# DEPOSIT ADMINISTRATION FUND

## GUARANTEED RETURN FUND RANGE

utmost
CORPORATE SOLUTIONS

## US DOLLAR ANNUAL REPORT
2020

## US ECONOMIC BACK-DROP & MACRO SITUATION

2020 was always expected to be an exciting year by virtue of its status of a Presidential election year, however, it was COVID-19 and the country's response to it that would dominate investors' thoughts for most of the year.

Typically an economic crisis is preceded by a financial crisis, as was the case in the Global Financial Crisis (2007-2009). This time we faced new challenges, thankfully with a relatively strong financial system, albeit with elevated levels of both private and public debt.

Global lockdowns in response to the threat of Covid caused an instantaneous and significant negative economic shock. Described by one economist as "stepping off a cliff". Recognising the peril, Central Banks and Governments responded faster than ever before.

The US Federal Reserve announced as many emergency programmes in eight days as they did during all the tensions of 2008, continuing with more programs in 4 months than all of the Global Financial Crisis.

The Central Bank cut interest rates from a range of 1 ½% - 1 ¾% at the start of the year to close to zero with a target of 0% - ¼% (after a ½% reduction at the start of March followed by a 1% mid-March cut). In addition, they pledged further quantitative easing (through bond purchases), buying company issued debt for the first time in history. Meanwhile, with new innovative stimulus from Government, such as their Paycheck Protection Program (PPP), provided small businesses with cash flow assistance to support the continued payment of wages.

As the country adapted to Covid restrictions, more than 158 million American people voted in their November Presidential elections, controversially a significant number via early voting or mailing ballot. Whilst election night passed without a clear winner, Biden was ultimately triumphant and attentions shifted to the balance of the Senate, which will be known early in 2021.

# US FINANCIAL MARKETS

2020 will be remembered for its volatility as investors struggled to price the unknown impacts of a frighteningly dangerous and contagious virus. In the equity markets, stocks fell by a third in less than 5 weeks. At the same time volatility in US treasuries spiked and having initially fallen to new lows, 10-year yields subsequently doubled in a period of only a week and a half.

Ultimately, the Government and Central Bank's response served to reassure investors and volatility began to decline. Whereas equities quickly recovered, led by the technology companies expected to benefit from Covid disruptions, yields remained low reflecting expectations for sub trend growth across the wider economy.

In the foreign exchange markets the US dollar ended the year lower against most major currencies and is widely expected to continue weakening in 2021 as the Global economy recovers.

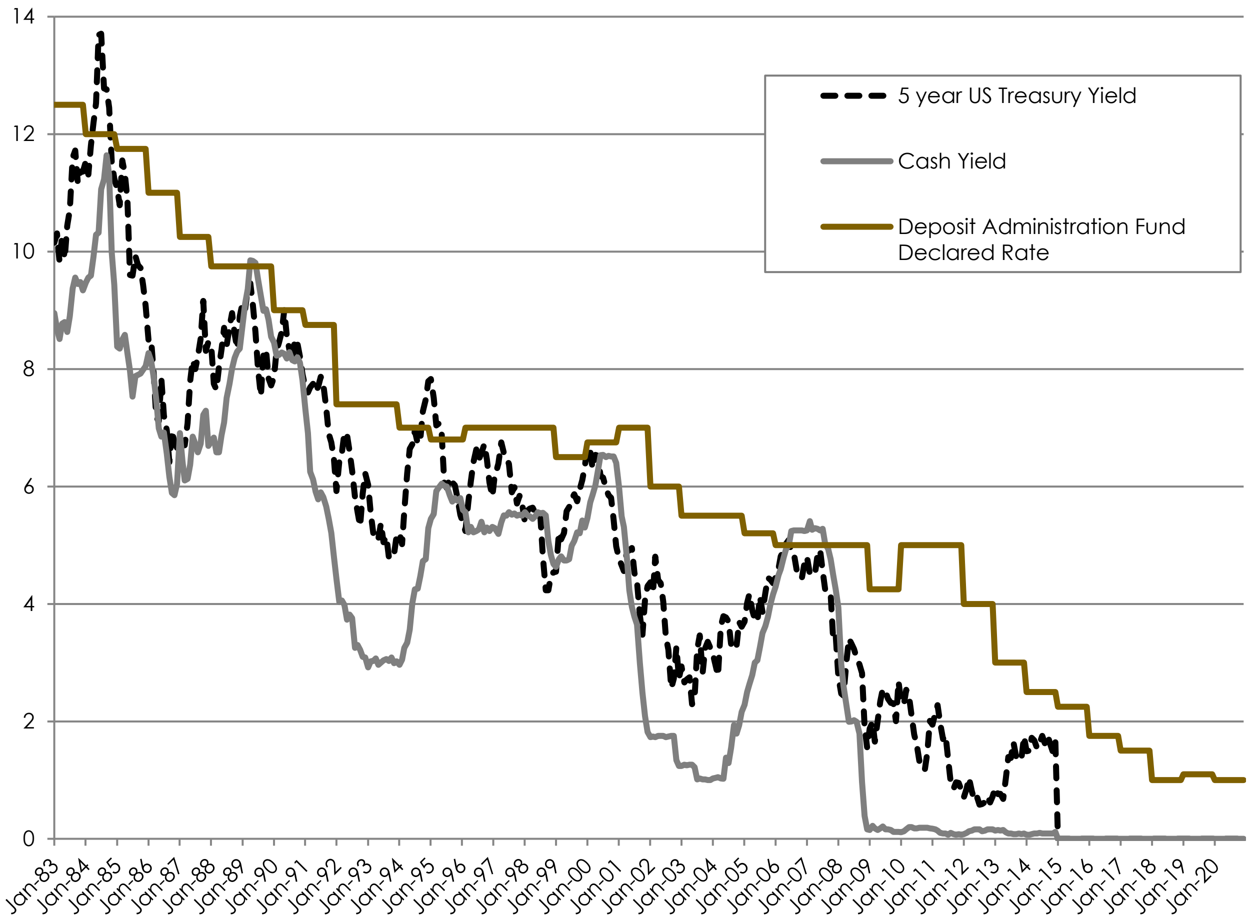
Looking forward, risk-averse savers face increased challenges due to extremely low government bond yields, coupled with reduced incremental yield on corporate bonds, which has supressed expectations of future returns.

On a forward-looking basis, amid expectations for higher levels of inflation, high quality bonds are likely to generate negative real returns (inflation adjusted) over the next decade.

# THE US DOLLAR DEPOSIT ADMINISTRATION FUND

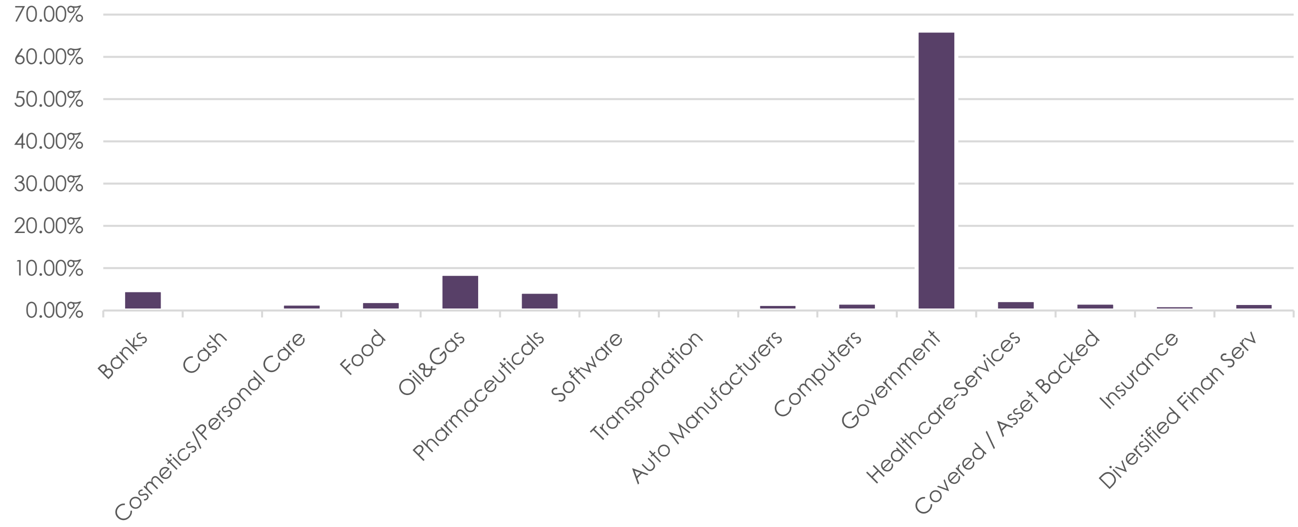
The following chart details the fund's 2020 declared rate of 1%, along with cash and 5 year US Treasury yields.

## PERFORMANCE COMPARISON CHART

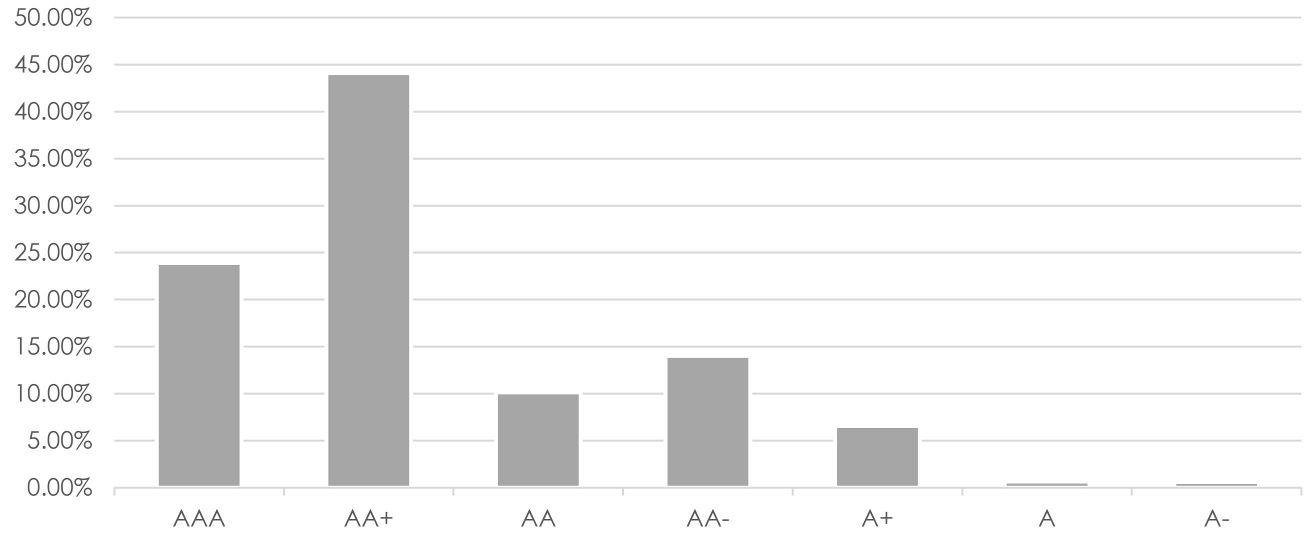



At the year-end the portfolio was 66% allocated to government and government related bonds with the balance in corporate bonds. The portfolios sensitivity to changes in interest rates, measured using modified duration, was unchanged at 3 years.

## ASSET DISTRIBUTION BY SECTOR




## ASSET DISTRIBUTION BY CREDIT RATING




A WORLD *of* DIFFERENCE

**Registered Head Office address:** Utmost Worldwide Limited, Utmost House, Hirzel Street, St Peter Port, Guernsey, Channel Islands GY1 4PA.

Utmost Corporate Solutions is the trading name used by Utmost Worldwide Limited and a number of Utmost companies.

Utmost Worldwide Limited is incorporated in Guernsey under Company Registration No. 27151 and regulated in Guernsey as a Licensed Insurer by the Guernsey Financial Services Commission under the Insurance Business (Bailiwick of Guernsey) Law, 2002 (as amended).

Websites may make reference to products that are not authorised or regulated and/or are not available for offering to planholders in certain jurisdictions.

T +44 (0) 1481 715 400
F +44 (0) 1481 715 390
E EBInvestCustomerService@utmostworldwide.com
W utmostinternational.com