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Newsflash

A new month and the 150th issue of Viewpoint from **Imperium Capital**.

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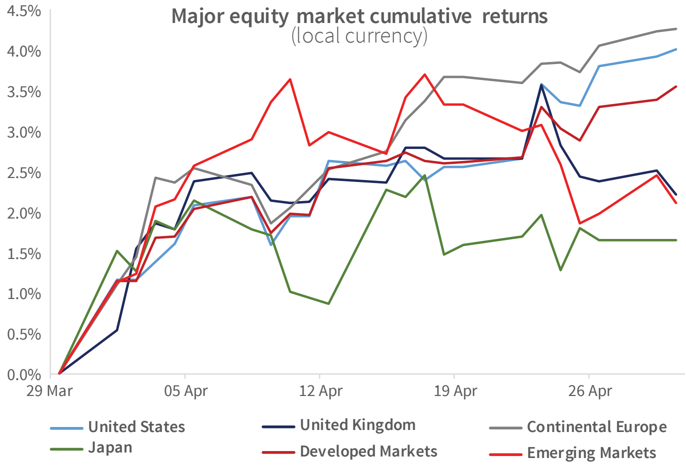
Momentum Global Investment Management (Company Registration No. 3733094) has its registered office at The Rex Building, 62 Queen Street, London, EC4R 1EB.

Momentum Global Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom, and is an authorised Financial Services Provider pursuant to the Financial Advisory and Intermediary Services Act 37 of 2002 in South Africa.

Market Commentary

The extraordinary start to 2019 for global financial markets continued into April, with strong rises in most risk assets, led by equities, which have enjoyed their best start to a year in decades. All the major equity markets produced solid positive returns with developed equities again outperforming emerging markets, returning 3.5% versus 2.1%. US equities returned 4% in US dollar terms and hit another record high late in the month. The strong performance in the US was however exceeded by Europe, advancing 4.3% in euro terms, buoyed by signs that the sharp slowdown in growth across the eurozone was stabilising. Japan again underperformed, up 1.7% in April and 9.5% year-to-date, the latter making up half of the returns of the US (18%) and Europe (17.2%). Japan has been held back by slower growth this year, below 1% per annum, hurt by the slowdown in China and softness in global growth. The market's underperformance leaves it attractively valued relative to other developed markets. China was the only market of note which slipped in April, however, this has followed a very strong first quarter performance, returning close to 30%.

Figure 1.1: Global equity markets rose in April



Source: Bloomberg, Momentum GIM. Returns in local currency terms

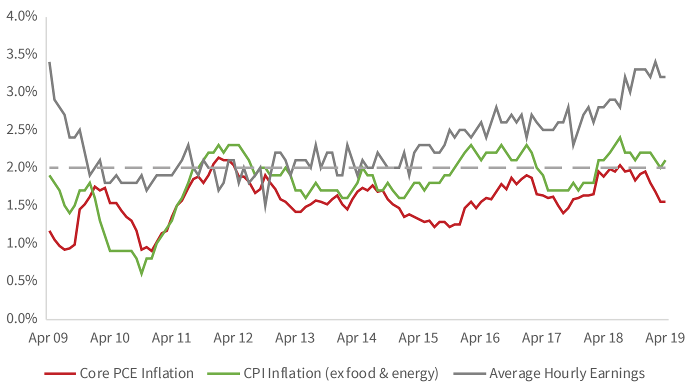
Fixed income markets were more mixed in the month, with safe haven government bond markets in slightly negative territory. US Treasuries declined 0.3%, with the yield on the 10-year Treasury rising 10 basis points following the sharp falls in yields over the preceding five months. Credit continued to perform well, with investment grade bonds returning 0.5% and high yield 1.4% over the month, taking their year-to-date returns to 5.7% and 8.8% respectively.

Perhaps the most notable move in April was a gain of 6% in the oil price, taking its year-to-date rise to 35%. Political chaos in Libya and Venezuela is curbing production in these two big producers while the end of the US waiver of sanctions on imports of Iranian oil has raised fears of short term supply shortages. The effect of this price surge on inflation should not be over-estimated however, since the oil price has largely recovered the big fall in late 2018 and takes it back to its trading range through much of 2018.

Key factors driving markets were again the Federal Reserve's policy pivot and the positive signals coming from the US-China trade war negotiations, which until an abrupt about-turn by President Trump in early May appeared to be moving towards a positive conclusion to be signed off in a Trump-Xi summit in coming weeks. The Federal Reserve maintained its patient approach in April and indicated that any interest rate rises this year are highly unlikely. Investor confidence was also boosted by signs of stabilisation in China's growth rate following the fiscal stimulus announced in March and the cumulative impact of easier credit conditions.

Despite leading indicators softening slightly this year, the US economy has remained firm, continuing to outperform other developed economies. US economic growth remains robust, expanding 3.2% on an annualised basis in Q1, while the unemployment rate has been pushed down to 3.6%, a 50-year low, yet inflation remains remarkably subdued, with the Fed's preferred inflation measure, core PCE, rising only 1.6% year-on-year in April, having peaked at 2% in July 2018. This has been an ideal combination for risk assets this year.

Figure 1.2: Annual core PCE Price Index remains below the Federal Reserve's 2% inflation target



Source: Bloomberg, Momentum GIM.

The big question for investors now is whether the slowdown in growth since late 2018, most marked in China and Europe, is a soft patch or whether it portends a more sinister development. Recent data from the US, China and several major European economies supports the view that the global economy is in a soft patch rather than heading into recession, suffering from the tighter liquidity conditions of 2018 and the impact on trade and manufacturing of the trade wars. Leading indicators have generally stabilised in the past few weeks, and although manufacturing industry is still in contractionary territory in some countries, notably Germany, the service sector has continued to expand, albeit at slower rates than in 2018. With monetary policy now firmly in loose mode across the developed world and China, the prospects for continuation of modest growth and subdued inflation have improved.

However, clear risks to this outturn are evident, most notably the US-China and to a lesser extent the US-EU trade wars, and the uncertainty resulting from the chaotic and inept handling of Brexit by the UK government and Parliament.

Talks between the US and China appeared to be progressing well but the sudden announcement by President Trump to increase tariffs from 10% to 25% on $200 billion of imports from China, together with hints of new tariffs on all remaining Chinese imports, totalling a further $325bn of goods, has been a salutary reminder that a successful conclusion to the talks is not assured. It is reassuring that the talks continue, with China's top trade envoy in the US in the coming days, but investors are likely to remain nervous until a deal is finally struck.

In the case of Brexit, it remains unclear how the saga will finally play out. With the EU having granted a 6 months extension to the UK's departure from the EU, delaying it to 31 October unless the UK can find a route to agreeing a withdrawal deal before then. Uncertainty has been extended, with obvious consequences for business and consumer confidence. While a no-deal outcome has been ruled out by Parliament the political situation is so fluid in the UK that all options are on the table, including that most feared by investors, the government falling and giving way in a general election to a far left Corbyn led government. UK assets appear undervalued compared with most other markets but remain under a cloud of uncertainty.

The policy backdrop to markets has become highly supportive this year and the drop in interest rates across bond markets provides strong valuation support to equities and risk assets generally. With inflation remaining subdued this long cycle is likely to be extended. While a further slowdown in growth cannot be dismissed, recent data suggests some stabilisation and much of the slowdown has anyway been priced into markets. Risks remain, and a period of consolidation is likely after the sharp rise in markets so far this year, but we believe that the cycle has further to run and markets should make progress in the course of 2019.

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 30 April 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
United States	S&P 500 NR	**USD**	4.0%	9.3%	18.0%	12.8%
United Kingdom	MSCI UK NR	**GBP**	2.2%	7.8%	11.8%	3.0%
Continental Europe	MSCI Europe ex UK NR	**EUR**	4.3%	10.6%	17.2%	4.4%
Japan	Topix TR	**JPY**	1.7%*	4.4%*	9.5%*	-6.8%*
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	**USD**	1.8%	5.7%	13.4%	-2.7%
Global	MSCI World NR	**USD**	3.5%	8.1%	16.5%	6.5%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	**USD**	2.5%	-1.1%	10.2%	-0.1%
Emerging Asia	MSCI EM Asia NR	**USD**	1.8%	5.4%	13.1%	-5.2%
Emerging Latin America	MSCI EM Latin America NR	**USD**	0.4%	-5.8%	8.3%	-5.1%
BRICs	MSCI BRIC NR	**USD**	1.6%	5.5%	15.9%	-1.4%
Global emerging markets	MSCI Emerging Markets NR	**USD**	2.1%	3.2%	12.2%	-5.0%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	**USD**	-0.3%	1.4%	1.9%	4.9%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	**USD**	0.3%	2.2%	3.7%	3.1%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	**USD**	0.5%	3.3%	5.7%	6.5%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	**USD**	1.4%	4.1%	8.8%	6.7%
UK Gilts	JP Morgan UK Government Bond TR	**GBP**	-1.6%	0.8%	1.9%	3.3%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	**GBP**	-0.2%	2.2%	4.0%	3.6%
Euro Government Bonds	ICE BofAML Euro Government TR	**EUR**	0.0%	1.4%	2.5%	2.5%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	**EUR**	0.7%	2.8%	3.9%	3.0%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	**EUR**	1.3%	4.4%	6.7%	2.6%
Japanese Government	JP Morgan Japan Government Bond TR	**JPY**	-0.4%	0.8%	1.3%	2.1%
Australian Government	JP Morgan Australia GBI TR	**AUD**	0.2%	3.5%	4.2%	9.3%
Global Government Bonds	JP Morgan Global GBI	**USD**	-0.5%	0.0%	1.3%	0.3%
Global Bonds	ICE BofAML Global Broad Market	**USD**	-0.2%	0.5%	2.0%	1.2%
Global Convertible Bonds	ICE BofAML Global Convertibles	**USD**	1.8%	4.1%	9.8%	3.6%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	**USD**	-0.7%	0.3%	5.4%	3.4%

Source: Bloomberg | ***Past performance is not indicative of future returns.*** | **) denotes estimate*

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 30 April 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
US Property Securities	MSCI US REIT NR	**USD**	0.3%	0.5%	-2.1%*	6.4%*
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	**AUD**	-2.6%	4.6%	11.0%	12.2%
Asia Property Securities	S&P Asia Property 40 Index NR	**USD**	-3.3%	1.8%	11.5%	2.8%
Global Property Securities	S&P Global Property USD TR	**USD**	-1.2%	2.3%	13.1%	7.3%
Currencies						
Euro		**USD**	0.0%	-2.0%	-2.2%	-7.1%
UK Pound Sterling		**USD**	0.0%	-0.6%	2.2%	-5.3%
Japanese Yen		**USD**	-0.5%	-2.3%	-1.6%	-1.9%
Australian Dollar		**USD**	-0.7%	-3.1%	0.0%	-6.4%
South African Rand		**USD**	1.4%	-7.3%	0.5%	-12.8%
Commodities & Alternatives						
Commodities	RICI TR	**USD**	0.6%	2.8%	10.0%	-5.4%
Agricultural Commodities	RICI Agriculture TR	**USD**	-2.9%	-6.9%	-4.7%	-14.5%
Oil	Brent Crude Oil	**USD**	6.4%	17.6%	35.3%	-3.2%
Gold	Gold Spot	**USD**	-0.7%	-2.8%	0.1%	-2.4%
Hedge funds	HFRX Global Hedge Fund	**USD**	0.7%*	1.1%*	3.3%*	-2.8%*
Interest rates						
United States			2.50%			
United Kingdom			0.75%			
Eurozone			0.00%			
Japan			0.10%			
Australia			1.50%			
South Africa			6.75%			

Source: Bloomberg | ***Past performance is not indicative of future returns.*** | ** denotes estimate*

Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 30 April 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
UK - All Cap	MSCI UK NR	**GBP**	2.2%	7.8%	11.8%	3.0%
UK - Large Cap	MSCI UK Large Cap NR	**GBP**	1.6%	8.1%	11.3%	3.9%
UK - Mid Cap	MSCI UK Mid Cap NR	**GBP**	3.8%	5.3%	11.9%	-4.2%
UK - Small Cap	MSCI Small Cap NR	**GBP**	4.8%	9.2%	17.5%	-0.3%
United States	S&P 500 NR	**USD**	3.6%	10.0%	15.3%	19.1%
Continental Europe	MSCI Europe ex UK NR	**EUR**	3.8%	9.0%	12.2%	2.1%
Japan	Topix TR	**JPY**	1.4%*	3.3%*	6.4%*	-2.9%*
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	**USD**	1.4%	6.4%	10.9%	2.6%
Global developed markets	MSCI World NR	**USD**	3.2%	8.7%	13.8%	12.4%
Global emerging markets	MSCI Emerging Markets NR	**USD**	1.7%	3.8%	9.7%	0.2%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	**GBP**	-1.6%	0.7%	1.9%	3.3%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	**GBP**	-0.2%	0.2%	0.3%	1.1%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	**GBP**	-1.2%	0.6%	1.1%	3.9%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	**GBP**	-2.5%	1.1%	3.3%	4.3%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	**GBP**	-1.4%	3.9%	4.5%	6.9%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	**GBP**	-1.0%	1.0%	0.8%	4.9%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	**GBP**	-1.7%	5.2%	6.2%	8.1%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	**GBP**	-0.2%	2.2%	4.0%	3.6%
US Treasuries	JP Morgan US Government Bond TR	**USD**	-0.7%	2.0%	-0.5%	10.7%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	**USD**	0.5%	3.3%	5.7%	6.5%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	**USD**	1.4%	4.1%	8.8%	6.7%
Euro Government Bonds	ICE BofAML Euro Government TR	**EUR**	0.0%	1.4%	2.5%	2.5%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	**EUR**	0.7%	2.8%	3.9%	3.0%
Euro High Yield	*BBgBarc European High Yield 3% Constrained TR*	**EUR**	1.3%	4.4%	6.7%	2.6%
Global Government Bonds	JP Morgan Global GBI	**GBP**	-0.9%	0.6%	-1.0%	5.9%
Global Bonds	ICE BofAML Global Broad Market	**GBP**	-0.2%	0.5%	2.0%	1.2%
Global Convertible Bonds	ICE BofAML Global Convertibles	**GBP**	1.8%	4.1%	9.8%	3.6%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	**GBP**	-1.1%	0.9%	3.0%	9.1%

Source: Bloomberg | ***Past performance is not indicative of future returns.*** | *e denotes estimate*

Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 30 April 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
Global Property Securities	S&P Global Property TR	**GBP**	-1.6%	3.0%	10.5%	13.2%
Currencies						
Euro		**GBP**	0.0%	-1.5%	-4.3%	-2.0%
US Dollar		**GBP**	0.0%	0.6%	-2.1%	5.6%
Japanese Yen		**GBP**	-0.5%	-1.7%	-3.7%	3.6%
Commodities & Alternatives						
Commodities	RICI TR	**GBP**	0.2%	3.4%	7.5%	-0.1%
Agricultural Commodities	RICI Agriculture TR	**GBP**	-3.2%	-6.3%	-6.8%	-9.8%
Oil	Brent Crude Oil	**GBP**	6.0%	18.3%	32.2%	2.2%
Gold	Gold Spot	**GBP**	-1.1%	-2.3%	-2.2%	3.0%
Interest rates						
United Kingdom			0.75%			
United States			2.50%			
Eurozone			0.00%			
Japan			0.10%			

Source: Bloomberg | ***Past performance is not indicative of future returns.*** | *ᵉ denotes estimate*

VIEWPOINT

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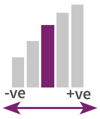
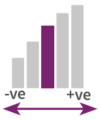
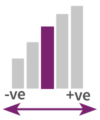
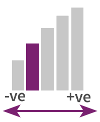
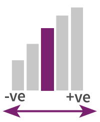
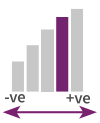
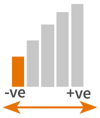
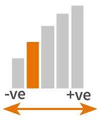
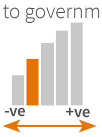
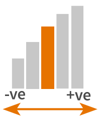
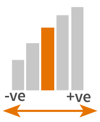
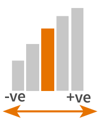
Asset Allocation Dashboard

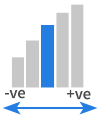
Asset class	View
Equities	
Developed equities 	» We retain our broadly neutral allocation to global equities today. Valuations have back slightly from their YTD highs, but global equities remain attractive, particularly versus sovereign and some corporate bonds. » Monetary policy and cross border politics will remain key drivers of risk appetite and global equity returns, the former being key to the recent repricing. The US-China trade war remains a pivotal factor in risk pricing today. + The global macro backdrop and recent dovish Fed pivot remains favourable for global equities, though we remain cognisant of weaker data across an increasing number of regions + Equities are better placed than most asset classes to perform in a moderately pro inflationary environment – The trade war back drop remains unresolved and remains a key risk for global equities
UK equities (relative to developed) 	» UK equities continue to look cheap today but caution is warranted given the now extended Brexit negotiations and continued political jockeying. While the larger cap market constituents are more globally focused than they are UK, and have earnings shielded in large part from FX swings, the more domestically oriented names may face bigger challenges. » The Brexit timeline has temporarily extended as cross party negotiations take place, and the uncertainty is likely to see continued volatility in Sterling and UK assets. + The UK market remains exposed to global markets and factors and as such is somewhat insulated from the headline Brexit concerns, benefiting from any associated Sterling weakness. – Today the chief worries lie with the ongoing and protracted Brexit negotiations, and the uncertain future of the Tory party leadership and government.
European equities (relative to developed) 	» European equity valuations remain favourable when viewed against corporate and sovereign European bond markets. The region faces headwinds today from low growth and ongoing political tensions. The ECB's new TLTRO program goes some way to replacing the stimulus lost when the bond purchase program ended, but inflationary pressure remains muted. + European earnings still have scope to recover meaningfully from their post crisis lows. – European assets, including equities, may come under pressure due to low growth across the region as well as the ECB asset purchase program coming to an end. Although, the ECB has acknowledged these concerns and taken a more dovish stance. – Episodic risk off events, such as the volatility in the Italian bond market or social unrest in France, should be expected.
US equities (relative to developed) 	» The US remains the most expensive of the major developed markets, but the narrow market that has led indexes higher also offers selective value for the stockpicker. The US economy remains in reasonably good health and arguably warrants a premium, but the tighter valuation opportunity today means we continue to score US equities less highly than ex US bourses today. » Monetary policy remains crucial to keeping markets in check and volatility under control. To date the Fed has managed this well, but recent concerns about slowing growth has led the Fed to reappraise their expectations for 2019 hikes, with rates expectations softening and lending support to risk assets. + The economy remains in good health with several leading indicators remaining positive, albeit weakening + Following the Fed's recent policy pivot, broader measures of financial conditions have loosened, which coupled with the current fiscal stance may help support earnings going forward. – US equity valuations remain elevated vs other regions today which may prove to be an obstacle to further index gains from current levels. Additionally, 2019 earnings growth could disappoint at the same time that margins potentially peak out. – Trade war rhetoric has again turned more sour, leading to some repricing of US (and global) equity risk.
Japan equities (relative to developed) 	» Japanese equities look attractive today and we acknowledge the government's policies to improve working practices and governance. The direction of the Yen is an important driver of returns with Yen weakness supporting Japanese equities and vice versa » Japanese assets should remain well buoyed by the Bank of Japan, which is the sole major central bank still buying assets today. + Japanese equities underperformed in Q1 despite Yen weakness; that leaves some scope for equity upside in the absence of broader based market volatility. – In a protracted risk off scenario Yen strength resulting from its safe haven status would hurt Japanese equities.
Emerging market equities 	» We remain in favour of EM assets more generally over DM as the longer term relative growth dynamics remain favourable, which coupled with steady inflation should support EM equity returns over time. Some caution is warranted as further bouts of volatility are inevitable. + EM currencies remain somewhat cheap and provide additional cushion to local EM equity returns through potential earnings enhancement over time. – Emerging markets remain prone to bouts of volatility and flow reversal at times of heightened perceived risk – Despite some encouraging trade talks recently the Sino-US trade war backdrop remains unresolved and remains a key risk for emerging markets as a whole

Past performance is not indicative of future returns.

Fixed Income	
Government 	» On a medium term outlook DM government bonds remain largely unattractive today with poor real return prospects in aggregate following the recent rally. After recent repricing in US rates markets that now price in a cut into 2020, we are more cautious on bonds and look for more diversification to come from cash and gold. Other sovereign markets, such as Italy, are a source of price volatility. + Quality government bonds remain one of the better diversifiers in a multi asset portfolio, even when they are optically expensive. – Net central bank bond purchases have now turned negative and may be a headwind for all rate sensitive debt, arguably more so in higher quality European bond markets as the ECB ends its bond purchase program, though we've not seen this yet to date.
Index-linked (relative to government) 	» Index linked bonds offer some selective value but, like their nominal counterparts, they are expensive, particularly so in the UK. + Index linked bonds are one of the few ways to meaningfully protect against inflation risk. – Inflationary forces remain muted today and on any sustained slowdown in global growth they would almost certainly underperform nominal bonds.
Investment grade Corporate (relative to government) 	» Investment grade bonds provide some diversification benefit in a multi asset portfolio but valuations still remain quite tight. Fundamentals remain reasonable but we would advocate owning more shorter dated credit at today's levels as rate sensitivity remains near highs, and yields low. + A reasonable alternative to owning sovereign bonds with diversifying qualities and some spread – With quantitative easing slowing the risks appear more asymmetric – Credit quality has drifted lower in recent years, and leverage has moved higher
High Yield Corporate 	» Spreads have compressed since the Q4 2018 sell off to a level that is probably about fair in our opinion but are likely to remain somewhat elevated and potentially volatile. » We favour owning shorter duration credit where the risk return looks more favourable today, with an opportunity to add spread duration if credit markets re-widen again from here. + In the absence of a systemic market shock the running yield of high yield means the asset class will likely trump most of other fixed income. – The global credit cycle is at best mid cycle, at worst late cycle, so spread volatility is to be expected going forward. Defaults are likely to come in higher with recoveries potentially lower than historical levels
Emerging market debt 	» With yields ~6% the asset class remains attractive today, with spreads slightly elevated relative to history. The healthy running yield means the asset class remains a preferred credit allocation for us and we continue to prefer hard currency to local exposure at this time. + We believe EM bonds continue to offer some of the best longer term real return opportunities in bond markets today. – A resurgent Dollar would weigh on EM assets, with local bonds and FX likely bearing the brunt
Convertible bonds 	» Convertible bonds played their protective role well through the latter stages of 2018 and enjoyed a decent uplift through Q1. We continue to favour an allocation to convertibles in a multi asset portfolio for the convexity it brings. » Some caution is warranted given the concentration to the US market and technology names, although the Q4 2018 performance has shown the asset class to be quite resilient in a growth stocks led sell off. + The natural convexity provided by convertibles should continue to provide reasonable protection against any renewed equity weakness. – The call optionality embedded into convertibles only really has any value if markets move higher, and the US, the largest regional market, remains one of the more expensive regions today in aggregate – If volatility reverts again to the recent multi year lows then the optionality holds limited value.

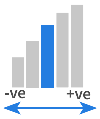
Real Assets /Alternatives

Commodities



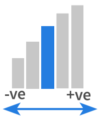
» Prices are likely to be affected by the trade tariffs being imposed by the US and their trade partners (Europe and China in particular) in retaliation. This dynamic remains in flux and is likely to cause some volatility.
» Commodity prices are primarily supply and demand driven, and idiosyncratic factors can be as important as the global economic cycle.
\+ With the US Dollar still near cyclical highs, and global growth still positive, commodities have scope to generate positive returns. Gold remains a good hedge against risk off outcomes, as witnessed during recent market weakness
\+ Despite a strong rebound during the first three months of the year, the commodity index remains below last year's high with scope for further retracement if conditions are right
– Trade tensions may continue to weigh on the commodities sector which is particularly exposed to a slowdown in global growth, and China in particular.

Property (UK)



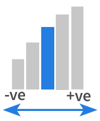
» Property remains an attractive asset class for investors requiring yield.
» Total returns will come mostly from income with limited scope for capital growth with global REIT stocks at somewhat elevated valuations today.
» When viewed against high quality, longer duration Sterling assets and inflation linked bonds, UK property outside London holds some appeal, with industrial and office space having more attractive fundamentals than the under pressure retail sector.
\+ Premium yields should continue to attract capital and provide some floor to prices, as will any sustained Sterling weakness
\+ The longer duration qualities of the asset class make it a good diversifier within multi asset portfolios
– As a long duration asset class property remains susceptible to any repricing in long term bond yields
– UK property remains sensitive to eventual Brexit terms, which continue to evolve.

Infrastructure



» Infrastructure stocks trade at reasonable valuations today and performance has been strong at the index level through both the market weakness in latter 2018 and the reversal in 2019 so far.
» Their income generating potential should continue to support the sector and attract buyers of quality infrastructure assets.
\+ In a multi asset portfolio the relatively defensive nature of the asset class and a degree of inflation protection make the asset class appealing.
\+ The asset class offers a healthy yield at a reasonable valuation today - both equity and debt flavours.
– As a long duration asset class infrastructure remains susceptible to any repricing in long term bond yields.
– Regulation can work both for and against the underlying investments, and a spate of recent events has hit a handful of stocks hard.

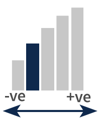
Liquid Alternatives



» We define this section as less/non-directional, absolute return type strategies that seek to capture long term risk premia or market mispricings, and includes hedge fund alternatives/systematic strategies in predominantly UCITS vehicles.
» We favour an allocation to a basket of liquid strategies today to provide additional diversification as high quality bonds on the whole remain expensive.
\+ These strategies provide additional diversification with reasonable return potential.
– The sector is relatively young and growing. Thorough due diligence is vital, and blend is recommended, as idiosyncratic performance can be unpredictable
– The sector is under pressure after a difficult 2018.

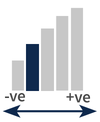
Currencies

GBP



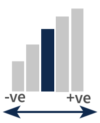
» Politics and leadership uncertainty has replaced headline Brexit risk in the short term and this is reflected in Sterling's recent weakness
» In real terms the currency remains at the lower end of valuations and has room to appreciate over the medium to long term, but politics and rate policy remain a source of volatility and are likely to dominate its nearer term path. The trend for now looks downward with little obvious catalyst for uplift.

Euro



» The Euro has trended slowly weaker in recent months as data has softened. Whilst any change in explicit rate policy has now been pushed towards the early stages of 2020, the ECB's new TLTRO adds some further stimulative measure following the end of the bond purchase programme.
» In real terms the common currency looks about fair value today but with short positioning building there is no obvious and imminent catalyst for an uplift, and on balance the local fundamental backdrop appears to be deteriorating which makes the currency less attractive today.

Yen



» Rate differentials continue to offer little reason to buy the Yen. However, in real terms the Yen remains cheap today.
» What sets the Yen apart from Sterling and the Euro is the currency's diversifying qualities at times of risk, as evidenced by its recent mini rally. We retain a neutral rating but there is scope for another leg up if global risk appetite falls from favour again.

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