

March 2020

Dear Client

I hope that you and your family are remaining well and keeping safe during the current crisis.

It was never my intention to write two newsletters in the same month, the phrase about London buses comes to mind. However, since I wrote on 9th March, we have seen further falls in global stock markets, which have unfortunately led to downward pressure on client portfolios. In some cases, particularly the higher risk portfolios, this has caused reductions in value in excess of 20%. If markets continue to fall, this will become more widespread, and we have both a moral obligation and regulatory requirement to inform you if this becomes the case. The regulatory requirement only applies to discretionary assets, most of which are administered via Transact and/or A J Bell, and both platforms make information available online for those who have access. I am aware that some other companies have reduced their service levels, so we may not be able to immediately answer any questions you may have, particularly on older plans.

Some of you will already have received individual notifications regarding falls of 20% or more, either from ourselves or directly from Octopus, but I felt it important to inform everyone that this level of reduction may occur across the majority of portfolios if global stock markets continue to fall. However, unless you have an immediate need for a large withdrawal, there is no reason to switch out of the stock market linked investments and into cash, as you would then be crystallising at the current low values and more likely to miss the recovery, whenever it occurs. At Altorfer, we remain longer term investors, maintaining the same cautious strategy that has served us well through the bursting of the 'Technology Bubble', the 'Credit Crunch' and the combination of global trade sanctions and US Federal Reserve actions that saw large falls during the latter part of 2018. Your adviser will have reviewed your portfolio to ensure that, where income withdrawals are required, there remains sufficient cash to meet these for several months, if not a year, so we are in no need to sell on your behalf. However, if you are in a position where you do not need all of the income you currently withdraw, temporarily reducing, or even suspending, the payments would help preserve the overall value at this difficult time.

The driving force remains the effect of the coronavirus on the global economy. The OECD believes that it will take months, if not years, for things to recover and I see no reason to disagree with their assessment. However, not everything is bad news as several sectors within global stock markets, and more defensive assets including cash and fixed interest securities (global government and large company borrowing) are performing well while others are suffering. The worst affected areas include airlines and travel companies, oil and mining, clothing and other discretionary retail outlets (not supermarkets or online delivery companies). Better performers (normally meaning that they have not fallen as much) include those making products such as soap, hand sanitisers and other cleaning products and some technology companies. Ethical and sustainable funds have outperformed in recent weeks, primarily by not holding some of the worst affected areas.

Since the beginning of 2020, the Altorfer Client Transact portfolio has fallen by 16.12%, after charges, compared to a fall of 33.79% in the FTSE 100 Index and 35.00% in the FTSE All Share Index. Admittedly,

this is not a complete like for like comparison, as the Transact portfolio includes any income generated by the underlying assets and the effects of client withdrawals and deposits during the period (the former of which are normally greater than the latter), but it does show that the allocation to defensive assets and overseas stock markets, where sterling depreciation has offset some of the share price falls, has helped preserve more of your capital. The FTSE 100, and the Transact valuations, actually rose in the first few days of 2020, meaning that the statements dated 5th January were close to the current year high point. For the FTSE All Share, this is the largest intra-year drop since 2008 (-43%) and the third largest since I started my career in financial services back in 1986 (1987 -37%).

We are also starting to see the effects of the coronavirus on our staffing levels. The closing of most schools last week means that those with younger children are having to combine childcare with working, so it may take us slightly longer to deal with any enquiries. Please correspond by email as much as possible, as this will enable us to work through requests in order. I appreciate that not everyone has access to the technology.

We have also taken the decision to not conduct face to face client meetings for as long as the current Government guidelines remain in place. Meetings will instead take place by telephone, so please ensure that we have your correct contact details when Lynn, Gemma or Kay call or email to arrange a suitable date. We hope that you will all understand that this is for the protection of both parties. These meetings are designed for you to raise any issues you may have and will not be as in depth as the normal face to face meetings. However, we will be happy to follow up any problems or questions as these arise, either after your meeting or during the year. The office remains open, albeit at a lower staffing level as we are moving to a rota system with the aim of allowing each employee more space, but this is reviewed on a daily basis. Following the Prime Minister's address on Monday evening, we will do our best to continue to remain open, but can assure you we have procedures in place if this is not possible. We will keep you informed as matters progress.

Please email or call your adviser if you have any questions regarding your invested portfolio, or your wider financial circumstances. Please bear with us if you do not receive an immediate response, these are very unusual times and we are receiving more queries than normal.

Kind regards

Regards and best wishes

A handwritten signature in black ink, appearing to read 'Daniel Wackett', with a stylized flourish at the end.

Daniel Wackett
Managing Director
Altorfer Financial Management Limited