



COVID-19:

Dealing with the impact

23 April 2020

Webinar

Speakers



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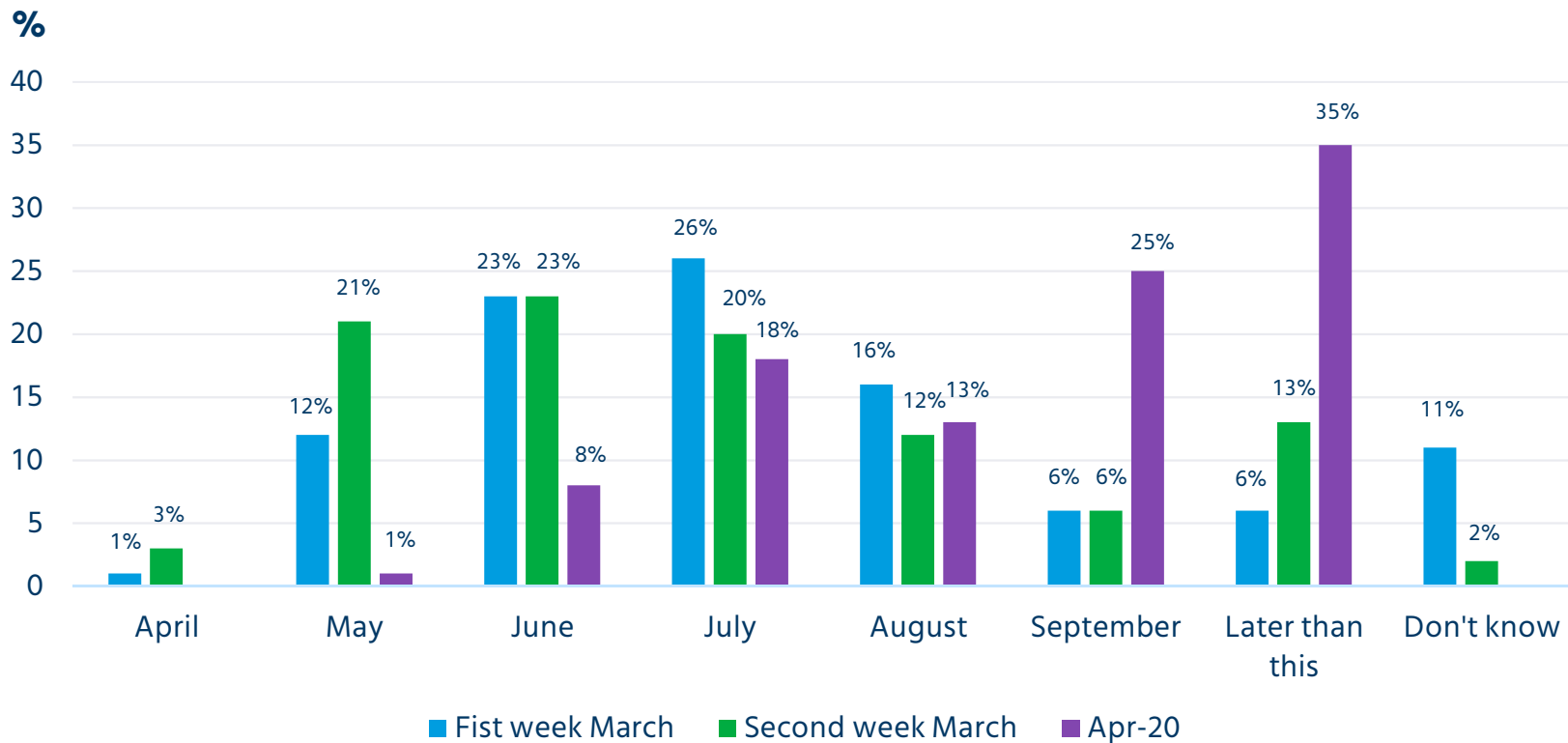
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Oil price (WTI) 1970 21/4/20

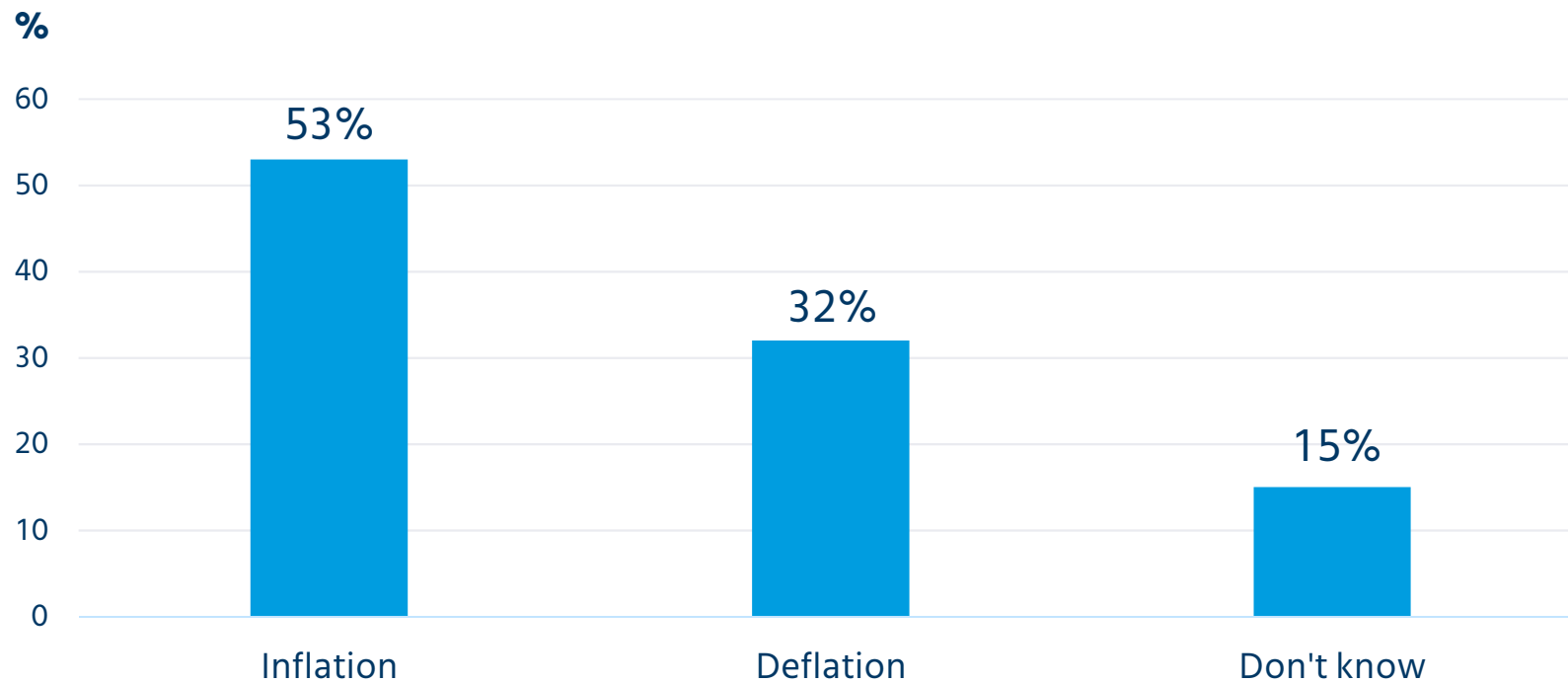
Approximately when do you think the Western World will be mostly be back to normal following the outbreak of the Coronavirus?



Source: April 2020 Survey Results, Deutsche Bank Research, 20 April 2020.

Inflation vs Deflation

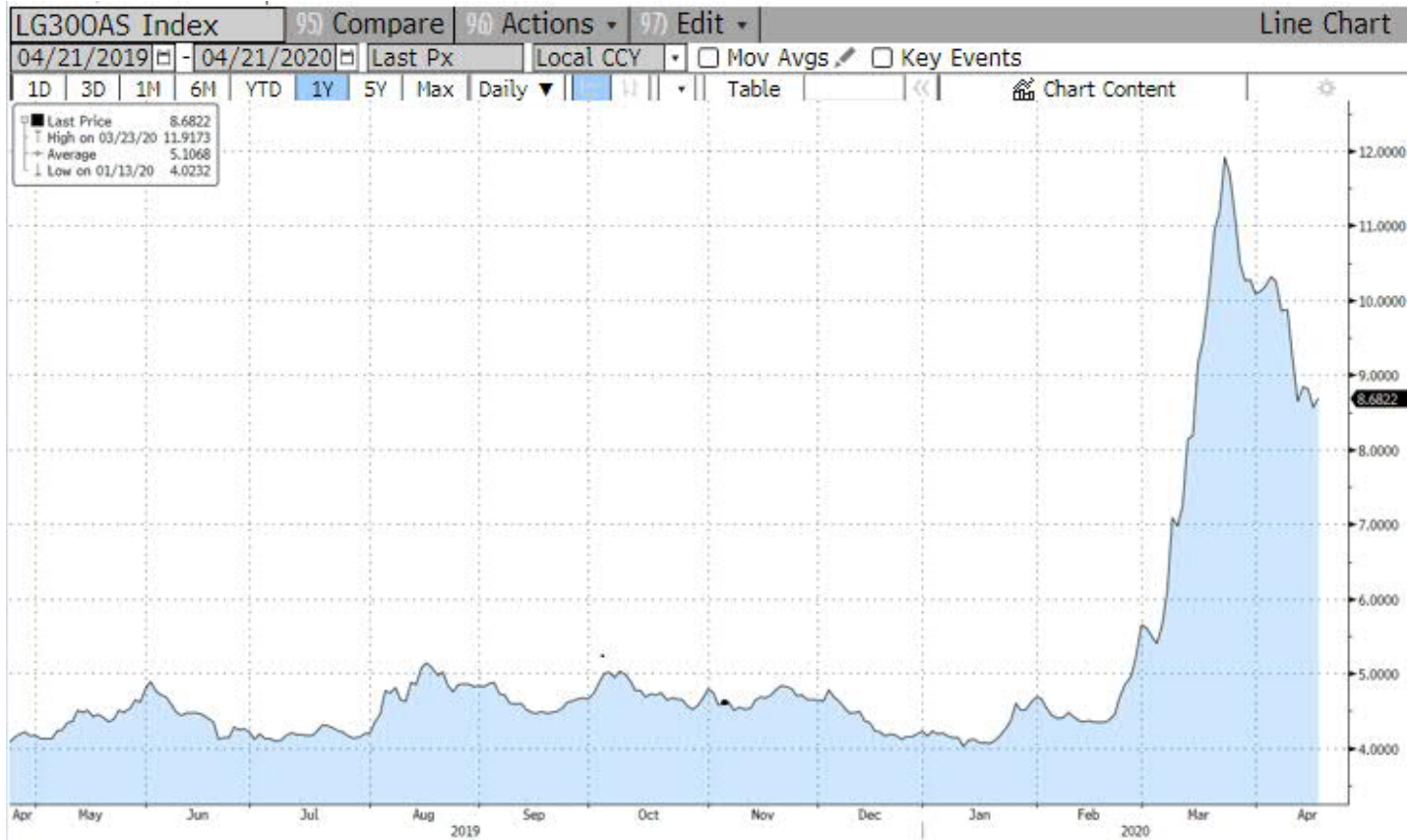
Do you think we are more likely to see inflation or deflation in 1 to 5 years out due to coronavirus?



Source: April 2020 Survey Results, Deutsche Bank Research, 20 April 2020.

High Yield (and investment grade) bonds performing well

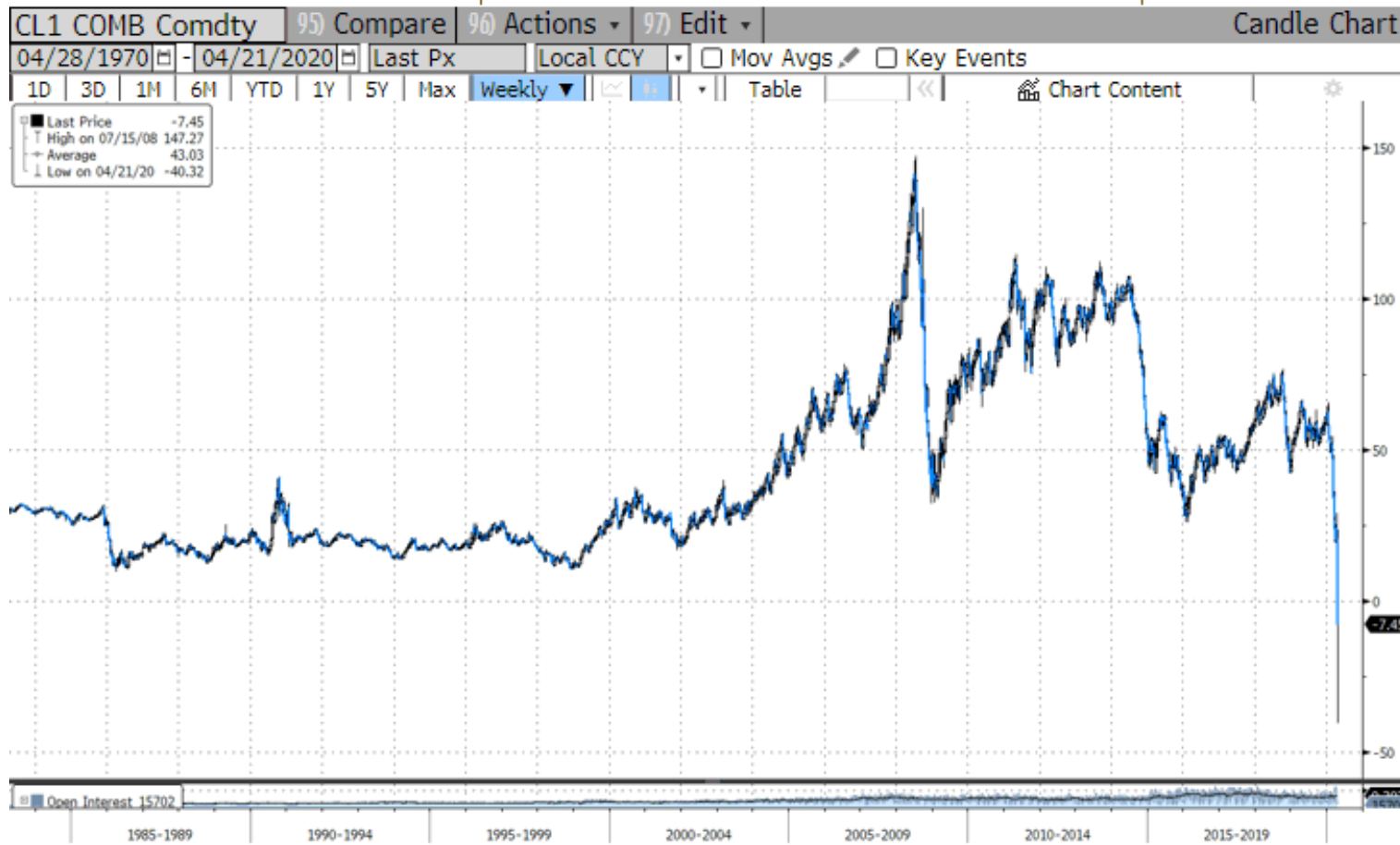
High yield bond spread 21/4/19-21/4/20



Source: Bloomberg, 20 April 2020.

Oil prices falls to NEGATIVE \$40! Strange times

Oil price (WTI) 1970 21/4/20



Source: Bloomberg, 20 April 2020.

What are private market investments?

Private markets encompass a variety of different asset types, all sharing the following two key characteristics:



The assets are not available on publicly traded exchanges or other form of public market



The assets are illiquid in nature – so normally cannot be sold quickly to realise cash

Private Debt

**ATTRACTIVE
RISK- ADJUSTED
RETURNS**

**ACCESS TO A
BROADER POOL
OF COMPANIES**

**DIVERSIFICATION
AWAY FROM EQUITIES**

**STRONG
CASH-YIELD**

**VALUATIONS
NOT MARKED
TO MARKET**

Why Now?

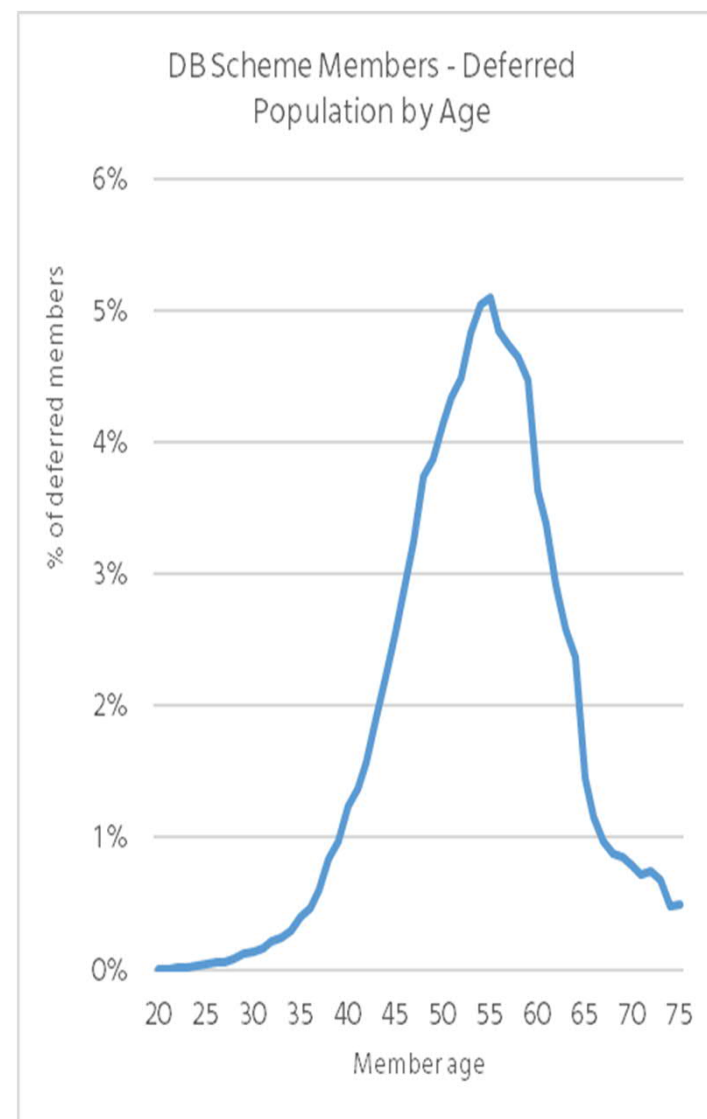
**STRONG
DEMAND
FOR NON-BANK
FINANCING**

**HIGHER
YIELDS
AS CREDIT
SPREADS HAVE
WIDENED**

**GREATER
PROTECTION
THAN EQUITIES PLUS
HISTORICALLY HIGHER
RECOVERY RATES THAN
CORPORATE BONDS**

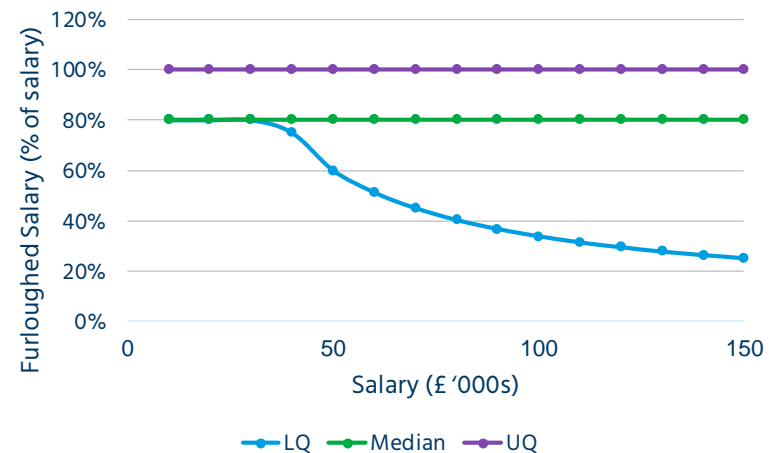
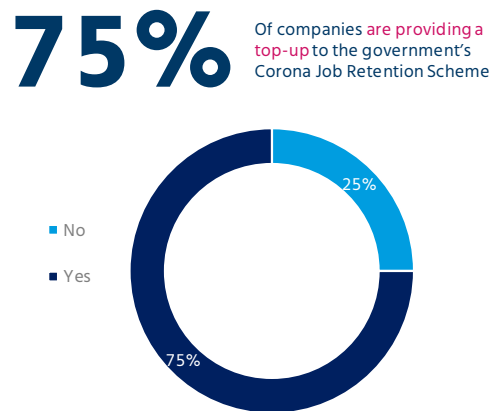
How will pension members react to COVID-19?

- During COVID 19 – requests for quotations dropped by 25%. *But those taking benefits stayed at pre COVID levels.*
- How will member behaviour change through 2020? *Will more people access pension benefits as financial pressures increase?*
- This year over **53% of deferred DB scheme members will be 55 or over** and able to access their benefits straight away.
- Challenges for Trustees:
 - Know your data – how could changes in member behaviour affect your scheme?
 - Cashflow or financial analysis?
 - Investment Strategy/liquidity Issues?
 - Administrative pressures?
 - Communication Strategies?
 - PDS - getting good guidance and avoiding scams?

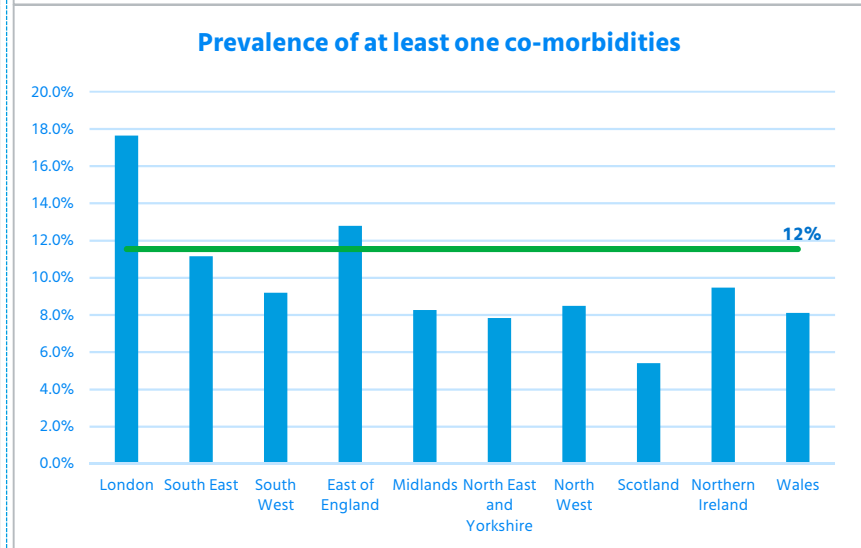
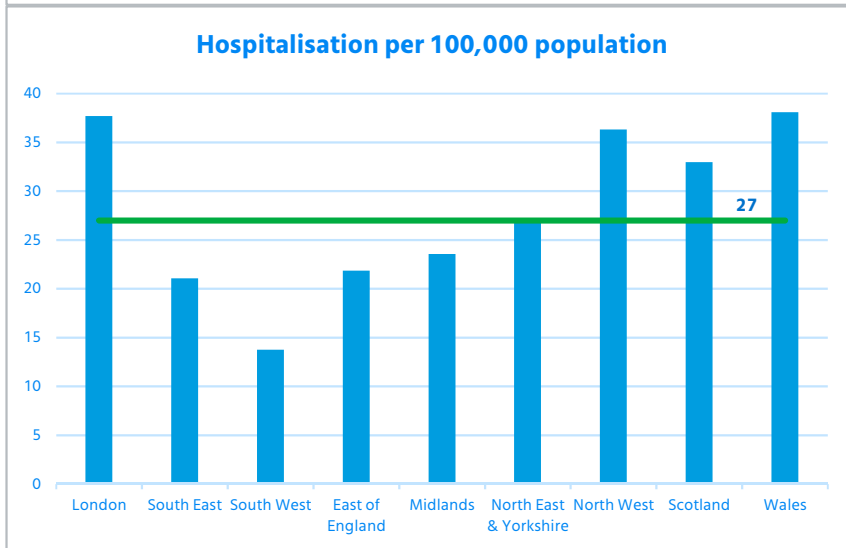
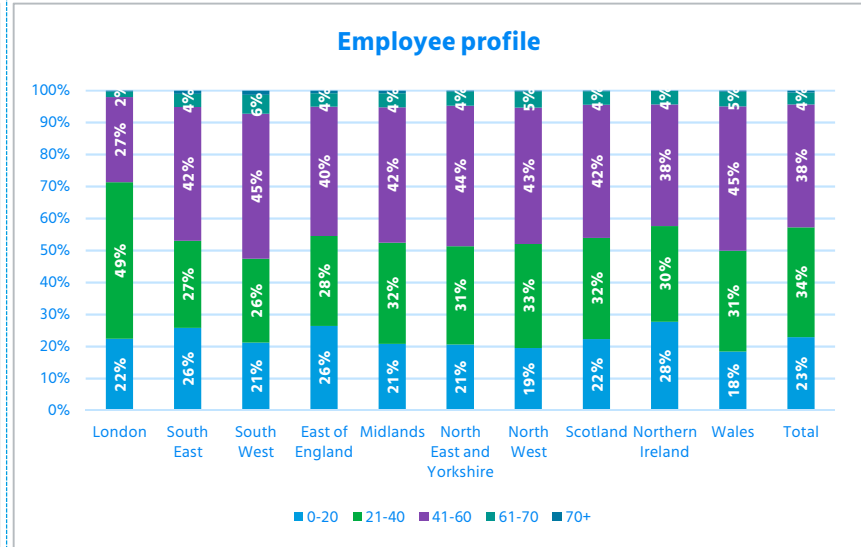
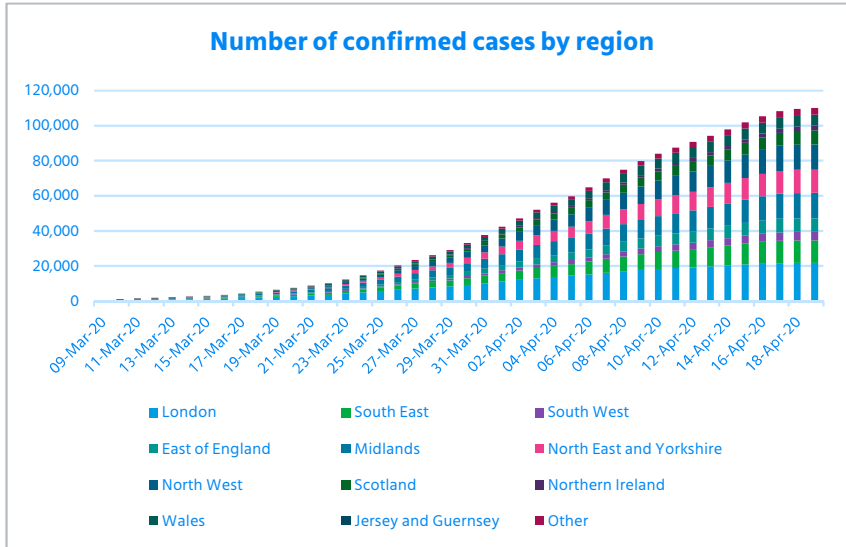


Job Retention Scheme: market perspectives

- “Furloughing” and JRS
- 80% pay (capped at £2,500/month) plus NI plus minimum employer pension contributions.
1 March – 30 June+
- Can’t work..... but still employed
- 20 April: 140,000 applications representing >1 million workers
- This might eventually cost the government more than **£40 billion** and that **8.3 million people** could apply.
- Issues include: reputational backlash, direct or indirect restrictions, turnover risks
- Topping up:



Exploring the health implications of COVID-19



Q&A

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For further information and materials, please visit:

<https://www.uk.mercer.com/our-thinking/dealing-with-the-impact-covid19.html>

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