Belvest

momentum
global investment management

GLOBAL MATTERS
MONTHLY VIEWPOINT

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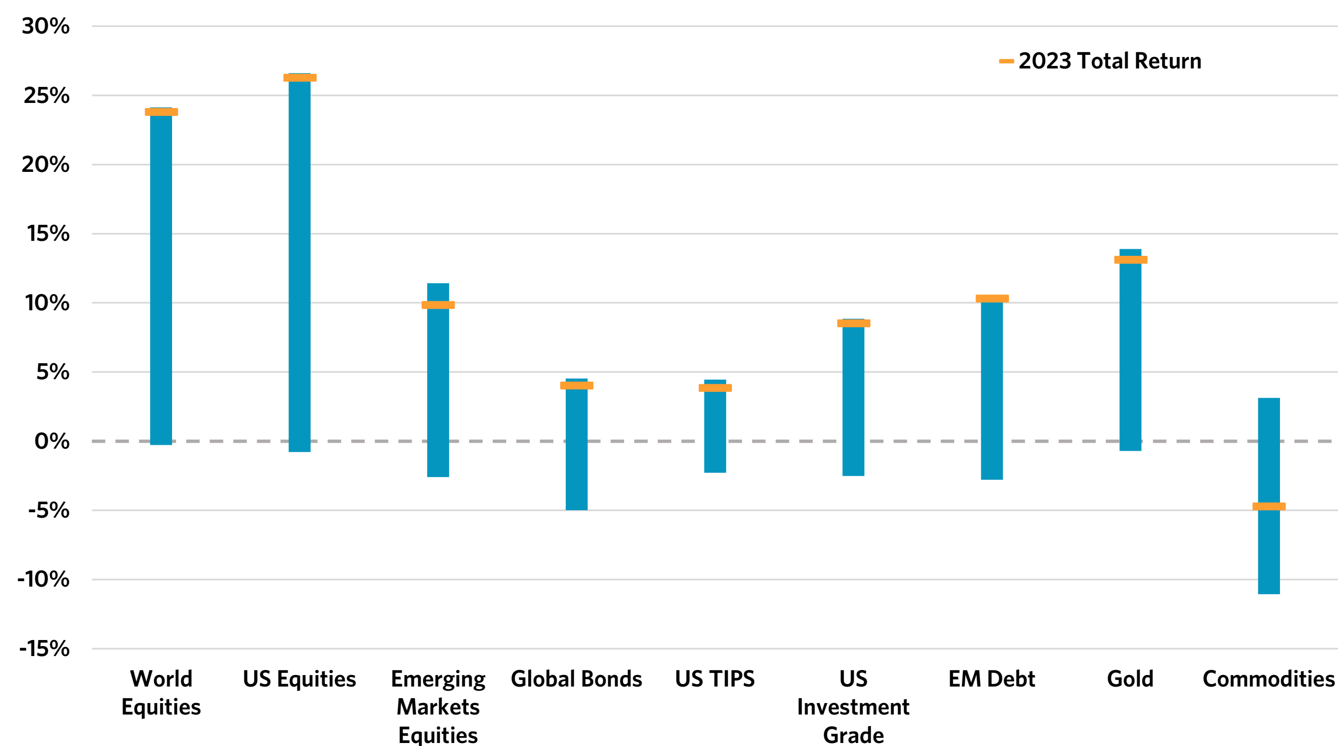
Contents

Global market review & outlook 2024

In the face of considerable headwinds, 2023 turned out to be a much better year for investors than expected, with nearly all asset classes producing positive returns, mostly well above inflation and better than cash, which itself delivered the best return since before the Global Financial Crisis. The MSCI World index of developed equity markets returned 23.8% in USD, Global Emerging Markets +9.8%, and Global Government Bonds +4.0%, while credit markets significantly outperformed risk-free government bonds, with US investment grade corporate bonds +8.5%, US high yield bonds +13.4%, and Emerging Market bonds +10.3%. Gold moved to an all-time high in USD terms at the end of the year, returning 13.1%, while commodities were the only notably weak area, with oil down by 10% and some key metals and agricultural commodities also down significantly.

However, the gains were heavily concentrated in the final two months of the year, with nearly all equity and bond markets ending at or very close to their high for the year, and equity returns were concentrated in a narrow group of stocks. By mid to late October, most bond markets had been in negative territory for the year-to-date, global emerging equity markets were down, and, aside from the US and Japan, developed equity markets had made little or no progress.

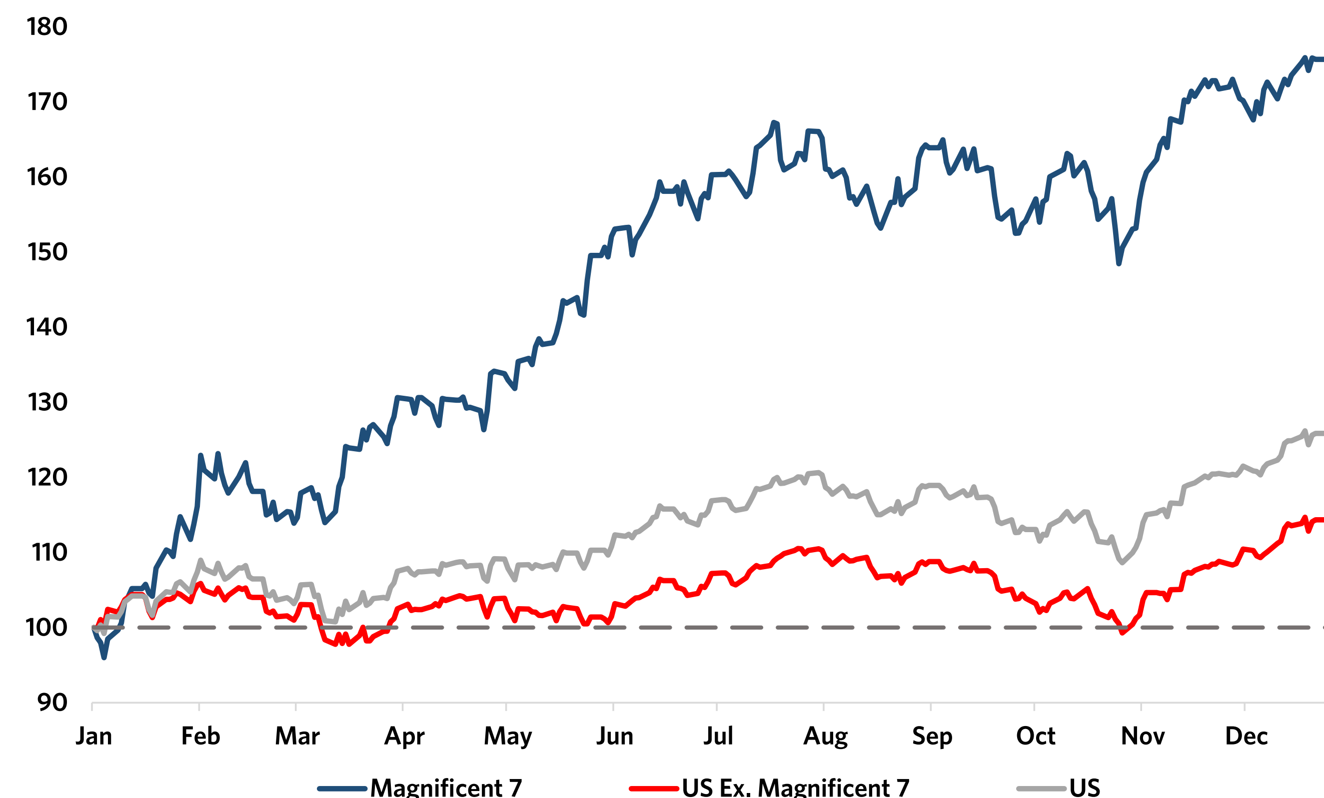
Most asset classes end 2023 close to year high



Source: Momentum Global Investment Management, Bloomberg Finance L.P., as at 29 December 2023.
The light blue bars represent the range of returns through 2023.

Within equities the concentration of returns was extraordinary, driven by a small number of mega-cap tech stocks in the US. The 'Magnificent 7' top US tech stocks returned 75% for the year; stripping them out left the rest of the US market slightly down by late October, with the year-end rally taking the return for the year to +15% excluding the Magnificent 7, compared with the +26% return including them.

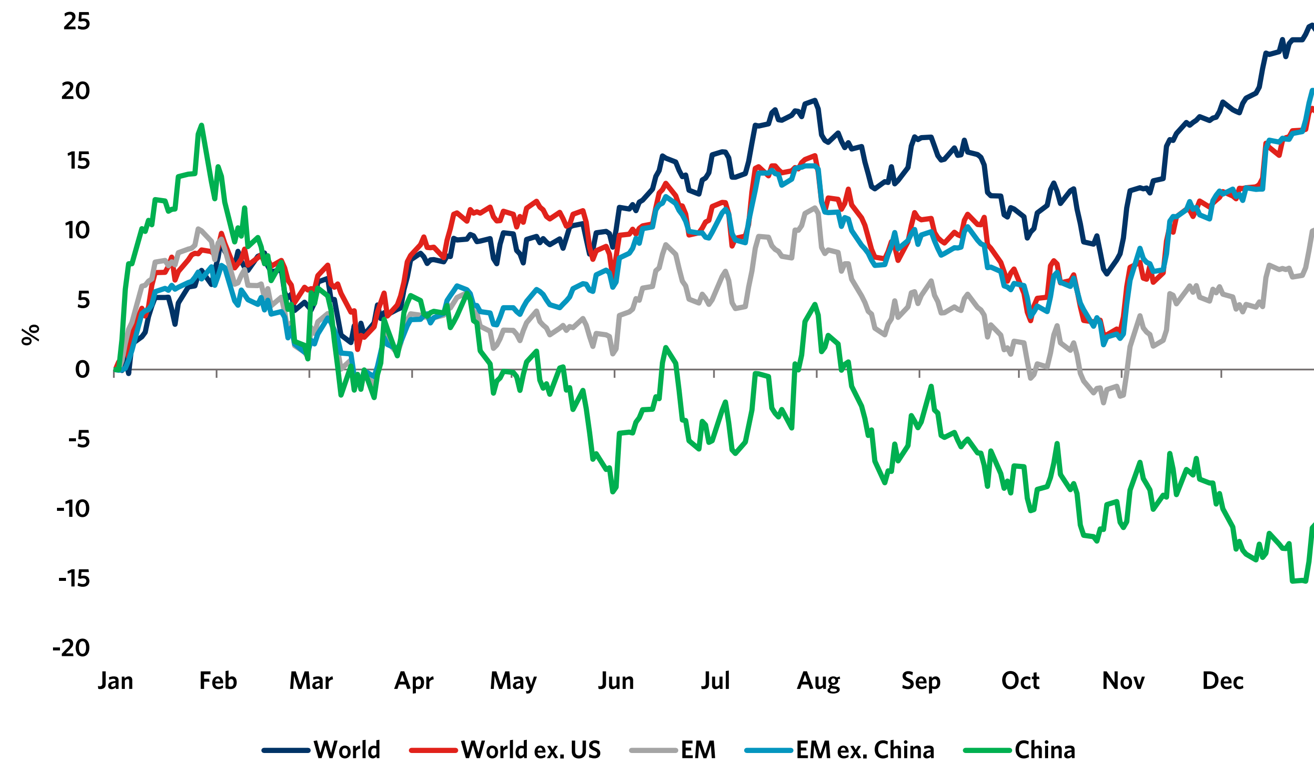
Magnificent 7 drive US equities



Source: Momentum Global Investment Management, Bloomberg Finance L.P., as at 29 December 2023.

In contrast to the dominance of the US, China was a major disappointment, failing to participate in the year-end rally, down by 4.2% in Q4, -11.2% for the year. Over the past 3 years, China's market has halved while the US has returned over 30%. The impact of these 2 big markets on global indices is illustrated in the performance of MSCI World ex-US and MSCI Emerging Markets ex-China, which were almost identical over the year, while inclusion of the US and China respectively leaves emerging markets underperforming developed markets by 14%.

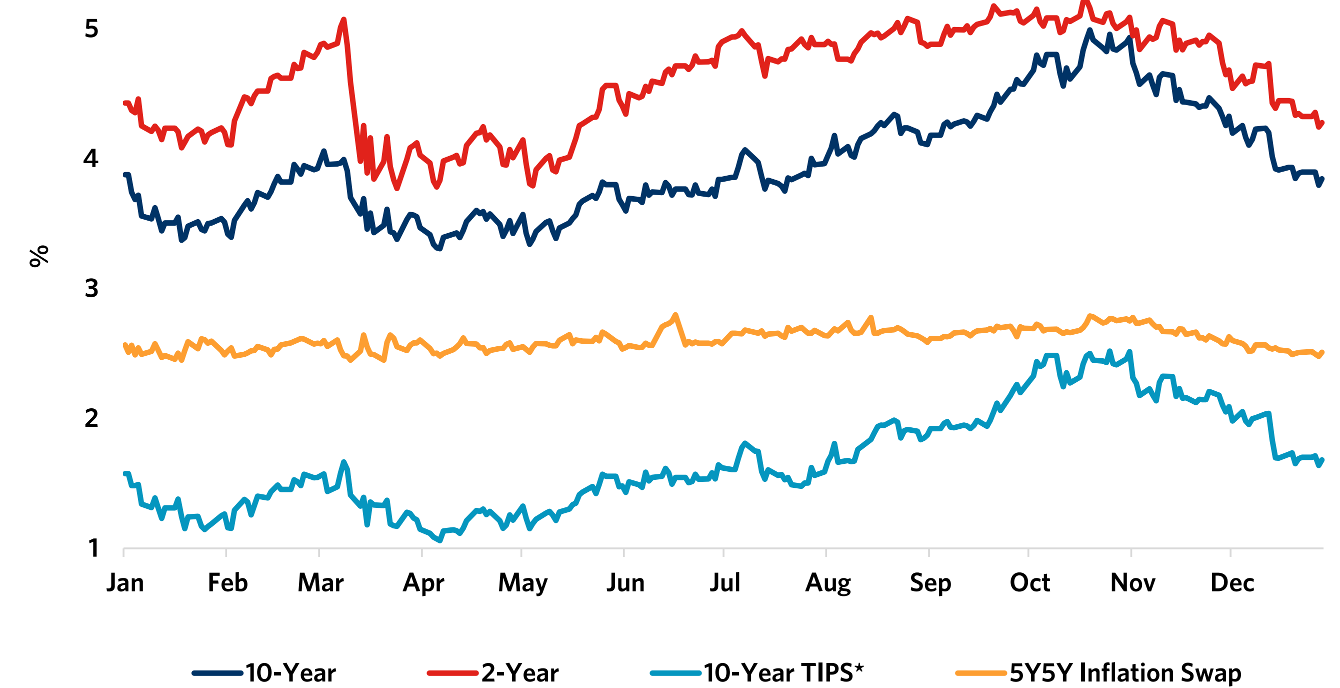
US and China dominate equity returns – World ex-US and Emerging Markets highly correlated



Source: Momentum Global Investment Management, Bloomberg Finance L.P., as at 29 December 2023.

Driving the big move in markets in November and December was a dovish policy pivot by the Fed. With broadening evidence of a softer labour market and inflation falling more rapidly than expected, the Fed signalled that rates had peaked, and for the first time in this cycle a discussion on cuts had taken place. The updated Fed dot plot in December, setting out governors' expectations of where rates will be in coming years, pointed to median expectations of 75bps of cuts in 2024, 50bps more than expected 3 months earlier. Markets reacted with a dramatic drop in bond yields, around 100bps across the maturity curve: from the peak of almost 5% in mid-October, the US 10-year Treasury bond yield had fallen to 3.88% by year end and futures markets were pricing in cuts of 150bps in the Fed Funds rate by the end of 2024. With yields tumbling and hopes rising for a soft landing in the economy, global equities enjoyed a broad-based rally of 16% from late October to year end, taking global and US markets close to all-time highs.

US Treasury yields fall sharply in Q4 as Fed pivots – driven by falling real yields



Source: Momentum Global Investment Management, Bloomberg Finance L.P., as at 29 December 2023.

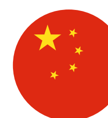
The importance of this shift by the Fed should not be underestimated. Whereas a year ago the extent to which rates would be raised and then kept at peak levels was highly uncertain, it is now clear that the monetary policy cycle is at a turning point. Interest rates will be significantly lower by the end of 2024 - perhaps not as much as the market currently expects but falling, and with further cuts to look forward to in 2025. This provides an improving backdrop for risk assets and is a cause for optimism for the year ahead. But some caution is also appropriate; there are considerable uncertainties to navigate, and the big surge in bond and equity markets in late 2023 has pushed valuations significantly higher, largely discounting the favourable policy shift, and possibly running ahead of the fundamentals.

"With yields tumbling and hopes rising for a soft landing in the economy, global equities enjoyed a broad-based rally of 16% from late October to year end, taking global and US markets close to all-time highs"

Reasons for caution include:

a) inflation: headline rates have fallen sharply but core inflation has been slower to decline and is still uncomfortably high at 4% in the US, 3.6% in the Eurozone and 5.1% in the UK. The resilience of these economies, especially the US, and the continuing tightness of labour markets, with wages now rising at above-inflation rates, are likely to mean policy will have to stay tight enough to trigger a sharp slowdown in economies. A recession has become less likely in the US but remains a risk that is not currently discounted by markets, while the EU and UK face more challenging conditions and an extended period of near-stagnation. Keeping rates close to current levels as inflation falls means higher real rates and tighter financial conditions, while the long lags and cumulative effects of monetary policy will be a headwind through much of 2024.

b) the resilience of the consumer, a major reason for the US, EU and UK economies performing above expectations in 2023, will be tested in 2024. The extended period of higher interest rates will push interest payments on consumer debt to a higher proportion of disposable income and will likely result in rising delinquencies on debt repayments, including mortgages, auto-loans, and credit cards. Furthermore, personal savings built up in the pandemic have been largely drawn down, removing this as a source of consumer spending, and unemployment seems likely to rise from current low levels as economies falter.



c) China, with its weak post-Covid recovery and multiple problems is likely to remain a concern. Growth continues to struggle in the face of over-leverage in the key property development industry, a damaging regulatory clampdown, the impact on trade of US sanctions, re-shoring and diversification of supply chains resulting in weak exports and reduced capital investment, and structural demographic headwinds. China is again imparting a deflationary impulse to the global economy, and although it has gradually eased policy, its high debt levels provide limited room for stimulus.

Fixed asset investment weak in China

Source: Momentum Global Investment Management, Bloomberg Finance L.P., as at 29 December 2023.

d) public debt levels are stretched in many parts of the developed world and give little room for fiscal flexibility to support growth. The US is most important in this respect. Following Biden's huge spending commitments, especially via the inappropriately named Inflation Reduction Act, Federal deficits are expected to remain at around 6% of GDP for the rest of this decade. In an election year there is a near-zero prospect of this being reined in, and with the dysfunctional Congress facing a debt ceiling limit resolution in January, this is a problem that is likely to stalk markets and potentially damage confidence at times during 2024.

e) geopolitics are arguably the most worrying since WWII. Russia's war with Ukraine is proving to be long and costly, and as Western appetite for supporting Ukraine's war effort wanes, a negotiated solution ceding territory to Russia seems increasingly likely, with unknown longer-term consequences for Ukraine and other former Soviet satellites. In the Middle East the threat of the Israel-Hamas war drawing in other Iranian sponsored terror groups, which seemed low initially, is rising as the war continues, and moving closer to a proxy war with Iran, spilling over regionally and drawing in the US and allies. Perhaps most important of all, the great power rivalry between the US and China has the potential to be the defining issue of our age, with little prospect of a material thawing in the relationship in a US election year and in the face of President Xi's tough line and domestic political dominance. An outright invasion of Taiwan by China is extremely unlikely, but the issue will continue to overhang China's international relationships in the years ahead.

f) in a busy year for elections (more than two billion people in fifty countries go to the polls), the US Presidential election in November is by far the most important, and although we would not normally regard an election as a significant event for markets, in this case there could be more meaningful repercussions than usual given the choice which is likely to be presented to Americans, namely Biden v Trump. The elections in Taiwan in January to elect a new President and legislature come at a time when cross-strait tensions with the mainland have increased significantly, to the concern of regional neighbours and the US.

g) a steep and long monetary tightening cycle increases the risks of a financial accident. It was the catalyst for the mini-banking crisis in the US in March, and as the cycle continues the risks of other accidents rise. Given that households, companies and banks entered this tough period with generally strong balance sheets, we do not envisage systemic risks, but some damage on a narrower basis in over-leveraged parts of the economy facing structural problems, such as commercial real estate, and idiosyncratic events such as the SVB collapse, cannot be ruled out.

"The US Presidential election in November is by far the most important, and although we would not normally regard an election as a significant event for markets, in this case there could be more meaningful repercussions given the choice which is likely to be presented to Americans, namely Biden v Trump"

We do not regard any of these cautionary or risk factors as likely to tip markets into a sustained and substantial drop, but each runs the possibility of triggering meaningful setbacks. Taken together with the sharp run-up in markets ahead of year-end they call for some caution in portfolio construction in the shorter term. Markets have probably priced in too many rate cuts for this year and financial conditions have become looser than the Fed would want as the inflation fight is not yet over. Some rolling back of the dovishness is possible and markets are due a pause and consolidation.

On the other hand, we should not lose sight of the bigger picture. Many of the deep problems of the past 3 years are behind us. The post-Covid inflation surge is over, supply chains normalised and energy prices have returned to more reasonable levels, even in Europe which was most exposed to the suspension of Russian gas supplies. Most importantly, the monetary policy cycle is at a turning point, the steep rise in policy rates is over and the next major moves in rates will be down, a shift that we expect to begin during the next few months.

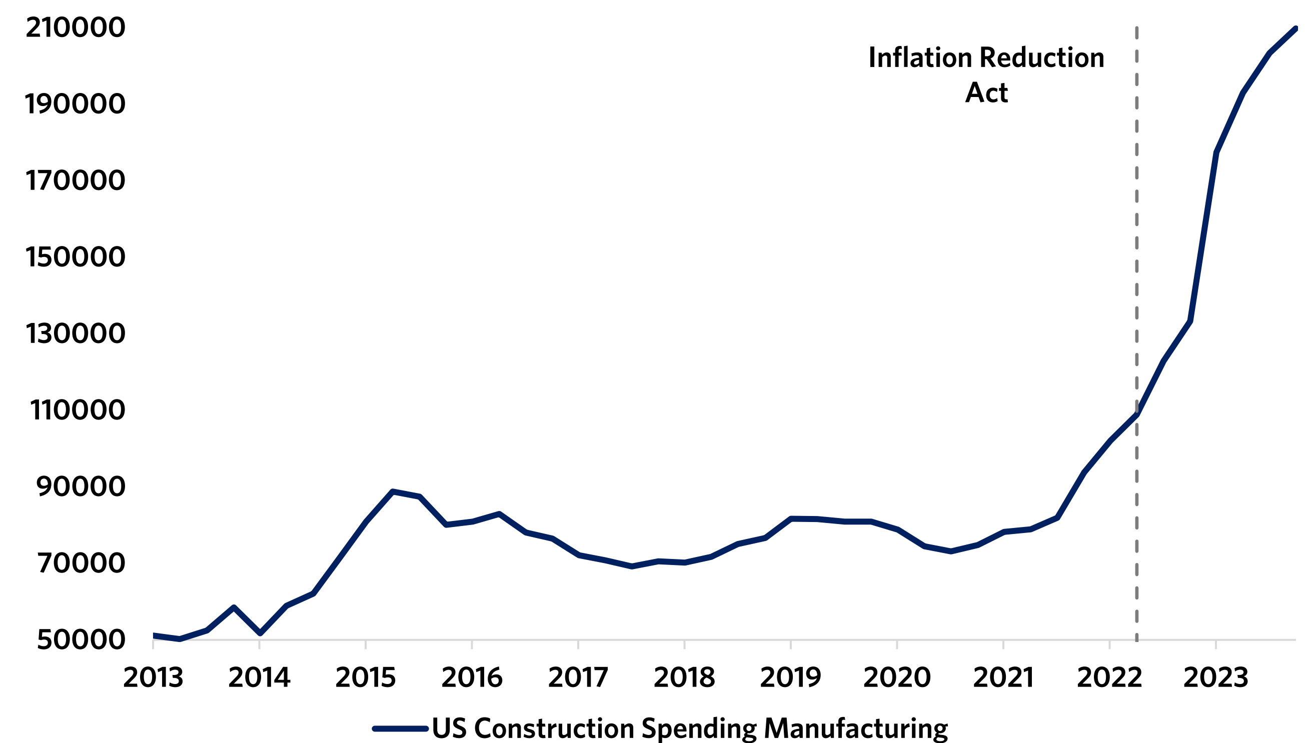
The only significant exception to this will be in Japan, where the Bank of Japan has only recently started to move away from its yield curve control policy, and is likely to end its eight-year long negative interest rate policy in coming months. While monetary tightening might be construed negatively, in this case it reflects growing confidence that Japan is moving out of its long and damaging period of deflation, and we believe it should be seen as a positive development. It is also likely to support the yen, which has been the weakest of the major currencies in the past 3 years, down by some 30% against the USD.

The other big development of 2023 which will have long-lasting and positive implications for many parts of the global economy is AI – the fuel which underpinned the 'Magnificent 7' through 2023. The pace of take-up of AI systems and their development is dramatic and the consequences are likely to be profound. 2024 could be the year when it begins to have a material impact on productivity, something to be welcomed given the sluggish growth of productivity levels in the post-GFC period.

Conclusion

Although we see a recession as likely in the US, UK and Europe in 2024, we expect it to be mild. We believe the US economy will again outperform other big developed economies, given its momentum and greater resilience, the strength of capital investment, in part due to the funding provided by the government's huge spending commitments, the benefits of the unfolding AI boom, which will undoubtedly be led by the US, and the likelihood that the Fed will be loosening policy more aggressively than other central banks.

US construction investment surges – boosted by huge government support



Source: Momentum Global Investment Management, Bloomberg Finance L.P., as at 29 December 2023.

Aside from unquantifiable geopolitical events, the biggest risk is probably policy overkill, if central banks keep policy too tight for too long, resulting in a deeper and more prolonged slowdown. This would be damaging for equity and credit markets, which have largely priced in a soft landing. But the deeper the slowdown, the faster and steeper will be the interest rate cuts, and government bond markets would provide good protection under those circumstances.

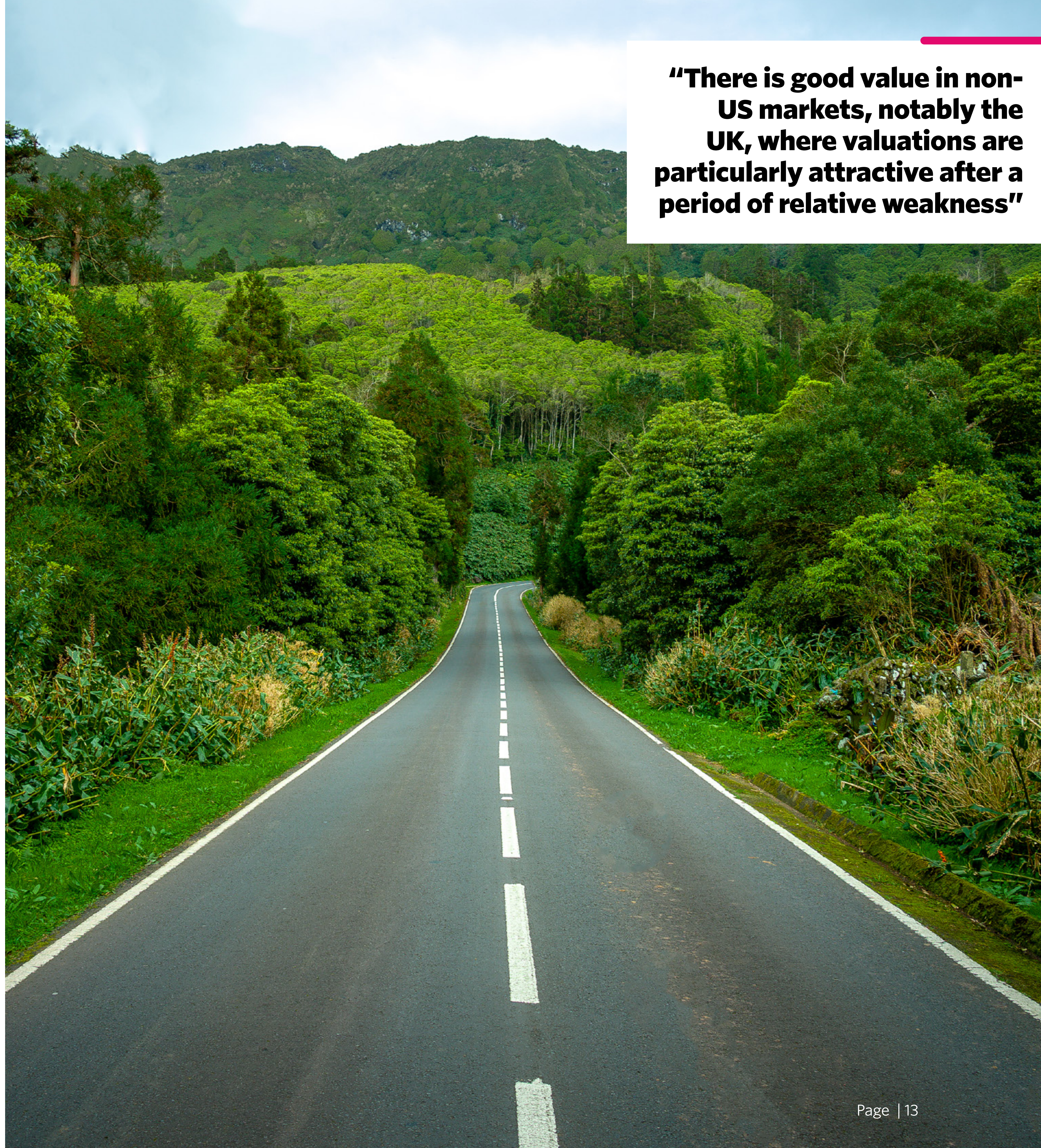
We are concerned in the short term by the extent to which valuations of equities and bonds have moved materially higher in the past two months and will be patient in adding to positions, and we are particularly concerned that big tech stocks are priced for sustained high growth, with little room for disappointment. However, we see good opportunities in US equities outside these mega-cap stocks (and thus favour an active approach), especially in the value, quality and small/mid cap areas. There is also good value in non-US markets, notably the UK, where valuations are particularly attractive after a period of relative weakness, and in Japan, largely overlooked by international investors and finally coming out of its two decades long period of deflation with an energised corporate sector focussed on delivering shareholder value. China continues to struggle in the face of its deep-seated problems, but seems to be hitting peak pessimism among investors, and, properly sized, offers good valuation opportunities on a longer-term basis.

Given the uncertainties ahead, volatility will be inevitable, and diversification as ever will be vital. After the big increase in yields over the past 18 months, bonds can return to their place as safe, reliable income-generating portfolio diversifiers. We are mindful that their valuations have increased sharply in recent weeks, but they continue to offer reasonable real yields and income, with excellent defensive characteristics. We would be reluctant to add more duration at current levels, preferring to focus on shorter maturity bonds, but would extend duration as opportunities arise, as we have done incrementally over the last year.

We are cautious about credit markets after a year when credit spreads have narrowed significantly, but see pockets of opportunities selectively, such as bank credit, where there is good value after the Credit Suisse fallout, and parts of the emerging and asset backed debt markets.

Gold has proved to be a good diversifier in a wide range of economic and market conditions, but we have been taking some profits recently as the price reached a new all-time high, while real assets such as infrastructure and property, after a very difficult year, offer recovery and longer-term stable return prospects.

While unbridled optimism for the year ahead is inappropriate, the risks are in better balance than in the past 18 months, and we expect markets to make further progress, albeit with setbacks on the way. After a highly unusual year in 2023, with economies and equity markets defying widespread pessimism and the steepest monetary tightening in 40 years, and returns heavily concentrated in a narrow range of stocks, we believe that some caution and a high degree of selectivity is required in 2024, which should increasingly favour an active investment style. Through the year we expect a tailwind for markets in the form of easing monetary policy, but given the starting point for valuations and the uncertainties ahead, we will remain broadly diversified, waiting for valuation opportunities to come along in our preferred assets and markets, and remaining wary of extended valuations and excess leverage.



"There is good value in non-US markets, notably the UK, where valuations are particularly attractive after a period of relative weakness"

Market performance - Global (local returns) as at 29 December 2023

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Developed Markets Equities						
United States	S&P 500 NR	USD	4.5%	11.6%	25.7%	25.7%
United Kingdom	MSCI UK NR	GBP	3.3%	2.2%	8.1%	8.1%
Continental Europe	MSCI Europe ex UK NR	EUR	3.8%	7.7%	17.6%	17.6%
Japan	Topix TR	JPY	-0.2%	2.0%	28.3%	28.3%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	4.6%	7.8%	7.4%	7.4%
Global	MSCI World NR	USD	4.9%	11.4%	23.8%	23.8%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	2.1%	12.9%	29.8%	29.8%
Emerging Asia	MSCI EM Asia NR	USD	3.3%	6.7%	7.8%	7.8%
Emerging Latin America	MSCI EM Latin America NR	USD	8.3%	17.6%	32.7%	32.7%
China	MSCI EM China NR	USD	2.1%	3.1%	2.0%	2.0%
BRICs	MSCI BRIC NR	USD	-2.4%	-4.2%	-11.2%	-11.2%
Global emerging markets	MSCI Emerging Markets NR	USD	3.9%	7.9%	9.8%	9.8%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	3.3%	5.6%	4.0%	4.0%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	2.7%	4.7%	3.8%	3.8%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	4.3%	8.5%	8.5%	8.5%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	3.7%	7.2%	13.4%	13.4%
UK Gilts	JP Morgan UK Government Bond TR	GBP	5.6%	8.4%	3.8%	3.8%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	4.3%	7.4%	8.6%	8.6%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	3.6%	7.2%	6.7%	6.7%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	2.7%	5.5%	8.2%	8.2%
Euro High Yield	BBgBarc European HY 3% Constrained TR	EUR	2.9%	5.5%	12.1%	12.1%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	0.4%	0.9%	0.4%	0.4%
Australian Government	JP Morgan Australia GBI TR	AUD	2.9%	4.1%	4.6%	4.6%
Global Government Bonds	JP Morgan Global GBI	USD	4.3%	7.8%	4.0%	4.0%
Global Bonds	ICE BofAML Global Broad Market	USD	4.3%	8.2%	5.5%	5.5%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	5.0%	6.6%	11.5%	11.5%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	5.2%	10.5%	10.3%	10.3%

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	9.6%	15.6%	12.3%	12.3%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	10.1%	15.1%	12.7%	12.7%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	6.0%	6.0%	-4.4%	-4.4%
Global Property Securities	S&P Global Property USD TR	USD	9.0%	14.5%	10.4%	10.4%
Currencies						
Euro		USD	1.4%	4.4%	3.1%	3.1%
UK Pound Sterling		USD	0.8%	4.4%	5.4%	5.4%
Japanese Yen		USD	5.1%	5.9%	-7.0%	-7.0%
Australian Dollar		USD	3.1%	5.9%	0.0%	0.0%
South African Rand		USD	2.7%	3.1%	-7.2%	-7.2%
Commodities & Alternatives						
Commodities	RICI TR	USD	-2.0%	-6.0%	-4.7%	-4.7%
Agricultural Commodities	RICI Agriculture TR	USD	-1.3%	-0.4%	0.4%	0.4%
Oil	Brent Crude Oil	USD	-7.0%	-19.2%	-10.3%	-10.3%
Gold	Gold Spot	USD	1.3%	11.6%	13.1%	13.1%

Interest Rates	Current Rate
United States	5.50%
United Kingdom	5.25%
Eurozone	4.50%
Japan	-0.10%
Australia	4.35%
South Africa	8.25%

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

Market performance - UK (all returns GBP) as at 29 December 2023

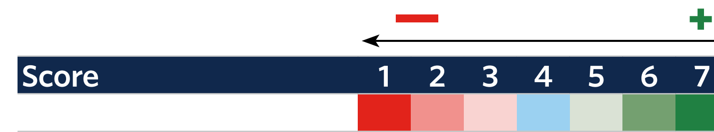
Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Equities						
UK - All Cap	MSCI UK NR	GBP	3.3%	2.2%	8.1%	8.1%
UK - Large Cap	MSCI UK Large Cap NR	GBP	3.1%	0.8%	5.0%	5.0%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	7.0%	9.3%	17.8%	17.8%
UK - Small Cap	MSCI Small Cap NR	GBP	8.5%	8.4%	9.8%	9.8%
United States	S&P 500 NR	USD	3.3%	6.7%	19.1%	19.1%
Continental Europe	MSCI Europe ex UK NR	EUR	4.3%	7.7%	15.1%	15.1%
Japan	Topix TR	JPY	3.8%	3.5%	13.1%	13.1%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	3.5%	3.1%	1.8%	1.8%
Global developed markets	MSCI World NR	USD	3.7%	6.6%	17.3%	17.3%
Global emerging markets	MSCI Emerging Markets NR	USD	2.7%	3.2%	4.1%	4.1%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	5.8%	8.6%	3.6%	3.6%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	1.8%	3.0%	4.1%	4.1%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	5.3%	8.0%	5.7%	5.7%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	9.7%	14.3%	1.5%	1.5%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	7.1%	9.5%	0.8%	0.8%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	4.6%	5.9%	6.9%	6.9%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	10.1%	13.8%	-4.2%	-4.2%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	4.3%	7.4%	8.6%	8.6%
US Treasuries	JP Morgan US Government Bond TR	USD	2.6%	1.1%	-1.8%	-1.8%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	3.6%	3.9%	2.4%	2.4%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	3.7%	7.2%	13.4%	13.4%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	3.6%	7.2%	6.7%	6.7%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	2.7%	5.5%	8.2%	8.2%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	2.9%	5.5%	12.1%	12.1%
Global Government Bonds	JP Morgan Global GBI	GBP	3.1%	3.1%	-1.4%	-1.4%
Global Bonds	ICE BofAML Global Broad Market	GBP	4.3%	8.2%	5.5%	5.5%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	5.0%	6.6%	11.5%	11.5%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	4.0%	5.7%	4.6%	4.6%

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Property						
Global Property Securities	S&P Global Property TR	GBP	7.8%	9.5%	4.7%	4.7%
Currencies						
Euro		GBP	0.5%	0.0%	-2.1%	-2.1%
US Dollar		GBP	-0.8%	-4.2%	-5.1%	-5.1%
Japanese Yen		GBP	4.2%	1.5%	-11.7%	-11.7%
Commodities & Alternatives						
Commodities	Rogers International Commodity (RICI) TR	GBP	-3.1%	-10.1%	-9.7%	-9.7%
Agricultural Commodities	Rogers International Commodity (RICI) Agriculture TR	GBP	-2.4%	-4.7%	-4.8%	-4.8%
Oil	Brent Crude Oil	GBP	-8.0%	-22.7%	-15.0%	-15.0%
Gold	Gold Spot	GBP	0.2%	6.7%	7.2%	7.2%
Interest Rates				**Current Rate**		
United Kingdom				5.25%		

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

December 2023

Asset allocation views



Our Overall View

Score	Change	1	2	3	4	5	6	7
MAIN ASSET CLASSES	▲/▼/—							
Equities	—			■				
Fixed Income	—				■			
Alternatives	—					■		
Cash	—				■			

The lack of depth in this year's market rally is a cause for concern with fears of a recession still high and lead indicators suggesting slower growth ahead. Our fixed income view remains broadly neutral overall, but in light of the recent sharp moves higher in treasury yields, we upgrade our government view. Although the threat of a recession requires an element of caution with certain fixed income assets, good opportunities can be found in selective rates and credit markets. Alternative assets remain a good diversifier of returns, especially favourable should market volatility increase. Cash is an attractive lure today but won't preserve real wealth long term.

Score	Change	1	2	3	4	5	6	7
EQUITIES	▲/▼/—							
Developed Equities	—			■				
UK Equities	—						■	
European Equities	—				■			
US Equities	—			■				
Japanese Equities	—					■		
Emerging Market Equities	—					■		

We temper our positive view on Japanese equities, taking some profit after the strong year to date performance. Last year's aggressive rate hikes continue to show signs of pushing developed economies towards recession and there is a risk of complacency taking hold in risk markets. US equities in particular have shown a worrying lack of breadth in this year's rally, but the opportunity set for active managers is appealing. European equities look reasonably attractive, but the most compelling markets remain the UK and Japan which trade at a discount to global peers and offer healthy dividends.

Score	Change	1	2	3	4	5	6	7
FIXED INCOME	▲/▼/—							
Government	▲					■		
Index-Linked	—				■			
Investment Grade Corporate	—				■			
High Yield Corporate	—			■				
Emerging Market Debt	—				■			
Convertible Bonds	—			■				

After their rapid move higher over the summer months, treasury yields have reached levels we think offer value today, and we upgrade our government view. Despite offering alluring all in yields, we think the spreads offered today on investment grade and riskier high yield corporate bonds do not compensate investors adequately for the underlying fundamental credit risk. The possibility of a recession and rising default rates suggest that an element of caution is necessary. We continue to prefer shorter duration bonds in both developed and emerging markets. Improving real yields and weak growth expectations have recently improved the appeal of inflation linked bonds.

Score	Change	1	2	3	4	5	6	7
SPECIALIST ASSETS/ALTERNATIVES	▲/▼/—							
Commodities	—				■			
Property	—				■			
Infrastructure	—					■		
Liquid Alternatives	▼			■				
Private Equity	—						■	
Specialist Financial	—						■	

Commodity prices are likely to be challenged against a slowdown in global growth. With expectations of a more turbulent period ahead in markets, alternatives continue to offer diversification benefits at attractive valuations after a period of poor investor sentiment. Discounts in NAVs in private equity continue to appear overly pessimistic while secular trends in infrastructure and specialist financials have boosted our outlook for both asset classes.

Score	Change	1	2	3	4	5	6	7
CURRENCIES vs. USD	▲/▼/—							
GBP	—					■		
EUR	—				■			
JPY	—					■		
Gold	—			■				

Against long term valuation metrics, Sterling and Yen continue to remain cheap relative to the Dollar. The Bank of Japan's ongoing policy of yield curve control policy holds the Yen back, for now. Recession expectations in the US and inflation in Europe could mean divergent rate expectations in support of the Euro, but the Fed's higher for longer narrative keeps the common currency in check for now. Gold's status as a haven asset means it remains a useful diversifier, although somewhat expensive versus real rates today.

The asset allocation views are updated at the end of each quarter unless otherwise stated.

"Improving real yields and weak growth expectations have recently improved the appeal of inflation linked bonds"

Belvest

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