
COVID-19: Update

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

client@stenhamassetmanagement.com
www.stenhamassetmanagement.com

DISCLAIMER

This document contains macroeconomic commentary and information relating to the services of the asset management division of the Stenham Group and certain unregulated collective investment schemes (the “Funds”) as defined in the Financial Services and Markets Act 2000 (“FSMA”). It has been approved for distribution (except in South Africa, where its distribution has been approved by Stenham Asset Management Inc – see below) by Stenham Advisors Plc. The Funds have not been authorised or otherwise approved by the Financial Conduct Authority. This communication is directed only at, and the units to which this communication relates are available only to, such persons who satisfy the criteria for one or more of the following : (a) an investment professional, being a person having professional experience of participating in unregulated schemes within the meaning of article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) Order 2001, as amended (the “CIS Promotion Order”); (b) a certified high net worth individual, being an individual who has signed, within the preceding 12 months, a statement complying with Part I of the Schedule of the CIS Promotion Order; (c) a high net worth company, unincorporated association etc, being an entity to which article 22(2) of the CIS Promotion Order applies; (d) a certified sophisticated investor, being a person: (i) who has a current written certificate signed by an authorised person stating that the person is sufficiently knowledgeable to understand the risks associated with participating in unregulated schemes; and (ii) who has signed, within the preceding 12 months, a statement in the terms set out at article 23(1) of the CIS Promotion Order; (e) an association of high net worth or sophisticated investors within the meaning of article 24 of the CIS Promotion Order; and (f) any other person to whom it may otherwise be lawfully communicated, including, where the communicator is an authorised person, those persons listed in rule 4.12 of the Conduct of Business Sourcebook of the FSA Handbook (“COBS”); (collectively, “Exempt Recipients”). It is not intended for Retail clients. This communication is exempt from the scheme promotion restriction in section 238 of FSMA on the communication of invitations or inducements to participate in unregulated schemes on the grounds that it is made to Exempt Recipients. It is a condition of your receiving this communication that you are, and you warrant to Stenham Advisors Plc that you are an Exempt Recipient. Persons who do not satisfy the criteria to be an Exempt Recipient should not rely on this communication nor take any action upon it, but should return this communication immediately to Stenham Advisors Plc at 180 Great Portland Street, London W1W 5QZ. This communication is confidential and intended solely for the person to whom it is delivered. No part of this communication may be reproduced in any form or by any means or re-distributed without the prior written consent of Stenham Advisors Plc. This communication should not be construed as an offer to sell any investment or service. This communication does not constitute the solicitation of an offer to purchase or subscribe for any investment or service in any jurisdiction where, or from any person in respect of whom, such a solicitation of an offer is unlawful. This communication does not constitute investment advice or a personal recommendation. If you are in doubt about the units to which this communication relates, you should consult an authorised person specialising in advising on participation in unregulated schemes. The information in this communication has been prepared in good faith, however, no representation or warranty, expressed or implied, is or will be made and no responsibility or liability is or will be accepted by Stenham Advisors Plc or its officers, employees or agents in relation to the accuracy, completeness or fitness for any purpose of this communication. Past performance is not a reliable indicator of future results. The information stated, opinions expressed and estimates given are subject to change without prior notice.

Stenham Advisors Plc is authorised and regulated by the Financial Conduct Authority The distribution of this document in South Africa has been approved by Stenham Asset Management Inc which is a licensed financial services provider (FSP No:-13300)