LimmatWealth

MEMO

Financial Market Update

Developed Markets	2020 YTD	Since Feb 20th	Maximum Drawdown
Switzerland	-7.9%	-12.8%	-26.3%
Germany	-19.8%	-22.9%	-38.8%
Eurozone	-22.9%	-25.3%	-38.3%
United Kingdom	-23.7%	-22.4%	-33.0%
United States	-10.8%	-15.1%	-33.9%
Japan	-15.9%	-15.0%	-29.3%

Emerging Markets	2020 YTD	Since Feb 20th	Maximum Drawdown
Asia ex Japan	-13.5%	-13.1%	-27.2%
China	-6.6%	-4.6%	-10.6%

Source: Limmat Wealth, Bloomberg as of April 17, 2020

The spread of COVID-19 and its economic consequences have led to worldwide turmoil since the end of February.

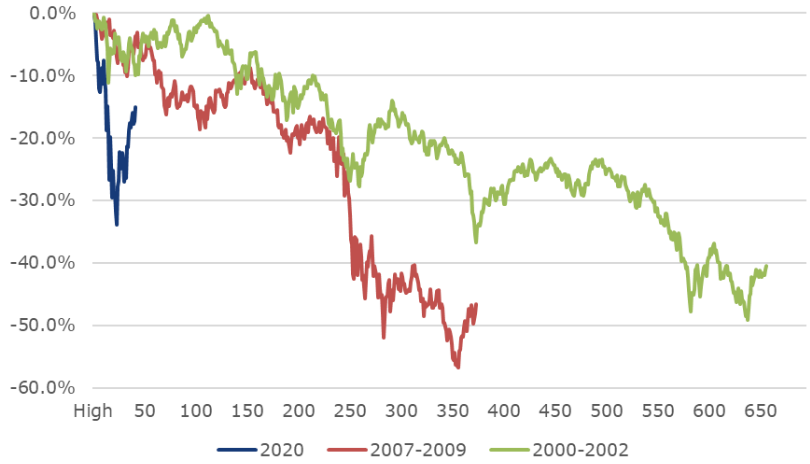
Financial news worldwide continues to be dominated by the COVID-19 pandemic and the oil price. In various countries in Europe measures to contain the pandemic have been loosened recently or will be in the coming days and weeks. Many shops are allowed to open and the economy should slowly start up again. Despite this supposedly good news, hopes of normal business operations may be premature. From personnel bottlenecks to disrupted logistics and supply chain issues to financial bottlenecks, there are still hurdles for a new start in the economy.

By taking a closer look at this year's correction in equity markets, one will immediately notice the short duration and high intensity compared to major past corrections. The S&P 500 Index lost 33.9% within 23 trading days and has risen by 28.5% in 18 trading days since the low of this correction (March 23).

Period	Maximum Drawdown	Duration	Rebound from Low*
2020	-33.9%	23 trading days	28.5%
2007 - 2009	-56.8%	355 trading days	23.3%
2000 - 2002	-49.1%	637 trading days	16.9%

* 18 trading days after the low

Limmat Wealth AG Gartenstrasse 32 Postfach 1882 CH-8027 Zürich
T +41 44 208 24 50 F +41 44 208 24 51 info@limmatwealth.com www.limmatwealth.com



Source: Limmat Wealth, Bloomberg

As you can see from the table and the graph above, the last two major corrections of the S&P 500 Index lasted significantly longer and did not recover as quickly afterwards.

We see three reasons for this rapid correction in the markets: the uncertainty of the actual impact of COVID-19, the lack of liquidity in the markets, and the widespread use of ETFs by investors. We have already written about the uncertain impact of the pandemic, and we will thus briefly address the other two points here.

- The lack of liquidity is the result of regulatory changes in the aftermath of the 2008/2009 financial crisis. These regulations have made trading activities less attractive for banks and proprietary trading has been completely banned. That is why in many cases the natural buyer of securities is now missing, especially in stressful situations. This lack of liquidity is even more pronounced in bond markets than in equity markets.

- ETFs have become increasingly popular with investors in recent years. Through ETFs, investors can easily invest or divest in/from an index of their choice. If many investors invest in ETFs, this can also be a problem. Exchanges live from the fact that there are buyers and sellers, market participants with positive and negative opinions. ETFs, on the other hand, act agnostically: they have no opinion and buy the members of an index when money is flowing in and sell when investors withdraw money. This magnifies current market trends, especially when equity markets are going down.

There are currently about 2.4 million COVID-19 cases and 165’000 fatalities worldwide. Almost 625’000 patients have recovered so far. Reported cases are still increasing rapidly in the United States and now add up to almost a third of the total reported cases worldwide (760’000).

We maintain our long-term asset allocation and have taken the first step to bring the allocation back up to target levels. Portfolios should be set up for the post-crisis period today. It makes sense to focus on securities of companies whose business is not suffering as badly from the crisis or which recover quickly after the crisis has ended.

At Limmat Wealth our focus will be on keeping our service to clients fully functioning, and then seeking to grasp any new investment opportunities which are unearthed by the turmoil whilst ensuring that our colleagues, families, friends, and anyone else we can reach receives any help they need and that we can provide.

Please do not hesitate to contact us if you have any questions.

April 20, 2020
Limmat Wealth Ltd