

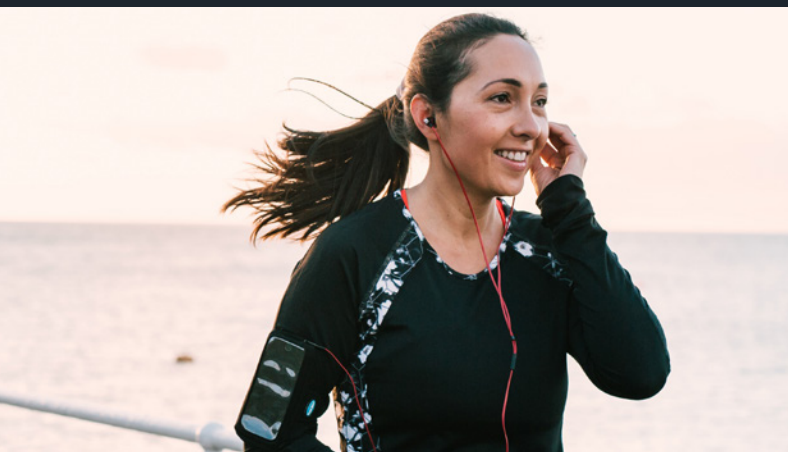
A month in the markets



Private
Banking

By John Mullins

February 2020



John Mullins

Portfolio Manager,
Santander Asset
Management UK Ltd.

Month of January

Market Review

Markets saw a challenging start to the New Year as January brought a series of unexpected geopolitical events, forcing investors to rethink the bullish narrative that had dominated sentiment over the last few months. The first shock to risk sentiment came in early January when, following an increase in Iranian attacks against US forces, American President Donald Trump ordered the assassination of Iranian General Qassim Soleimani in Baghdad. Markets rebounded somewhat as the situation de-escalated but were then thrown off again by the outbreak of the deadly coronavirus in the Chinese city of Wuhan. The virus quickly spread outside of Wuhan and China, leading to severe travel restrictions and business closures. Global stock markets sold off aggressively as investors struggled to process the economic impact of the outbreak.

US

In the US, political news dominated as the impeachment trial of American President Donald Trump and the Democratic primaries added to concerns around the coronavirus outbreak. US Treasury yields moved sharply lower over the month as investors anticipated reduced growth and inflation while shares delivered a flat return despite sharp losses towards the end of the month.

Europe

In Europe, the UK left the European Union as planned on 31 January. The exit came with little noticeable change on the ground as the UK entered a period of transition which is due to last for the remainder of 2020. In Italy, populists failed to make ground in important regional elections which caused Italian assets to outperform in the month. Core European government bonds benefited from the global flight to safety brought on by investor anxiety around the coronavirus outbreak as shares posted a negative return for the month.

Asia

Market movements in Asia were dominated by the coronavirus outbreak which originated in Wuhan and was exacerbated by increased travel around the Chinese New Year. Asian shares underperformed other markets despite better economic data as investors priced in the impact of the virus on growth prospects for 2020.

PLEASE REMEMBER THAT ALL INVESTMENTS CARRY VARYING DEGREES OF RISK TO YOUR MONEY. THE VALUE OF INVESTMENTS AND ANY INCOME FROM THEM CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN THE FULL AMOUNT YOU INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS.

A month in the markets



Private
Banking

By John Mullins

February 2020

Portfolio Management

In January, we reduced risk by decreasing our exposure to shares and raising cash levels, to protect the portfolios in an environment of heightened uncertainty. Within shares, we reduced our allocation to US and European stocks.

Outlook

Despite having ended 2019 with a constructive view on risk assets, the uncertainty around the broader economic impact of the coronavirus outbreak has caused us to be more cautious in the short-term. Given the strong performance in 2019, stock markets are vulnerable to a short-term pullback and uncertainty around growth in the world's second-largest economy leads us to adopt a more 'wait and see' approach to stock market risk for the time being.

Given that we are in quite a mature phase of the economic cycle and assets are not cheap, we are aware of the increased likelihood of short-term price moves. Therefore, we will look to tactically reduce risk levels on our portfolios if indicators suggest further periods of heightened volatility are imminent. We also see some potential for return in pockets of the broader stock market and continue to find short-term opportunities across shares, bonds and currencies. Indeed, big movements in asset prices provide plenty of opportunities for dynamic asset allocation at the more granular sector, region, and thematic level. That being said, it is our view that markets are in the latter stage of the cycle and finding the balance between return generation and downside protection will be the key to success for the rest of 2020.

Note: The Portfolio Investments and Atlas Portfolios are Multi-asset, globally diversified portfolios. Although the portfolios may share similar underlying investments in terms of asset and fund selection, they will differ in terms of the way the funds are managed and the proposition in which they are held. Please refer to the Key Investor Information Document (KIID) for details on the objectives of the individual funds. If you have any questions relating to specific differences of the Portfolio Investments or Atlas Portfolios fund ranges, please contact your Private Banker.

The views expressed in this document are of John Mullins and the Multi Asset Solutions Team at Santander Asset Management UK Limited, are subject to change and do not necessarily reflect the views of Santander Asset Management UK Limited or Santander UK plc (as a whole or any part thereof).

Santander UK plc. Registered Office: 2 Triton Square, Regent's Place, London, NW1 3AN, United Kingdom. Registered Number 2294747. Registered in England and Wales. www.santander.co.uk. Telephone 0800 389 7000. Calls may be recorded or monitored. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Our Financial Services Register number is 106054. Santander and the flame logo are registered trademarks.