



WEALTH MANAGEMENT

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Good Afternoon,

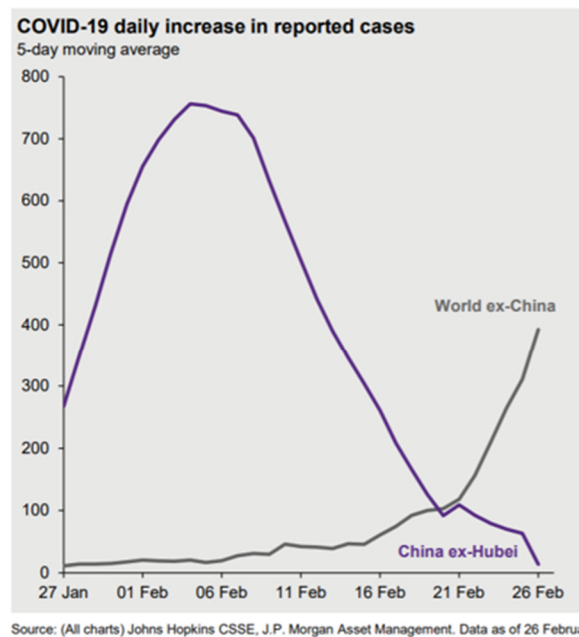
Today we received an update from PortfolioMetrix regarding the Coronavirus outbreak, see below to read more.

Please bear in mind that past performance is no indication of future performance as the price of funds can fall as well as rise.

If you have any further queries, please get in touch with us.

MARKET UPDATE

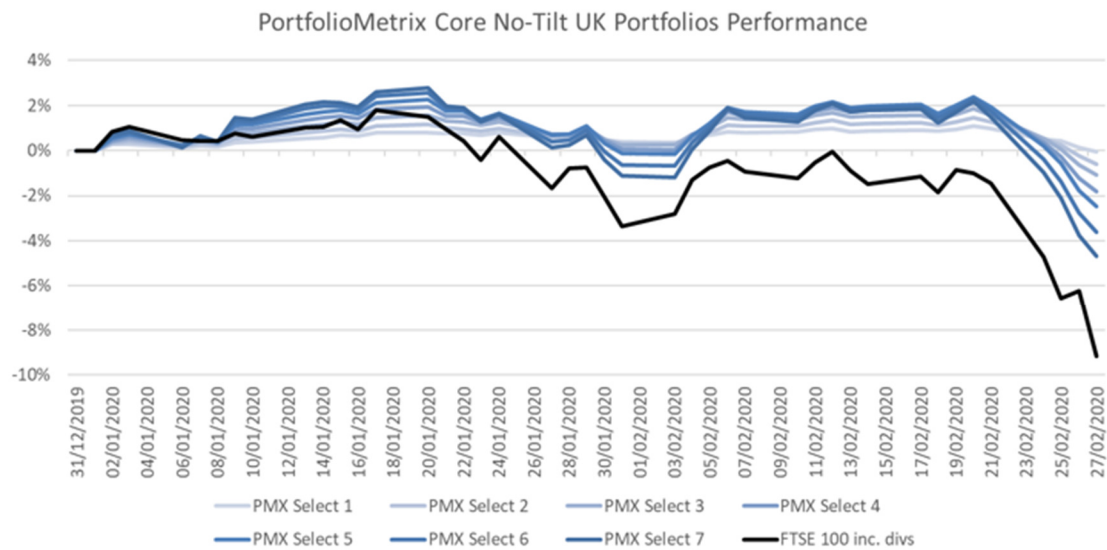
Market worries about coronavirus (Covid-19) have been swirling since mid-January but have sharply accelerated in the last few days. Major equity markets, including the FTSE 100 and S&P 500, have now entered correction territory (a fall of 10% from highs) with the catalyst being an acceleration in new cases of Covid-19 outside China, in particular in South Korea, Iran and Italy. As of 27 February, the bulk of the world's 82,294 cases are still in China (78,630), but in recent days the number of new cases outside the country has been greater than those inside. The chart below shows this for China excluding the worst affected province, Hubei, but this is now true even if you include it.



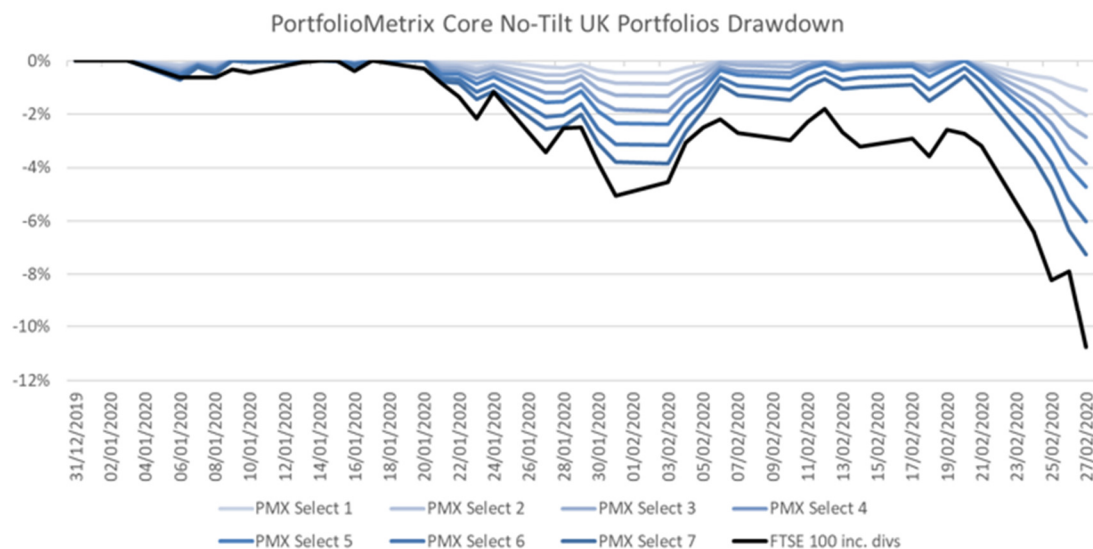
Source: J.P. Morgan Asset Management

PORTFOLIOMETRIX PORTFOLIOS – UPDATE

Whilst well-known equity markets have now fallen more than 10% from their highs, given their careful diversification the PortfolioMetrix portfolios are down much less than this. The below gives a snapshot of performance YTD as of yesterday's close, with PortfolioMetrix's riskiest Core Active portfolio down less than 5% and a mid-risk portfolio down about 1.8%:



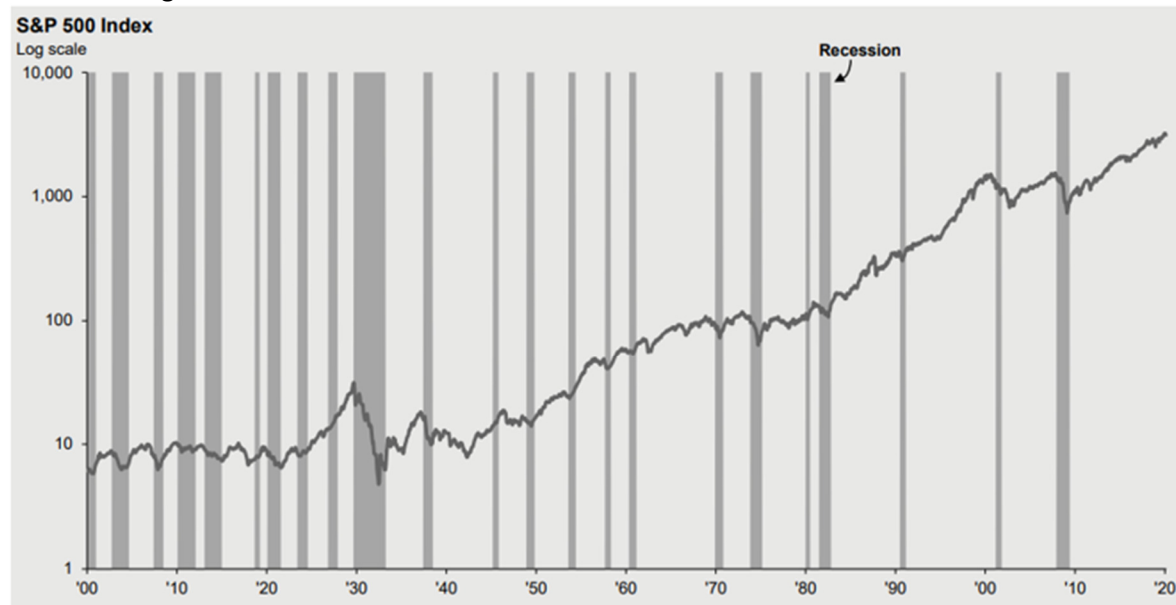
In terms of drawdown (falls from the highs reached in January), portfolios are off far less than the more than 10% falls of the FTSE 100:



OUTLOOK

Covid-19 is a classic black swan (unexpected event with high market impact) and is obviously a serious concern from a global health perspective as well as market perspective. Panic selling is, however, never the correct response to sharp market sell-offs. The PortfolioMetrix portfolios are also specifically constructed to be diversified and thus robust to unexpected market events. We may, by definition, not know what specific black swan will occur or when, but we do know they occasionally do occur so we focus on building portfolios that can take them in their stride. Regarding Covid-19 specifically, we are dealing with a lot of unknowns. Markets could fall further if officials appear to lose control and the outbreak accelerates further. The FTSE is down another 3.3% today as of writing (morning of 28 Feb). But, it's also quite possible that markets rebound quickly. Markets would bounce strongly should a vaccine be unveiled; a treatment prove successful or

infection rates peak under a massive co-ordinated response from world governments (covering say both quarantine measures and fiscal and monetary support). The economic expansion has been a long one, but equities (particularly those the PortfolioMetrix portfolios are invested in) are still reasonably priced, with earnings and dividend yields far in excess of the yields available on government bonds. Our holdings still make sense from a long-term perspective. Equity market falls of 10% are quite common, and most are followed by a quick recovery so de-risking midst fall is usually not a good idea. For a long-term investor, even more serious sell-offs fade into the background:



Source: Refinitiv Datastream, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management. Periods of "recession" are defined using US National Bureau of Economic Research (NBER) business cycle dates. Past performance is not a reliable indicator of current and future results. Data as of 26 February 2020.

Source: J.P. Morgan Asset Management

We continue to monitor portfolios carefully, but don't anticipate making any knee-jerk short-term changes given we like our underlying holdings, portfolio diversification is working well and underlying active managers (where used in client portfolios) can move quickly to reposition holdings to avoid risks and take advantage of opportunities.