



Line Analysis

# ECONOMIES ARE OPENING

## S&P500 FORECAST

### 12mths +16.4%\*



\*June 1, 2020

BUY FAANG+  
AND S&P500  
FUNDS  
WHICH WILL  
RISE 16.4%  
(12MTHS)

\*JUNE 1, 2020

- ✓ U.S & Global Economic Numbers will Continue to Improve
- ✓ Media / People lose interest in COVID-19 more quickly than you think. It becomes the new normal. Google Trends shows that the interest has declined.
- ✓ UK/European Economies to Open
- ✓ Past experience shows that stocks almost never fail to make further gains over the next 12 months. There is genuine belief that the market can go further. It would be unwise to ignore this. 3months +3.9% | 6months +8.4% | 12months +16.4%
- ✓ S&P 500 Market Cap. Index 20% Technology.
- ✓ Lockdowns are ending Globally .....
- ✓ Buy FAANG+ and S&P500

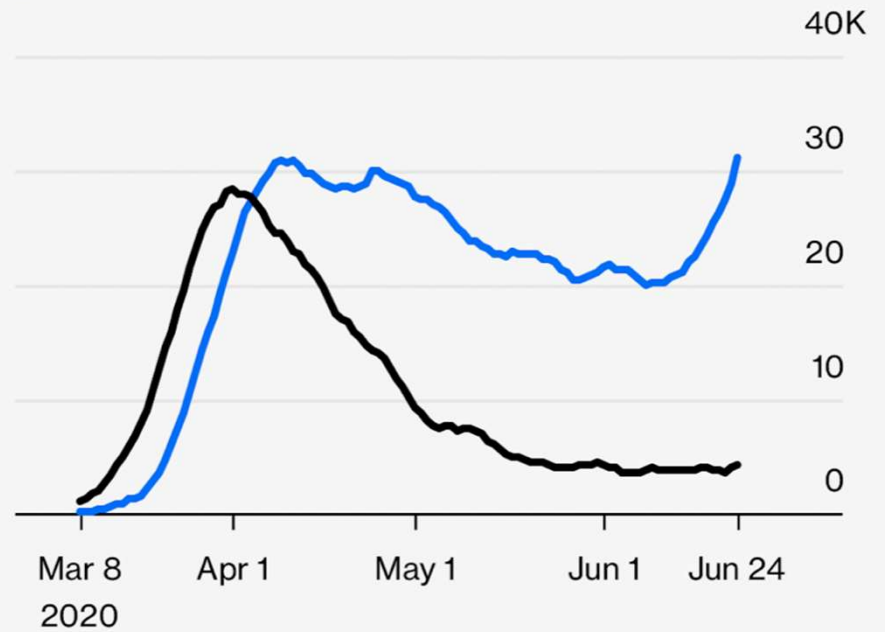
# AMERICA FAILED TO CONTAIN THE VIRUS

(ECONOMIC NUMBERS WILL STILL IMPROVE)

## Mind the Gap

America's failure to contain the virus is becoming more evident every day

U.S. 7 day rolling average new cases EU



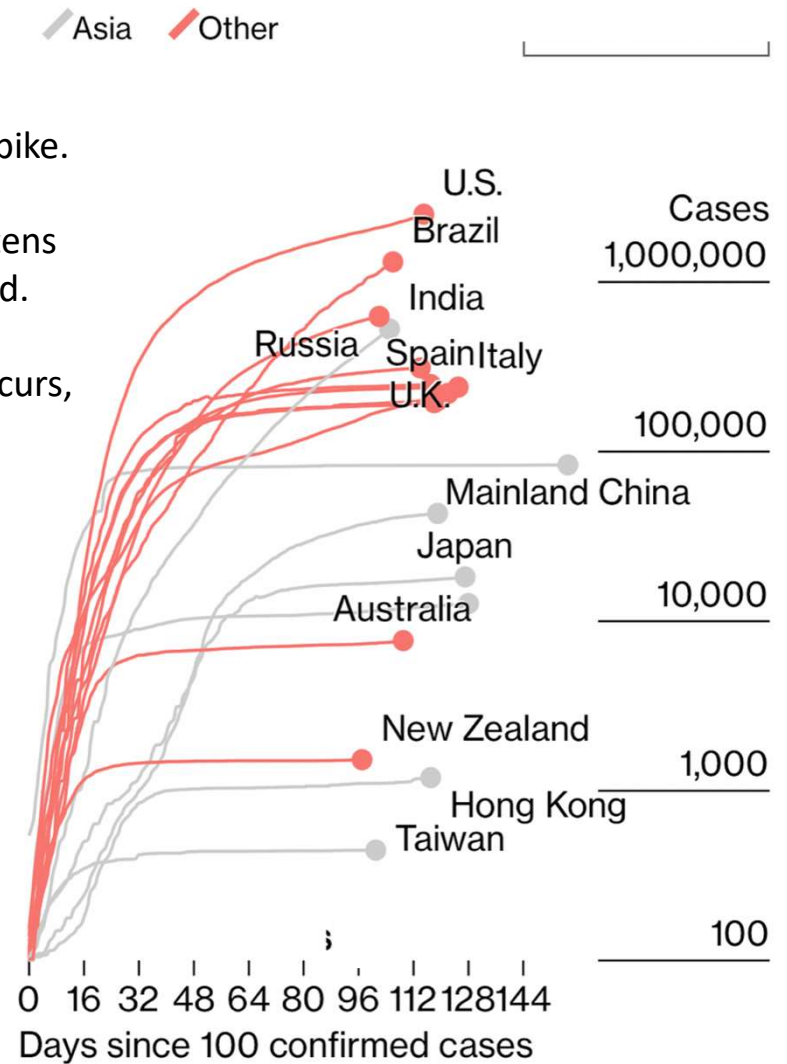
Source: Our World in Data/Kaiser Family Foundation

# GETTING TO A FLATTER CURVE

(ECONOMIC NUMBERS WILL STILL IMPROVE)

## The Global Curve Pattern

- Initially infections spike.
- Then the curve flattens as countries respond.
- As the flattening occurs, economies reopen.



# UK ECONOMY TO START OPENING FROM JULY 4, 2020

(ECONOMIC NUMBERS WILL STILL IMPROVE)

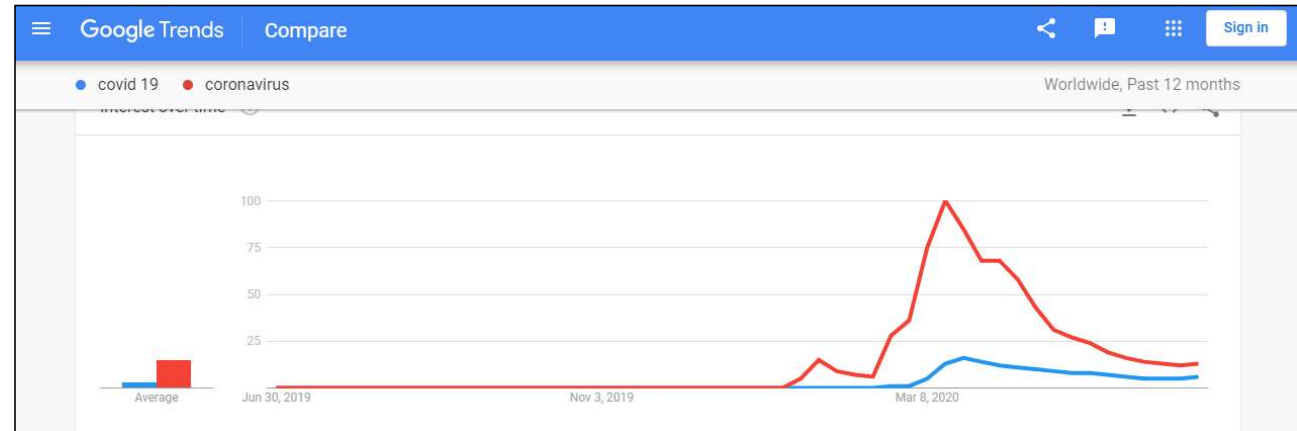
The venues listed as being able to reopen include:

- **Pubs, bars and restaurants** but only with a table service indoors, and owners will be asked to keep contact details of customers to help with contact tracing
- **Hotels, holiday apartments, campsites and caravan parks** but shared facilities must be cleaned properly
- **Theatres and music halls** but they will not be allowed to hold live performances
- In other changes **weddings** will be allowed to have 30 attendees, and **places of worship** will be allowed to hold services but singing will be banned
- **Hair salons** and **barbers** will be able to reopen but must have protective measures, such as visors, in place
- **Libraries, community centres** and **bingo halls**
- **Cinemas, museums** and **galleries**
- **Funfairs, theme parks, adventure parks, amusement arcades, skating rinks** and **model villages**
- Indoor attractions where animals are exhibited, such as at **zoos, aquariums, farms, safari parks** and **wildlife centres**

# GOOGLE TRENDS DATA

(COVID-19 VS CORONAVIRUS)

## Google search trends indicate fading interest in COVID-19

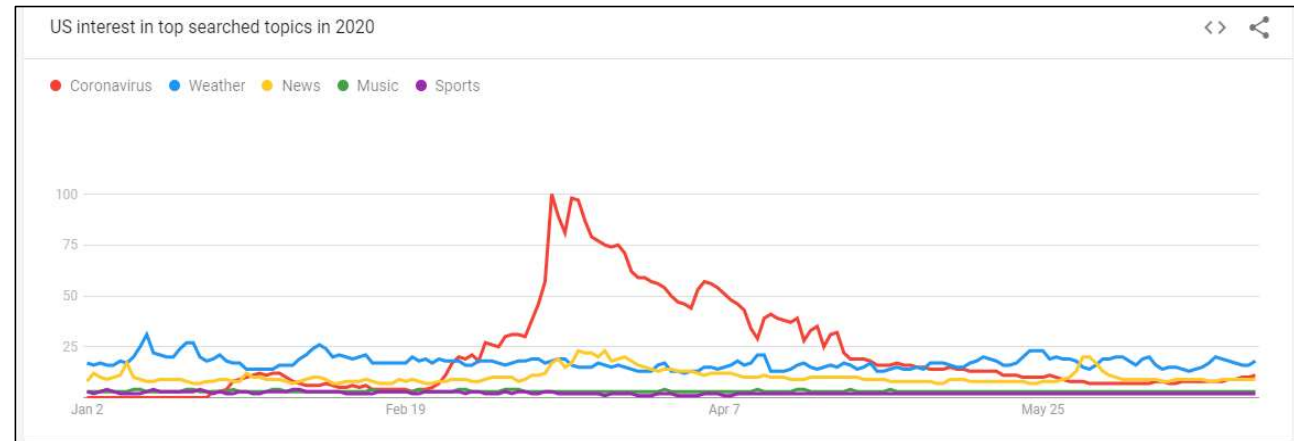


- As people become familiar with the virus, their interest fades.
- As interests fades, COVID-19 becomes the “new normal”.
- People return to more normal activity.

NO ONE CARES  
ANYMORE  
GOOGLE  
TRENDS  
SEARCHES  
FOR  
CORONAVIRUS

(INTEREST HAS DECLINED)

## Weather becomes more interesting than COVID-19



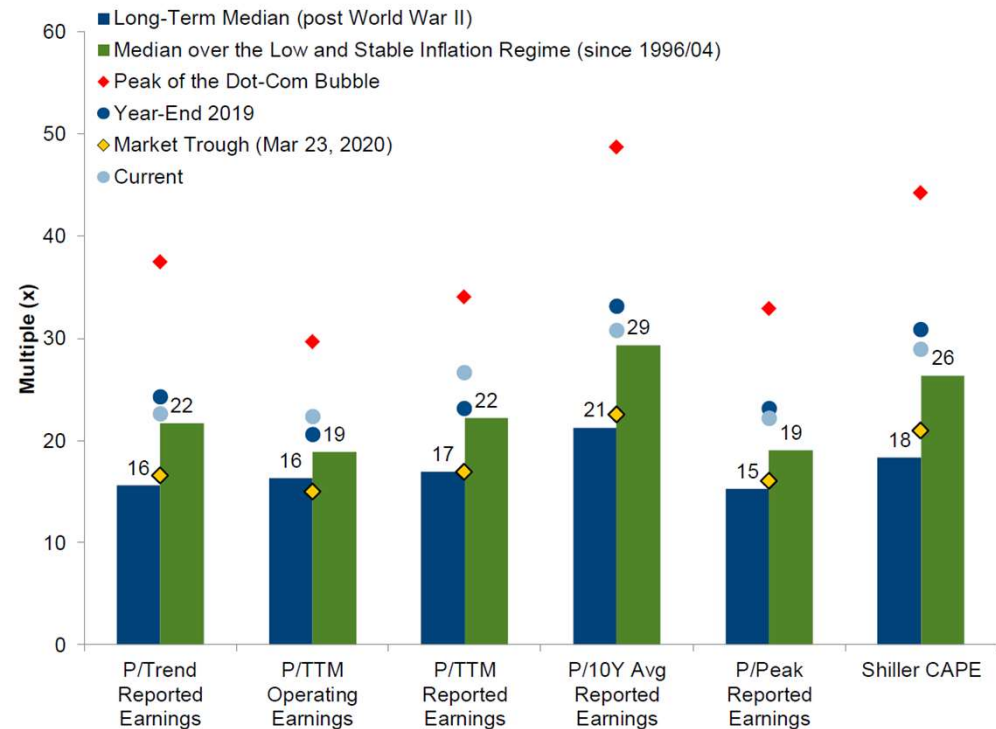
- Human nature allows for adjustment to a new situation.
- The fear impact of COVID-19 fades.

# US STOCKS ARE NOT EXPENSIVE

(LONG TERM COMPARISONS ARE ONLY SLIGHTLY HIGHER THAN MEDIAN SINCE WORLD WAR 2)

## On a historical earnings basis, stocks are not expensive

### 12. S&P 500 Valuation Multiples – As of June 19, 2020



Source: Investment Strategy Group, Bloomberg, Robert Shiller.

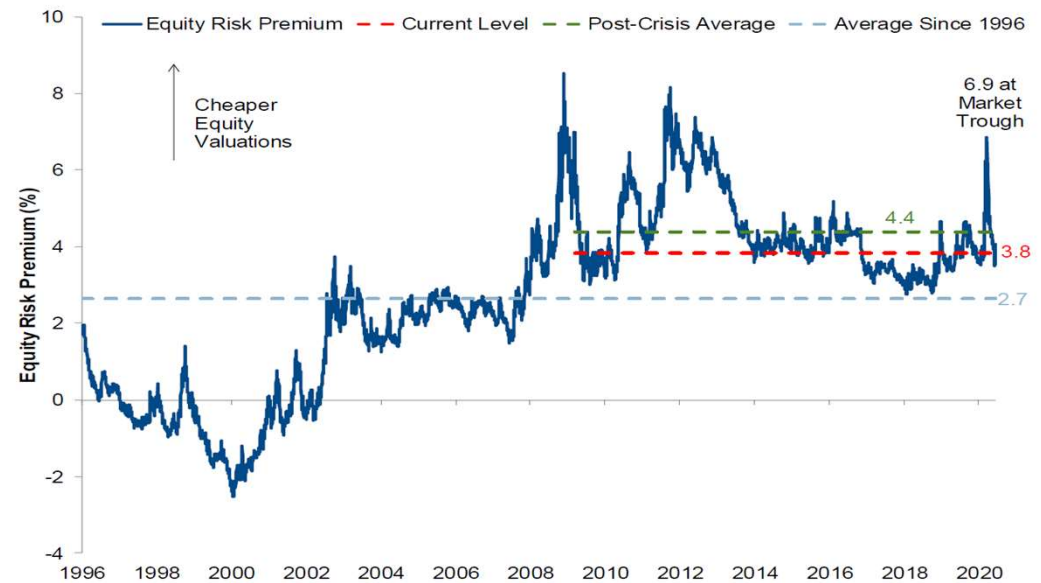


“FED MODEL”  
EARNINGS  
YIELD  
(INVERSE OF  
P/E RATIO) TO  
10-YR BONDS

(NOT EXPENSIVE)

## Popular Fed model suggests stocks are not expensive

13. S&P 500 Implied Equity Risk Premium: Forward 12-Month Earnings Yield Less US Treasury 10Y Yield – Through June 19, 2020



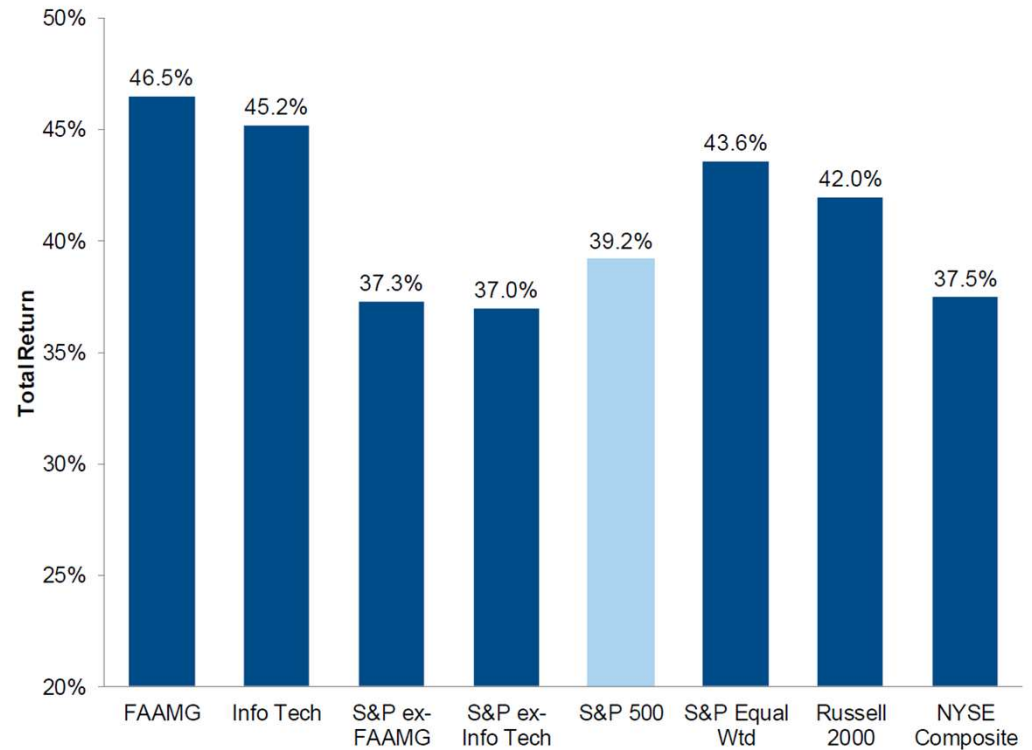
Source: Investment Strategy Group, Bloomberg, FactSet.

- The lower the number the more expensive stocks appear.
- Current level is better than average since 1996.
- Remember Treasury yields are near 0, in 1996 they were far higher.

REBOUND  
HAS BEEN  
STRONG  
ACROSS A  
RANGE OF  
SECTORS

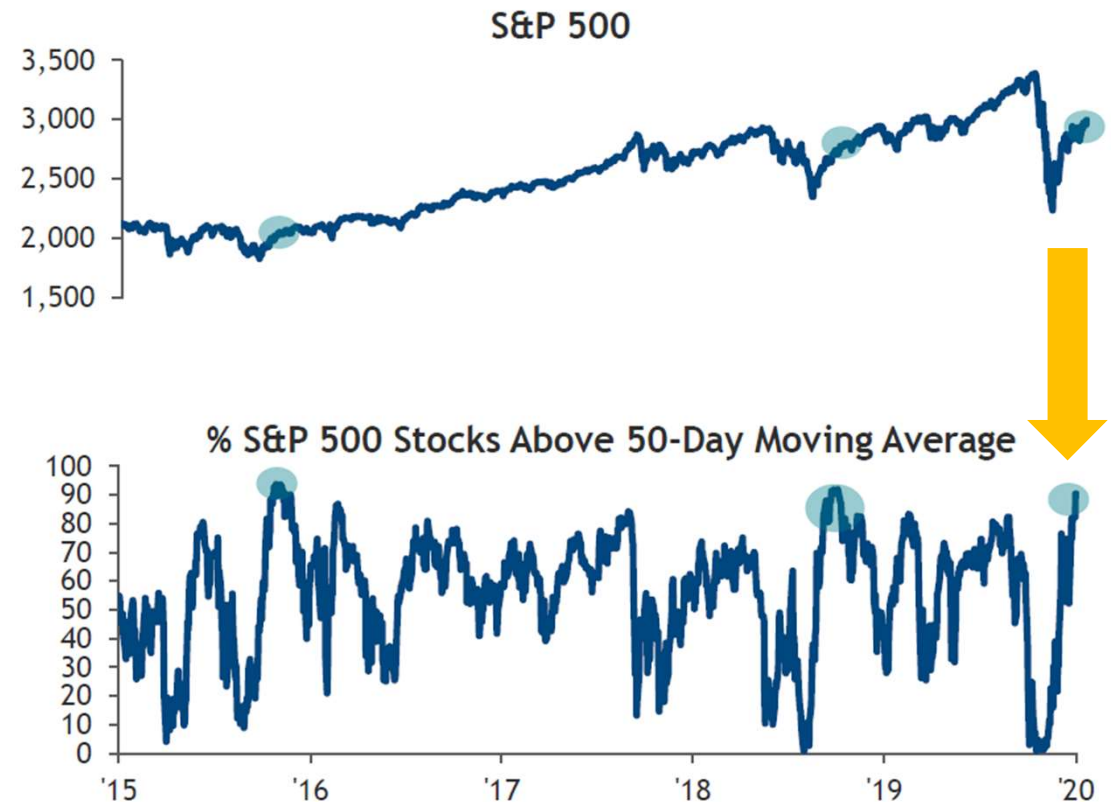
(S&P HAS JUMPED EVEN IF  
TECHNOLOGY OR FAAMG ARE  
EXCLUDED)

#### 14. Total Returns Since Market Trough – Through June 19, 2020



Source: Investment Strategy Group, Bloomberg.

THIS IS A TECHNICAL INDICATOR (50-DAY MOVING AVERAGE) THAT SHOWS **STOCKS ALMOST NEVER FAIL TO MAKE FURTHER GAINS OVER THE NEXT 12 MONTHS** (BOTTOM CHART)



Past performance does not guarantee future results  
Data Source: SunTrust IAG, FactSet

\* The 50 day-moving average is a security's average closing price over the past 50 trading days. In general, a stock price trading above its 50-day moving average is viewed as a positive sign and denotes a security that is trending higher and vice versa.

<https://www.bloomberg.com/amp/opinion/articles/2020-05-29/stocks-have-reached-a-tipping-point-as-covid-concerns-fade>

THE MARKET CAN GO FURTHER. IT WOULD BE UNWISE TO IGNORE THIS. GENUINE MOMENTUM PUSHING THE MARKET HIGHER.

3MTHS + 3.9%

6MTHS + 8.4%

12MTHS+ 16.4%

S&P 500 Performance After 90% of Stocks Trade Above Their 50-Day Moving Average\*\*

	3-Months Later	6-Months Later	12-Months Later
02/06/91	5.7%	9.1%	15.6%
06/09/97	7.9%	14.0%	29.6%
03/24/98	1.3%	-6.9%	14.7%
11/05/98	9.7%	18.2%	20.8%
05/05/03	6.1%	13.4%	20.8%
11/12/04	1.9%	-1.6%	4.3%
05/04/09	8.8%	17.5%	32.5%
08/03/09	3.3%	10.0%	12.3%
04/01/10	-12.8%	-2.8%	12.0%
10/05/10	9.6%	14.8%	-5.3%
10/24/11	5.7%	10.9%	12.7%
01/18/13	5.1%	14.1%	24.1%
05/15/13	1.6%	6.6%	12.8%
03/16/16	2.2%	4.9%	17.7%
02/15/19	3.0%	4.1%	21.4%
05/26/20	?	?	?
Average	3.9%	8.4%	16.4%
% Positive	93%	90%	93%
Max Gain	9.7%	18.2%	32.5%
Max Loss	-12.8%	-6.9%	-5.3%



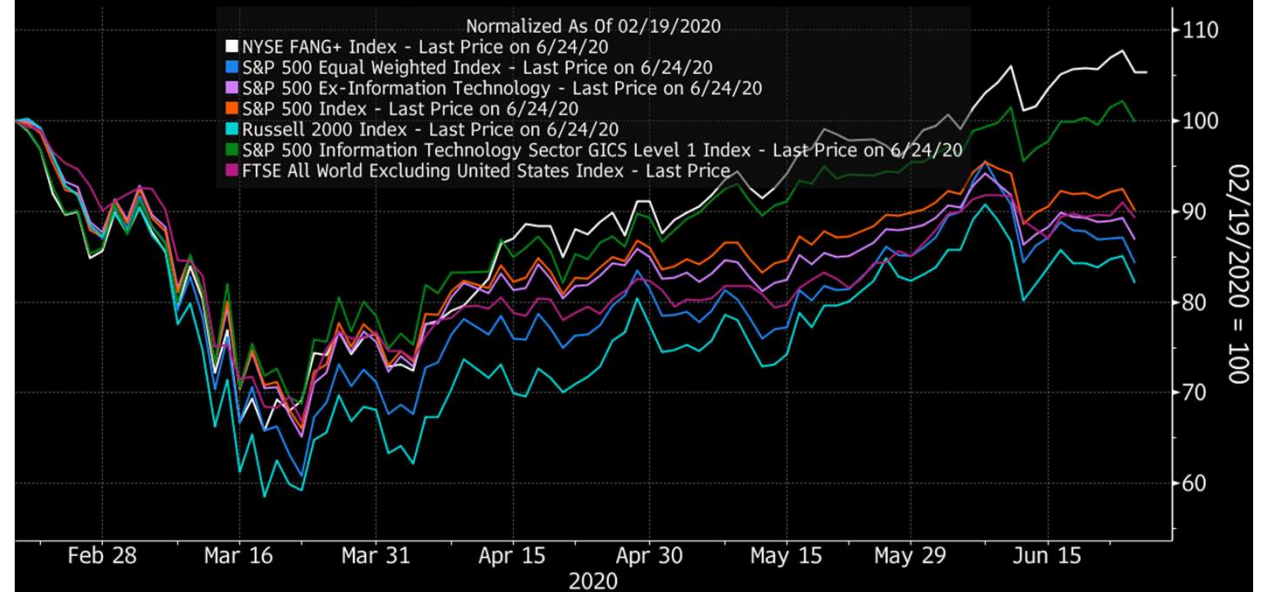
\*\*Only first signal used in each instance (clusters removed).  
 Past performance does not guarantee future results  
 Data Source: FactSet, SunTrust IAG

# MARKET CAPITALIZATION EFFECT & INCREASING USE OF TECHNOLOGY

(FAANG+ HAVE RECOVERED FASTER)

## An Unequal Recovery

Tech stocks are back. Everyone else still stands corrected.

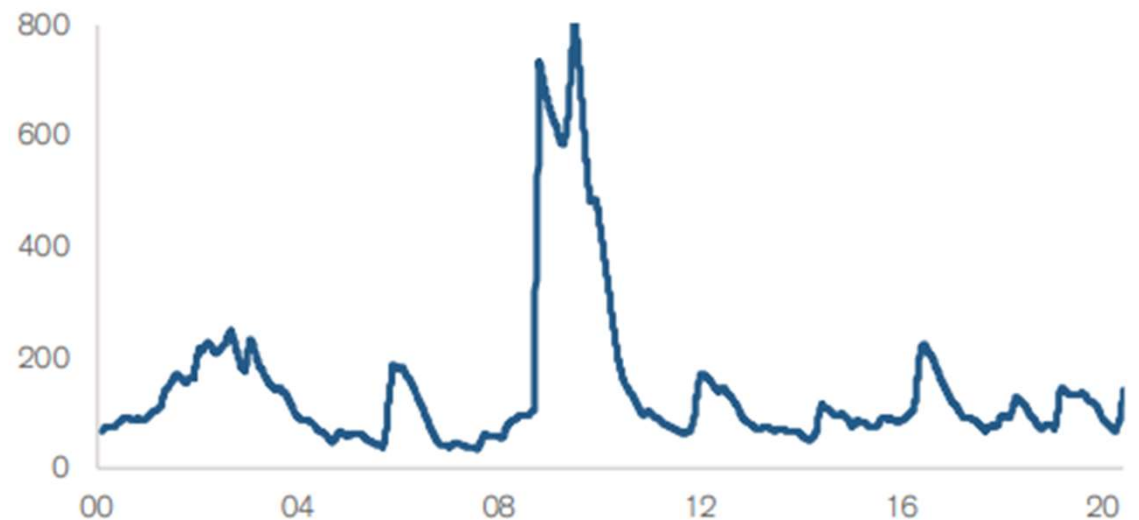


Source: Bloomberg

# BANKRUPTCY FILINGS ARE TYPICAL FOR THE POST- CRISIS DECADE

(FED. RESERVE REACTED)

**Figure 1: Bankruptcy Filings**



Note: 6-week moving average. Source: The BLOOMBERG PROFESSIONAL™ service, and Credit Suisse

FAANG+ YTD  
UP 14.57%





# LOW VOLATILITY INCOME FUND PERFORMANCE





# Disclaimer



**Note: Disclaimer: This document is intended for and directed at investment professionals and not intended for retail customers. Persons who do not have professional experience in matters relating to investment should not rely on this document.**

AQA UCITS Fund SICAV plc is licensed in Malta by the Malta Financial Services Authority as an undertaking for collective investment in transferable securities (UCITS).

This document is issued by Castlestone Management LLC (“We”). The information contained in this document is not directed at, nor is it intended for distribution to, or use by, persons in any jurisdiction in which the investment products are not authorized for distribution or in which the dissemination of information regarding the investment products is not permitted. This document is not offering to sell any product. Any investment in the Fund is required to be undertaken in line with the Offering Supplement of the Fund. Copies of the Offering Supplement, audited annual financial statements and half-yearly reports and the key investor information documents (in English Language) are available free of charge upon request. We will not be liable for any use you make of any information in this document. We are not your advisor or fiduciary. We are not recommending or making any representations as to suitability of any product or the tax, legal or accounting treatment of any product. We are not responsible for information stated to be obtained or derived from third party sources. All opinions are given as of the date hereof and are subject to change. We are not obliged to inform you of any such changes. Any projections and opinions expressed herein are expressed solely as general market commentary and do not constitute investment advice or guaranteed return. They represent the views of Castlestone Management LLC at the time of publication and are subject to change without notice. Any simulated performance data and/or past performance data contained herein is not a reliable indicator or guarantee of future performance. An investment in the Fund may include a commission or sales fee which is charged at the time of the initial purchase of the investment and may be deducted from the invested amount therefore lowering the size of your investment. A redemption / contingent deferred sales charge may be charged at the time you redeem your investor and such charge may have an impact on the amount of money you receive back upon your redemption. Income from investments may fluctuate and investors may not recoup the amount originally invested. An investment in the Fund may be effected by changes in currency exchange rates. If you redeem your investment before 6 years, you may be at higher risk of losing some, or all of, the money you invest. Any forward-looking statements concerning the financial condition, results of operations and businesses of Castlestone Management LLC expressed or implied, are based on management’s current expectations and assumptions, which may change without notice, and are no guarantee of future results, performance or events. Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor’s individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. Investors and prospective investors should make reference to the risk warnings set out in the Offering Supplement of the Fund. This document is confidential. No part of it may be reproduced, distributed or transmitted without Castlestone Management’s written permission. Neither this document nor any copy of it may be distributed, directly or indirectly, in the United States of America or its territories or possessions (the “United States” or to any US Person as defined in Regulations under the United States Securities Act of 1933 (as amended)). Any failure to comply with these restrictions may constitute a violation of United States securities law. This is not exhaustive; other regional-specific wording may apply. If in doubt, please consult with Castlestone Management’s Compliance department.

Castlestone Management LLC is a registered investment adviser in the state of New Jersey. Being registered does not imply a certain level of skill or training. Investment in any Fund involves significant risks. A prospective or continuing investor should not invest in any Fund unless satisfied that it and/or its investment representative or professional adviser has/have asked for and received all information which would enable it or both of them to evaluate the risks in terms of an investment or continued investment in the Fund. The information in this document has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. No invitation to the public in Hong Kong to buy or subscribe for any product is permitted to be made. You should consult your own attorney, business adviser and tax adviser as to legal, business, tax and related matters concerning any of the contents of this document.

Additional information about Castlestone Management LLC is available on the United States Securities and Exchange Commission’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## W A R N I N G

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.