momentum

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Newsflash

A new month and the 154th issue of Viewpoint from **PPI Advisory**.

This document will be made available on our website www.ppi-advisory.com

Table of Contents

Market commentary	1 – 3
Market performance	4 – 7
Asset allocation dashboard	8 - 10
Important notes	11

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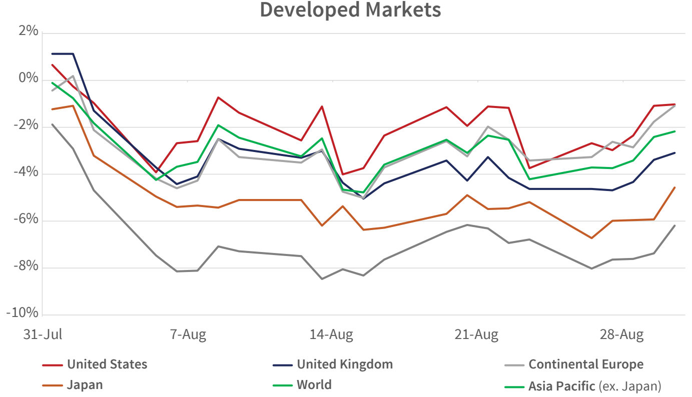
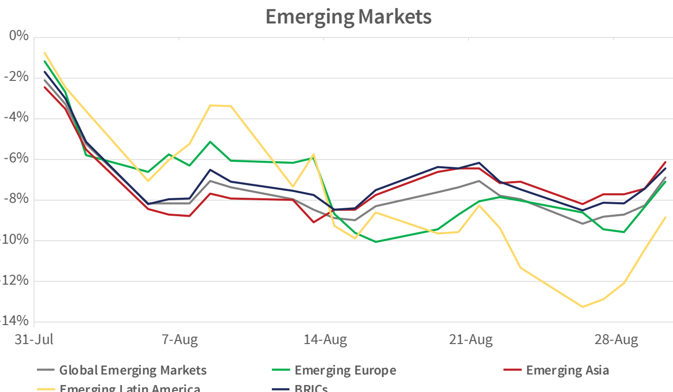
Market Commentary

The nervousness which had been creeping into markets during July intensified in August, with growing fears of a more broadly based global economic slowdown than the manufacturing contraction evidenced in the past 9 months. Equities fell sharply across the board, with the largest falls in the most economically exposed sectors and financials, the latter suffering from the dramatic shift down in interest rate expectations in recent weeks. In contrast, safe-haven government bond markets rose sharply, taking yields in many cases to new all-time lows. In the same vein, industrial commodity prices fell sharply, with the key iron ore price falling by 24% in the month, whereas precious metals rose; gold was up 7.5% in August, taking its rise this year to 19%, while silver did some catching up with gold, rising 13% in the month, bringing its rise this year in line with gold.

A similar pattern was evident in currency markets. The safe-haven yen rose 2.4% in the month, whereas those countries most economically exposed to a global slowdown suffered sharp currency falls: emerging currencies were down by 4% with by far the most important, the Chinese RMB, down by 3.6%, below the politically sensitive 7 to the US dollar and its lowest since before the financial crisis. The subsequent branding of China by the US as a currency manipulator represented another material escalation of the trade war in a month when the mood over the US-China trade wars turned much uglier.

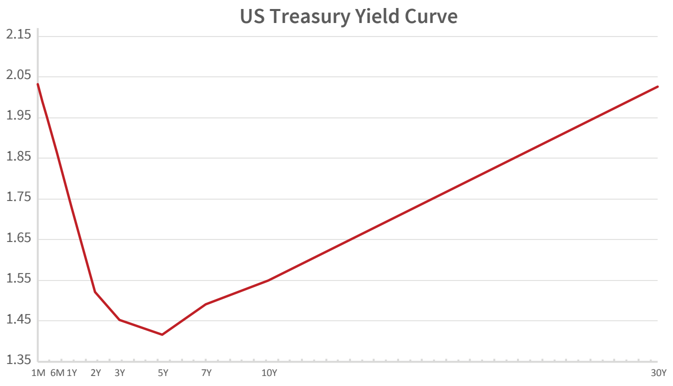
Unsurprisingly in a month when the economic news was almost universally gloomy, with further evidence of the global manufacturing recession and continuing weak forward-looking indicators, emerging markets led the falls. Whereas the developed world equity index, MSCI World, fell by 2%, emerging markets were down by 5%, leaving them up only 4% year to date compared with a 15% rise in developed markets. In bonds, emerging markets were one of the very few sectors to fall in the month, with a return of -2.7%, compared to a 3.6% positive return from US Treasuries.





It was in fixed income that the most remarkable moves took place. Worries about recession and continuing low inflation, together with the change in interest rate expectations and shift to easier monetary policy across the world led to extraordinary moves in bond yields. The yield on the 10 year US Treasury bond fell by 50bps in the month to 1.5%, very close to its all-time low of 1.36%. The 30 year Treasury yield fell below 2% for the first time as investors stretched for yield, and the yield curve inverted across most of the curve, including the widely watched 2 year-10 year, which is often seen as a reliable indicator of a forthcoming recession. Elsewhere yields fell to new all-time lows, and even more extraordinarily, the amount of negative-yielding debt in the world reached $17tn with several countries, including Germany, Switzerland and the Netherlands, now having no positive yielding government bonds. Reflecting this, Germany issued its first-ever zero coupon 30 year bond, yielding -0.1%. There are now only 5 developed countries, the US, UK, Canada, Australia and New Zealand, which do not have negative-yielding bonds anywhere along the curve.

To say that this is not normal is an understatement, and it raises considerable questions about the longer-term unintended consequences of central bank policy. The negative impact of extremely low and falling interest rates on profitability of banks and insurers resulted in sharp falls in financial stocks, which were among the weakest sectors in August; this is giving rise to wider misgivings and uncertainty about the extent to which monetary policy can be eased further, especially in the Eurozone and Japan where the problems are most acute. But for the time being there is no doubt that the course is set for easing by the major central banks as well as many others around the world that have already reacted to weaker growth by cutting rates.



The next policy shift which is likely is some easing of fiscal policy to support growth; with interest rates at all-time lows the case for borrowing to spend is becoming more appealing to governments, including even Germany, where politicians have reacted to the fall in GDP in Q2 and their deep manufacturing recession by discussing the possibility of a significant fiscal injection. The UK government has also called an end to austerity and is planning to lift spending materially in real terms in the coming year. Other countries could well follow in due course.

The escalation in the US-China trade war was a major factor in undermining markets in August. Increased tariffs, retaliation and counter-retaliation were a feature of the month as the rhetoric deteriorated, and talks floundered. The impact of the tariffs now in place, as well as the uncertainty generated by the failure to reach a compromise, is undoubtedly holding back trade, business investment and confidence, but it remains the case that both parties need to reach an agreement and a likely resumption of talks helped to support markets at the end of August.

Other factors that had damaged markets during August also showed signs of easing as the month drew to a close. The messy Italian political situation appeared to be moving towards a new coalition government which would keep out the far right, at least for the time being, while the democracy protests in Hong Kong, which have seriously damaged the economy and the stock market, are leading to concessions by the government, including scrapping altogether the deeply unpopular extradition law which triggered the protests, as well as opening the door to broader discussions about protesters' concerns.

Less clear is how the ongoing issue of Brexit is ultimately resolved. The political situation in the UK is so fluid that predicting what might happen tomorrow, let alone the outcome, is near impossible. However, it appears certain that the only way to resolve the impasse, now that the UK has a minority government with little prospect of enacting its policy objectives concerning either Brexit or domestic matters, is for a general election within the next few weeks. With Boris and the Tories currently well ahead of Corbyn and the Labour party in the polls, the likelihood of a Corbyn led government has diminished but the political situation has changed so dramatically post the referendum that nothing can be ruled out. UK markets, as a result, have remained under a cloud of uncertainty and seem set to continue to underperform the rest of the world until some clarity finally begins to emerge.

We have pointed to the need for greater caution in our recent commentaries and that caution remains warranted. The economic backdrop has deteriorated, corporate earnings are under pressure especially in sectors most exposed to manufacturing, and markets are largely discounting sizeable policy easing by central banks in coming months. But the extent of the global slowdown needs to be kept in perspective; trade and manufacturing are contracting but the service sector continues to grow, albeit more slowly, employment remains strong and the consumer is generally in good shape. There are no signs of systemic financial problems nor capacity shortages, inflation and a sudden tightening of policy. With inflation subdued central banks have considerable flexibility in keeping policy ultra-loose for much longer, thereby extending this extraordinary cycle.

The dramatic falls in bond yields this year, as well as the prospect of policy easing by central banks, provide a strong underpinning to equities and other risk assets, offsetting the more challenging conditions faced by the corporate sector. Against a backdrop of heightened uncertainty, some consolidation in markets has been overdue, but we believe that the cycle has further to run and while heightened volatility in this environment must be expected any further falls in markets will give rise to opportunities to add to risk assets.

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 30 August 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
United States	S&P 500 NR	**USD**	-1.7%	6.7%	17.9%	2.3%
United Kingdom	MSCI UK NR	**GBP**	-4.2%	1.7%	10.5%	1.2%
Continental Europe	MSCI Europe ex UK NR	**EUR**	-0.6%	4.6%	16.9%	3.2%
Japan	Topix TR	**JPY**	-3.4%	0.2%	2.6%*	-10.8%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	**USD**	-4.4%	0.3%	5.9%	-4.8%
Global	MSCI World NR	**USD**	-2.0%	4.9%	15.2%	0.3%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	**USD**	-6.0%	1.4%	13.3%	13.7%
Emerging Asia	MSCI EM Asia NR	**USD**	-3.8%	0.7%	3.9%	-7.3%
Emerging Latin America	MSCI EM Latin America NR	**USD**	-8.1%	-2.4%	3.6%	8.9%
BRICs	MSCI BRIC NR	**USD**	-4.8%	0.4%	7.4%	0.5%
Global emerging markets	MSCI Emerging Markets NR	**USD**	-4.9%	-0.2%	3.9%	-4.4%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	**USD**	3.6%	4.5%	9.1%	10.9%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	**USD**	2.6%	3.8%	9.6%	7.8%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	**USD**	3.1%	6.3%	13.9%	13.3%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	**USD**	0.4%	3.3%	11.0%	6.6%
UK Gilts	JP Morgan UK Government Bond TR	**GBP**	3.8%	6.3%	11.5%	11.9%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	**GBP**	1.5%	4.8%	10.1%	9.2%
Euro Government Bonds	ICE BofAML Euro Government TR	**EUR**	2.5%	6.6%	10.5%	12.0%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	**EUR**	0.6%	3.7%	7.6%	6.6%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	**EUR**	0.8%	4.0%	9.5%	5.8%
Japanese Government	JP Morgan Japan Government Bond TR	**JPY**	1.7%	2.6%	4.8%	6.2%
Australian Government	JP Morgan Australia GBI TR	**AUD**	2.1%	4.3%	11.2%	13.7%
Global Government Bonds	JP Morgan Global GBI	**USD**	3.0%	4.7%	8.0%	8.9%
Global Bonds	ICE BofAML Global Broad Market	**USD**	2.3%	4.2%	7.8%	8.2%
Global Convertible Bonds	ICE BofAML Global Convertibles	**USD**	-1.1%	3.7%	10.7%	1.9%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	**USD**	-2.7%	2.1%	8.7%	11.0%

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

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 30 August 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
US Property Securities	MSCI US REIT NR	USD	3.9%	3.6%	4.0%*	4.8%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	0.7%	5.8%	20.4%	13.9%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	-3.3%	-2.0%	5.8%	5.0%
Global Property Securities	S&P Global Property USD TR	USD	1.0%	3.6%	16.2%	7.6%
Currencies						
Euro		USD	-0.8%	-1.7%	-4.2%	-5.3%
UK Pound Sterling		USD	0.0%	-3.7%	-4.7%	-6.2%
Japanese Yen		USD	2.4%	1.9%	3.2%	4.5%
Australian Dollar		USD	-1.6%	-3.0%	-4.5%	-6.3%
South African Rand		USD	-5.6%	-4.1%	-5.5%	-3.4%
Commodities & Alternatives						
Commodities	RICI TR	USD	-3.6%	-1.3%	3.3%	-8.6%
Agricultural Commodities	RICI Agriculture TR	USD	-5.3%	-9.2%	-9.9%	-13.0%
Oil	Brent Crude Oil	USD	-7.3%	-6.3%	12.3%	-21.9%
Gold	Gold Spot	USD	7.5%	16.5%	18.5%	26.5%
Hedge funds	HFRX Global Hedge Fund	USD	0.2%*	2.6%*	5.3%*	-1.3%*
Interest rates						
United States			2.25%			
United Kingdom			0.75%			
Eurozone			0.00%			
Japan			0.10%			
Australia			1.00%			
South Africa			6.50%			

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 August 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
UK - All Cap	MSCI UK NR	**GBP**	-4.2%	1.7%	10.5%	1.2%
UK - Large Cap	MSCI UK Large Cap NR	**GBP**	-4.4%	1.1%	9.9%	2.3%
UK - Mid Cap	MSCI UK Mid Cap NR	**GBP**	-3.6%	3.0%	9.6%	-6.4%
UK - Small Cap	MSCI Small Cap NR	**GBP**	-2.1%	-0.2%	13.0%	-6.9%
United States	S&P 500 NR	**USD**	-1.3%	10.8%	23.5%	9.0%
Continental Europe	MSCI Europe ex UK NR	**EUR**	-1.5%	6.9%	17.5%	4.2%
Japan	Topix TR	**JPY**	-1.0%	6.1%	11.2%*	-0.8%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	**USD**	-4.0%	4.2%	11.0%	1.4%
Global developed markets	MSCI World NR	**USD**	-1.7%	8.9%	20.6%	6.8%
Global emerging markets	MSCI Emerging Markets NR	**USD**	-4.5%	3.6%	8.9%	1.9%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	**GBP**	3.8%	6.2%	11.4%	11.8%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	**GBP**	0.1%	0.7%	1.5%	1.9%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	**GBP**	1.5%	3.7%	7.1%	8.7%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	**GBP**	6.5%	10.1%	18.8%	18.4%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	**GBP**	4.6%	7.6%	17.3%	18.2%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	**GBP**	2.0%	5.8%	9.6%	12.5%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	**GBP**	6.0%	8.9%	21.5%	21.8%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	**GBP**	1.5%	4.8%	10.1%	9.2%
US Treasuries	JP Morgan US Government Bond TR	**USD**	4.0%	8.5%	14.3%	18.1%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	**USD**	3.1%	6.3%	13.9%	13.3%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	**USD**	0.4%	3.3%	11.0%	6.6%
Euro Government Bonds	ICE BofAML Euro Government TR	**EUR**	2.5%	6.6%	10.5%	12.0%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	**EUR**	0.6%	3.7%	7.6%	6.6%
Euro High Yield	*BBgBarc European High Yield 3% Constrained TR*	**EUR**	0.8%	4.0%	9.5%	5.8%
Global Government Bonds	JP Morgan Global GBI	**GBP**	3.4%	8.7%	13.2%	16.0%
Global Bonds	ICE BofAML Global Broad Market	**GBP**	2.3%	4.2%	7.8%	8.2%
Global Convertible Bonds	ICE BofAML Global Convertibles	**GBP**	-1.1%	3.7%	10.7%	1.9%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	**GBP**	-2.3%	6.0%	13.9%	18.3%

*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 August 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
Global Property Securities	S&P Global Property TR	**GBP**	1.4%	7.5%	21.8%	14.6%
Currencies						
Euro		**GBP**	-0.8%	2.3%	0.6%	1.0%
US Dollar		**GBP**	0.0%	3.9%	4.9%	6.6%
Japanese Yen		**GBP**	2.3%	5.8%	8.2%	11.3%
Commodities & Alternatives						
Commodities	RICI TR	**GBP**	-3.2%	2.4%	8.2%	-2.7%
Agricultural Commodities	RICI Agriculture TR	**GBP**	-4.9%	-5.8%	-5.6%	-7.3%
Oil	Brent Crude Oil	**GBP**	-6.9%	-2.7%	17.7%	-16.9%
Gold	Gold Spot	**GBP**	7.9%	20.9%	24.2%	34.8%
Interest rates						
United Kingdom			0.75%			
United States			2.25%			
Eurozone			0.00%			
Japan			0.10%			

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

Asset Allocation Dashboard

Asset class	View
Equities	
Developed equities -ve +ve	» We retain our broadly neutral allocation to global equities today, having reduced our allocation at the end of July. Despite market volatility, valuations continue to look reasonable and thus global equities remain attractive, particularly versus ever more expensive 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 ongoing US-China trade war remains a pivotal factor in risk pricing today, as does the nascent concerns on slowing global growth. + The increasingly dovish policy pivot remains favourable for global equities, though we remain cognisant of weakening data across an increasing number of regions – The trade war back drop remains unresolved and remains a key risk for global equities – Earnings have increasingly come under pressure and the absence of EPS growth will be a headwind to further equity upside
UK equities (relative to developed) -ve +ve	» UK equities continue to look cheap today but caution is warranted given the approaching October 31st Brexit deadline and the current parliamentary deadlock. While the UK market's larger cap 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 » We should expect to see continued volatility in Sterling and UK assets as the October deadline approaches, and in the absence of any resolution. + 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 within the political sphere and the likelihood of there being a general election before the year is out. Currently the jury is out on how this will evolve, with Parliament currently prorogued until mid October. – The UK high street continues to face major challenges.
European equities (relative to developed) -ve +ve	» European equity valuations remain favourable when viewed against corporate and sovereign European bond markets. The ECB's new TLTRO program goes some way to replacing the stimulus lost when the bond purchase program ended, but inflationary pressures have all but evaporated and it is difficult to identify a catalyst for meaningful earnings growth. + Any renewed ECB asset purchases or policy stimulus will likely provide a fillip to risk assets in the region. Today these were confirmed. – Manufacturing, a mainstay of the German economy in particular, remains under pressure from shifting consumer and industrial trends. This poses headwinds for the broader German economy and the health of the region as a whole.
US equities (relative to developed) -ve +ve	» 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. It remains to be seen whether rates will be cut as much as markets expect over the rest of this year. + The economy remains in reasonably good health with several leading indicators remaining positive, albeit weakening + Following the Fed's policy pivot earlier this year, 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 policy remains firmly on the agenda for now and is a destabilising force.
Japan equities (relative to developed) -ve +ve	» Japanese equities continues to look attractive today. We acknowledge government policy desigend 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; recent Yen strength and relative underperformance of equities provides some cushion going forward » Japanese assets should remain well buoyed by the Bank of Japan, which is the sole major central bank still buying assets today, for now at least. + Japanese equities' relative underperformance leaves scope for meaningful equity upside in the absence of broader based market volatility + Cash rich Japanese corporates are increasingly returning more cash to shareholders through dividends. – In a protracted risk off scenario Yen strength resulting from its safe haven status would hurt Japanese equities – There is a notable absence of catalyst for any rerating.
Emerging market equities -ve +ve	» On a longer term view we remain in favour of EM assets more generally over DM as the relative growth dynamics remain favourable, which coupled with steady inflation and reasonable valuations should support EM equity returns over time. » Some caution is warranted today given the deteriorating macro backdrop and 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, as is the case today – 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.

momentum

Fixed Income	
Government	» DM government bonds remain largely unattractive today with poor real return prospects in aggregate following the spectacular recent rally. After the recent repricing in most rates markets we remain cautious on bonds and look for more diversification to come from cash, gold and real assets. Other sovereign markets, such as Italy, offer some value but are also 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. For that reason we advocate having some exposure, or owning higher quality investment grade in lieu of pure sovereign. – Net central bank bond purchases have, for now, now turned negative and may be a headwind for all rate sensitive debt when the current buying frenzy ends.
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. With inflation risk so poorly priced today however, we rate them slightly higher than nominals in aggregate. + 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. – In the absence of central bank bond purchases the risks appear more asymmetric today – Credit quality has drifted lower in recent years, and leverage has moved higher
High Yield Corporate	» Spreads widened out in August but to a level that is probably about fair in our opinion considering the credit cycle is extended » We favour owning shorter duration credit where the risk return looks more favourable today, with an opportunity to add spread duration if credit markets widen more meaningfully from here. + In the absence of a systemic market shock, and with the current dovish tone driving markets, high yield will likely trump most of other fixed income over the medium term. – 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	» The asset class remains attractive today, with spreads slightly elevated relative to history in spite of lower yields after recent rate moves » 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. – Dollar strength may continue to weigh on EM assets, with local bonds and FX likely bearing the brunt – Idiosyncratic events will continue to occur, as seen again recently in Argentina, so expect some periodic bouts of volatility
Convertible bonds	» We continue to favour an allocation to convertibles in a multi asset portfolio for the convexity the asset class 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 can 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 (-ve … +ve)	» The prices of some industrial commodities will likely be buffeted by the ongoing trade wars, and tensions in the gulf have impacted oil prices more recently. These geopolitical risks are unlikely to go away any time soon » 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. – 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) (-ve … +ve)	» 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, property holds 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 (-ve … +ve)	» Infrastructure stocks trade at reasonable valuations today (although they continue to richen) and performance has been strong at the index level year to date » Their income generating potential should continue to support the sector and attract buyers of quality infrastructure assets, at a time when the need for infrastructure capital and investment continues to grow. + 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 underlying infrastructure stocks remain exposed to these risks.
Liquid Alternatives (-ve … +ve)	» 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 get ever more 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 – Poor 2018 performance has led this sector to be somewhat out of favour.

Currencies*

GBP (-ve … +ve)	» Political and/or Brexit risk remains the key risk for Sterling today. Boris Johnson's proroguing of parliament, and the ensuing battle to reverse it, is doing little to provide any guidance around the eventual exit terms. The likelihood of a near term election has increased in recent weeks, and its outcome is uncertain today » 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.
Euro (-ve … +ve)	» The Euro has trended slowly weaker in recent months as data has softened. Any kind of forward tightening is off the cards today as the ECB has this month cut rates further and commited to restarting their asset purchase program. In the absence of further US stimulus this will not lift the currency » In real terms the common currency looks about fair value today but 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 largely unattractive today.
Yen (-ve … +ve)	» 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. The neutral rating reflects this attribute which its Sterling and Euro peers lack.

*Past performance is not indicative of future returns. *Currencies views are expressed versus the US Dollar*

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