Schroders atlas

Report from Schroders on the Atlas Master Trust investment funds

Please note that these are unaudited figures illustrating current market conditions, caused principally by the Coronavirus (COVID-19) pandemic. We'll be updating this periodically.

Update 31 August 2020

Portfolio comments

Investors' risk appetite increased in August amid hopes for a Covid-19 vaccine, signs of continued economic recovery and ongoing policy support measures. Equities were broadly higher and government bond yields rose (prices fell).

In terms of portfolio changes, the key change was adding a new core global equity position to the portfolios through the Schroder ISF Global Sustainable Growth Fund. Due to this funds quality and growth bias it should nicely complement the other core equity position held - the Schroder Sustainable Multi-Factor Equity fund.

We added an overweight emerging markets (EM) vs developed markets position. EM equities stand out on valuation grounds and for their high growth prospects which have yet to be fully appreciated or priced by the market. We added to our overweight Nasdaq vs S&P 500 position as we believe that the growth and quality story will continue to perform in this environment.

We also reduced our UK government bonds (gilts) exposure to ensure we weren't taking on too much duration risk (risk from changes in interest rates) in the portfolios. As we prefer to take this through our overweight credit position. Within currencies, the overweight US dollar vs Australian dollar trade was closed after a period of underperformance.

Outlook

The probability of a second wave of the virus remains elevated, but there is evidence to suggest that mortality rates are likely to be lower as hospitals are now better prepared compared to March. In a similar vein, national lockdowns are also less likely, as better tracing allows for more localised lockdowns. Against this backdrop, growth will be listless and policy will remain stimulative but, relative to the depths of the first half of 2020, we are likely to see some sequential improvement in economic data consistent with our expectations of a U-shaped recovery. This is confirmed by our cyclical models which, for now, are in the recession phase, but point to a shift into recovery as we move into the Autumn. As we believe that the upside to bonds is limited and they're potentially less effective as a hedge, we continue to look to currencies to manage our risk.

	Atlas 1 / benchmark	Atlas 2 / benchmark	Atlas 3 / benchmark
Month to date	3.6% / 3.7%	2.2% / 2.5%	0.9% / 1.4%
Year to date	1.8% / 4.1%	3.2% / 4.5%	3.9% / 4.7%