



ROSSIER, MARI & ASSOCIATES LTD
Investment Consultants

Investment Report 30 June 2020

The markets started in a good mood beginning 2020. The world economy was progressing well, and the markets performed accordingly. The Corona virus interrupted this climate and within just a few days the indices dropped by an average of approximately 30%. Half the world turned the activity switch to "off" and many businesses closed down. The most affected sectors were tourism, airlines and the automotive industry, as well as construction and engineering. Borders were closed and trade came to a standstill. People were trapped at home for weeks. Most companies ordered home work. Public life stopped.

Astonishingly, stock market indices recovered fairly quickly although facing a recession worse than in 1929. However, the recovery is deceptive. The sectors that have benefited most from the crisis are technology and pharmaceutical stocks. Financial, energy and tourism stocks have been slow in recovering.

How is the market going to perform in the near future? This question is difficult to answer at this stage. The markets are positive, but the performance will depend a number of factors such as -

- Depending on the country second quarter growth will be dramatic; however, this has already been discounted by the markets. We expect a consolidation and a gradual decline in unemployment in Q3 and Q4. With a Corona vaccine available on the market the economy should be back into full swing.
- There are fears of a second wave of the pandemic. We are not so pessimistic because the authorities and healthcare professionals are now more knowledgeable about the virus and, consequently, are better prepared to fight against it.
- For us, the biggest uncertainty is the presidential election in the US. At the moment the Democrats' chances look good but if Joe Biden should be elected we would anticipate quite a correction on the stock market. Despite

the unpredictability of Trumps' decisions, he does have an eye on the performance of the stock market.

- Further potential uncertainties relate to the trade war with China, tensions with Iran and relationship within the European Union. During the Covid-19 pandemic the solidarity between the different countries has been suffering. The first priority of every country has been to look after itself. This mentality could have unforeseeable consequences in the medium term.
- Another problem will be reducing the massive debts that every country has built up to support its economy. This problem cannot be solved only with tax increases. The magic word is growth; but will this be enough?

We will get clear answers over the next few months. We remain confident about our performance.

30 June 2020
Georges Mari