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GLOBAL MATTERS
MONTHLY VIEWPOINT

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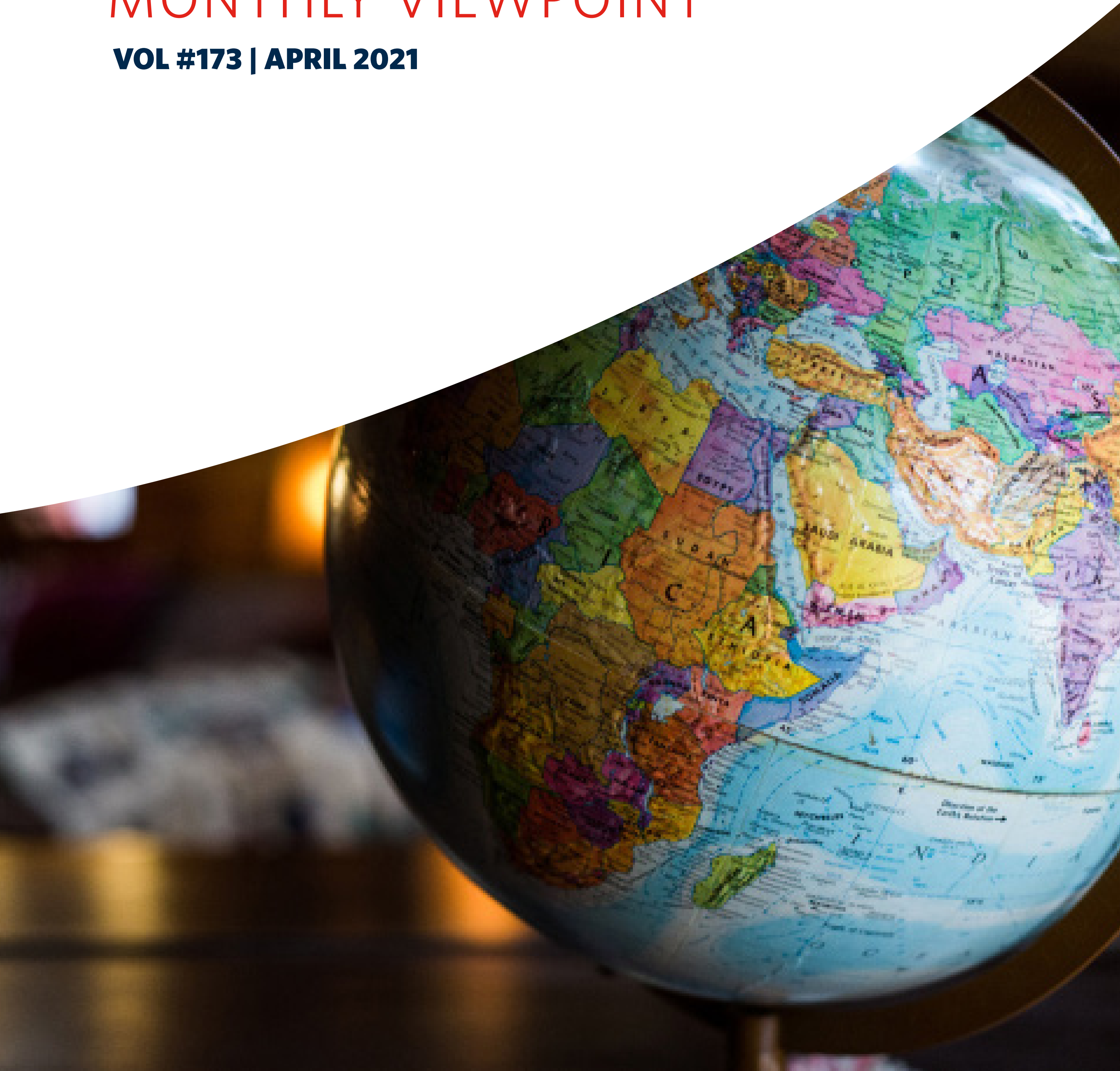

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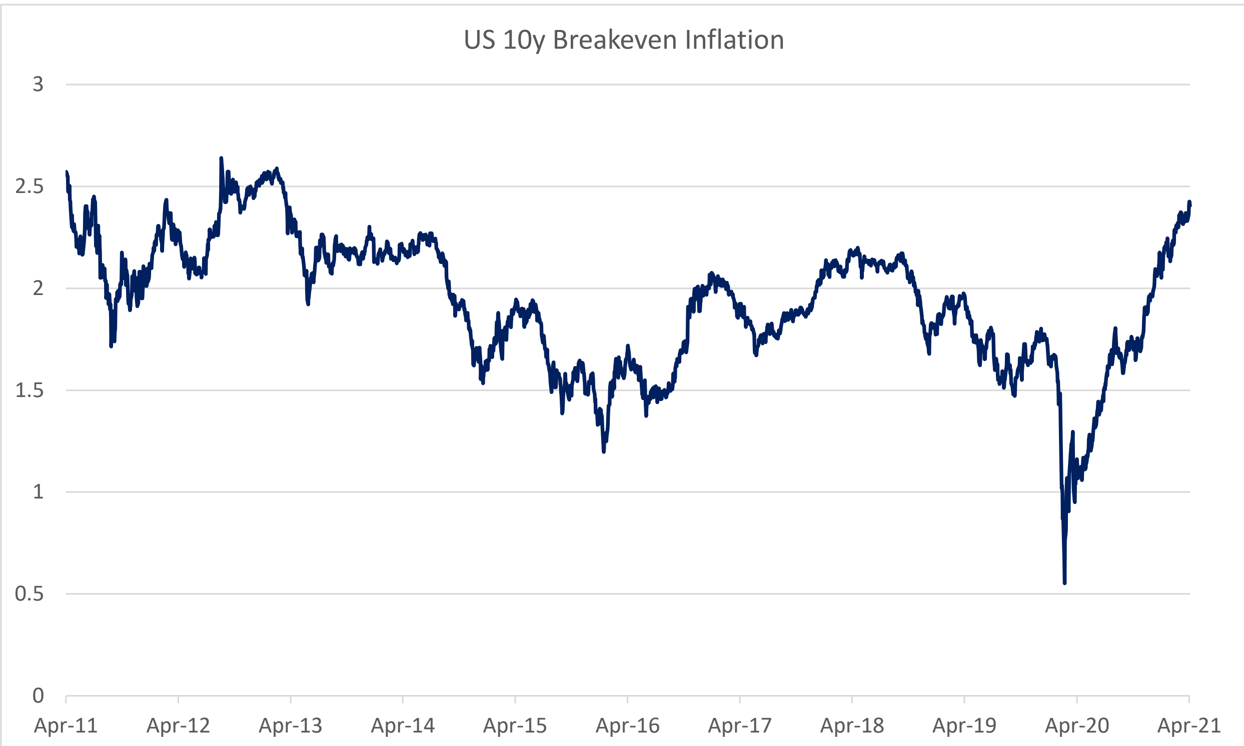
MARKET REVIEW

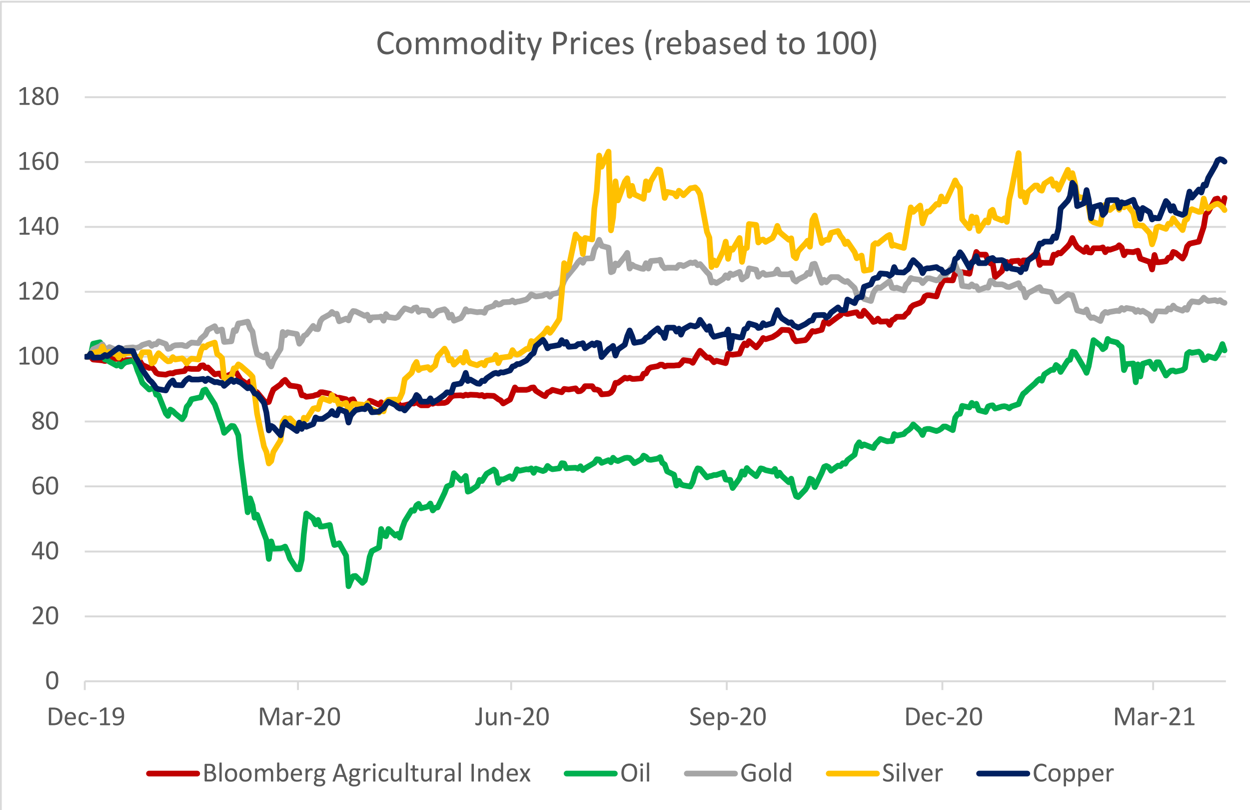
The pandemic continued to dominate discourse in April as case numbers globally reached record daily levels, but the impact became increasingly differentiated between the developed world, where the vaccine roll-out is bringing herd immunity and the end of lockdowns and movement restrictions into sight, and developing nations, notably India and Brazil, where second waves have spread rapidly with devastating effect and vaccine roll-out is trailing badly. However, the global dominance in both GDP and stock market capitalisation of the developed world together with China, which was the earliest economy to rebound from the pandemic, has underpinned growing confidence in recovery and the prospects for equity markets. The US and global equity market indices reached new all-time highs in April, with the S&P 500 up 5.3% and MSCI World +4.7%. Emerging markets were more constrained by the pandemic news, and by further evidence of China's widening clampdown on its internet giants as both Tencent and Meituan were hit with anti-trust investigations following a similar move on Alibaba. The MSCI Emerging Markets index returned 2.5% in the month, with China +1.4%.

Bond markets were more settled following the sharp rise in yields in the first quarter. The yield on 10 year US Treasuries fell back to 1.63% by 30 April, down from 1.74% a month earlier, but the undercurrent of rising inflation concerns was not far away, with the 10 year breakeven rate edging up to 2.41%, the highest for 8 years. US Treasury inflation protected bonds were among the best performers in fixed income, returning 1.5% in the month, compared with 0.8% from conventional bonds and 1.1% from investment grade and high yield corporate bonds.



Source: Bloomberg Finance L.P. , Momentum Global Investment Management

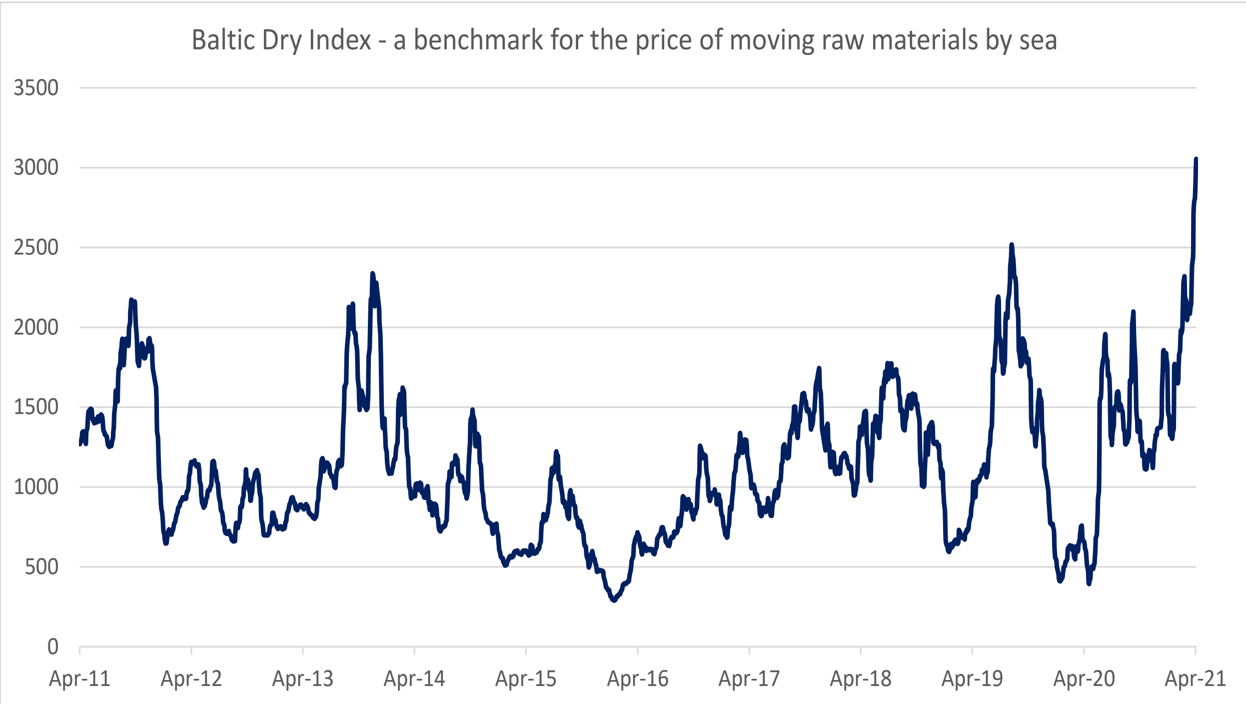
This easing of financial conditions led to a decline of 2.1% in the trade weighted dollar index and a recovery in the gold price of 3.6%. However, the biggest moves in the month came in the broad commodities complex, with oil up 6%, metals 9% and agricultural up 12%, taking year-to-date rises into the 20-30% range.



Source: Bloomberg Finance L.P. , Momentum Global Investment Management

The evidence of a huge economic recovery ahead continued to mount, with most leading indicators across the developed world pointing to a surge in growth as pandemic restrictions are progressively eased and pent-up demand released. The US is leading the way, with Biden achieving his goal of 200m vaccine doses given within his first 100 days, and adding to the fiscal pump-priming with plans for a $1.8tn American Families Plan – funded by tax rises on corporates and the higher paid, as well as a rise in capital gains tax. For now, markets are embracing the tax and-spend-big agenda, and the Fed continues to provide support by playing down the inflation risk despite acknowledging an improved economic outlook, reaffirming its expectation that the pick-up in inflation will be transitory rather than persistent, and maintaining its forward guidance.

With the pandemic risks abating, albeit still with serious concerns about new variants and the impact of the virus on the developing world, the biggest risk facing investors in coming months has shifted to inflation. Inflation has already begun to rise as last year's period of falling prices falls away; headline CPI in the US in March jumped up to 2.6% year-on-year from 1.7% in February, and further rises are inevitable, if for no other reason than base effects. But it is clear that there is more at work than simply base effects. The economic recovery is arriving at a time when there are critical supply shortages in certain sectors and logistical challenges in most, partly due to the impact of the pandemic on production and supply lines, partly due to unexpectedly strong demand in a number of products. The shortage of semiconductors has been widely reported and is having a serious impact on production and revenues in key sectors such as autos, while commodity prices have surged across the board. These are feeding into producer prices and in due course will probably be passed through to consumers. A notable narrative from a wide range of business surveys and companies in recent weeks has been the reference to chip shortages, supply disruptions and general inflation of prices across supply lines, logistical problems and rising freight rates, and in the US in particular, difficulties in attracting and retaining labour, with clear implications for wages. The prices paid component of the latest Producer Prices Index in the US is at its highest in 13 years.



Source: Bloomberg Finance L.P. , Momentum Global Investment Management

Even if the higher inflation in coming months proves to be transitory, the risks have moved away from disinflation and towards the upside, and could lead to another jump in bond yields, triggering a sell-off in risk assets. The Fed has the tools to deal with a persistent rise in inflation but deploying those tools and bringing an early end to its ultra-loose policy would be damaging for markets in the short term – the 'taper tantrum' risk.

Inevitably, then, we expect bumps along the way as we head into and through the economic boom to come. While we are in the early stages of recovery and see a wide range of opportunities ahead, especially in those parts of markets which will benefit most from that recovery, such as value stocks, infrastructure and parts of the property sector, we expect bouts of volatility and are still cautious about bond markets. Portfolio diversification will be more important than ever, blending assets which would protect against rising inflation with those that would perform well should the inflation rise ahead prove to be transitory.

Market Performance - Global (local returns)

			To 30 April 2021			
Asset Class / Region	**Index**	**Currency**	**1 month**	**3 months**	**YTD**	**12 months**
Developed Markets Equities						
United States	S&P 500 NR	USD	5.3%	12.9%	11.7%	45.3%
United Kingdom	MSCI UK NR	GBP	4.2%	10.1%	9.4%	20.6%
Continental Europe	MSCI Europe ex UK NR	EUR	2.1%	11.2%	10.0%	33.1%
Japan	Topix TR	JPY	-2.8%	5.9%	6.2%	32.3%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	2.8%	2.0%	5.6%	48.5%
Global	MSCI World NR	USD	4.7%	10.9%	9.8%	45.3%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	1.7%	4.8%	2.4%	28.0%
Emerging Asia	MSCI EM Asia NR	USD	2.4%	0.3%	4.6%	50.2%
Emerging Latin America	MSCI EM Latin America NR	USD	3.7%	5.3%	-1.8%	46.4%
China	MSCI EM China NR	USD	1.3%	-2.5%	1.2%	39.6%
BRICs	MSCI BRIC NR	USD	1.4%	-6.0%	1.0%	37.0%
Global emerging markets	MSCI Emerging Markets NR	USD	2.5%	1.7%	4.8%	48.7%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	0.8%	-2.7%	-3.8%	-4.8%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	1.5%	-0.6%	-0.4%	5.9%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	1.1%	-2.3%	-3.6%	4.5%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	1.1%	1.6%	1.9%	19.6%
UK Gilts	JP Morgan UK Government Bond TR	GBP	0.5%	-5.3%	-6.9%	-8.1%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.6%	-2.6%	-3.5%	2.9%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-1.1%	-2.8%	-3.4%	0.8%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.0%	-0.5%	-0.7%	4.9%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	0.6%	1.8%	2.3%	15.7%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	0.2%	0.0%	-0.3%	-1.2%
Australian Government	JP Morgan Australia GBI TR	AUD	0.6%	-2.9%	-3.5%	-3.0%
Global Government Bonds	JP Morgan Global GBI	USD	1.1%	-3.3%	-4.6%	0.4%
Global Bonds	ICE BofAML Global Broad Market	USD	1.2%	-2.6%	-3.6%	2.8%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	2.6%	2.0%	4.6%	53.7%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	1.9%	-3.7%	-5.4%	9.9%

Source: Bloomberg Finance L.P. , Momentum GIM. Past performance is not indicative of future returns. e= estimate

			To 30 April 2021			
Asset Class / Region	**Index**	**Currency**	**1 month**	**3 months**	**YTD**	**12 months**
Property						
US Property Securities	MSCI US REIT NR	USD	8.0%	17.0%	17.2%	35.9%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	2.9%	6.1%	1.8%	26.3%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	-1.1%	6.8%	6.8%	14.0%
Global Property Securities	S&P Global Property USD TR	USD	5.3%	12.0%	10.9%	32.2%
Currencies						
Euro		USD	2.5%	-1.0%	-1.6%	9.7%
UK Pound Sterling		USD	0.3%	0.8%	1.1%	9.8%
Japanese Yen		USD	1.3%	-4.2%	-5.5%	-1.9%
Australian Dollar		USD	1.6%	0.9%	0.3%	18.5%
South African Rand		USD	2.0%	4.7%	1.4%	27.8%
Commodities & Alternatives						
Commodities	RICI TR	USD	9.1%	16.3%	21.2%	75.9%
Agricultural Commodities	RICI Agriculture TR	USD	12.3%	15.2%	20.7%	63.3%
Oil	Brent Crude Oil	USD	5.8%	20.3%	29.8%	166.1%
Gold	Gold Spot	USD	3.6%	-4.2%	-6.8%	4.9%
Hedge funds	HFRX Global Hedge Fund	USD	1.6%	3.1%	2.9%	14.7%
Interest Rates				**Current Rate**		
United States				0.25%		
United Kingdom				0.10%		
Eurozone				0.00%		
Japan				-0.10%		
Australia				0.10%		
South Africa				3.50%		

Source: Bloomberg Finance L.P. , Momentum GIM. Past performance is not indicative of future returns.
e=estimate

Market Performance - UK (all returns in GBP)

			To 30 April 2021			
Asset Class / Region	**Index**	**Local Currency**	**1 month**	**3 months**	**YTD**	**12 months**
Equities						
UK - All Cap	MSCI UK NR	GBP	4.0%	10.2%	9.4%	20.8%
UK - Large Cap	MSCI UK Large Cap NR	GBP	3.7%	10.1%	9.4%	15.5%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	4.8%	9.5%	8.7%	37.6%
UK - Small Cap	MSCI Small Cap NR	GBP	5.9%	13.6%	12.3%	42.6%
United States	S&P 500 NR	USD	5.1%	11.8%	10.2%	32.1%
Continental Europe	MSCI Europe ex UK NR	EUR	4.3%	9.3%	6.8%	33.2%
Japan	Topix TR	JPY	-1.9%	0.5%	-1.4%	17.8%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	2.6%	1.1%	4.3%	35.1%
Global developed markets	MSCI World NR	USD	4.4%	9.9%	8.4%	32.2%
Global emerging markets	MSCI Emerging Markets NR	USD	2.3%	0.8%	3.5%	35.3%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	0.6%	-5.3%	-7.0%	-8.1%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	0.0%	-0.7%	-0.8%	-0.4%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	0.1%	-3.8%	-4.7%	-4.0%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	1.2%	-8.6%	-11.4%	-14.0%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	0.9%	-2.5%	-5.5%	-1.5%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	-0.3%	-2.3%	-3.1%	-0.9%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	1.6%	-2.9%	-7.1%	-2.1%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.6%	-2.6%	-3.5%	2.9%
US Treasuries	JP Morgan US Government Bond TR	USD	0.5%	-3.5%	-5.1%	-13.2%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	0.8%	-3.1%	-4.8%	-4.8%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	1.1%	1.6%	1.9%	19.6%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-1.1%	-2.8%	-3.4%	0.8%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.0%	-0.5%	-0.7%	4.9%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	0.6%	1.8%	2.3%	15.7%
Global Government Bonds	JP Morgan Global GBI	GBP	0.9%	-4.2%	-5.9%	-8.6%
Global Bonds	ICE BofAML Global Broad Market	GBP	1.2%	-2.6%	-3.6%	2.8%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	2.6%	2.0%	4.6%	53.7%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	1.7%	-4.5%	-6.6%	0.0%

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

			To 30April 2021			
Asset Class / Region	**Index**	**Local Currency**	**1 month**	**3 months**	**YTD**	**12 months**
Property						
Global Property Securities	S&P Global Property TR	GBP	5.1%	11.0%	9.5%	20.3%
Currencies						
Euro		GBP	2.2%	-1.7%	-2.6%	0.0%
US Dollar		GBP	-0.2%	-0.8%	-1.1%	-8.8%
Japanese Yen		GBP	1.0%	-5.0%	-6.5%	-10.6%
Commodities & Alternatives						
Commodities	RICI TR	GBP	8.8%	15.2%	19.6%	60.1%
Agricultural Commodities	RICI Agriculture TR	GBP	12.1%	14.2%	19.1%	48.6%
Oil	Brent Crude Oil	GBP	5.6%	19.3%	28.1%	142.1%
Gold	Gold Spot	GBP	3.4%	-5.1%	-8.0%	-4.6%
Interest Rates				**Current Rate**		
United Kingdom				0.10%		
United States				0.25%		
Eurozone				0.00%		
Japan				-0.10%		

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

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

Our Overall View

We continue to favour equities over fixed income in recognition of their leverage to a sustained global economic recovery. Most fixed income looks expensive today against the reflationary backdrop but pockets of credit offer some value. Alternatives, including in favour infrastructure, are attractive for their diversifying qualities as much as the return potential.

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

Equities offer the potential for decent forward returns as the global economy leaves the pain of 2020 behind. Huge stimulus programs, central bank support and pent up consumer demand and savings paint a favourable backdrop. The UK looks attractive as it shakes off its Brexit discount and is well positioned sectorally to benefit from the economic recovery. *Japan is raised this month on attractive valuation having underperformed in recent months.*

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

Bonds remain expensive today. Yields have lifted off their lows but remain unattractive at current levels, notably so in the quality sovereign bond space. Inflation linked bonds have marginally better prospects but the easy gains there have been made. We remain fundamentally constructive on higher yielding credit but see limited upside and returns to come mostly from carry in the near term. Convertibles play an important role in multi asset portfolios but look fairer value today.

REAL ASSETS / ALTERNATIVES	Change	Negative	Neutral	Positive
Commodities	-	○ ○	●	○ ○
Property	-	○ ○	●	○ ○
Infrastructure	-	○ ○	○	● ○
Liquid Alternatives	-	○ ○	●	○ ○

Real assets look attractive on both fundamental and valuation grounds, with a bias to infrastructure assets which ultimately should benefit from government policy initiatives. Investors are paid reasonably well to wait, and the diversifying qualities, also offered by the more esoteric liquid alternatives allocation, is attractive today in a world of expensive bonds.

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CURRENCIES *vs. USD*	Change	Negative	Neutral	Positive
GBP	▲	○ ○	○	● ○
EUR	-	○ ○	●	○ ○
JPY	-	○ ○	○	● ○

US yields creeping higher makes it challenging for the more rate anchored currencies not to depreciate. Against that, a global recovery tends to benefit higher beta currencies and idiosyncratic factors drive nearer term dynamics making Sterling attractive today. The Yen has already weakened meaningfully this year and its defensive qualities make it attractive as a portfolio diversifier.

Source: Momentum Global Investment Management

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