

Model Portfolio Service

APRIL 2019

Monthly Investment Commentary



Will Bartleet

Chief Investment Officer & Portfolio Manager
Pacific Asset Management

The casual observer of markets might easily have missed the tectonic shifts that occurred in March. Drama in markets usually plays out in equities; last month the excitement came from the government bond market.

The Federal Reserve completed one of the most rapid U-turns in history by downgrading their expectations for interest rates from two rate rises in 2019 to no increases in the year. Furthermore, they announced that they would bring Quantitative Tightening to an end in September. Interestingly, the market doesn't believe that this goes far enough and is now expecting an interest rate cut in the autumn. Meanwhile, the chaotic Brexit negotiations extended beyond the 29th March deadline.

Equity markets continued to rally despite the weakening economic data which has caused a rapid reassessment of the outlook by most central bankers around the world. The warning sounds ringing from the bond market have thus far been ignored by stock markets. Dispersion across regions was limited in March but investors continued to push up the valuations of high growth stocks, only increasing the premium that they trade on. Meanwhile, value stocks' discount to the market widened during the month and stands at one of the cheapest levels seen over the last fifteen years.

The sharp fall in government bond yields generated gains across the board in fixed income. In the Efficient tracker holdings, the allocation to the L&G All Stocks Index Linked Gilt Fund and L&G All Stocks Gilt Funds delivered strong returns over the month. Two data points illustrate the move in the bond market last month: German 10-year bund yields fell back into negative territory, so investors now must pay to lend money to the government over the next ten years.

Meanwhile, value stocks' discount to the market widened during the month and stands at one of the cheapest levels seen over the last fifteen years.

The other, more technical change saw the US Treasury 10-year bond yield fall below the 3-month yield. This yield curve inversion has a strong track record of forecasting recessions, but given the extremes in bond markets, its predictive power is perhaps more inconclusive this time.

Within Diversifying Assets in the Dynamic allocation, we purchased a holding in the Pacific G10 Macro Rates fund which seeks to benefit from mispricing within global bond markets. The rapid reassessment by central banks and the extreme moves that we have seen in global bond markets present a rich opportunity set for this strategy. We were able to allocate to the "early bird" share class which was only available to investors at the launch of the fund.

Will Bartleet Biography

Will Bartleet is the Chief Investment Officer and portfolio manager of Pacific's range of multi-asset funds. Prior to joining Pacific Asset Management Will worked at HSBC Asset management for 16 years, most recently as portfolio manager of a \$5bn range of multi-asset funds and Chairman of their Tactical Asset Allocation Committee responsible for the tactical positioning of the \$30bn wealth business.



To read more from
Will Bartleet visit
www.pacificam.co.uk

CONTACT US

Touchstone Advisory, LLC
300 Park Avenue
12th Floor
New York, NY 10022

T: +1 (646) 450 0947
E: info@touchstone-us.com

Touchstone Advisory, LTD
PO Box SP64027
Units 1-3 Church Street, Sandyport
Marina Village, Nassau, Bahamas

T: +1 (917) 810 3149
E: info@touchstoneadvisoryltd.com

Please feel free to reach out to us with any questions, comments, or concerns.



This Touchstone Model Portfolio Service promotional flyer is for informational purposes only. It is not intended as investment advice, or an offer or solicitation for the purchase or sale of any financial instrument. No market data or other information is warranted or guaranteed by Touchstone Investment or any company forming an integral part of the Touchstone Group of Companies as to its completeness, accuracy, or fitness for a particular purpose, express or implied, and such market data and information are subject to change without notice. Touchstone Investment may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the information presented herein. Those communications reflect the assumptions, views, and analytical methods of the persons that prepared them.

Approved by Pacific Capital Partners Limited (PCP), a limited company registered in England and Wales (Registration number 2849777) and authorised and regulated by the Financial Conduct Authority. Information in this document is intended only for the use of Financial Advisers and other professionally recognized Financial Intermediaries. Whilst the information in this document may be used by Financial Advisers and/or Financial Intermediaries to make recommendations to their clients, it is not intended for direct use by members of the public. None of the information in this document constitutes personal recommendations nor advice. Product details should always be read in conjunction with the relevant Prospectus, as well as the Key Investor Information Document(s) and particularly the sections relating to risks, fees and expenses. It is recommended that an investor first obtain the appropriate legal, tax, investment or other professional advice and formulate an appropriate investment strategy that would suit their individual risk profile prior to acting upon such information. This document does not constitute an offer or a recommendation to purchase or sell any financial products. The information and analysis contained herein are based on sources believed to be reliable, however, we do not guarantee their timeliness, accuracy or completeness, nor do we accept liability for any loss or damage resulting from your use of this document. Any opinions expressed reflect our current judgment at the date of this document and are subject to change without notice. Past performance is not necessarily a guide to future performance. This document is not directed to or intended for distribution to or use by any person or entity in any jurisdiction where such distribution, publication or use would be unlawful. This document may not be reproduced (in whole or in part), transmitted, modified or used for any public or commercial purpose without the prior written permission of PCP. Pacific Asset Management (PAM) is a trading name of PCP.