



The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

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Chairman's Statement

18th March 2020

Coronavirus and Market Update

Two significant factors have precipitated volatility and sharp falls in financial markets in recent weeks. The more significant of these is the growing threat of the coronavirus epidemic, but there has also been a failure by OPEC to manage oil prices at their previous levels resulting in a sharp fall.

There is still considerable uncertainty around the speed, extent and seriousness of the spread of the coronavirus, before we even start to look at the short, medium and long-term economic and market impacts.

However, given the impact we are already seeing, and the reactions of policymakers and markets, our managers expect this to translate into at least a two-quarter slowdown for the global economy. This isn't yet apparent in hard data, but PMI surveys are consistent with this view. The positive news is that we don't think that the policy support announced in the past week is the last we will see.

This crisis clearly has some way to go, but global policy action is already substantial and taking place before the impact of the crisis is even visible in the data of many major economies. This bodes well for an eventual recovery, but this will not be uniform across all business sectors. While pricing in financial markets has adjusted for this new economic outlook, it is too early to say whether or not further volatility will be experienced. For example, central banks are expected to provide liquidity to the banking sector so that companies are not pushed into insolvency which should support equity markets, but this will come at the price of greater debts being created and this additional burden may act as a brake on a future recovery.

The managers of the Growth Fund informed us that the price of the Fund is estimated to have fallen 12.9 % in the first two weeks of March. The Income Fund is expected to be more stable over this period as long term yields have generally been flat or have fallen, and the Deposit Fund will be unaffected in the short term but is likely to provide lower interest returns in future following a cut in the Bank of England's rate from 0.75% to 0.25% on 11 March.

Secretary: Nicola Robertson
Treasurer: Mrs Anne F Macintosh BA CA
Scottish Charity No. SC022884