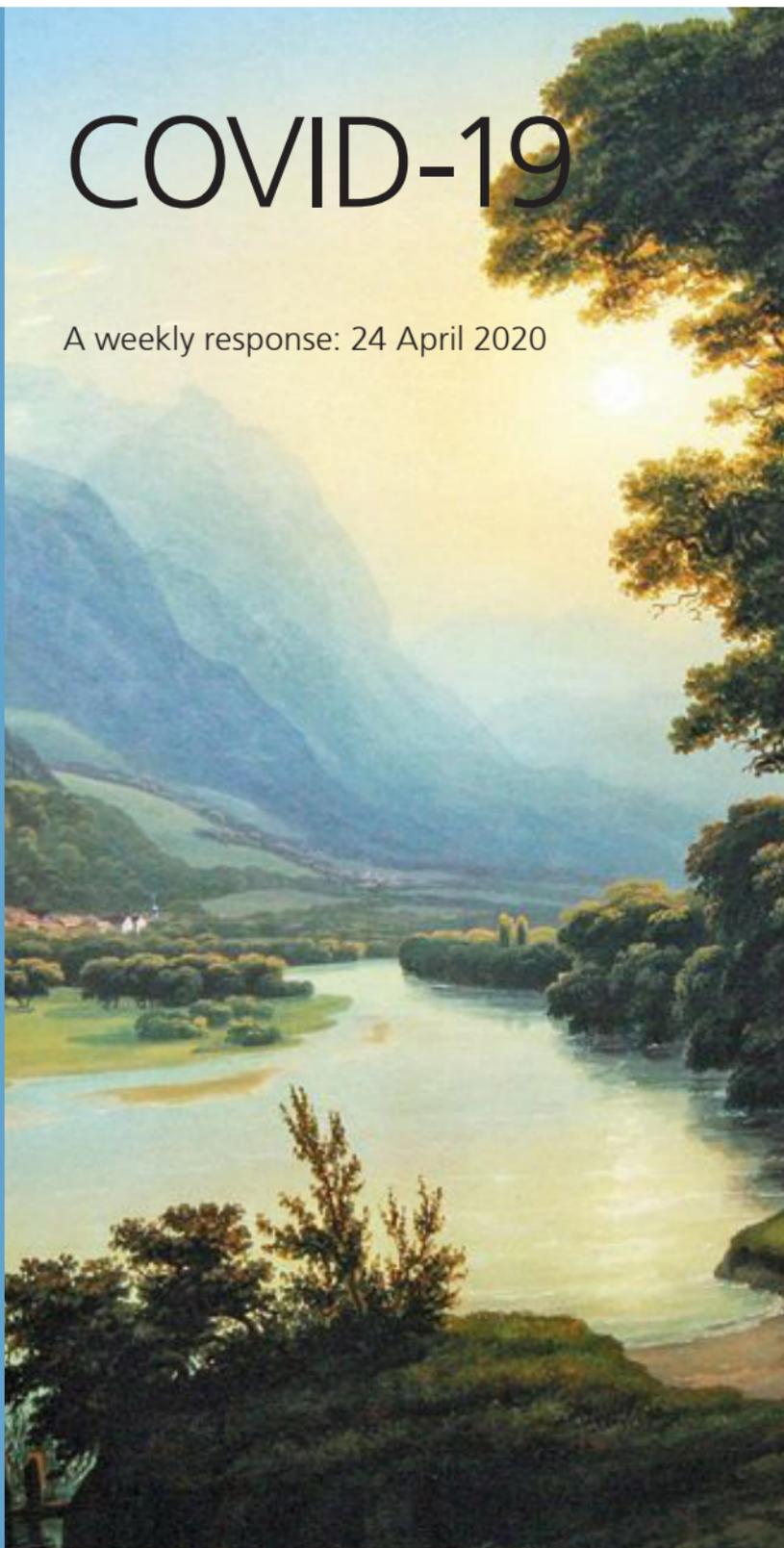




vestra

COVID-19

A weekly response: 24 April 2020



A look inside the Princely Collections

For more than 400 years, the Princes of Liechtenstein have been passionate art collectors. The Princely Collections include key works of European art stretching over five centuries and are now among the world's major private art collections. The notion of promoting fine arts for the general good enjoyed its greatest popularity during the Baroque period. The House of Liechtenstein has pursued this ideal consistently down the generations. We make deliberate use of the works of art in the Princely Collections to accompany what we do. For us, they embody those values that form the basis for a successful partnership with our clients: a long-term focus, skill and reliability.

www.liechtensteincollections.at

Cover image: Johann Jakob Schmidt, Detail from
"View of Vaduz from the Swiss bank of the river Rhine", 1833
© LIECHTENSTEIN. The Princely Collections, Vaduz–Vienna

Contents

- 4** Investment update
- 10** For each other
- 12** Getting back to nature
- 14** Our commitment

A message of reassurance

We would like to reassure you that, as part of the LGT Group, we are well protected in the event of negative economic developments. LGT Bank's liquidity is well above the legally required minimum liquidity ratios, due to the bank's solid refinancing and asset base. With a core capital ratio (Tier 1) of 19.9%, LGT is very well capitalised and has high liquidity. LGT Bank Ltd. is one of the few private banks that has had its creditworthiness checked regularly for many years by both Moody's and Standard & Poor's, consistently achieving very high ratings (Moody's: Aa2 ; Standard & Poors: A+). The creditworthiness of LGT Bank's parent company, LGT Group Foundation, is an important factor for the rating. The first-class credit ratings are attributable to LGT's strong balance sheet, conservative lending strategy and earnings power, the latter based on over CHF 200bn of Assets under Management, as at March 2020.

The investment landscape

A weekly overview

It can sound insensitive to talk of death in numbers however, inevitably, statistics are relied on to ascertain the spread of COVID-19. Daily statistics are just numbers and fail to reflect the personal tragedy that surrounds each death. As the infection data is dependent on the numbers tested, we look to the death rate as a more reliable indicator of the spread of the virus.

“While questions remain about the accuracy of even the death rate, it does appear that the situation in the UK and elsewhere has seen a slowing in the number of deaths.”

Jonathan Marriott, LGT Vestra Chief Investment Officer

This suggests that the social distancing measures are proving effective, with some countries beginning to gradually ease the restrictions. In the UK, the lockdown restrictions have been renewed for another three weeks but pressure is building for some to be lifted. Investment markets continue to be a balancing act between the economic damage and the measures to support the economy. This week, slowing demand caused dramatic moves in the oil market.

Medical update

Progress on treatment and vaccines has seen mixed news. It was reported that an Oxford based lab has developed a vaccine, which they are starting to test. If effective, it seems

unlikely that it will be available until next year at the earliest.

As it stands, new treatments seem to be a more efficient solution. President Trump has championed Chloroquine as a treatment, however the jury remains out on this as the World Health Organisation advises that there is no definitive evidence to support its effectiveness. Remdesivir, a new drug developed as a treatment for Ebola, has also been undergoing tests. A report from China appears to indicate that this drug had little effect, however the reliability of this report has been brought into question due to incomplete testing.

Therefore, we will continue to rely on social distancing to control the spread of the disease for now. Testing and tracking appears to be the best hope for a faster release of the lockdown restrictions, but it looks as if some constraints could continue into 2021.

Economic update

The latest earnings season has seen a partial reflection of the shutdown of the economy. Many companies have cancelled dividends and share buy-back programmes, as well as cancelling forward guidance on earnings.

Property funds have suspended trading, the reason for this is not because they do not have cash to pay redemptions, it is as a result of being unable to value their portfolio. Economic data has been understandably dire; the Eurozone

Composite Purchasing Managers Index has fallen from 51.6 in February to just 13.5 two months later. Estimates of the damage to Gross Domestic Product vary enormously. We are in a recession with many economies shut down around the world; the depth of the recession is less for markets than what shape economies will be in when they get back to normal. Government and central bank action has been targeted with seeing businesses through the crisis so that economies can flourish long term.

Monetary and fiscal update

The US senate and Congress have passed a further \$484 billion aid package that will be signed by the President today, and work on the next package is already underway. While political division delayed fiscal action initially, the take up has been rapid and the fund flows continue. In the UK, action was faster and the take up of the employment support has been good, however the loan schemes have been much less successful with only an 80% guarantee. Banks have been slow to gather credit information and have sought security against the loans. To address this, the Government is acting to ease these restrictions.

The European heads of government met yesterday and appeared to agree a package of economic support, but the details have yet to be finalised. The debate appears to be over whether to make payments as loans or as grants. It is also unclear at this stage how this will be funded. Meanwhile, many countries are increasing debt issuance and the European Central Bank may increase its bond buying. While the economic damage globally is huge, the measures to support the economies are equally so.

Market update

After a positive move last week, markets appeared to take stock of the weak economic and corporate news this week. The biggest headline came from the oil market, with West Texas Intermediate oil price going negative. The oil price is weighed down by excess supply over demand.

“The OPEC+ production cut of 9.7 million barrels a day does little to support the price when it is estimated that demand has fallen in April by 29 million barrels a day.”

Jonathan Marriott, LGT Vestra Chief Investment Officer

The fall in oil price has caused a flood of interest in trackers on the oil price from retail investors. We caution most strongly against being tempted to follow this. The quoted oil price that moved negative was a futures contract for delivery in May. As this drew towards the final day of trading on the 21st April, it was clear that storage for delivery was close to full. The rate for hiring a super tanker for storage is said to have gone up tenfold since February. Trackers on the oil price usually follow the shortest month and were selling the May contract to buy June. With no storage availability, no one wanted to take delivery and the May contract price collapsed. This dragged down the contracts for later delivery, but they remained at much higher prices than the May contract. Some Exchange Traded Funds that offered leveraged exposure to the oil price have been forced to close. The United States Oil Fund (USO), the biggest oil-tracking fund, has changed its

methodology to hold some futures with longer maturities. With longer dated futures already pricing in a higher oil price, funds like this are unlikely to match a rising oil price.

This stresses the need to understand what you are buying and the dangers of derivative based trackers in particular. Those looking to take advantage of a higher oil price, please note that we do not recommend this trade yet and believe that investors may be better served by taking exposure to equities in the oil sector.

Summary

Equity markets continue to be a balancing act between declining economic activity and actions taken to support businesses long term. In the short term, statistics will continue to be poor and remain uncertain. The dispersion within sectors will remain high and markets volatile. On the positive side, the strict social distancing measures appear to be working and a gradual release of restriction seems likely. Albeit not as fast as President Trump would like.

For now, for those looking to add risk, we suggest adding selective exposure to corporate bonds. Central banks are buying corporate bonds and moves to cut share buy-backs and dividends are being made to support balance sheets. In the longer term, we are likely to see interest rates remain low for a prolonged period of time, which will support equity markets as earnings recover when we emerge from the COVID-19 restrictions.

“After a positive move last week, markets appeared to take stock of the weak economic and corporate news this week. The biggest headline came from the oil market, with West Texas Intermediate oil price going negative.”

Jonathan Marriott, LGT Vestra Chief Investment Officer

For each other

Showing our resilience, our kindness and our strength for each other

We have launched '*For each other*' where we share each other's stories of thankfulness as we aim to foster a virtual community and reinforce the message that we are here for each other. **We're asking you to share with us moments that you are thankful for.** Please send these through to your LGT Vestra contact or thoughts@lgtvestra.com.

We are all currently adapting to a major change in our daily life. With many now in isolation, it can be challenging to support friends, family members and colleagues, amongst others. Over the past few weeks, we have found ourselves thankful for many things. For the NHS, for the community spirit we're seeing in towns up and down the country, thankful for our family and friends, thankful to our colleagues on daily calls and video chats to keep the camaraderie alive.

We are also thankful for this time to take stock and appreciate the little things, as it is these that will get us through these troubled times together. Thankful for a daily dose of sunshine. More time for home-cooking. More time with our families. We are thankful to you, our client, for placing your trust in us. We are thankful for all of these things and more.

An insight into what you, our clients, are thankful for this week

Despite the howling wind today the last few days of sunshine have brought our garden alive. Here is a view from our patio to the river that runs through our garden. The contrasting azalea with the large lily on the banks certainly enhances our view and makes us grateful.



The lockdown has kept us surprisingly busy as a family, yet we find ourselves grateful for simplicity. The Easter weekend was spent in the garden sunshine with a barbecued leg of lamb enjoyed alfresco.

We have rediscovered our love for baking and it has been lovely to watch the children join in and learn how to make different types of bread. To compensate for all the bread and cake, we are grateful for virtual bike rides on Zwift (not so grateful to see Chris Froome whizz past at lightning speed despite our best efforts), workout sessions with Joe Wicks and Cosmic Yoga for Kids.



Technology enables us to connect with those we cannot visit and enjoy a dinner party or quiz night with friends. The lockdown has also presented an opportunity to grow our network through new websites like Lunchclub.ai and to strengthen our company's culture and workplace practices.



Getting back to nature

An appreciation for the outside world and for each other

Many of us are spending more time inside our homes than we have ever done before. It is not surprising that people are discovering a renewed sense of appreciation for being outside. Many of your submissions have emphasised how time spent in nature is now precious, where once we may have taken it for granted.

This Wednesday was Earth Day, the 50th anniversary of an observation established to promote environmental protection. It was marked by statistics about the respite COVID-19 has unwittingly given to our environment. Carbon monoxide levels in New York have fallen by 50%¹ and emissions in China fell by as much as 25% year-on-year². The drop in air pollution has triggered the Milanese local government to announce an ambitious plan to retain the air quality achieved during lockdown.

“We are hoping many other local governments across the world will follow suit, turning what has been an extremely difficult time for our global community into a catalyst for change.”

Phoebe Stone, LGT Vestra Head of Sustainable Investing

As the spring flowers bloom and we in the UK are treated to an extended period of good weather, we would like to share with you some ideas for getting back to nature.

Find your green fingers

Help bees and butterflies thrive this summer by planting lavender, cosmos and sunflowers. Create a beautiful window box. The Balcony Gardener has some great tips to maximise space. Pot some vegetables - spinach, mangetout, sugar snap and tomatoes are all easy to grow. Bring the outside in with some houseplants or a bunch of flowers – tulips and peonies are in season and will be available at the supermarket or for delivery from local florists.



Make the most of your daily exercise outside

Go for a walk, run or cycle and see your usual parks and routes at a slower pace. Or go further and longer, down footpaths and bridleways you've never ventured down. Try your hand at some nature photography. We'd love to see your handiwork.



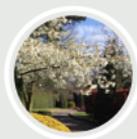
Harness the power of technology

Listen to a podcast. We recommend the RHS Gardening Podcast, National Trust Podcast and Growing Wild. Tour famous gardens virtually. Just type the following into YouTube: Claude Monet's garden; Kew Gardens; Chicago Botanic Garden; Kirstenbosch Botanical Gardens. Visit the BBC Earth channel on YouTube to celebrate nature and wildlife with Sir David Attenborough.



Get the kids involved

Check out some of the Wild Challenges on the RSPB website, such as making a mini pond or identifying tree species. Take advantage of the clear skies by stargazing. Have a picnic in your garden.



Our commitment

In order to tackle the negative effects of the coronavirus pandemic, we have committed to supporting The Rapid Action by the Fore and Trust (RAFT) emergency fund. RAFT's purpose is to enable small charities and organisations, working with pressing social issues, to continue their vital work reaching people who need help.

We hope to raise a minimum of £100 000 to support their efforts, kick-starting this with a £25 000 donation. RAFT is also looking for skilled professionals to offer pro bono work to help these organisations navigate challenges. From 22 April, RAFT has opened up funding applications to any UK small charities and social enterprises with an annual income below £500 000. Previously, funding was only available to charities registered with The Fore. Thank you to those who have already joined us in our efforts to support RAFT's work.

For more information, please visit:

www.thefore.org/covid-19-response-raft/.

Charity in focus: Crosslight Advice

Crosslight Advice is a community-focused charity which works to combat poverty and hardship caused by the burden of unmanageable debt and lack of financial capability.

As the economic effects of the COVID-19 pandemic develop, the organisation is expecting a surge in demand for their services, as people more than ever need access to government support in order to prevent destitution. Crosslight Advice is seeking funding to grow its team to meet this new demand, and help people in need.

The £5,000 grant from RAFT will enable Crosslight Advice to help up to an additional 100 people over the next month get on top of their finances and avoid poverty.

How the RAFT fund works



Donate via The Fore website:

www.thefore.org/raft-donation-form/

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VALUES WORTH SHARING

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Investors should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.