



## Commentary – April 2020

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The global equity market enjoyed a staggering rally in April, supported by the swift actions of the Federal Reserve and other global central banks and by Governments in response to the lockdown of the global economy following the intensification of the COVID-19 pandemic.

In a period of extreme volatility in the first four months of the year the Vermeer Global Fund has modestly outperformed the global market, falling by 6.3% compared to the 7.8% fall in the global benchmark. In April the S&P 500 enjoyed its best month since 1987, rebounding from a fall of 34% from its all-time high set on 19th February. The US market has outperformed other markets year to date, falling just less than 10% in US Dollars, whilst in local currency the FTSE 100 is down 21%, the Stoxx 600 is down 17% in Europe and the Japanese Nikkei is 14% lower.

Over the month the top five contributors to return were Microsoft, Varta, Apple, Newmont and Amazon. The top five detractors to performance were Rational, Kyocera, Oxford Instruments, Hindustan Unilever and Linde.

The Fund started a position in Ocado in April. Ocado has positioned itself as the world leader in warehouse automation for the food retail industry and once again, COVID-19 has accelerated the trend to online shopping for basic food stuffs. Ocado partners with leading food retailers such as M&S in the UK, Casino in France, Kroger in the US and Sobey's in Canada and we anticipate that Ocado will sign more deals with leading supermarket operators in Europe over the next 12-18 months. The early trials at Kroger, Sobey's and Casino have been extremely promising, and we expect a meaningful expansion to its activities in these countries. In essence, Ocado is a world leading technology company operating in the food retail industry.

The Fund made the decision to add to pharmaceutical positions during the month. The pharma sector has performed well this year, exhibiting defensive characteristics whilst reporting solid results. This was proven by Roche, who reported excellent first quarter results during the month. Despite the COVID-19 crisis impacting its diagnostics division, the company posted 7% sales growth in the quarter, despite continued negative impact from biosimilars with volume growth outweighing negative pricing. Performance has been led by new drugs, showing the market that its R&D pipeline is delivering on replacing its older blockbuster products.

We have broadly halved our cash position over the month but are somewhat surprised by the scale of the rally that we have seen since the 23rd March low. We recognise that, as has so often been the case in the last 12 years since the Great Recession, it is very hard to "fight the Fed" when they show a willingness to do whatever it takes to stabilise financial markets. This is precisely what has happened in response to the financial dislocation that has followed the COVID-19 crisis in a so far successful effort to stabilise asset prices. We believe that should markets fall back towards recent lows, the US authorities stand ready to take the unprecedented step of buying equities in addition to the steps that have already been taken to support the corporate bond market that have been so effective in stabilising financial markets in recent weeks. Following the strong rally, we anticipate a pause as investors await the success or failure of government policies around the world to exit the lockdown and begin the process of returning to a more normal set of economic conditions.

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