

# Covid-19

What does it mean for my investments?



architax



We recognise how difficult the current coronavirus situation is. You are currently being bombarded with non-stop headlines about the rising number of cases and deaths. And you are being reminded about the possible impact for your investments.



## Market swings

We understand that the market reaction to the Covid-19 virus has been huge. This market swing would jolt even the most upbeat investor. Fortunately, though, markets hit by disease outbreaks have a history of bouncing back. But how long the markets will take to recover is a key question and can't be answered yet.



## What does that mean for my investments?

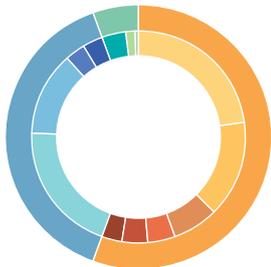
We can't predict the exact spread of an epidemic or what the economic effects will be. Even so, we can say that past outbreaks have affected the markets, but they have recovered. It's tough to predict when to get out of and back in the market, so it's best to remain focused on your investment goals and seek advice if you're concerned about locking in any losses.



## Diversification

In our view, the most important factor during a market sell-off is to ensure you are well diversified. You can achieve this by investing globally and holding a broad range of assets that behave differently from one another. This may help minimise the effects of a sell-off and reduce the risks you are exposed to.

## Diversification across asset classes



### ● EQUITIES

- UK
- North America
- Asia Pacific but not Japan
- Europe
- Japan
- Global emerging markets

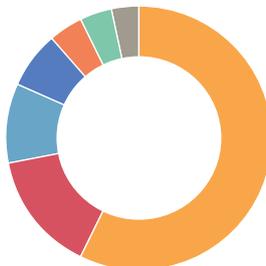
### ● BONDS

- UK corporate
- UK gilts
- Global government
- Global

### ● OTHER

- Alternatives
- Property
- Cash - money markets

## Diversification across geographic regions



- UK
- US
- Global
- Asia Pacific but not Japan
- Europe
- Japan
- Emerging markets

## Diversification across investment managers



Architax funds are diversified across leading investment managers. Each slice of the pie represents a manager.

## A well-balanced investment portfolio

One of the key benefits of using multi-asset funds that invest in a range of asset classes is the potentially smoother investment journey they should provide. It's not just about the total performance. We consider what level of volatility our funds can tolerate when constructing our diversified multi-asset portfolios.

This is an illustrative example of a balanced multi-asset portfolio.



## How are we managing your money?

Our focus is on keeping things simple, aiming to make the process of choosing an investment as straightforward as possible. We do this through our range of multi-manager funds, which invest in a selection of leading fund managers who specialise in different asset classes and countries.

Diversifying in this way means investors could potentially benefit from the experience of some of the best fund managers, but in one investment solution.

We believe extensive research is key to helping us pick the best managers around. We have established a large multi-manager, multi-asset team focussed solely on researching funds. This team has worked through many crises over the years and the collaborative team structure ensures that we can harness the combined strength and experience of the whole team.

At a time when geopolitical concerns are on the rise and volatility has returned to markets (volatility measures the size of short-term changes in the value of an investment), protecting portfolios from large market spikes is possibly more important than ever.

This is why our investment team has maintained a cautious outlook for the last 12 months.

1

### Cautious outlook has helped to cushion fallout from market drops so far:

At the end of last year, we increased our allocation to bonds as a hedge against possible risk to stocks. Holding less risky bonds should help to protect multi-asset portfolios from drops in stock markets. Even so, the market is relatively volatile, making it hard to have a clear perspective on it.

2

### Reduced exposure to stocks:

To reflect rising levels of uncertainty from the coronavirus we have reduced our exposure to stocks. And we have moved to hold more stocks that are less likely to drop in price in a crisis.

3

### Moved away from riskier bonds:

We reconsidered which bonds we hold and, in particular, reduced our allocation to the riskier high yield bonds. As a result of these moves, we increased our cash levels.



## What is next for investors?

Stock markets will likely remain turbulent but, for those with a long-term view, the benefits of having a diversified balanced portfolio might help to spread your risk in these turbulent times.

It is going to be difficult to predict what will happen in the short term, but we believe that investors should expect volatility to remain elevated over the coming months.

As such, we continue to adopt the basic principle of diversification across asset classes, currencies, regions and investment managers.

**Past performance is not a guide to future performance. The value of investments can go down as well as up and you may not get back the amount you invested.** Architas Multi-Manager Limited is a company limited by shares and authorised and regulated by the Financial Conduct Authority (Firm Reference Number 477328). It is registered in England: No. 06458717. Registered Office: 5 Old Broad Street, London, EC2N 1AD