Coronavirus (COVID-19): impact on Stock Markets – 27 March 2020

What has happened to Stock Markets?

No one could have imagined that after strong market performance in 2019, the first few months of 2020 would have been dominated by COVID-19 spreading from Asia to Europe and the US. It's been a stark reminder that market volatility is never far away.

The worst of the market falls have been in March, as the COVID-19 outbreak spread and Central Banks and Governments were seen as slow to respond. Investor concerns have focused on the impact that the COVID-19 outbreak is having on global supply chains and consumer spending, and ultimately the effect on the global economy. With billions now being injected into the global financial system by Central Banks and Governments, we believe some sense of market stability will emerge before too long.

This, coupled with the latest evidence from China that stringent containment measures appear to work, should represent a significant milestone. However, containment is likely to come at an economic cost. The second quarter of 2020 is likely to see negative global economic growth. But economies will recover, particularly given the monetary and fiscal stimulus central banks and governments are providing. The question now is simply - when?

How have the RBS CIFL Funds done?

Defensive positioning and diversification have helped preserve wealth
Funds have been defensively positioned since the start of the year and we have continued to reduce equity risk and increase cash. Diversification has also shown its worth for multi-asset funds. Positions in bonds have acted as a safeguard against falls in equity markets, while exposure to more defensive equity sectors – such as healthcare – has also helped. However, Funds that are wholly or predominantly invested in equities benefit less from diversification and have suffered more from the down-turn. You should ensure that such an investment is appropriate for your risk profile when taken together with any other assets or investments you may have.

Each Fund has a Benchmark made up of indices for each asset class, which determines the level of risk. In your six-monthly statements we will also show performance against the relevant IA sector to help you to understand how your fund is performing against similar funds. The latest performance to 27 March 2020, for the RBSCIFL Funds is shown below, compared with the performance for its benchmark.

Fund Name	Fund Price (in £)	Year to 27 March 2020	
		Fund Performance	Benchmark Performance
MANAGED DEFENSIVE	0.9644	-8.3%	-4.9%
MANAGED INCOME	0.8521	-18.1%	-14.0%
MANAGED GROWTH ACC	0.8880	-17.4%	-14.4%
MANAGED EQUITY GROWTH	0.8572	-20.6%	-17.9%
UK EQUITY ACC	0.7956	-26.0%	-26.1%
STAKEHOLDER INVESTMENT	1.795	-12.6%	-12.6%
GLOBAL BOND	0.9379	-9.0%	-7.4%

For further context, the table below shows the performance of world equity markets for the year to 27 March as represented by various indices. Performance was worse to 23 March before recovering somewhat following announcements of Central Bank and Government support.

Market	Index Returns (in GBP or £)	Year to end 27 March 2020
UK Equities	MSCI UK	-26.1%
US Equities	MSCI US	-15.2%
Europe ex UK Equities	MSCI Europe ex UK	-16.5%
World Equities	MSCI Global	-18.6%

Where can I find the latest value of my investment?

The latest value of your investment is found by multiplying the number of shares you have in a Fund by the price of that Fund. For example, if you hold 2,000 shares in the Managed Growth Fund and the latest price was £0.9000 then the value would be £1,800

2,000 x £0.9000 = £1,800.00

There are three ways to access the latest share price of your Fund:

1. Fund prices are published daily on the Financial Times' website at https://markets.ft.com/data/funds/uk/.
   Search RBS and select your relevant fund.
2. You can go to the Bank websites as set out in your letter to view the latest fund prices.
3. You can call us on 0345 300 2585 for an up-to-date share price or a valuation of your investment.
   Customers with hearing and speech impairments can contact us by Textphone 18001 0345 300 2585.

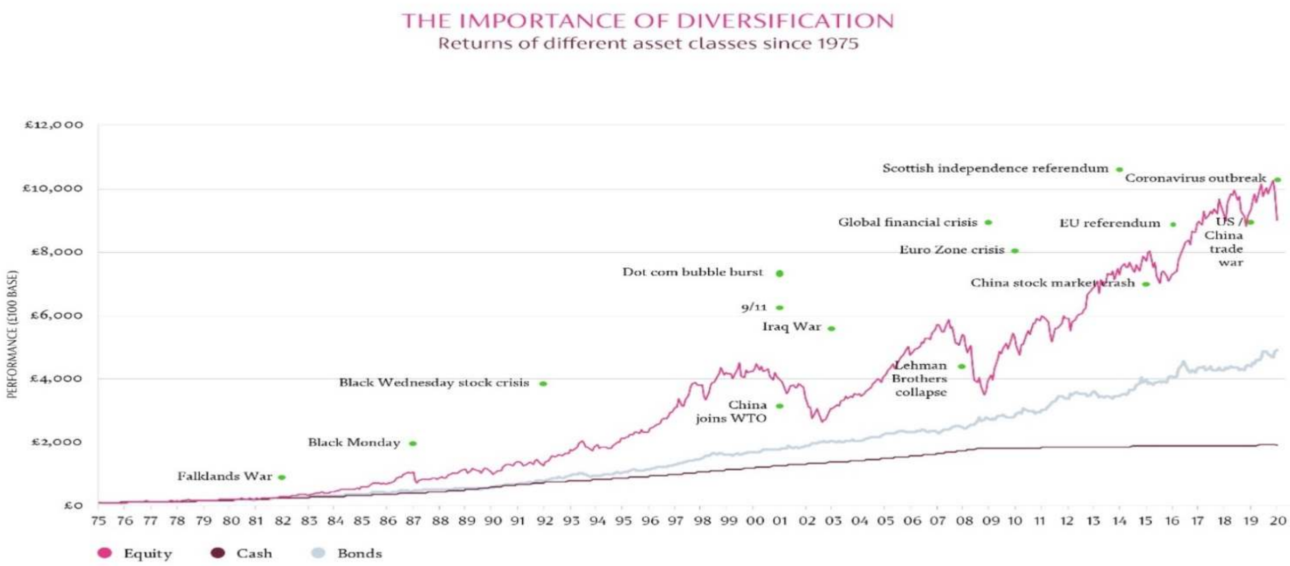
The lesson of previous crises – all things must pass

We're paying close attention to the unfolding events and we are focused on continually assessing new data as it is released on a daily basis, responding with changes to Fund positions as they deem appropriate.

Generally, investing should be for the long term – that's 5 years or more. This is because the value of investments goes up and down, but over a longer period of time there's potential to see growth above inflation. Looking at the longer term, sudden market shocks of this sort don't tend to have an enduring impact on long-term market returns, so making a decision to withdraw your investment based on short-term falls could mean you lose out if the value goes back up.

The chart below shows returns of different asset types mapped against some of the major shocks of the past. While equity markets have peaks and troughs, the long-term trend is for a higher return than cash and – importantly – ahead of inflation, preserving the buying power of your wealth. Although it is uncomfortable at times like this, it's only by staying invested that we can capture potential market returns in the future.

Always remember, however, that past performance is not a guide to future returns. The value of investments can go down as well as up, and you may not get back the amount you invested.



Source: Datastream. MSCI UK £ used for Equity, FTSE Brit Govt All Stocks used for Bonds, UK Sterling 3M deposit used for Cash. Returns include total returns and assume dividends reinvested, Data to 28 February 2020.
Past performance should not be taken as a guide to future performance. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your original investment.