

VIEWPOINT

Newsflash

A new month and the 155th issue of Viewpoint from BlueStar AMG.

This document will be made available on our website www.bluestar-amg.com

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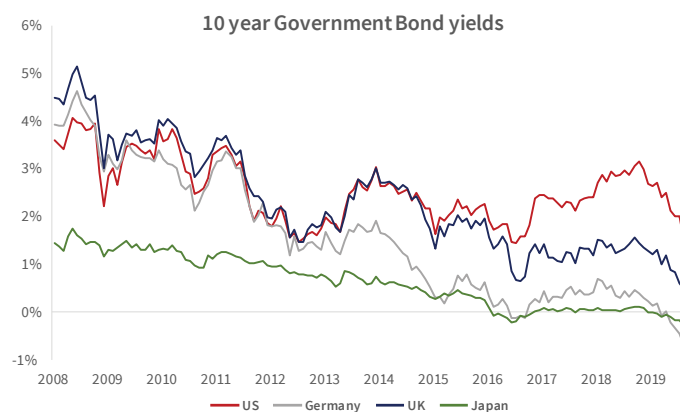
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Momentum Global Investment Management (Company Registration No. 3733094) has its registered office at The Rex Building, 62 Queen Street, London, EC4R 1EB.

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Market Commentary

After the spike in volatility in August markets returned to a semblance of stability in September, but this masked some big underlying shifts across and within asset classes. Most notable was a sharp reversal early in the month of bond yields, which until then had trended inexorably lower throughout 2019: the yield on 10 year US Treasuries moved from below 1.5% at the beginning of the month to 1.9% within a matter of days. Somewhat more positive economic data and an apparent thawing of trade war rhetoric between the US and China proved to be the trigger for a reversal of some of the big bond moves seen in August, and risk appetite picked up.



Source: Bloomberg, as of 07/10/2019

Equities recouped most of their falls of August, and for once the way was led not by the US but by Japan, up 6% in September, whereas the US underperformed most other markets with a rise of only 1.8%. Emerging markets also made a partial recovery, the MSCI Global Emerging Markets index return of 1.9% coming close to matching the 2.1% return from developed markets.

Safe haven government bonds were in negative territory over the month but credit markets benefited from the more positive sentiment and produced positive returns, led by high yield bonds. Other safe haven assets also gave ground, with gold down over 3% and the yen down 1.7%.

The key developments in the month were largely anticipated policy easing moves by the ECB and the Fed, accompanied by statements which proved to be somewhat negative for markets. The ECB returned to an easing policy with a cut in the deposit rate by 10bps to -0.5%, the resumption of QE at EUR20bn per month and forward guidance to keep rates lower for longer and to maintain the asset purchase programme until just before rates are raised (implying that QE is now open ended). But the ECB also highlighted the negative side effects of monetary policy and stressed the need for fiscal easing to support the economy. In effect it signalled that the limits of monetary policy are close and this created considerable unease among investors, offsetting the positive impact of the easing.

As expected, the Fed also eased policy with a further cut of 25bps to interest rates, and several other central banks eased policy or provided dovish forward guidance. But the Fed was much less dovish than expected in its statement and signalled no further cuts either this year or next. This surprised investors and seems a highly unlikely outcome as the latest data on the economy is showing US manufacturing suffering from the global slowdown with some evidence that the weakness is spilling over into confidence and spending more widely. Further Fed easing seems inevitable in coming months.

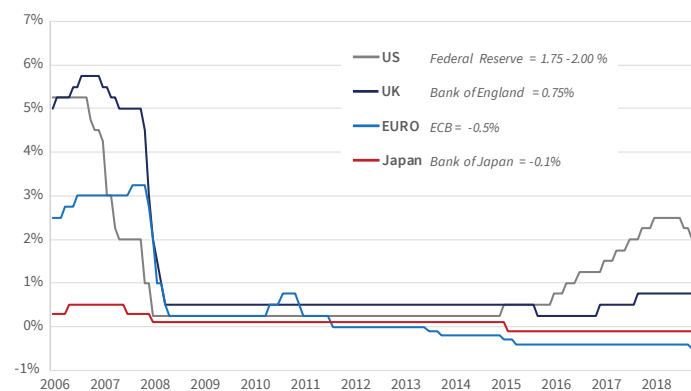
to drive growth and in recent weeks several countries have announced increased spending plans, including the UK and Netherlands, while in the US Trump has called for a major tax cut next year focussed on the middle class. With interest rates at current levels the case for fiscal easing will become irresistible if economies weaken further.

Sentiment around the US-China trade war improved as concessions were made by both sides and hopes for a deal have risen somewhat. But Trump's unpredictability continues to worry investors and heightens uncertainty and volatility. China's economy is unquestionably suffering from the negative impact of the trade war, with growth falling to near 20 year lows. The longer the protests in HK go on the more damage is caused too by these. There is evidence that the unrest is undermining confidence and activity levels in HK and proving to be a serious deterrent to new inward investment. Since the protests started, the HK stock market has underperformed substantially and while the protests will probably eventually be controlled, they have caused a meaningful reassessment of HK as a global financial centre.

The Brexit saga continued to surprise and the outcome remains as unclear as ever. However, whatever happens on deadline day, October 31st, it is now near certain that there will be a general election in the UK before year end. Despite considerable hostility to PM Johnson in the media and the Westminster bubble, he is polling well in the country at large, and has lifted the rating of the Tory party by around 10 points. The prospect of an extreme far left government led by Corbyn has diminished but remains a threat and, together with the fear of a no deal Brexit, has undermined sterling and UK assets. Valuations are now attractive and opportunities to acquire undervalued UK equities are likely in the coming weeks as we reach the peak of uncertainty.

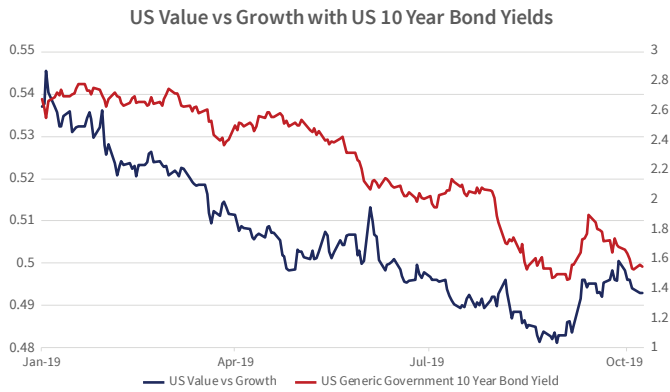
Within equity markets there was a dramatic rotation of style factors early in September, driven most probably by the sudden shift up in the discount rate as reflected in US bond yields. Value stocks had underperformed by a substantial margin through the post crisis period and investors flooded into growth stocks, which have become increasingly highly valued. Predicting the timing of any such rotation is impossible but the scale of the moves illustrated the importance of retaining a balance in portfolios across a range of complementary style factors.

The escalation in the US-China trade war was a major factor in undermining markets in August. Increased tariffs, retaliation and counter-retaliation were a feature of the month as the



Source: Bloomberg, as of 30/09/2019

Nevertheless, considerable questions have been raised about the longer term consequences of central bank policy and how much further it can go in supporting economic growth. It seems inevitable that fiscal policy will be increasingly used



Source: Bloomberg, as of 07/10/2019

Although September was a reasonably good month for markets the undertone remains uncertain and there were worrying signs as the month ended of a deterioration in activity levels in the World's major economies, with evidence

that the manufacturing slowdown has deepened and is impacting previously resilient areas. We therefore retain a more cautious approach in our portfolios. But there is no doubt that monetary policy will remain highly supportive for a long time ahead and the extent of the global slowdown needs to be kept in perspective; trade and manufacturing are contracting but the service sector continues to grow, albeit more slowly, employment remains strong and the consumer is generally in good shape.

We believe that recent developments will mean growth is slower for longer and rates will be lower for longer. In turn that will extend this extraordinary market cycle, and with valuations of risk assets supported by ultra-low bond yields we expect markets to make further progress, albeit with heightened volatility. Staying invested in a well-diversified portfolio of complementary assets remains the best strategy to navigate successfully through this long cycle.

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 30 September 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
United States	S&P 500 NR	USD	1.8%	1.5%	20.0%	3.6%
United Kingdom	MSCI UK NR	GBP	2.9%	0.7%	13.8%	2.8%
Continental Europe	MSCI Europe ex UK NR	EUR	3.3%	2.8%	20.7%	6.6%
Japan	Topix TR	JPY	6.0%	3.4%	8.8%*	-10.4%
Asia Pacific (ex Japan)	MSCIAC Asia Pacific ex Japan NR	USD	1.8%	-4.0%	7.8%	-1.8%
Global	MSCI World NR	USD	2.1%	0.5%	17.6%	1.8%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	3.3%	-2.6%	17.1%	10.1%
Emerging Asia	MSCI EM Asia NR	USD	2.0%	-3.4%	6.0%	-3.9%
Emerging Latin America	MSCI EM Latin America NR	USD	2.6%	-5.6%	6.3%	6.7%
BRICs	MSCI BRIC NR	USD	1.1%	-4.6%	8.5%	2.8%
Global emerging markets	MSCI Emerging Markets NR	USD	1.9%	-4.2%	5.9%	-2.0%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	-0.9%	2.6%	8.1%	11.0%
US Treasuries (inflation protected)	BBGBarc US Government Inflation Linked TR	USD	-1.5%	1.5%	8.0%	7.4%
US Corporate (investment grade)	BBGBarc US Corporate Investment Grade TR	USD	-0.7%	3.0%	13.2%	13.0%
US High Yield	BBGBarc US High Yield 2% Issuer Cap TR	USD	0.4%	1.3%	11.4%	6.4%
UK Gilts	JP Morgan UK Government Bond TR	GBP	0.6%	6.7%	12.1%	14.4%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.1%	3.7%	10.2%	10.3%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.4%	3.8%	10.0%	11.7%
Euro Corporate (investment grade)	BBGBarc Euro Aggregate Corporate TR	EUR	-0.8%	1.3%	6.8%	6.1%
Euro High Yield	BBGBarc European High Yield 3% Constrained TR	EUR	-0.1%	1.4%	9.3%	5.3%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-1.4%	0.4%	3.4%	5.0%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.7%	2.4%	10.4%	13.6%
Global Government Bonds	JP Morgan Global GBI	USD	-1.3%	1.1%	6.6%	8.7%
Global Bonds	ICE BofAML Global Broad Market	USD	-1.1%	0.9%	6.6%	8.0%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	-0.4%	-0.9%	10.3%	1.8%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	0.2%	-1.7%	8.9%	8.2%

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

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 30 September 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
US Property Securities	MSCI US REIT NR	USD	-0.1%	4.1%	3.9%	4.1%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	-2.8%	0.3%	17.1%	12.8%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	2.2%	-4.1%	8.1%	8.9%
Global Property Securities	S&P Global Property USD TR	USD	2.3%	3.5%	19.0%	13.0%
Currencies						
Euro		USD	-0.8%	-4.1%	-5.0%	-6.1%
UK Pound Sterling		USD	1.0%	-3.2%	-3.7%	-5.7%
Japanese Yen		USD	-1.7%	-0.2%	1.4%	5.2%
Australian Dollar		USD	0.2%	-3.8%	-4.3%	-6.5%
South African Rand		USD	0.3%	-7.1%	-5.1%	-6.5%
Commodities & Alternatives						
Commodities	RICI TR	USD	1.5%	-2.9%	4.8%	-8.8%
Agricultural Commodities	RICI Agriculture TR	USD	4.3%	-5.2%	-6.0%	-6.8%
Oil	Brent Crude Oil	USD	0.6%	-8.7%	13.0%	-26.5%
Gold	Gold Spot	USD	-3.2%	4.5%	14.8%	23.5%
Hedge funds	HFRX Global Hedge Fund	USD	0.4%*	1.6%*	5.9%*	0.0%*
Interest rates						
United States			2.00%			
United Kingdom			0.75%			
Eurozone			0.00%			
Japan			0.10%			
Australia			0.75%			
South Africa			6.50%			

Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 30 September 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
UK - All Cap	MSCI UK NR	GBP	2.9%	0.7%	13.8%	2.8%
UK - Large Cap	MSCI UK Large Cap NR	GBP	2.9%	0.2%	13.1%	3.2%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	3.0%	1.8%	12.9%	-2.9%
UK - Small Cap	MSCI Small Cap NR	GBP	3.6%	2.2%	17.0%	-1.2%
United States	S&P500NR	USD	0.8%	4.9%	24.5%	10.0%
Continental Europe	MSCI Europe ex UK NR	EUR	1.4%	2.0%	19.1%	6.2%
Japan	Topix TR	JPY	3.2%	6.5%	14.7%	-0.2%
Asia Pacific (ex Japan)	MSCIAC Asia Pacific ex Japan NR	USD	0.8%	-0.8%	11.8%	4.2%
Global developed markets	MSCI World NR	USD	1.1%	3.8%	22.0%	8.1%
Global emerging markets	MSCI Emerging Markets NR	USD	0.9%	-1.1%	9.8%	4.0%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	0.5%	6.6%	12.0%	14.3%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	0.1%	0.7%	1.6%	2.2%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	0.1%	3.4%	7.3%	9.9%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	0.9%	11.0%	19.9%	22.9%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	-0.4%	8.2%	16.8%	19.0%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	0.1%	5.4%	9.7%	12.7%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	-0.6%	9.9%	20.8%	22.9%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.1%	3.7%	10.2%	10.3%
US Treasuries	JP Morgan US Government Bond TR	USD	-1.9%	6.0%	12.1%	17.8%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	-0.7%	3.0%	13.2%	13.0%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.4%	1.3%	11.4%	6.4%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.4%	3.8%	10.0%	11.7%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-0.8%	1.3%	6.8%	6.1%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	-0.1%	1.4%	9.3%	5.3%
Global Government Bonds	JP Morgan Global GBI	GBP	-2.3%	4.5%	10.5%	15.4%
Global Bonds	ICE BofAML Global Broad Market	GBP	-1.1%	0.9%	6.6%	8.0%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	-0.4%	-0.9%	10.3%	1.8%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	-0.8%	1.6%	13.0%	14.8%

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

Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 30 September 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
Global Property Securities	S&P Global Property TR	GBP	1.3%	6.9%	23.4%	19.9%
Currencies						
Euro		GBP	-1.9%	-1.0%	-1.3%	-0.4%
US Dollar		GBP	-1.1%	3.3%	3.8%	6.0%
Japanese Yen		GBP	-2.7%	3.1%	5.3%	11.5%
Commodities & Alternatives						
Commodities	RICI TR	GBP	0.5%	0.3%	8.7%	-3.2%
Agricultural Commodities	RICI Agriculture TR	GBP	3.3%	-2.1%	-2.5%	-1.1%
Oil	Brent Crude Oil	GBP	-0.4%	-5.7%	17.2%	-22.0%
Gold	Gold Spot	GBP	-4.1%	7.9%	19.1%	31.0%
Interest rates						
United Kingdom			0.75%			
United States			2.25%			
Eurozone			0.00%			
Japan			0.10%			

Asset Allocation Dashboard

Asset class	View
Equities	
Developed equities 	<ul style="list-style-type: none"> » We retain our broadly neutral allocation to global equities today. Despite market volatility, valuations continue to look reasonable and thus global equities remain attractive, particularly versus ever more expensive sovereign and some corporate bonds. » 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 ongoing US-China trade war remains a pivotal factor in risk pricing today, as does the nascent concerns on slowing global growth. + Today's mostly dovish policy stance remains favourable for global equities, though we remain cognisant of weakening data across an increasing number of regions - The trade war back drop remains unresolved and remains a key risk for global equities - Earnings have increasingly come under pressure and the absence of EPS growth will be a headwind to further equity upside
UK equities (relative to developed) 	<ul style="list-style-type: none"> » UK equities continue to look cheap today but some caution is still warranted given the ongoing Brexit negotiations. While 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, the more domestically oriented names may face bigger challenges. » We should expect to see continued volatility in Sterling and UK assets. Recent Sterling gains have crimped returns, but should be viewed favourably as a resolution seems closer. + The UK market remains exposed to global markets and factors and as such is somewhat insulated from the headline Brexit concerns, benefiting from any renewed Sterling weakness. - Today the chief worries lie within the political sphere and the likelihood of there being a general election at a time when the country remains divided. - The UK high street continues to face major challenges.
European equities (relative to developed) 	<ul style="list-style-type: none"> » European equity valuations remain favourable when viewed against corporate and sovereign European bond markets. The ECB has recommitted to QE bond purchases but inflationary pressures have all but evaporated and it is difficult to identify a catalyst for meaningful earnings growth. Fiscal stimulus looks likely to follow. + Renewed ECB asset purchases or policy stimulus will likely provide a fillip to risk assets in the region. - Manufacturing, a mainstay of the German economy in particular, remains under pressure from shifting consumer and industrial trends. This poses headwinds for the broader German economy and the health of the region as a whole.
US equities (relative to developed) 	<ul style="list-style-type: none"> » The US remains the most expensive of the major developed markets, but the narrow market that has led indexes higher also offers selective value for the stockpicker. The US economy remains in reasonably 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. » Monetary policy remains crucial to keeping markets in check and volatility under control. It remains to be seen whether rates will be cut as much as markets expect over the rest of this year. + The economy remains in reasonably good health with several leading indicators remaining positive, albeit weakening + Following the Fed's policy pivot earlier this year, broader measures of financial conditions have loosened, which coupled with the current fiscal stance may help support earnings going forward. - US equity valuations remain elevated vs other regions today which may prove to 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. - Trade war policy remains firmly on the agenda for now and is a destabilising force.
Japan equities (relative to developed) 	<ul style="list-style-type: none"> » Japanese equities continues to look attractive today against a backdrop of improving governance and working practices. The direction of the Yen is an important driver of returns with Yen weakness supporting Japanese equities and vice versa; recent Yen weakness has helped Japanese equities make up some lost ground. » Japanese assets should remain well buoyed by the Bank of Japan which continues to run an asset purchase program. + Japanese equities' relative underperformance leaves scope for further equity upside in the absence of broader based market volatility + Cash rich Japanese corporates are increasingly returning more cash to shareholders through dividends. - In a protracted risk off scenario Yen strength resulting from its safe haven status would hurt Japanese equities - There is a notable absence of catalyst for any rerating.
Emerging market equities 	<ul style="list-style-type: none"> » On a longer term view we remain in favour of EM assets more generally over DM as the relative growth dynamics remain favourable, which coupled with steady inflation and reasonable valuations should support EM equity returns over time. » Some caution is warranted today given the deteriorating macro backdrop and further bouts of volatility are inevitable. + EM currencies remain somewhat cheap and provide additional cushion to local EM equity returns through potential earnings enhancement over time. - Emerging markets remain prone to bouts of volatility and flow reversal at times of heightened perceived risk - The Sino-US trade war backdrop remains unresolved and remains a key risk for emerging markets as a whole.

Fixed Income	
<p>Government</p>	<ul style="list-style-type: none"> » DM government bonds remain largely unattractive today with poor real return prospects in aggregate following the spectacular rally year to date. We remain cautious on bonds and look for more diversification to come from cash, gold and real assets. Other sovereign markets, such as Italy, offer some value but are also a source of price volatility. + Quality government bonds remain one of the better diversifiers in a multi asset portfolio, even when they are optically expensive. For that reason we advocate having some exposure, or owning higher quality investment grade in lieu of pure sovereign. - The reducing quantum of central bank bond purchases may be a headwind for all rate sensitive debt when the current buying frenzy ends.
<p>Index-linked (relative to government)</p>	<ul style="list-style-type: none"> » Index linked bonds offer some selective value but, like their nominal counterparts, they are expensive, particularly so in the UK. With inflation risk so poorly priced today however, we rate them slightly higher than nominals in aggregate. + Index linked bonds are one of the few ways to meaningfully protect against inflation risk. - Inflationary forces remain muted today and on any sustained slowdown in global growth they would almost certainly underperform nominal bonds.
<p>Investment grade Corporate (relative to government)</p>	<ul style="list-style-type: none"> » 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. + A reasonable alternative to owning sovereign bonds with diversifying qualities and some spread. - In the absence of central bank bond purchases the risks appear more asymmetric today - Credit quality has drifted lower in recent years, and leverage has moved higher
<p>High Yield Corporate</p>	<ul style="list-style-type: none"> » Spreads widened out in August but to a level that is probably about fair in our opinion considering the credit cycle is extended. » We favour owning shorter duration credit where the risk return looks more favourable today, with an opportunity to add spread duration if credit markets widen more meaningfully from here. + In the absence of a systemic market shock, and with the current dovish tone driving markets, high yield should continue to carry a decent return. - 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
<p>Emerging market debt</p>	<ul style="list-style-type: none"> » The asset class remains attractive today with spreads continuing to offer some reasonable value » 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. + We believe EM bonds continue to offer some of the best longer term real return opportunities in bond markets today. - Dollar strength may continue to weigh on EM assets, with local bonds and FX likely bearing the brunt, as evidenced recently - Idiosyncratic events will continue to occur, as seen again recently in Argentina, so expect some periodic bouts of volatility
<p>Convertible bonds</p>	<ul style="list-style-type: none"> » We continue to favour an allocation to convertibles in a multi asset portfolio for the convexity the asset class brings. » Some caution is warranted given the concentration to the US market and technology names, although the Q4 2018 performance has shown the asset class can be quite resilient in a growth stocks led sell off. + The natural convexity provided by convertibles should continue to provide reasonable protection against any renewed equity weakness, as US markets trade near their highs. - 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 - If volatility reverts again to the recent multi year lows then the optionality holds limited value.

Real Assets /Alternatives	
Commodities 	<ul style="list-style-type: none"> » The prices of some commodities continues be buffeted by the ongoing trade wars, and tensions in the gulf have impacted oil prices more recently. These geopolitical risks are unlikely to go away any time soon. » Commodity prices are primarily supply and demand driven, and idiosyncratic factors can be as important as the global economic cycle. + With the US Dollar still near cyclical highs, and global growth still positive, commodities have scope to generate positive returns. + Gold remains a good hedge against risk off outcomes, and deflationary sentiment, as witnessed this year. - Trade tensions may continue to weigh on the commodities sector which is particularly exposed to a slowdown in global growth, and China in particular.
Property (UK) 	<ul style="list-style-type: none"> » Property remains an attractive asset class for investors requiring yield. » Total returns will come mostly from income with limited scope for capital growth with global REIT stocks at somewhat elevated valuations today. » When viewed against high quality, longer duration Sterling assets and inflation linked bonds, property holds appeal, with selective industrial and office space having more attractive fundamentals than under pressure high street retail. + Premium yields should continue to attract capital and provide some floor to prices, as will any sustained Sterling weakness (for UK property) + The longer duration qualities of the asset class make it a good diversifier 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 continue to evolve.
Infrastructure 	<ul style="list-style-type: none"> » Infrastructure stocks trade at reasonable valuations today (although they continue to richen) and performance has been strong at the index level year to date » Their income generating potential should continue to support the sector and attract buyers of quality infrastructure assets, at a time when the need for infrastructure capital and investment continues to grow. + In a multi asset portfolio the relatively defensive nature of the asset class and a degree of inflation protection make the asset class appealing. + The asset class offers a healthy yield at a reasonable valuation today - both equity and debt flavours. - As a long duration asset class infrastructure remains susceptible to any repricing 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 	<ul style="list-style-type: none"> » 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 an allocation to a basket of liquid strategies today to provide additional diversification with high quality bonds remaining very expensive. + These strategies provide additional diversification with reasonable return potential. - The sector is relatively young and growing. Thorough due diligence is vital, and blend is recommended, as idiosyncratic performance can be unpredictable - Poor 2018 performance has led this sector to be somewhat out of favour.
Currencies*	
GBP 	<ul style="list-style-type: none"> » Political and/or Brexit risk remains the key risk for Sterling today. Boris Johnson's proroguing of parliament, and the ensuing battle to reverse it, is doing little to provide any guidance around the eventual exit terms. The likelihood of a near term election has increased in recent weeks, and its outcome is uncertain today. » 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.
Euro 	<ul style="list-style-type: none"> » The Euro has trended slowly weaker in recent months as data has softened. Any kind of forward tightening is off the cards today as the ECB has this month cut rates further and committed to restarting their asset purchase program. In the absence of further US stimulus this will not lift the currency » 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 to be deteriorating which makes the currency largely unattractive today.
Yen 	<ul style="list-style-type: none"> » 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, as evidenced by its recent mini rally. The neutral rating reflects this attribute which its Sterling and Euro peers lack.

Past performance is not indicative of future returns. *Currencies views are expressed versus the US Dollar

Important Notes

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