

Alison Norbury on Global



(IA) Global: Over three years

	3yr % chg	Rank	Vol monthly	Fund size (£m)	Morningstar rating™
Top 5					
Harris Associates US Equity Fd	60.96	1		222.87	
Baillie Gifford American	45.68	2	6.03	2,392.47	★★★★★
Brown Advisory US Equity Growth	40.81	3	3.74	842.28	★★★★
UBS US Growth	38.54	4	4.65	260.98	★★★★
MS INVF US Growth	36.17	5	5.38	1,699.57	★★★★★
Bottom 5					
VT De Lisle America	-18.34	131	4.23	24.08	★★★
Legg Mason IF CB US Eq	-18.40	132	4.26	20.78	★
Fidelity American Special Sits	-19.63	133	3.57	546.49	★★★
BNY Mellon US Equity Income	-21.27	134	3.95	208.41	★★★
Vanguard US Fundamental Val Inv	-34.21	135	4.32	13.78	★★
SECTOR AVERAGE	48.88		3.50	432.91	

Performances calculated bid to bid, net income re-invested, GBP to 16/03/20. Source: © 2020 Morningstar.

The international spread of Covid-19 has spooked markets into some of their worst days since 1987.

The good news is that the extensive measures deployed in China, Korea and Singapore to contain the virus appear to have been effective, with the number of new cases continuing to fall.

The bad news is the extraordinary scale of these measures has already had a significant impact globally, on both supply and demand. As the international spread accelerates and such measures are being introduced in more and more countries across the globe, markets have become substantially more negative on the economic outlook.

The extent of the quarantine measures that have been introduced in many places have simply not been seen in most of our lifetimes. As such, it is impossible to predict the full impact of this outbreak.

Having arguably been priced for perfection, there was limited room in market valuations for disappointments, which helps to explain the speed at which prices have fallen in recent weeks. In addition, the market appears to have limited confidence in the monetary policy tools available to stimulate the economy. Significant central bank action has failed to stem the declines.

More positively, we believe that the outbreak is unlikely to negatively affect the long-term growth drivers of many of the companies in which we are invested. In fact, some of these drivers may actually be accelerated as a result of the virus, the growth in internet shopping, demand for life

Bull Points

Long-term growth drivers of many companies will be unaffected by virus
Market volatility may throw up the opportunity for value investors to pick up some bargains

Bear Points

Global economic impact of coronavirus may need to be substantial in order to get virus spread under control

Markets appear to have limited confidence in monetary policy to stimulate the economy

insurance and businesses shifting to the cloud being such examples.

Companies such as Alibaba, Microsoft and AIA could all benefit over the long term. While some sectors have become virtually un-investable as events play out, market volatility should also give the opportunity for value investors to pick up some bargains, which have been hard to come by in recent years. During periods of economic stress, good stockpicking becomes even more important. Certainly, there will be companies that do not survive this period. We will be focusing on quality companies, with defensible moats, strong cash generation and solid balance sheets.

Alison Norbury is a global equity analyst at Credo