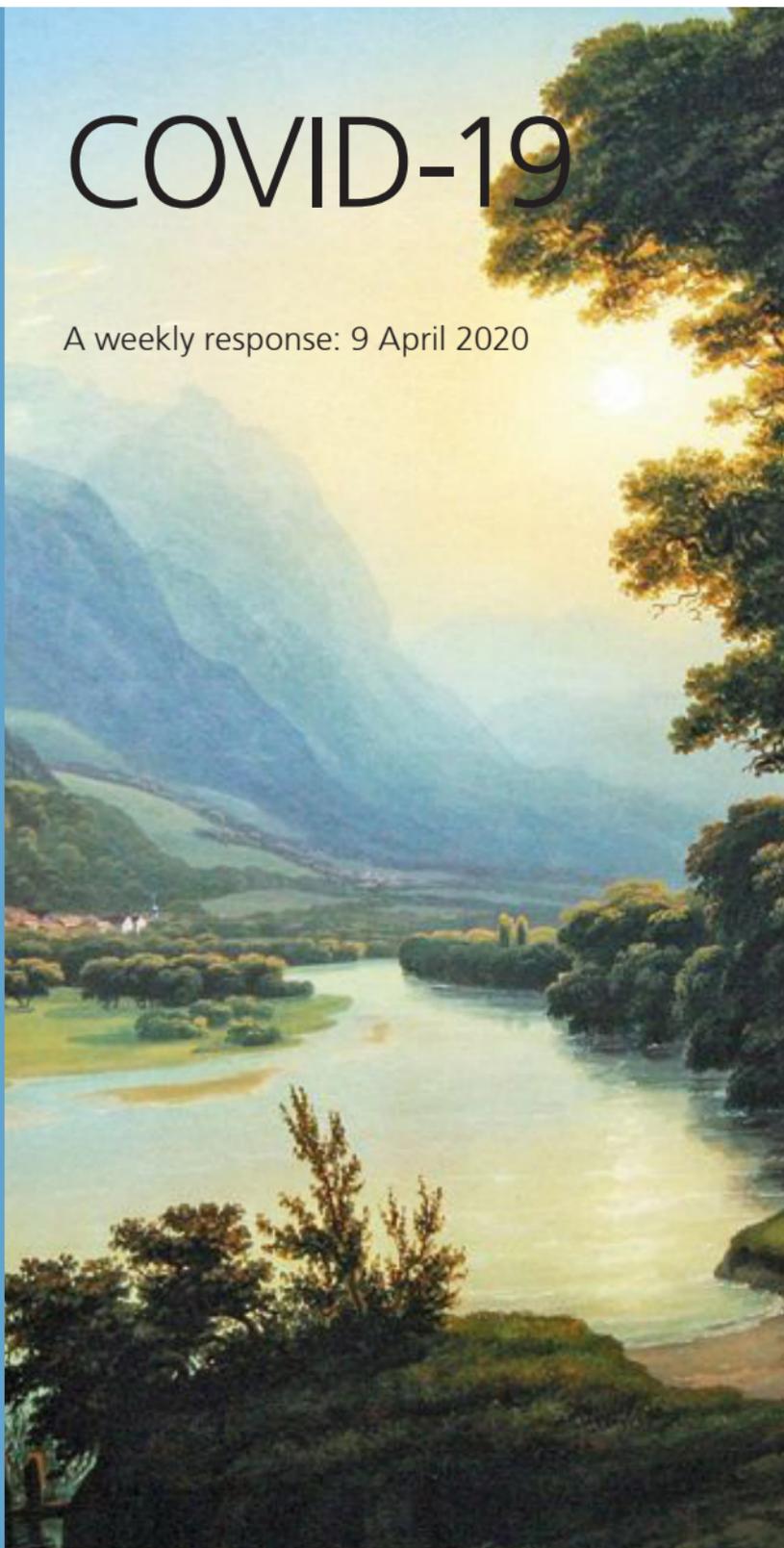




vestra

COVID-19

A weekly response: 9 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

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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

Coronavirus continues to spread, with Japan being the latest country to declare a state of emergency. On the positive side, the introduction of lockdowns and other social distancing measures appears to be effective in slowing the spread of the disease, particularly in Italy. Sadly, the number of deaths continues to rise, and our first thoughts are for those that have been directly impacted by this terrible pandemic. COVID-19 does not discriminate, and is affecting all lives globally.

“While we stay at home, we give thanks to those that are at the forefront of the battle against the disease, in the health services and those that keep our basic services and food supplies working.”

Jonathan Marriott, LGT Vestra Chief Investment Officer

From a financial perspective, we have seen some positive news with equity markets shrugging off some horrendous economic numbers. Whilst the economic slowdown will be huge, so has the response from governments and central banks been. The Bank of France estimated that the economy had shrunk by 6%, exceeding their previous largest drop seen in the summer of 1968, when there were riots on the streets and a general strike. The recovery in equity markets this week may show the willingness of investors to look through the present difficulties, however harsh they may be.

The size of the move may have been helped by some short covering, with some companies that were hardest hit by the crisis showing the biggest gains.

Medical action

While the virus continues to spread, lockdowns and social distancing measures appear to have slowed down the rate of the spread. However, accurately measuring the rate of this can be difficult. More tests will lead to more confirmed cases, and if only those showing symptoms are being tested, the results will be biased. In addition, other measures such as hospital admissions can vary from one country to another. Unfortunately, the most reliable statistic is the number of confirmed deaths. However, this lags the infection rate, so the genuine effect of the lockdown cannot be measured accurately for some weeks. In Italy and Spain, the numbers appear to be showing some signs of improvement. In the UK, we are at least two weeks behind, so we can expect the lockdown to be extended when it is reviewed next week. Austria has charted a way out of lockdown, but there are no signs yet that the UK will be able to do so any time soon. The opening of the first temporary hospital, the NHS Nightingale, at the ExCel Centre in London gives hope that by delaying the peak of infection, the NHS will be better prepared when it eventually arrives.

Fiscal and monetary action

Japan has seen fewer cases than many other countries, but this week has moved to lockdown a large part of the country, declaring a state of emergency. This has been countered by a record stimulus package valued at 108 trillion yen, which is equivalent to 20% of their GDP. Yet again, a massive stimulus to counter a massive impact on the economy. It is clear that fiscal and monetary policy action, however big, will not stop the near-term decline in the economy. In the last three weeks, we have seen nearly 16 million new jobless claims in the US, and one million people register for universal credit in the UK. The short-term macro-economic numbers and the earnings reports from many companies will look horrendous. However, it is hoped that the actions of governments and central banks may mitigate the worst effects, and in the longer term, the global economy will recover.

Other key market events

The oil price has recovered a little after the loss seen in the first quarter, on the hopes of a cut in production being agreed this week. At the time of writing, we are waiting for the outcome of the OPEC plus meeting. President Trump has been in an unusual position for a US President, calling for higher oil prices to save US domestic producers. When he was first elected, Trump was asked what stocks to buy, and his response was 'oil stocks'. Any cut in production would have to be very large to offset the decline in demand as a result of the collapse in activity caused by the coronavirus.

On the US political front, Bernie Sanders finally bowed

to the inevitable and suspended his campaign for the Democratic nomination. This leaves the way clear for Joe Biden to challenge Donald Trump in November. President Trump's popularity appears to be holding up, despite the spread of the virus, and his failure to recognise the risks early on.

Macro update

“The market appeared to take comfort from the slightly better statistics around the virus last weekend, and we have seen equities rally from their lows.”

Jonathan Marriott, LGT Vestra Chief Investment Officer

This may have been helped by some investors taking profits on short positions. Easyjet and cruise company Carnival were two of the biggest movers, rising 40% and 50% respectively. Even after this move, they are down over 50% and 70% year-to-date. This comes as a stark reminder that down 50% followed by up 50%, still leaves you down 25%. These are small parts of the UK equity market and the move this week was more widely spread. The MSCI World Equity Market Index is up 22% from its March 23rd low, which some would call a bull market, albeit remains 18% down on the year (in dollar terms). In bond markets, corporate bonds appear to have found some support following the central bank actions last month.

Summary

Undeniably, the drop in economic activity will be huge. However, markets appear to have accepted this fate and, as it stands, appear to have not overreacted. The actions taken by governments and central banks are equally enormous, and all appear open to acting further if needed. For investors, there is a balance to be struck between the short-term impact and the long-term prospects. Despite the recent bounce in markets, we are far from out of the woods and it will be some months before we can know for certain if we have seen off the coronavirus. There will be some companies that will go out of business, while others may only just survive with thanks to government backing. Other companies with stronger balance sheets and more stable business models should come through this and flourish once more. As a result, we continue to believe a selective approach to both equity and credit investing is the way forward.

“The recovery in equity markets this week may show the willingness of investors to look through the present difficulties, however harsh they may be.”

Jonathan Marriott, LGT Vestra Chief Investment Officer

For each other

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

We are all currently adapting to a major change in our daily life due to the spread of the coronavirus. With many now in isolation, it can be challenging to support friends, family members and colleagues, amongst others. Over the past few weeks, as the realisation of this pandemic has hit home, 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 as we set up 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. In the weeks and months ahead, it is the little things that will get us through these troubled times together. A daily dose of sunshine. More time for home-cooking. More time with our families, when usually we might be commuting. We are thankful for all of these things and more. We are thankful to you, our client, for placing your trust in us.

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.

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

For me, the positives of this crisis, for want of a better word, is that I have my wife home and sound and we're enjoying our company and comfort. It's allowed me time to do things about the house I would keep putting off: some tedious some thoroughly enjoyable. I'm getting back in touch with British comedy that's uniquely self-deprecating and puts the viewer in their proper place. And then there's the Grenada sunshine!!



What am I grateful for? Well, I have my 84 year old Mother with me and she doesn't drink alcohol. Never has. So I am grateful that she is not commenting when I have a glass of wine in the evening! I have wine for a while but not that much ginger ale for her, so she will have to switch to tonic at some point!



Moments we are thankful for: son back from University, teenager told his GCSE's cancelled after all the sacrifice of revision, an 11 year old told no play dates, but all three of them giving us a kiss and a hug every evening before bed, we feel like traditional parents again.



We are deeply grateful to our vets who have been treating one of our little Scotties who has been diagnosed with Lymes disease. They have been tireless in their efforts to ensure that he recovers.



Sharing a smile over Easter

Here *for each other* this bank holiday

This bank holiday weekend will certainly be different to previous years. The holiday seasons, and what they mean for you, will vary from household to household, family to family, and generation to generation. This year, however, we share one common denominator: we are all battling the spread of coronavirus together. Be it via staying at home, volunteering for the NHS, or supporting charities.

For many, Easter represents the celebration of new life and of hope; and when has the need for hope ever been more pertinent? Whatever your usual festivities may include, and how they may differ this year, we hope you are able to find a way to celebrate in one way or another this bank holiday!

We have asked some LGT Vestra staff to share with us, and with you, their favourite Easter or bank holiday traditions.

Ben Snee – Chief Executive Officer

Normally four generations of our family gather en masse at Easter, for feasting and a good get together. This year, at least three of the generations will Zoom, with conversation no doubt including gardens, cooking, gin & tonic and children's cycling achievements!



Joanna Shackleton – Head of HR

My fondest memories are of the Greek Orthodox community sharing a meal together after the Holy Saturday midnight church service. One of the dishes that stands out for me is tsourekhi, the traditional sweet bread, which has an egg that has been dyed red, right in the centre.



Rohit Ahluwalia – Head of International Investment Solutions

After all these years, I have finally understood the importance of my family and what they mean to me – there is nothing more I look forward to than bbq's in the garden, playing tag, and hide and seek with my children during this Easter long weekend... Oh! Not to forget Proseccos with my beautiful wife!



Serena Doshi – Investment Manager

A family spring walk on Easter Sunday is always a happy memory, enjoying the yellow daffodils, the fresh air and being able to reflect on hopes for the rest of the year ahead. Easter egg treasure hunts in the garden with the children are also a winner as well!



Simon Boyley – Head of IT

My family and I always try to get away over Easter! For us it is about taking advantage of the extended break, ideally heading abroad to visit family or experience a new city.



Our commitment

Thank you to each of you who have joined us in our goal to raise funds for those who are currently most vulnerable. As we have previously mentioned, in order to tackle the negative effects of the coronavirus pandemic, we have committed to supporting The Rapid Action by the Fore and Trust Emergency Fund (RAFT), a fund created by The Fore Trust who we have worked with previously. The Fore work closely with small charities and social enterprises, therefore are experienced in knowing where support is needed most urgently during these trying times. For more information please visit: www.thefore.org.

RAFT will provide grants to small organisations with annual incomes below £500 000, who work across a wide range of sectors dealing with pressing social issues. RAFT's purpose is to enable such organisations to remain operational and to continue their vital work reaching people who need help the most.

We are looking to raise a minimum of £100 000 to support their efforts, and have kickstarted this with a £25 000 donation. In addition to financial donations, they are looking for skilled professionals to offer pro bono work and help the charities. Organisations require assistance with a range of challenges created by the current situation from cash flow forecasting through to the navigation of COVID-19 related government programmes.

How the RAFT fund works



How you can donate:

To make a bank transfer:

Bank	C Hoare & Co
Account name	The Bulldog Trust Ltd
Sort code	15-99-00
Account no.	10048750
Reference	RAFT- LGTV- surname

We can liaise with the charity to arrange gift aid for those who donate.

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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.