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## COVID-19: Update

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Dear Investor,

Following my letter of last week, I wanted to provide you with a further update. All staff have been offered the opportunity, and indeed encouraged, to work from home and the vast majority are doing so. Everything is working well and there has been no impact on the operations of our business and management of portfolios.

The economic impact of actions taken to moderate the spread of the Coronavirus is, whilst still uncertain, huge and the world economy is facing a deep recession. As a reaction, markets have fallen significantly and are continuing to be extremely volatile. The MSCI World has declined 17.2% in March (to end 17th March), a YTD loss of 24.8% and 27.2% from its peak. We have just witnessed the 7th consecutive session of the S&P500 moving more than 4% in either direction, the most since 1929. The yield on the US 10yr has moved from a low of 34bps to over 1%.

Policy response has been aggressive. The US Fed has cut interest rates to zero, with the US announcing a huge fiscal package of USD1.3trn to mitigate the economic downturn, with a particular focus on the worst impacted industries. This is in addition to programmes designed to ensure the continued, smooth functioning of financial markets, which is of crucial importance to eliminate an extreme left tail event. Policy makers are clearly focused on mitigating the most extreme scenarios.

For our portfolios with a hedge fund focus, they have largely protected capital and are down low- to mid-single digits. We have seen some losses across almost all strategies, including non-directional, relative value strategies. There have been dislocations between different securities, driven by forced or indiscriminate sellers, which should mean revert in the coming months irrespective of the direction of markets. Many of these spreads have indeed narrowed in just the last few days. We are in constant contact with our managers who support this view. They can invest in these opportunities given the lack of systemic risk within a far better capitalised banking system and we therefore anticipate that these strategies will provide positive performance in the coming months.

More directional portfolios have seen losses, the extent of which varies by portfolio, but as an indication the Stenham Equity UCITs fund is outperforming equity indices on both a MTD and YTD basis.

These are uncertain times and I encourage all our investors to speak with their usual Stenham contact should they have any questions or concerns.

We wish you and your families well and trust you will remain safe during this period.

Kevin Arenson  
Chief Investment Officer

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