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GLOBAL MATTERS
MONTHLY VIEWPOINT

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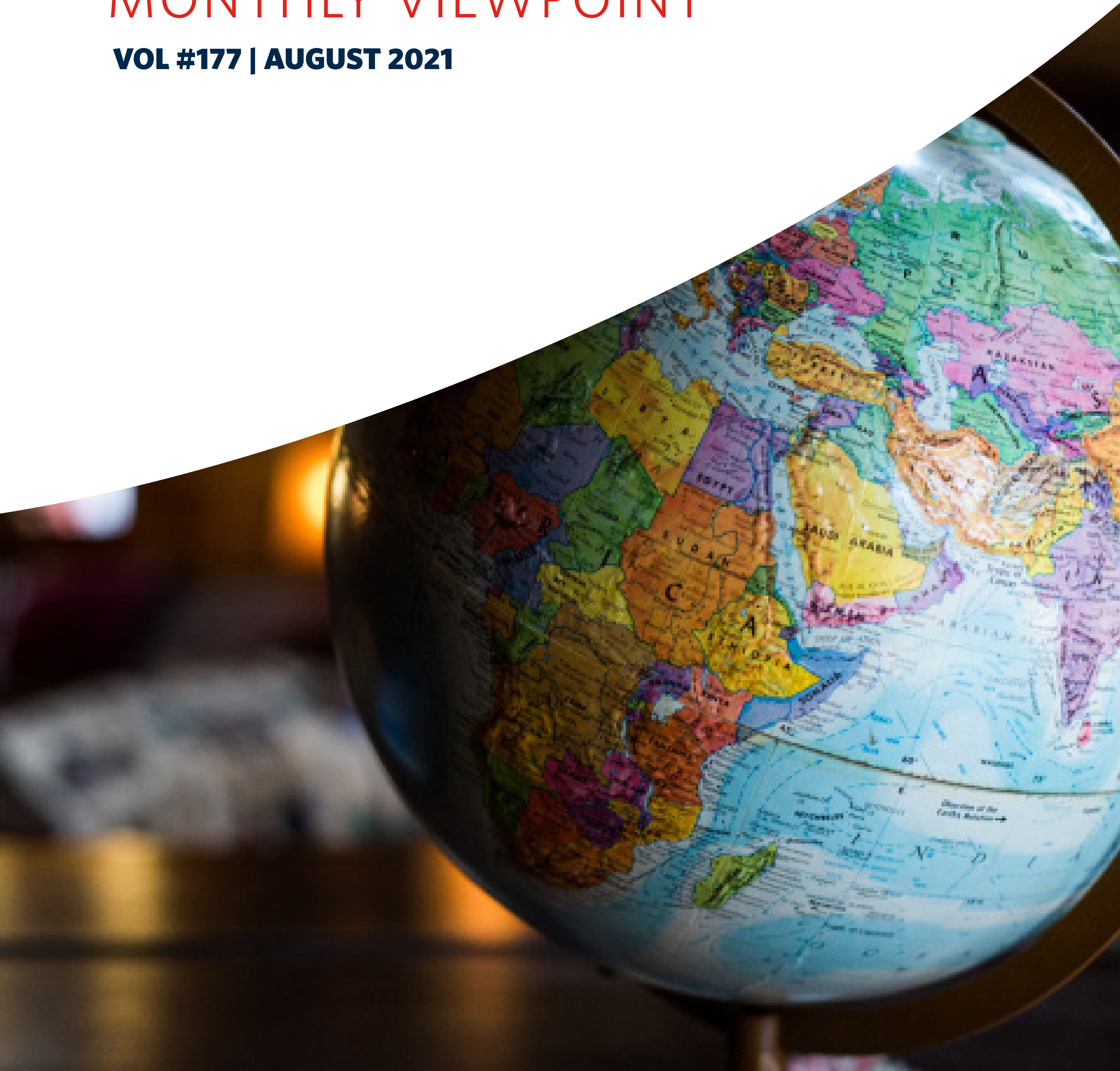

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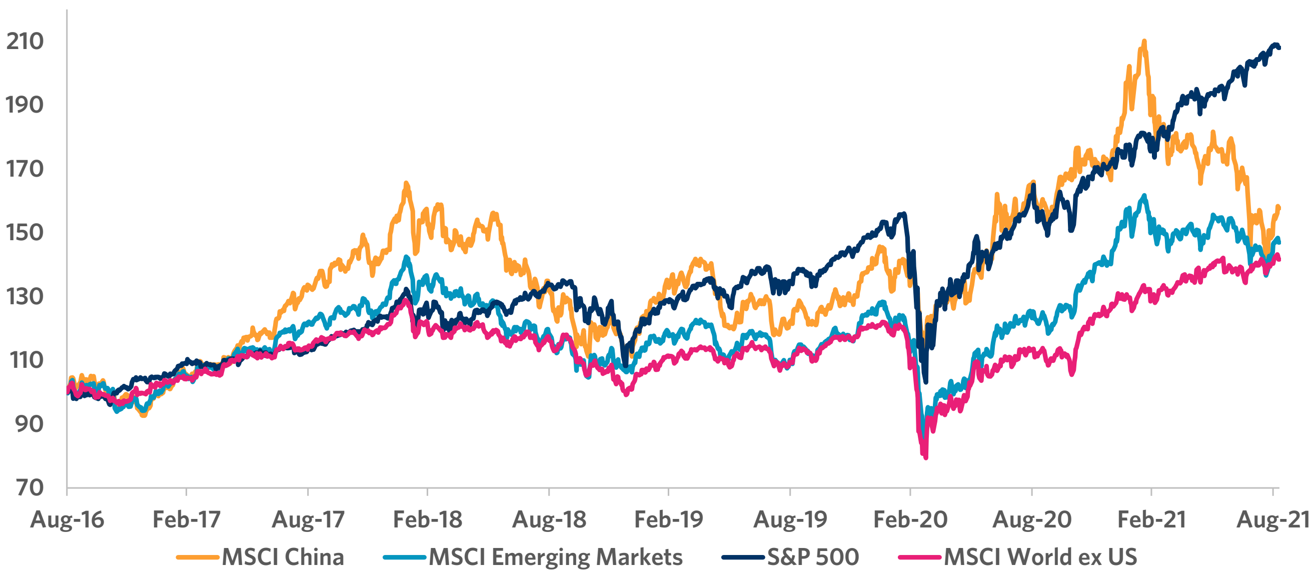
MARKET REVIEW

In a relatively quiet month for markets, equities made further progress while government bond markets slipped back.

Wall Street rose for the seventh consecutive month, taking its gain over this period to 23%. Chinese markets stabilised after the sharp falls in July, but remain down by 27% from their February peak. The dollar gained ground against other major currencies while emerging market currencies rallied after falls in the previous two months. The biggest moves by far came in commodities: the oil price fell by over 4% as OPEC confirmed that it will ramp up production by 400,000 barrels per day until all the production cuts during the pandemic have been reversed, copper fell by 3% and the iron ore price collapsed by 18% in the month, taking its fall from mid-July to 30%, as China, which produces 55% of the world's steel, introduced production curbs, in part to reduce emissions as the country heads into winter and in part due to the slowdown in the economy. Those calling a commodities super-cycle have been given pause for thought.

Equity Market Returns: China suffers sharp setback as US surges



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

"Wall Street rose for the seventh consecutive month, taking its gain over this period to 23%"

Iron Ore Price

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

With the delta variant continuing to spread, leading to the imposition of new restrictions by China and many other countries, consumer confidence, high frequency mobility and other leading indicators weakened, with the biggest impact on the service sector. Purchasing Managers' Indices, reliable indicators of future growth, fell sharply in August, taking the Global Composite index to its fourth consecutive monthly decline and the lowest since January, although still above the 50 threshold between expansion and decline. Within that, China and Japan have slipped below the 50 level, whereas the US, Eurozone and UK remain above 50, albeit lower than earlier in the year. Growth forecasts for this year are being trimmed, but 2021 is still expected to produce the fastest rate of growth globally for almost 50 years.

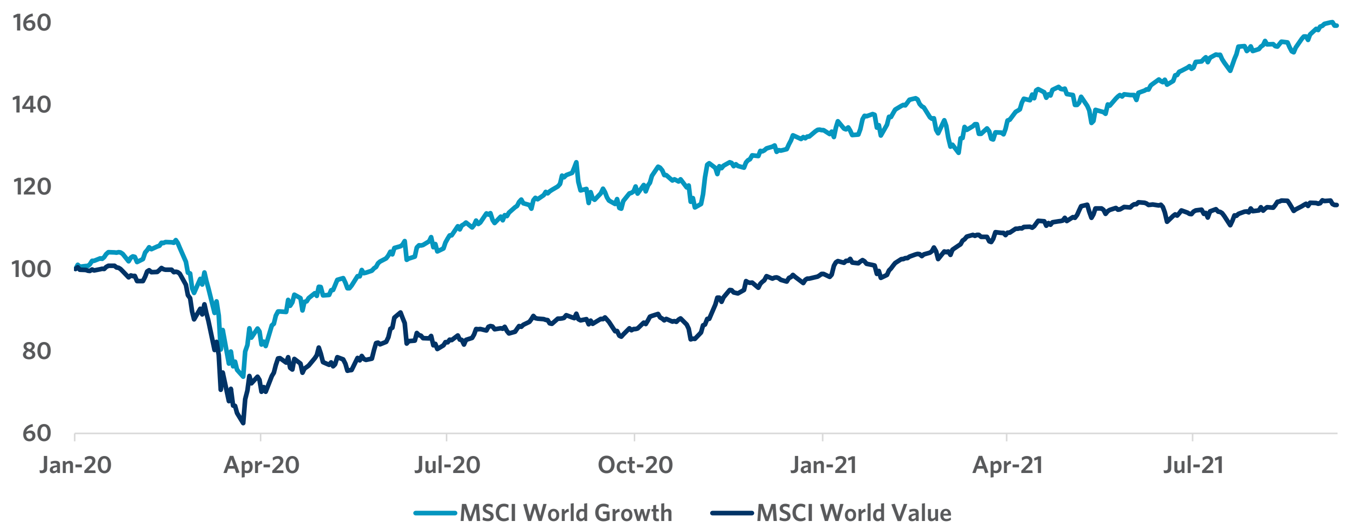
Growth is also being restrained by two other developments in recent months. First, the increasing evidence of supply shortages, especially semiconductors but spreading well beyond that, due to the surge in demand as lockdowns were eased earlier in the year and to production disruption triggered by the pandemic. Port closures and bottlenecks have pushed freight rates dramatically higher: the Baltic Dry Index, a good barometer of the cost of shipping, rose by 25% in August, taking its rise this year to 200%. The most widely reported concern of management in the recent corporate earnings season was supply shortages and input costs.

The second dampener has been the slowdown in China. With the economy recovering earlier than others last year from the pandemic the authorities removed stimulus measures and focussed more on financial stability in the early months of 2021. The resulting loss of momentum was then exacerbated by tightened regulations and sanctions on a wide range of the private sector, which has soured sentiment and confidence. The extent of the slowdown led to the People's Bank of China signalling some loosening of credit conditions in August, following its liquidity injection in July when it cut the reserve requirement ratio by 0.5%.

Despite concerns about decelerating growth rates, markets have been underpinned by the recovery potential as the impact of the pandemic eventually fades, and by continuing exceptionally loose monetary policies. The Fed has flagged its intention to reduce its huge asset purchases, still running at $120bn per month, but Chairman Powell's comments at his much-anticipated Jackson Hole speech in August gave comfort that although tapering is likely to begin before the end of the year, it will be data dependent rather than pre-emptive, the Fed will err on the side of caution, and it should not be seen as a signal for rate hikes, nor for a reduction in the size of its balance sheet. In other words, interest rate rises and withdrawal of liquidity (as opposed to reducing the scale of liquidity injections) are a long way off: policy will remain very accommodative. The dovish tone has given confidence to investors and was an important factor in underpinning equity markets in the month.

The fading momentum across economies and the fall in bond yields in recent months, with the US 10 year government bond yield remaining in the 1.2-1.3% range in August, saw growth stocks gain ground against value. In August the MSCI Growth index returned +3.3% compared with +1.8% from MSCI Value. Since the peak of the 'reflation trade' in May, value stocks have gone sideways, MSCI Value returning zero, while growth has stormed ahead, MSCI Growth returning +13%.

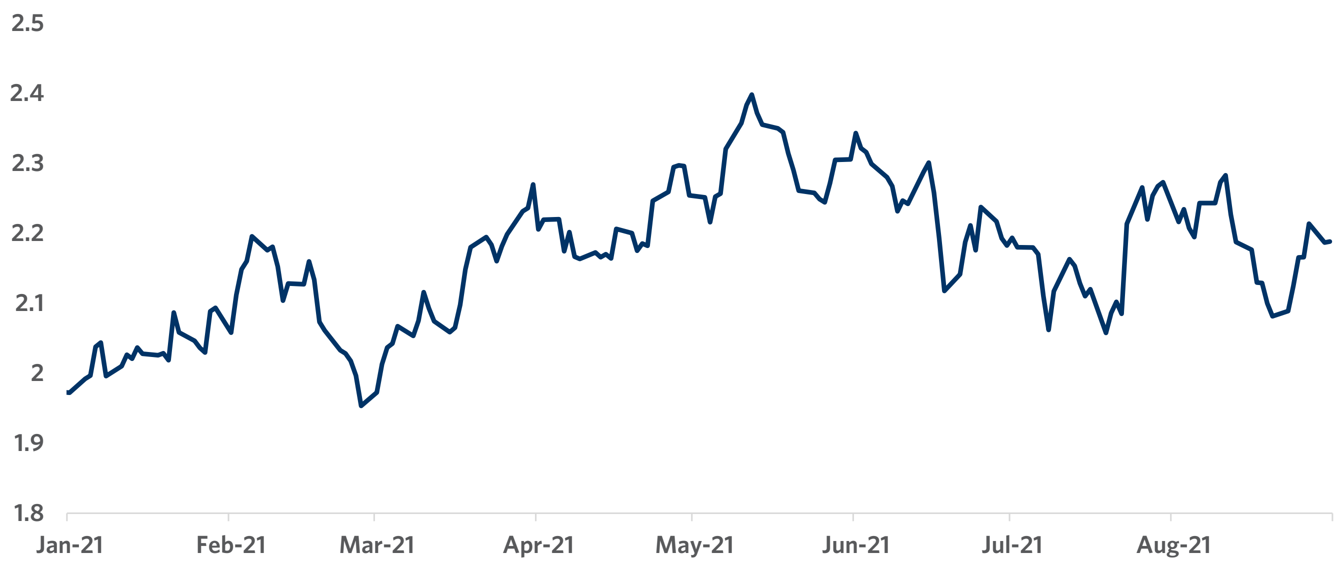
MSCI World Growth and MSCI World Value net returns - reflation trade stalls



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

Inflation data continued to surprise on the upside with sharp rises in headline and core inflation. The steepest rises have been in producer prices, with the US producer price index up 7.8% over the past year, the highest since the index was introduced over a decade ago. Importantly, however, inflation expectations have remained well anchored. The widely watched 5-year 5-year forward inflation rate in the US, which tracks expected average inflation over the five-year period that begins five years from today, has fallen from 2.4% in mid May to 2.19% at the end of August, well within its range of the past decade. It is no coincidence that economic growth was reaching its peak rate of expansion towards the end of the first half of the year. As long as inflation expectations remain well anchored and wage growth contained, investors will continue to buy into the narrative of the Fed and other central banks that the spike in inflation is transitory. We share that view, and expect to see inflation begin to move gradually down in coming months, but recognise the risks if inflation remains persistently above the Fed's target and we therefore hold some protection from this possibility in our portfolios.

US 5Y5Y Forward Inflation Expectations



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

"As the impact of the pandemic progressively fades over the next 12 months, and with the combination of highly accommodative monetary policy and continuing fiscal support, the prospects are for abnormally high growth this year and next"

As we head into the final quarter of the year, investor attention will focus on the extent and duration of the current deceleration in growth resulting from the pandemic, the persistence of inflation, and perhaps most importantly of all, the Fed's decision on reducing its huge asset purchases. We are at the turning point in the monetary policy cycle, but we believe it will be very gradual: monetary policy will be very loose for a considerable time, not only in the US but across the developed world.

As the impact of the pandemic progressively fades over the next 12 months, and with the combination of highly accommodative monetary policy and continuing fiscal support, the prospects are for abnormally high growth this year and next. While this will be at lower levels than the immediate post-pandemic recovery surge, it remains a strong environment for the corporate sector.

We therefore remain broadly constructive about risk assets. Given the strength of equity markets over the past year, returns are likely to be harder to come by in the very short term and the Fed's tapering decision overhangs markets. It adds a dimension of risk and potentially higher volatility. But to date the Fed has flagged its intentions well and markets are prepared for some tightening. We should be prepared for some periods of volatility but we believe we are in a long market cycle and with patience and true diversification investors will be well rewarded in the year ahead.

Market Performance - Global (Local Returns)

Asset Class/ Region	Index	to 31 August 2021				
		Ccy	1 Mth	3 Mths	YTD	12 Mths
Developed Markets Equities						
United States	S&P 500 NR	USD	3.0%	7.8%[e]	21.2%	30.6%
United Kingdom	MSCI UK NR	GBP	1.9%	2.6%	13.7%	23.8%
Continental Europe	MSCI Europe ex UK NR	EUR	2.2%	6.4%	20.1%	31.4%
Japan	Topix TR	JPY	3.2%	2.1%	9.9%[e]	23.8%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	2.2%	-4.9%	2.0%	18.7%
Global	MSCI World NR	USD	2.5%	5.9%	17.9%	29.8%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	4.7%	6.7%	20.0%	36.0%
Emerging Asia	MSCI EM Asia NR	USD	2.6%	-5.6%	0.0%	17.5%
Emerging Latin America	MSCI EM Latin America NR	USD	0.8%	-0.6%	5.3%	34.7%
China	MSCI EM China NR	USD	2.2%	-7.2%	-2.9%	8.7%
BRICs	MSCI BRIC NR	USD	0.0%	-13.8%	-12.3%	-5.1%
Global emerging markets	MSCI Emerging Markets NR	USD	2.6%	-4.1%	2.8%	21.1%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	-0.1%	1.9%	-1.7%	-2.4%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	-0.2%	3.3%	4.2%	5.5%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	-0.3%	2.7%	-0.2%	2.5%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.5%	2.2%	4.5%	10.1%
UK Gilts	JP Morgan UK Government Bond TR	GBP	-0.8%	2.7%	-4.0%	-1.9%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-0.3%	2.0%	-1.3%	2.4%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.6%	1.7%	-1.8%	0.8%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-0.4%	1.1%	0.3%	2.6%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	0.3%	1.3%	3.8%	8.5%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-0.1%	0.5%	0.3%	0.5%
Australian Government	JP Morgan Australia GBI TR	AUD	0.2%	3.3%	-0.1%	0.7%
Global Government Bonds	JP Morgan Global GBI	USD	-0.5%	0.2%	-3.6%	-1.6%
Global Bonds	ICE BofAML Global Broad Market	USD	-0.5%	0.2%	-2.7%	-0.4%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	1.5%	2.4%	6.1%	23.5%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	1.4%	3.0%[e]	-1.2%	2.4%

Asset Class/ Region	Index	to 31 August 2021				
		Ccy	1 Mth	3 Mths	YTD	12 Mths
Property						
US Property Securities	MSCI US REIT NR	USD	1.9%	9.5%	29.5%	39.1%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	5.8%	10.4%	14.2%	25.7%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	-0.3%	-4.5%	2.6%	7.7%
Global Property Securities	S&P Global Property USD TR	USD	1.9%	5.1%	18.7%	29.6%
Currencies						
Euro		USD	-0.5%	-3.4%	-3.3%	-1.1%
UK Pound Sterling		USD	-1.1%	-3.2%	0.6%	2.9%
Japanese Yen		USD	-0.3%	-0.4%	-6.1%	-3.7%
Australian Dollar		USD	-0.4%	-5.4%	-4.9%	-0.8%
South African Rand		USD	0.6%	-5.4%	1.2%	16.6%
Commodities & Alternatives						
Commodities	RICI TR	USD	-1.0%	4.5%[e]	29.3%	42.6%
Agricultural Commodities	RICI Agriculture TR	USD	1.0%	1.6%[e]	20.8%	44.8%
Oil	Brent Crude Oil	USD	-4.4%	5.3%	40.9%	61.2%
Gold	Gold Spot	USD	0.0%	-4.9%	-4.5%	-7.8%
Hedge funds	HFRX Global Hedge Fund	USD	0.7%	0.6%	4.0%	9.1%
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%				

Market Performance - UK (all returns in GBP)

Asset Class/Region	Index	To 31 August 2021				
		Ccy	1 Mth	3 Mths	YTD	12 Mths
Equities						
UK - All Cap	MSCI UK NR	GBP	1.9%	2.6%	13.7%	23.8%
UK - Large Cap	MSCI UK Large Cap NR	GBP	1.7%	1.3%	12.6%	21.2%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	2.1%	5.9%	15.2%	29.3%
UK - Small Cap	MSCI Small Cap NR	GBP	5.4%	5.7%	19.2%	39.9%
United States	S&P 500 NR	USD	4.1%	11.3%[e]	20.3%	27.0%
Continental Europe	MSCI Europe ex UK NR	EUR	2.8%	6.2%	15.2%	26.4%
Japan	Topix TR	JPY	4.1%	5.0%	2.0%[e]	15.9%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	3.3%	-1.7%	1.2%	15.5%
Global developed markets	MSCI World NR	USD	3.6%	9.4%	17.1%	26.2%
Global emerging markets	MSCI Emerging Markets NR	USD	3.7%	-1.0%	2.1%	17.8%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	-0.8%	2.8%	-3.9%	-1.8%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	-0.1%	-0.1%	-0.7%	-0.6%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	-0.4%	1.5%	-2.8%	-1.8%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	-1.5%	5.3%	-6.1%	-2.4%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	0.4%	6.6%	3.6%	6.5%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	0.4%	3.8%	1.9%	1.5%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	0.5%	8.4%	4.3%	9.2%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-0.3%	2.0%	-1.3%	2.4%
US Treasuries	JP Morgan US Government Bond TR	USD	0.9%	5.3%	-2.4%	-5.1%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	0.7%	6.1%	-0.9%	-0.3%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.5%	2.2%	4.5%	10.1%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.6%	1.7%	-1.8%	0.8%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-0.4%	1.1%	0.3%	2.6%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	0.3%	1.3%	3.8%	8.5%
Global Government Bonds	JP Morgan Global GBI	GBP	0.5%	3.5%	-4.4%	-4.3%
Global Bonds	ICE BofAML Global Broad Market	GBP	-0.5%	0.2%	-2.7%	-0.4%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	1.5%	2.4%	6.1%	23.5%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	2.5%	6.3%[e]	-1.9%	-0.4%

Asset Class/Region	Index	To 31 August 2021				
		Ccy	1 Mth	3 Mths	YTD	12 Mths
Property						
Global Property Securities	S&P Global Property TR	GBP	3.0%	8.6%	17.9%	26.0%
Currencies						
Euro		GBP	0.6%	-0.2%	-3.9%	-3.8%
US Dollar		GBP	1.1%	3.3%	-0.7%	-2.8%
Japanese Yen		GBP	0.8%	2.9%	-6.7%	-6.4%
Commodities & Alternatives						
Commodities	RICI TR	GBP	0.1%	7.8%[e]	28.3%	38.7%
Agricultural Commodities	RICI Agriculture TR	GBP	2.1%	4.8%[e]	20.0%	40.9%
Oil	Brent Crude Oil	GBP	-3.4%	8.8%	39.9%	56.8%
Gold	Gold Spot	GBP	1.0%	-1.8%	-5.2%	-10.3%
Interest Rates				**Current Rate**		
United Kingdom				0.10%		
United States				0.25%		
Eurozone				0.00%		
Japan				-0.10%		

Asset Allocation Dashboard

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. We also favour Japan on valuation grounds and for the accompanying Yen exposure.

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.

The Asset Allocation views are as of June 2021 and are updated quarterly unless otherwise stated.

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