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RECESSION IS THE LOOMING CONCERN

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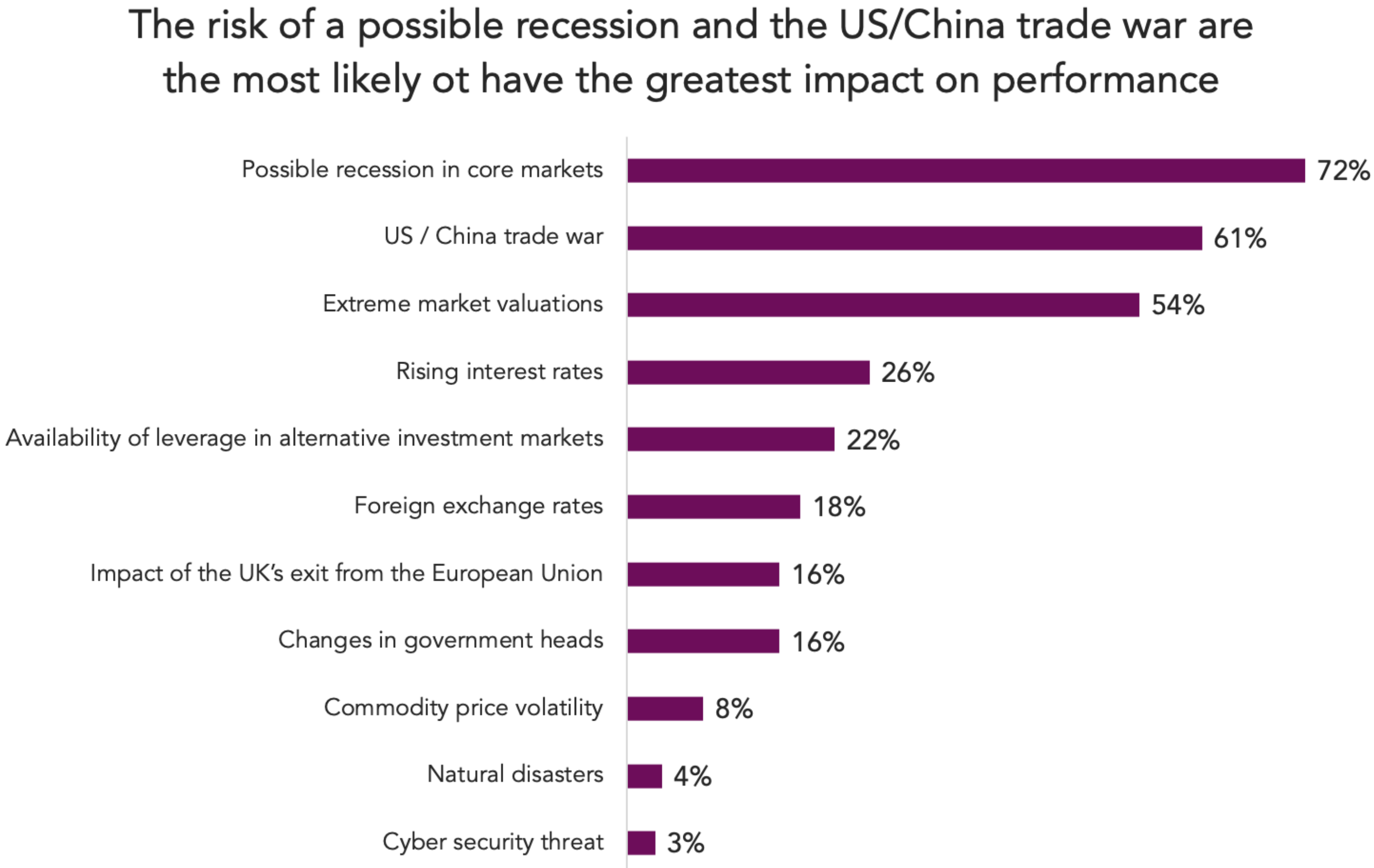

When considering the biggest threats in 2020, investors are most fearful about a possible recession in core markets or an escalation of the ongoing US-China trade war. These are seen by respondents to our *LP Perspectives 2020* survey as the most likely factors to have an impact on performance in their private market portfolios.

Fear of recession was cited by around 70 percent of respondents, so it's clearly keeping many investors awake at night. But should it be? Well, maybe. This week has seen the reappearance of the inverted yield curve – typically seized upon in sections of the press and elsewhere as evidence that doomsday is fast approaching – on the back of fears around the spread of coronavirus.

The reality may be rather more sanguine, however. Certainly, the unwelcome emergence of the virus casts something of a cloud over optimistic expectations heading into 2020. However, while things seem a little more fragile, the US is still expected to see economic growth of around 2 percent this year with consumer spending expected to offset any decline in export-sensitive manufacturing. There are few signs of a slump any time soon.

Likewise with the US-China trade war, it’s possible that fears may be overblown given the signing of a deal between the two countries last month which aimed to calm hostilities that have been ongoing for the last couple years. However, the deal only removes some tariffs and is unlikely to completely smooth things over.

Meanwhile, the impact of the UK’s exit from the European Union was only of concern to 16 percent of survey respondents, while more than half were fearful of the potential impact of extreme market valuations.