

CASTLESTONE
MANAGEMENT



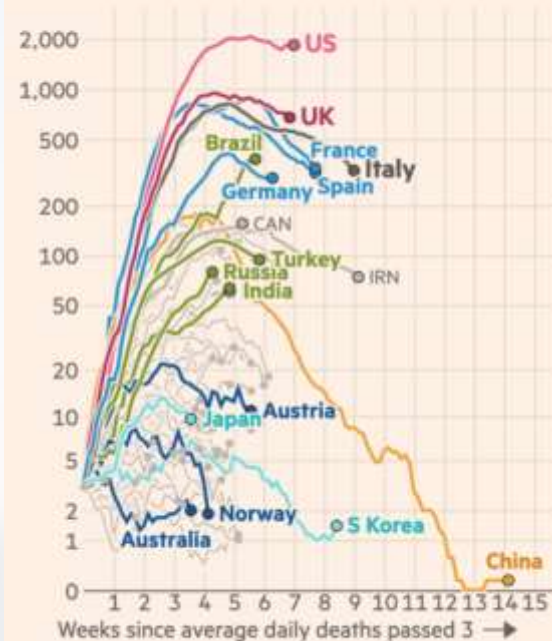
Advisor Bulletin May
05/05/2020

Coronavirus Weekly Numbers

- Many countries have seen a drop in reported cases and deaths
- US has flattened the curve
- Equity markets have reacted to these developments

Daily death tolls are now at their peak or falling in many western countries

Daily deaths (7-day rolling average), by number of weeks since 3 daily deaths first recorded



Source: FT analysis of ECDC; FT research
 Data updated May 02, 21:53 BST
 FT graphic: John Burn-Murdoch / @burnmurdoch
 © FT

Several countries have turned the corner, with numbers of new cases now in decline

Daily confirmed cases (7-day rolling avg.), by number of weeks since 30 daily cases first recorded



Source: FT analysis of ECDC; FT research
 Data updated May 02, 22:01 BST
 FT graphic: John Burn-Murdoch / @burnmurdoch
 © FT

Chronic Health Issues Impact Results

- Pre-existing conditions impact recovery
- No death is acceptable
- The majority of people will recover
- Life will return to a new normal

Nearly All Patients Hospitalized With Covid-19 Had Chronic Health Issues, Study Finds

Only 6 percent of patients at one New York area health system had no chronic conditions. Hypertension, obesity and diabetes were common.

A new study of thousands of hospitalized coronavirus patients in the New York City area, the epicenter of the outbreak in the United States, has found that nearly all of them had at least one major chronic health condition, and most — 88 percent — had at least two.

ETF Inflows are ahead of last year's pace



Sumit Roy

ETF Inflows Top \$100B For 2020

April 17, 2020

Investors continued adding to their ETF holdings this week as stock markets crept higher, recovering from March's plunge. On net, \$16 billion flowed into U.S.-listed ETFs during the week ending Thursday, April 16, including \$5.8 billion into U.S. equity ETFs and \$5.9 billion into U.S. fixed income ETFs.

Year-to-date inflows now stand at \$108.4 billion, ahead of last year's \$75.6 billion pace.

ESG ETF's Assets Jump

Technology Stocks gain the most

\$1.5 Billion Flows Into Tech ETF As Investors Become More Bullish

The most impressive inflows belong to the Invesco QQQ Trust (QQQ). In the last 30 days, it has brought in an impressive \$1.66 billion, but the last 90 days are far more impressive with an inflow of \$9.03 billion. Investors are frothing over the fact the ETF is positive on the year now, despite what some consider a higher risk rating. Over 30% of the ETF is in Microsoft [MSFT](#), Apple [AAPL](#), and Amazon [AMZN](#).

<https://www.forbes.com/sites/qai/2020/05/01/15-billion-flows-into-tech-etf-as-investors-become-more-bullish/#72c4c5b940ab>

One Key Reason Why The S&P 500 Doesn't Fully Reflect The Economic Crisis

Now here's the thing, while I.T. makes up 26% of the S&P 500, energy comprises 3%. Therefore what happens to the tech sector matters more than eight times as much for the S&P 500 than what happens to energy right now. So the market, especially when expressed by benchmarks such as the S&P 500, isn't ignoring the pain, but the weighting structure matters. Yes, energy stocks, in aggregate, have more than halved in 2020, but their weighting in the index isn't large enough to really move the needle all that much. In contrast certain tech firms are actually benefiting economically from certain aspects of the crisis and their stocks have fared better as a result.

Dividend focused ETFs have seen the largest inflows

Most Recent Flows Data

Data available since 01/29/1993

Flows for 04/24/2020 - 04/30/2020

Top 10 Creations (All ETFs)

| Ticker | Fund Name | Net Flows* | Details |
|--------|---|------------|-------------------|
| SDY | SPDR S&P Dividend ETF | 1,520.92 | ➔ |
| HYG | iShares iBoxx USD High Yield Corporate Bond ETF | 1,273.34 | ➔ |
| TLT | iShares 20+ Year Treasury Bond ETF | 1,269.19 | ➔ |
| XLF | Financial Select Sector SPDR Fund | 957.77 | ➔ |
| IWM | iShares Russell 2000 ETF | 877.27 | ➔ |
| GLD | SPDR Gold Trust | 778.14 | ➔ |
| QQQ | Invesco QQQ Trust | 723.83 | ➔ |
| XLP | Consumer Staples Select Sector SPDR Fund | 519.51 | ➔ |
| XLV | Health Care Select Sector SPDR Fund | 493.72 | ➔ |
| VGSH | Vanguard Short-Term Treasury Index ETF | 477.58 | ➔ |

Top 10 Redemptions (All ETFs)

| Ticker | Fund Name | Net Flows* | Details |
|--------|------------------------------------|------------|-------------------|
| SPY | SPDR S&P 500 ETF Trust | -2,970.63 | ➔ |
| VOO | Vanguard S&P 500 ETF | -1,821.79 | ➔ |
| EFA | iShares MSCI EAFE ETF | -1,346.02 | ➔ |
| GOVT | iShares U.S. Treasury Bond ETF | -1,090.15 | ➔ |
| RSP | Invesco S&P 500 Equal Weight ETF | -953.29 | ➔ |
| FLOT | iShares Floating Rate Bond ETF | -728.80 | ➔ |
| XBI | SPDR S&P Biotech ETF | -727.60 | ➔ |
| VWO | Vanguard FTSE Emerging Markets ETF | -581.03 | ➔ |
| IEFA | iShares Core MSCI EAFE ETF | -562.59 | ➔ |
| ACWI | iShares MSCI ACWI ETF | -367.35 | ➔ |

* Net Flows in USD Millions

Warren Buffett says invest in the S&P 500

“In my view, for most people, the best thing to do is owning the S&P 500 index fund,” Buffett said at Berkshire’s annual meeting. “If you bet on America and sustain that position for decades, you’d do far better than buying Treasury securities, or far better than following people ... Perhaps with a bias, I don’t believe anyone knows what the market is going to do tomorrow, next week, next month, next year,” Buffett said.

Earning Outlook for Tech Stocks are positive

Two trillion-dollar companies — Apple Inc. **AAPL, +3.28%** and Amazon.com Inc. **AMZN, +2.53%** — will follow the successes of rivals Alphabet Inc. **GOOG, +8.73%** **GOOGL, +8.89%** and Microsoft Corp. **MSFT, +4.48%** and look to prove that the pandemic will only bolster Big Tech. At the same time, Gilead Sciences Inc. **GILD, +5.68%** will open executives up to questions one day after detailing the results of a study on its antiviral treatment for COVID-19.

The first two days of the traffic-heavy week boosted stocks, but Thursday is the most packed earnings bill so far: 54 members of the S&P 500 **SPX, +2.65%** and four Dow Jones Industrial Average **DJIA, +2.20%** components scheduled to report. Here are the highlights.

S&P 5 vs S&P 500 YTD

- This chart shows you this in living colour. The S&P 5 (Apple AAPL, Amazon AMZN, Alphabet/Google, Facebook and Microsoft MSFT) are all flat or up this year. The S&P 500 index is down 10% through mid-day Thursday.



Government Bond Yields remain at or near zero

Americas 10-Year Government Bond Yields

| COUNTRY | YIELD | 1 DAY | 1 MONTH | 1 YEAR | TIME (EDT) |
|-----------------|-------|-------|---------|--------|------------|
| United States » | 0.60% | -1 | +0 | -193 | 6:20 AM |
| Canada | 0.52% | 0 | -19 | -124 | 5/1/2020 |
| Brazil | -- | -- | -- | -- | -- |
| Mexico | 6.54% | 0 | -71 | -152 | 4/30/2020 |

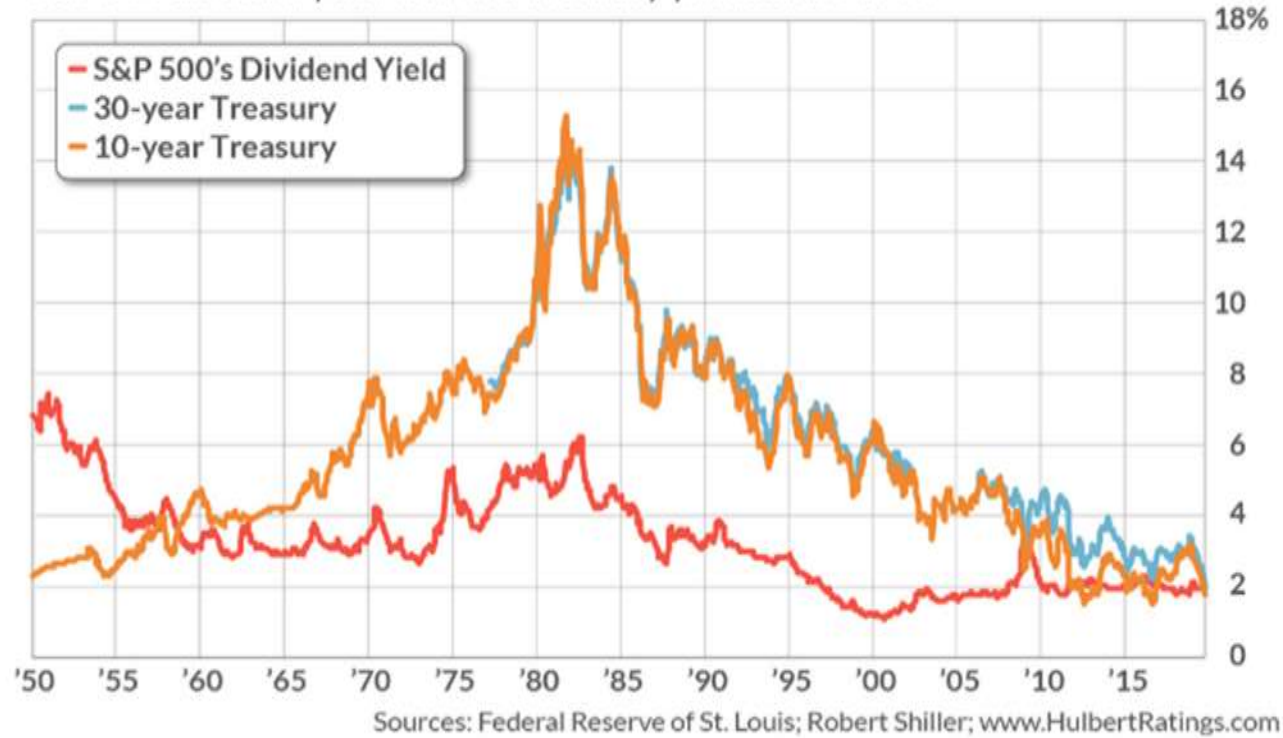
Europe, Middle East & Africa 10-Year Government Bond Yields

| COUNTRY | YIELD | 1 DAY | 1 MONTH | 1 YEAR | TIME (EDT) |
|------------------|--------|-------|---------|--------|------------|
| Germany » | -0.57% | +2 | -13 | -59 | 6:20 AM |
| United Kingdom » | 0.23% | -1 | -8 | -99 | 6:21 AM |
| France | -0.07% | +4 | -14 | -45 | 6:21 AM |
| Italy | 1.80% | +4 | +25 | -77 | 6:20 AM |
| Spain | 0.78% | +7 | +5 | -20 | 6:21 AM |
| Netherlands | -0.30% | +3 | -12 | -49 | 6:21 AM |
| Portugal | 0.86% | +6 | -2 | -25 | 6:21 AM |
| Greece | 2.13% | +2 | +24 | -118 | 6:20 AM |
| Switzerland | -0.59% | +0 | -20 | -24 | 6:21 AM |

Yield on S&P 500 relative to the 10 Year Bond

Partying like its 1958

S&P 500 dividend yield and U.S. Treasury yields since 1950



FAANG+ Portfolio Holdings

Portfolio Holdings

AQA UCITS - FAANG+ UCITS FUND - April 2020 (4.30.20)

| Ticker | Name | % Holdings | Dividend Net Yield | Mkt Cap Billions \$ | Industry Sector | Country | Subgroup Sector | Return |
|-------------------------------------|------------------------------|--------------|--------------------|---------------------|------------------------|---------|--------------------------------|--------------|
| AMZN US Equity | AMAZON.COM INC | 8.05 | 0.00 | \$1,233.35 | Communications | US | Internet & Direct Marketing Re | 0.00% |
| BABA US Equity | ALIBABA GROUP HOLDING-SP ADR | 4.03 | 0.00 | \$543.71 | Communications | CN | Internet & Direct Marketing Re | 0.00% |
| BIDU US Equity | BAIDU INC - SPON ADR | 4.00 | 0.00 | \$34.91 | Communications | CN | Interactive Media & Services | 0.00% |
| CSCO US Equity | CISCO SYSTEMS INC | 2.00 | 3.40 | \$179.73 | Communications | US | Communications Equipment | 3.40% |
| EBAY US Equity | EBAY INC | 2.01 | 1.61 | \$31.71 | Communications | US | Internet & Direct Marketing Re | 1.61% |
| FB US Equity | FACEBOOK INC-CLASS A | 8.31 | 0.00 | \$583.24 | Communications | US | Interactive Media & Services | 0.00% |
| JD US Equity | JD.COM INC-ADR | 2.02 | 0.00 | \$63.30 | Communications | CN | Internet & Direct Marketing Re | 0.00% |
| NFLX US Equity | NETFLIX INC | 7.93 | 0.00 | \$184.65 | Communications | US | Movies & Entertainment | 0.00% |
| SNAP US Equity | SNAP INC - A | 2.08 | 0.00 | \$25.45 | Communications | US | Interactive Media & Services | 0.00% |
| TCEHY US Equity | TENCENT HOLDINGS LTD-UNS ADR | 1.97 | 0.29 | \$502.69 | Communications | CN | Interactive Media & Services | 0.29% |
| TWTR US Equity | TWITTER INC | 3.95 | 0.00 | \$22.50 | Communications | US | Interactive Media & Services | 0.00% |
| Total Communications | | 46.36 | | | | | | |
| TSLA US Equity | TESLA INC | 4.05 | 0.00 | \$144.94 | Consumer Discretionary | US | Automobile Manufacturers | 0.00% |
| Total Consumer Discretionary | | 4.05 | | | | | | |
| MA US Equity | MASTERCARD INC - A | 1.99 | 0.58 | \$276.00 | Financials | US | Data Processing & Outsourced S | 0.58% |
| V US Equity | VISA INC-CLASS A SHARES | 2.02 | 0.67 | \$350.74 | Financials | US | Data Processing & Outsourced S | 0.67% |
| WDI GY Equity | WIRECARD AG | 1.53 | 0.22 | \$11.17 | Financials | DE | Data Processing & Outsourced S | 0.22% |
| Total Financials | | 5.55 | | | | | | |
| AAPL US Equity | APPLE INC | 7.99 | 1.12 | \$1,285.52 | Technology | US | Technology Hardware, Storage & | 1.12% |
| AKAM US Equity | AKAMAI TECHNOLOGIES INC | 2.02 | 0.00 | \$15.82 | Technology | US | Internet Services & Infrastruc | 0.00% |
| AVGO US Equity | BROADCOM INC | 2.01 | 4.79 | \$108.59 | Technology | US | Semiconductors | 4.79% |
| CTXS US Equity | CITRIX SYSTEMS INC | 2.01 | 0.97 | \$17.90 | Technology | US | Application Software | 0.97% |
| GOOG US Equity | ALPHABET INC-CLC | 8.11 | 0.00 | \$919.99 | Technology | US | Interactive Media & Services | 0.00% |
| IBM US Equity | INTL BUSINESS MACHINES CORP | 1.99 | 5.19 | \$111.48 | Technology | US | IT Consulting & Other Services | 5.19% |
| INTC US Equity | INTEL CORP | 1.99 | 2.20 | \$253.96 | Technology | US | Semiconductors | 2.20% |
| MSFT US Equity | MICROSOFT CORP | 4.03 | 1.14 | \$1,359.03 | Technology | US | Systems Software | 1.14% |
| NVDA US Equity | NVIDIA CORP | 3.97 | 0.22 | \$179.79 | Technology | US | Semiconductors | 0.22% |
| ORCL US Equity | ORACLE CORP | 1.99 | 1.81 | \$167.05 | Technology | US | Systems Software | 1.81% |
| SMSN LI Equity | SAMSUNG ELECTR-GDR REG S | 1.94 | 2.78 | \$249.06 | Technology | KR | Technology Hardware, Storage & | 2.78% |
| TSM US Equity | TAIWAN SEMICONDUCTOR-SP ADR | 1.99 | 3.14 | \$275.54 | Technology | TW | Semiconductors | 3.14% |
| TXN US Equity | TEXAS INSTRUMENTS INC | 2.00 | 3.10 | \$106.53 | Technology | US | Semiconductors | 3.10% |
| VRSN US Equity | VERISIGN INC | 2.00 | 0.00 | \$24.20 | Technology | US | Internet Services & Infrastruc | 0.00% |
| Total Technology | | 44.04 | | | | | | |
| TOTAL | | 100% | 1.19 | | | | | 1.19% |

FAANG+ Performance Jan 2019 – Apr 2020



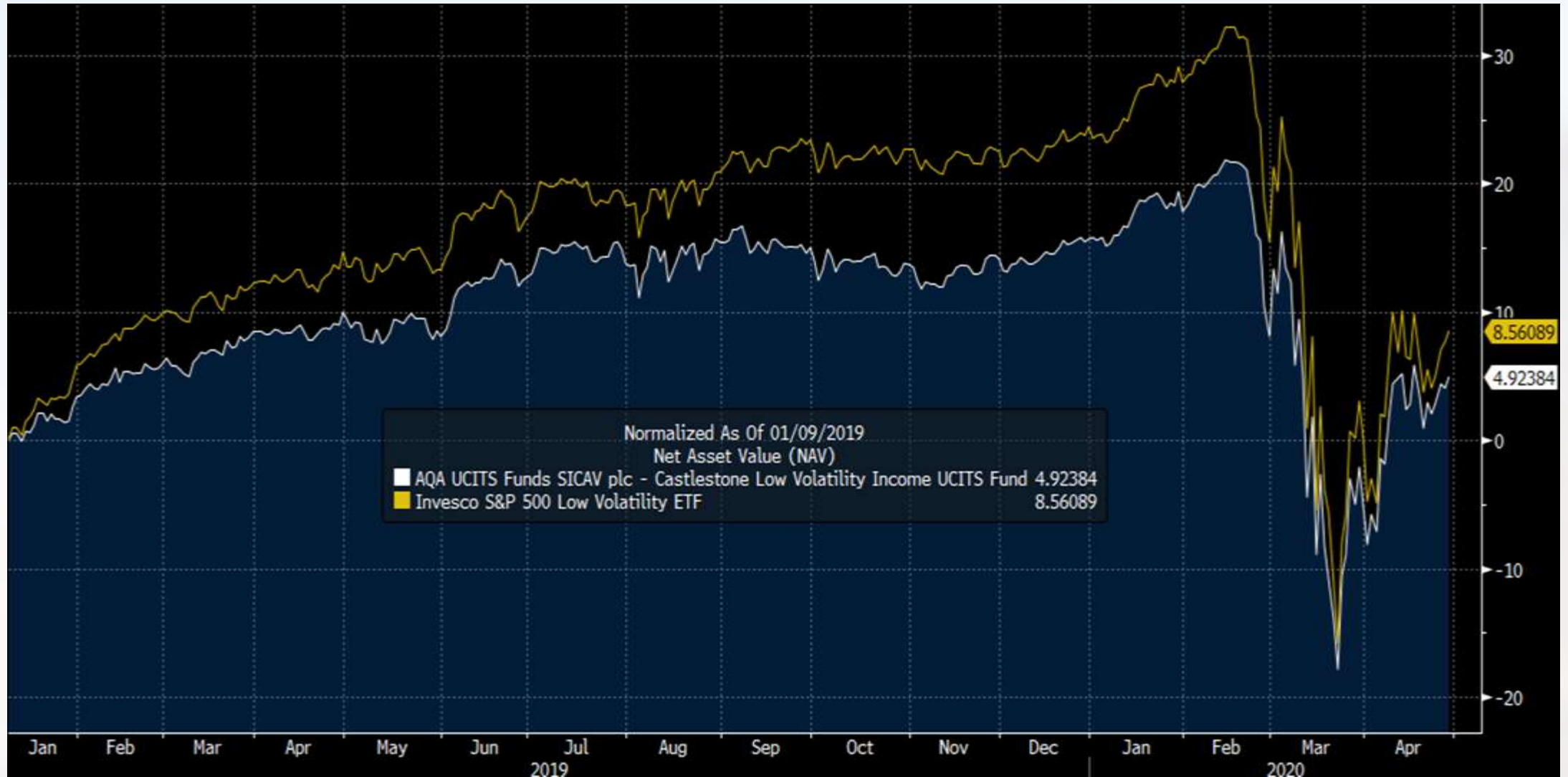
FAANG+ Performance YTD



Low Volatility Performance Jan 2019 – Apr 2020



Low Volatility Performance vs S&P 500 Low Volatility Jan 2019 – Apr 2020



Recap

- Coronavirus cases are peaking in urban epicentres
- The time to buy stocks is during the agony/depression stage
- Since the last recession markets have consistently rebounded from breakdowns
- Investments are flowing into the leading tech stocks
- Dividend paying stocks have outperformed the S&P in down years.
- Reinvesting income fuels returns
- Low Volatility and FAANG+ have performed well YTD

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