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GLOBAL MATTERS
MONTHLY VIEWPOINT

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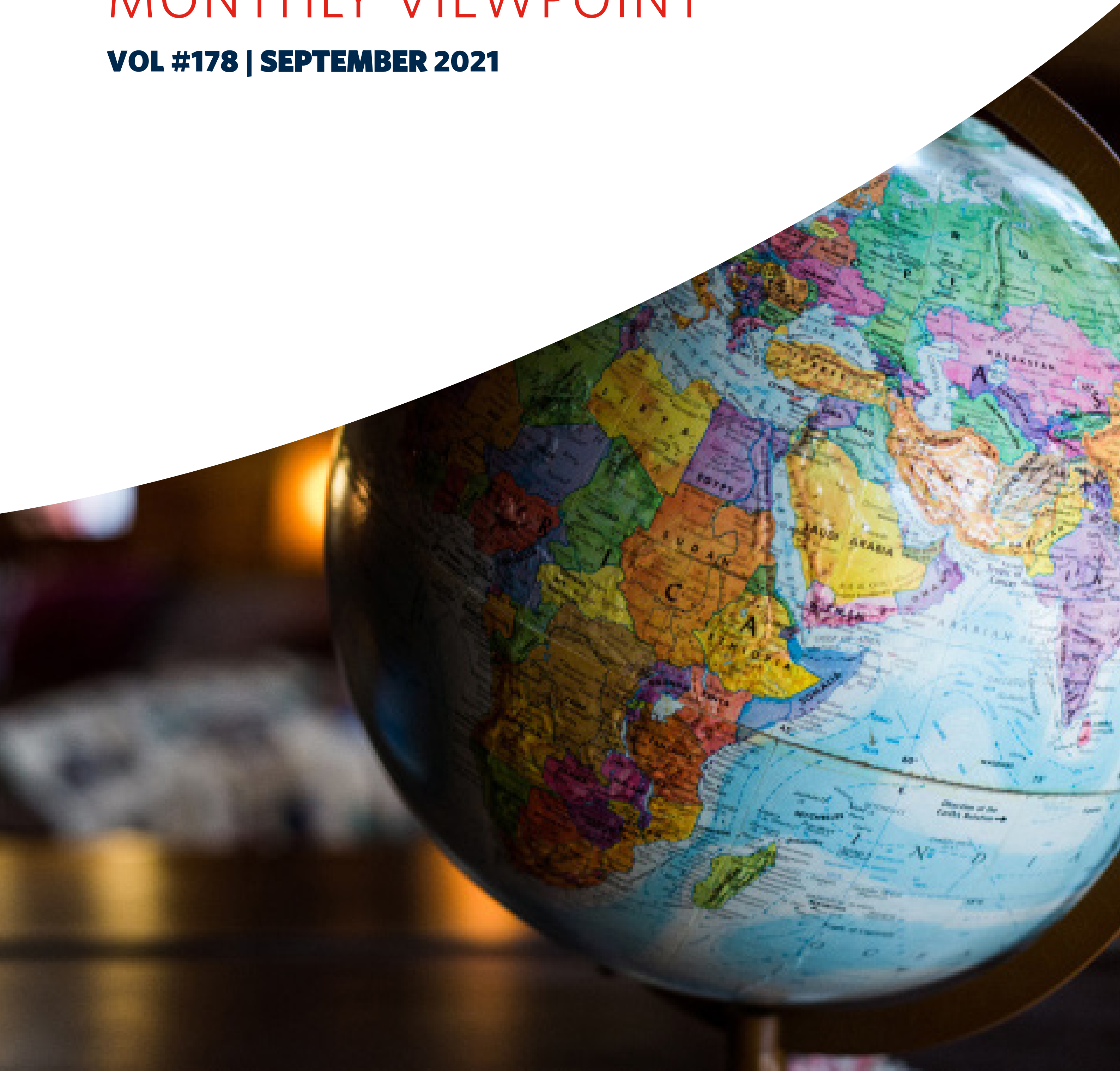

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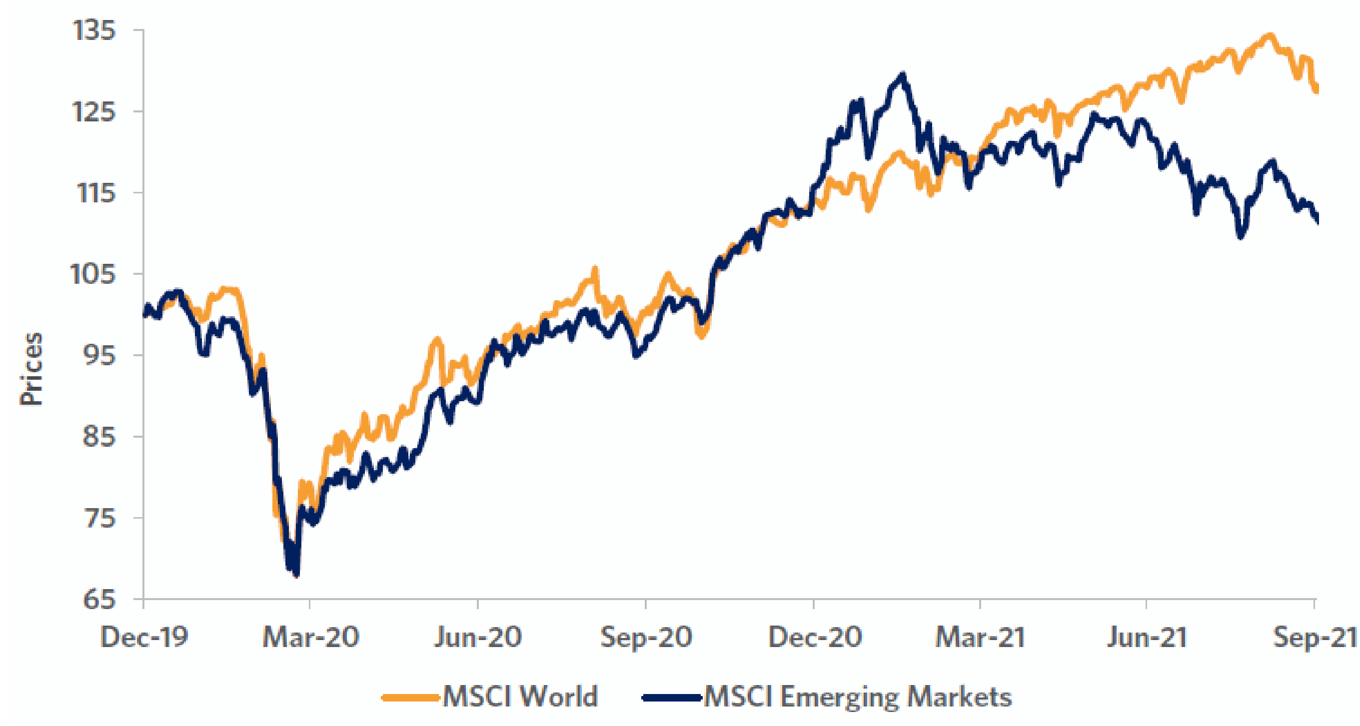
MARKET REVIEW

In the face of strengthening and broadening headwinds, the unbroken run of seven months of gains in equities came to an abrupt halt in September.

The MSCI World index fell by 4.2%, wiping out all the gains of the preceding two months, leaving global equities flat over the third quarter. Having led markets on the way up, Wall Street was the worst performer of the large developed markets in September, with a return of -4.7%. The only notable riser in the month was Japan, up 4.4%, buoyed by the resignation of Prime Minister Suga and hopes that his successor will ease Covid restrictions and inject more stimulus into the stalling economy. In emerging markets, China continued its slide, down 5% in September and 18% for the quarter, dragging the MSCI Emerging Markets index down by 8% in the third quarter. Despite increasing nervousness among equity investors, safe haven assets also came under pressure. The gold price fell by 3% in September and government bond markets suffered widespread falls: US Treasuries -1.1%, UK gilts a particularly sharp -3.8%, and emerging market bonds down -3%.

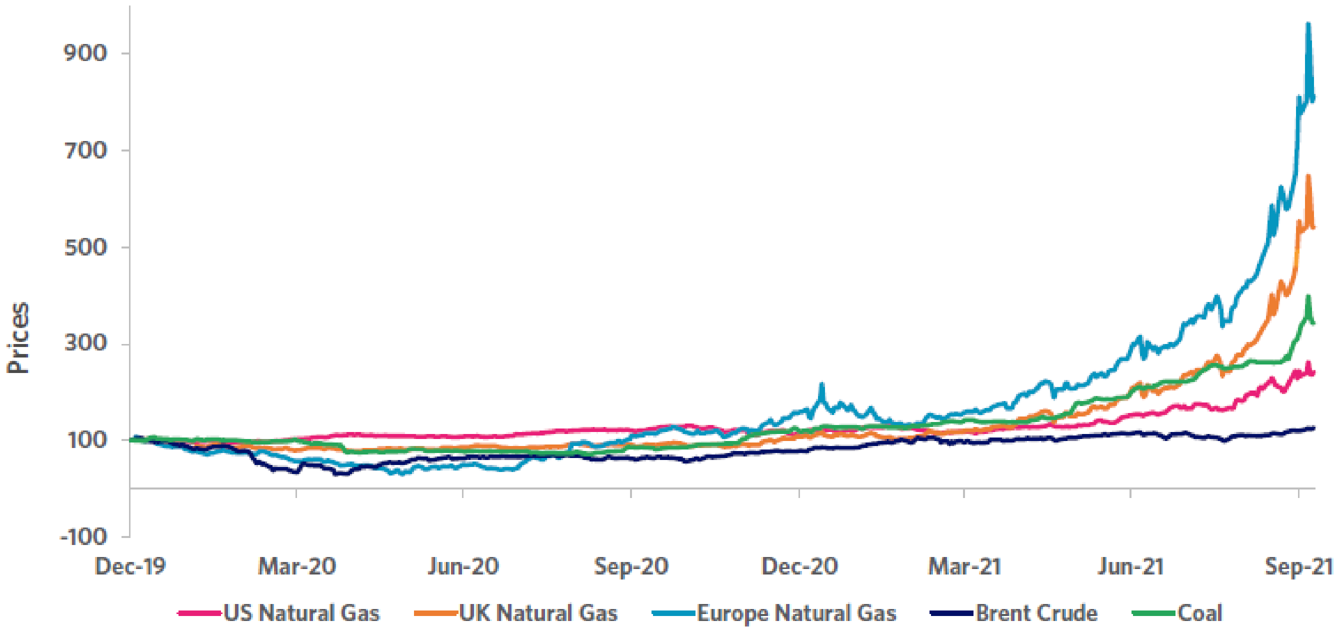
A correction has been overdue



Source: Bloomberg Finance L.P., Momentum Global Investment Management, Prices rebased to 100 as at 31/12/2019

The most notable moves in both the month and the quarter came in energy prices. The oil price rose by 8% in September, taking its rise year-to-date to 52%, but most attention was on natural gas prices, which soared as strong demand met low inventories ahead of the northern hemisphere winter. European and UK natural gas prices rose by around 85% in September and close to 170% in the quarter. US prices also rose sharply, though less extreme than in Europe, up 35% in September and 63% in Q3. Natural gas is a very significant component of electricity and heating supply, but also an important feedstock used in many production processes, including chemicals, fertilizer, paper and glass. The inflationary implications for consumers and businesses have not been lost on markets and have added further fuel to the concerns that inflation might be less transitory than central banks currently believe.

Fossil fuel prices soar



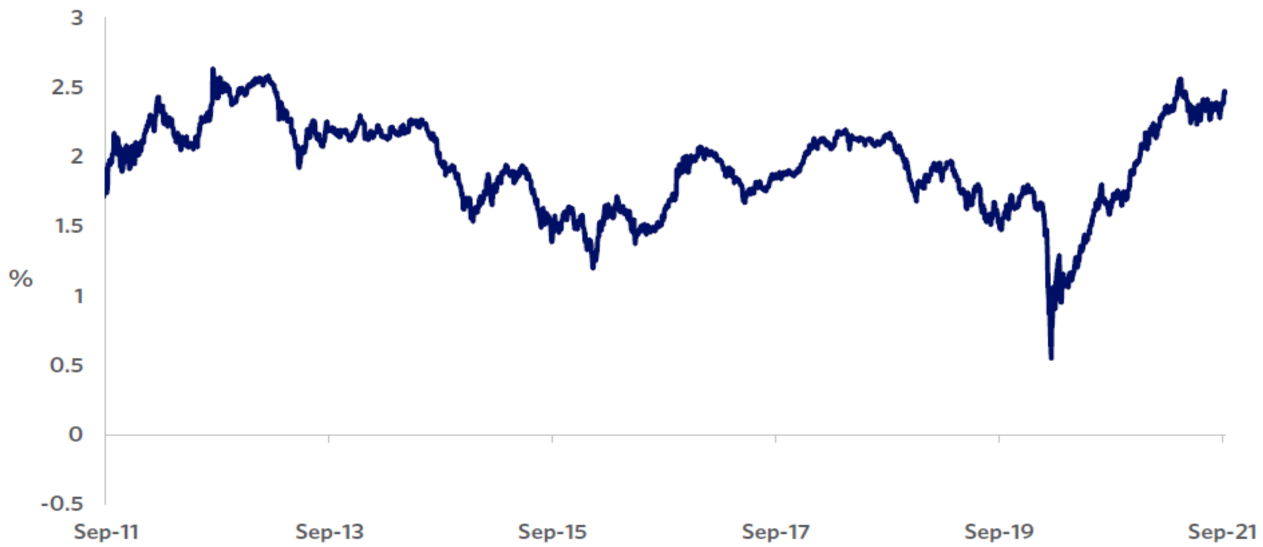
Source: Bloomberg Finance L.P., Momentum Global Investment Management, Prices rebased to 100 as at 31/12/2019

The possibility of a more sustained rise in inflation remains the key risk for markets in coming months. While the major central banks continue to see the rise as transitory, at the margin they have become more hawkish and expect the inflation surge to continue for longer than previously anticipated. At the FOMC meeting in September, the Fed raised its forecast for the core Personal Consumption Expenditures price index, its preferred measure of inflation, to 3.7% in 2021 from 3.0% previously, and to 2.3% in 2022 (2.1% previously), and signalled a start to moderating its asset purchases before year end and a likely end to the programme by mid 2022. In addition, there is an increasing number of FOMC members who anticipate rate rises to begin next year, and the vast majority now expect rises by 2023, whereas earlier this year none expected a move on rates before 2024.

The combination of inflationary concerns and prospects of less accommodating monetary policy was the trigger for a sharp rise in bond yields following the FOMC meeting. The yield on 10 year Treasuries rose by 18bps to 1.49% in the last few days of the month, up from the low in Q3 of 1.17% in early August. With the Bank of England also taking a more hawkish line, sterling bonds saw even sharper moves, with the yield on 10 year gilts doubling from the low in August to 1.02% at the end of September. This rise in the key discount rate, and the prospect of rate rises ahead, was an important contributor to a sell-off in highly rated growth stocks globally: the MSCI World IT index fell by 5.8% in September.

China's problems are spilling over to the rest of the world through supply chain disruptions, already pressured by the extraordinary strength of demand as economies come out of Covid-induced lockdowns and supplies limited by the impact of the pandemic on production.

Longer term inflation expectations have risen, but remain in 2-2.5% range



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

Concerns around inflation, energy prices and central bank policy moves were paramount in recent weeks, and look set to hang over markets in coming months. But they are not the only headwinds. China's abrupt regulatory clampdown across a range of sectors continues to take its toll, and the growing fears of a collapse of Evergrande, China's second largest property developer, cast a shadow over this huge industry. The property sector is the single largest contributor to China's GDP, at around 15%, and indirectly at some 30%. The property development business is heavily financed by debt and the authorities are intent on reducing leverage, as set out in the Three Red Lines constraints introduced last year, which set limits on debt and gearing ratios. Developers are scrambling to meet these targets but, as we are seeing, deflating property bubbles is rarely, if ever, achieved without collateral damage. In this context, it is notable that land sales make up around one third of local government revenues. At the same time China is wrestling with its own power shortages and is constraining industrial production in a number of regions and industries, in the face of tight coal supplies and toughening emission standards. Coal prices rose by 81% in Q3 and have tripled this year. These supply side constraints are leading to sharp falls in production across a wide range of sectors, with an immediate impact on growth. Forward indicators point to a continuing deceleration in China's growth rate, with forecasts for Q3 and the rest of this year being scaled back significantly.

China's problems are spilling over to the rest of the world through supply chain disruptions, already pressured by the extraordinary strength of demand as economies come out of Covid-induced lockdowns and supplies limited by the impact of the pandemic on production. With shipping costs soaring and the prices of energy and key materials rising sharply, supply constraints and input price inflation have become a serious impediment to global growth and forecasts are being reined in for Q3 and the months ahead. It is unlikely that companies will be able to pass on all the input price increases to consumers, resulting in tightened profit margins across large parts of the corporate sector globally. These pressures will ease in time as demand settles down to more normal levels and supply chains are rebuilt, but the problems are likely to persist for several months, well into next year.

Capping off the uncertainties has been the political horse-trading in the US over the Treasury debt limit alongside attempts to reach agreement over fiscal spending plans, which encompass a $550bn bipartisan infrastructure bill and Biden's $3.5tn economic and social programmes spending package. The US Treasury Secretary has warned that unless the debt limit is increased by around 18th October the Treasury will run out of money to pay its bills. We have been here before with such political manoeuvring, most recently in 2011 and 2013, and markets have wobbled as the negotiations go down to the wire. We view this as purely a very short term concern: the implications of failing to raise the debt limit are so dire that a deal will be done to ensure that the US does not default on its obligations.

For the first time since early 2020, the Covid pandemic comes some way down the list of headwinds to markets. The worst effect of the delta variant seems to have peaked across most of the world, and fears of new variants arriving to disrupt the recovery have so far not been fulfilled. And the vaccination programme continues apace, running at close to 30m doses per day globally. The end of the pandemic cannot yet be called, and risks around variants remain, but the extraordinary success of the vaccine development and roll-out together with the way in which people and businesses have adapted and learnt to live with the virus, give us confidence that we are on the way out of the pandemic, and can focus increasingly on its second-round effects.

Investors have been given much to be worried about in recent weeks. The peak rate of growth after the surge following the end of Covid lockdowns is behind us; supply chain constraints are impeding growth and proving to be more persistent and damaging than previously expected; and dramatic rises in energy prices are leading to concerns that the rise in inflation we have seen will be stickier and more persistent than previously forecast, as well as directly impacting household disposable incomes and corporate profit margins. For the first time in many years, the spectre of stagflation, stalling growth with relatively high rates of inflation, has reappeared. The turn in the monetary policy cycle is upon us, and central bank asset purchases will be reduced in coming months while interest rate rises are now in sight. The US debt ceiling and fiscal spending package negotiations are going to the wire and unnerving investors, while in China the fallout from the regulatory clampdown this year and the shake out in the property sector are damaging to growth and carry systemic risks in the world's second largest economy.

Despite the recent correction, equity markets are still at high levels after the extraordinary moves since the bottom in March 2020, and a further period of consolidation is quite possible. However, some perspective is required. Inflation expectations have picked up in the past few weeks, the 10 year US breakeven rate having risen from its low in August of 2.19% to 2.38% at the end of September, but remain within the longer run range of 2.0-2.5%. Real rates have risen in the past month but are still well into negative territory: the 10 year real rate in the US was -0.85% at the month end, hardly a sign of tight financial conditions. Central banks have become somewhat less dovish but it is abundantly clear that monetary policy will remain highly accommodative for a long period ahead. The immediate problems of exceptional demand meeting restricted supply could persist for some months, but it will be corrected in due course. Demand will abate as lockdown savings are exhausted and pent-up demand satisfied, and supply chains will be rebuilt. High energy prices will naturally correct in time as consumers respond to the sharp rises with reduced demand. The problems in China are significant and will lead to lower growth, but there are no signs in the markets of systemic issues or liquidity concerns; inter-bank rates, credit markets and government bonds have been largely stable, the authorities have been injecting liquidity into the system and have the wherewithal to manage the undoubted challenges faced.

Headwinds ahead then, and a reduced rate of growth, but still at abnormally high levels over the next 12-18 months, during which time several of today's immediate problems will be resolved. The impact of the pandemic will progressively fade over the next 12 months, and the combination of highly accommodative monetary policy and continuing fiscal support will underpin risk assets. The outcome of the inflation conundrum - transitory or persistent – remains the key to the longer term performance of markets and asset classes, but we share the consensus view that the current high levels of inflation reflect a number of abnormal factors and one-off price spikes which will dissipate over coming months, and during the course of next year the rate will begin to settle back towards the longer run rate of close to 2%. While we recognise the risks, and continue to build in some protection across our portfolios, we do not believe that this is an environment for a sustained fall in markets.

A correction has been overdue, and it could continue in the short term. We have been flagging for several months our belief that returns will be harder to come by in the months ahead, but we remain broadly constructive about risk assets. 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. We would therefore view any further sharp falls in markets as an opportunity to add risk to portfolios.

Market Performance - Global (Local Returns)

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Developed Markets Equities						
United States	S&P 500 NR	USD	-4.7%	0.5%	15.5%	29.4%
United Kingdom	MSCI UK NR	GBP	0.1%	2.2%	13.8%	25.8%
Continental Europe	MSCI Europe ex UK NR	EUR	-3.8%	0.4%	15.6%	27.6%
Japan	Topix TR	JPY	4.4%	5.3%	14.7%*	27.5%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-4.0%	-8.4%	-2.1%	16.6%
Global	MSCI World NR	USD	-4.2%	0.0%	13.0%	28.8%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	2.7%	7.7%	23.3%	51.0%
Emerging Asia	MSCI EM Asia NR	USD	-4.1%	-9.6%	-4.1%	13.9%
Emerging Latin America	MSCI EM Latin America NR	USD	-10.3%	-13.3%	-5.6%	27.3%
China	MSCI EM China NR	USD	-3.8%	-11.3%	-6.6%	7.7%
BRICs	MSCI BRIC NR	USD	-5.0%	-18.2%	-16.7%	-7.3%
Global emerging markets	MSCI Emerging Markets NR	USD	-4.0%	-8.1%	-1.2%	18.2%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	-1.1%	0.0%	-2.8%	-3.7%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	-0.8%	1.8%	3.4%	5.1%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	-1.1%	0.0%	-1.3%	1.7%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.0%	0.9%	4.5%	11.3%
UK Gilts	JP Morgan UK Government Bond TR	GBP	-3.8%	-1.9%	-7.6%	-7.0%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-2.1%	-1.0%	-3.4%	-0.3%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-1.2%	0.0%	-2.9%	-1.8%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-0.6%	0.1%	-0.3%	1.7%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	-0.1%	0.6%	3.7%	9.1%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-0.4%	0.1%	-0.1%	-0.2%
Australian Government	JP Morgan Australia GBI TR	AUD	-1.8%	0.4%	-1.9%	-2.5%
Global Government Bonds	JP Morgan Global GBI	USD	-2.1%	-1.1%	-5.7%	-3.5%
Global Bonds	ICE BofAML Global Broad Market	USD	-1.8%	-1.0%	-4.5%	-1.9%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	-2.3%	-1.7%	3.7%	23.3%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	-3.1%	-1.1%	-4.2%	1.2%

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-5.6%	0.7%	22.1%	35.8%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	-2.3%	3.7%	11.6%	24.8%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	-0.8%	-5.0%	1.8%	9.6%
Global Property Securities	S&P Global Property USD TR	USD	-4.8%	-0.8%	13.0%	27.1%
Currencies						
Euro		USD	-1.9%	-2.3%	-5.2%	-1.2%
UK Pound Sterling		USD	-2.0%	-2.6%	-1.4%	4.3%
Japanese Yen		USD	-1.1%	-0.1%	-7.1%	-5.2%
Australian Dollar		USD	-1.2%	-3.6%	-6.1%	0.9%
South African Rand		USD	-3.7%	-5.2%	-2.5%	11.1%
Commodities & Alternatives						
Commodities	RICI TR	USD	5.4%	6.2%	36.3%	56.0%
Agricultural Commodities	RICI Agriculture TR	USD	3.0%	3.8%	24.4%	45.8%
Oil	Brent Crude Oil	USD	7.6%	4.5%	51.6%	91.7%
Gold	Gold Spot	USD	-3.1%	-0.7%	-7.4%	-6.8%
Hedge funds	HFRX Global Hedge Fund	USD	-0.4%[e]	-0.2%[e]	3.6%[e]	8.8%[e]

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 Global Investment Management. Past performance is not indicative of future returns.
e=estimate

Market Performance - UK (allreturns GBP)

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Equities						
UK - All Cap	MSCI UK NR	GBP	0.0%	2.2%	13.7%	25.8%
UK - Large Cap	MSCI UK Large Cap NR	GBP	1.0%	2.1%	13.8%	25.1%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	-3.4%	1.6%	11.3%	24.9%
UK - Small Cap	MSCI Small Cap NR	GBP	-4.8%	2.8%	13.5%	36.0%
United States	S&P 500 NR	USD	-2.6%	3.0%	17.2%	24.1%
Continental Europe	MSCI Europe ex UK NR	EUR	-3.7%	0.5%	10.9%	20.8%
Japan	Topix TR	JPY	5.2%	7.6%	7.3%	15.8%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-1.9%	-6.1%	-0.8%	11.8%
Global developed markets	MSCI World NR	USD	-2.1%	2.5%	14.6%	23.6%
Global emerging markets	MSCI Emerging Markets NR	USD	-1.9%	-5.8%	0.1%	13.4%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	-3.8%	-1.9%	-7.6%	-7.0%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	-0.5%	-0.6%	-1.3%	-1.2%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	-2.5%	-1.6%	-5.3%	-4.9%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	-6.5%	-2.8%	-12.2%	-11.2%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	-4.2%	2.3%	-0.8%	0.5%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	-0.7%	2.4%	1.1%	0.4%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	-6.1%	2.3%	-2.1%	0.1%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-2.1%	-1.0%	-3.4%	-0.3%
US Treasuries	JP Morgan US Government Bond TR	USD	0.9%	2.4%	-1.5%	-7.7%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	1.0%	2.5%	0.1%	-2.5%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.0%	0.9%	4.5%	11.3%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-1.2%	0.0%	-2.9%	-1.8%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-0.6%	0.1%	-0.3%	1.7%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	-0.1%	0.6%	3.7%	9.1%
Global Government Bonds	JP Morgan Global GBI	GBP	0.0%	1.4%	-4.3%	-7.5%
Global Bonds	ICE BofAML Global Broad Market	GBP	-1.8%	-1.0%	-4.5%	-1.9%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	-2.3%	-1.7%	3.7%	23.3%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	-1.0%	1.4%	-2.8%	-2.9%

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Property						
Global Property Securities	S&P Global Property TR	GBP	-2.8%	1.7%	14.6%	21.9%
Currencies						
Euro		GBP	0.1%	0.2%	-3.9%	-5.3%
US Dollar		GBP	2.1%	2.7%	1.4%	-4.1%
Japanese Yen		GBP	0.9%	2.5%	-5.8%	-9.1%
Commodities & Alternatives						
Commodities	RICI TR	GBP	7.7%	8.9%	38.2%	49.6%
Agricultural Commodities	RICI Agriculture TR	GBP	5.2%	6.4%	26.2%	39.9%
Oil	Brent Crude Oil	GBP	9.9%	7.1%	53.7%	83.9%
Gold	Gold Spot	GBP	-1.0%	1.8%	-6.1%	-10.6%
Interest Rates				**Current Rate**		
United Kingdom				0.10%		
United States				0.25%		
Eurozone				0.00%		
Japan				-0.10%		

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

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 remains expensive given the inflationary backdrop but pockets of credit continue to offer some value. Alternatives, including infrastructure and commodities, 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. Sovereign yields have lifted off their lows but remain unattractive given the risk of inflation becoming more entrenched. Inflation linked bonds have marginally better prospects. We remain fundamentally constructive on corporate 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 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. The backdrop of supply chain disruption and buoyant consumer demand is likely to support commodity prices in the near term.

£ € ¥

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 with the prospect to higher base rates. The Yen has continued to soften but 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.

"We continue to favour equities over fixed income in recognitionof their leverage to a sustained globaleconomic recovery"

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