CORE CAPITAL

MARKET OPPORTUNITIES

April 2021

- Does the government have money?
- Yield and Tech
- And it happened....again.....

A simple question, does the government have money? The typical answer to this would be ”no”, the government is simply managing taxpayers' money, since in essence that is where most of the wealth is generated. Looking at this raises a troublesome question, with all the relief packages during Covid who has been paying? Well most of it has been paid for by loans, for the most part governments have taken out loans. In extension these are on behalf of the citizens and though the overall savings in society has gone up the state finances globally are in rather poor shape. At some point this needs to be repaid and interest needs to be covered, both of these cause headaches. Due to the rising debt in the long term there are only really two solutions in order to manage it, either growth or inflation needs to drive away the debt, mind you higher growth usually brings higher inflation. There are also expectations of tax hikes in the US and though markets have not yet reacted to this eventually reality will hit and we expect it to be a bumpy year.

During March we have seen a continued sector rotation combined with a steepening yield curve. These factors have driven a discrepancy for the year between the tech companies which delivered strong returns last year and more cyclical industries. What is proving interesting in this space is that big tech, though generally very cash rich, have been lagging when the yield has increased. In fixed income markets the steepening have put long duration bonds under some pressure which has offered good entry points to gain exposure to stable long term names. The federal reserve has so far been dovish and avoided any aggressive statements on potential rate hikes going forward, this despite many strong macro figures.

During March it happened again, one of the biggest margin calls in history and massive losses for investors. It comes as no surprise that at the centre was Archegos, though classified as a family office the company operated as a hedge fund. The cost? Still unknown, but Credit Suisse is including a CHF 4.4 bn loss in their Q1 report due to the event, for Goldman Sachs, Morgan Stanley and others the loss is still unknown. We again see that hedge funds provide a much higher risk than the market, though some provide a strong return most of them tend to underperform.

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Markets – March 2021

Equity indices	Mar 2021	2021
MSCI ADWI	2.46%	4.18%
MSCI World	4.21%	6.14%
S&P 500	4.24%	5.77%
Euro Stoxx 50	7.78%	10.32%
DAX	8.86%	9.40%
FTSE 100	3.55%	3.92%
Nikkei 225	0.73%	6.32%
OMX 30	9.10%	16.97%
OMXC 25	5.16%	0.78%

Bond indices	Mar 2021	2021
Global Treasuries	-2.23%	-5.49%
Global High Yield	-0.93%	-0.95%

Currencies	Price	Mar 2021
EUR/USD	1.173	-2.86%
EUR/SEK	10.2406	0.53%
USD/SEK	8.7301	3.47%
USD/DKK	6.3407	2.97%

Interests	Mar 2021
US T-bill 3M	0.011
Euribor 3M	-0.538
Libor Fix 3M	0.088
Stibor Fix 3M	-0.018
Cibor Fix 3M	-0.210

Other	Mar 2021	2021
Gold	-1.52%	-10.04%
Brent Crude Oil	-3.92%	22.66%
HFRX Index	-0.06%	1.29%

• Market outlook

Equities

Despite increased valuations and volatility we still view equities as the most attractive asset class. We believe in the need for a well diversified portfolio and not being focused on the noise.

We continue being confident in the need to be active and have as such rebalanced some positions in our portfolio to adjust for the development we have seen so far this year.

Fixed income

Though we remain cautious on the fixed income markets and view the overall risk/reward of the asset class as rather unattractive. We tactically increased our exposure to long duration bonds following the spike in long rates and have kept these tactical positions looking to increase them if we see a further steepening.

Alternatives

The year has continued to reinforce our view on hedge funds with Archegos causing massive losses for investors during March. We do however see some upside in other investments and continue to review alternatives which provides exposure which is not easy to replicate by investors.

Foreign Exchange

Though we remain cautious long term on the dollar, we still believe the US are likely to be the first to raise rates which in the short term would strengthen the USD.

With the UK and US getting back to business and starting to reopen we expect the USD and GBP to fare relatively well.

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Holding of the Month
Partners Group Listed Infrastructure

The fund invests in listed infrastructure companies globally. During Covid the sector took a large hit and has since struggled to recover, however during March the fund showed a strong gain driven by a positive sentiment.

For March the fund returned +6.17% and so far in 2021 has delivered +7.69%