

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 12th March 2021



MACRO

- In the UK, data showed that exports to the EU fell 40.7% in January after the Brexit transition period ended while imports dropped 28.8%, the largest declines since 1997
- In the US, bond yields continued to rise with the 10-year hitting 1.64% its highest level since February last year
- Meanwhile the ECB promised to “significantly” boost the pace of bond purchases in order to attempt to keep bond yields in Europe low

COMPANY NEWS

- **IWG** the former Regus Group and now the world’s largest flexible office company signed up its biggest customer to date, Japanese telecom group, Nippon, to provide access to its global network of offices for its 300,000 employees
- **Apple** cut its expected iPhone output linked to the iPhone12 Mini as a result of demand not meeting expectations. Analysts forecast 1H iPhone output of around 75m units, down from 90.1m last quarter
- **Phoenix Group** reported full year results with net profit of £834m and cash generation of £1.7bn, above the company’s target

FUNDS

Another volatile week for growth stocks as investors continued to position for easing of lockdowns and a return to economic growth. This has resulted in a difficult period for **Baillie Gifford’s** stable of funds with **Scottish Mortgage Investment Trust (SMT)** falling to a 17% discount to NAV at one point this week. SMT has around 50 unquoted investments totalling 16% of the portfolio. While a prolonged period of higher yields and rotation into recovery would undoubtedly see a mark down in the valuation of their unquoteds, the extreme discount appears unwarranted.

SMALL-CAP NEWS

Kistos, the cash shell listed at the end of last year by Andrew Austin of Rockrose plc fame, announced that it is to acquire Tulip Oil Netherlands BV which owns an operating interest in

the Q10-A offshore gas field and interests in other fields in the Dutch North Sea for an upfront consideration of €220m. "We are very excited to be beginning the next phase of Kistos' journey with the acquisition of these profitable and cash generative assets, which have probably the lowest carbon footprint of any production assets in the North Sea."

THIS WEEK IN HISTORY

2009: March 9th: the Dow Jones closes at 6,547.05 marking the bottom of the great financial crisis.

2020: March 9th: US stock markets plummet and circuit breakers are tripped for 25 minutes as the coronavirus spreads, and Saudi Arabia and Russia embark on a price war by announcing they will significantly produce over OPEC's previous guidance.

LOCKDOWN LOWDOWN

First we had crypto-currencies, now we have crypto-art. Christies sold a digital artwork by an artist known as Beeple for \$69.3m after bids started at just \$100. Meanwhile NFT's, or nonfungible tokens, have taken off in music, sports and arts. Like digital trading cards, the tokens use networks of computers to prove that a digital item like a video or song is authentic. The electronic musician 3lau, real name Justin Blau, has just made \$11.7m selling NFTs related to one of his previously released albums.

MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	1.83	3.61	30.91	30.53
World Equities (% return GBP)	2.37	-0.55	45.57	101.69
10 Year US Treasury Yield	1.64	1.20	0.94	1.98
GBP / USD (fx rate)	1.39	1.38	1.26	1.44

As at 12th March 2021. Source: Financial Express

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