APPENDIX 4

JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background 2019-20

Given the outbreak of COVID-19 and the huge fall in equity markets in late February and March 2020 it is easy to forget that for most of the year 1 April 2019 to 31 March 2020 global stocks increased in value and the world economy continued to experience positive, if modest, economic growth. During April to December 2019 markets were clearly influenced by pessimism and ultimately optimism regarding US-China trade relations, and accommodative major central bank policy. April to December 2019 saw global equities advance with the MSCI World Index up 11% and the United States S&P 500 up 14%.

April to December 2019 saw uncertainly in the United States-China trade relationship. 2019, however, ended positively – on 12-13 December both sides announced significant progress on a "Phase 1" deal. The US S&P 500 index reached a (then) new closing high of 3,169 on 13 December.

April to December saw strong consumer confidence in the United States and low unemployment in the major economies of the United States, the Eurozone and the United Kingdom. US unemployment was 3.5% in December 2019 a fifty-year low and Eurozone unemployment was 7.3% its lowest since the financial crisis of 2008. There were however also concerning economic indicators.

US inflation continued to be clearly below the Federal Reserve's 2% target. Eurozone and Japanese inflation remained well below the targets of their central banks. Economic growth showed signs of weakness. US annualised growth fell to below 2.5% compared with around 3% for the April to December 2018 period. Chinese growth at around 6% (annualised) was the lowest since 1990.

April to December 2019 saw the US Federal Reserve and the European Central Bank clearly move towards looser more supportive (of both financial markets and the economy) monetary policy. This was in clear contrast to 2018 when both had tightened their monetary policy approach with the Federal Reserve increasing interest rates three times in the period June to December 2018.

In July, September and October 2019 the US Federal Reserve reduced the target range for the federal funds rate by 0.25%. At the press conference following the October meeting Chair Jay Powell stated *"Today we decided to lower the interest rate for the third time this year…. weakness in global growth and trade developments have weighed on the economy and pose ongoing risks. These factors, in conjunction with muted inflation pressures, have led us to lower our assessment of the appropriate level of the federal funds rate…"*

The European Central Bank (ECB) also acted to support financial markets and the Eurozone economy. In June the ECB extended to at least the first half of 2020 the existing ultra-low interest rate policy. In September the ECB further loosened monetary policy including reducing the deposit interest rate by 0.1% to minus 0.5% and reintroducing quantitative easing which was restarted on 1 November at the rate of asset purchases of 20 billion Euros per month. The Bank of Japan continued its huge monetary stimulus programme which commenced in 2013.

The resolution of some of the trade tensions between the United States and China in late 2019 and the further loosening of monetary policy by the US Federal Reserve and ECB in the second half of 2019 had led to a general view that global stocks would continue their long upward trend through 2020. Indeed, on 19 February 2020 the US S&P 500 Index reached a new record closing high of 3,386 almost 5% above the 31 December 2019 closing figure of 3,231.

On 24 February 2020, however, equities across the globe began to rapidly fall following the decision of Italy to quarantine 10 towns in response to COVID-19 (Coronavirus). Concerns regarding COVID-19 then rapidly and hugely affected US equity markets and other major markets. By the end of Friday 28 February, the S&P 500 had fallen approximately 13% from its 19 February all-time high. On 28 February Federal Reserve Chair Jay Powell stated that *"… the coronavirus poses evolving risks to economic activity. The Federal Reserve is closely monitoring developments... We will use our tools and act as appropriate to support the economy."* The actions subsequently taken by, and led by the US Federal Reserve during March 2020 were unprecedented even in comparison to those following the 2008 financial crisis.

The governments of a number of leading world economies - the UK, Canada, France and Italy announced major fiscal initiatives to support their economies and citizens and also, by extension, financial markets on or before 20 March 2020. Measures included income subsidies for laid off workers, tax deferrals and state loans or guarantees for companies The German Parliament and US Congress also agreed unprecedented fiscal support packages in the last week of March. While these measures were crucial to mitigating the adverse impact of COVID-19 on economies and financial markets it was the extraordinary interventions of the US Federal Reserve which, surely, prevented a financial market meltdown in March 2020.

At an emergency meeting on 3 March 2020, the US Federal Reserve, reduced the target range for federal funds rate (its main interest rate) by ½%, to the range 1 to 1 ¼%. COVID-19 equity related market chaos continued however and was compounded by reaction to an oil price plunge on 9 March arising from Russian and Saudi Arabian action which resulted in a trading break in New York, the first time this measure had been used.

Then in an unscheduled (Sunday) meeting on 15 March the US Federal Reserve intervened on an unprecedented scale. The federal funds rate was reduced by a full 1% to the range 0% to ¼% and an asset purchase programme announced of *"at least"* $500bn of Treasury bonds and *"at least"* $200bn of mortgaged backed securities to *"support the smooth functioning of markets…."* To further support the flow of credit to businesses and households the US Federal Reserve also announced measures to ease requirements upon and to support banks and other savings institutions. To directly support not only the US markets and economy but other major developed markets and economies the Federal Reserve also announced, on 15 March 2020, *"co-ordinated action"* with a number of other central banks to lower the cost of borrowing dollars internationally.

The ECB acted decisively on 18 March announcing a 750 billion Euro Pandemic Emergency Purchase Programme (PEPP) covering government and corporate debt to *"…counter the serious risks to the… outlook for the euro area posed by the outbreak and escalating diffusion of the coronavirus, COVID-19."* The Bank of England acted decisively reducing Bank Rate by from 0.75% to 0.25% on 10 March and then on 19 March to an all-time low of 0.10% together with the introduction of a £200 billion purchase programme of bonds. On 10 March, it also introduced measures to facilitate further lending to businesses by UK banks.

Turmoil however continued when markets reopened on Monday March 16. The S&P 500 fell by 12% only to rise by 6% on 17 March and then to fall by 5% on 18 March. On 16 March in the context of the clearly rapid spread of COVID-19 in Europe, closures and severe disruption to businesses not only in Europe but the US coupled with an admission by President Trump that the Coronavirus crisis could last till *"August, could be July, could be longer…"* US markets fell 12%. 18 March was a day of panic in world markets with the FTSE All World equity index falling almost 7%, government bond prices falling, oil prices again plummeting, sterling falling to its lowest level against the dollar since the 1980s. The S&P index closed on Friday 20 March at 2,305 which was 15% lower than at the close on Friday 13 March with liquidity shocks exacerbating the declines in equities.

Then on 23 March, the US Federal Reserve intervened in an unprecedented manner. First it extended its purchases of Treasury Bonds and mortgage backed securities from $700billion to *"the amounts needed to support smooth market functioning and effective transmission of monetary policy…"* This meant that to help facilitate the supply of credit to households and businesses the US Federal Reserve was prepared to buy unlimited amounts of government securities. Secondly, in an extraordinary break with previous precedent the Federal Reserve announced initiatives to purchase both new issue and secondary market corporate debt. This meant that in effect the Federal Reserve was prepared to directly support employers and act as a backstop in the corporate bond market.

In the days following this extraordinary intervention by the Federal Reserve of 23 March 2020, financial markets began to recover with the S&P 500 closing at

2,585 on 31 March a full 12% higher than on 20 March. Admittedly, after much argument Congress finally passed a huge $2.2 trillion fiscal stimulus on 27 March to assist US business and families. However, there can be no doubt that during March 2020 the US Federal Reserve acted decisively and in an unprecedented manner to avoid a financial market meltdown while the US Congress argued over what measures to take.

In summary, over the January to March 2020 Quarter global equity prices fell heavily with the MSCI World Index down 21% (in $ terms). European and UK equities were especially badly affected with the MSCI EMU Index down 25% (in Euro terms) and the FTSE All Share down 25% (in £ terms). The S&P 500 lost 20% as did the Nikkei 225.

Though the effects of COVID-19 were only really felt by the world economy and financial markets from late February onwards GDP data for the first Quarter 2020 demonstrates the immediate and devastating economic effects. The "Third" estimate from the US Bureau of Economic Analysis, issued on 25 June 2020, indicated that US *"gross domestic product (GDP) decreased at an annual rate of 5.0 percent in the first quarter of 2020…"* In the previous three Quarters an annualised rate of approximately plus 2% was achieved. Eurozone GDP was down 3.6% in the first Quarter of 2020, compared to the previous Quarter, according to a Eurostat data release of 20 July 2020. *Eurostat stated "These were the sharpest declines observed since time series started in 1995"* In each of the previous three Quarters Eurozone GDP increased by plus 0.1%-0.3%.

In conclusion the period April to December 2019 was positive for both equity markets and the world economy. However the effects of COVID-19 in late February and March 2020 resulted in a market crisis which would almost certainly have resulted in a financial market meltdown had it not been for the unprecedented actions of the US Federal Reserve supported by other major central banks and the fiscal policy initiatives announced by the governments of a number of leading world economies.

However, despite unprecedented monetary and fiscal stimulus by central banks and governments world equity markets were down over 20% for the January to March 2020 Quarter and the impact of COVID-19 on the world economy looked extremely serious. Overall, for the year 1 April 2019 to 31 March 2020 world equity markets measured by the MSCI World Index were down over 10%.

John Raisin
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