



Milford Market and Economic Review

May 2020

Global financial markets have begun to reflect optimism that the worst of the virus is over and have recovered sharply from their losses in March. Accordingly, Fund returns are strong in April.

Although the toll on healthcare systems around the world has been significant, the direst predictions appear to have been avoided. Social distancing has slowed the spread of the virus and governments are beginning to relax some of the more extreme lockdown measures.

Furthermore, actions by governments and global central banks has provided stimulus and restored functioning of debt markets, helping ensure that companies have access to funding.

These positives have emboldened investors to buy shares, reversing a large portion of the previous losses. However, there remains significant risks:

- Economic data is revealing the extent of the damage to economies and company earnings.
- Whilst the spread of the virus is slowing, a vaccine is a long way off. Life, and economic activity, will remain impaired for some time.
- A war of words is emerging between the US (and others) and China over blame for the virus, increasing geopolitical risk.

These risks and the ongoing uncertainty keep our Funds defensively positioned with reduced exposure to growth assets such as shares. Government bond yields are already very low (i.e. prices high) and share markets are elevated against the backdrop. The outlook is likely to see ongoing swings up and down as we have previously outlined.

Milford invests in companies, not markets. The current environment will see winners and losers emerge. The investment team is focussed on evaluating companies on their own merits, assessing current asset prices in the context of both near-term challenges and the longer-term outlook.

One theme emerging out of the crisis is the 'accelerating trend to digital' as people socialise, shop, entertain themselves and work over the internet. Milford's Global Team has been finding opportunities in this theme for our Funds to invest in and shares of tech companies have been outperforming. See the Global Fund commentary or [insights video](#) for more information.

In local markets the dominant theme has been companies raising capital from share investors. Similarly, here we have been evaluating the merits of each of those deals and investing appropriately. We expect more companies will require capital in the coming months, and this could provide some excellent long-term investment opportunities.

The environment is highly uncertain, creating volatility but also opportunity. We continue to be active, focussing on the opportunities to invest to deliver strong long-term investment returns.