Belvest

momentum
global investment management

GLOBAL MATTERS

MONTHLY VIEWPOINT

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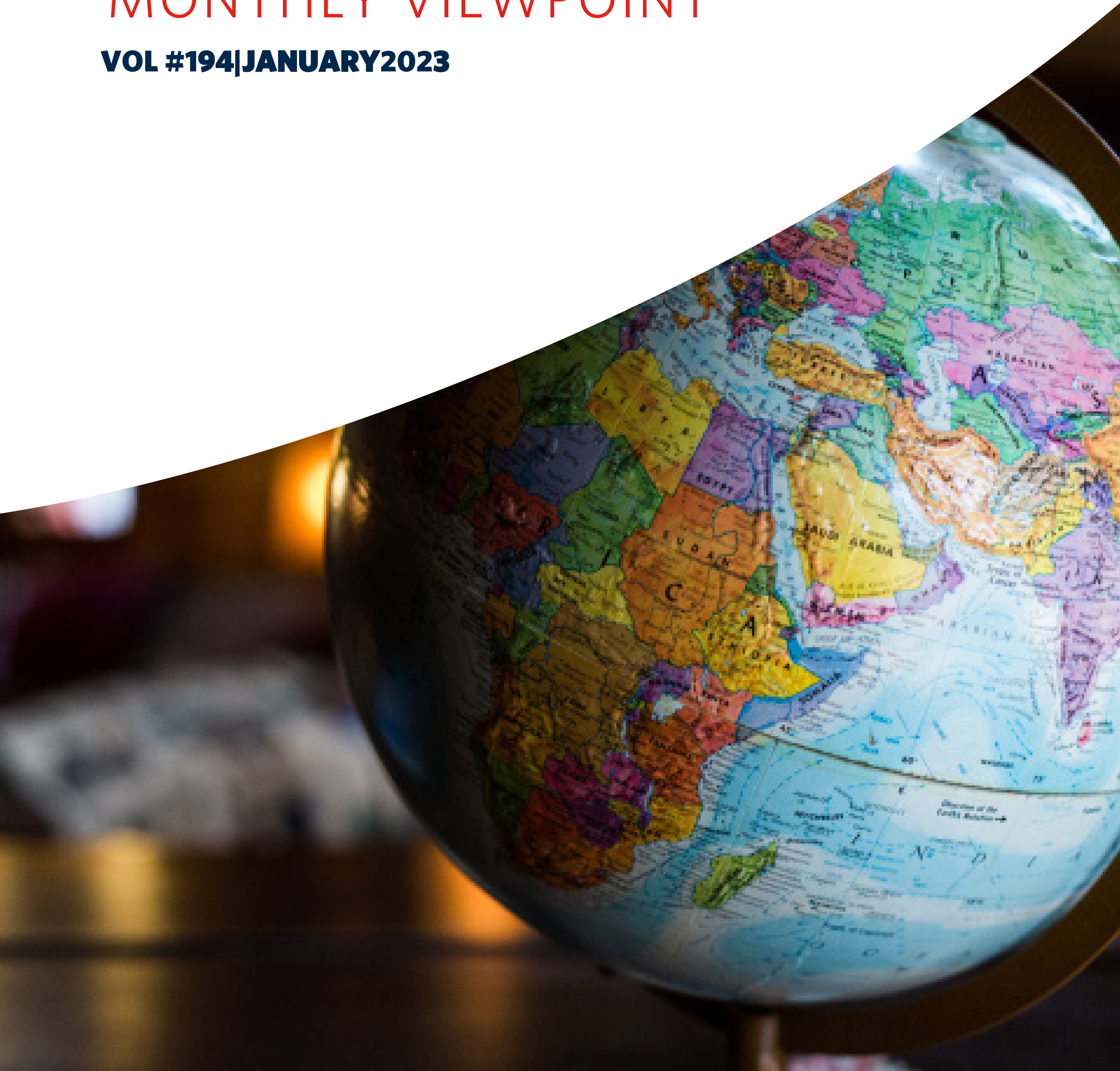

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Global Market Review & Outlook

"Growing confidence that inflation in the US and Europe has peaked, with data showing both consumer and producer prices coming in below expectations, boosted markets"

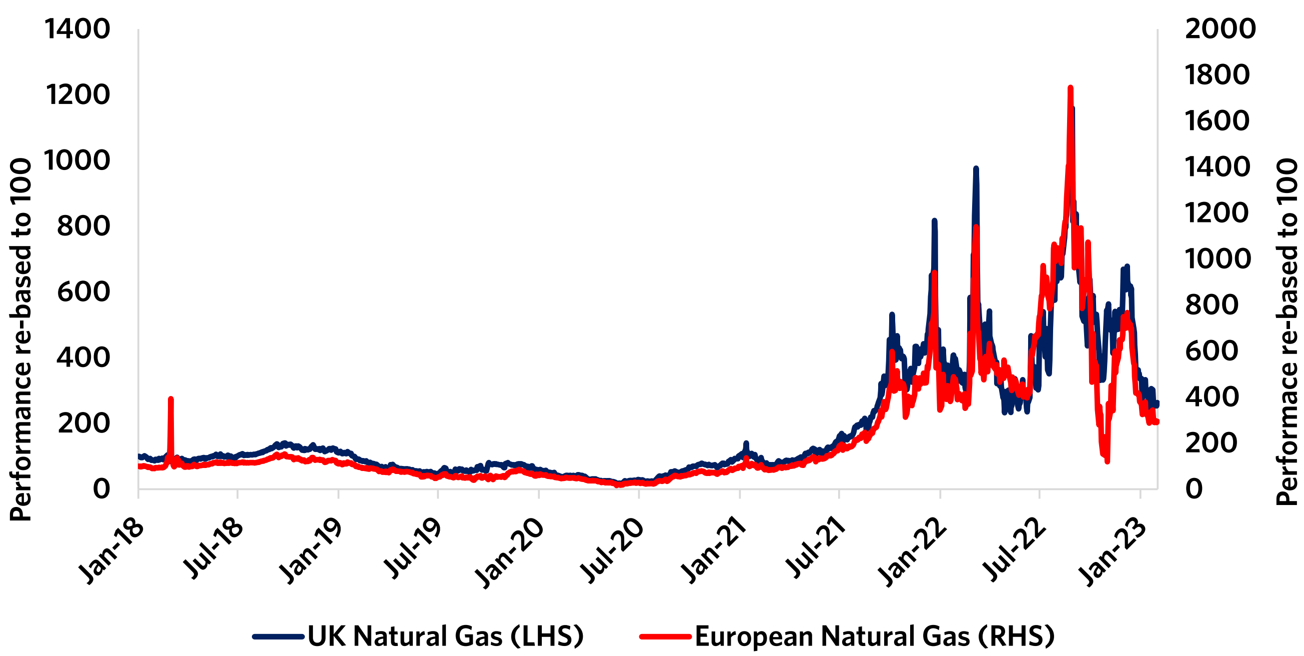
Following a bruising year for investors in 2022, markets opened 2023 in much better spirits. Nearly all the major asset classes enjoyed strong returns, with global equities up over 7% in dollar terms in January, global bonds by close to 3%, corporate and emerging market bonds outperforming governments, and gold up almost 6%. Commodities were generally more subdued, with the oil price declining by 2%, taking it 7% lower than a year earlier, a dramatic turnround from its steep rise in the early months of 2022.

Growing confidence that inflation in the US and Europe has peaked, with data showing both consumer and producer prices coming in below expectations, boosted markets. The Fed's closely watched measure of inflation, core Personal Consumption Expenditure (PCE) came down to 4.4% year-on-year in December, and to 3.9% annualised for the fourth quarter of the year. While still well above the Fed's target of 2%, it has declined from a peak of 5.4% in February and on a quarterly basis is now the lowest since Q1 2021. A steady and substantial drop in the Producer Price index from a peak of 11.7% in March to 6.2% in December reflects the extent to which falls in energy prices and other volatile components of the index are easing price pressures.

Risks remain around inflation, particularly the tightness of the labour market and resulting upward pressure on wages, but the Fed's resolve to bring inflation sustainably down to 2% is undiminished, even at the cost of a significant slowdown in the economy. This has been a key factor in containing inflationary expectations, which remain well anchored. With growing evidence of falling inflation, investors have become increasingly confident that the peak in the monetary tightening cycle is close, and futures markets are now pointing to a peak in the Fed Funds rate below 5% by mid-year and cuts of 25-50bps by year end, a more optimistic outcome than the Fed's expectations.

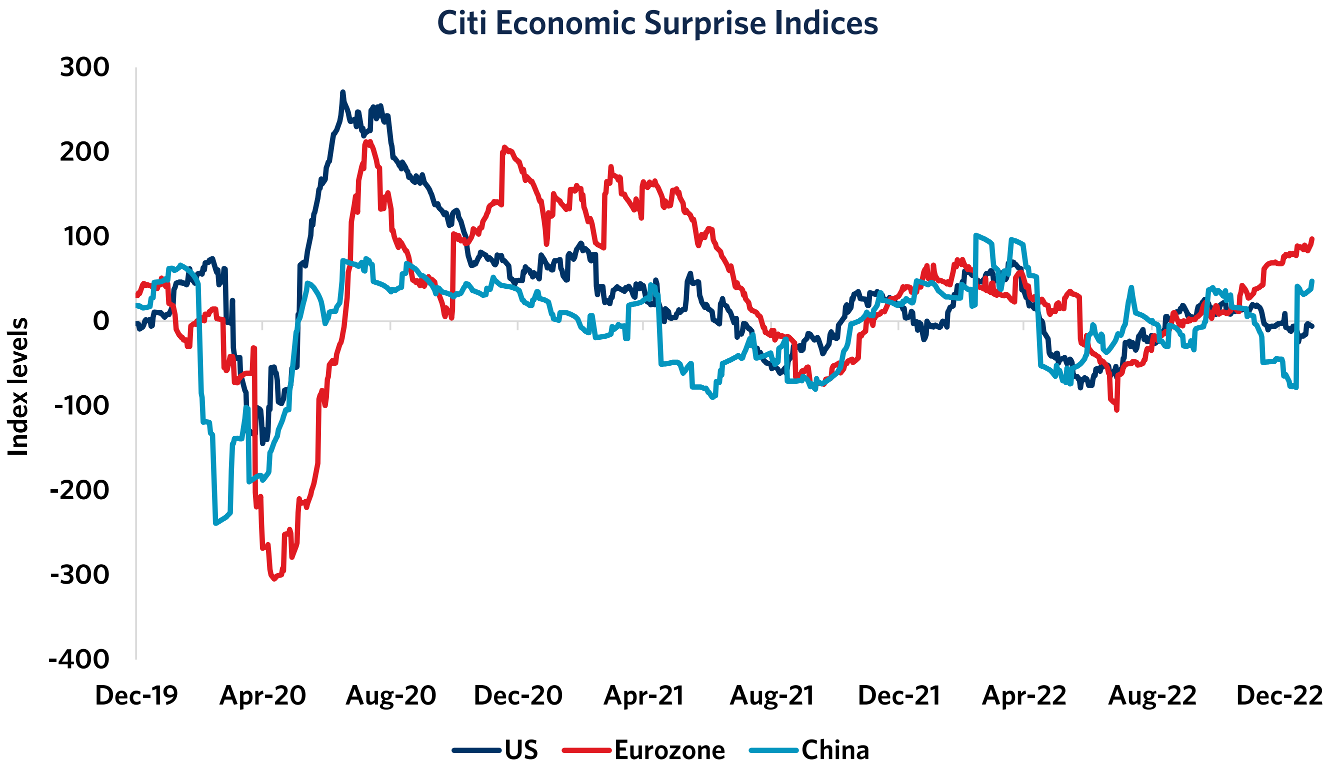
Optimism around peak inflation, peak interest rates and a soft-landing for the economy, which has been building since October, has been helped by two other developments in recent weeks. Europe, the epicentre of the energy crisis last year due to its dependency on Russian gas supplies, has seen dramatic falls in natural gas prices, down 20% in January, 60% from levels of early December and over 80% from the summer spike in prices when Germany and other EU nations were buying gas from around the world at extraordinary prices to refill storage facilities and head off the threat of critical shortages in the winter. With a mild winter and reduced demand, down by 19% in December compared with its 5-year average, those fears have been averted, storage facilities are likely to be at much higher levels of capacity by winter end than expected, and with supplies from the US and other countries growing sharply, the risks for next winter have also dissipated. This has underpinned a big recovery in business and consumer confidence in Europe, to the extent that the widespread predictions of a sharp recession have been reined in, with at worst only a mild recession now anticipated.

European energy crisis abates



Source: Momentum Global Investment Management, Bloomberg Finance L.P. as at 31 January 2023.

The second key development was China's abrupt move to lift all Covid restrictions late last year. That followed clear signals from the leadership that the regulatory crackdown on big tech and platform companies had run its course, while the forced deleveraging of the key property development industry was substantially eased. After a very poor period for the Chinese economy and stock market, there are now well-founded expectations of a sizeable recovery in growth this year as pent-up demand and huge savings built up during almost three years of lockdowns are released. Estimates of those excess savings range from 5-11% of China's GDP, an amount of $2tn at the upper end, enough to have an impact on global growth in the year ahead. Although there are some fears that China's reopening will trigger a renewed surge in commodity prices, it seems more likely that much of the additional spending will be in the services sector, which is much less commodity intensive than China's traditional sources of growth in manufacturing, infrastructure and construction. Furthermore, it will be a welcome offset to the recessionary conditions faced by the developed world.



Source: Momentum Global Investment Management, Bloomberg Finance L.P. as at 31 January 2023.

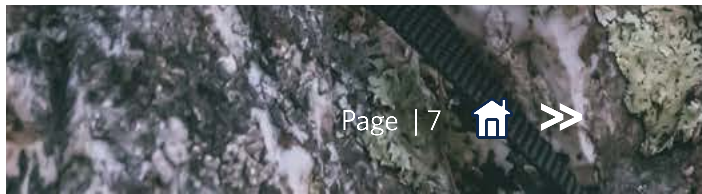
The encouraging developments in Europe and China have boosted confidence in these regions, with leading indicators picking up, albeit from low levels, data releases exceeding expectations, and financial markets recovering sharply. European equities have led developed markets higher in January and over the last 3 months, with a rise in the euro of 10% over those 3 months boosting returns for dollar-based investors. From the lows at the end of October, China's equity market is up by over 50%, including a 12% rise in January, but the scale of earlier falls still leaves good opportunities as the economy comes out of its Covid coma.

The much-improved news flow of recent weeks unquestionably eases some of the big uncertainties that have overhung markets, and goes some way to underpin the sizeable recovery in markets from the mid-October lows, since when the MSCI World index of developed markets is up by 18% and global government bonds over 7%. Financial conditions have eased materially, reflected in a fall in the dollar on a trade-weighted basis of 10%, which in turn has boosted markets outside the US: emerging markets are up by 22% in the past three months.

However, there is a risk that markets are getting ahead of themselves in the shorter term with potentially over-optimistic expectations for a soft landing in the economy and an early end to the monetary tightening cycle. We retain our generally constructive view for markets this year, with peak inflation behind us and the peak in the tightening cycle close, but there remain concerns of policy overkill, given the extent to which monetary policy works with lags, and the downturn ahead could be more damaging to corporate profits than is currently priced in. Valuations in some markets, notably parts of the credit sector of bond markets, have become less attractive as yields and spreads against government bonds have fallen in recent weeks, and with cash offering the highest yields since the global financial crisis some pause and consolidation in these markets is likely.

We anticipate a much better year for markets this year than last, but believe it is prudent to temper that optimism in the short term given the recovery in markets and the reduced room for disappointments around the pace at which inflation falls, the extent of the economic slowdown ahead, the corporate earnings out-turn, and the risk of policy mis-steps. We are therefore maintaining our current positions in portfolios and seeking to add to risk assets as and when opportunities are presented during the periods of weakness which might well come along in coming months.

"We will maintain our current positions in portfolios and seek to add to risk assets when opportunities are presented"



Market Performance - *Global (local returns) as at 31 January 2023*

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Developed Markets Equities						
United States	S&P 500 NR	USD	6.3%	5.6%	6.3%	-8.7%
United Kingdom	MSCI UK NR	GBP	4.5%	9.3%	4.5%	9.5%
Continental Europe	MSCI Europe ex UK NR	EUR	7.5%	11.1%	7.5%	-1.3%
Japan	Topix TR	JPY	4.4%	2.6%	4.4%	7.0%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	8.6%	27.1%	8.6%	-6.6%
Global	MSCI World NR	USD	7.1%	9.7%	7.1%	-7.5%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	3.5%	28.0%	3.5%	-68.4%
Emerging Asia	MSCI EM Asia NR	USD	8.6%	27.9%	8.6%	-11.2%
Emerging Latin America	MSCI EM Latin America NR	USD	9.9%	5.9%	9.9%	11.5%
China	MSCI EM China NR	USD	7.2%	27.4%	7.2%	-13.9%
BRICs	MSCI BRIC NR	USD	11.8%	52.5%	11.8%	-10.1%
Global emerging markets	MSCI Emerging Markets NR	USD	7.9%	22.2%	7.9%	-12.1%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	2.3%	4.5%	2.3%	-8.4%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	1.9%	2.8%	1.9%	-8.9%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	4.0%	8.9%	4.0%	-9.3%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	3.8%	5.4%	3.8%	-5.2%
UK Gilts	JP Morgan UK Government Bond TR	GBP	2.7%	1.2%	2.7%	-19.3%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	3.6%	5.2%	3.6%	-12.3%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	2.1%	0.1%	2.1%	-15.6%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	2.2%	3.2%	2.2%	-10.5%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	3.1%	6.1%	3.1%	-6.5%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-0.3%	-2.1%	-0.3%	-5.2%
Australian Government	JP Morgan Australia GBI TR	AUD	3.1%	2.0%	3.1%	-6.9%
Global Government Bonds	JP Morgan Global GBI	USD	2.8%	7.4%	2.8%	-13.2%
Global Bonds	ICE BofAML Global Broad Market	USD	3.1%	8.2%	3.1%	-12.3%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	5.9%	8.1%	5.9%	-7.7%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	3.6%	12.1%	3.6%	-18.8%

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	10.6%	10.6%	10.6%	-11.3%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	8.1%	8.0%	8.1%	-9.2%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	2.6%	21.5%	2.6%	-7.7%
Global Property Securities	S&P Global Property USD TR	USD	8.3%	14.1%	8.3%	-12.7%
Currencies						
Euro		USD	1.5%	9.9%	1.5%	-3.3%
UK Pound Sterling		USD	2.0%	7.4%	2.0%	-8.4%
Japanese Yen		USD	0.8%	14.3%	0.8%	-11.5%
Australian Dollar		USD	3.6%	10.3%	3.6%	-0.2%
South African Rand		USD	-2.1%	5.4%	-2.1%	-11.6%
Commodities & Alternatives						
Commodities	RICI TR	USD	0.1%	1.6%	0.1%	9.9%
Agricultural Commodities	RICI Agriculture TR	USD	2.3%	4.4%	2.3%	7.6%
Oil	Brent Crude Oil	USD	-1.7%	-10.9%	-1.7%	-7.4%
Gold	Gold Spot	USD	5.7%	18.0%	5.7%	7.3%
Hedge funds	HFRX Global Hedge Fund	USD	1.7%*	1.8%*	1.7%*	-1.4%*

Interest Rates	Current Rate
United States	4.50%
United Kingdom	3.50%
Eurozone	2.50%
Japan	-0.10%
Australia	3.10%
South Africa	7.25%

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

Market Performance - *UK (all returns GBP) as at 31 January 2023*

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Equities						
UK - All Cap	MSCI UK NR	GBP	4.5%	9.3%	4.5%	9.5%
UK - Large Cap	MSCI UK Large Cap NR	GBP	3.0%	8.7%	3.0%	13.6%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	9.8%	15.8%	9.8%	-9.5%
UK - Small Cap	MSCI Small Cap NR	GBP	6.3%	12.4%	6.3%	-10.8%
United States	S&P 500 NR	USD	4.3%	-1.7%	4.3%	-0.4%
Continental Europe	MSCI Europe ex UK NR	EUR	7.0%	13.6%	7.0%	4.2%
Japan	Topix TR	JPY	3.1%	9.0%	3.1%	3.2%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	6.6%	18.3%	6.6%	1.8%
Global developed markets	MSCI World NR	USD	5.1%	2.0%	5.1%	0.9%
Global emerging markets	MSCI Emerging Markets NR	USD	5.9%	13.7%	5.9%	-4.2%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	2.8%	1.2%	2.8%	-19.8%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	1.0%	1.2%	1.0%	-2.8%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	3.0%	2.8%	3.0%	-12.7%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	3.9%	-0.4%	3.9%	-33.4%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	3.3%	1.7%	3.3%	-30.4%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	2.2%	2.8%	2.2%	-13.2%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	5.2%	1.3%	5.2%	-41.7%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	3.6%	5.2%	3.6%	-12.3%
US Treasuries	JP Morgan US Government Bond TR	USD	0.0%	-2.3%	0.0%	-0.1%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	1.6%	1.9%	1.6%	-1.2%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	3.8%	5.4%	3.8%	-5.2%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	2.1%	0.1%	2.1%	-15.6%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	2.2%	3.2%	2.2%	-10.5%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	3.1%	6.1%	3.1%	-6.5%
Global Government Bonds	JP Morgan Global GBI	GBP	0.9%	-0.1%	0.9%	-5.3%
Global Bonds	ICE BofAML Global Broad Market	GBP	3.1%	8.2%	3.1%	-12.3%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	5.9%	8.1%	5.9%	-7.7%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	1.7%	4.3%	1.7%	-11.5%

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Property						
Global Property Securities	S&P Global Property TR	GBP	6.3%	6.2%	6.3%	-4.8%
Currencies						
Euro		GBP	-0.4%	2.3%	-0.4%	5.5%
US Dollar		GBP	-1.9%	-6.9%	-1.9%	9.1%
Japanese Yen		GBP	-1.0%	6.4%	-1.0%	-3.4%
Commodities & Alternatives						
Commodities	RICI TR	GBP	-1.7%	-5.5%	-1.7%	19.8%
Agricultural Commodities	RICI Agriculture TR	GBP	0.4%	-2.9%	0.4%	17.3%
Oil	Brent Crude Oil	GBP	-3.5%	-17.1%	-3.5%	1.0%
Gold	Gold Spot	GBP	3.8%	9.8%	3.8%	17.0%
Interest Rates				**Current Rate**		
United Kingdom				3.50%		

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

Asset Allocation Views

Score	1	2	3	4	5	6	7
	−						+

Score	1	2	3	4	5	6	7
MAIN ASSET CLASSES							
Equities				○			
Fixed Income				○			
Alternatives					○		
Cash				○			

Our Overall View

We have upgraded fixed income to a more neutral view following the fall in bond prices this year, and pockets of value appearing. Equity valuations have also improved but an upgrade feels premature with policy still exhibiting a firm tightening bias. Alternatives remain attractive for their diversifying qualities and return potential, and whilst cash yields have improved markedly, the sharp 2022 repricing warrants a downgrade from the previously overweight view.

Score	1	2	3	4	5	6	7
EQUITIES							
Developed Equities				○			
UK Equities						○	
European Equities				○			
US Equities			○				
Japanese Equities						○	
Emerging Market Equities					○		

Equities offer improving return potential after 2022's 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. Nonetheless, recession is all but expected to follow and equities are likely to remain challenged until policy tightening abates. We favour the UK and Japan on valuation grounds, with the latter also offering the accompanying (cheap) Yen exposure. European equities have cheapened but fundamental risks, notably around energy pricing, caution against increasing today. The US likely has room to cheapen further as earnings compress.

Score	1	2	3	4	5	6	7
FIXED INCOME							
Government			○				
Index-Linked			○				
Investment Grade Corporate					○		
High Yield Corporate				○			
Emerging Market Debt					○		
Convertible Bonds			○				

Bonds offer increasing opportunities following 2022's historic repricing. Concerns around a slowdown in global growth have also improved the appeal of higher grade issuers, both sovereign and corporate. Although inflation expectations have all but normalized, real yields in some markets are attractive against the backdrop of weaker growth. In credit we prefer short duration bonds, including emerging markets. Core high yield is arguably premature as defaults pick up, but valuations have improved. Convertible bonds are less attractive with equities and credit both presenting reasonable opportunities today.

Score	1	2	3	4	5	6	7
SPECIALIST ASSETS/ALTERNATIVES							
Commodities				○			
Property				○			
Infrastructure				○			
Liquid Alternatives				○			
Private Equity						○	
Specialist Financial					○		

Real assets and alternatives continue to look attractive on both fundamental and valuation grounds. Commodities remain volatile but with a slowdown in growth expected in the year ahead, gains in aggregate will be harder to come by. Private equity has been challenged in recent months and offers attractive discounts at current levels. Infrastructure continues to enjoy structural tailwinds from digitalisation and energy transition initiatives.

Score	1	2	3	4	5	6	7
CURRENCIES vs. USD							
GBP					○		
EUR				○			
JPY					○		
Gold				○			

Sterling and Yen are mildly favoured as they remain cheap versus long term valuation metrics. The latter's (usually) diversifying qualities also retain some added portfolio attractiveness, and the Bank of Japan's recent relaxing of the yield target range adds to the positive outlook for the Yen. The Euro will probably continue 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 in this elevated geopolitical climate.

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

"Alternatives are attractive for their diversifying qualities and return potential"

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