

“If you can keep your head when all about you are losing theirs....” IF-Rudyard Kipling

March 25th marks the 24th anniversary of the Invesco Oppenheimer International Growth Fund a Wall Street pioneer in introducing U.S. investors to markets beyond the comfort zone of their home soil.

It has been managed since inception by George Evans, who continues to oversee its investment strategy while working at his other day job, Chief Investment Officer of Global Equities for money management behemoth Invesco (AUM of \$1.2 trillion).

Since he started with the company in 1990, Evans has endured and survived such events as the 1993 World Trade Center bombing, 9/11 (both literally), the GFC, a couple of Iraq wars, Russian defaults and the collapse of the tech bubble.

Perhaps it is unsurprising that he is quite sanguine about the outlook for global markets despite the onset of the Coronavirus pandemic which he says “was underestimated by everyone.”

“From my experience, there will be a lot of outstanding companies trading at valuations that will present great opportunities for long term growth investors.”

Evans expects the current market roller coaster ride to continue in the immediate term.

“We can expect extreme volatility until the overall picture becomes clearer and we are over the hump as the virus takes its course.

“The key will be to monitor daily new losses on the pandemic front, progress on and the size of fiscal stimulus and its effect on the economy and the earnings outlook.”

Evans welcomes the decision to double the initial \$1 trillion fiscal package foreshadowed before the last weekend.

“As Larry Kudlow (National Economic Council Director) indicated it was clearly not going to be enough.”

He is cognisant of estimates of a GDP decline of 6% in Q2 and has a sense that it is a figure that could be revised downwards.

“We could have a horrible quarter or two. It will be a question of when the recovery comes and how quickly we will see the rebound.”

The oft-quoted bear market cliché from the old Scottish saying “never catch a falling knife” is already doing the rounds.

Evans agrees that it is too early to begin to predict the bottom of the current market downturn.

“It is imperative to keep an eye on developments and be fluid.

“There can be an overly defensive tendency to retain cash and as we have seen in the presumption of previous bull markets the upside will be heavily front loaded when it rebounds.

“There will be perma bears out there predicting the end of the world.”

Evans says that the global community underestimated the onset of the Coronavirus and its immediate impact on markets and economies.

“Previous events like SARS, MERS, Swine Flu and Ebola were relatively well contained.

“The global supply chain was less dependent on east Asia then than it is now with the growth of influence from China.”

He also believes that concentration on the impact of the disease has overlooked the influence of developments in the oil and gas sector.

But he is confident that we will emerge from the current morass.

“It will be intriguing to see what happens on the earnings front and important that CEO’s resist the inclination to sugar coat. They should throw the kitchen sink at it.”

In the meantime, there are particular sectors that will occupy the spotlight.

“The leisure and hospitality industries have their backs to the wall. They’ve been truly nobbled. Retail and leisure represented 20% of the U.S. workforce comprising 16.3 million and 15.9 million employees respectively in 2018.

“The current unemployment rate of 3.6% could rise very sharply and very quickly.

“An airline services company this week equated current conditions to resembling the effects of GFC and 9/11 added together.”

There is a silver lining.

Evans says that the crisis will accelerate the systemic changes that were already developing as a result of the radical working restrictions that have been put in place.

He has taken particular note of improved communication in the current environment compared with previous episodes when business was interrupted such as the 1993 World Trade Center bombing and 9/11.

“I recall that during the first bombing of the World Trade Center when we were forced to work from home my colleagues and I were keeping in touch via voicemail which was the leading edge technology at the time.

“The considerable advance of digital technology has left us much better placed to communicate and share information live and may be a better use of our time and resources.

“It raises the question of how critical is the need for us to be clustered together internalising in hugely expensive prime real estate in Manhattan.”