momentum
global investment management

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GLOBAL MATTERS
MONTHLY MARKET UPDATE

November 2020

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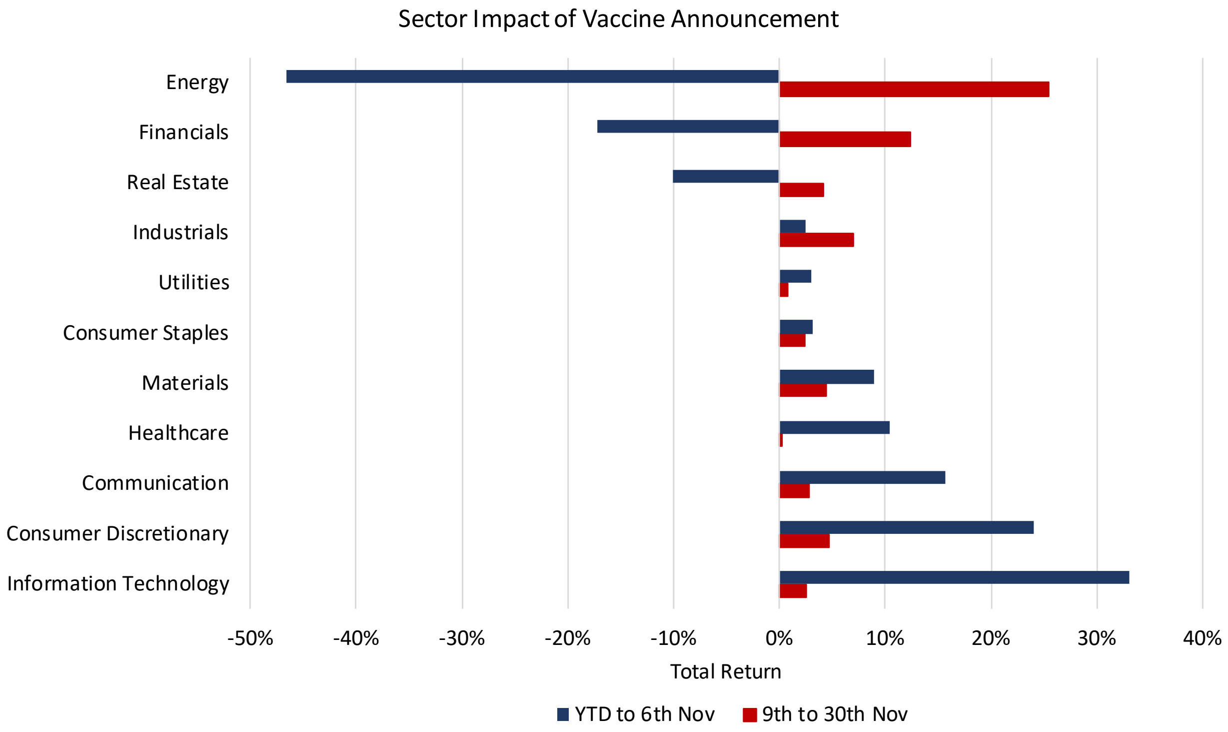
Market Commentary - November 2020

Sixty two million reported Covid-19 cases globally by the end of November, a rise of 40% over the month, 1.5 million deaths, an increase of 24%; second waves of the pandemic sweeping across Europe and the US; swathes of the world in an economic deep freeze; large sectors of industry and commerce facing unprecedented challenges verging on existential; and the global economy set to shrink at its biggest annual rate in decades. Yet stock markets enjoyed one of their best monthly gains on record, taking the key US equity market to all-time highs.
The rationale behind this perceived dichotomy is that the light at the end of the pandemic tunnel is now shining much more brightly as a result of the announcements of successful vaccine trials by Pfizer/BioNTech, Moderna and Astra Zeneca/Oxford University. These extraordinary scientific achievements, in a time-frame considered by most commentators as wholly unrealistic only months ago, have given rise to well-founded optimism that 2021 will bring a strong recovery and return to near-normality. The impact on risk assets was electric, stock markets soaring on the announcements, led by the pandemic's losers including energy, banks, leisure, hospitality and travel, and with the best returns from those markets which had been the weakest since the pandemic struck and are heavily weighted towards value stocks, which are set to benefit most from the improved prospects.

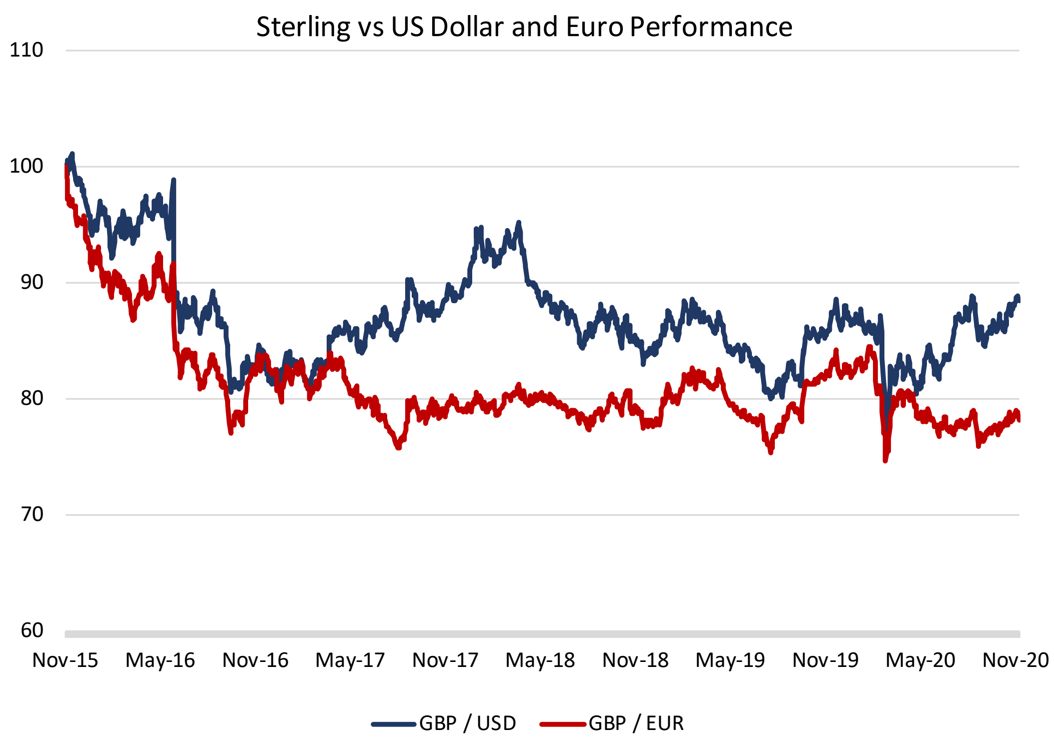


Source: Bloomberg, Momentum Global Investment Management. All data is from the respective MSCI Sector indices

The MSCI World index returned 13% in the month, with Europe and the UK leading the charge, both up 17% in USD terms, helped by strength of the euro and sterling. The US was held back by rotation into value stocks from the pandemic winners, notably the FAANGs, but still returned 11%, with the FAANGs index up 8%. China also underperformed, up 3%, after its strong outperformance previously, but remains one of the best performers this year, up 26%, having recovered successfully from the virus. Emerging markets were held back by China's performance, with a return of 9% in November. Global equities are now 63% up from the March lows, an extraordinary performance against a backdrop of intense uncertainty and economic weakness.

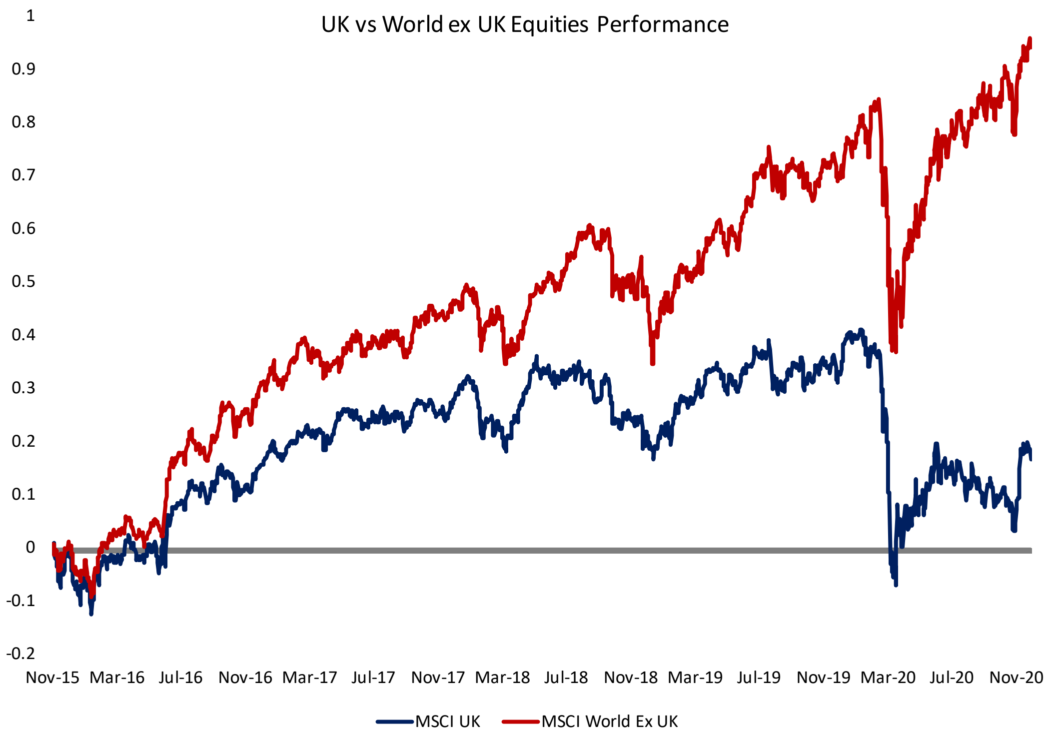
In such an extreme risk-on environment, safe havens struggled. US Treasuries returned 0.4% whereas credit was relatively strong; corporate bonds +2.8%, high yield +4.0% and emerging market bonds +4.1%. Despite a weak dollar, which fell by 2.3% trade weighted, gold saw profit taking and fell by 2.4%. The positive sentiment and weaker dollar saw emerging market currencies rise by 4% to their best level since March.

The other big uncertainty over-hanging markets in recent months, the US election, fear of a contested result and a period of chaos in the world's dominant economy, was also lifted. In the event, the rule of law prevailed; the Biden win and ineffective attempts by Trump to cast the vote as rigged, combined with the strong likelihood of a split Congress, proved to be the most favourable outcome for investors. It restores reliability and predictability to the Presidency and a return to the US led, post WWII international order of multi-lateralism. With the Republicans likely to retain control of the Senate after the re-run Georgian elections in early January, the worst fears of a Democrat clean sweep ushering in much higher government spending, tax rises and rolling back of Trump's de-regulations, have been eased.



Source: Bloomberg, Momentum Global Investment Management

Progress also appeared to be made in the seemingly interminable Brexit talks. While the outcome remains uncertain as the 11th hour approaches, the two sides seem to be moving closer in the 3 key sticking areas, fishing, level playing field and governance. Nothing can be taken for granted when dealing with the EU but sterling, the best barometer of market sentiment, has moved towards the upper end of its range against the dollar since the referendum in 2016. The move has been much less marked against the euro, however, suggesting that there is room for the pound to move higher if a deal is finally agreed in coming days, an outcome which remains the most likely, albeit a thin deal with various sunset provisions and review periods. Although UK equities enjoyed a strong month, they lag global markets substantially both year-to-date and since the referendum and offer good value alongside considerable recovery potential.



Source: Bloomberg, Momentum Global Investment Management. All returns are in GBP terms

With the substantial reduction in uncertainty and risk delivered by the vaccine news and the US election, the prospects for 2021, both in terms of a strong economic recovery and further progress in equity markets, have improved significantly. The rotation into value stocks from the highly valued digital winners of the pandemic has further to run, and risk assets will have continuing support from ultra-loose monetary policy and fiscal stimulus across much of the developed world. However, the big moves in November discount some of this more favourable backdrop and call for some shorter-term caution. The procurement and logistics of rolling out the vaccines, especially across the developing world, their uncertain efficacy and side effects in a much larger population than the trials, the duration of protection and their impact on transmission, all point to the likelihood of bumps along the way as we navigate through the painful economic impact of second waves in the peak of the northern hemisphere winter. Nevertheless, the promising prospects for 2021 and beyond means that we see setbacks in the weeks ahead as a good buying opportunity.

Market Performance - Global (local returns)

			To 30 November 2020			
Asset Class / Region	Index	Currency	1 month	3 months	YTD	12 months
Developed Markets Equities						
United States	S&P 500 NR	USD	10.9%	3.8%	13.4%	16.8%
United Kingdom	MSCI UK NR	GBP	13.2%	5.6%	-15.7%	-13.5%
Continental Europe	MSCI Europe ex UK NR	EUR	14.0%	7.1%	-0.4%	1.2%
Japan	Topix TR	JPY	11.1%	9.4%	4.3% e	5.8%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	9.1%	9.2%	14.8%	21.5%
Global	MSCI World NR	USD	12.8%	5.6%	11.2%	14.5%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	22.7%	2.5%	-20.9%	-15.6%
Emerging Asia	MSCI EM Asia NR	USD	7.5%	9.8%	19.9%	28.4%
Emerging Latin America	MSCI EM Latin America NR	USD	21.9%	14.3%	-23.0%	-15.0%
China	MSCI EM China NR	USD	6.0%	6.4%	11.8%	20.4%
BRICs	MSCI BRIC NR	USD	2.8%	5.3%	26.0%	36.5%
Global emerging markets	MSCI Emerging Markets NR	USD	9.2%	9.7%	10.2%	18.4%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	0.4%	-0.5%	8.7%	8.0%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	1.2%	0.1%	10.3%	10.6%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	2.8%	2.3%	9.4%	9.8%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	4.0%	3.4%	5.1%	7.2%
UK Gilts	JP Morgan UK Government Bond TR	GBP	-0.4%	0.5%	7.3%	5.7%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	1.6%	2.3%	6.3%	6.3%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	0.1%	2.5%	4.8%	3.9%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	1.0%	2.1%	2.6%	2.5%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	4.2%	3.8%	1.5%	2.6%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	0.1%	0.3%	-1.0%	-1.3%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.4%	1.1%	4.8%	2.4%
Global Government Bonds	JP Morgan Global GBI	USD	1.3%	0.9%	8.4%	8.6%
Global Bonds	ICE BofAML Global Broad Market	USD	1.6%	1.2%	7.7%	8.1%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	11.6%	9.4%	30.7%	33.9%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	4.1%	1.6%	5.0%	7.6%

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

			To 30 November 2020			
Asset Class / Region	**Index**	**Currency**	**1 month**	**3 months**	**YTD**	**12 months**
Property						
US Property Securities	MSCI US REIT NR	USD	10.7%	4.1%	-11.5%	-12.2%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	13.2%	11.1%	-7.2%	-12.7%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	12.3%	5.6%	-11.1%	-6.7%
Global Property Securities	S&P Global Property USD TR	USD	12.2%	5.7%	-10.1%	-8.6%
Currencies						
Euro		USD	2.4%	-0.1%	6.4%	8.3%
UK Pound Sterling		USD	2.9%	-0.4%	0.5%	3.1%
Japanese Yen		USD	0.3%	1.5%	4.1%	5.0%
Australian Dollar		USD	4.5%	-0.4%	4.6%	8.6%
South African Rand		USD	5.0%	9.5%	-9.5%	-5.3%
Commodities & Alternatives						
Commodities	RICI TR	USD	10.3%	4.3%	-12.7%	-7.9%
Agricultural Commodities	RICI Agriculture TR	USD	5.2%	11.4%	8.6%	13.0%
Oil	Brent Crude Oil	USD	27.0%	5.1%	-27.9%	-23.8%
Gold	Gold Spot	USD	-5.4%	-9.7%	17.1%	21.4%
Hedge funds	HFRX Global Hedge Fund	USD	2.8%	2.4%	4.3%	5.5%
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, Momentum GIM. Past performance is not indicative of future returns. e=estimate

Market Performance - UK (all returns in GBP)

			To 30 November 2020			
Asset Class / Region	**Index**	**Local Currency**	**1 month**	**3 months**	**YTD**	**12 months**
Equities						
UK - All Cap	MSCI UK NR	GBP	13.1%	5.7%	-15.8%	-13.5%
UK - Large Cap	MSCI UK Large Cap NR	GBP	13.6%	5.1%	-17.9%	-15.9%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	11.2%	7.2%	-10.1%	-6.8%
UK - Small Cap	MSCI Small Cap NR	GBP	13.4%	9.5%	-11.1%	-6.2%
United States	S&P 500 NR	USD	7.5%	4.0%	12.7%	13.1%
Continental Europe	MSCI Europe ex UK NR	EUR	13.4%	7.4%	5.3%	6.4%
Japan	Topix TR	JPY	8.1%	11.2%	7.0%e	7.5%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	5.7%	9.4%	14.0%	17.6%
Global developed markets	MSCI World NR	USD	9.3%	5.8%	10.4%	10.9%
Global emerging markets	MSCI Emerging Markets NR	USD	5.9%	9.9%	9.5%	14.7%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	-0.5%	0.5%	7.0%	5.5%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	-0.1%	-0.1%	1.3%	1.3%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	-0.4%	0.1%	4.5%	3.6%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	-0.7%	1.1%	10.7%	8.1%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	0.1%	2.4%	10.7%	8.8%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	-0.7%	-0.5%	4.4%	3.2%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	0.4%	3.9%	14.5%	12.0%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	1.6%	2.3%	6.3%	6.3%
US Treasuries	JP Morgan US Government Bond TR	USD	-2.8%	-0.2%	7.8%	4.6%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	2.8%	2.3%	9.4%	9.8%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	4.0%	3.4%	5.1%	7.2%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	0.1%	2.5%	4.8%	3.9%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	1.0%	2.1%	2.6%	2.5%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	4.2%	3.8%	1.5%	2.6%
Global Government Bonds	JP Morgan Global GBI	GBP	-1.8%	1.1%	7.7%	5.2%
Global Bonds	ICE BofAML Global Broad Market	GBP	1.6%	1.2%	7.7%	8.1%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	11.6%	9.4%	30.7%	33.9%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	0.9%	1.8%	4.3%	4.3%

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

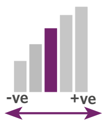
			To 30 November 2020			
Asset Class / Region	**Index**	**Local Currency**	**1 month**	**3 months**	**YTD**	**12 months**
Property						
Global Property Securities	S&P Global Property TR	GBP	8.8%	5.8%	-10.7%	-11.4%
Currencies						
Euro		GBP	-0.5%	0.3%	5.8%	5.1%
US Dollar		GBP	-2.8%	0.3%	-0.5%	-2.9%
Japanese Yen		GBP	-2.5%	1.9%	3.6%	1.8%
Commodities & Alternatives						
Commodities	RICI TR	GBP	6.9%	4.5%	-13.3%	-10.8%
Agricultural Commodities	RICI Agriculture TR	GBP	1.9%	11.6%	7.8%	9.4%
Oil	Brent Crude Oil	GBP	23.1%	5.3%	-28.4%	-26.2%
Gold	Gold Spot	GBP	-8.3%	-9.5%	16.3%	17.6%
Interest Rates				**Current Rate**		
United Kingdom				0.10%		
United States				0.25%		
Eurozone				0.00%		
Japan				-0.10%		

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

Asset Allocation

Equities

Developed Equities



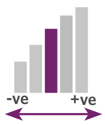
» Sentiment has changed markedly in recent weeks in the wake of the US election and following the announcement of a safe and highly effective vaccine. Undoubtedly risks remain to the global economy but recent newsflow has been a tailwind for risk assets into the end of the year

» Policy measures remain accommodative and are likely to remain so for some time

+ Despite lofty index valuations in some markets and sectors, and stunning November performance, global equities still offer selective regional and sectoral value

− Earnings will continue to be impacted, or fail to recover, if vaccine development proves less effective or more difficult to roll out than currently thought

UK Equities



» Brexit and Covid 19 continue to drive risk appetite in the UK today, with UK assets still out of favour with international investors. With the Brexit negotiations close to the 31st December deadline the UK is at risk of defaulting to WTO trade terms if no agreement is reached. Just days remain

» The UK market's larger cap constituents are more globally focused than they are UK, and have earnings shielded in large part from FX swings, which makes them less sensitive when/if those issues resurface. Thus the UK is not unattractive when thinking beyond 2020, and the recent style rotation could help UK equities edge higher

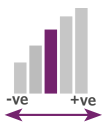
+ Most UK assets remain at a multi decade discount to the global index. Long term investors can buy into some great UK businesses at today's levels

+ The UK has lagged the recovery and offers some scope for a cyclically led catch up should the vaccine rollout prove effective

− UK Plc is having to deal with an extraordinary fallout from the Covid-19, with the high street already under extreme pressure

− The banks and energy heavy UK index may continue to struggle if the recent rotation loses momentum

European Equities

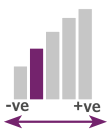


» Europe was hard hit by the first lockdown and is now dealing with secondary lockdowns as cases re-emerge. The European Recovery Fund and continued support from the ECB should help support European risk assets through into 2021

+ Continued ECB asset purchases and policy stimulus will provide support to risk assets in the region

− The ECB has little room to manouvre with rates at current levels; more devolved fiscal action and helicopter money may be needed longer term

US Equities



» With the election behind us, and a vaccine program starting imminently, two major risks have been mitigated. We still view the US market in aggregate as somewhat expensive, but active stockpickers have opportunities today. Headline valuation however keeps the US view in check for now

+ The US remains one of the higher quality markets, and the Dollar something of a haven should the recent positive sentiment wane. It is a natural home for those looking to add to their equity allocations, and that could keep US equities supported despite froth in some places

+ The Fed stimulus is constructive for credit, risk assets and by extension should be constructive for equities

− US equity valuations remain elevated vs other regions today, despite some froth coming out of the stay at home stocks in recent weeks

− The US now has by far the highest rate of reported infections and vaccine complacency is a risk

− Trade and geopolitical risks remain, even with Biden soon to be in the White House

Japanese Equities

» Japanese equities had lagged the broader market, and asian equities, during the summer rebound but have since performed better. At a high level, and considering demographics and locality, Japan has probably had a better outcome from the virus to date than many might have expected. Prospects look reasonable on a sustained pick up in business activity into 2021

+ BoJ ETF buying remains supportive for Japanese risk assets. Asia has stayed ahead of other global regions in the global Corona-cycle which may help Japan be on the front foot for a more sustained rebound in activity, should it prove to have legs

− In a protracted risk off scenario Yen strength resulting from its safe haven status would hurt Japanese equities

Emerging Market Equities

» On a longer term view we remain in favour of EM assets more generally over DM but recognise the continuing risks to developing economies from the Coronavirus, not least in securing and distributing vaccines, and the pressure on local health infrastructure and government budgets

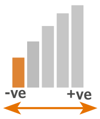
» EM equities have continued to gain alongside global equities in recent months, proving quite resilient on market weakness, and stand to gain further if a sustained rebound materialises

+ EM currencies remain down for the year, and have traded somewhat in a range over the recent months. At a lower level, for businesses that earn foreign income this translates into better earnings that helps in some way to offset weaker revenues that will likely eventuate through 2020

− Emerging markets remain prone to bouts of volatility and flow reversal at times of heightened perceived risk. Negative newsflow and any reversal in the recent pick up in sentiment, would likely crimp returns

Fixed Income

Government



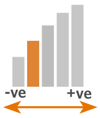
» DM government bond prices remain high/yields low despite the more recent back up in yields. They provide some diversification still but cash may prove a better diversifier until a higher level of yields and steeper curves are reached

\+ Quality government bonds remain one of the better diversifiers, over the long term, in a multi asset portfolio, even when they are optically expensive. For that reason we advocate having at least some exposure depsite extreme valuations

– Liquidity in the treasury market has been tested several times over the last year, both in the cash treasury market and repo. This causes some concern, but can be allayed with unlimited Fed firepower, which has been provided

– Any spike in inflationary expectations, increasingly a concern among investors albeit still small, could see 'risk free' bonds sell off sharply, more so now that the Fed has explicitly acknowledged a move to target average inflation over time

Index-linked
Relative to government



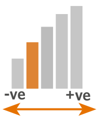
» Inflation linked bonds cheapened in the Covid induced sell off but have rebounded meaningfully in the interim, but still offer value. Whilst near term inflation risk looks limited, over 5 to 10 years we take a more constructive view and view breakevens more favourably, preferring over pure rate risk in select markets

\+ Index linked bonds are one of the few ways to meaningfully protect against inflation risk, and with the amount of money pumped into the system, and more scope for helicopter style money, it is a more meaningful concern down the line

\+ The Fed's inflation stance has changed, and is likely to mean periods of higher inflation will be tolerated

– Inflationary forces remain muted today

Investment Grade Corporate
Relative to government

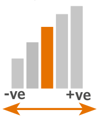


» Investment grade bond spreads have largely normalised after the recent tightening, but are likely to remain supported. With yields now near new lows though, longer term real returns are threatened

\+ Central bank buying of IG bonds provides a tailwind for the asset class; there may still be some upside on the table

– Liquidity remains a concern, and IG is starting to look rich again. We have taken further profit on recent trades
The IG universe remains at greater risk of BBB downgrades today given the Corona backdrop

High Yield Corporate



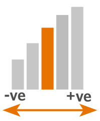
» Like their investment grade corporate cousins, high yield spreads have tightened meaningfully, but still offer some value and a reasonable yield. We are mindful of the more equity like characteristics of the asset class, and sensitivity of the (US) index to energy

\+ Maturity profiles have been extended in the recent good years, and rates policy and stimulus measures will be directed to keep credit markets functioning, as evidenced by the Fed stepping in to buy HY ETFs - largely to support 'fallen angels'

– Any further weakness in equity markets, for which there is a real possibility at this time, will likely hit HY bonds more than IG

– There is still a meaningful amount of energy exposure in US high yield markets which remains sensitive to any renewed pressure on oil prices

Emerging Market Debt

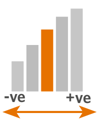


» The asset class continues to look optically attractive, yields well, and we continue to rate favourably. Risks clearly remain and some EM countries still have concerningly high and growing Covid infection rates, so as with EM equity some caution recommended

\+ Despite recent strength we believe EM bonds continue to offer some of the best longer term real return opportunities in bond markets today, and implied default rates look excessive

– Any renewed Dollar strength may weigh on EM assets, with local bonds and FX likely bearing the brunt
EM governments will come under more pressure if Corona related expenditure and support continues to rise

Convertible Bonds



» Convertible bonds did a good job of limiting capital loss in Q1 and have tracked equities up almost one for one as risk prices recovered in Q2. The perfect outcome

» We continue to favour an allocation to convertibles in a multi asset portfolio for the convexity the asset class bring

\+ The natural convexity provided by convertibles should continue to provide reasonable protection against any renewed equity weakness

– Any sustained dampening of implied and realised vols to more normal levels may crimp future returns

Real Asset / Alternatives

Commodities

-ve +ve

» The prices of some commodities continue be buffeted by newsflow, notably so oil which cratered in April and has since rebounded sharply. These risks seem likely to persist in the near term

» Commodity prices are primarily supply and demand driven (Coronavirus and oil a prime example) and idiosyncratic factors can be as important as the global economic cycle

+ Gold remains a reasonable hedge against risk off outcomes, and both deflationary and inflationary sentiment, as witnessed more recently through the downward pressure on real yields as inflation expectations have ticked higher. Any cyclical upside and a post vaccine ramp up in industrial production should help industrial commodity prices move higher

– Coronavirus may weigh on the industrials commodities sector, and supply chains remain challenged, until vaccines are rolled out more widely

– Gold is sensitive to real rates and susceptible to pricing lower on any meaningful move higher in rates, albeit unlikely in the near future

Property

-ve +ve

» Property remains an attractive asset class for investors requiring yield. Rental collections are improving and dividends being reinstated, and the vaccine news is a strong positive for the asset class

» When viewed against high quality, longer duration Sterling assets and inflation linked bonds, UK property holds appeal, with selective industrial, data centres and residential having more attractive fundamentals than under pressure retail and office sectors

+ Premium yields and quality assets should attract capital and provide some floor to prices, notwithstanding recent market turbulence

+ The longer duration qualities of the asset class make it a good diversifier over the long term within multi asset portfolios

– As a long duration asset class property remains susceptible to any repricing in long term bond yields
UK property remains sensitive to eventual Brexit terms, which remains finely balanced as we write. The retail & office sectors remain under pressure as a result of COVID-19

– Rent holidays and tenants being unable or unwilling to pay pressures cashflow and ability to pay out income

Infrastructure

-ve +ve

» Infrastructure stocks had lagged the Covid rebound and thus remain look reasonably attractive today. Their income generating potential should in the medium term support the sector and attract buyers of quality infrastructure assets, at a time when the need for infrastructure capital and investment remains strong in the medium to longer term
The US election outcome could arguably have been kinder to the asset class (the 'Blue Wave' outcome)

+ In a multi asset portfolio the usually more defensive nature of the asset class and a degree of inflation protection make the asset class appealing

+ The asset class offers a decent yield at a reasonable valuation today - both equity and debt flavours

– As a long duration asset class infrastructure remains susceptible to any repricing higher in long term bond yields

– Regulation can work both for and against the underlying investments, and underlying infrastructure stocks remain exposed to these risks

Liquid Alternatives

-ve +ve

» We define this section as less/non-directional, absolute return type strategies that seek to capture long term risk premia or market mispricings, and includes hedge fund alternatives/systematic strategies in predominantly UCITS vehicles. We favour owning an allocation to a basket of liquid strategies today to provide additional diversification with high quality bonds remaining expensive

+ These strategies provide additional diversification with reasonable return potential, at a time when other traditional diversifiers, such as treasuries, look expensive

– The sector is relatively young and growing. Thorough due diligence is vital, and blend is recommended, as idiosyncratic performance can be unpredictable

£/€/¥ Currencies*

GBP

-ve +ve

» Cable' remains challenged by Brexit and the absence of any agreement with just days to go to the year end deadline. Nonetheless, an eleventh hour deal is a real possibility and we'd prefer not to be short going into the deadline. The downward bias to base rates is unlikely to lift the currency higher anytime soon, but it remains cheap on long term valuation measures

EUR

-ve +ve

» The Euro has shown itself to be the favoured carry currency in recent years and 'Covid covering' has helped support it through the tough times. We maintain the more neutral view going forward

» In real terms the common currency looks about fair value today but there is no obvious and imminent catalyst for an uplift, and on balance the local fundamental backdrop appears weak which makes the currency largely unattractive today

JPY

-ve +ve

» Rate differentials continue to offer little reason to buy the Yen. However, in real terms the Yen remains cheap today. What sets the Yen apart from Sterling and the Euro is the currency's diversifying qualities at times of risk. However, with the Yen's recent strength in a risk on market, and following positive vaccine news, we pare back the view

*Currencies views are expressed versus the US Dollar

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