



A year in review

For most of us, 2020 has truly been an annus horribilis. Devastation for many, disruption for all. Our lives put on hold for almost a year, whilst governments and the healthcare industry scrambled to contain COVID-19 and invent a vaccine. No government seemed to have the secret ingredient for pandemic prevention, but through unprecedented collaboration between pharma businesses, universities and supranational organisations, by mid-November three vaccines were being prepared for distribution.

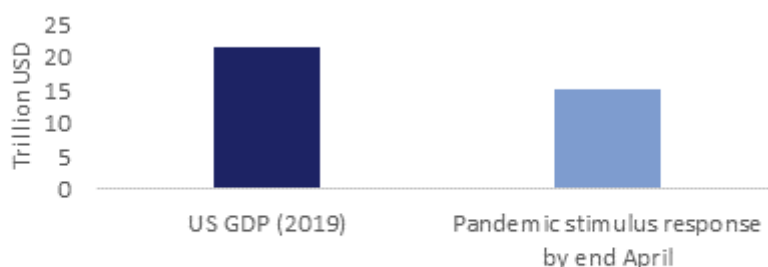
At a glance

- Sustainable trends continue to gather momentum
- Record numbers of governments and businesses make climate and social commitments
- There is a structural shift in attitudes away from 'old world' businesses and towards those that will help the world navigate the challenges we face

The Corona Crash

As markets started to fall in late February, no investor knew what the rest of the year would have in store. What was almost immediately apparent however, was that businesses with exposure to an online customer base would thrive, and that central banks and governments would need to effectively finance entire economies, to ensure the others could make it through.

Global pandemic stimulus response by end of April



Source: World Bank, Reuters

The market reaction

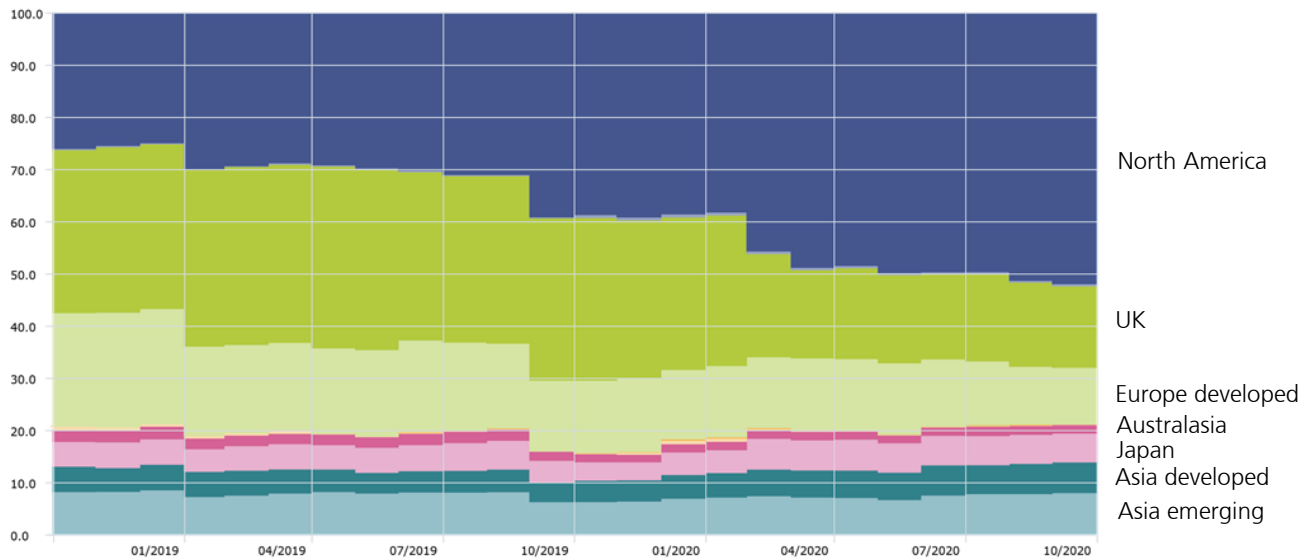
Markets, as we know, are forward looking. Comforted by the enormous levels of monetary support, from early April, stock indices started rallying strongly. From the start of April to end of December, the MSCI Emerging Markets index went up an astonishing 44.35%, and the S&P 500 +39.5%. This rally in equity markets has benefitted the performance of LGT Vestra Sustainable Portfolios. The flagship medium risk sustainable portfolio, which is currently invested in approximately 60% equities, returned 27.1% from April to December.

Going into the market crash of February and March, our lower risk sustainable portfolios had higher weightings of cash (circa 10%) which provided ballast during a period of extreme volatility. As markets started to recover, we gradually started to deploy the cash in both the bond and equity markets. Initially, we increased exposure to corporate debt following announcement by the Federal Reserve that it would be buying not just sovereign debt as part of its programme, but also investment grade debt.

Deal or no deal?

As the pandemic took hold here in the UK, Brexit negotiations seemed to be put on the backburner. UK equities, when compared to overseas peers, underperformed. We believe that the long term prospects for British businesses even now that we have a Brexit deal look uncertain. Our Sustainable Portfolios have a lower exposure to the UK region as we find there are fewer sustainable investment opportunities in comparison to the US, Europe and Asia. This underweight to UK equities benefited the portfolios both during Q4 and over the course of 2020 as a whole.

Geographic equity exposure in medium risk sustainable portfolio November 2018 – November 2020



Source: Morningstar

The green recovery

Over the course of the final quarter of the year, there was increasing evidence that governments would be looking specifically to build post-pandemic economies back better, and greener. This theme is one we have written about a number of times, that of the green recovery. Whilst during Q3, Europe allocated 30% of the region's COVID recovery package to green infrastructure spending, in Q4, the UK also committed to investment in green jobs and transition to a low carbon economy through policies such as the 10-point plan. As Biden started pulling ahead of Trump in the recent election polls, investors started to bet on the positive prospects of US exposed renewable energy stocks such as solar panel manufacturers. Over the course of the year, we have actively increased exposure to this green transition theme. We do not believe this theme to be a short-term investment trend, especially as we expect governments to continue increasing their spend in this space, which will benefit those corporates involved in aiding the transition to a lower-carbon global economy.

The year ahead

Climate related risks, and their impact on us all are becoming more apparent. Governments are realising that they need to continue investing in ensuring we move to a greener economy. This transition (to a greener economy) will change the way policymakers, companies, and investors have historically been operating. We believe that as we collectively work towards a more 'sustainable' world, our role as active fund managers in seeking the corporate winners and losers is paramount. The changing nature of the political and regulatory environment around sustainability means that we will be required to 'manoeuvre' the LGT Vestra Sustainable Portfolios, taking into account new areas and risks such as carbon taxes, change in corporate reporting, ESG related policies, etc. These factors can potentially have far reaching implications on underlying asset values.

We look forward to next year and beyond with much excitement (and hope). Vaccine distribution looks like a viable a solution to the current pandemic, which will bring with it renewed consumer and investor confidence. We believe the current focus on de-carbonising economies will continue and the investment in this space will be sustained. Whilst 2020 has been an extraordinary year - one that has been very tough for the majority of us, it can be said it has brought with it a new perspective and focus on the long-term sustainability of our planet, and its people. We believe this will lead more of us to want to invest in companies that are focused on not just profit, but purpose and progress.

Important information

LGT Vestra LLP, LGT Vestra US Limited and LGT Vestra (Jersey) Limited are affiliated financial services companies (each individually an "Affiliate") together known as "LGT Vestra".

This document is a marketing communication which is provided for informational purposes only and is intended for confidential use by the recipient. It is not to be reproduced, copied or made available to others. This is not an investment research report as defined by the Financial Conduct Authority and has not been prepared in accordance with legal requirements designed to promote the independence of investment research. The information presented herein is insufficient for making an informed investment decision. This document is considered to be a general market commentary and does not constitute advice or a personal recommendation or take into account the particular investment objectives, financial situations or needs of individual clients.

This document is not intended and should not be construed as an offer, solicitation or recommendation to buy or sell any investments. You are recommended to seek advice concerning suitability of any investment from your investment adviser. Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested. The information and opinions expressed herein are based on current public information we believe to be reliable; but we do not represent that they are accurate or complete, and they should not be relied upon as such. Any information herein is given in good faith, but is subject to change without notice. No liability is accepted whatsoever by LGT Vestra or its employees and associated companies for any direct or consequential loss arising from this document. This document is not for distribution outside the European Economic Area.

LGT Vestra LLP is a Limited Liability Partnership registered in England & Wales, registered number OC 329392. Registered Office: 14 Cornhill, London EC3V 3NR. LGT Vestra LLP is Authorised and Regulated by the Financial Conduct Authority and is a member of the London Stock Exchange. LGT Vestra US Ltd is a registered Company in England & Wales, registered number 06455240. Registered Office: 14 Cornhill, London EC3V 3NR. LGT Vestra US Ltd is Authorised and Regulated by the Financial Conduct Authority and is a Registered Investment Adviser with the Securities and Exchange Commission. LGT Vestra (Jersey) Limited is incorporated under the laws of Jersey, registered number 102243. Registered office: Charles Bisson House, 30-32 New Street, St Helier, Jersey, JE2 3TE. LGT Vestra (Jersey) Limited is regulated by the Jersey Financial Services Commission in the conduct of investment business under the Financial Services (Jersey) Law 1998, as amended.

The market views herein are drawn from the minutes of the LGT Vestra LLP Investment Committee which meets on a monthly basis.