



vestra

COVID-19

A weekly response: 15 May 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
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A message from our CEO, Ben Snee

Following the Government's release of their new COVID-19 Recovery Strategy, we have carefully reviewed the details. Our priority remains the health and well-being of our staff and our clients, whilst continuing to deliver an uninterrupted service to you. With this at the forefront of our decision, we have concluded that our employees will continue to work from home until step three of the Government's Recovery Strategy has been reached. Once we reach this stage, it is likely that we will begin a phased return to the office.

We continue to monitor the coronavirus situation closely, and will keep you updated as appropriate. Should you have any questions, please do not hesitate to contact your LGT Vestra contact.

The investment landscape

A weekly overview

This week we have seen falling rates of COVID-19 infections and moves to gradually ease restrictions on movement in many countries. In the UK, Chancellor Rishi Sunak announced an extension to the employment support scheme to October. A more cautious note taken by Anthony Fauci, Director of The US National Institute of Allergy and Infectious Diseases, offset this better news. His warning against reopening schools too soon appeared to put him at odds with President Trump who remains keen to ease lockdown measures. As expected, the economic numbers continue to be dire with US unemployment at 16%.

“The company reporting season continues with most companies abandoning forward guidance, given the degree of uncertainty.”

Jonathan Marriott, LGT Vestra Chief Investment Officer

This week we published '[Lessons from history](#)', a review of past pandemics, financial and natural disasters. What is clear from looking at the past is the need to avoid a prolonged problem; governments should not raise interest rates or taxes and should not restrict trade. We have seen phenomenal monetary and fiscal stimulus so far which has gone a long way to support financial markets. However, the political rhetoric is building for a renewal of the US-China trade dispute and in the UK, a leaked Treasury report talked of higher taxes to pay for the additional

expenditure being made. Markets continue to walk a fine line, balancing the stimulus and long-term prospects against the economic damage being done. As a result, market volatility is likely to remain high in the weeks to come.

Medical

Lockdown measures appear to be working in many parts of the world. Public Health England and Cambridge University say there are fewer than 24 new cases a day in London with the number halving every 3.5 days. Elsewhere in the country, the numbers are getting better but not as good as the capital. Boris Johnson outlined a plan to very gradually open up the economy, however this will be a slow process and as it happens the infection rate will be carefully monitored. The COVID-19 epidemic may have longer-term medical implications. Cancer Research UK estimate 2 700 cancer cases are going undiagnosed and reports show that visits to Accident and Emergency departments are down 60%. This appears to indicate that serious diseases are not being picked up. Early diagnosis is key to surviving cancer so this may be building more problems for years to come. Whilst public funding rightly goes towards research for treatments and vaccines, other areas of research are suffering. Medical charities dependent on both fundraising activities and their charity shops are losing funds which means they are forced to cut back on life saving research. Charities are encouraging people to continue to support their efforts during this pandemic.

Governments and central banks

Rishi Sunak extended the scheme that supports furloughed staff despite the enormous cost estimated at as much as £80 billion. The Office for Budget Responsibility estimates that borrowing in the 2020/21 fiscal year will be £298 billion. This additional supply is likely to be offset by the Bank of England buying bonds with its quantitative easing measures. As a result, the rate at which the Government borrows will remain low. Both the Bank of England and the US Federal Reserve have resisted talk of negative rates this week but are ready to take other actions to support the economy through this crisis. We therefore expect bond markets to remain supported.

President Trump blames China for the coronavirus pandemic and is increasingly vociferous in suggesting ways to punish China. Some will see this as an attempt to distract from failings in his response to the virus. In December last year, markets welcomed the phase one US-China trade deal and a return to the tit for tat tariffs would not be good news for equity markets. US senators proposed a bill that allows the President to impose sanctions, including restricting access to US markets and travel bans, if China does not cooperate fully with investigations into the origins of the COVID-19 outbreak, amongst other things. China has responded with criticism of President Trump's reaction to the pandemic.

Markets

Last week markets reacted positively to progress on reopening the economy, the slowing spread of the disease and advancement on vaccine testing.

“However, the more pessimistic outlook from Anthony Fauci and weaker economic data weighed on equity markets this week.”

Jonathan Marriott, LGT Vestra Chief Investment Officer

Conversely, government bond markets were supported by the poor economic data and comments by several central bankers that they will likely intervene further to stimulate the economy. Despite the Bank of England Governor ruling out a negative interest rate policy, the two year gilt yield fell below zero for the first time.

Conclusion

Markets will continue to be volatile as sentiment swings between the negative economics and the positive support provided by governments and central banks. The daily flow of news is unrelenting and we encourage investors to take a longer-term view. We cannot predict how deep the recession will be or how long it will last, however we will eventually emerge from this with interest rates lower for even longer than before. This will support asset prices in general.

While some companies will suffer long-term damage from the pandemic, those with resilient cash flows and strong balance sheets will flourish. As a result, the dispersion of returns will be wide and we suggest a selective approach to equity exposure.

For each other

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

Thank you to those of you who have sent us your 'For each other' contributions, a campaign we have created to help foster a virtual community and reinforce the message that we are here for each other.

We have enjoyed reading about the different aspects of life that people are thankful for in these uncertain times created by the COVID-19 pandemic.

We hope that, by sharing the moments of thankfulness we have received, it has helped you find gratitude for the smaller things in life, sometimes overlooked but appreciated now more than ever.

As the lockdown continues, please share with us what you are doing to keep your spirits high. Please send these to your LGT Vestra contact or by emailing thoughts@lgtvestra.com

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

The one thing which would not have happened in a million years without lockdown, and for which I am very thankful, is a young lady from Austin, Texas: "Yoga with Adriene" on YouTube. Yoga has been on my wish list for quite some time.



Until now, the thought of putting my (very) inflexible limbs through a yoga class has simply been too daunting to make happen. Yoga with Adriene has changed this. I am still on the beginners videos (I said I was inflexible!), but a session with my son has now become a daily treat.



Exercise was a real help to me when I was in quarantine as it set me up for the day and made me feel I had accomplished something even though I was in a confined place. Joe Wicks' 7 Day Challenge was perfect for this, needing no equipment and not a lot of room.



The first game [of golf in the garden] was played last Tuesday with an interesting twist to the game. As the ball landed, it would bounce against some roughage and go either left or right and not straight ahead, therefore I lost 3 balls on 6 holes.



Walk, run, cycle, do yoga: embrace the feeling

Thankful for staying active at home

Like most things, we didn't miss gyms until they were gone. And, like most things, it's something we won't take for granted in the future. The benefits of physical activity were emphasised from the beginning of lockdown, with the UK Government designating exercise an "essential" activity.

Your messages have shown us that physical activity has helped keep spirits high. As sports clubs closed, we became inventive with our exercise. Joe Wicks hosts daily live P.E. lessons for the nation's children (and many adults for that matter). At-home workout plans abound, with water bottles, bags of flour and cans of tinned food taking the place of weights. One client even reached new levels of ingenuity by creating a small-scale golf course in his garden.

We have also seen exercise as a way to do good. The London Marathon was cancelled, but entrants were not thwarted in their charity-raising efforts: many completed the 2.6 challenge; some even ran marathons in their back gardens. The 'Run 5 Donate 5 Nominate 5' challenge took social media by storm, raising over £5 million for the NHS. Alice Liveing, a wellbeing influencer, asks for donations to Women's Aid when participants join her online fitness videos.

Throughout this global crisis, communities have come together in different ways than before. Exercise is no exception. Without park-runs or group fitness classes, we have adapted. With Government guidelines on outdoor exercise relaxing as long as social-distancing is maintained, we ask our Sports Committee what exercise means to them during the lockdown.

Making the most of 'exercise hour' - Siobhan Mitten, Business Development Manager

My greatest achievement during lockdown would have to be the personal best I recorded in my daily run. I took up running to make the most of 'exercise hour' and to compensate for missing out on gym classes. My flatmate and I take to the streets to run 2.5km at lunchtime every weekday, with my best time being 12:15. Once I felt comfortable with those runs, I started to include a 5km on the weekend. It's definitely an activity I now actually enjoy and want to maintain when everything goes back to normal, and I may even stretch the challenge to a half marathon before the year is out!



The undisputable benefits of exercise – Ben Farmer, Assistant Investment Manager

Whilst the physical benefits of exercise are often the point of focus, the positive impact it brings to mental health cannot be overlooked. The fresh air, open spaces and release of exercise-induced endorphins give me an enthusiasm for the rest of my day that is irreplaceable. In particular, running and yoga have given me a focus during this period and progress can be very rewarding. Both require no equipment, no prior experience and detailed guidance for beginners is available online. Whether it's cycling, running, walking or weight-training, the benefits of exercise both physically and mentally are undisputable.



A sense of accomplishment – Charles Benson, Paraplanner

For me, the greatest benefit of exercise is the sense of accomplishment when you achieve your target. Few things measure up to achieving a personal best. It is the goals that we set which drive our accomplishments. Goals should be achievable, easy to measure and not daunting. If you haven't run a 5km before, perhaps don't target a marathon next week! You can set a goal for any form of exercise. Maybe you could run up the stairs to your flat or do 10,000 steps for the day. As long as it's a challenge, and you get that sense of accomplishment when you complete it, then you'll soon see an improvement not only to your physical health but also your mental wellbeing.



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. The Fore is experienced in knowing where support is needed most urgently during these trying times. RAFT's purpose is to enable organisations, working with pressing social issues, to remain operational and continue their vital work. Since the crisis began, there has been a significant rise in funding requests from housing and homelessness organisations, as well as charities that depend on an earned income model.

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 created by COVID-19.

Thank you to each of you 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: London Football Journeys

London Football Journeys (LFJ) uses the love of football and medium of filmmaking to connect young people from deprived areas in London. By creating a common ground, they tackle mistrust and prejudice and build positive links with their peers. Young people come to LFJ via schools, youth clubs and housing associations. They are those most at risk of leaving school without qualifications through truancy and lack of engagement. With RAFT funding, LFJ will develop an online programme aimed at producing the same outcomes: increased confidence, interaction with other communities, enhanced teamwork and communication skills. It will cover additional staff costs and help supply the resources needed to implement the programme quickly, to continue to reduce cultural and prejudice misconceptions in London.

How the RAFT fund works



Donate via The Fore website:

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

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