Cornerstone Quarterly Review
Q4 2020

For authorised intermediaries and professional investors only

The quarter saw further positive progress from global markets, the MSCI World AC rising by 8.15% (USD) and 7.78% (GBP), whilst the FTSE 100 and FTSE all-share respectively gained 10.86% and 12.92% (all data Aubrey Capital/Bloomberg Data 31/12/2020). Fixed income markets also saw gains, as the Gilts All Stocks gained 0.63% and the iBoxx UK Corporate bond index 3.92% (www.ishares.com).

November was all about positive vaccine news, firstly in the United States, followed by Oxford/AstraZeneca. This prompted a change in market leadership, with a significant value rally during the month. This dissipated somewhat in December, with a much more balanced market, as steadily increasing infection rates across the United States, UK and Europe, combined later in the month with the identification of the new strain in the UK and South Africa, tempered investors views of how long it will take until mass vaccinations can lead to a return to greater normality in working and personal lives. Markets continue to look across this valley but their views on how long it will take to put in place mass vaccinations have been impacted; it is likely to be over the summer 2021, rather than earlier in the year, before we really start to put COVID in the rear-view mirror.

The US election came and went with something of a whimper from the point of view of market reaction, perhaps unsurprising given that investors typically overemphasise the impact politics has on markets. More important was the significant additional stimulus agreed in both the EU, and later December, the United States.

Brexit negotiations went down to the very wire and it still feels unclear as to how good or bad the eventual agreement will work out for the UK. Again, the market reaction was muted, partly due to simple fatigue as this issue has been going on for so long, and a no deal outcome felt as if it was largely discounted in the market, along with the simple fact that COVID is the far more immediate issue for both the UK and global economies. Indeed, the pound has been steadily rising versus the dollar, something we have not been surprised to see, and we expect that sterling will see further recovery against other currencies over the next two years. COVID has an impact here, but overall, it is expected that the dollar will continue to weaken against most currencies as the global economy continues to heal from the impact of the virus. Disappointingly, the Oxford vaccine seemed to lose ground over the second half of the year and was beaten to the punch in terms of announcements by Pfizer, but the fact that the UK vaccine is simple to manufacture and can be kept in a fridge does mean that, although it requires two doses, it does provide perhaps the best of the current vaccine programmes that will be used.

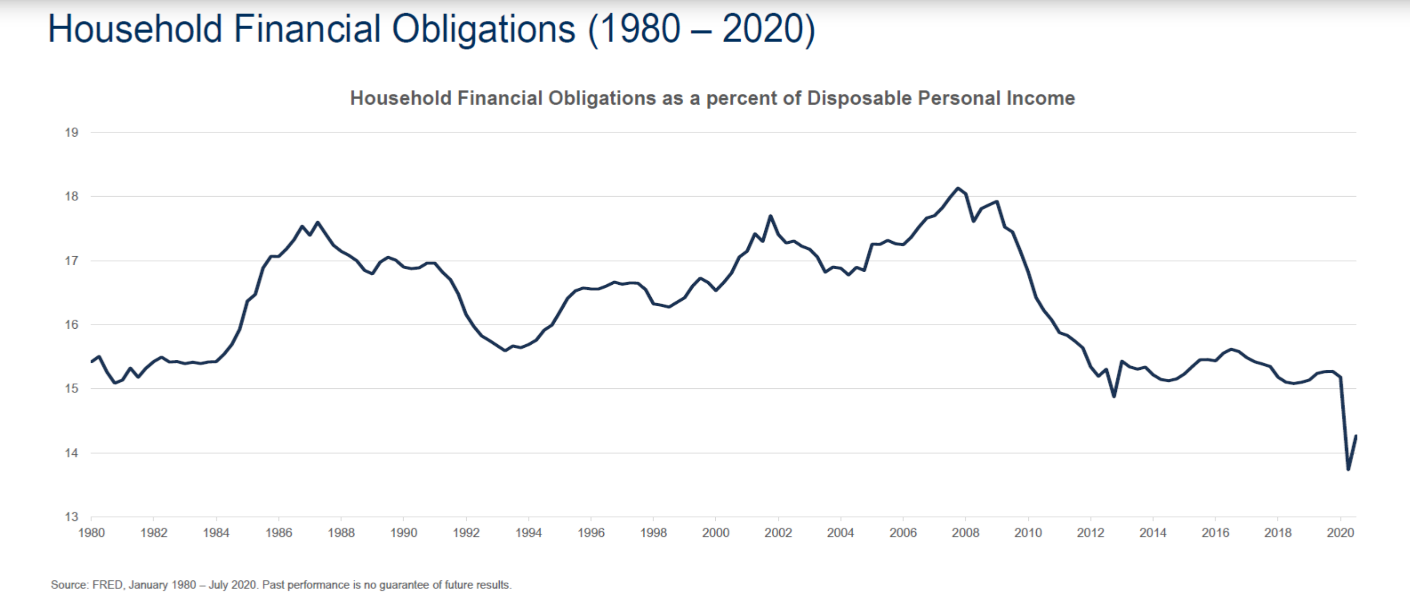
END OF QUARTER ASSET ALLOCATION (%)

	UK Equities	US Equities	Europe (ex UK) Equities	Japanese Equities	Asian Equities	Other Overseas Eq.	Infastructure	Alternative Assets	Bonds	Cash
MAP 1	1	3	1	0	1	1.5	2.5	7.5	45	37.5
MAP 2	2	8	2	1	3	4	5	12.5	40	22.5
MAP 3	4	18	5.5	2	7.5	8	5	10	27	13
MAP 4	5	22	7.5	2.5	9)	9	5	10	24	6
MAP 5	6	28	9.5	3	12	11.5	3	10	13	4
MAP 6	8	34	11	4	14	14	0	10	3	2

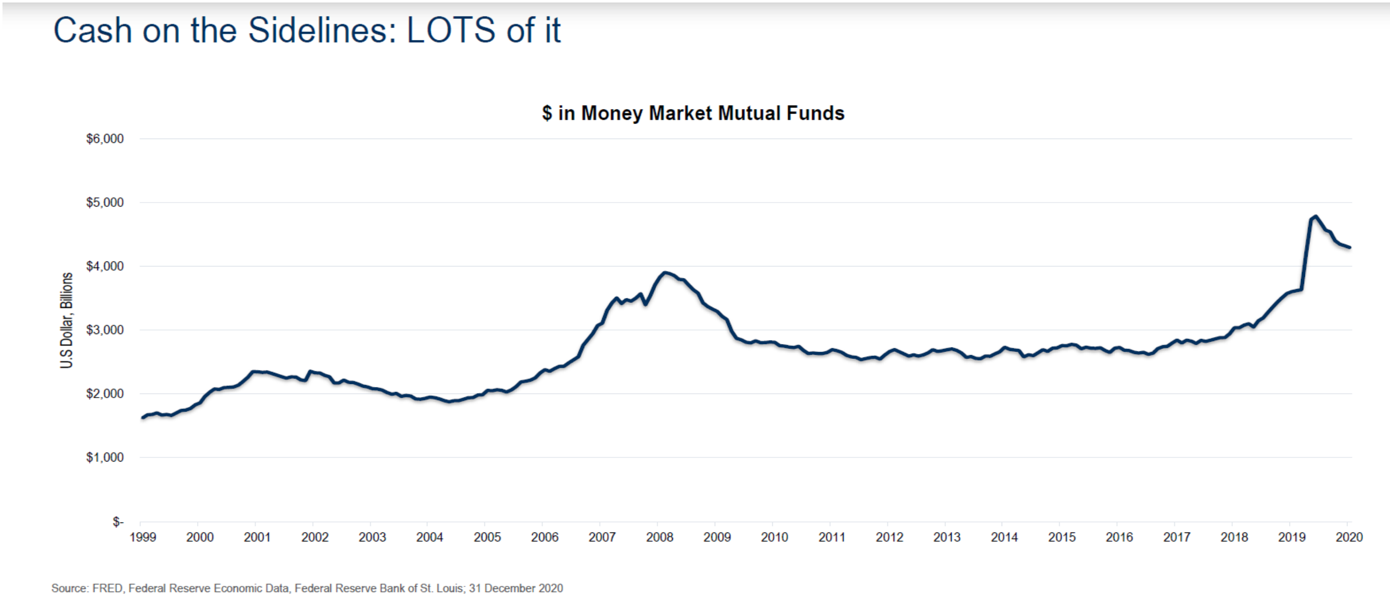
Green - Allocation change - increase in quarter
Red - Allocation change - decrease over quarter

Source: Aubrey Capital Management, 31/12/2020

US: Household Debt has fallen sharply



Whilst cash has risen; the global economy will recover faster than expected.



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PORTFOLIO PERFORMANCE* (%)

	Quarter	1 Year	Inception	Benchmark Quarter	Benchmark 1 Year	Inception	Benchmark
MAP 1	2.74	4.18	12.29	0.34	1.65	5.82	CPI plus 1%
MAP 2	4.28	6.73	16.53	0.59	2.66	8.47	CPI plus 2%
MAP 3	5.96	10.08	21.29	0.84	3.67	11.15	CPI plus 3%
MAP 4	6.81	12.32	24.50	1.08	4.67	13.88	CPI plus 4%
MAP 5	7.87	15.30	28.90	1.33	5.68	16.64	CPI plus 5%
MAP 6	8.78	18.98	33.74	1.57	6.69	19.45	CPI plus 6%

TOP & BOTTOM PERFORMANCE CONTRIBUTORS* (Q4 2020)

	Top	Bottom
MAP 1	Royal London Corporate Bond	iShares World Min Volatility ETF
MAP 2	Fortem Progressive Growth	iShares World Min Volatility ETF
MAP 3	Baillie Gifford American	iShares World Min Volatility ETF
MAP 4	Baillie Gifford American	iShares World Min Volatility ETF
MAP 5	Baillie Gifford American	iShares World Min Volatility ETF
MAP 6	Baillie Gifford American	iShares World Min Volatility ETF

*Source: Aubrey Capital Management 31/12/2020

OUTLOOK

Markets will be driven by increasing COVID numbers on one hand, and vaccinations and further government/central bank assistance on the other. The first part of the year may therefore be choppy, but we think this is a dangerous market to try and time. Markets may well see broader returns over the course of the year, and bottlenecks in supply chains could see some short term increases in inflation. Investors are likely to remain focused on shorter duration within fixed income therefore, even if longer term trends remain more disinflationary.

IMPORTANT INFORMATION

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