



Milford Market and Economic Review

April 2020

March saw unprecedented moves in financial markets as investors continued to grapple with the COVID-19 outbreak and its impact on global economies. Despite defensive positioning across our funds, we were not immune to the moves and Fund returns were impacted by these falls in global equity and credit markets.

The rapid global spread of the virus has seen governments restrict movement of people and curtail economic activity. To help bridge the gap in growth, governments globally have embarked on large (around 10% of GDP and growing) fiscal stimulus measures, for example compensating workers for lost wages. This will require funding via government debt and central banks have stepped in with programmes to buy that debt as well as ensuring funding is available for companies facing an unexpected loss in revenue.

All of this has occurred over an extremely short period of time. The result has been an extraordinary amount of volatility in all markets as investors evaluate the ramifications of the crisis for various assets and reprice them accordingly.

Our early assessment of the situation in February meant Milford funds entered March with significantly defensive positions. Generally, these comprised high cash holdings and reduced exposure to company bonds and shares. Despite this, our Funds have suffered falls as assets of all kinds have been sold by investors trying to raise cash. Details on each Fund's performance in the month can be found in the individual fund commentaries.

We continue to position the Funds appropriately for the outlook and a defensive position remains justified given the ongoing uncertainty, particularly with regards to how long we will have to constrain the movement of people. However, we also look ahead to identify good investments for the medium term. On this front the repricing lower in high-quality corporate bonds has offered some attractive opportunities.

It is clear that the short-term outlook remains very uncertain, and that some parts of the economy will feel the effects of the coronavirus well after the immediate threat has passed. Milford's investment team is working to stay on top of the rapidly evolving landscape and position the Funds accordingly.