Monthly Strategy Review | March 2021

MFP strategies form the basis for long-term wealth generation

During this period in 2020, markets were wrecked by the ensuing uncertainty facing economies and companies globally. 21st Century economics evolved substantially on the back of lessons learned from crisis in the last century. The principle basis for this novel economic policy was underpinned by decisive and extensive fiscal and monetary packages that had the aim to ensure a quick and healthier roadmap to recovery. Indeed, as markets understood that governments will "fill" gaps in productivity through various schemes to protect key economic pillars (e.g. Furlough scheme to protect against unemployment), markets recovered sensationally from the lows experienced in March 2020. This provides key behavioural clues to MFP investors, in that, no matter the degree of distress in markets, there is always a solution given that markets tend to adapt to new challenges and focus on opportunities. This should equip investors for any unforeseen risks like this pandemic, by ensuring that they stick to their investment portfolio designed to meet their long-term objectives.

Post-pandemic cycle remains in focus to bring Q1 2021 to an end

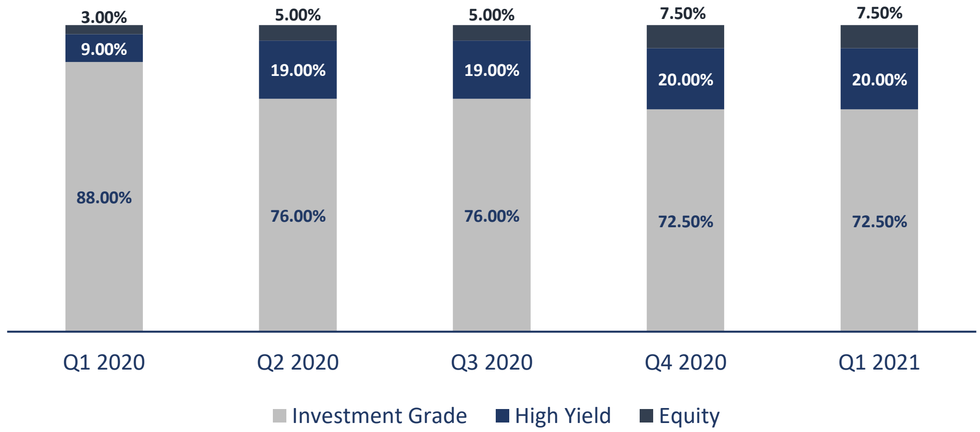
European equities outperformed US peers for the month of March as investors shifted their focus firmly on the re-opening trade. In a sense, there is an inconsistency in this thesis, given that the US continues to outstrip European countries in vaccinating its citizens (ratio is 2.5:1 in favour of the US). All indications show that the US will manage to reopen quicker. However, this implicit expectation has been baked in markets for quite some time. On the other hand, the reopening of European borders presents a greater value prospect given the periodic neglect for European companies by investors over the last year. As an asset class, equities provided the greatest contribution to performance when compared to High yield fixed income. This compliments the overall strategy for MFPs given the higher conviction in equities for the first quarter.

The headline story for the month hovered around the vaccine rollout in various regions across the globe. Countries that lead the board are Israel and the UK. The former quickly drafted a collaboration agreement with Pfizer, in which Israel committed to provide data in order for Pfizer/BioNTech to measure and analyse epidemiological data arising from the vaccine rollout and to determine whether herd immunity is achieved after reaching a certain percentage of vaccination coverage in the country. Essentially, Israel managed to secure a sufficient supply of vaccines by giving key vaccine data in return to Pfizer company. Similarly, the UK acted quickly to ensure a supply of vaccines from AstraZeneca/Oxford University given the political intervention to secure a binding agreement with the company that is headquartered in London. The AstraZeneca jab had its fair share of controversy during the month as European countries politicised the vaccine over unsubstantiated evidence which continued to derail European efforts. Indeed, the President of the European Commission, Ursula Von Der Leyen apologised for the weak response in securing vaccine deals. Intuitevely, large scale nations like the United States make for greater complexity to administer the vaccine to its people. However, the Biden administration managed to capitalise on the good that was done and managed to effectively rollout a vaccine target of 200 million vaccinations for the first 100 days of Biden's presidency.

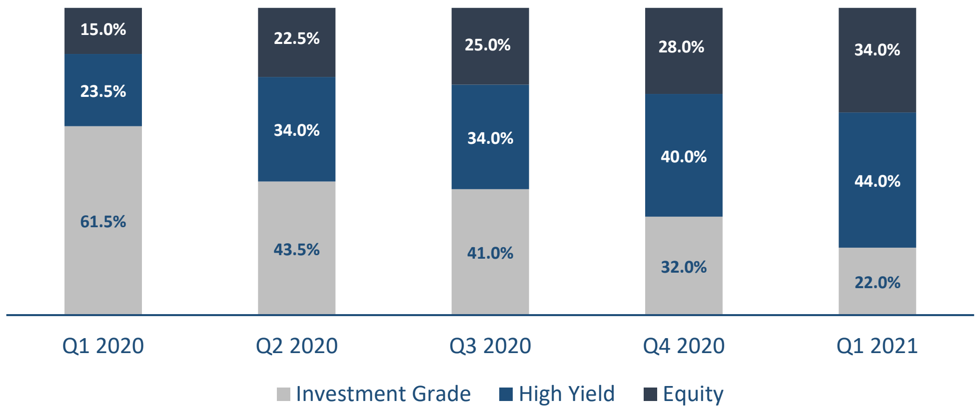
In the fixed income space, long dated sovereign paper continued to suffer losses in Europe as High yield outperformed convincingly during the period. Specifically, lower graded high yield debt continued to tighten significantly. This comes on the back of a long-standing supportive financial environment by the European Central Bank that aims to keep interest rates low in order to boost the ailing Euro Area region. The key question for investors needs to focus on the sustainability of this stance given its ineffectiveness to address key structural issues burdening the European region over the last decade. This continues to back the decision to reduce significantly investment grade exposure in favour of lower grade debt.

Asset allocation changes over recent quarters for each MFP strategy

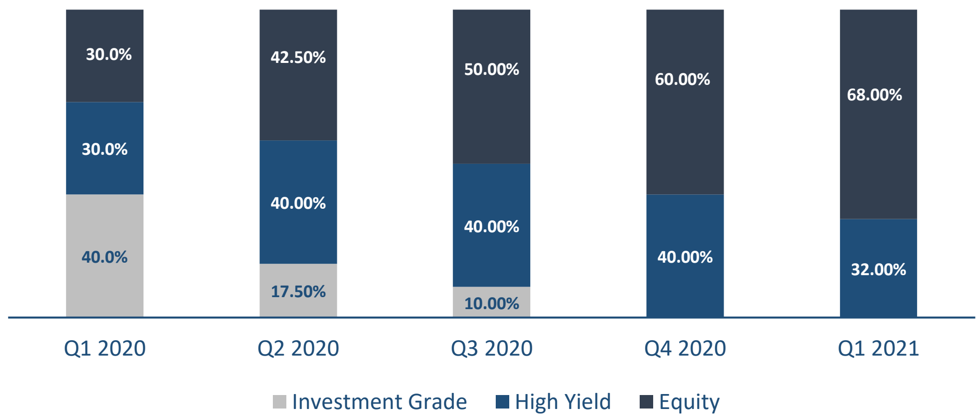
MFP Conservative Strategy



MFP Balanced Strategy

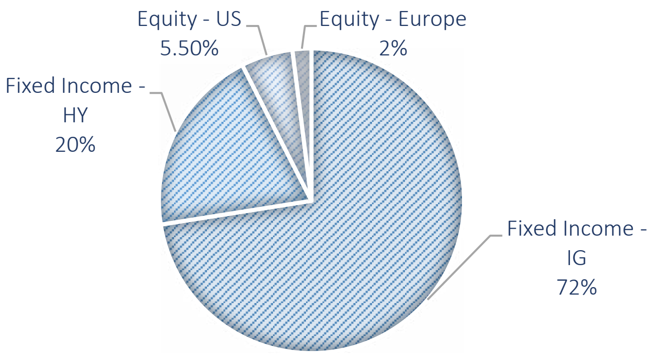


MFP Growth Strategy



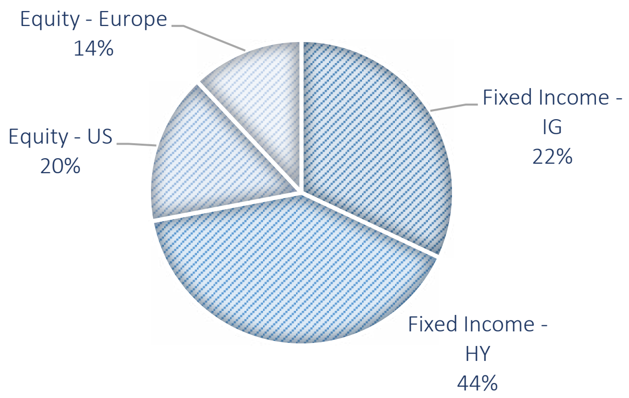
Strategy Snapshot

Asset Allocation | Conservative Strategy



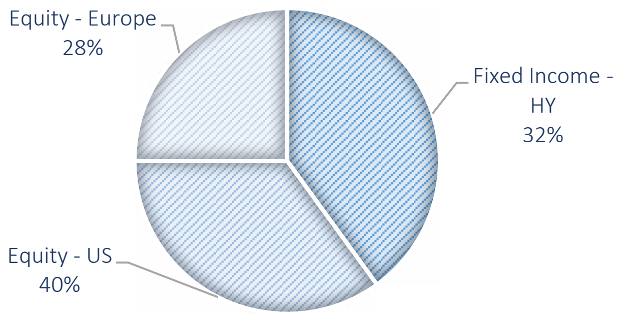
Current Distribution Yield: 1.49%*
Fixed Income Duration: 5.37*

Asset Allocation | Balanced Strategy



Current Distribution Yield: 2.28%*
Fixed Income Duration: 4.02*

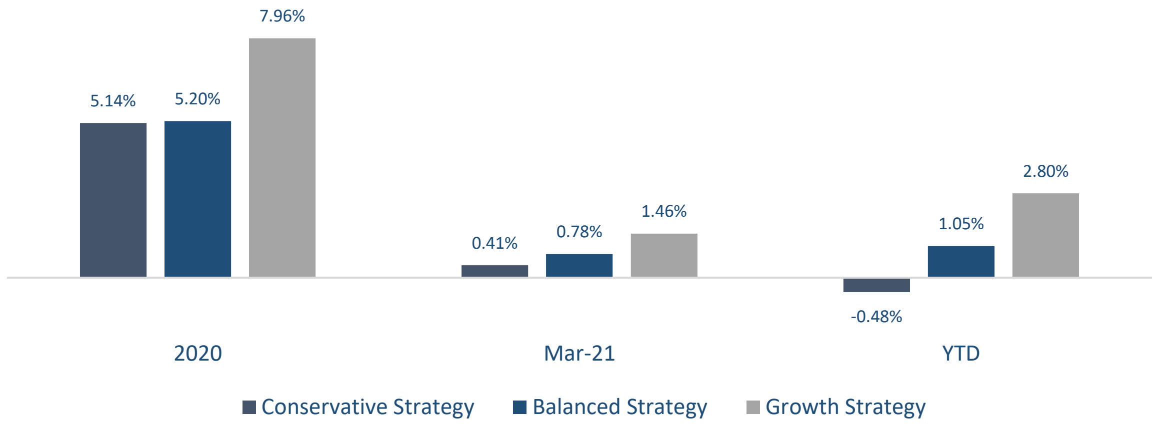
Asset Allocation | Growth Strategy



Fixed Income Duration: 2.77*

** All figures quoted are as at 31st March 2021*

Performance Snapshot



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