

# VIEWPOINT

## Newsflash

A new month and the 148<sup>th</sup> issue of Viewpoint from Imperium Capital.

This document will be made available on our website [www.imperium-capital.biz](http://www.imperium-capital.biz)

## Table of Contents

Market commentary	1 – 3
Market performance	4 – 7
Asset allocation dashboard	8 - 10
Important notes	11

Momentum Global Investment Management (Company Registration No. 3733094) has its registered office at The Rex Building, 62 Queen Street, London, EC4R 1EB.

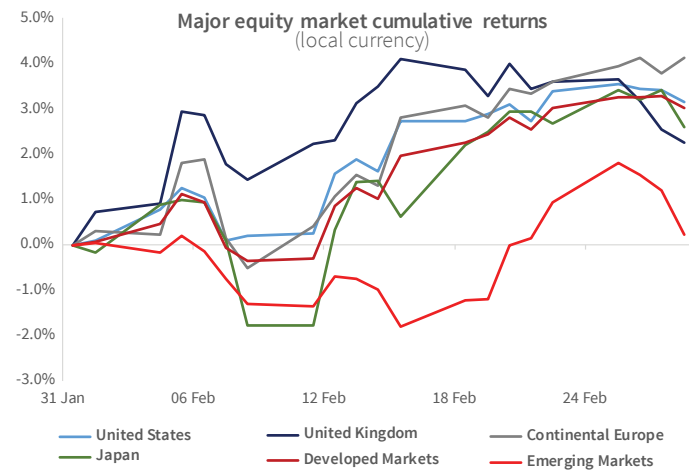
Momentum Global Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom, and is an authorised Financial Services Provider pursuant to the Financial Advisory and Intermediary Services Act 37 of 2002 in South Africa.

## Market Commentary

The Federal Reserve inspired recovery in equity markets following the Q4 2018 sell-off, continued through February, albeit on a more mixed and less dramatic basis than January. European equities led the way with a return of 4.1% in euro terms, taking its recovery since the December low to 14%. The US and Japanese markets broadly kept pace with Europe in February. US equities returned 3.1%, taking its recovery since the December low to 19% and leaving it only 4% off its all-time high. The major laggard was the UK, which returned 2.3% in February and 8% from its December low, held back by Brexit uncertainty and sterling strength, an important factor for UK stocks given that some 75% of listed company revenues are derived offshore. The MSCI World index returned 3% on the month and is up 17% from its December low.

The most notable move came in China, where the Shanghai Composite advanced 14% in February, taking its year-to-date move to 18%. The market has now recovered over half of its steep fall in 2018. However, emerging markets generally were more subdued following their surge in January, with falls in Latin America, Russia and some Asian markets, leaving the MSCI EM index up only marginally on the month and up 13% from its low in October 2018.

Figure 1: Global equity markets advanced in February



Source: Bloomberg, Momentum GIM. Returns in local currency terms.

Bond markets followed a similar pattern to January. Governments bonds traded in a remarkably narrow range with yields moving very little, while the higher risk credit market performed well with US High Yield returning 1.7% following its 4.5% move in January. Credit spreads have narrowed significantly since the shift in Fed policy, leaving little room for disappointment from today's levels.

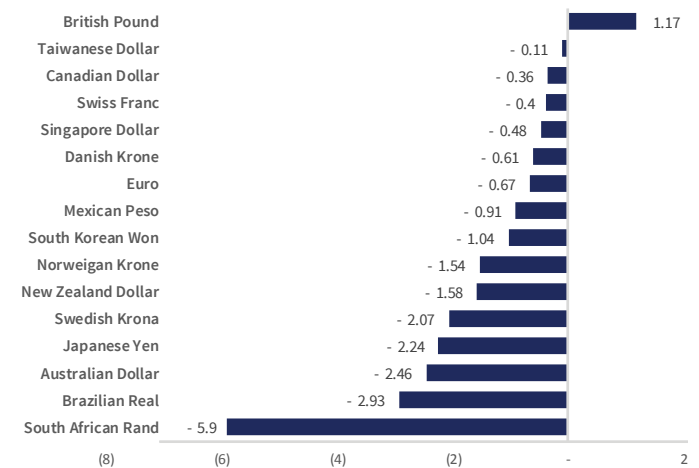
The sharp recovery in the oil price continued, rallying 7% in February and over 30% from the lows of \$50 in December. Political unrest in Venezuela continued to underpin the movement in the oil price, as well as talk of production cutbacks from Saudi Arabia.

By far the most significant move in currencies was in sterling, advancing 1.2% against the US dollar in February, in a month when the US dollar rose against most major currencies. This year sterling has rallied 4% compared with falls of 0.8% in the euro and 1.6% in the yen. Driving sterling's strength was the increasing prospect that the outcome of the Brexit negotiations that is most feared by investors and the business community, a 'no deal', is to all intents and purposes off the table. In an extraordinary month for British politics, with defections from both major parties, an embryonic middle ground political group formed and increasingly open and fraught disagreements between Remainers and Brexiters, PM May made a key concession to give Parliament a vote on a 'no deal' Brexit in the event that the next vote on her deal, scheduled for 12th March, is rejected again. It is certain that 'no deal' will be rejected by Parliament and the PM also indicated a willingness to extend Article 50 to delay the UK's exit from

the EU, scheduled for 29th March. As the UK approaches the end of the withdrawal negotiations uncertainty has remained high and, in turn, is holding back business and consumer confidence. Although it is increasingly likely that a cliff edge no deal on 29th March, potentially highly disruptive for both the UK and EU, will not happen, and with an increasing number of MPs falling behind the PM's deal the prospects of getting this through Parliament have improved substantially.

Remarkably, after the first massive rejection of the PM's deal, it is increasingly possible that the deal could squeeze through, meaning that the UK will before long enter a 21 month transition period when it is out of the EU but maintains the benefits and rules of membership in much the same way as now, facilitating a lengthy period to negotiate the terms of the future relationship with the EU. While there will be uncertainty about the outcome of those negotiations, the finalisation of the withdrawal agreement would be a major positive development for the UK, something that is beginning to be factored into sterling, the most sensitive market to the UK's exit from the EU.

Figure 2: The US dollar has strengthened against all major currencies in February with the exception of sterling



Source: Bloomberg, Momentum GIM.

Despite the importance of Brexit to the UK, and to a lesser extent the EU, which is itself in the midst of a sharp economic slowdown, the big factors driving markets remain the actions of the Fed and the US-China trade war.

The Federal Reserve has continued to emphasize that its policy will be patient and data dependent. It is mindful of muted inflation, slowing growth in China and Europe, and

uncertainty around government policy issues, including trade negotiations and Brexit. It has given clear indications that rates are on hold for now and that it will end its balance sheet run-off, currently running at \$50bn per month, later this year. These are key factors for markets and largely remove the fear of liquidity tightening and rate rises that drove markets down last year.

The US-China trade war, which has damaged global trade and growth in China, and in turn hurt the European economy, especially heavily export dependent Germany, entered a critical negotiation period. While the outcome is not yet clear the developments so far appear to be positive. US President Trump has said that he is close to a deal and expects a summit with President Xi soon. The implementation of the planned increase in tariffs on Chinese exports to the US, scheduled for 1st March, was delayed citing substantial progress on structural issues including Intellectual Property protection, technology transfer, agriculture, services and currency. Clearly, the issues the US has with China go far beyond trade alone and given the complexity of the negotiations a deal is by no means certain. However, the encouraging signs of progress have buoyed investor sentiment and have been a key factor behind the sharp rise in Chinese stock markets this year.

Aside from the well-recognised weakness in economic activity in China, especially manufacturing, where the leading indicators remain in recessionary territory, Europe has slowed materially in recent months. Europe has been faced with the weakness in China, global trade hurting exports, malaise in the key auto industry and political uncertainties notably in the UK and Italy, to a lesser extent France. Germany has stagnated over the past two quarters, and leading indicators for its critical manufacturing sector have fallen to a 6-year low, while Italy entered recession. Growth forecasts for Europe have been progressively scaled back, with growth of little more than 1% being predicted now for 2019. The ECB ended its massive asset purchase programme on 1st January but has become increasingly dovish this year as evidence of softness across Europe has mounted. Discussions around an extension of the liquidity programme for Eurozone banks indicate the concern of the ECB to avoid a damaging tightening of liquidity; interest rate rises are off the agenda for the foreseeable future.

The US remains the bright spot in the global economy, and although the growth rate of 2018 will not be maintained in 2019 given the fading impact of 2018's tax cuts there are no signs of a sharp slowdown or recession. US Q4 GDP expanded at a rate of 2.6% quarter-on-quarter, most leading indicators point to continuing growth, and there are signs that the housing market, which has slowed materially over the past year, is beginning to pick up, helped by a fall in mortgage rates of around 45 basis points in recent months.

We believe that the sharp rally in markets so far this year was more than justified after the big falls in Q4, when markets fell much more than the fundamentals had deteriorated, and by the critical change in policy by the Fed. With the Fed on a holding pattern and likely to be ending its balance sheet shrinkage programme this year, and other central banks maintaining an ultra-loose approach, the policy backdrop remains supportive. Developments in major areas of uncertainty which have held back confidence and investment, notably US-China trade wars and Brexit, have turned decisively more positive in recent weeks, and although global growth has slowed it remains positive and leading indicators generally point to further, albeit modest, growth ahead. This should continue to support markets and further progress is likely during 2019. However, the immediate risks have not dissipated entirely and remain significant. Neither the US-China trade talks nor the Brexit negotiations have been successfully concluded; excess debt in many countries, notably China and Italy, remain worrying and contain the seeds of a more serious economic slowdown which would readily spread across Asia and Europe; Trump's fiscal policies will result in the US running a substantial fiscal deficit and a rising debt burden for years ahead. These uncertainties are enough to keep investors nervous and to trigger bouts of volatility, especially following the sharp rise in markets over the past two months. Some period of consolidation is therefore quite likely, but we view the medium-term outlook as broadly positive and would use periods of weakness to accumulate risk assets.

## Market Performance - Global (Local returns)

Asset Class/Region	Index	To 28 February 2019		
		Currency	1 Month	3 Month
<b>Developed markets equities</b>				
United States	S&P 500 NR	USD	3.1%	1.3%
United Kingdom	MSCI UK NR	GBP	2.3%	2.2%
Continental Europe	MSCI Europe ex UK NR	EUR	4.1%	3.9%
Japan	Topix TR	JPY	2.6%	-3.3%
Asia Pacific (ex Japan)	MSCIAC Asia Pacific ex Japan NR	USD	2.3%	6.7%
Global	MSCI World NR	USD	3.0%	2.6%
<b>Emerging Market Equities</b>				
Emerging Europe	MSCI EM Europe NR	USD	-2.1%	6.2%
Emerging Asia	MSCI EM Asia NR	USD	1.7%	5.7%
Emerging Latin America	MSCI EM Latin America NR	USD	-3.7%	9.7%
BRICs	MSCI BRIC NR	USD	1.2%	6.5%
Global emerging markets	MSCI Emerging Markets NR	USD	0.2%	6.1%
<b>Bonds</b>				
US Treasuries	JP Morgan United States Government Bond TR	USD	-0.3%	2.4%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	0.0%	1.9%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	0.2%	4.1%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	1.7%	4.0%
UK Gilts	JP Morgan UK Government Bond TR	GBP	-1.0%	2.6%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.0%	2.7%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.4%	1.6%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.7%	2.0%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	1.9%	3.8%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	0.3%	1.7%
Australian Government	JP Morgan Australia GBI TR	AUD	1.1%	3.9%
Global Government Bonds	JP Morgan Global GBI	USD	-0.9%	2.9%
Global Bonds	ICE BofAML Global Broad Market	USD	-0.5%	3.0%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	2.1%	4.4%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	-0.1%	6.7%

Source: Bloomberg | Past performance is not indicative of future returns. | \* ) denotes estimate

## Market Performance - Global (Local returns)

Asset Class/Region	Index	To 28 February 2019		
		Currency	1 Month	3 Months
<b>Property</b>				
US Property Securities	MSCI US REIT NR	USD	0.6%	3.0%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	1.2%	7.3%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	-0.7%	8.3%
Global Property Securities	S&P Global Property USD TR	USD	-0.3%	5.0%
<b>Currencies</b>				
Euro		USD	-0.7%	0.5%
UK Pound Sterling		USD	1.2%	4.0%
Japanese Yen		USD	-2.3%	1.9%
Australian Dollar		USD	-2.5%	-2.9%
South African Rand		USD	-5.9%	-1.5%
<b>Commodities &amp; Alternatives</b>				
Commodities	RICI TR	USD	2.1%	2.9%
Agricultural Commodities	RICI Agriculture TR	USD	-3.2%	-2.9%
Oil	Brent Crude Oil	USD	6.7%	12.5%
Gold	Gold Spot	USD	-0.6%	7.4%
Hedge funds	HFRX Global Hedge Fund	USD	0.6%	0.8%
<b>Interest rates</b>				
United States			2.50%	
United Kingdom			0.75%	
Eurozone			0.00%	
Japan			0.10%	
Australia			1.50%	
South Africa			6.75%	

## Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 28 February 2019		
		Currency	1 Month	3 Months
<b>Developed markets equities</b>				
UK - All Cap	MSCI UK NR	GBP	2.3%	2.2%
UK - Large Cap	MSCI UK Large Cap NR	GBP	2.3%	1.7%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	1.7%	3.4%
UK - Small Cap	MSCI Small Cap NR	GBP	2.7%	4.8%
United States	S&P500NR	USD	2.0%	-2.7%
Continental Europe	MSCI Europe ex UK NR	EUR	2.4%	0.5%
Japan	Topix TR	JPY	-0.8%	-5.1%
Asia Pacific (ex Japan)	MSCIACAsia Pacificex Japan NR	USD	1.2%	2.6%
Global developed markets	MSCI World NR	USD	1.9%	-1.4%
Global emerging markets	MSCI Emerging Markets NR	USD	-0.9%	2.0%
<b>Bonds</b>				
Gilts - All	ICE BofAML UK Gilt TR	GBP	-0.9%	2.6%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	-0.1%	0.1%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	-0.5%	0.6%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	-1.6%	5.1%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	-0.8%	2.3%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	-0.8%	-0.6%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	-0.9%	3.6%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.0%	2.7%
US Treasuries	JP Morgan US Government Bond TR	USD	-1.4%	-1.5%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	0.2%	4.1%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.6%	0.0%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.4%	1.6%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.7%	2.0%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	0.2%	0.4%
Global Government Bonds	JP Morgan Global GBI	GBP	-2.0%	-1.1%
Global Bonds	ICE BofAML Global Broad Market	GBP	-0.5%	3.0%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	2.1%	4.4%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	-1.2%	2.6%

Source: Bloomberg | Past performance is not indicative of future returns. | \* denotes estimate

## Market Performance - UK (All returns in GBP)





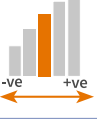
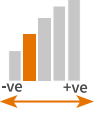
Asset Class/Region	Index	To 28 February 2019		
		Currency	1 Month	3 Months
<b>Property</b>				
Global Property Securities	S&P Global Property TR	GBP	-1.4%	0.9%
<b>Currencies</b>				
Euro		GBP	-1.8%	-3.4%
US Dollar		GBP	-1.2%	-3.9%
Japanese Yen		GBP	-3.4%	-2.0%
<b>Commodities &amp; Alternatives</b>				
Commodities	RICI TR	GBP	1.0%	-1.1%
Agricultural Commodities	RICI Agriculture TR	GBP	-4.2%	-6.6%
Oil	Brent Crude Oil	GBP	5.5%	8.1%
Gold	Gold Spot	GBP	-1.7%	3.3%
<b>Interest rates</b>				
United Kingdom			0.75%	
United States			2.50%	
Eurozone			0.00%	
Japan			0.10%	



## Asset Allocation Dashboard

Asset class	View
<b>Equities</b>	
<b>Developed equities</b> 	<ul style="list-style-type: none"> <li>» We retain our broadly neutral allocation to global equities today. The rapid rebound in risk appetite since year end has seen valuations richen, but global equities remain attractive, particularly versus sovereign and some corporate bonds</li> <li>» Monetary policy and cross border politics will remain key drivers of risk appetite and global equity returns, the former being key to the recent repricing. The US-China trade war entered a critical negotiation period in February and while the outcome is not yet clear the developments so far appear to be positive.</li> <li>+ The global macro backdrop remains favourable for global equities, though we remain cognisant of slowdowns in some regions</li> <li>+ Equities are better placed than most asset classes to perform in a moderately pro inflationary environment</li> <li>- Despite some encouraging trade talks recently the trade war back drop remains unresolved and remains a key risk for global equities.</li> </ul>
<b>UK equities (relative to developed)</b> 	<ul style="list-style-type: none"> <li>» UK equities continue to look cheap today but caution is warranted given the evolving Brexit negotiations and continued political jockeying. While the larger cap market constituents are more globally focused than they are UK, and have earnings shielded in large part from FX swings, the more domestically oriented names may face bigger challenges</li> <li>» As the 29th March approaches there is likely to be continued volatility in Sterling and UK assets.</li> <li>+ The UK market remains exposed to global markets and factors and as such is somewhat insulated from the headline Brexit concerns, benefiting from any associated Sterling weakness.</li> <li>- Today the chief worries lie with the ongoing Brexit negotiations, and recent political developments mean significant challenges remain.</li> </ul>
<b>European equities (relative to developed)</b> 	<ul style="list-style-type: none"> <li>» European equity valuations remain favourable when viewed against corporate and sovereign European bond markets. From a more cyclical point of view the European macro backdrop has wavered of late, and the German economy narrowly escaped falling into a technical recession after flat GDP growth in Q4 2018. The region faces headwinds today from low growth and ongoing political tensions, however the ECB has become increasingly dovish this year as evidence of softness across Europe has mounted.</li> <li>+ European earnings still have scope to recover more meaningfully from their post crisis lows.</li> <li>- European assets, including equities, may come under pressure due to low growth across the region as well as the ECB asset purchase program coming to an end. Although, the ECB has acknowledged these concerns and taken a more dovish stance</li> <li>- Episodic risk off events, such as the volatility in the Italian bond market or social unrest in France, should be expected.</li> </ul>
<b>US equities (relative to developed)</b> 	<ul style="list-style-type: none"> <li>» The US remains the most expensive of the major developed markets, but still offers some value today in spite of a strong start to 2019. The US economy remains in good health and arguably warrants a premium, but the tighter valuation opportunity today means we continue to score US equities less highly than ex US bourses today</li> <li>» Monetary policy remains crucial to keeping markets in check and volatility under control. To date the Fed has managed this well, but recent concerns about slowing growth has led the Fed to reappraise their expectations for 2019 hikes, with rates expectations softening and lending support to risk assets.</li> <li>+ The economy remains in good health with several leading indicators remaining positive.</li> <li>+ Despite the Fed's programme of rate hikes, broader measures of financial conditions remain relatively loose, which coupled with the current fiscal stance may help earnings find another leg higher.</li> <li>- US equity valuations remain elevated vs other regions today. Coupled with any renewed upside yield pressure, this may be an obstacle to further index gains from current levels. Additionally, 2019 earnings growth could disappoint, at the same time that margins potentially peak out.</li> </ul>
<b>Japan equities (relative to developed)</b> 	<ul style="list-style-type: none"> <li>» Japanese equities look attractive today and we acknowledge the government's policies to improve working practices and governance. Forward estimates of earnings have tailed off recently and equity prices have fallen sharply. The direction of the Yen is an important driver of returns with Yen weakness supporting Japanese equities and vice versa</li> <li>» Japanese assets should remain well buoyed by the Bank of Japan, which is the sole major central bank still buying assets today.</li> <li>+ If the currently depressed US rates find a renewed upward trend, Yen weakness will likely boost Japanese equities.</li> <li>- In a protracted risk off scenario Yen strength resulting from its safe haven status would hurt Japanese equities.</li> </ul>
<b>Emerging market equities</b> 	<ul style="list-style-type: none"> <li>» We remain in favour of EM assets more generally over DM as the longer term relative growth dynamics remain favourable, which coupled with steady inflation should support EM equity returns over time. Some caution is warranted as further bouts of volatility are inevitable.</li> <li>+ EM currencies remain somewhat cheap and provides additional cushion to local EM equity returns through potential earnings enhancement over time</li> <li>- Emerging markets remain prone to bouts of volatility and flow reversal at times of heightened perceived risk</li> <li>- Despite some encouraging trade talks recently the trade war back drop remains unresolved and remains a key risk for emerging markets</li> </ul>



Fixed Income	
<p><b>Government</b></p> 	<ul style="list-style-type: none"> <li>» On a medium term outlook DM government bonds remain largely unattractive today with poor real return prospects in aggregate. After recent repricing in US rates markets that now price in more likelihood of cuts than hikes by the end of the year, we are more cautious and look for more diversification to come from cash and gold. Other markets, such as Italy, are a source of price volatility.</li> <li>+ Quality government bonds remain one of the better diversifiers in a multi asset portfolio, even when they are optically expensive.</li> <li>- Net central bank bond purchases have now turned negative and may be a headwind for all rate sensitive debt, arguably more so in higher quality European bond markets as the ECB ends its bond purchase program, though we've not seen this yet to date.</li> </ul>
<p><b>Index-linked</b> (relative to government)</p> 	<ul style="list-style-type: none"> <li>» Index linked bonds offer some selective value but, like their nominal counterparts, they are expensive, particularly so in the UK.</li> <li>+ Index linked bonds are one of the few ways to meaningfully protect against inflation risk.</li> <li>- Inflationary forces remain muted today and on any sustained slowdown in global growth they would almost certainly underperform nominal bonds.</li> </ul>
<p><b>Investment grade Corporate</b> (relative to government)</p> 	<ul style="list-style-type: none"> <li>» Investment grade bonds provide some diversification benefit in a multi asset portfolio but valuations still remain quite tight. Fundamentals remain reasonable but we would advocate owning more shorter dated credit at today's levels as rate sensitivity remains near highs, and yields low.</li> <li>+ A reasonable alternative to owning sovereign bonds with diversifying qualities and some spread</li> <li>- With quantitative easing slowing the risks are asymmetric</li> <li>- Credit quality has drifted lower in recent years, and leverage has moved higher</li> </ul>
<p><b>High Yield Corporate</b></p> 	<ul style="list-style-type: none"> <li>» Spreads have compressed significantly since the Q4 2018 sell off to a level that is probably about fair in our opinion but are likely to remain somewhat elevated and potentially volatile</li> <li>» We favour owning shorter duration credit where the risk return looks more favourable today, with an opportunity to add spread duration if credit markets re-widen again from here.</li> <li>+ In the absence of a systemic market shock the running yield of high yield means the asset class will likely trump most of other fixed income.</li> <li>- The global credit cycle is at best mid cycle, at worst late cycle, so spread volatility is to be expected going forward. Defaults are likely to come in higher with recoveries potentially lower than historical levels</li> </ul>
<p><b>Emerging market debt</b></p> 	<ul style="list-style-type: none"> <li>» Emerging market bonds have performed admirably in recent months. With yields still over 6% the asset class remains attractive today, with spreads slightly elevated relative to history</li> <li>» The healthy running yield means the asset class remains a preferred credit allocation for us and we continue to prefer hard currency to local exposure at this time.</li> <li>+ We believe EM bonds continue to offer some of the best longer term real return opportunities in bond markets today.</li> <li>- Renewed Dollar strength will weigh on EM assets, with local bonds and FX likely bearing the brunt</li> </ul>
<p><b>Convertible bonds</b></p> 	<ul style="list-style-type: none"> <li>» Convertible bonds played their protective role well through the latter stages of 2018 and have enjoyed some uplift in 2019 so far too. We continue to favour an allocation to convertibles in a multi asset portfolio for the convexity it brings</li> <li>» Some caution is warranted given the concentration to the US market and technology names, though some of this steam has recently been released as (US) stocks repriced, and the asset class has shown itself to be quite resilient of late which gives some comfort.</li> <li>+ The natural convexity provided by convertibles should continue to provide reasonable protection against any protracted equity correction.</li> <li>- The call optionality embedded into convertibles only really has any value if markets move higher, and the US, the largest regional market, remains one of the more expensive regions today in aggregate</li> <li>- If volatility reverts again to the recent multi year lows then the optionality holds limited value.</li> </ul>

Alternatives	
<p><b>Commodities</b></p> 	<ul style="list-style-type: none"> <li>» Prices are likely to be affected by the trade tariffs being imposed by the US and their trade partners (Europe and China in particular) in retaliation. This dynamic remains in flux and is likely to cause some volatility</li> <li>» Commodity prices are primarily supply and demand driven, and idiosyncratic factors can be as important as the global economic cycle.</li> <li>+ With the US Dollar still near cyclical highs, and global growth still positive, commodities have scope to generate positive returns</li> <li>+ Gold remains a good hedge against risk off outcomes, as witnessed during recent market weakness.</li> <li>+ Despite a strong rebound during the first two months of the year, the commodity index remains below last year's high with scope for further retracement if conditions are right</li> <li>- Trade tensions may continue to weigh on the commodities sector which is particularly exposed to a slowdown in global growth, and China in particular.</li> <li>- Geopolitics is an important consideration as evidenced by recent oil price gyrations.</li> </ul>
<p><b>Property (UK)</b></p> 	<ul style="list-style-type: none"> <li>» Property remains an attractive asset class for investors requiring yield</li> <li>» Total returns will come mostly from income with limited scope for capital growth with global REIT stocks at somewhat elevated valuations today</li> <li>» When viewed against high quality, longer duration Sterling assets and inflation linked bonds, UK property outside London holds some appeal, with industrial and office space having more attractive fundamentals than the under pressure retail sector.</li> <li>+ Premium yields should continue to attract capital and provide some floor to prices, as will any sustained Sterling weakness</li> <li>+ The longer duration qualities of the asset class make it a good diversifier within multi asset portfolios</li> <li>- As a long duration asset class property remains susceptible to any repricing in long term bond yields</li> <li>- UK property remains sensitive to eventual Brexit terms, which continue to evolve.</li> </ul>
<p><b>Infrastructure</b></p> 	<ul style="list-style-type: none"> <li>» Infrastructure stocks trade at reasonable valuations today and performance has been strong at the index level through both the market weakness in latter 2018 and the reversal in 2019 so far</li> <li>» Their income generating potential should continue to support the sector and attract buyers of quality infrastructure assets.</li> <li>+ In a multi asset portfolio the relatively defensive nature of the asset class and a degree of inflation protection make the asset class appealing</li> <li>+ The asset class offers a healthy yield at a reasonable valuation today - both equity and debt flavours.</li> <li>- As a long duration asset class infrastructure remains susceptible to any repricing in long term bond yields.</li> <li>- Regulation can work both for and against the underlying investments, and a spate of recent events has hit a handful of stocks hard.</li> </ul>
<p><b>Liquid Alternatives</b></p> 	<ul style="list-style-type: none"> <li>» We define this section as less/non-directional, absolute return type strategies that seek to capture long term risk premia or market mis-pricings, and includes hedge fund alternatives/systematic strategies in predominantly UCITS vehicles.</li> <li>» We favour an allocation to a basket of liquid strategies today to provide additional diversification as high quality bonds on the whole remain expensive.</li> <li>+ These strategies provide additional diversification with reasonable return potential.</li> <li>- The sector is relatively young and growing. It remains somewhat untested through a protracted risk off period so thorough due diligence is vital, and blend is recommended.</li> <li>- The hurdle for performance of alternative strategies is higher now given the level of treasury yields today.</li> </ul>
Currencies	
<p><b>GBP</b></p> 	<ul style="list-style-type: none"> <li>» Brexit uncertainty remains high and will remain so for the foreseeable future. We retain a neutral view until we have a clearer expectation on how the political situation evolves. With Sterling looking fairly beaten up there is probably more upside than downside risk today, but it is a somewhat binary bet. January proved to be a good month for the currency</li> <li>» In real terms the currency remains at the lower end of valuations and has room to appreciate over the medium to long term, but politics and rate policy remain a source of volatility and are likely to dominate its nearer term path.</li> </ul>
<p><b>Euro</b></p> 	<ul style="list-style-type: none"> <li>» The Euro remains somewhat rangebound today and lacks conviction either way. Whilst any change in explicit rate policy has now been pushed towards the early stages of 2020, the end of asset purchases by the ECB may increase rates volatility and with it the common currency</li> <li>» In real terms the common currency looks about fair value today but with long market positioning continuing to scale back there is no obvious and imminent catalyst for an uplift, and on balance the local macro risks may be rising.</li> </ul>
<p><b>Yen</b></p> 	<ul style="list-style-type: none"> <li>» Rate differentials continue to offer little reason to buy the Yen. However, in real terms the Yen remains cheap today</li> <li>» What sets the Yen apart from Sterling and the Euro is the currency's diversifying qualities at times of risk, as evidenced by the strong rally during the equity market sell-off in late 2018 followed by a subsequent fall through 2019 so far, as risk appetite increased. We retain a neutral rating but there is scope for another leg up if global risk appetite falls from favour again.</li> </ul>

## Important Notes

This document is only intended for use by the original recipient, either a Momentum GIM client or prospective client, and does not constitute an offer or solicitation to any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient. The original recipient is solely responsible for any actions in further distributing this document, and in doing so should be satisfied that there is no breach of local legislation or regulation. This document should not be reproduced or distributed except via original recipients acting as professional intermediaries. This document is not for distribution in the United States.

Prospective investors should take appropriate advice regarding applicable legal, taxation and exchange control regulations in countries of their citizenship, residence or domicile which may be relevant to the acquisition, holding, transfer, redemption or disposal of any investments herein solicited.

Any opinions expressed herein are those at the date this document is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, Momentum GIM does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

The value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multimanager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

*Momentum Global Investment Management (Company Registration No. 3733094) has its registered office at The Rex Building, 62 Queen Street, London EC4R 1EB.*

*Momentum Global Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom, and is an authorised Financial Services Provider pursuant to the Financial Advisory and Intermediary Services Act 37 of 2002 in South Africa.*

© Momentum Global Investment Management Limited 2017.