

# THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 15<sup>th</sup> May 2020



## MACRO

- A slight easing of lockdown measures announced by UK Prime Minister, Boris Johnson, and an announcement by Rishi Sunak to extend the furlough scheme
- Saudi Arabia trebled its VAT rate to 15% as part of austerity measures to cope with the falling oil price
- UK GDP shrunk by a 5.8% in March – the largest monthly drop since comparable records begun in 1997
- US jobless claims show 36million Americans out of work, suggesting that nearly 40% of low-earning households have experienced job losses

## STATISTIC OF THE WEEK

James Anderson, manager of the highly successful **Scottish Mortgage Investment Trust**, pointed out that the market capitalisations of **Amazon** and **Alphabet**, now outweigh the entire universe of UK-listed companies

## COMPANY NEWS

- US orthopedics company, **Zimmer Biomet**, released slightly disappointing quarterly earnings at the start of the week and noted that it saw a 60% decline in revenue in the last two weeks in March with April revenues declining 70% year on year. But management stated that business performance was strong before the virus hit and that the company had ample liquidity and financial flexibility
- **Vodafone** saw slightly better than expected numbers. They re-affirmed their dividend (although they had cut it six months ago). Interestingly, we saw tentative signs of an improvement in their service revenue
- **Prudential** provided a business update on Thursday which reinforced the market's view that the US business, Jackson, is acting as an overhang on the group's long-term potential and that a minority IPO could be imminent

- Specialist UK engineer, **Spirax-Sarco**, issued reassuring numbers showing their defensive qualities but the shares still trade on around 40x

## SMALL-CAP NEWS

Unlike a number of the larger companies who have raised money to repair their balance sheets, a number of the smaller companies we follow, namely **Keywords Studios** and **BooHoo Group**, have done so for M&A action. These two operate in the computer gaming and fast fashion areas of the market and have updated investors recently with better than expected results and positive outlooks. We look forward to seeing the targets they identify and the multiples that they will pay.

## FUNDS

A Japanese fund manager who seeks out income producing stocks told us this week that Japan is still a fertile hunting ground for dividends. Starting from a much lower base, with payout ratios in the 30% region, Japanese companies have a lot more scope than many western companies to maintain or even grow their dividends.

## THIS WEEK IN HISTORY

**1911: Standard Oil**, which at its peak in 1904 controlled 91% of oil production in the US, was ordered by the Supreme Court to be broken up following a five-year anti-trust lawsuit.

**1997:** Talking of large, dominant US companies, this was the week in 1997 that **Amazon** floated its shares on the US stock market at \$18 per share. 23 years on they finish the week at \$2,409 per share.

**Vermeer Partners**

130 Jermyn Street, London, SW1Y 4UR

T +44 (0)20 7123 5200

E [info@vermeerllp.com](mailto:info@vermeerllp.com)

# THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 15<sup>th</sup> May 2020



## LOCKDOWN LOWDOWN

We at Vermeer send a socially distanced pat on the back to the clever ladies and gentlemen at the All England Lawn Tennis Club, who had the foresight post the 2003 SARS outbreak to take out pandemic insurance for the Wimbledon Tennis Tournament. An annual premium of around £1.5m has netted a pay-out estimated to be in the region of £114m.

## MARKET DATA

**% returns**                      **1 Week**    **1 Month**    **1 Year**    **5 Years**

UK Equities (% return GBP)	-2.20	3.82	-18.24	-0.60
World Equities (% return GBP)	0.10	5.81	2.83	59.33
10 Year US Treasury Yield	0.64	0.63	2.37	2.14
GBP / USD (fx rate)	1.21	1.25	1.28	1.57

as at 15<sup>th</sup> May 2020. Source: Financial Express

This publication has been produced by Vermeer Investment Management Limited (VIM) trading as Vermeer Partners. It is provided for information purposes only. VIM makes no express or implied warranties and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this publication. VIM will not treat unauthorised recipients of this publication as its clients. Prices shown are indicative and VIM is not offering to buy or sell or soliciting offers to buy or sell any financial instrument.

Without limiting any of the foregoing and to the extent permitted by law, in no event shall VIM, nor any of its officers, directors, partners, or employees, have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this publication or its contents.

Other than disclosures relating to VIM, the information contained in this publication has been obtained from sources that VIM believes to be reliable, but VIM does not represent or warrant that it is accurate or complete. VIM is not responsible for, and makes no warranties whatsoever as to, the content of any third-party website referred to herein or accessed via a hyperlink in this publication and such information is not incorporated by reference.

The views in this publication are those of the author(s) and are subject to change. VIM has no obligation to update its opinions or the information in this publication. This publication does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the client who receives it. Any securities discussed herein may not be suitable for all investors. VIM recommends that investors independently evaluate each issuer, security or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This material has been issued and approved for distribution in the UK and European Economic Area by VIM.

©2019 Vermeer Investment Management Limited. All rights reserved. No part of this publication may be reproduced or redistributed in any manner without the prior written permission of VIM.

VIM is authorised and regulated by the Financial Conduct Authority (FRN: 710280) and is incorporated in England and Wales (company number: 09081916).

**Vermeer Partners**

130 Jermyn Street, London, SW1Y 4UR

**T** +44 (0)20 7123 5200

**E** info@vermeerllp.com