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momentum
global investment management

GLOBAL MATTERS
MONTHLY VIEWPOINT

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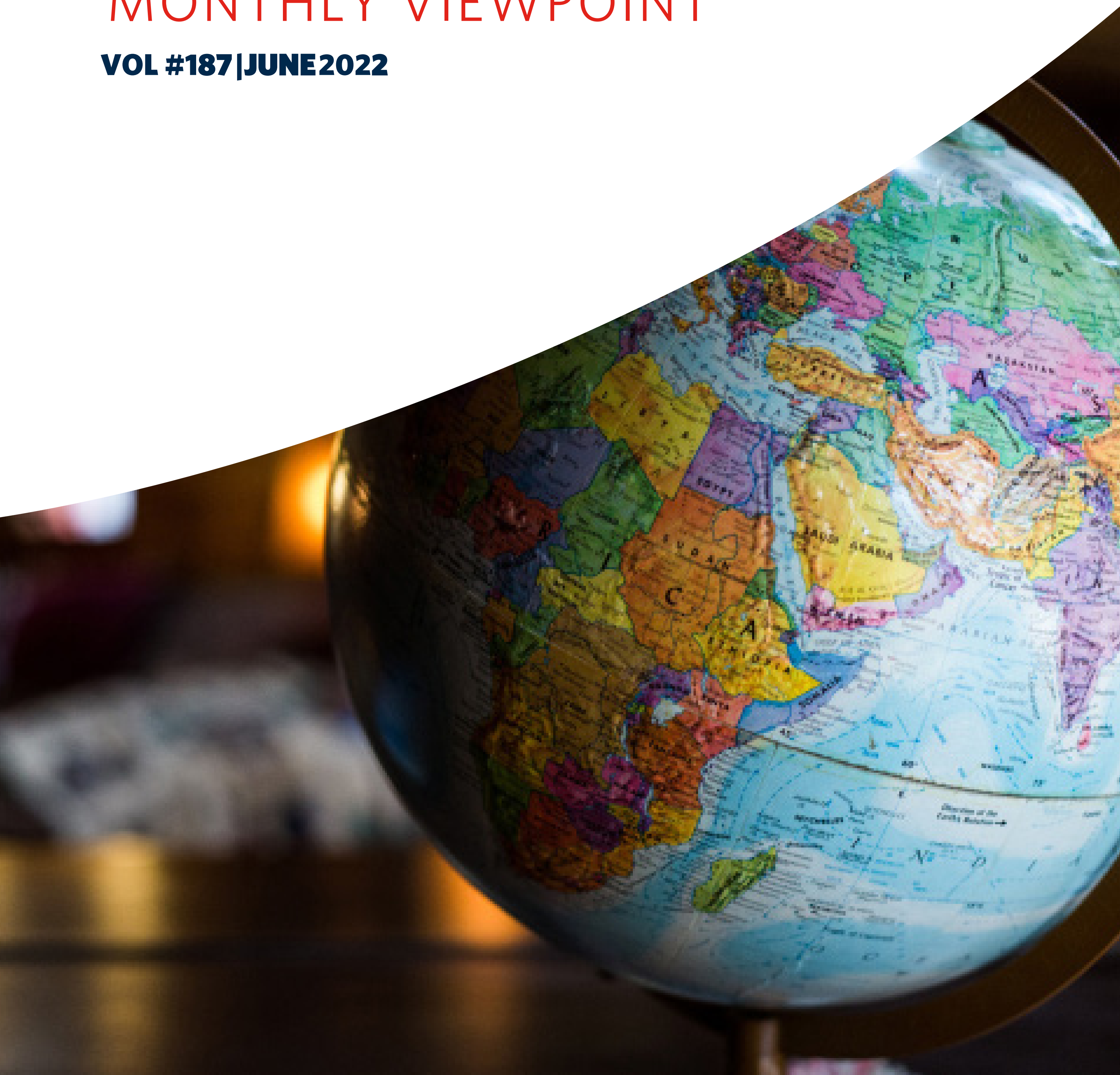

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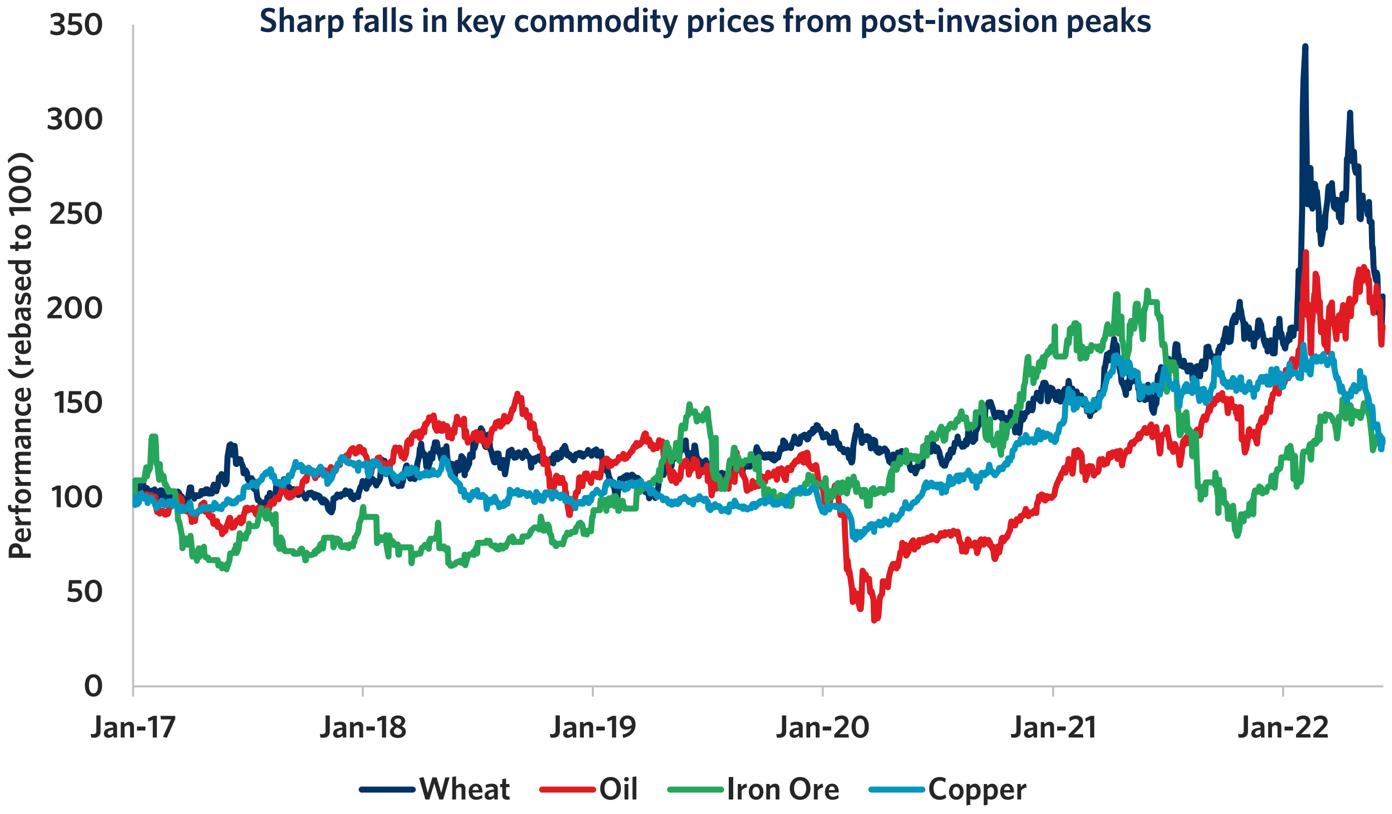
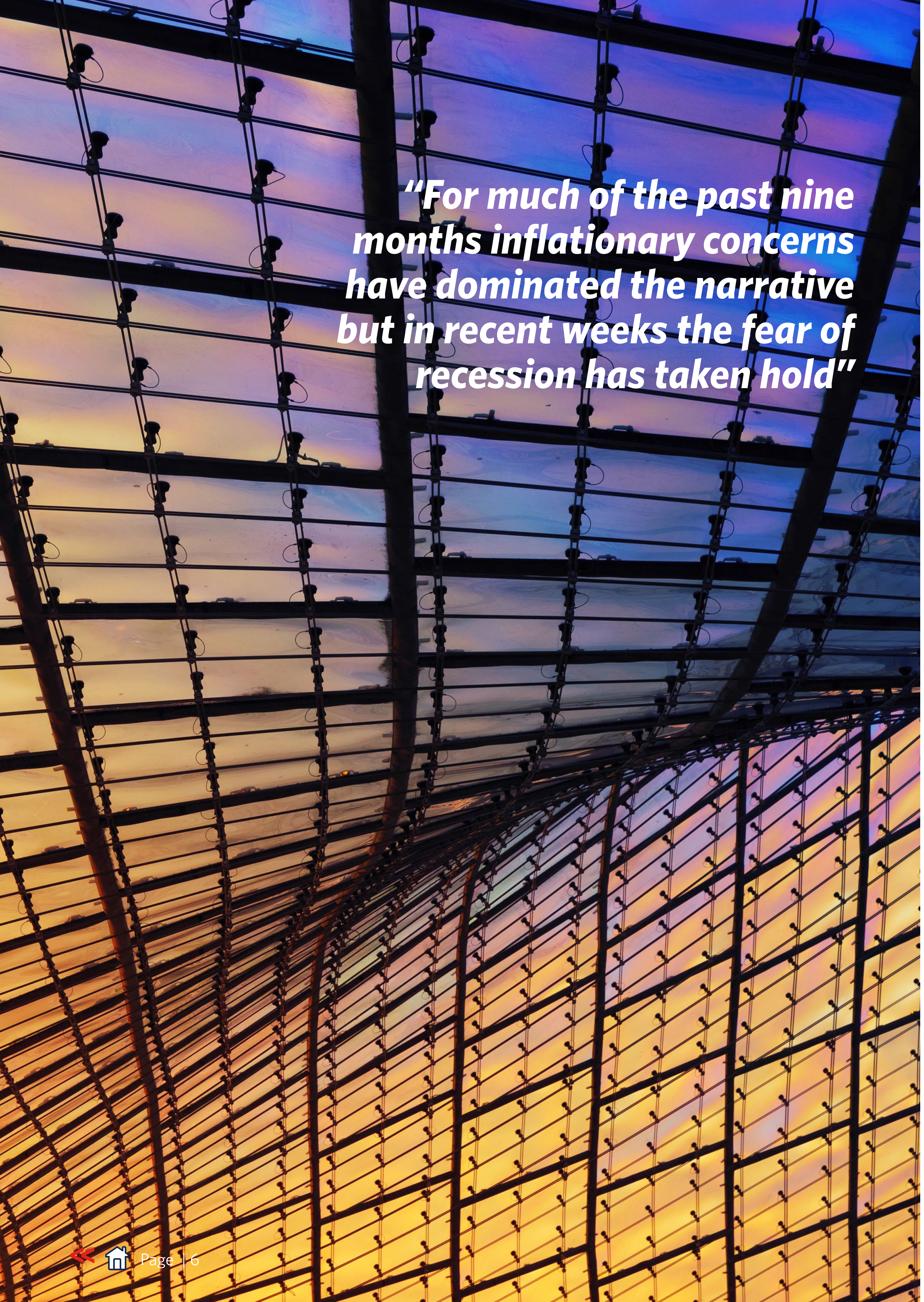
Global Market Review & Outlook

The sharp downturn in financial markets this year broadened and deepened in the second quarter, resulting in an exceptionally difficult six months for investors. While in Q1 there were some pockets of strength – commodities, gold, UK large-cap equities, and a small number of emerging equity markets and currencies, in the second quarter the only positive returns of note came from oil and Chinese equities. With the dollar surging throughout the period, the only safe haven to preserve capital in dollar terms was US dollar cash. Developed equities returned -16% in Q2, led by the US, and are now down by over 20% YTD. Emerging markets were helped by a +3% return from the largest index constituent, China, in Q2, but still produced a sizeable loss, -11%, taking the YTD return to -18%. Highly unusual in a period of heightened risk aversion, safe haven government bonds offered no protection: US Treasuries returned -3.9% in Q2 and -8.9% for the first half of the year, a scale of decline rarely seen in the asset class. Credit fared even worse, with equity-like returns in Q2 and H1: investment grade bonds -7.3% and -14.4% respectively, high yield -9.8% and -14.2%, and emerging market debt -12.5% and -26.6%.

While gold and broad commodities had surged on Russia's invasion of Ukraine, in Q2 they fell back, in some cases sharply, in the face of a strong dollar and rising risks of recession, with only energy markets holding up. Gold was down by 6.7% while agricultural and base metal markets fell sharply in many cases: copper was down by 22%, iron ore 19% and wheat 14%. Even crude oil softened as the quarter progressed, and although it was up by 6% in Q2, it fell by 6% in June and is down by over 10% from the peak immediately following Russia's invasion of Ukraine.



Sources: Momentum Global Investment Management, Bloomberg Finance L.P. as at 8 July 2022.

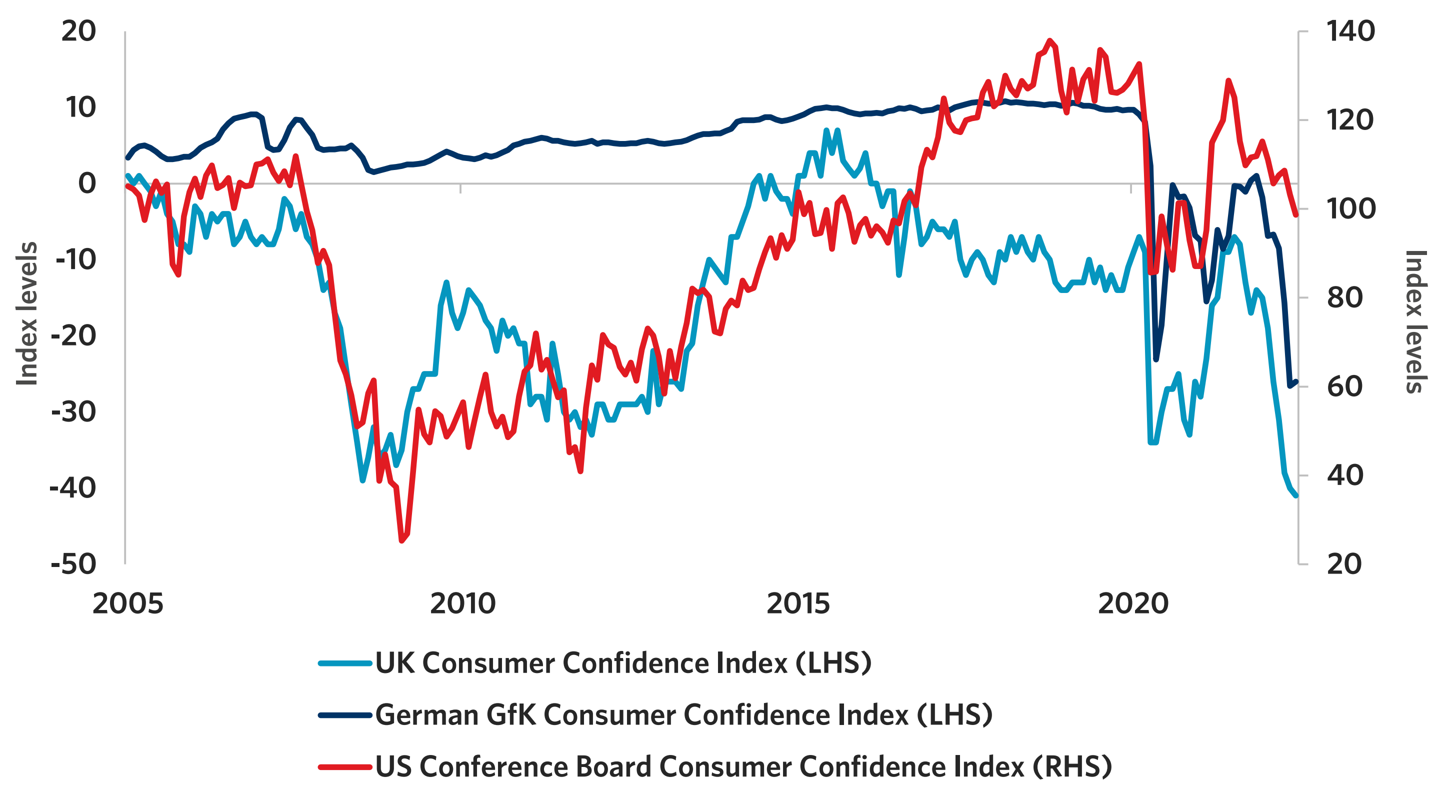


"For much of the past nine months inflationary concerns have dominated the narrative but in recent weeks the fear of recession has taken hold"

It would be difficult to construct a more challenging backdrop for markets than that of the past six months. The extraordinary effects of the pandemic on supply chains, the ensuing massive loosening of fiscal and monetary policy, and the release of pent-up demand as Covid restrictions ended, reawakened inflation. Central banks misjudged the persistency of the inflation, and across much of the developed world have been forced into an aggressive tightening of policy. The challenges faced by policy makers were then compounded by Russia's act of aggression, exacerbating inflation, especially of food and energy, damaging business and consumer confidence, and triggering intense uncertainty and fears of global recession.

For much of the past nine months inflationary concerns have dominated the narrative but in recent weeks the fear of recession has taken hold. High energy and food prices are dampening consumer confidence and discretionary spending, corporate margins are under pressure from surging producer input prices, and rising interest rates are discouraging spending and investment. Whether there is a technical recession of two consecutive quarters of negative growth is in a sense a moot point; what is beyond doubt is that a sharp slowdown in growth across much of the world is underway with inevitable consequences for corporate earnings. It also adds complexity to the difficult balancing act of central banks attempting to rein in inflation without pushing economies into recession. Yet much of the inflation they are trying to control, energy and food prices, is beyond the immediate reach of monetary policy, raising the question of how deep the slowdown will need to be to bring inflation down sustainably to central bank targets of around 2%.

Consumer confidence falls dramatically



Sources: Momentum Global Investment Management, Bloomberg Finance L.P. as at 30 June 2022.

The intense uncertainties, the substantial risks of misjudgements and policy error, the inevitable monetary tightening ahead, and the unquantifiable tail risk of escalation of the Russian-Ukraine conflict, add up to a potentially potent mix and make it easy to be bearish for the second half of the year and maybe beyond. But investing is never quite so easy.

The bearish signals are in full view:

1. Inflation across much of the developed world has exceeded expectations for most of the past year; consumer price inflation is running at 8-10% in the US, Europe and UK, and producer prices at double digit rates with a whopping 36% rise in the Euro Area.

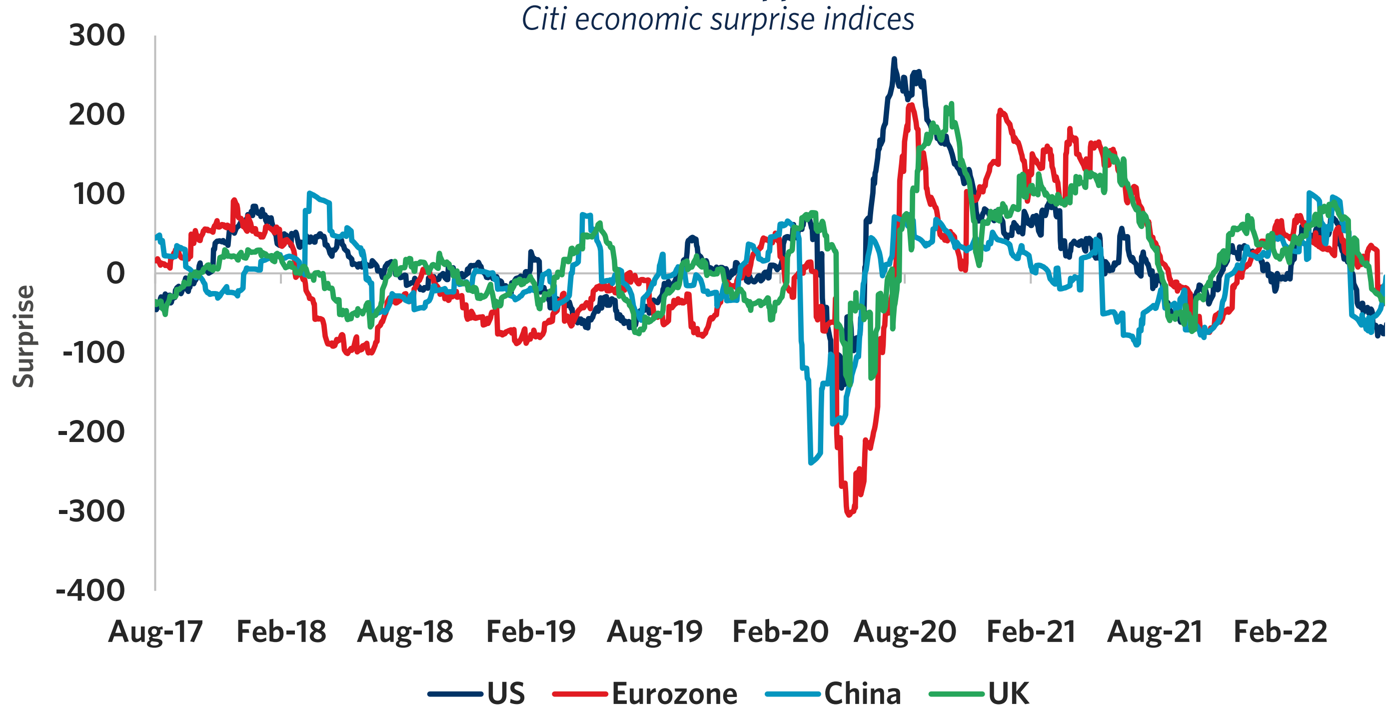
2. Energy and food prices have driven the surge, but inflation has broadened out, core inflation is at 40-year highs of 6% in the US and is far above policy interest rates, suggesting that considerable tightening will be required to rein in price rises should they not slow of their own accord as demand wanes and global supply chains begin to normalise.

3. Tight labour markets have led to a sharp uptick in US wage inflation, now running at 6%, raising the spectre of a wage-price spiral.

4. Central banks have shifted policy expectations dramatically in the past six months. The Federal Reserve (Fed) has progressively accelerated its policy tightening plans, with a 75bps rise in Fed Funds in June; signalling that it intends raising rates much further in coming months to reach around 3-3.5% by year end, a level which it regards as restrictive, being above its long term neutral rate of 2-2.5%; and an end to its QE asset purchase programme by selling off its huge bond portfolio, beginning in June at $47.5bn per month, and at $95bn per month from September, an annualised rate of over $1tn, a liquidity drain that is only just beginning.

5. There is increasing evidence of weakening confidence among businesses and consumers and a slowdown in growth as price rises bite into discretionary spending. In the US, 30-year mortgage rates have risen to close to 6% from 3% nine months ago, and signs of a slowdown in the housing market are emerging, with mortgage applications and housing starts turning down. Citibank's economic surprise indices have fallen sharply in the US and Europe in recent months. Leading indicators have also fallen and are approaching the 50 threshold that marks the difference between expansion and contraction. The Atlanta Fed GDPNow real time forecast of GDP growth in the US in Q2 has fallen to -2.1%, compared with expansion of over 6% at the start of the year.

Economic data disappoints in Q2
Citi economic surprise indices



Sources: Momentum Global Investment Management, Bloomberg Finance L.P. as at 7 July 2022.

“The Fed’s and other central banks’ policy pivots this year have already tightened financial conditions significantly”

6. The US dollar has surged higher this year, up 6.5% in Q2 and 9.4% YTD on a trade weighted basis. A strong dollar is deflationary for large parts of the world, as nearly all commodities and goods are traded in dollars, and most international debt is denominated in dollars, with a rising dollar pushing costs and liabilities higher.

7. The war in Ukraine shows all the signs of being long, attritional and increasingly a proxy war between Russia and the West. The longer it goes on the higher is the risk of escalation, and the greater the damage globally to food and energy supplies.

8. The Fed’s and other central banks’ policy pivots this year have already tightened financial conditions significantly. As interest rates rise and liquidity dries up, a period of deleveraging lies ahead, and asset price rises based on cheap and abundant money are vulnerable to sharp falls. Evidence of this is already clear in crypto currencies, highly rated unprofitable growth stocks and private market valuations, but the risk is that more broadly based assets such as real estate and parts of credit markets will be exposed.

9. Similarly, those countries and companies with high debt levels face sustainability problems. Some evidence of this has been seen in Europe, with spreads between bonds issued by the German government and those issued by peripheral, high debt euro members such as Italy widening significantly – and this is before the European Central Bank (ECB) has started its tightening cycle.

10. The EU, and in particular Germany, for years allowed itself to become critically dependent on energy supplies from Russia, now a pariah state, leaving the European economy most exposed to the war. There is a risk that in return for tough Western sanctions and military support for Ukraine, Russia will turn off the taps and leave the EU short of gas in the coming winter. European natural gas prices have reflected this risk, doubling in June to take prices close to the spike reached immediately following Russia’s invasion of Ukraine.

Reasons for caution, then, abound and are clear to all. Less clear are signals that brighter times lie ahead. But we know that the cycle will turn, and the sell-off underway is creating opportunities for investors prepared to accept the shorter-term timing risks against the longer term upside potential. Amidst a sea of gloom, positive factors and encouraging signs tend to be overlooked, but they exist:

1. Households and businesses enter the downturn in good shape. Labour markets are generally strong, and unemployment levels low. Savings were built up during the pandemic and the housing market has been strong across much of the world, leaving household balance sheets in a healthy shape. Similarly, most companies have enjoyed strong post-pandemic profits and have reduced debt levels in aggregate, leaving them well prepared to ride out a tough economic period.

2. There are no significant systemic risks in sight, and while loan losses will inevitably build as the slowdown bites, banks are in a strong financial condition, with ample capital buffers.

3. This is a cycle essentially about the need to bring high and broadening inflation under control, requiring a sizeable tightening of monetary policy to restore sustainability and maintain credibility. Although moves to date still leave policy interest rates at historically low levels, considerably more tightening has been discounted by markets. Year-end policy rates of 3.27% are expected in the US compared with 1.75% today, and the front loading of tightening is such that the market now predicts that Fed Funds will peak in early 2023. Similar sized rate increases are priced into Eurozone markets, up to 1.3% by year end from -0.5% now, and in the UK, up to 2.67% by year end from 1.25% now.

4. Commodity prices have eased significantly in recent weeks, in most cases well below peak levels reached in March, and in some cases back to or below levels prevailing pre the Russian invasion. The wheat price has fallen by close to 40% from its March peak, with Russian supplies at record levels due to a bumper crop and increased acreage in the US pointing to higher supplies. With a sharp slowdown in growth underway, demand destruction is in evidence and has pushed metals prices down: iron ore by 19% in Q2, copper by 22%, and even the oil price has recently begun to show weakness.

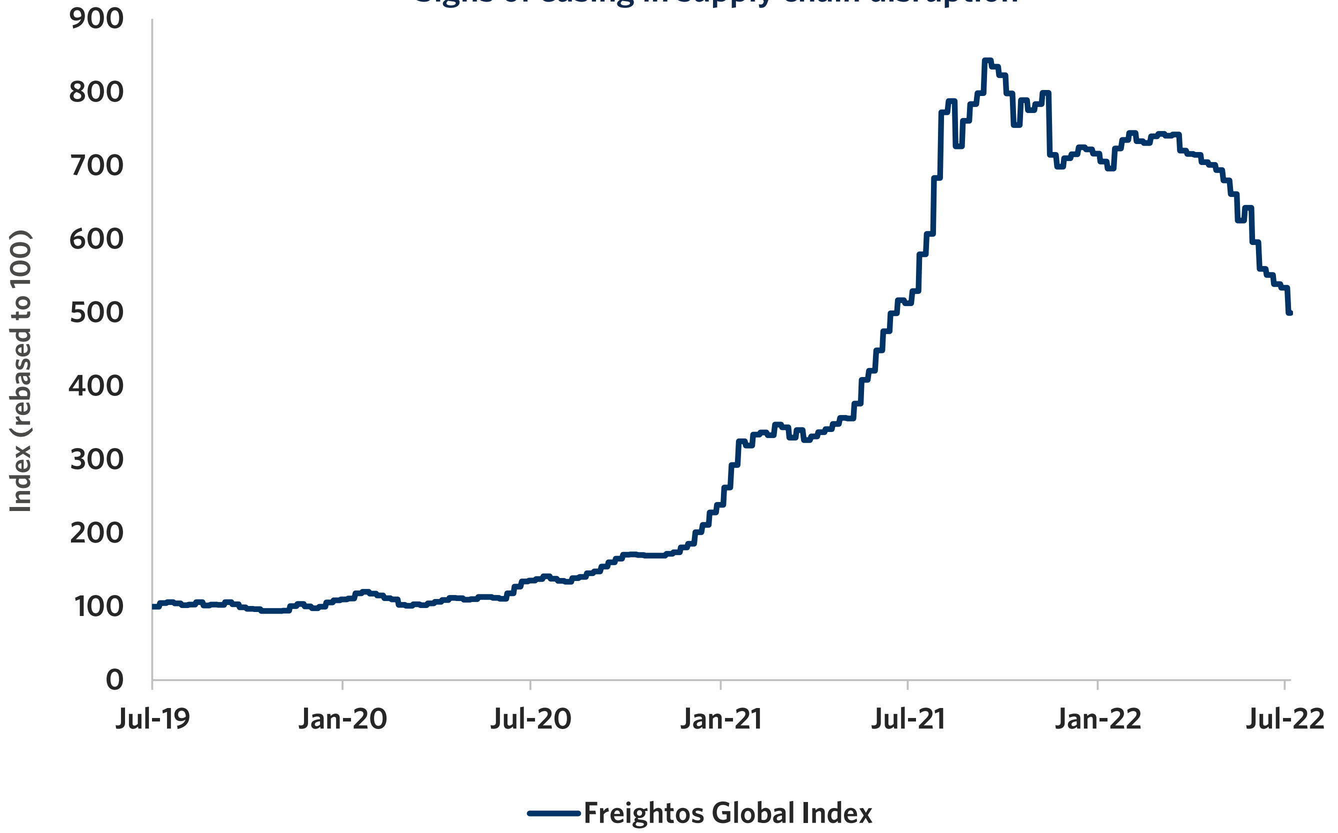
5. Supply chain disruption is beginning to ease. Container shipping rates have fallen sharply in recent weeks. China has begun to exit from its tough Covid restrictions, and demand destruction and with a return to more normal levels of production, is gradually restoring balance. Although there is some way to go to normality, the worst of the supply crisis is behind us.

6. China's economy stalled due to its zero-covid policy, draconian mobility restrictions and policy initiatives that targeted, and heavily impaired, Chinese tech companies and the all-important and highly indebted property sector. With the latest Covid wave seemingly under control, restrictions are now being eased and the economy is set to recover, helped by fiscal and monetary stimulus – the only major country easing policy this year.

7. An important determinant of the extent to which inflation becomes embedded is longer term inflation expectations. Not only have these been anchored broadly within the range of the past 20 years, but they have fallen significantly recently as recession fears have taken hold. The 10-year breakeven inflation rate in the US, which measures the market's expectation of inflation over the next 10 years, fell from a peak in April of 3.0% to 2.3% at 30 June, while the closely watched 5 Year 5 Year breakeven measure of inflation in 5 years' time for the subsequent 5 years, fell to 2.0% from the April peak of 2.6%. Similar moves occurred in Europe and the UK.

8. Falling longer term inflation expectations, alongside recession fears, led to a sharp drop in bond yields in the final two weeks of the quarter. The 10-year bond yield in the US started the year at 1.5%, rose to a peak of 3.5% by mid-June, then fell back to 3.0% by the end of the month. The headwind for asset values created by the rapid and sharp rise in yields on Treasuries, the world's discount rate, has abated.

Signs of easing in supply chain disruption



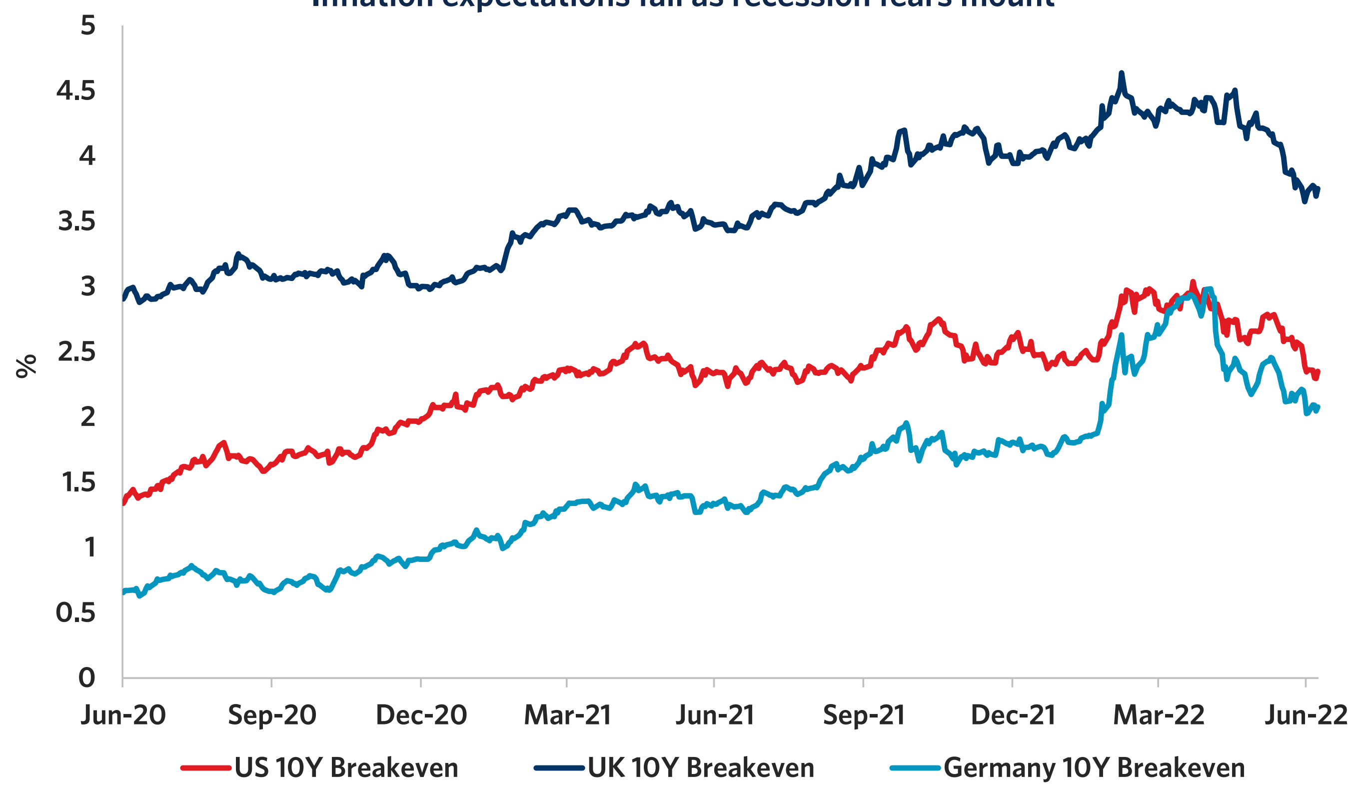
Sources: Momentum Global Investment Management, Bloomberg Finance L.P. as at 7 July 2022.

9. The sharp falls in markets have improved valuations significantly. Real yields on US Treasuries have been negative for much of the pandemic era, but 10-year Treasury inflation linked securities ('TIPS') are now offering positive real yields, 0.7% at 30 June. The days of trillions of dollars of negative yielding bonds, an unsustainable consequence of a decade of ultra-loose monetary policy, are largely over. In equities, the sharpest falls have been in the most highly valued growth stocks, bringing valuations down to more reasonable levels, especially in larger cap stocks. Across the board, equity valuations are now at levels which discount much of the uncertainty ahead and will be driven more by earnings than further substantial falls in valuations.

10. Markets invariably offer the best opportunities when fear and uncertainty are at their greatest. The carnage across virtually all financial markets and asset classes so far this year might not yet represent the moment of maximum risk aversion, but it has brought that time much closer. With peak inflation approaching, policy tightening well underway and growth slumping, markets will in due course start to discount the recovery which will surely come. Waiting for it to arrive is likely to leave other investors to enjoy the early fruits of that recovery.

The world is entering a sharp cyclical slowdown, uncertainties are exceptionally high, and risks of further periods of volatility and falls in markets cannot be dismissed. But markets have fallen sharply; much has already been discounted. As we move through the second half of the year two of the biggest drags on markets will be lifted: inflation is likely to have peaked, and the Fed's tightening coming close to an end. Much of the Fed's policy tightening might well have been completed by the end of this year and is likely to be ahead of other central banks, which in turn could weaken the dollar, whose strength has been a significant headwind for markets. A soft landing will be tough for the Fed to engineer, but recent market moves suggest that there is seemingly little priced in for that favourable outcome. Valuation opportunities are opening up, both in bonds and equities, for longer-term investors. With careful diversification, blending risk assets with defensive and non-correlated assets, we believe it is important to ride out the short-term volatility and stay invested to participate in full in those longer-term opportunities.

Inflation expectations fall as recession fears mount



Sources: Momentum Global Investment Management, Bloomberg Finance L.P. as at 8 July 2022.

Market Performance - *Global (local returns) as at 30 June 2022*

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Developed Markets Equities						
United States	S&P 500 NR	USD	-8.3%	-16.2%	-20.1%	-11.0%
United Kingdom	MSCI UK NR	GBP	-5.3%	-3.4%	1.3%	8.8%
Continental Europe	MSCI Europe ex UK NR	EUR	-8.2%	-10.3%	-17.5%	-10.8%
Japan	Topix TR	JPY	-2.1%	-3.7%	-4.8%(e)	-1.4%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-5.7%	-10.6%	-15.7%	-23.3%
Global	MSCI World NR	USD	-8.7%	-16.2%	-20.5%	-14.3%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	-10.7%	-20.7%	-77.0%	-77.1%
Emerging Asia	MSCI EM Asia NR	USD	-4.8%	-9.3%	-17.2%	-25.9%
Emerging Latin America	MSCI EM Latin America NR	USD	-17.0%	-21.9%	-0.6%	-16.1%
China	MSCI EM China NR	USD	0.2%	-4.3%	-17.0%	-30.1%
BRICs	MSCI BRIC NR	USD	6.6%	3.4%	-11.3%	-31.8%
Global emerging markets	MSCI Emerging Markets NR	USD	-6.6%	-11.4%	-17.6%	-25.3%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	-1.0%	-3.9%	-8.9%	-8.7%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	-3.3%	-6.6%	-9.7%	-5.7%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	-2.8%	-7.3%	-14.4%	-14.2%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	-6.7%	-9.8%	-14.2%	-12.8%
UK Gilts	JP Morgan UK Government Bond TR	GBP	-2.0%	-7.7%	-14.6%	-14.1%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-2.7%	-6.7%	-12.4%	-12.9%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-1.8%	-7.3%	-12.2%	-12.6%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-3.5%	-7.3%	-11.9%	-12.4%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	-6.9%	-10.7%	-14.4%	-14.1%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-1.0%	-1.5%	-3.1%	-3.1%
Australian Government	JP Morgan Australia GBI TR	AUD	-1.4%	-4.0%	-10.2%	-11.2%
Global Government Bonds	JP Morgan Global GBI	USD	-3.1%	-8.4%	-14.1%	-15.8%
Global Bonds	ICE BofAML Global Broad Market	USD	-3.1%	-8.2%	-14.2%	-15.7%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	-5.9%	-14.2%	-19.7%	-22.2%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	-6.9%	-12.5%	-26.6%	ˉ27.7%

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-7.5%	-17.2%	-20.7%	-7.3%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	-11.6%	-18.9%	-25.1%	-15.4%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	-1.5%	-4.5%	-4.5%	-13.6%
Global Property Securities	S&P Global Property USD TR	USD	-8.1%	-16.5%	-19.3%	-13.1%
Currencies						
Euro		USD	-2.3%	-5.3%	-7.8%	-11.6%
UK Pound Sterling		USD	-3.4%	-7.3%	-10.0%	-12.0%
Japanese Yen		USD	-5.2%	-10.3%	-15.2%	-18.1%
Australian Dollar		USD	-3.8%	-7.7%	-5.0%	-7.9%
South African Rand		USD	-3.9%	-10.3%	-2.0%	-12.3%
Commodities & Alternatives						
Commodities	RICI TR	USD	-9.4%	-3.0%	23.1%	35.3%
Agricultural Commodities	RICI Agriculture TR	USD	-10.2%	-7.3%	8.9%	22.4%
Oil	Brent Crude Oil	USD	-6.5%	6.4%	47.6%	52.8%
Gold	Gold Spot	USD	-1.6%	-6.7%	-1.2%	2.1%
Hedge funds	HFRX Global Hedge Fund	USD	-1.5%	-3.5%	-4.8%(e)	-4.8%(e)

Interest Rates	Current Rate
United States	1.75%
United Kingdom	1.25%
Eurozone	0.00%
Japan	-0.10%
Australia	0.85%
South Africa	4.75%

Source: Bloomberg Finance L.P. , Momentum Global Investment Management. Past performance is not indicative of future returns. (e)=estimate

Market Performance - *UK (all returns GBP) as at 30 June 2022*

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Equities						
UK - All Cap	MSCI UK NR	GBP	-5.3%	-3.4%	1.3%	8.8%
UK - Large Cap	MSCI UK Large Cap NR	GBP	-4.6%	-0.6%	8.6%	16.4%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	-8.5%	-14.0%	-24.5%	-19.1%
UK - Small Cap	MSCI Small Cap NR	GBP	-9.0%	-12.1%	-22.5%	-19.7%
United States	S&P 500 NR	USD	-5.0%	-9.6%	-11.2%	0.9%
Continental Europe	MSCI Europe ex UK NR	EUR	-7.0%	-8.5%	-15.6%	-10.6%
Japan	Topix TR	JPY	-3.8%	-6.9%	-10.5% (e)	-8.5%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-2.3%	-3.5%	-6.2%	-13.1%
Global developed markets	MSCI World NR	USD	-5.3%	-9.6%	-11.6%	-2.9%
Global emerging markets	MSCI Emerging Markets NR	USD	-3.2%	-4.5%	-8.4%	-15.3%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	-1.9%	-7.8%	-14.7%	-14.3%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	-0.4%	-0.8%	-2.2%	-3.1%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	-1.2%	-4.3%	-8.9%	-9.8%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	-3.4%	-14.2%	-24.8%	-22.9%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	-4.8%	-18.1%	-22.8%	-17.3%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	-2.8%	-7.5%	-8.3%	-3.6%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	-6.4%	-25.1%	-31.4%	-25.7%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-2.7%	-6.7%	-12.4%	-12.9%
US Treasuries	JP Morgan US Government Bond TR	USD	2.8%	4.2%	1.6%	3.8%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	0.9%	0.5%	-4.5%	-2.4%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	-6.7%	-9.8%	-14.2%	-12.8%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-1.8%	-7.3%	-12.2%	-12.6%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-3.5%	-7.3%	-11.9%	-12.4%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	-6.9%	-10.7%	-14.4%	-14.1%
Global Government Bonds	JP Morgan Global GBI	GBP	0.4%	-1.2%	-4.6%	-4.6%
Global Bonds	ICE BofAML Global Broad Market	GBP	-3.1%	-8.2%	-14.2%	-15.7%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	-5.9%	-14.2%	-19.7%	-22.2%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	-3.5%	-5.5%	-18.5%	-18.1%

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Property						
Global Property Securities	S&P Global Property TR	GBP	-4.7%	-9.9%	-10.3%	-1.6%
Currencies						
Euro		GBP	1.1%	2.2%	2.3%	0.4%
US Dollar		GBP	3.5%	7.9%	11.1%	13.6%
Japanese Yen		GBP	-1.9%	-3.2%	-5.8%	-7.0%
Commodities & Alternatives						
Commodities	RICI TR	GBP	-6.2%	4.6%	36.8%	53.4%
Agricultural Commodities	RICI Agriculture TR	GBP	-6.9%	0.0%	21.1%	38.7%
Oil	Brent Crude Oil	GBP	-3.1%	14.8%	64.1%	73.2%
Gold	Gold Spot	GBP	1.9%	0.7%	9.8%	15.7%
Interest Rates				**Current Rate**		
United Kingdom				1.25%		

Source: Bloomberg Finance L.P. , Momentum Global Investment Management. Past performance is not indicative of future returns. (e)=estimate

Asset Allocation Views

Main Asset Classes	Change	Negative		Neutral	Positive	
Equities	–	○	○	●	○	○
Fixed Income	–	○	●	○	○	○
Alternatives	–	○	○	○	●	○
Cash	–	○	○	○	●	○

Our Overall View

We continue to favour equities over fixed income in recognition of their better return potential and inflation capture over time. Despite the recent sharp repricing, most fixed income remains expensive in real terms today but valuations have improved. Alternatives are attractive for their diversifying qualities as much as the return potential, while cash offers increasing return and optionality in the event of market weakness, as we have seen.

EQUITIES	Change	Negative		Neutral	Positive	
Developed Equities	–	○	○	●	○	○
UK Equities	–	○	○	○	●	○
European Equities	–	○	○	●	○	○
US Equities	–	○	●	○	○	○
Japanese Equities	–	○	○	○	●	○
Emerging Market Equities	–	○	○	●	○	○

Equities offer improving return potential after recent weakness. Financial conditions have tightened, but by historical standards are not restrictive, and excess savings and strong labour markets should support the consumer in the near term. The UK continues to trade at a discount and is well positioned sectorally to benefit should a softer landing eventuate. We also favour Japan on valuation grounds and for the accompanying Yen exposure. European equities have cheapened but fundamental risks, notably around energy pricing, caution against increasing today.

FIXED INCOME	Change	Negative		Neutral	Positive	
Government	▲	○	●	○	○	○
Index-Linked	–	○	●	○	○	○
Investment Grade Corporate	–	○	●	○	○	○
High Yield Corporate	–	○	○	●	○	○
Emerging Market Debt	▲	○	○	○	●	○
Convertible Bonds	▼	○	●	○	○	○

Bonds remain expensive today despite sovereign yields having moved higher again last quarter, although concerns around a slowdown in global growth have seen buyers come back to the market more recently. Inflation linked bond valuations have now largely normalised as anticipated inflation rolls over. In credit we prefer higher yielding, short duration bonds, including emerging markets. Convertible bonds are less attractive with equities and credit presenting better opportunities today.

REAL ASSETS / ALTERNATIVES	Change	Negative		Neutral	Positive	
Commodities	–	○	○	●	○	○
Property	–	○	○	●	○	○
Infrastructure	–	○	○	○	●	○
Liquid Alternatives	–	○	○	○	●	○
Private Equity	▼	○	○	●	○	○

Real assets and alternatives continue to look attractive on both fundamental and valuation grounds, and as portfolio diversifiers with quality bonds taking considerable interest rate pain. Commodities remain volatile but with a slowdown in growth further gains in aggregate will be harder to come by. Private equity offers an alternative source of portfolio growth but is being pulled lower by public market valuations. Discounts abound but may not close imminently. Infrastructure enjoys structural tailwinds from digitalisation and energy transition initiatives.

CURRENCIES *vs. USD*	Change	Negative		Neutral	Positive	
GBP	–	○	○	○	●	○
EUR	–	○	○	●	○	○
JPY	–	○	○	○	●	○
Gold	▼	○	○	●	○	○

Sterling and Yen are mildly favoured following their recent repricing lower. The latter's (usually) diversifying qualities also retain some added portfolio attractiveness. The Euro continues to struggle in the face of relative rate expectations and more localised economic and political considerations. Gold has inflation protection qualities vs. the fiat currencies, plus haven qualities that are attractive, but looks less good value today.

The Asset Allocation views are as of June 2022 and are updated quarterly unless otherwise stated.

"Real assets and alternatives continue to look attractive on both fundamental and valuation grounds"

Belvest

For more information, please contact your adviser or alternatively contact:

Belvest Investment Services Ltd.
研富投資服務有限公司
9th Floor, Centre Mark II
305-313 Queen's Road Central
Sheung Wan, Hong Kong

Tel +852 2827 1199
Fax +852 2827 0270
belvest@bis.hk
www.bis.hk