Central Banks.

That uncertainty about the second half of 2020 comes in two parts – first the timing and depth of the nadir of the mini-cycle and second the shape (and especially the gradient) of the subsequent recovery. Whereas it appears that significant elements of the Chinese economy are already slowly returning towards normality, their ability to implement that is a consequence of the command economic structure that facilitated a robust implementation of the lockdown. It is much more difficult to see Western economies being able to resume any form of normal levels of economic activity as rapidly as has been the case in China. One reason for this distinction is that many Western Governments appeared to be more concerned about the economic consequences of a blanket shutdown and therefore hesitated to apply draconian measures until medical evidence pointed to a probable overwhelming of their health services' capacity. China on the other hand has much lower levels of consumer indebtedness and a greater ability to control both activity and social mobility, and so the risks to its society structure are much lower. Thus consensus forecasts still show China with some modest growth this year, perhaps at about 2.5%, albeit with a likely lurch into minus numbers for a period of time (that might not be reflected in quarterly data releases). Other developing economies in aggregate might just stay ahead of zero for the year. The advanced world on the other hand is likely to record its worst outcome since World War 2 (even in the financial crisis, economic growth across the developed countries fell by only 3%), with some economists predicting the second quarter could see a fall of as much as 15% before finding some form of levelling out in Q3 and a recovery in Q4. Such a steep decline would not be good news for corporate profits or indeed dividends, though hopefully any such impact should be short-lived for those companies with stronger business models and balance sheets.

Total Returns to a Sterling Investor

Source: Refinitiv Datastream

Past performance should not be taken as an indication or guarantee of future performance

Bond Markets

In light of the shutdown of an increasingly broad component of the developed world and the unknown element to its protraction, investors understandably sought to increase exposure to the perceived safe haven of sovereign bonds.

The deflationary impact of such an imposed recessionary climate was compounded by the clash between Russia and Saudi Arabia over the future plans for their oil production against a background of falling demand, which triggered a more than halving of the price of Brent Crude during the first quarter from $64 to $26 per barrel. The consequence of these two factors was that prevailing yields on 10yr UK Gilts and US Treasuries fell sharply, from 0.82% to 0.33% and from 1.92% to 0.68% respectively, more than reversing the rising yields that investors had elicited in the previous quarter in an environment of growing confidence that the economic and political clouds were receding.

Authorities across the globe reacted dramatically to the burgeoning crisis, by unveiling material loosening to fiscal policy, by reducing interest rates even further and by accelerating the scale of quantitative easing. Faced with ballooning fiscal deficits, investment markets customarily have extracted higher interest rates from Governments to match the expanded supply, but the chart here illustrates that such an outcome has not occurred on this occasion. Indeed the close correlation historically between the size of the US Government annual deficit and the term premium (essentially the difference between 10yr yields and those of money markets) has completely disintegrated since the financial crisis of 2008/09; the US deficit was already climbing thanks to President Trump's reflationary packages and the recent deal in Congress to grant a $2trn support package will accelerate the financing requirement to its highest level in modern times. Yet investors have not reacted in the traditional way, believing that the Federal Reserve (Fed) will in effect mop up all the additional supply to prevent interest rates for other borrowers being forced up.

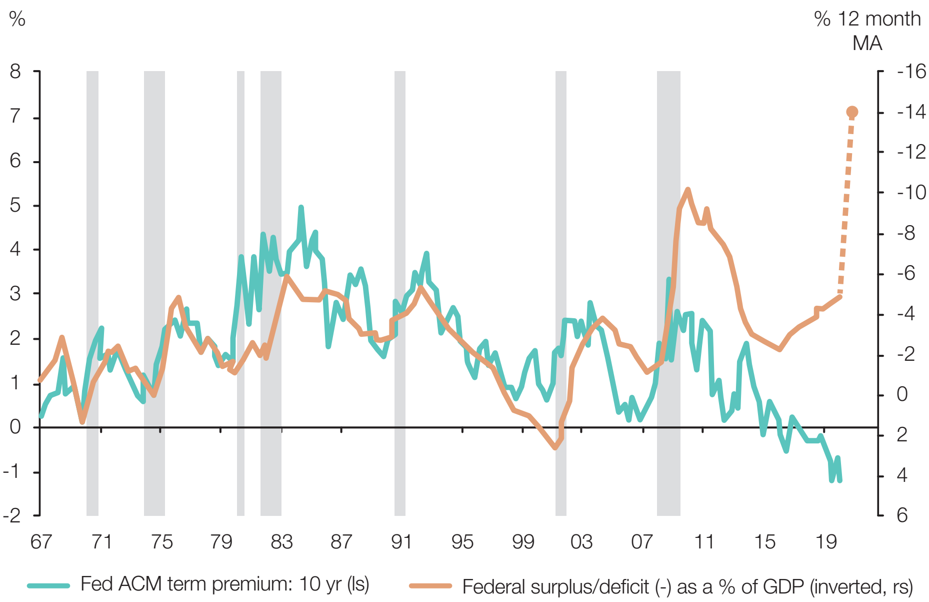
The Fed has indeed announced not merely a dramatic reduction in its federal funds rate during Q1, but also reversed its prior policy of balance sheet shrinkage and is now buying bonds at a rate that surpasses its programme in the darkest days of the financial crisis. Such support mechanisms have been echoed by Central Banks around the world and we provide more detail under each of the regional segments that follow.

Investors' faith in the sanctity of bond holdings has not however extended to either the investment grade corporate world or in

Capital returns to a sterling investor

	3mth% to 31/03/20	6mth% to 31/03/20	12mth% to 31/03/20	12mth% to 31/03/19	12mth% to 31/03/18	12mth% to 31/03/17	12mth% to 31/03/16
Gilts	5.6	1.0	7.3	0.9	-2.3	3.6	0.0
FT All-Share	-26.0	-23.5	-21.9	2.2	-2.4	17.5	-7.3
FTSE 100	-24.8	-23.4	-22.1	3.2	-3.6	18.6	-8.8
Europe ex UK	-18.0	-17.4	-10.8	-0.7	1.4	23.5	-6.9
US	-14.5	-13.7	-4.2	15.5	-0.4	31.9	2.9
Japan	-12.3	-12.1	-5.0	-4.1	6.0	30.2	-3.8
Far East ex Japan	-23.4	-25.1	-22.8	7.9	-6.9	30.8	-10.4
World	-16.7	-15.9	-8.4	8.3	0.1	29.5	-2.5

Source: Datastream



Source: Deutsche Bank March 2020

particular to the arenas of high yield bonds and emerging market debt. Principally such behaviour can be explained by the likely increased default rates that investors now expect, especially given the proportion of the high yield bond universe issued by energy companies and the fall in oil prices mentioned above. UK investment grade bonds experienced a drop in capital value of almost 4% (as reflected in the benchmark index) and the yield spread (the additional yield above gilts) roughly doubled during the quarter. US high yield bonds fared even worse, with their yield spread mushrooming by almost 6% from 3.4% to 9.3%. Emerging market bond indices declined by about 11% in dollar terms.

United Kingdom

The advent of the coronavirus on UK shores generated a major disruption to the Government's economic and political strategy. The uncertainty that prevailed through 2019 clearly inhibited decision-making and confidence levels amongst businesses and consumers and the early days of the current year demonstrated a more optimistic tint to the economic environment.

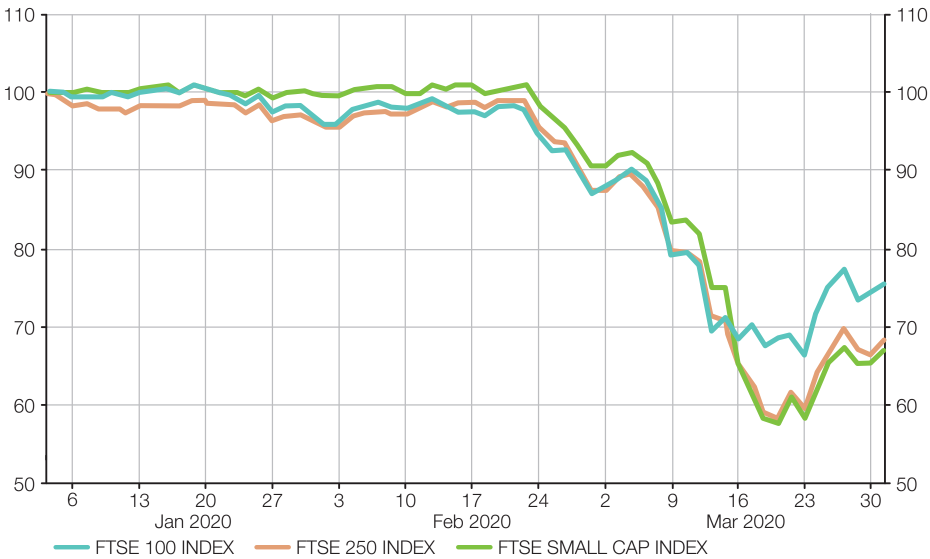
Armed with a substantial Parliamentary majority from the December election and with the main opposition party in disarray, the scene seemed set for Boris Johnson both to implement domestic policies and ensure an orderly separation from the European Union by the end of 2020. However the mantra of "get Brexit done" has now been replaced by "protect the NHS" and the "B" word has barely had a mention in the past few weeks. Indeed it would come as little surprise to most commentators if the current timetable were to be deferred into next year, given the difficulties of agreeing trade terminology by email and video-conferencing.

At the beginning of 2020, economists were predicting that UK economic growth would stage a slight recovery from the stagnation of the latter part of last year as some of the clouds darkening activity levels lifted, but such forecasts have not merely been reversed, but been subject to material downward revisions that have become more pronounced as the scale of infection has broadened. By the end of March, more than 1,400 lives had been lost to the virus and great swathes of the workforce consigned to home, with varying abilities both to work and earn. The consequence is that forecasts for GDP project a drop in Q2 of about 10% and estimates are still falling, with uncertainty about Q3 before a recovery is staged in the final quarter of the year.

The magnitude of such a fall is unprecedented in modern times; for example the economic decline in the financial crisis was of no more than 5%. Dealing with such a challenge will be of paramount importance and will be an early challenge for the Chancellor and the Bank of England Governor, both of whom are new to their job in the past two months. Following a row between the occupants of Numbers 10 and 11 Downing Street, Sajid Javid resigned in February and was replaced by the former Chief Secretary to the Treasury Rishi Sunak. In a more pre-arranged handover, Mark Carney's term as Governor expired and he was replaced by Andrew Bailey on March 16th. Within three days of his appointment, he unveiled a cut in base rate to an all-time low of 0.1%, such action coming only a week after Mr Carney himself had reduced rates from 0.75% to 0.25%. Since taking office, Mr Sunak has had several bites at the cherry to provide support: in his inaugural Budget, he pledged £12bn to soften the impact of the pandemic, but within a week was forced to admit that the scale of the crisis was such that his measures would be insufficient. He added a further £20bn in spending and committed the Government to provide up to £330bn of loan guarantees to help businesses stay afloat. Finally in a tumultuous three week period he announced plans to pay both employed and self-employed workers up to potentially 80% of their earnings out of state coffers.

Sterling reacted poorly to the scale of this fiscal support and dropped sharply, before staging a partial rally near the month-end. Such a fall helped to cushion the effects of the crisis on leading companies, especially for those with substantial overseas trade exposure. While the fall in likely profits this year will be significant, investors are paying more attention to the impact of the crisis on potential dividend payments. For some time, the UK's dividend generating capacity has been unusually dependent on a short list of leading companies with large payouts: more than 40% of the entire UK equity market dividends come from fewer than ten companies, with Shell particularly in the spotlight given the weakness of the crude oil price. The chart here shows the precipitate declines across all three size segments of the UK stock market, with the mid and small cap indices falling by an extraordinary 40% in less than four weeks. Larger companies fared slightly better, thanks both to a weak pound flattering their overseas profitability and to a slightly more economically defensive mix among their constituents, but still recorded losses of around 25% for the quarter. At a sector level, there were no winners, only relatively good losers. Pride of place went to the utilities sector, which recorded a total return of -6%, pharmaceuticals achieved -8% and (perhaps unsurprisingly given panic household stock-building) food retailers delivered -10%. The wooden spoon went to the travel & leisure sector, with a decline of more than 42% during the three month period.

Total returns



Source: Refinitiv Datastream

United States

The spread of the coronavirus came later to the US than to many other countries, with the first death not recorded until March 1st, by which date as many as 3,000 people had died elsewhere in the world.

Up until that point, strategists and investors were focused only on two factors, the run-up to the Democratic Primaries for selecting a challenger to President Trump in November's election and the potential slowdown or recovery in US economic activity in the wake of the provisional trade agreement with China. The early caucus results, showing that the more left-wing and populist candidates were doing well, undermined investors' confidence, as they feared an anti-business regime with higher taxes and a social redistribution motive. However by "super Tuesday", when thirteen states voted and ten of them endorsed the more moderate candidate Joe Biden, this topic was playing second fiddle to concerns about the economy. After eleven years of improvement, the US economic cycle was looking long in the tooth by historic measures but history also tells us that cycles very rarely die of old age, but are extinguished by either aggressive rises in interest rates, financial imbalances or an exogenous shock. With the benefit of two months' hindsight, we now know which of those factors has brought this particular cycle to an end.

The policy response, from both the Fed and the President, has been substantial; though initially more muted, it was increased when the true scale of the crisis became apparent. A first cut in interest rates of 0.5% in early March was followed within a fortnight by a larger reduction of one full percentage point, taking the rate down almost to zero. The Fed also unveiled initial purchases of up to $500bn of Treasuries and $200bn of mortgage-backed securities under its Quantitative Easing programme. Further packages of support via credit and loan facilities were designed to provide liquidity to credit markets. In parallel the Government introduced a number of measures: an initial $8bn stimulus was passed by Congress in early March but a massive $2.2 trillion package (roughly 10% of GDP) was approved before the quarter end. To put this in context, it is approximately twice as much as was committed throughout the financial crisis of a decade ago. The proposal entailed a large tax rebate, additional unemployment insurance and a package of loans to small and medium sized businesses (SMEs) designed to maintain employment levels at close to the pre-crisis level. The SME focus is especially important to the US economy, as data show that as many as 600,000 businesses go bust in a normal year, let alone the one 2020 is predicted to be; more than 90% of these businesses employ four or fewer people. After some concerns from Democrats that the skew of support was likely to fall too favourably towards the corporate sector at the expense of employees, some compromises were made to both the scale and shape of the proposals and Congress gave a speedy endorsement.

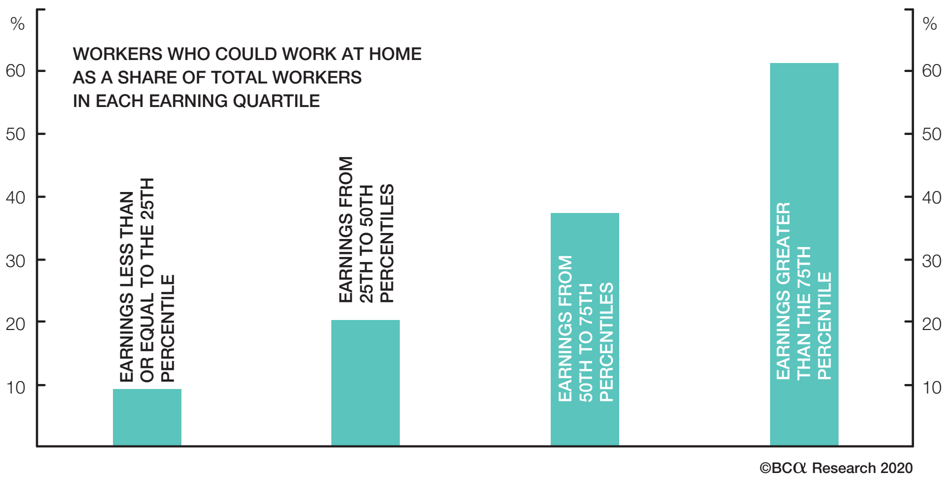
Like many other countries, the US has progressively implemented social restrictions, with stay-at-home orders now in place across more than half the states. However as the table here illustrates, the ability to work from home is not evenly dispersed across the workforce and the lower paid segments of the population are much more likely to be unable to fulfil an employment role in such a lockdown environment. The US Bureau of Labor has calculated that only 9% of employees in the lowest paid quartile of the workforce are able to work from home, compared with 61% of those in the highest paid quartile. Hence the political

pressure in Congress for more support for this element of US society.

After such a strong and consistent bull market, there were huge profits at risk if investors were to lose confidence in the economic and profit outlook. This explains the savagery of the decline in share prices and the seemingly relentless nature of it as the index fell on 19 out of 23 consecutive days, with the overall drop being one of 34%. Remarkably the Dow Jones Index, the oldest barometer of Wall Street share prices, experienced both a bear and a bull market (defined as a 20% price movement in each direction) in one single month as share prices staged a recovery in the last two weeks of the quarter. Overall during the quarter Wall Street recorded a dollar-based fall of about 20%, but this was cushioned for sterling investors by a slide in the pound of around 6%.

> "Like many other countries, the US has progressively implemented social restrictions, with stay-at-home orders now in place across more than half the states."

Working from home only an option for the well-paid



Source: Bureau of Labor Statistics

Europe

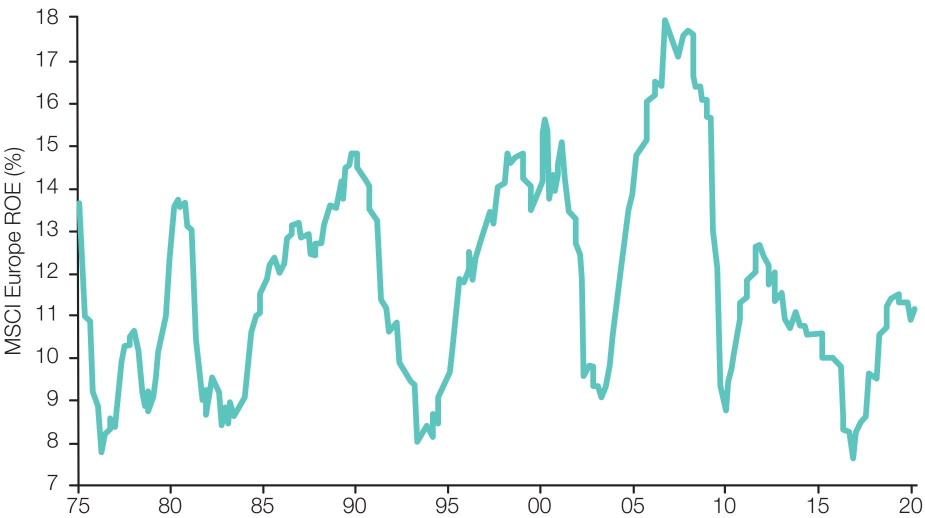
For many years one of the popular objections to the investment case for Europe has been the large variation between member countries, whether measured by economic criteria such as unemployment, fiscal strength and trade position or by other factors such as the health of the banking system.

Though the range of difference has narrowed from the time of the Eurozone crisis, there is still little uniformity. To these topics can be added the experience during the past three months of the coronavirus, where the incidence and mortality rates across the Continent have been extremely varied. By quarter end for example, the total deaths per million population were 190 in Spain, 180 in Italy, 53 in France, 18 in Sweden, 16 in Portugal, 14 in Ireland and a mere nine in Germany. (For comparison the equivalent calculation for the UK was 29.) This variation led to material difficulties for the EU to implement any common fiscal or monetary support programme, although the social restrictions imposed by governments were more homogenous.

The European Central Bank (ECB), which does of course cross national boundaries in its remit, launched a Pandemic Emergency Purchase Programme, amounting to €750bn or about 6% of GDP, to follow on from its modification earlier in March of a number of its credit market operations. The guidelines attached to this PEPP remove the previous limit on the ECB acquiring more than one-third of any member country's sovereign bond issue and extend the range of allowable securities to include more commercial paper and corporate credit. A necessary precursor to any material fiscal rescue packages was the removal of the previous budget constraints (formerly known as the Maastricht criteria, one of which limited the size of a member country's annual deficit to 3% of GDP); the European Commission formally suspended these rules to allow countries to deploy a full range of measures to combat the virus. Unusually, given its long history of favouring austerity, Germany unveiled a massive programme of measures, approaching 10% of its GDP and amounting to almost twice the combined war-chest announced by France, Italy and Spain.

Unfortunately Europe was one of the losers from last year's friction over global trade and both economic activity and corporate profits suffered as a consequence. In 2019 GDP growth just crept above 1% for the year and initial forecasts for this year made back in January were for a similar or fractionally better outcome. These projections have been revised radically by the scale of the economic impact of the virus and there are a number of economists predicting declines of as much as 8-10% at the low-point during calendar 2020. That scale of reduction in economic activity could precipitate a fall in corporate profitability of around 30% which, as the chart here shows, would drive return on equity back to the lows previously plumbed in 1976, 1983, 1993 and 2017 and below those attained during the financial crisis. Investors however, once they have grasped the magnitude of decline, will start to focus on the longer term and, again as portrayed by the chart, historically such low returns have proved very transient: recoveries from the 8% level have been quite pronounced and have rapidly reached back into double digits. Ordinarily that should provide reassurance for investors that the nadir should not last long and that they can be comforted by the relative stability of dividend income whilst they await the cycle turning. However on this occasion regulators across Europe have advised both banks and insurance companies to emphasise balance sheet strength and defer dividend payments to shareholders. In isolation that might not prove a huge blow, but it has triggered a number of similar actions across the corporate sector, even from companies with resilient finances, and projections for income payments from the Continent are now for a fall of similar magnitude to that predicted for corporate profits. European equity markets over the first quarter declined on a total return basis by about 21% in local currency terms, but sterling investors retrieved about one-fifth of that loss via the appreciation of the single currency versus the pound.

Profitability could fall 30% to previous cyclical lows



Source: MSCI March 2020

Past performance should not be taken as an indication or guarantee of future performance

Far East & Emerging Markets

Much of the world's attention has been focused on China for the past year or so, but the subject of that attention has changed markedly from last year.

Throughout 2019 the focus was on the progress, or not, of the bilateral trade talks between China and the United States, with interim highlights provided by the degree to which China could maintain its own economic momentum in the face of growing tariff imposition by President Trump. Following a successful resolution of the trade impasse, at least for what was termed "phase one", economists entered 2020 with a less cautious tone to their projections. However such caution speedily reappeared in January in the wake of the early signs of the viral outbreak and, when evidence of the virus spread to South Korea, Malaysia, Thailand and the Philippines by the early part of February, the world's spotlight beam expanded to the Asian continent as a whole and more recently to other parts of the emerging world.

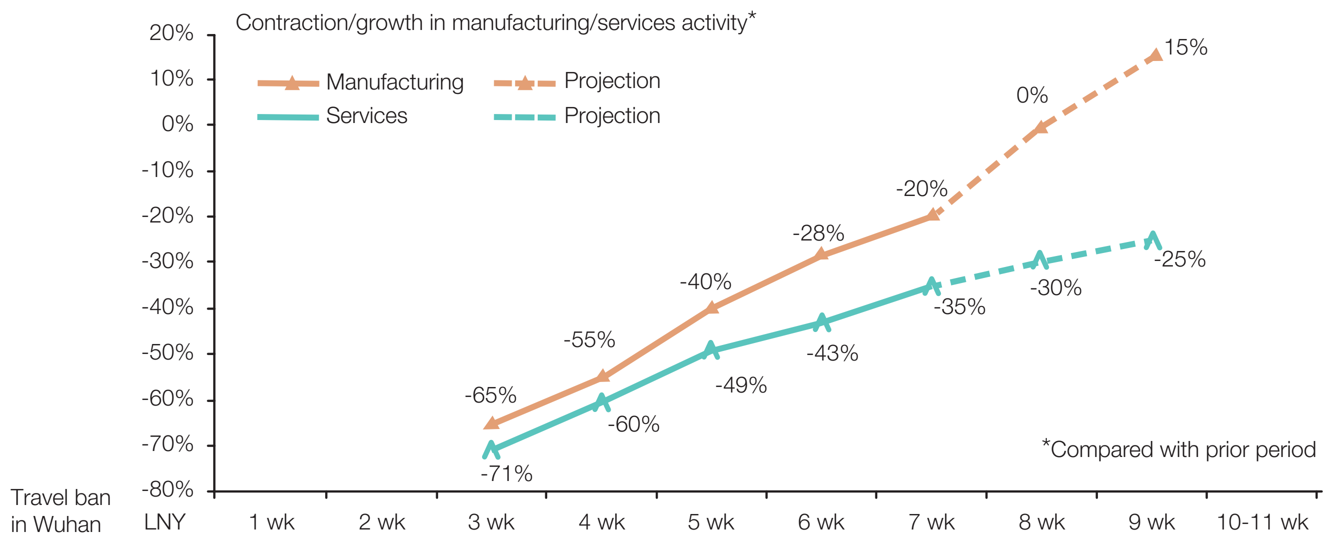
Along with the advanced economies, the authorities in developing countries have moved rapidly to inject stimulus. Governments have rather less room for manoeuvre on the fiscal front than they might wish, given that debt levels and annual budget deficits are worse than they were before the financial crisis: of the 31 principal countries that constitute the main emerging economy database, none is running a fiscal surplus of more than 2.5% of GDP, compared with nine in 2007, while the number with a deficit already exceeding 5% of GDP is now seven compared with one previously. Debt levels have also been rising as we noted in our last Review: 20 countries now have government debt exceeding 40% of GDP, compared with seven back in 2007. This position leaves interest rate policy to do more of the heavy lifting in cushioning economies from the full downside that would otherwise occur. Central Banks have announced meaningful cuts to rates in India, Mexico, Brazil, South Africa, South Korea and Turkey (amongst the larger countries), whilst China has tweaked policy rate by a mere 0.1%. Russia, mindful of the pressure on its economy from the halving of oil prices, cut rates by 0.25% early in February but did not move rates subsequently in the first quarter.

As we highlighted earlier, consensus forecasts for growth across the developing world have been pared back to close to zero, with not too many countries other than China predicted to be in the black. Much attention is on China for a number of reasons: first it is the most important contributor to global activity across the EM world, second there is expected to be an imminent restatement by the Politburo of China's target for economic growth and third China was early into the shutdown, so how the economy (and consumer health) responds to a lifting of social restrictions will be important for global confidence.

Lunar New Year (LNY) was January 25th, so the chart illustrates that economic activity levels three weeks later were 65% lower in manufacturing and 71% lower in the service sector compared with the prior year. It also shows the gradual recovery since the lockdown measures began to be eased and projections for that path back towards normalisation. It is notable that the state-owned enterprises in the mainstream provinces have already restored industrial production to around 85% of normal volumes, but privately owned firms are not yet operating at much above the 50% mark. The lower recovery path in services reflects the continuing restrictions in areas such as leisure and retail.

Unsurprisingly stock markets across the emerging world suffered along with their advanced peers. Falls of 20% or more were recorded for Brazil, India, Thailand, Vietnam and Mexico amongst the larger indices, but China proved more resilient with a decline of only 10%. Hong Kong dropped around 15% and Russia confounded a few pessimists, given its exposure to energy companies, by falling only 16%.

Chinese economic pattern since January



Source: Barclays March 2020

Past performance should not be taken as an indication or guarantee of future performance

Japan

Japan's losses under the coronavirus were a very modest 56 reported deaths by the end of March, which represents only about one-thirtieth of the UK's incidence per head of population, despite its first case occurring about three weeks earlier than in the UK.

Consequently as a (relatively) insulated economy and one that will benefit materially from the lower energy prices brought about by the impasse between Russia and Saudi Arabia over their planned oil production, growth forecasts for Japan have not seen the same dramatic scale of reduction as for many other developed countries. However the loss (or at least deferment until next year) of the Olympic Games originally scheduled for this summer will mean a larger downward adjustment to expectations for economic activity than would otherwise be the case. Compared with forecasts for the second quarter's decline to be as much as 10% in a number of Western economies, the predictions for Japan centre on a fall of less than half that amount. The Bank of Japan has already boosted its buying programme of Government bonds and exchange traded funds by more than $10bn and economists expect a major stimulus package to be unveiled by Prime Minister Mr Abe in early April, which could approach the scale of the $500bn support during the financial crisis in 2008/09.

“Compared with forecasts for the second quarter's decline to be as much as 10% in a number of Western economies, the predictions for Japan centre on a fall of less than half that amount.”

The corporate sector in Japan is blessed with many winners for the long term, boosted in due course by the likely global reaction to the current crisis; hence industries such as artificial intelligence, robotics and other factory automation skills will all benefit from changes to global practices in future. In the immediate future, consensus forecasts for Japanese corporate profits for the forthcoming year have been reduced but by nothing like as much as for other regions of the equity world and dividend cover is amongst the highest of the major stock markets at around 2.4x: a potential yield of close to 3% therefore should have some relative attractions.

Alternative Assets

Infrastructure investments have delivered some respite from the savagery of equity markets during the first quarter. As might be expected, the revenue streams from social assets such as schools, hospitals and other public sector projects have not suffered from any shortfalls and there are very few which are subject to demand-based income rather than availability-based tests.

Visibility of government revenues in both the immediate term and over long contract lengths is an important and reassuring factor in today's uncertain climate. The heading of infrastructure also applies to renewable energy assets such as wind and solar power, where a significant proportion of revenues comes from government subsidy and where, in the case of wind, the operators have received a bonus from the meteorological conditions that generated volumes of electricity which were 20% or more above budget through much of the first quarter. Renewable sources provided more than 37% of the UK's electricity consumption during calendar 2019, up from 33% in the prior year and more than doubling as a percentage over the past five years. Moreover the increase in campaigning against fossil fuel businesses and the rising scale and stock market liquidity of quoted renewable energy companies has lifted demand from the broader institutional investment community.

The stability of these business models and their revenues allowed companies in both segments to confirm existing dividend payments and distribution intentions at least for the near term, which has provided investor support for their share prices in these volatile conditions. Although total returns for investors were slightly below zero during the first quarter, the resilience of both income and capital will have been welcomed by investors.

Outlook

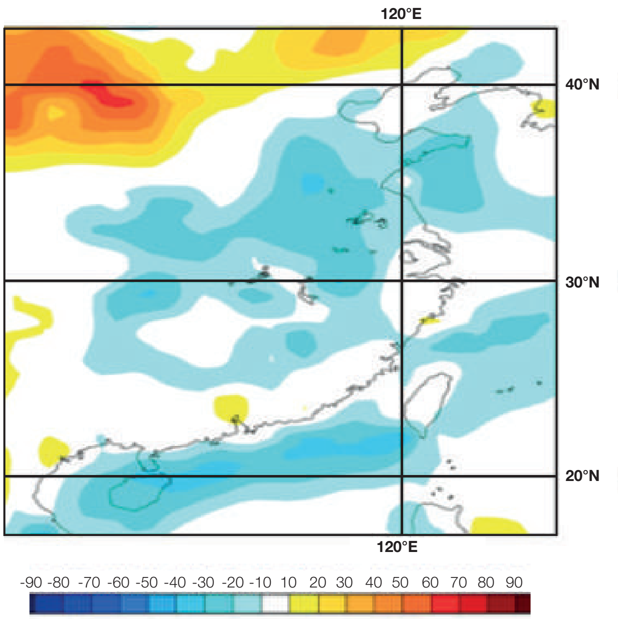
There are no blueprints to enlighten us on the likely depth of an economic recession triggered by a pandemic and its likely length and the pace of subsequent recovery will depend both on the response from the authorities (thus far encouraging) and medical science's ability to offset the potential re-escalation of infection that could follow a removal of the lockdown. Unsurprisingly previous studies of data from earlier pandemics have been in high demand recently and economists have waxed volubly about the details from as far back as the Black Death in the 14th century, the Spanish Flu Pandemic of 1918 and the Asian Flu Pandemic of 1957. There are immediate impacts of an economic and health nature in today's highly interconnected and interdependent world that are unlike anything to be learned from those historic studies; on the other hand there may be much to be gleaned from those studies in terms of how political and social aspects of life changed as a consequence of the pandemics. When signs of coronavirus became a global concern, the early thought was to compare annual global deaths from influenza with those projected for the new strain. Across the past decade, an average of about 400,000 people per annum have died as a result of flu. This is in stark contrast to (for example) the 35m people estimated to have died back in 1918/19, when of course the global population was only a quarter of its present level. The Asian flu outbreak is estimated to have triggered 2m deaths, while according to historians the notorious Black Death is understood to have lasted for twenty years and brought about a decline in the working population of as much as one-third.

One short term benefit to the world from this pandemic is the material improvement in air quality. Data produced in the UK, by the Reading-based Copernicus team within the European Centre for Weather Forecasting, illustrates the material drop in levels of Chinese air pollution, comparing data for February 2020 post the Lunar New Year holiday with the average for the same period across the three preceding years. The almost black dot right in the middle of the picture on the 30°N line represents Wuhan, which has experienced a decline of more than 80% in air pollution due to the lockdown by the Chinese authorities. As the image shows, most of China has got a blue tint, reflecting an improvement of between 10% and 50% dependent on the shade of blue. (For awareness, the area coloured in red is that of Inner Mongolia, which for some reason has seen a marked deterioration in its air quality.)

Whether any changes to the way the world behaves will allow some, or indeed most, of this improvement in air quality to be retained will be a challenge for the years ahead. Other changes to the structure of society might encompass a greater spirit of community locally, much closer links between Governments to foster global collaboration rather than national competitiveness, more focus on health and welfare instead of wealth and fostering smaller imbalances between the strong and the weak. Governments, businesses and individuals will all respond with their own changes, which might include higher savings rates to replenish depleted coffers, amendments to working patterns, larger levels of buffer inventory (not just fully-stocked food cupboards) and shorter supply chains. These are all opportunities for global society to reform itself, for which future generations might be grateful.

May we finish this Review by wishing all our readers and their families good health in both the immediate and longer term. Good wealth may take slightly longer to reappear, but we do expect that time will prove to be a healer for portfolios that are sensibly diversified and exposed to well financed and high quality investments.

Change in air pollution in China 2020 vs average of 2017-2019



Source: Copernicus Atmosphere Monitoring Service March 2020

Belfast	02890 321002	**Edinburgh**	0131 226 5000	**Liverpool**	0151 227 2030
Birmingham	0121 232 0700	**Exeter**	01392 204404	**London**	020 7597 1234
Bournemouth	01202 208100	**Glasgow**	0141 333 9323	**Manchester**	0161 832 6868
Bristol	01172 444860	**Guildford**	01483 304707	**Reigate**	01737 224223
Cheltenham	01242 514756	**Leeds**	0113 245 4488	**Sheffield**	0114 275 5100

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Out of the Ordinary

IWI069 04/20