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INVESTOR

Economic & Political Roundup

Monthly roundup | Investment companies | November 2020

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A collation of recent insights on markets and economies taken from the comments made by chairmen and investment managers of investment companies – have a read and make your own minds up. Please remember that nothing in this note is designed to encourage you to buy or sell any of the companies mentioned.

Exchange rate	31/10/20	Change on month %
GBP / USD	1.2947	+0.2
USD / EUR	0.8586	+0.6
USD / JPY	104.66	(0.8)
USD / CHF	0.917	(0.4)
USD / CNY	6.6915	(1.5)

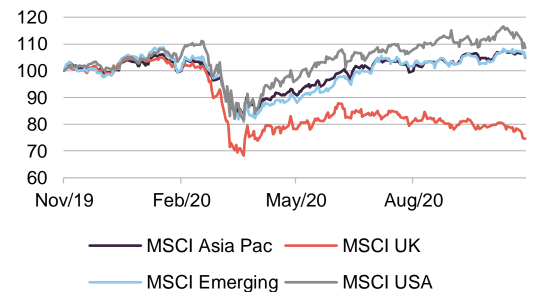
Source: Bloomberg, Marten & Co

Roundup

It was a case of ‘wait and see’ as the US election drew nearer and a number of European states re-introduced restrictions in an effort to try and limit the damage from the pandemic’s second wave.

MSCI Indices rebased to 100

Time period 01/11/2019 to 31/10/2020



Source: Bloomberg, Marten & Co

Global

Resilience outside the Americas and Europe

Ben Lofthouse, manager of Henderson International Income, looks at where the most pronounced positive activity has been in global equity income. He concludes that there are clear signs that we have suffered the worst and an improvement should be seen going forward.

	31/10/20	Change on month %
Oil (Brent)	37.46	(8.5)
Gold	1878.81	(0.4)
US Tsy 10 yr yield	0.8737	+27.7
UK Gilt 10 yr yield	0.262	+14.4
Bund 10 yr yield	(0.628)	+20.1

Source: Bloomberg, Marten & Co

UK

Recovery will be bumpy

Chelverton Growth’s manager, David Horner, says there is a feeling that, once a trade agreement with the EU is in place, there will be a release of pent-up demand.

Mercantile’s co-managers, Anthony Lynch and Guy Anderson, are fairly sanguine in their outlook, noting that economic lead indicators suggest an encouraging recovery.

Andrew Impey, chairman of JPMorgan Smaller Companies, reflects on the reasons why the recovery in UK markets has stalled. While plenty of uncertainty still permeates, Andrew says a chunk of this is priced-in.

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October's highlights

UK (continued)

Unemployment is likely to rise, leading to more precautionary saving

Jupiter UK Growth's manager, Richard Buxton, says that unemployment will rise and precautionary savings likewise. He expects the recovery from the suspension of economic activity will be a bumpy one, and that capacity will be lost or curtailed to match weaker demand.

Jonathan Brown & Robin West, managers of Invesco Perpetual UK Smaller Companies, note that a reduced level of consumer spending during the lockdown has, in aggregate, strengthened household finances. The managers do not expect the full scale of job losses to be fully apparent until the various national furlough schemes have ended.

Algorithmic trading has been adding fuel to market volatility

M. Foster, J. Harrison, and J. Dieppeof, managers of Investment Company, believe it is highly likely that extreme market volatility, driven by ever-increasing levels of algorithmic trading, will be a feature of markets until the pandemic is brought under some form of control.

Ken Wotton and Adam Khanbhai, managers of Strategic Equity Capital, note that the indiscriminate impact of the pandemic has started to flow through to the 'real economy' with a 20.4% fall in UK GDP in Q2. The managers also make that point that, whilst the current situation is uncomfortable, history has found that uncomfortable times are often good times to invest in equities.

Europe

The recently established European Recovery Fund is seen as potentially providing a major boost

Stefan Gries and Sam Vecht, managers of BlackRock Greater Europe, make a case for feeling more optimistic about their outlook for Europe than they have done in many years. The newly established European Recovery Fund is a key factor behind this. They believe that the EU could emerge from the crisis in a more unified state, arguably helped by Brexit.

Ollie Beckett, Rory Stokes and Julia Scheufler, managers of TR European Growth, are similarly upbeat in their assessment. In their view, the policy environment is as constructive for equities as it has been for some time.

The 'green economy' is benefiting from a growing awareness of the environment around us, which the pandemic reinforced

Jamie Ross, manager of Henderson EuroTrust, goes over a number of the structural changes that have emerged and been accelerated over the pandemic. Jamie also says that one of the less obvious impacts of this crisis will likely be a growing awareness of the environment around us, and the realisation that how we treat our environment is inextricably linked to our prospects in the future.

Asia Pacific

Returning US-listed Chinese companies is boosting Hong Kong

James Will, chairman of Asia Dragon, discusses why Asia's appeal remains undimmed. He also highlights that, after social unrest and the pandemic unnerved investors in Honk Kong, the market is being bolstered by returning US-listed Chinese companies.

Dividend in Asia have held up more resilient than other regions

Nigel Cayzer, chairman of Aberdeen Standard Asia Focus, touches on India and Thailand, which have been hit harder than most. With respect to dividends, Nigel says that dividend yields in Asia appear more resilient than other regions.

Pacific Assets's chairman, James Williams, notes that while East Asian countries seem to have fared better than elsewhere during the pandemic, the political backdrop also remains turbulent. James cites Chinese military activity in the South China Sea, the Himalayan border with India, and the imposition of the new Security Law on Hong Kong as factors that long-term investors could do without.

Other

We have also included comments on the flexible investment sector from JPMorgan Multi-Asset; North America from Jupiter US Smaller Companies; Japan from Schroder Japan Growth and Baillie Gifford Japan; the global emerging markets sector from JPMorgan Emerging Markets, Genesis Emerging Markets, and JPMorgan Global Emerging Markets Income. Vietnam from VinaCapital Vietnam Opportunity and VietNam Holding; Thailand from Aberdeen New Thai; debt sector funds from UK Mortgages and Secured Income Fund; private equity from ICG Enterprise; hedge funds from Gabelli Merger Plus+; infrastructure from Infrastructure India; UK property from Alternative Income REIT, PRS REIT, and Target Healthcare REIT; and global property from Ceiba and Macau Property Opportunities.

Global

(compare global funds **here**)

Ben Lofthouse, manager of Henderson International Income – 28 October:

Dividend cuts were a headline topic in 2020, but the trends varied significantly across regions and sectors. The most significant increases came from technology companies Taiwan Semiconductor Manufacturing and Microsoft, which announced 25% and 10% quarterly increases respectively. Increases were not limited to technology companies: Nestlé announced a 10% increase and Novartis 3.5%. These examples highlight the fact that not all companies have been impacted in the same way by the pandemic. Some divisions of companies are benefiting from new trends, such as the move towards remote working and higher levels of food consumption at home.

One of the impacts of COVID has been an enormous divergence in returns across sectors and regions. Whilst we view the price to earnings paid for a company as an important influence on the long-term total returns an investor will receive, this view seems out of favour at this time. Stock selection has been the most significant driver of relative underperformance versus the benchmark.

The US stock market has recovered most strongly from the COVID sell-off, driven mainly by the large technology and internet stocks. Whilst it was the first country to be affected by the virus, China reacted very quickly to control its spread and has been the first major economy to stabilise its economic activity. Numerous companies we meet here talk about levels of activity near or above the prior year. This has not yet resulted in any significant outperformance of many of the Asian stocks held, but we continue to see considerable value there.

It has been a very difficult period for company profits and dividends because of the COVID virus and associated lockdowns of economies. There are clear signs that the worst point has been experienced and an improvement should be seen going forward.

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Flexible investment

(compare flexible investment funds **here**)

Katy Thorneycroft and Gareth Witcomb, managers of JPMorgan Multi-Asset – 10 October:

After the severe shock in March, markets rebounded strongly in April. Volatility declined from extreme levels and bond markets rallied as central banks committed to purchase more government and corporate bonds. Governments and central banks introduced very significant stimulus measures to reduce the damage caused by the economic shutdown, including fiscal aid, interest rate cuts and plans to inject more money into their economies, which calmed markets and restored some positive sentiment.

Multiple macroeconomic data points in May, including improving unemployment numbers and purchasing manager index (PMI) figures, gave positive support to equities through June. The European Central Bank (ECB) surprised markets,

increasing the size of their bond-buying recovery fund by a larger than expected €600bn to €1.35trn.

US economic activity for the second quarter, as measured by GDP, fell by an annualised rate of 32.9% compared with the previous quarter. While this confirmed the largest decline in GDP since the Second World War, markets were more focused on the recovery in some of the economic data. In Europe, second-quarter GDP fell by 12.1% compared with the previous quarter - the largest quarterly decline in the Eurozone's history. In the UK, GDP contracted by 20.4% in the second quarter, the worst decline on record. However, UK retail sales grew 3.6% in July, driven by low fuel and clothing prices and data pointed to further recovery ahead.

Positive investor sentiment continued into August, with the S&P 500 scaling record highs as a large majority of companies surpassed market expectations for quarterly earnings. Emerging market equities lagged developed markets whilst credit markets lagged equities. In the Eurozone, economic sentiment measured by the Euro Area Economic Sentiment Indicator rose for a fourth straight month in August. At the time of writing, the resurgence of COVID-19 infections in many European countries to levels not seen since May triggered fresh quarantine requirements and localised lockdowns.

Outlook

We believe the economic recovery is gaining pace, as macroeconomic data improves and business and consumer confidence strengthens. The unprecedented level of monetary and fiscal stimulus will continue to fuel a pickup in global growth which we expect to continue over the next 12 months. However, we are mindful of the looming event risks including uncertainty about the U.S. election and geopolitical risks surrounding Brexit. We expect volatility to persist in markets until the U.S. presidential election is over. The path of the virus is also central to our base case, given the recent increase in cases has prompted reversals in efforts to reopen economies.

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UK

(compare UK funds **here**)

David Horner, manager of Chelverton Growth – 29 October:

Hopefully, if we finally see a Trade Agreement with Europe in the next few weeks or months, the Country and the companies we are invested in, can finally get on with managing within an environment of *"known-knowns"*. The energy, time and resources spent on the Brexit process should then be able to be applied much more productively. There is a feeling that once a Trade Agreement is in place there will be a release of pent-up demand that has been held up waiting for the future trading environment to be resolved.

It is a well-documented fact that UK and Overseas investors remain very "*underweight*" in UK equities, as it has been all too easy to sit on the side lines waiting for a resolution of the Brexit Debate and then the Trade Agreement impasse. The trend we highlighted last year of the large differential in the relative ratings between "*Growth*" companies and "*Value*" companies has continued to widen in the year. An example of this is the extraordinary rise in the value of Apple in the past year. The American technology company on its own is now worth more than the aggregate value of the components of FTSE 100. Those of us who have been

working in, and observing, markets for some time know that these extremes of valuation do not last forever.

Outlook

In time, the macroeconomic outlook will become more settled and consequently more favourable. We hope that the coming period will see a clean and simple result in the election of the President of the United States, the implementation of a Trade Agreement with the European Union, and, over time, the control and management of the COVID-19 virus.

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Anthony Lynch and Guy Anderson, managers of Mercantile – 23 October:

In the immediate future, in addition to developments surrounding the ongoing public health crisis, financial markets will have to contend with the implications of Brexit and of the US Presidential Election. While this may sound daunting we are viewing the future with optimism.

We believe the challenges to be widely understood and reflected in the depressed levels of our market. In contrast, economic lead indicators suggest an encouraging recovery.

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Andrew Impey, chairman of JPMorgan Smaller Companies – 14 October:

After an initial sharp bounce, the recovery in the UK stock market has stalled as investors wait to see how the nascent economic recovery develops. This is further complicated by the fact that economic growth is harder than ever to predict given the possible imposition of further partial or 'restart' restrictions and also the tremendous reliance on government and central bank largesse. Additionally, the UK economy still faces the uncertainty of how we will leave the European Union. However, we believe these issues are to some extent already reflected in UK share prices which have underperformed their international counterparts, partially due to a greater reliance on the service economy and consumer behaviour.

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Richard Buxton, manager of Jupiter UK Growth – 14 October:

The rapid emergence of the pandemic and the economic effects of the lockdowns implemented brought forth an unprecedented fiscal and monetary response from global governments. The IMF estimated that $9trn of global fiscal stimulus has been announced since the onset of the COVID-19 crisis, while central bank base rates have tumbled with the US rate now at 0%-0.25% and the UK base rate at 0.1%. Reflecting this extraordinary support, markets rallied significantly with the S&P 500 Index up 38.57% by the end of June from the trough in March and the STOXX Europe 600 up 28.85%.

Globally, markets continue to struggle to balance the support provided by governments against the ongoing impacts of COVID-19, with a particular focus on the improvement in economic activity expected as governments tentatively unlock their societies and on the adverse developments in unemployment that may emerge as government income support schemes are curtailed. Sector performance continues to be substantially affected by divergent vulnerabilities to the virus, with those less affected (such as technology, healthcare and consumer staples) showing strong performance and those substantially affected (aerospace, leisure travel) continuing to struggle. Against this backdrop, the UK has been a relatively weaker

performer with the FTSE All Share Index down 13% in the past year. In part, this reflected the market's sectoral focus on oil and gas, financials and energy and in part the ongoing Brexit process, where the two parties still struggle to reach agreement on a future trade relationship. Notably, it has been a particularly challenging environment for cash returns to shareholders, with UK company dividends down 57% in the second quarter of the calendar year 2020 relative to the same period in 2019, which has weakened the yield support for many UK company share prices.

The downturn induced by lockdowns is without precedent, but equally so has been the response of both central banks and governments. Provision of liquidity, ensuring access to credit, direct support to companies, employees and households - all are designed to preserve as much potential demand and supply as possible as economies emerge from lockdown.

We know these measures cannot possibly return us immediately to the status quo ante of 2019. Unemployment will rise and precautionary savings with it. The recovery from the suspension of economic activity will be a bumpy one. Capacity will be lost or curtailed to match weaker demand. But governments will use fiscal policy and spending on infrastructure to try to support activity. Moreover, our focus is on those companies which - whether cyclical or less so - can emerge from this in a stronger position to take market share.

We are encouraged by recent conversations with companies which suggest that despite much weaker revenues in the next couple of years, they still anticipate being able to regain previous levels of margin through cost-cutting, restructuring or renegotiating with suppliers.

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Jonathan Brown & Robin West, managers of Invesco Perpetual UK Smaller Companies – 14 October:

A reduced level of consumer spending during the lockdown has, in aggregate, strengthened household finances. However, the full scale of job losses will not be fully apparent until the various national furlough schemes have ended. Therefore, it will take some time for a clear picture of demand to emerge. Clearly, the onset of a significant 'second wave' of infection will have profound implications, but we are hopeful that a sustained recovery is now underway. Nevertheless, company profitability and balance sheets have taken a hit, and therefore we believe it will take some time for GDP to return to historic levels.

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M. Foster, J. Harrison, and J. Dieppeof, managers of Investment Company – 7 October:

Equity markets had been in denial that COVID-19 was a disruptive influence and found it difficult to gauge the economic and market impact. In essence, no one knew for certain what would happen. However, the arrival of COVID-19 in Italy was the canary in the coal mine moment. Investors then realised that COVID-19 was a significant threat and life was going to be very different. The world was starting to look very unusual with comparisons being drawn to the Spanish Flu pandemic of 1918-1920.

When reality finally hit, equity markets and oil nose-dived as investors panicked, dumping risk assets and scrambling to safe haven assets such as government bonds and gold. Such was the panic that even safe haven assets momentarily came under significant selling pressure. In roughly six weeks, from 12 February to 23

March, the FTSE All Share crashed 35%. We believe this demonstrates how irrational market participants' behaviour can be. Following this fall, investors seemed to think that the market had fallen too far, and the market rose strongly with comprehensive assistance from the largesse of Central Banks and Governments as the monetary and fiscal taps were fully turned on. It is highly likely that extreme market volatility driven by ever increasing levels of algorithmic trading will be a feature of markets until the pandemic is brought under some form of control.

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Ken Wotton and Adam Khanbhai, managers of Strategic Equity Capital – 1 October:

The current backdrop is unprecedented. The indiscriminate impact of COVID-19 enforced lock downs and travel restrictions have started to flow through to the 'real economy' with a precipitous 20.4% fall in UK GDP in Q2 - the largest quarterly fall in GDP since records began in 1955. This was led by record falls in services, manufacturing and construction sectors which were badly impacted by government restrictions. The consumer environment also deteriorated with the number of hours worked down 18%, and a sharp decline in private consumption, down 23%. This was despite record levels of monetary and fiscal stimulus. A similar situation is mirrored in key economies around the globe. Gold has reached an all-time high over $2,000 illustrating a flight to safe-haven assets. However, interest rates are also at historic lows and, in the UK, particularly in smaller companies, there are highly supportive valuations. Whilst uncomfortable, history has found that uncomfortable times are often good times to invest in equities.

The length, severity and long-term impact of COVID-19 remains difficult to accurately forecast at this stage for anyone. There will doubtless be many second (and third) order implications which are still emerging, and we suspect there will be further bumps and potholes in the road to recovery.

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North America

(compare North American funds **here**)

Gordon Grender, chairman of Jupiter US Smaller Companies – 20 October:

Market review

The US smaller companies sector made steady, if unspectacular, gains in the first half of the year but fell sharply in March as the threat from COVID-19 became clearer. Having reached a high in mid-January, the sector lost 42% to its low on 18 March 2020. At that point the Federal Reserve slashed interest rates to zero and a recovery began so that, by the year end, smaller companies had climbed back to within 8% of their level a year before.

Investor risk aversion meant that smaller companies lagged behind larger companies. Technology stocks went from strength to strength, reaching new highs in June. The underperformance of value stocks mentioned above seems to reflect investors rushing into *"growth at any price"* stocks: investors seemed willing to pay extremely high prices for the perceived likelihood of growth from stocks, such as biotech and high tech.

Although markets largely recovered, it was a different story in the real economy. It fell into recession as the ISM Manufacturing (purchasing managers) Index, dropped

to 41.5 in April (below 47 signifies a general contraction) and the four-week moving average of weekly jobless claims reached six million in the same month. For comparison, the peak in the 2008 Financial Crisis was around 660,000, which was a similar level to the deep 1982 recession. Both measures partially recovered, with June's ISM at 52.6 (indicating expansion). Residential construction in particular has proved to be resilient. The recession was worsened by a collapse in oil prices as demand dropped dramatically at a time of burgeoning supply: fracking activity is a significant swing factor in overall US economic growth.

The best-performing sectors were health care and technology, both of which increased in value. The worst sector was energy (halving in value) followed by financial services, banks suffered from low interest rates and fears of credit losses.

Outlook

At present, the outlook for the US is very concerning. Ordinarily the US election has only limited impact on stock markets, but there is the potential for a Democratic President and control of both houses of Congress.

This may lead to policies that are damaging to the prospects for US corporate profits, such as higher corporate and personal tax rates and greater regulation of labour.

In addition, the spectre of increasing violence and looting has to make one very nervous about the effect of de-funding police forces notwithstanding the uncertainties engendered by COVID-19.

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Europe

(compare European funds **here**)

Stefan Gries and Sam Vecht, managers of BlackRock Greater Europe – 22 October:

We find ourselves today feeling more optimistic about the outlook for Europe than we have done in many years. The newly established European Recovery Fund marks a structural change in the outlook for Europe and provides a facility for a cohesive response to all future crises. While the Eurozone does not appear en route towards full fiscal union, it is taking a significant step towards stronger fiscal co-ordination when it matters. In our view, this deal sets a precedent. The EU issues debt in a crisis, which is why we expect some common fiscal response to play a greater role in future crises as well.

As far as this €750bn European Recovery Fund is concerned, we expect it to direct spending, focused on the periphery, towards a green and digital transition, which should not only lend support to countries most severely hit by the crisis but it also offers the potential to make the region more competitive in a global context over time. We see interest free grants providing necessary incentives for conducting pro-growth reforms. The overall benefit of such actions should be most acutely felt in smaller countries in Emerging Europe.

Finally, while a material improvement for the region's economic and political stability and outlook, one should refrain from considering these latest developments as a tide that lifts all boats in European equity markets. Structural challenges are likely to remain in some industries and we believe investors will be best served by staying selective.

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Ollie Beckett, Rory Stokes and Julia Scheufler, managers of TR European Growth – 16 October:

It is clear that the global economy is likely to have its worst year in living memory in 2020. Beyond COVID-19, a bipartisan consensus seems to be building in the US that a trade war with China will continue in some shape or form no matter who wins the US presidential election in November. The trade relationship of the UK with the EU has yet to be settled and could be a further economic shock as the continent begins to recover. COVID-19 may as yet come back with a vengeance in the Autumn.

It is also our view that, as more time passes, the higher the risk becomes to bet against human ingenuity. So many resources are being thrown at testing, treatment and vaccine development capabilities that we are optimistic that good news on the medical front will prevail. If a working vaccine is successfully developed ahead of expectations it is our view that the value/cyclical stocks will perform better.

The policy environment is as constructive for equities as it has been for some time. Relatively loose monetary policy and expansionary fiscal policy is enormously helpful for assisting recovery in Europe. The EU Recovery Fund is a hugely significant initiative; for the first time the EU will issue mutualised debt and could emerge from this crisis increasingly unified. Arguably this could not have occurred without Brexit. The EU is leading the world with its green agenda.

There is scope for a more inflationary environment if the deflationary impact of the Chinese introduction into the global economy abates with US trade action, companies start to invest and European fiscal policy becomes constructive for the first time in over a decade. Furthermore, while online business models have thrived in lockdown, many have found themselves to be capacity constrained, suggesting a capex cycle is required. This may well result in a shift in market vogue from 'growth at any price' to a more value-orientated environment. Overall this should be a favourable situation for smaller companies and even more so for the value end of the sector.

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Jamie Ross, manager of Henderson EuroTrust – 2 October:

Thoughts around the long-term impact of COVID-19

In many ways, we see many of the lasting impacts of COVID-19 as involving an acceleration in existing structural trends. There are many areas that will be materially impacted by this crisis, but I have singled out the three most important themes that we are investing in.

Studying generational differences in social behaviour reveals a clear pattern of more and more social interaction taking place virtually. The rise of social media, the increase in time spent gaming, the decline in traditional working patterns and the increased usage of dating apps all support this premise. The trend towards virtual social interaction was in place well before COVID-19, but has seen an acceleration during the crisis. We expect this shift in behaviour to continue. I have previously referred to the change in working patterns as the 'virtualisation of business life'. As with other forms of social interaction, business was moving online long before the onset of COVID-19 but this existing trend has been dramatically accelerated over the past few months as lockdown measures have taken hold. In the UK for example,

prior to the crisis, approximately 1.7m people (5.2% of those in employment) reported mainly working from home, while during the recent lockdown period, 49.2% of adults in employment were working from home (*source: Office for National Statistics*). Over time, we expect that the percentage of employees working from home or working remotely will continue to increase meaningfully. This has several implications, ranging from negative ramifications for city-central commercial and residential property to positive signs for companies that provide telecommunications services and infrastructure.

It is not just social interaction and working practices that are moving online. Consumer purchasing habits and the whole process of browsing and comparing products is heading in the same direction. Again, this is a well-established trend that can be witnessed across many product verticals. In the US for example, 63% of books, music and video are now consumed online, 48% of toy and hobby products and 37% of apparel (*source: eMarketer*). During the recent period of lockdown, many consumers have discovered, by necessity, the benefits of ecommerce and many of these habits will stick.

One of the less obvious impacts of this crisis will likely be a growing awareness of the environment around us and the realisation that how we treat our environment is inextricably linked to the future prospects for our species. For a number of years, companies have been increasingly aware of this point, and governments (especially across Europe) have been pushing them further in this direction.

Japan

(compare Japan funds **here**)

Manager's report for Schroder Japan Growth – 21 October:

Shinzo Abe announced his resignation as prime minister of Japan on 30 August, due to the resurgence of a long-standing health problem, just four days after he recorded the longest continuous term of any Japanese prime minister. Although Mr Abe's health has clearly deteriorated, his popularity has also recently declined, primarily due to his handling of Japan's response to the pandemic. As a result the approval rate for the current cabinet had fallen to 35%, the lowest level since Mr Abe came to power in 2012, although still above the 30% level at which Japanese leaders generally become untenable.

Despite the public's very poor perception of the authorities' response, Japan's virus data, both in terms of incidence and mortality, remains significantly better than most other developed countries. In recent weeks, an uptick in new infections cases, albeit from a very low base, has led to further criticism of perceived policy inconsistencies.

Even prior to Mr Abe's announcement, expectations on the political timetable were already complicated by the pandemic and the postponement of the Tokyo Olympics to July/August 2021, just ahead of the next general election which is due in October 2021. Nevertheless, the precise timing of the announcement surprised us.

In the event, the LDP opted for the simplest method to elect their next party president. Yoshihide Suga, the Chief Cabinet Secretary, duly won the leadership election on 14 September. His position as the new prime minister was then confirmed in a special Diet session on 16 September.

We recognise that the change in political leadership may cause some short-term nervousness in financial markets, especially among foreign investors, as Mr Abe has been so closely identified with his government's economic plans under the banner of "*Abenomics*". There may be additional uncertainty if Mr Suga decides to call an early general election to reinforce his position with a stronger mandate.

In reality, since Mr Suga has been a staunch supporter of Mr Abe throughout his tenure, and since the LDP remain the dominant party, we would expect little to change. In fact, this may be a good opportunity for a new leader to refresh the cabinet and refocus the pandemic response.

Mr Suga may provide some differences in emphasis on the various structural reform programmes underway but, overall, we would expect continuity of fiscal policy. This is particularly true at present, since fiscal policy remains at the forefront of the pandemic response for all countries.

We would also expect that monetary policy, under Bank of Japan Governor Haruhiko Kuroda, will continue unchanged. However, we must acknowledge that the close association between Mr Abe and Mr Kuroda, and the consequent policy coordination, may be harder to replicate for any new prime minister.

One other feature of Mr Abe's tenure has been a relatively stable relationship with the current leaders of both the US and China, despite the escalating tension between those two countries. We will watch closely whether Mr Suga can adopt a similar stance, especially as we approach the US presidential election

Overall, we feel that the departure of Mr Abe should not distract investors from other positive factors, including structural improvements in corporate governance, profitability and return on equity. Japan has outperformed many other countries in dealing with the virus so far, but in our view these positives are yet to be reflected in share prices. However, with equity market valuations at reasonable levels, short-term sentiment could still be driven primarily by data on domestic and global virus incidence, and any renewed restrictions on economic activity.

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Keith Falconer, chairman of Baillie Gifford Japan – 7 October:

In September, Japan appointed a new Prime Minister. Yoshihide Suga took over from Shinzo Abe who stepped

down due to ill health. Mr Suga had been Mr Abe's closest aide throughout his eight year term, and while he may

push to accelerate structural change, he is expected to continue broadly with existing monetary, fiscal and regulatory

policies

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Asia Pacific

(compare Asia Pacific funds **here**)

James Will, chairman of Asia Dragon – 30 October:

After about six months, the world is starting to adjust to a new normal. As we learn more about COVID-19, expectations as to what governments need to do are more clear. We are also seeing progress in developing potential vaccines and treatments.

We would expect monetary and fiscal support to continue until economies show concrete signs of getting back on track. This should support stock prices in the short to medium term. However, US-China tensions remain a key concern, with more noise expected ahead of the US presidential elections in November. In Hong Kong, while social unrest and the pandemic unnerved investors, the market is being bolstered by returning US-listed Chinese companies amid the intensifying glare of regulatory scrutiny. Elsewhere, the worsening relations between China and India also bears monitoring.

All things considered, I believe Asia's appeal remains undimmed. It is home to many good quality companies, with clear earnings streams, robust balance sheets and healthy cash levels. The region remains the fastest-growing in the world, with structural trends that will play out in the years to come.

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Nigel Cayzer, chairman of Aberdeen Standard Asia Focus – 29 October:

While we believe strongly in the longer-term potential of Asian smaller companies, we are cautious about the overall recovery for regional stocks in the short term, especially in light of a resurgence of COVID-19 infections. Countries, such as Thailand and India, have been harder hit. While Thailand has contained the spread of the virus, its tourism and export-led economy faces a longer road to recovery. In comparison, fresh infections in India continue to accelerate, which risk further eroding both its economy, as well as confidence in the stock market. For the asset class as a whole, pandemic-related issues, such as rising joblessness, are likely to hinder a pick-up in consumer spending while heightening the potential for more bankruptcies. These risks will weigh on corporate earnings, which in turn, will dampen shareholder returns. Having said that, dividend yields in Asia appear more resilient than other regions.

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James Williams, chairman of Pacific Assets – 6 October:

In the middle of March, it would have been hard to entertain the idea of the return to stock market stability that has happened since then. The economic and the commercial damage from the global pandemic is by no means fully understood, with no obvious sign of the incidence of the epidemic easing as I write. The counterpoint has been worldwide monetary and fiscal stimulus that has readily broken the ‘golden rules’ of prudence and restraint that underpinned bond markets for years. Volatility had been hitting all-time highs, but this for now has returned to subdued levels. One could read a mismatch between the extreme consequences of economic shutdown on employment, investment, and profits on the one hand, and on the other, the major market indices, some of which are at an all-time high.

East Asian countries seem to have fared better than elsewhere during the pandemic so far, but no-one would suggest that they are in the clear. The political backdrop also remains turbulent. The nascent trade war between the United States and China has intensified, particularly in relation to technology. Chinese military activity in the South China Sea, the Himalayan border with India, and the imposition of the new Security Law on Hong Kong are all factors that long-term investors could do without. There are question marks over future supply chains, and the continuation of open free trading practices between nations.

The theme of an emerging middle class in countries as populous as India, China, Bangladesh and Indonesia is a trend that is established for the very long term.

Global emerging markets

(compare global emerging markets funds **here**)

Omar Negyal, Jeffrey Roskell, and Isaac Thong, managers of JPMorgan Global Emerging Markets Income – 23 October:

Apart from the enormous human cost of this still-evolving crisis, the pandemic has precipitated severe economic weakness across emerging markets and, indeed, across the globe, with industrial activity spiralling downwards and earnings challenged in an unprecedented manner. This environment proved to be extremely difficult for Emerging Market equities, particularly those with an income focus like ours.

March was a month of global stock market lows, as COVID-19 panic gripped markets and investor sentiment plunged. Subsequently, markets did recover some ground, bolstered by unprecedented levels of governmental and central bank support. However, market volatility lingered through to the end of the company's reporting period, amidst fragile sentiment and fears of a 'second wave' resurgence in COVID-19 cases.

Outlook

2020 has been an extremely difficult time for investors, particularly for those focusing on dividends, and the outlook is uncertain. COVID-19 remains a dampener on the prospects for Emerging Market economies, with the possible exception of North Asia. It is difficult to offer any insight into the precise timing of any post-COVID-19 recovery, but we expect the region's stock markets to be volatile for the rest of the year.

From a dividend receipts perspective, we acknowledge that the pandemic will continue to pose a challenge. Companies' near-term sales, profits and cash flow will be negatively affected, and this could impact dividends. As a reminder, Emerging Market companies generally base their dividends on a pay-out ratio, so earnings cycles do matter. Nevertheless, on a long-term basis, we are confident about the balance sheet strength and long-term dividend generating ability of the stocks we hold, together with their ability to navigate their way through this most arduous period.

Market valuations have recovered from the lows we saw in March and look more neutral for the moment. Consequently, we would probably need to see some improvement in underlying earnings (and dividends) for markets to continue to progress from here.

There are positive developments; in China especially, a strong policy response helped curtail the spread of the disease and kept corporate balance sheets intact, with both economic growth and corporate earnings rebounding relatively quickly. Elsewhere, fiscal and monetary policy support will most likely continue to be seen globally although ultimately, they are not a panacea for pandemic-affected economies.

Apart from the direct economic impact from COVID-19, the pandemic has also meant many changes to how economies and businesses operate. We are mindful that we need to take this into account in our analysis of companies' dividend prospects. We have also been able to judge how different company management

teams across the region responded to the crisis, whether it be in terms of dealing with customers, their own work forces, or other important stakeholders.

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Manager's report for Genesis Emerging Markets – 8 October:

With the current ongoing pandemic we expect continued challenges into 2021, and a relatively weak recovery as health concerns linger. As we review our EM companies, this is the global environment we are assuming as a base case. The effects on economies and individual businesses will vary greatly. We are continuing our active investment strategy of undertaking deep fundamental research to unearth long-term investments in quality businesses at attractive prices.

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Austin Forey, manager of JPMorgan Emerging Markets – 1 October:

Recent outcomes for emerging equity markets have been heavily influenced by the way countries have coped with the pandemic, and how quickly they have been able to return towards normality; this explains in part why China has been one of the best performing markets in the last six months, not just among emerging markets, but in a global context. But, although it may seem hard to believe right now, the pandemic will pass and economic fundamentals and corporate skill will re-emerge as the most important determinants of long-term investment outcomes.

And that leads to an important and, I think, very encouraging trend in emerging markets: they are becoming more like developed markets. What do I mean by this? Not that they have achieved economic convergence; rather, that value creation in the corporate sector is being strongly driven by very similar factors in both areas. Digitalisation, the development of internet-based business models, the creation of intangible value rather than reliance on physical assets and large amounts of investment in fixed assets - these are far more widely seen in emerging markets today than in the past.

Much more attention is now being paid to the notion of sustainability in the practice of asset management. In fact, the word "*sustainability*" has acquired a specific and, one might argue, narrow meaning in this context. Given both our long term focus and our long holding periods for investments, we have always been interested in sustainability, defined in the broadest way, which is closely tied both to competitive advantage and strong economics, as well as to responsible corporate behaviour, and our investment approach has always incorporated this. There is no doubt, however, that the focus on corporate responsibility in general, and climate change in particular, is changing the criteria for successful long-term value creation in the corporate world, making effective consideration of sustainability factors all the more essential. For the best companies, great opportunities abound; for the worst, irrelevance and extinction lie ahead.

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Vietnam

(compare country specialist: Asia Pacific ex Japan funds **here**)

Andy Ho, managing director of VinaCapital Vietnam Opportunity's manager – 27 October:

As we take a moment to reflect during this challenging time, we are cautiously optimistic that things will get better in the world. Vietnam has demonstrated its ability to effectively control COVID-19 and, as a result, was able to reopen its domestic economy after less than a month of restricted movement activities enforced during April. By the start of May, most aspects of domestic economic activity had resumed after the social distancing measures put in place earlier in the year. However, in late July and early August a surprise flare up of community transmission and a handful of deaths has certainly put matters into perspective.

While Vietnam is in a far better place than most countries, we must acknowledge how highly integrated it is with the global economy, as evidenced by one of the highest trade-to-GDP ratios in the world. As a predominantly export-focused economy, Vietnam heavily relies on the stability and growth of other economies like the United States, China, and Europe to sustain its own economic growth in the long term. Therefore, it is important that we view Vietnam's success in containing the pandemic's impact as a commendable short-term achievement, but that the long-term health of the economy requires all nations to have COVID-19 under control and a vaccine to become widely available. This will help significantly to stabilise the economic uncertainty that we are facing today.

Although the pandemic still rages in many parts of the world, we have seen an eagerness to resume manufacturing investment activities, as foreign direct investment (FDI) continued to find its way into Vietnam. Registered FDI (excluding capital contributions and share purchases) over the first half of 2020 reached USD12.2bn, an increase of 17.5% year-on-year (y-o-y). Vietnam's top three FDI investors over this six month period, are Singapore (USD4.8bn, +282% y-o-y), Thailand (USD1.5bn, +279% y-o-y) and China (USD1.3bn, -31.7% y-o-y). This continued investment in Vietnam is a strong sign of confidence from global investors regarding Vietnam's prospects and it further reinforces our cautious optimism for continued economic growth over the medium and long term.

Outlook

Our Chief Economist has revised his forecast for real GDP growth for 2020 to approximately 1%, compared with 7% in 2019, owing to lower domestic and external demand during the pandemic, as well as related supply-chain disruption. Nonetheless, Vietnam's economy will likely fare better than most in the region, given the relative success of domestic containment efforts and the ramping-up of some goods production by international firms - especially those oriented towards China and even Chinese-own firms who are looking to relocate to Vietnam.

Furthermore, the easing of containment measures in some major economies from May has allowed for a gradual revival of global trade flows, which will provide a fillip to domestic growth in the second half of the year. The early containment of the virus in Vietnam will also allow the government to expedite large-scale public infrastructure works that were in the pipeline, such as the North-South expressway.

Although trade will still be recovering in 2021, Vietnam is expected to remain one of the fastest-growing ASEAN economies. The country has succeeded in positioning itself as the main low-cost regional alternative to China for export-oriented manufacturing. This should also ensure that investment growth remains strong in the coming years. Vietnam is also expected to continue to gain ground in higher value-added manufacturing, such as electronics. Meanwhile, the country's participation in several major free trade agreements will help to slow the erosion of its competitiveness against other countries in the region in some longer established industries, such as footwear production. This will drive growth in exports and investment throughout the forecast period. Medium-term gross fixed investment will be boosted by government-funded construction of the new infrastructure that will be needed to support the expansion of new export-oriented manufacturing industries.

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Manager's report for VietNam Holding – 1 October:

Vietnam's macro position became the envy of much of Asia during 2019 and this placed the country in a relatively strong position to face the headwinds of the novel coronavirus, COVID-19. Vietnam was considered a winner in the trade tussle between the US and China with an increase in the market share of exports to the US pushing the trade surplus to a record level of USD 10bn. The country also attracted record levels of Foreign Direct Investment (FDI), amounting to USD 20bn. The FDI, trade surplus and the strong levels of inward remittances from the overseas Vietnamese diaspora led to a surge in the foreign reserves, which heightened to around USD 80bn at 31 December 2019. During the first half of 2020, it was Vietnam's successful war on the COVID-19 which continues to make headlines around the world. Vietnam was quick to react and emerged quickly from a relatively short lockdown at the end of April 2020.

GDP growth for the six months to 31 December 2019 was 7.2%, and for the first six months of 2020 was 1.8%. GDP growth for 2020 is now estimated to be around 2.5%. Per capita GDP growth has reached USD 3,000, which bodes well as an inflexion point in an emerging consumer-driven society. As an example of other countries in Asia where this level has seen an acceleration in consumer-driven growth, Thailand doubled its GDP from this point in seven years and China doubled its GDP in only five years.

The Vietnamese Dong (VND) has remained relatively stable against the US Dollar during the period. Headline inflation has risen slightly, partly because of the increase in pork prices following the African Swine Fever, but core inflation remains low and under control. The State Bank of Vietnam has kept credit growth under strict control at around 14% and within targets. The government has also planned a series of stimulus packages and policies to help deal with the pandemic, in its effort to build a sustainable, inclusive and prosperous road to recovery.

From the start, Vietnam put its high penetration of mobile phones and internet access to great use with, for example, its National Public Services Portal which was launched at the end of last year. It registered significant surges in traffic from the start of the outbreak and continues to help the government promote social inclusiveness, sustainability and a strong sense of community during a time of crisis. Of course, the government was already committed to a digital transformation agenda that included its eDocument Exchange Platform, as well as a new focus on digital payments technology, the latter of which is also part of a national financial inclusion strategy that was approved back in January.

Vietnam's ability to limit the impact of the pandemic was also reflected in how it instilled a sense of social responsibility. For example, the state did not shy away from broadcasting the seriousness of the virus, and even made a pop music video to communicate the importance of handwashing that immediately went viral. In March 2020, the government launched a fundraising campaign to buy medical and protective equipment for people working closely with COVID-19 patients. By 5 April 2020, more than 2.1m donations had been sent via text message platform.

Another shining moment for Vietnam was in early May 2020 when most of the world was in lockdown, export value for the first four months of 2020 surprised the world with a year-on-year increase of 2%, with phones, PCs and other technological services proving most resilient. In addition, the government shrewdly scrapped a ban on rice exports imposed back in March 2020 to ensure national food security, realising that supply would exceed demand by 6.7m tonnes by the end of the year. This was positive news not only for farmers and traders but the wider economy since Vietnam is the world's third largest rice exporter.

Unsurprisingly, tourism and aviation were the hardest COVID-19 stricken sectors. In recent years, Vietnam has emerged as a favourite destination for tourists, particularly travellers from China and South Korea. In 2019, Vietnam received 18m international arrivals, and in the first month of 2020 it welcomed 1.9m, including 644,000 from China, 468,000 from Korea, and 79,000 from Japan. Tourist arrivals are bound to be severely impacted for as long as travel restrictions remain. In September 2020, the Government forecasted Vietnam's GDP growth to dip to around 2.5% in 2020, the first time to fall in seven years, mainly because of these two hardest-hit sectors. However, this does compare favourably to the negative growth in other countries in most of the developed world. In addition, there was a short boost to the economy through domestic travel in early May 2020 when the government opened tourism for the local holiday weekend to areas such as Da Lat, Vung Tau and Mui Ne. Hotel occupancies increased, with restaurants and coffee shops opening under specific social distancing guidelines. New cases of COVID-19 that emerged at the end of July 2020, however, resulted in restrictions being put back in place in Danang, a popular tourist destination on Vietnam's central coast. These restrictions were lifted in early September 2020.

Vietnam's Handling of the Pandemic

The initial outbreak of COVID-19 in Vietnam was reported in late January 2020 around the Lunar New Year (Tet) holiday and was put under tight control. The country went almost 100 days from the middle of April 2020 to 30 June 2020 with no community spread cases of COVID-19 and no deaths. During this period the positive tests were from imported cases, and these were dealt with through strict quarantine procedures and thorough trace measures. There was a re-emergence of infections in Danang at the end of July, and sadly the country's first fatalities.

Despite this, Vietnam has continued to receive further praise from the World Health Organisation for its swift response to the pandemic. As of 7 September 2020, Vietnam has a total of 1,049 infections and 35 fatalities.

Vietnam has undergone a fast pace of urbanisation. According to a UN forecast[1], its urban population rose from 20% in 1990 to 36% in 2018 and is expected to reach 44% by 2030. Ho Chi Minh City, Vietnam's largest urban ground, has become a metropolis, and having expanded its breadth, height and attraction it is now home to more than 10m people. This growth has necessitated the construction of roads, bridges, ports, new townships and a massive demand for modern apartments and landed properties. In a few years, this is expected to be augmented by a modern metro system.

During the year, we reduced our exposure to commercial property developer Van Phu Invest (VPI), and shopping mall developer, VRE. The urbanisation trend and consequent improvements in infrastructure (albeit at a slower pace than hoped for), coupled with the growing middle class, are increasing the demand for higher quality modern apartments. Our holding company, KDH, for example, is a leading private property developer in Ho Chi Minh City having successfully pioneered a range of affordable garden townhouses around the city. It since has secured a land bank worth more than ten years of future developing and allocated at least 50% as green for all residential projects deployed in 2019. KDH is ESG conscious, for example, by also using wastewater systems designed to have minimal impact on the environment.

Domestic Consumerism

As Vietnam's population is becoming increasingly data-connected and sophisticated, demand for clean water, access to safe food and quality education for their children continues to rise. In addition, Vietnam's 'middle income' population is projected to expand at a rate of 18% annually, adding a further 35m people to this group of consumers by 2030. According to a Nielsen2 survey, Vietnam's consumers are already keen on spending more on new clothes, vacations, new technology products, home improvement and interior decoration, as well as paying more for medical insurance. The International Monetary Fund forecasts that Vietnam's real GDP per capita could reach USD 3,664 by 2023, equivalent to CAGR of 7.5% and one of the strongest paces of growth in the Asia-Pacific region.

The highly entrepreneurial nature of independent businesswomen and businessmen in Vietnam means that there is a vast, but fragmented, collection of retailers (traditional, modern trade and e-commerce) with a wide range of local and international brands vying for the attention of the growing consumer spending power. Retail sales in Vietnam grew by 11.5% during the first three months of the year, but sales of discretionary items sank in April because of the lockdown. June has seen a recovery with retail sales growth at approximately 5.3% year-on-year.

Outlook

Whilst uncertainties around COVID-19 and its evolving impact on the global economy will persist, many media and analyst reports continue to praise Vietnam's handling of the ongoing pandemic. In recent months, Vietnam has also become a promising destination for more foreign direct investment into manufacturing as part of the 'China-plus-one' strategy. This is not surprising due to its educated, growing middle-class workforce and intrinsic societal and increasingly environmentally friendly culture.

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Thailand

(compare country specialist: Asia Pacific ex Japan funds here)

Nicholas Smith, chairman of Aberdeen New Thai – 16 October:

I am cautious about the near-term outlook for Thai equities. While the government has done well to curb the spread of COVID-19 thus far, the disruption to economic activity will take some time to overcome. The forecast is for the economy to contract more than 8% in 2020 which would be the largest annual decline since the Asian Financial Crisis in 1997. The recovery of the country's tourism and export sectors is contingent on the healthy resumption of global trade and the easing of international

travel restrictions. This, in turn, hinges on the creation of an effective vaccine that can be made available widely. Despite encouraging signs on the vaccine front, the development cycle is highly uncertain and complex. Meanwhile, the risk of new outbreaks still looms. Moreover, the uncertain geopolitical backdrop gives cause for concern, especially as US-China relations heat up in the lead up to the US presidential election in November. Domestically, the increasing momentum for constitutional amendments is also something to monitor in terms of the ongoing state of emergency which has been declared.

That said, I am encouraged by improving trends in local consumption, and the government's efforts to boost domestic tourism, such as the 22.4bn baht targeted package to stimulate the industry. The government's swift response to the crisis, injecting liquidity into financial markets and distributing cash benefits, has been possible as a result of healthy foreign exchange reserves, low public debt and modest inflation that should allow the central bank room to manoeuvre. While the current cabinet reshuffle has caused some concern, I think the move to co-opt private sector stalwarts into government is positive as it paves the way for greater cooperation between the two.

At the corporate level, I believe that Thai listed companies remain resilient and able to weather the current storm.

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Debt

(compare debt funds **here**)

Manger's report for UK Mortgages – 27 October:

Central banks and governments moved quickly to try to support markets and in the UK, this resulted in two rate cuts, taking the base rate to just 0.1%, the reintroduction of a new Term Funding Scheme (TFSME) alongside the furlough and employment support schemes for workers. However, the FCA also introduced a support scheme for borrowers – a so called Payment Holiday scheme – allowing those borrowers who stated they had been financially affected by Coronavirus the ability to be granted a payment deferral by their lender (initially up to 3 months), without further question. All lenders were expected to comply.

The scheme was very quickly widely taken up by borrowers, with almost one in five mortgage holders across the country ultimately taking advantage. In some lending sectors, particularly owner-occupied mortgage portfolios with larger populations of self-employed borrowers (such as UKML's TML portfolios) where the financial support scheme was not due to be rolled out for up to two months, the take up was far higher – as much as 40%. By contrast, the proportion of Buy-to-Let (BTL) borrowers who took up the scheme was generally lower, given the dual recourse nature of BTL loans to either the tenants' rental payments or the borrower's other income, and in the case of many professional landlords with multiple properties, a significant level of interest coverage such that rental from tenants that were able to pay would cover those that couldn't.

For UKML's overall portfolio, at the peak, approximately 18% of borrowers were taking a payment holiday, which was broadly in line with the experience of the mortgage industry as a whole. With the rapid early take-up it soon became clear that this would severely reduce the level of income being generated by the Company's portfolios whilst the payment holidays persisted. However, during the

early stages, the scope and duration was almost impossible to quantify, and whilst it was expected that the vast majority of forbearance would be repaid, the timing and mechanism of that was highly uncertain.

Whilst corporate credit markets had begun to recover quickly from the severe downturn, residential mortgage backed securities (RMBS) markets once again lagged through April and May, with the primary market remaining firmly closed, possibly due to the uncertain cashflow effects of the payment holiday scheme across the whole market, and having bounced quickly off the wides in late March, April and May saw a slow and grinding recovery for RMBS.

Outlook

In RMBS, for mortgage and housing markets the near-term outlook is broadly positive, despite the ongoing uncertainty over developments with the Coronavirus situation, whether it be a return to more stringent lockdown or the outcome of payment holidays.

In financial markets 0-5yr swap rates in the UK are close to zero, whilst mortgage rates are broadly unchanged from before the pandemic began, with some lenders even having increased rates as well as tightening loan origination criteria somewhat. That means the forthcoming period represents an extremely attractive origination opportunity for the Company's forward flow assets, adding margin and therefore enhancing return, whilst protecting risk, with underwriting taking account of the latest situation.

Spreads in RMBS markets meanwhile have continued to grind tighter, and whilst a small post-summer pipeline is building in the primary market, the expectation for supply in the near to medium term is that issuance will remain subdued whilst demand will remain strong. Bank deals will be few and far between, given the alternative central bank funding sources available and will be mostly retained. Non-bank deals are expected to be largely pre-placed, as has been the case in all transactions since the summer, and given that most non-bank lenders have now issued since the market reopened in June they will need time to rebuild origination volumes and loan stock before returning to issuance.

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Dawn Kendall, manager of Secured Income Fund – 9 October:

All fixed income products fell violently from March onwards and this was particularly severe for higher yielding assets although even US Treasury bonds were affected by a general malaise and also suffered reduction in capital value. Since the introduction of emergency market support packages from central banks such as the US Federal Reserve (Fed), European Central Bank and Bank of England these markets have settled but the economic picture remains uncertain.

As developed markets in the US, UK and Europe begin to ease lockdown measures, market commentators were expectant of a so-called V shaped recovery as businesses begin to emerge from their forced hibernation. Our appraisal is more circumspect and despite spread tightening in recent weeks for investment grade credits, as companies shore up their balance sheets with additional borrowing, we are particularly focussed on data relating to SME performance and securitised products such as collateralized loan obligations (CLOs) and lower sub investment grade markets where the greatest pain has been observed. We expect coupon obligations to be put under pressure and forbearance to be the watch word for the next 9-12 months.

SME business confidence has fallen sharply and lower turnover due to COVID-19 has caused severe cash-flow difficulties for many businesses, increasing demand for working capital finance. This has been coupled with a sharp increase in demand for loans and uptake of government backed schemes encouraging commercial banks to lend into the sector. Easing of credit criteria for loans by these banks, has a second derivative effect of weakening capital adequacy and it is our expectation that once market conditions begin to normalise, lending patterns will revert to more conventional levels, allowing alternative lenders to pick up the baton once again.

The speed of recovery is unclear at the present time. By way of stark illustration, unemployment in the US increased by 14m in six weeks at the height of the COVID-19 emergency whereas the total number of those losing jobs between June 2008 and June 2009 was 3.5m and it took four years for employment to return to pre-recession levels. Reversal of lost jobs takes time for an economy to absorb and so we expect this to impact consumption and consumer confidence. For lenders and borrowers alike, the safest route to normalisation is to keep sustainable business alive with support and forbearance including maturity extensions and interest or amortisation *"holidays"*, so that they can resume trading and servicing their loans as rapidly as possible; an approach we have adopted across our portfolios since March 2020.

For equity investors, the reduction in dividend and share buy-back programmes across the equity market landscape, should, in our opinion, focus attention on regular coupon paying fixed income strategies. These are contractual and any missed coupons are rolled up, unlike missed dividend payments. Once the current and immediate crisis subsides, we believe regular income will be a highly valued commodity.

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Private equity

(compare private equity funds **here**)

Manger's report for ICG Enterprise – 7 October:

We believe the private equity model is especially well suited to dealing with current market conditions, with an ability to act quickly and decisively where required and importantly with a focus on long-term value creation.

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Hedge funds

(compare hedge funds **here**)

Manager's report for Gabelli Merger Plus+ – 8 October:

Global deal activity review

Global deal merger and acquisition activity (M&A) totalled $1.2trn during the first half of 2020, a year-over-year decrease of 41% and slowest start since 2013. As the spread of COVID-19 accelerated and global economies largely shuttered in the second quarter, M&A activity recorded a 25% decrease quarter over quarter. Only thirteen deals were announced with a valuation greater than $10bn in the first half of the year, with an aggregate value 62% lower than the same period last year.

Cross border M&A activity totalled $441bn during the first half, a decline of 15% and the weakest start to a year since 2013. Similarly, the value of private equity backed buyouts decreased 24% year over year, but still accounted for nearly 17% of total M&A activity, the highest since 2007.

The slowdown was particularly driven by a lack of deal volume in the United States, as U.S. targets saw $355bn in deal activity through June 30, a decrease of 69% year over year. European M&A was a rare bright spot, tallying $420bn of transactions over the same period, an increase of 37%. Asia Pacific saw an 8% decline, while Japan saw a 3% increase in the first half of the year.

The Financials sector was the biggest contributor to merger activity during the first half, totalling $228bn, though still a decrease of 19% compared to 2019 levels. Financials accounted for nearly 19% of total announced deal volume. Industrials and Technology sectors were also large contributors, accounting for 15% and 13% of overall M&A activity, respectively.

Portfolio in review

As we entered 2020, the bull market perpetuated, and stocks continued to hit new highs into mid-February; however, the spread of COVID-19 and subsequent economic closings resulted in a 34% peak-to-trough market retrenchment in February and March 2020. COVID-19 has triggered a peculiar recession, one largely caused or worsened by - and that may ultimately be resolved by - government intervention. Officially dated to February 2020, the current recession has been swift, with April unemployment of 14.7% in the United States quickly exceeding the Great Recession peak of 10.6% in January 2010. After declining 5% in the first quarter, expectations are for a 35% decline in second quarter global GDP, the sharpest fall on record. This recession may turn out, however, to be shorter than the eighteen-month average duration, with the shape of the recovery - V, U, L, W, and Swoosh are some of the often-cited images - influenced by the trajectory of the virus. Economic indicators have already evidenced a rebound, but that could stall with local outbreaks of COVID-19. Corporate earnings in 2020 will be poor but largely irrelevant as we look forward to easier comparisons in 2021. Thus far, unprecedented global fiscal and monetary stimulus has appeased the market, as the S&P 500 Index posted its best second quarter since 1938 with a 21% rise.

We are starting to see early signs of a return to deal making and increasing opportunities to deploy capital as we move beyond the air pocket created by COVID-19. We experienced similar instances of this dynamic before, for example, in the Crash of 1987 and in Long-Term Capital debacle in September 1998.

These market dislocations force arbitrage investors to reassess the standalone value of target companies, driving target company prices lower as comparable valuations decline. Our strategy is to take advantage of these market dislocations by adding to positions at lower prices. By selectively focusing on deals with short term catalysts - tender offers, deals with a short time horizon and strategic deals that have our highest level of conviction - we were able to recover nearly all of our first quarter drawdown in the second quarter.

We are continuously evaluating deal risks and outcomes. Globally, companies and government agencies have safety measures in place in response to COVID-19, allowing them to remain operational.

And while deal volume certainly slowed with the onset of the pandemic, we are starting to see early signs of a return to deal making as we move beyond the air pocket created by COVID-19. We saw four deals with a value of $2bn or more announced in just the first week of July, despite the U.S. holiday. The Federal

Reserve and other central banks have unleashed unprecedented liquidity that should provide an accommodative market for new issuances and M&A.

As we continue to navigate the *"new normal,"* the investment team is observing social distancing guidelines and remains fully operational and focused, with teammates working in the office rotationally. Over the years, we have invested in technology and infrastructure that allow teammates to work remotely in anticipation of the need to invest seamlessly from remote locations.

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Infrastructure

(compare infrastructure funds **here**)

Sonny Lulla, chief executive of Infrastructure India's manager – 23 October:

The COVID-19 pandemic in India resulted in a national lockdown followed by localised restrictions which has had a material impact on all industrial activity in the country. It is likely that there will be ongoing volatility in all markets as demand, which is currently depressed, improves and container bottlenecks unwind.

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Property - UK

(compare UK property funds **here**)

Manager's report for Alternative Income REIT – 20 October:

UK Real Estate Outlook

After a strong start to the year, investment activity slowed considerably in Q2 as the impacts of the pandemic took hold in the UK. With lockdown measures imposed, physical inspections and valuations were impossible for long periods, while global travel restrictions severely limited the capacity of international investors to do business. UK investment volumes for H1 totalled £13.8bn, which represents a 34% reduction on the equivalent period last year and is 38% lower than the 10-year H1 average.

Investment activity is recovering with initial estimates suggesting more than £2bn of transactional activity in July alone. The all sector prime yield remained stable in June at 5.21%, indicating that some stability is returning to UK property investment.

Industrial, warehouse and regional office markets are expected to suffer the least negative impact from COVID-19, and may even benefit throughout the UK's recovery, which supports the proposed amendments to the Company's investment strategy.

Industrial and logistics continue to be in strong demand, with prices having surpassed their pre-crisis levels. The sector has benefited from strong demand fundamentals driven by the accelerated growth of e-commerce. The sector accounted for a record 23% share of total Q2 investment volume, of which 85% was distribution warehousing. Investor and occupier demand in the sector is largely attributed to the stability of rents and continued operations.

The regional office markets are characterised by a supply-demand imbalance with vacancy rates reaching a near historic low of 4.5% in H1, compared to a 10-year

average of 8.0%. Many speculative developments have suffered delays caused by the COVID-19 crisis, further exacerbating an already constrained pipeline. As a result, the regional office markets have seen sustained rental growth, with annual growth of 6.7% and 4.3% seen in Leeds and Bristol respectively. Prime rental growth is expected to return in 2021, with 2.0% pa forecast over the next five years across the major regional markets.

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Manager's report for PRS REIT – 6 October:

New housing delivery over the course of 2019/20 continued to fall short of annual government targets of between 240,000 and 340,000 new homes per annum. It is estimated that the deficit over the year was a minimum of 70,000 new dwellings. The COVID-19 crisis of 2020, which saw the shutdown of all building sites for at least six weeks and reduced activity levels, thereafter, has further dampened unit output.

The supply of rented properties has also reduced following tighter regulation and increased tax burdens, which caused large outflows from the 'Buy-to-let' sector. According to Savills, in 2010, 78% of landlords in the private rented sector owned more than one property, but by 2018, this had reduced to 45%. This represents a gross loss of over 40,000 buy to let homes per annum in each of the last three years.

With the average home in the UK now a multiple of 7.7 times gross average salary, the choices available to those who are too economically active to qualify for affordable housing but without sufficient savings to pay for a minimum deposit (including to qualify for Help to Buy), are increasingly limited. The Build-to-Rent (BTR) sector can absorb some of this demand, although currently there are only 43,000 operational homes, and just 33,500 under construction.

BTR currently accounts for just 1% of all private rented homes in the UK, which when compared to 45% in the US and 35% in Germany, indicates the sector's potential growth. Savills estimates that the sector, currently estimated to be worth £10bn, could expand to nearer £550bn at full maturity.

The UK market continues to focus on high-density flatted developments in city centre locations whilst the PRS REIT has maintained its focus on regional family homes. The relevance of the PRS REIT's housing model has been brought into sharp relief this year with COVID-19 and home-working causing tenants to rethink their space requirements and the need for private outdoor space.

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Manager's report for Target Healthcare REIT – 6 October:

UK care home investment market

Following a subdued period through the peak of the COVID-19 crisis so far, investment activity in the part of the sector in which we invest has regained the momentum shown for the majority of the year. Deals marketed and agreed pre-COVID have generally completed without movement in pricing. More generally, valuation yields have continued their gradual tightening, as the reliable return and defensive characteristics of the asset class continue to be proven.

There continues to be a number of buyers active in the investment market, though perhaps less generalist activity currently, given other distractions. We would anticipate competition from this cohort to quickly return given the low yields on government and corporate bonds at present, and their forecast curves.

Health & social care

The global COVID-19 pandemic was unforeseen and has caused unprecedented disruption across society as a whole.

As other countries in Europe started to report significant numbers of COVID-19 cases in late January, there was a dawning recognition that containment of the reported cases in China had failed. The World Health Organization (WHO) subsequently classified COVID-19 a pandemic on March 11, 2020. The UK government response was summed up in the slogan - 'Stay Home, Protect the NHS, Save Lives'.

To save the UK from the disastrous scenes seen in such places as Lombardy in Italy, hospitals rapidly discharged patients who had been delayed discharges, stopped elective procedures and built extra capacity in the form of the Nightingale units. The whole of the UK went into "*lockdown*" and was urged to "*Save the NHS*".

Care homes sprung to help; there was an encouraging surge of renewed partnerships and collaborative thinking. Relationships between Social Care and the NHS have been historically difficult at times, but COVID was seen as a catalyst for changed working.

However, all was not well, as some homes felt pressurised to admit patients from the NHS, testing of those residents at hospital discharge was deemed unnecessary by Government guidance, and PPE became increasingly scarce, with reports even of consignments being impounded and redirected to the NHS. Homes reported staff shortages in the early weeks of up to 20% or 30% of their workforce as shielding took priority, at the same time as the NHS was supported by conscripting medical

and nursing students, recall of recently retired staff and government calls for general public volunteers including furloughed workers.

Most care home operators were cautious about admitting residents, quickly implementing 14-day isolation policies. Homes 'locked down' some time before the Government advised it, restricting families and non-essential visitors; agency use was limited to 'single home only' where possible.

Inconsistent and inoperable guidance was a significant concern for care home operators. For example, PPE policy changed over 25 times in several months, with government agencies often giving conflicting advice. Some local regulators were too 'hands-off', while operators in other areas received supportive calls from their local inspector.

Testing was sporadic, absent or results returned too slowly over spring and early summer. Once a positive case was identified in a home, no further residents were tested, so the true extent of those who were infected will never be known.

Fortunately, the recovery rate for many residents was much better than feared, with the majority of the Group's homes experiencing fewer than ten deaths from COVID-19. However, every death was very sad for all involved especially when family visiting was restricted by government advice. Care home teams gave of themselves selflessly, and many managed to bring relatives together at the end of life. We acknowledge and are grateful for their supreme effort and dedication.

Going forward, homes are preparing for the winter while being much better prepared for a second wave. Testing is improving but frustration continues due to its lack of reliability and the sometimes unnecessary isolation for residents which results. Improved occupancy will come when families see sensible and sensitive visiting policies from public health authorities and government.

Those who hope for COVID-19 to be a catalyst for change may yet be proven to be right; the pandemic has highlighted the need for modern facilities such as those favoured by this REIT, which prioritises wet rooms for infection control, and access to outdoor spaces for visiting and exercise, and good air quality. The need for change of the kind we advocate and better funding has been laid bare for all to see.

Property – rest of the world

(compare international property funds **here**)

John Herring, chairman of CEIBA – 9 October:

Cuba - Ongoing Economic Reforms

On 16 July 2020, the Cuban government headed by Miguel Díaz-Canel announced a series of promising new economic reforms aimed at accelerating the systematic implementation of the reform guidelines adopted by the government in 2011 and alleviating the short-term liquidity crisis of the country. The new measures aim to boost hard currency income in the short term by encouraging exports, the local production of food and other necessary products and the creation of a new internal hard currency market for certain goods and services.

The reforms decrease the government's administrative control over the economy and promote the development of an economic system in which autonomous actors interact on the basis of management decisions rather than centralised government controls. They also include the unification of the two currencies: the Cuban Peso (CUP) and the Cuban Convertible Peso (CUC), a very important step that is rumoured to be imminent.

The board applauds the announced reforms and believes that they will stimulate Cuba's economy, including the emerging private sector. In addition, we expect full implementation of the reforms to increase the attractiveness of the country as a market for foreign direct investment, to improve the autonomy of joint venture companies and to have a marked positive impact on the investments of the Company.

US-Cuban relations

Unfortunately, the relationship between Cuba and the Trump administration has continued to deteriorate. Cuba's initiatives to send doctors and other medical staff to various countries to assist in their battle against the COVID-19 pandemic has come under attack by the U.S. administration. In June 2020, the Trump administration further expanded the Cuba restricted list, a public list of Cuban entities with whom US persons are prohibited from doing business. The list now includes Fincimex, a Cuban financial corporation that handles the majority of US and other international family remittances to Cuba. Also in June, Marriott, the hotel group, announced that the U.S. Department of Treasury had refused to extend its licence to operate in Cuba.

The result of the upcoming U.S. presidential elections will naturally be of material significance to U.S.- Cuban relations. Joe Biden, the Democratic party nominee has been critical of the decision to undo the policies aimed at rapprochement put in place by the Obama administration. If the democratic party win the next election it is reasonable to expect a significant softening of the US sanctions against Cuba and

a material reversion to the opening up of tourism and trade as experienced during the Obama years.

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Manager's report for Macau Property Opportunities – 8 October:

COVID-19

Macau's economy in H2 2019 was negatively affected by slowing growth in China and the escalating trade war between Washington and Beijing. In mid-December 2019, when the US and China announced they had reached Phase 1 of a trade pact, cautious optimism about an economic recovery in Macau began to emerge. However, that was short-lived. As the New Year began, the twin drivers of Macau's economy - tourism and gaming - were about to suffer a hammer blow as the government put in place measures to deal with the looming threat of COVID-19.

On 20 April, in his first policy address, Macau Chief Executive Ho Iat Seng described the COVID-19 situation in the territory as *"basically under control"*. The total number of infections currently stands at 46, and all coronavirus patients have recovered. Macau has suffered no deaths related to COVID-19 to date.

With the outbreak having been reined in, a travel bubble set up by the Guangdong and Macau authorities in July 2020 has eased quarantine measures for travellers between the two places. Macau lifted all restrictions previously imposed on visitors from COVID-19 hotspots in mainland China in mid-July, following which all travellers from the mainland, with the exception of visitors from areas with COVID-19 outbreaks including Hong Kong, would not have to undergo quarantine when visiting Macau.

Travel restrictions between Macau and the Chinese mainland were eased further in August as the COVID-19 situation has remained stable following a relaxation of quarantine measures in July. Zhuhai authorities resumed the issuance of Individual Visit Scheme (IVS) and group tourist visas to Macau from mid-August. According to mainland Chinese authorities, tourist visas for travel to Macau will be reintroduced for residents of all mainland provinces from late September, in time for China's Golden Week holiday in October. This is viewed as a milestone in the reopening of Macau's tourism and gaming sectors.

The authorities will continue to act with caution, adjusting policy in accordance with developments related to the pandemic. According to Macau authorities, the city has admitted an average of around 10,000 visitors a day following the partial resumption of tourist visa issuance. This is far below the daily average of around 108,000 visitors in 2019, and government officials have suggested that a recovery to pre-COVID-19 visitor levels may be a long way off.

Clearly any further wave of infection and controls would have a detrimental effect on any nascent recovery.

Given Macau's proximity to Hong Kong and mainland China, both of which have recently seen new COVID-19 clusters, the territory's government is on high alert for a new wave of infections.

Nevertheless, China's management of the pandemic is proving to be more effective than that of other countries and Macau deserves much credit for their approach. Taking a longer-term view, Macau has strong reserves and continues to build for the future.

Economic contraction

Macau's economy continued to contract in H2 2019, in tandem with slowing growth in mainland China. The escalating US-China trade war and volatility in global markets added downward pressure on the territory's economy. Macau's gross domestic product declined 4.7% in 2019.

By the end of Q1 2020, COVID-19 containment measures imposed by the government had taken a toll on the economy, as gaming and tourism were all but shut down. Macau's economic performance plummeted 49% YoY and 68% YoY in Q1 and Q2 2020, respectively. For full-year 2020 GDP, the International Monetary Fund, the Economist Intelligence Unit and Fitch Ratings have predicted contractions ranging between 24% and 70% YoY.

GDP forecasts for 2021 vary considerably, from a prediction of 12.6% growth by Fitch Ratings to bullish expansions of around 32% by the Economist Intelligence Unit and International Monetary Fund.

Gross gaming revenue decimated

In 2019, gross gaming revenue (GGR) contracted 3.4% YoY. VIP gaming revenue fell by 19% YoY, offset by an expansion in mass-market GGR of 15%. The VIP segment accounted for 46% of Macau's total GGR, down from 55% in 2018 and marking the first year that it was surpassed by the mass-market segment.

In H1 2020, with the gaming sector severely hit by Macau's travel restrictions and the unprecedented 15-day closure of casinos in February, GGR was dealt a crushing blow, falling 77.4% YoY. For the months of May and June alone, GGR slumped 93.2% and 97.0% YoY respectively, marking nine consecutive months of declines. Mass gaming revenue continued to outpace that of the VIP segment during the period but was also negatively impacted.

On the issue of uncertainties surrounding the renewal of gaming concessions, which are expiring in mid-2022, the government has provided little insight into the criteria and conditions for renewal. The Macau chief executive's policy address in April outlined the government's plan to hold a public consultation on the territory's gaming laws in H2 2020. After obtaining public feedback, legislation will be revised and a fresh public tender for gaming rights will be held.

Despite the uncertainties, Sands China and Galaxy Entertainment Group have indicated that they are proceeding with previously announced expansion plans. In rebranding its Cotai Central, Sands began trial operations at The Grand Suites at Four Seasons, and its new Londoner Macau is on schedule to be ready for launch

this year. Galaxy has announced that work on phases 3 and 4 of its flagship Galaxy Macau, in Cotai, is continuing.

In light of the challenges the sector faces, Sanford C. Bernstein, a US brokerage, estimates a GGR contraction of 44% for full-year 2020. However, its forecast for 2021 is far more optimistic, with an expected rebound in GGR by 96% YoY.

A rollercoaster ride for tourism

At the end of 2019, Macau's visitor arrival numbers had hit yet another record high of 39.4m, a 10.1% YoY increase. Those numbers plunged in H1 2020, however, due to strict COVID-19 containment measures, with the Q2 2020 performance being particularly poor, decreasing by 99.5% YoY to 49,730.

Although reviving Macau's flagging economy is important, the territory's government emphasised that the health, safety and wellbeing of its residents is the top priority.

With the COVID-19 situation in Macau as essentially under control, the government has set out to rebuild tourism.

In addition to the agreement with Guangdong Province on reciprocal green lanes, a framework for a broader Greater Bay Area travel bubble that would include Hong Kong was also in its final stages. However, the inclusion of Hong Kong had to be postponed amid increasing recent cases of locally transmitted COVID-19. Nonetheless, the authorities have stated their intention to include the entire Greater Bay Area in the arrangement at an appropriate time.

The recent announcement on the gradual resumption of tourist visa issuance for mainland visitors to Macau is a positive development, although it remains to be seen how quickly tourists will return to the territory.

Macau's chief executive sworn in

Ho Iat Seng, a businessman and former president of Macau's Legislative Assembly, was sworn in by Chinese President Xi Jinping in December 2019 at a ceremony that also marked the 20th anniversary of the Macau Special Administrative Region of China.

In his first policy address on 20 April, Mr Ho reiterated the government's focus on protecting the safety and health of Macau's residents and of stabilising and revitalising the city's economy. The territorial government's stated focus on social welfare, job creation and institutional reform was demonstrated in its swift reaction to the economic impact of COVID-19. A US$6bn package of economic relief measures was rolled out to boost local spending and reduce the financial burden on Macau based businesses, particularly small and medium-sized enterprises, including consumption subsidies, rental waivers, job-training opportunities, tax deductions, interest-free loans and other business incentives.

Mr Ho also repeated his aim to diversify Macau's economy and reduce its overdependence on gaming revenues to prepare for a more sustainable future. Boosting Macau's participation in the development of the Greater Bay Area was identified as a key enabler in this respect. Recent related measures include extending Macau's jurisdiction to the passenger clearance building of the new Hengqin Port to streamline border processes at the new state-of-the-art facility, which boasts an annual capacity of around 80m people - greater than Heathrow Airport. The new border crossing began operations on 18 August. Macau has also stated its intention to kick-start the next phase of the Light Rail Transit (LRT) project to connect Cotai with Hengqin Island this year.

Property market overview:

Affordable homes shrugging off COVID-19 effect

After a poor showing in H1 2019, Macau's residential property market had regained some ground in H2 2019, with the number of transactions increasing marginally by

0.8% YoY to 3,825. However, activity was concentrated in the more affordable segment of the market, in which first-time buyers accounted for the bulk of transactions. For full-year 2019, market volume was down 27% YoY to 7,745, and the average transaction price fell by 2%.

During the first half of 2020, residential property sales remained subdued in Q1 2020, with the number of transactions totalling 1,016, down 22% YoY, while average transaction prices declined 8% YoY to US$1,130 per square foot. In Q2 2020, market sentiment improved with the stabilisation of the COVID-19 situation as potential local buyers began arranging property viewings. On the supply side, property developers have launched a number of new units since mid-April, tempting

buyers to take advantage of low interest rates with incentives such as flexible payment methods.

As a result, June transaction volumes picked up by 53% month on month (MoM) and 18% YoY. In the first half of 2020, a total of 3,040 residential units were transacted, down 22% YoY. The average transaction price in June was around US$1,180 per square foot, down 11% YoY. Home purchases by first-time buyers continued to dominate, accounting for more than 84% of all transactions during the period.

Luxury residential segment still quiet

According to real estate agent Centaline Macau, residential properties priced under MOP8m (US$1m) remain the most sought-after in the market. At the luxury end of the spectrum, at which MPO operates, the secondary market for high-end properties has remained quiet.

The effects of capital controls imposed by Beijing, which have restricted outflows of yuan from mainland China, continued to weigh on luxury property purchases by mainland Chinese investors in Macau. Anti-speculation measures introduced by Macau's government have also made mortgage terms restrictive and driven up property purchase costs for investors. Coupled with broader economic uncertainties caused by COVID-19 and travel restrictions, there has been a distinct reluctance among potential buyers to make new commitments involving large sums.

The property market could, however, regain some momentum now travel restrictions are beginning to be relaxed and travel permits for individual mainland Chinese to travel to Macau are reintroduced.

Looking ahead

The economic outlook for Macau's luxury property segment remains both challenging and uncertain. Mainland China's economy has been impacted both by COVID-19 as well as Western nations efforts to curtail China's growing influence. This has been exacerbated by the West's response to the recent security law implementation in Hong Kong. These factors may all have a negative impact on Macau's economy and the luxury residential property market, representing a substantial setback for the Company and delays the asset disposal timetable.

Macau's government took a swift and decisive, yet cautious and measured, response to the COVID-19 pandemic that successfully contained the spread of the virus. This was followed by an efficiently implemented economic stimulus and financial aid package helping to revive the economy.

With the return of a degree of normalcy in travel between mainland China and Macau, there is optimism that Macau's economic engines will resume firing on all cylinders. Although the travel bubble currently excludes Hong Kong, which is dealing with a local re-emergence of COVID-19, official announcements from all parties indicate that the groundwork has been completed for the Greater Bay Area travel bubble to come into effect as soon as prevailing health conditions permit.

Despite the current challenges and uncertainties, gaming operators are proceeding with major expansion plans, demonstrating their confidence in the long-term strength of the territory's economy. In addition, the Chief Executive's pursuit of closer integration of Macau within the Greater Bay Area will help secure and sustain its economic future. As travel restrictions are relaxed, the company will recalibrate and implement its asset divestment strategy to the maximum benefit of investors.

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