

Welcome to Talking Point, a regular review of the key topics and themes our clients are talking to us about during this period of market turbulence. Talking Point is designed to be a two-way conversation, so please tell us about the issues or opportunities you are currently thinking and talking about within your own business.

## Opinion divided as to whether we have reached the bottom of the market

Last week's rebound in markets came as a welcome relief to clients. However, opinion is still divided as to whether this indicates we have reached the bottom of the market. Views differ amongst our clients with some believing the worst is now over and others believing the recovery is too quick and that what we are really seeing is a "dead cat bounce" with markets set to fall back again.

In terms of market liquidity, clients are telling us that they have seen liquidity improve considerably, particularly in those parts of the market that were worst affected. Also, against a more benign backdrop clients are seeing a narrowing of bid offer spreads where spreads had widened significantly in the preceding weeks.

*Are you aware of any pockets in the market where improvements have not yet fed through?*

## Remote working highlights inefficiencies in what were considered standard processes

Feedback from clients in relation to employees adapting to remote working has overall been very positive. However, whilst the transition for most employees has been somewhat seamless, remote working has ironically highlighted some anomalies in standard operational processes.

A recent example we've been privy to is the processing of subscriptions and redemptions which has traditionally been done by office fax machine. Without access to a fax machine at home, fund managers are looking for alternative ways to process subscriptions and redemptions. Email is one alternative method but questions have been raised about who is liable if redemptions or subscriptions get delayed as a result of email firewalls or because they

were redirected into junk mail folders. If a redemption or subscription is processed late as a result and the investor loses money, who is going to compensate the investor? Administrators generally accept the potential risk for fax orders but may not be willing to do so with email. Is there a better way?

*Let us know if you are aware of other core processes that are falling short in the "remote world" that we now find ourselves working in.*

## Long volatility funds provide welcome returns for some fund managers

Whilst the COVID-19 pandemic has created market conditions that could not have been easily foreseen, some of our clients have successfully insured against the sharp sell-off in markets through their exposure to long volatility funds.

These strategies tend to deliver negative performance during stable market environments but perform strongly when volatility spikes. For example, one of our clients with a long volatility strategy posted returns of more than 50% in February and more than 70% in March. No doubt a welcome outcome for investors where the rest of their portfolio may be struggling.

*Are there any other strategies you would consider adding into your portfolio in the future?*

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We'd love to hear your thoughts about what you're seeing and hearing across the industry and would be delighted to share our own perspectives.

Please contact your Carne Relationship Manager or email us at [TalkingPoint@carnegroup.com](mailto:TalkingPoint@carnegroup.com)