

Contents

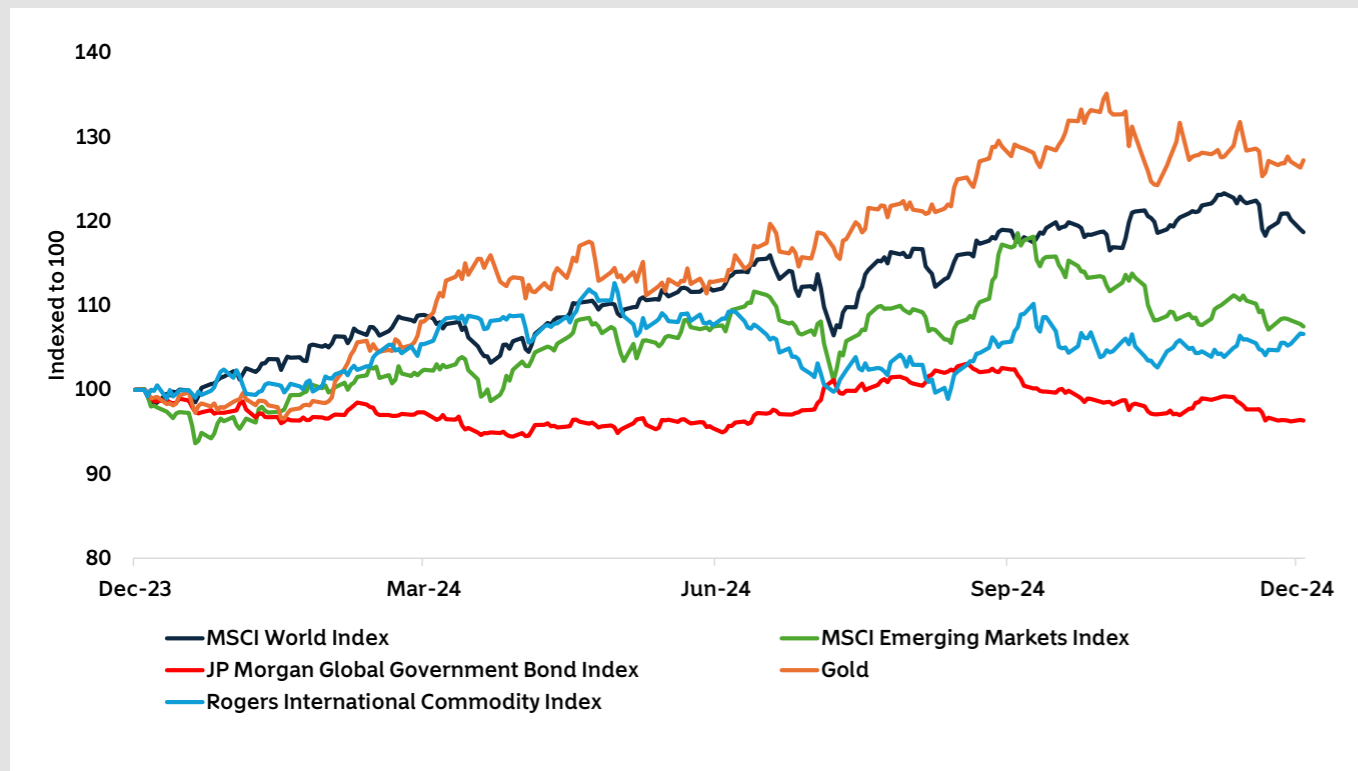
Global market review & outlook

2024 was characterised by stronger economic growth than expected, inflation falling but remaining above policy targets, the rate cutting cycle starting, but later and more cautiously than expected, geopolitics continuing to disrupt, although not derail, markets, and US exceptionalism to the fore. Equities, dominated by the US and especially its megacap tech stocks, and gold responded well to this broad backdrop, and the US dollar strengthened, while bond yields rose over the year, leading to negative returns from global government bonds. Politically, by far the most important event was the election of Donald Trump, which is likely to have far-reaching implications, not just in the US but globally, and be a key feature of 2025.

As we enter 2025, uncertainty is at a very high level, reflecting concerns about global growth, the stickiness of inflation, the impact of Trump's policies especially with respect to trade and tariffs, the extent to which interest rates can be cut further, and concerns around the sustainability of government debt levels, as well as geopolitical factors. Many of these uncertainties were in evidence in December:

- » The Fed cut interest rates by 25bps as expected but the quarterly dot plot of governors' expectations showed only two rate cuts for 2025 as opposed to four at the September meeting, and inflation forecasts were raised from 2.1% to 2.5% (using the personal consumption expenditures (PCE) measure, the Fed's preferred gauge of inflation), with Chair Powell pointing to the need to see more progress on inflation to cut rates further.

Asset class returns (USD terms)



Source: Bloomberg Finance L.P., as at 31 December 2024

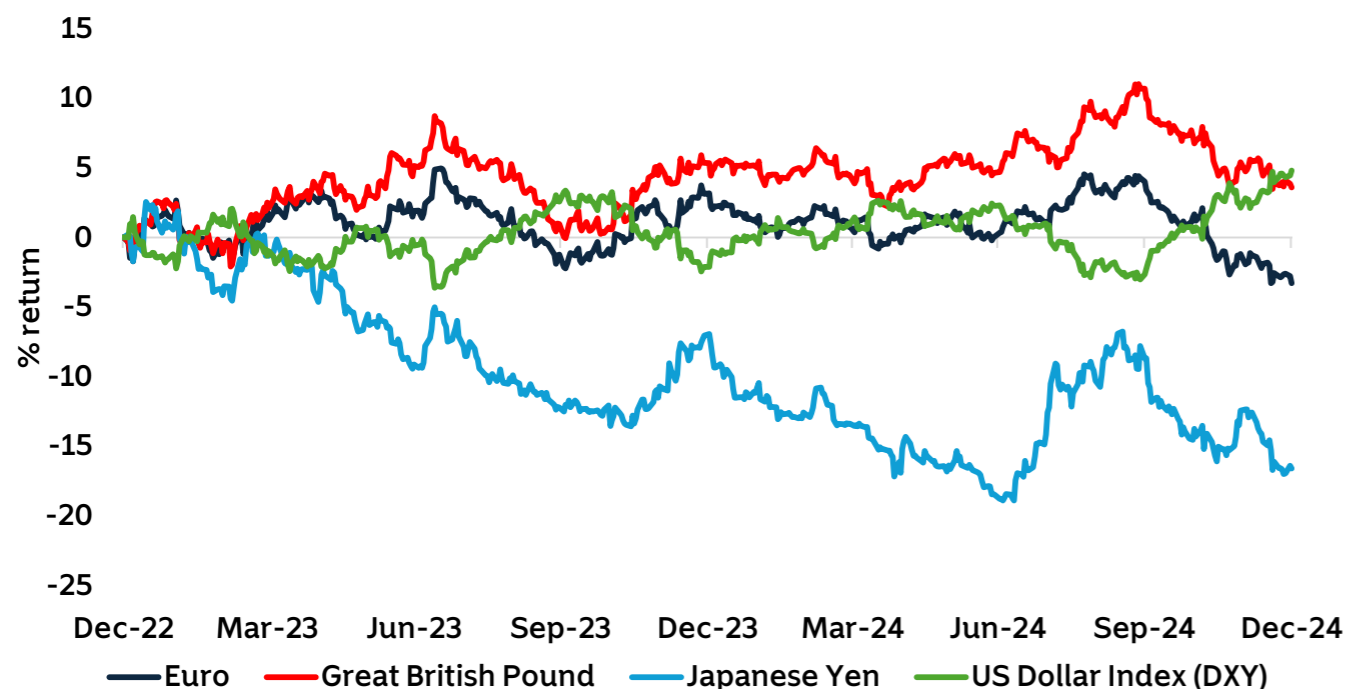
US interest rate expectations for end 2025



Source: Bloomberg Finance L.P., as at 31 December 2024

- » Forward indicators of activity levels were resilient in the US but weak in Europe and the UK, with recession risks rising in Germany and France, both of which face structural problems exacerbated by a political vacuum as their governments have collapsed, and in the UK as a result of a collapse in business confidence following the huge tax raid on the private sector in the October budget. The spectre of stagflation is back in the UK, where core inflation is running at 3.3%, average weekly earnings rising at 5.2%, and growth falling into negative territory.
- » China continued to wrestle with its weak growth, the Politburo signalling looser monetary policy and a more pro-active fiscal policy, but uncertainty about Trump's tariffs cast a shadow over the economy.
- » The overthrow of the Assad regime in Syria returned the Middle East to the forefront of geopolitics; the immediate reaction of relief to see a brutal regime banished, with Russia and Iran clearly weakened, was mixed with deep uncertainty about the intent of the new regime.

Major Currencies vs. USD

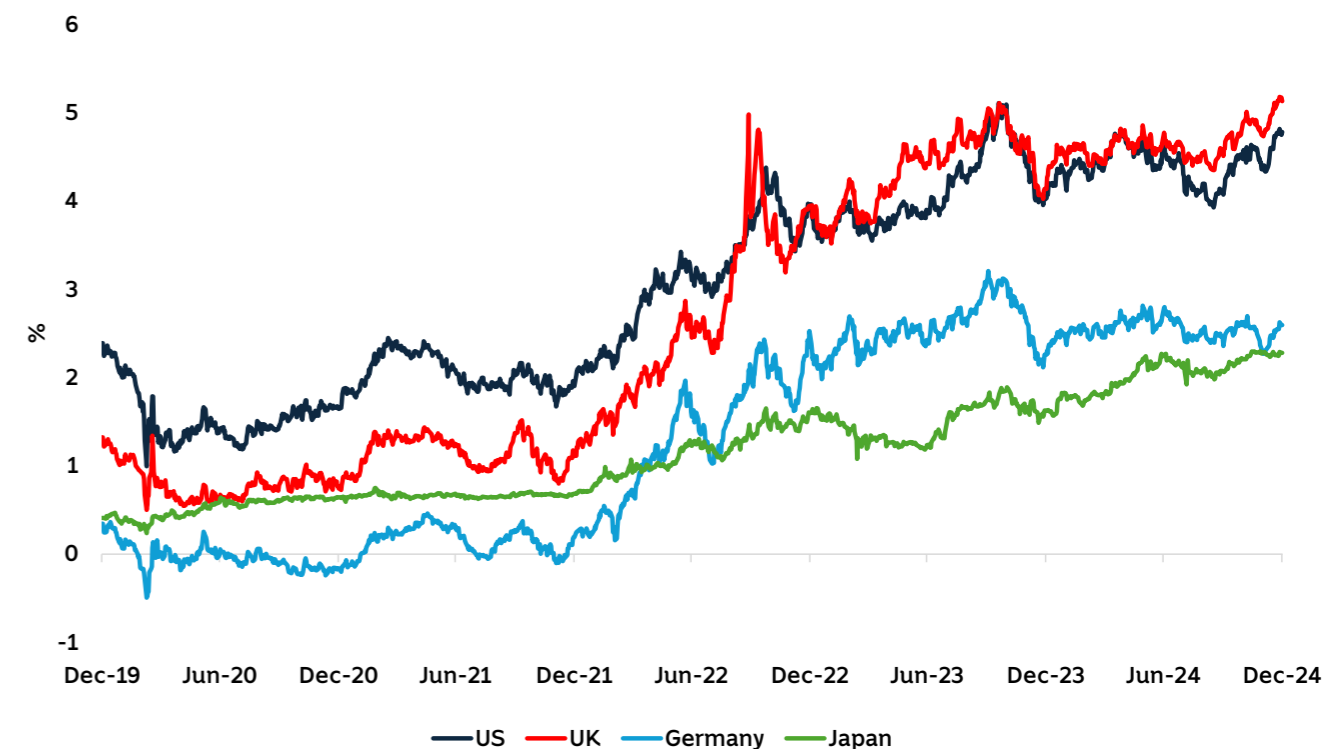


Source: Bloomberg Finance L.P., as at 31 December 2024

Markets struggled in the face of these uncertainties, with weakness in equities -2.6% on the MSCI World Index, and bonds -2.7% on the JPM Global Government Bond index, while gold drifted lower after a strong year, taking these two asset classes into negative territory in Q4. The dollar was notably strong, up 2.6% on a trade weighted basis in December and +7.6% for the quarter.

“The spectre of stagflation is back in the UK, where core inflation is running at 3.3%, average weekly earnings rising at 5.2%, and growth falling into negative territory”

30-year government bond yields



Source: Bloomberg Finance L.P., as at 31 December 2024

The most significant move was in bonds, with longer maturity yields rising sharply due to a combination of factors - fears of rising inflation, triggered in part by concerns around the inflationary impact of Trump's policies, a much slower pace of anticipated rate cuts, especially in the US and UK, and concerns about high and rising government debt across many major economies, notably the US, UK and France. Heightened uncertainty has led investors to demand higher yields on longer dated debt, and the yield curve has steepened significantly. Yields on 10-year government bonds rose 30-40bps in the US, UK and Germany, taking them to close to 4.6% in the US and UK, 2.4% in Germany, all significantly higher than at the start of the year. It is striking, and highly unusual, that since the Fed's first rate cut this cycle on 18 September 2024 the 10-year Treasury bond yield has risen by some 100bps, with real rates up by 70bps, reaching 2.23% by year end. An unwelcome landmark was reached in the UK, where the 30-year bond yield reached its highest level this century at 5.13%, reflecting stagflation concerns as the new government's policy priorities began to be implemented.

The pervasive uncertainty among investors gives rise to a wide range of possible outcomes in 2025. The 'Trump trade' has for now largely run its course and most markets start the year under a cloud, possibly adopting a wait-and-see approach ahead of Trump's inauguration and greater clarity around his policy agenda. But anxieties will prevail through much of the year, particularly around the risks of policy errors, the stickiness of inflation, the impact of higher US tariffs, especially on China and Europe where growth is already under pressure, high government debt levels constraining fiscal flexibility, and a deterioration in geopolitical tension points. Furthermore, pockets of exuberance and high valuations in parts of the equity markets, notably the megacap equity leaders, point to caution at a time when the discount rate as measured by bond yields has risen sharply in recent weeks.

However, the balance of probabilities suggests that the policy easing cycle has further to run, providing a strong foundation for equities, while the recent sell-off in bond markets brings better value into fixed income markets. The period of consolidation we are in might well have further to run, but we are cautiously constructive about markets in 2025. Continuation of US exceptionalism is now the consensus view, and the deep malaise in Europe and the UK, as well as structural problems in China alongside the risks posed by higher US tariffs, make it difficult to argue against it, but we see the best valuation opportunities in the US beyond the big tech stocks which have driven returns over the past 2 years, and in markets outside the US, where valuations are generally more attractive and offset some of the headwinds faced. A repeat of the exceptional returns in equity markets, especially the US, through 2023 and 2024 is very unlikely, but we expect equities to make further progress in this cycle, albeit amidst greater volatility.

Market performance - Global (local returns) as at 31 December 2024

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Developed Markets Equities						
United States	S&P 500 NR	USD	-2.4%	2.3%	24.5%	24.5%
United Kingdom	MSCI UK NR	GBP	-1.2%	-0.2%	9.6%	9.6%
Continental Europe	MSCI Europe ex UK NR	EUR	-0.4%	-3.6%	6.8%	6.8%
Japan*	Topix TR	JPY	4.0%	5.4%	20.5%	20.5%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-1.2%	-8.2%	10.2%	10.2%
Global	MSCI World NR	USD	-2.6%	-0.2%	18.7%	18.7%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	0.9%	-6.6%	5.0%	5.0%
Emerging Asia	MSCI EM Asia NR	USD	0.2%	-7.9%	12.0%	12.0%
Emerging Latin America	MSCI EM Latin America NR	USD	-6.1%	-15.8%	-26.4%	-26.4%
BRICs	MSCI BRIC NR	USD	-0.4%	-10.1%	10.0%	10.0%
China	MSCI China NR	USD	2.7%	-7.7%	19.4%	19.4%
Global emerging markets	MSCI Emerging Markets NR	USD	-0.1%	-8.0%	7.5%	7.5%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	-1.5%	-3.0%	0.7%	0.7%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	-1.6%	-3.0%	1.8%	1.8%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	-1.9%	-3.0%	2.1%	2.1%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	-0.4%	0.2%	8.2%	8.2%
UK Gilts	JP Morgan UK Government Bond TR	GBP	-2.4%	-3.3%	-3.7%	-3.7%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-0.6%	-0.4%	1.8%	1.8%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-1.5%	-0.2%	1.8%	1.8%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-0.4%	0.9%	4.7%	4.7%
Euro High Yield	BBgBarc European HY 3% Constrained TR	EUR	0.6%	1.8%	8.2%	8.2%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-0.1%	-1.3%	-3.1%	-3.1%
Australian Government	JP Morgan Australia GBI TR	AUD	0.4%	-0.8%	2.1%	2.1%
Global Government Bonds	JP Morgan Global GBI	USD	-2.7%	-5.9%	-3.7%	-3.7%
Global Bonds	ICE BofAML Global Broad Market	USD	-2.4%	-5.3%	-2.1%	-2.1%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	-3.0%	0.9%	9.5%	9.5%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	-1.5%	-1.5%	7.7%	7.7%

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-7.6%	-6.4%	7.5%	7.5%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	-6.9%	-7.0%	14.4%	14.4%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	-2.9%	-13.1%	-9.1%	-9.1%
Global Property Securities	S&P Global Property USD TR	USD	-5.9%	-8.9%	3.5%	3.5%
Currencies						
Euro		USD	-2.1%	-7.0%	-6.2%	-6.2%
UK Pound Sterling		USD	-1.7%	-6.4%	-1.7%	-1.7%
Japanese Yen		USD	-4.7%	-8.6%	-10.3%	-10.3%
Australian Dollar		USD	-5.0%	-10.5%	-9.2%	-9.2%
South African Rand		USD	-4.2%	-8.4%	-2.6%	-2.6%
Commodities & Alternatives						
Commodities	RICI TR	USD	1.9%	0.9%	6.6%	6.6%
Agricultural Commodities	RICI Agriculture TR	USD	0.0%	-1.8%	3.5%	3.5%
Oil	Brent Crude Oil	USD	2.3%	4.0%	-3.1%	-3.1%
Gold	Gold Spot	USD	-0.7%	-0.4%	27.2%	27.2%
Interest Rates						
					Current Rate	
United States					4.50%	
United Kingdom					4.75%	
Eurozone					3.15%	
Japan					-0.10%	
Australia					4.35%	
South Africa					7.75%	

Source: Bloomberg Finance L.P., Momentum Global Investment Management. Past performance is not indicative of future returns. *estimated figures.

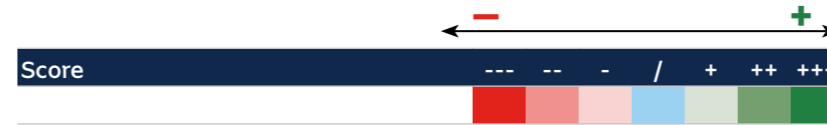
Market performance - UK (all returns GBP) as at 31 December 2024

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Equities						
UK - All Cap	MSCI UK NR	GBP	-1.2%	-0.2%	9.6%	9.6%
UK - Large Cap	MSCI UK Large Cap NR	GBP	-1.1%	0.1%	11.1%	11.1%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	-2.5%	-2.6%	-1.8%	-1.8%
UK - Small Cap	MSCI Small Cap NR	GBP	-1.6%	-3.1%	6.8%	6.8%
United States	S&P 500 NR	USD	-0.8%	9.5%	26.9%	26.9%
Continental Europe	MSCI Europe ex UK NR	EUR	-0.9%	-4.2%	1.9%	1.9%
Japan*	Topix TR	JPY	0.4%	2.6%	9.8%	9.8%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	0.5%	-1.7%	12.3%	12.3%
Global developed markets	MSCI World NR	USD	-1.0%	6.9%	21.0%	21.0%
Global emerging markets	MSCI Emerging Markets NR	USD	1.5%	-1.5%	9.6%	9.6%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	-2.5%	-3.6%	-4.1%	-4.1%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	-0.1%	0.2%	2.5%	2.5%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	-2.1%	-3.2%	-3.1%	-3.1%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	-5.2%	-7.2%	-10.7%	-10.7%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	-4.3%	-6.0%	-8.8%	-8.8%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	-2.4%	-3.3%	-3.9%	-3.9%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	-7.2%	-10.1%	-15.6%	-15.6%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-0.6%	-0.4%	1.8%	1.8%
US Treasuries	JP Morgan US Government Bond TR	USD	-0.1%	3.8%	2.5%	2.5%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	-0.5%	3.9%	4.0%	4.0%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	-0.4%	0.2%	8.2%	8.2%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-1.5%	-0.2%	1.8%	1.8%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-0.4%	0.9%	4.7%	4.7%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	0.6%	1.8%	8.2%	8.2%
Global Government Bonds	JP Morgan Global GBI	GBP	-1.1%	0.7%	-1.8%	-1.8%
Global Bonds	ICE BofAML Global Broad Market	GBP	-2.4%	-5.3%	-2.1%	-2.1%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	-3.0%	0.9%	9.5%	9.5%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	0.1%	5.5%	9.8%	9.8%

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Property						
Global Property Securities	S&P Global Property TR	GBP	-4.4%	-2.5%	5.6%	5.6%
Currencies						
Euro		GBP	-0.4%	-0.6%	-4.6%	-4.6%
US Dollar		GBP	1.7%	6.9%	1.7%	1.7%
Japanese Yen		GBP	-3.1%	-2.3%	-8.7%	-8.7%
Commodities & Alternatives						
Commodities	Rogers International Commodity (RICI) TR	GBP	3.6%	8.0%	8.7%	8.7%
Agricultural Commodities	Rogers International Commodity (RICI) Agriculture TR	GBP	1.6%	5.2%	5.6%	5.6%
Oil	Brent Crude Oil	GBP	4.0%	11.3%	-1.2%	-1.2%
Gold	Gold Spot	GBP	0.9%	6.6%	29.7%	29.7%
Interest Rates						
			Current Rate			
United Kingdom			4.75%			

Source: Bloomberg Finance L.P., Momentum Global Investment Management. Past performance is not indicative of future returns. *estimated figures.

Asset allocation views



Score	Change	---	--	-	/	+	++	+++
MAIN ASSET CLASSES	▲/▼/—							
Equities	—							
Fixed Income	—							
Alternatives	—							
Cash	—							

Overall View

We remain somewhat cautious on equity risk overall, mindful of the dominance of the US in the global equity context, and of the concentration within the US market. Our fixed income view remains largely constructive with sovereigns and credit still offering attractive nominal and real yields, but we recognize risk premia on some areas of corporate credit are thin today. Alternative assets including gold remain a good diversifier of returns, proving useful as market volatility has increased. Cash provides optionality on any pullback as well as a decent yield, but increasingly we prefer to lock in medium term rates by extending duration.

Score	Change	---	--	-	/	+	++	+++
EQUITIES	▲/▼/—							
Developed Equities	—							
UK Equities	—							
European Equities	▼							
US Equities	—							
Japanese Equities	—							
Emerging Market Equities	▼							

UK equities remain a favoured valuation call with the UK remaining one of the cheapest developed markets. The attractive earnings yields continue to draw in private and overseas buyers. Sentiment had appeared to be turning more constructive, but the recent autumn budget has knocked business confidence. Japan remains attractive both on improving fundamentals and in valuation terms. The lack of breadth in US equities should increasingly favour an active approach to stock selection, and opportunities outside of large cap tech which continue to ride high after Trump's presidential win. European equities have optically quite attractive valuations but mask some deep fundamental regional challenges. Emerging market equities remain cheap as China, the dominant index constituent, battles domestic growth concerns and policy measures to buoy the market fall short of expectations.

Score	Change	---	--	-	/	+	++	+++
FIXED INCOME	▲/▼/—							
Government	—							
Index-Linked	▲							
Investment Grade Corporate	—							
High Yield Corporate	—							
Emerging Market Debt	—							

Global treasury yields still look attractive today, despite recent tightening, and we maintain our constructive government view but pare back a notch after some near term strength and concerns over inflation and longer term debt funding. Inflation linked bonds offer reasonable real yields and with lingering inflation risk offer some protection. Despite offering alluring all in yields, we think the spreads offered today on investment grade and riskier high yield corporate bonds do not compensate investors adequately for the underlying fundamental credit risk. Although defaults remain low, the growth outlook has moderated, and financial conditions remain somewhat tight today. We prefer shorter duration bonds in both developed and emerging markets, particularly higher quality credit.

Score	Change	---	--	-	/	+	++	+++
SPECIALIST ASSETS/ALTERNATIVES	▲/▼/—							
Global Listed Property	—							
Global Listed Infrastructure	—							
Specialist Assets	—							
Liquid Alternatives	—							
Gold	—							

Alternatives continue to offer diversification benefits but compete today with higher yielding cash and quality sovereign bonds. Increasing discounts in NAVs in listed private equity appear overly pessimistic, which supports our constructive medium-term view. Infrastructure and specialist financials remain attractive, but we take listed infrastructure down a score on more modest future return expectations. Our liquid alternatives continue to offer attractive diversification benefits during periods of market uncertainty, but the bar has been raised for the performance from this sector after the resetting higher of global rates in recent years. Gold's status as a haven asset means it remains a useful diversifier, but its recent run higher makes it look somewhat expensive as a non-interest bearing asset today.

Score	Change	---	--	-	/	+	++	+++
CURRENCIES vs. USD	▲/▼/—							
GBP	—							
EUR	—							
JPY	—							

Against long term valuation metrics, the Yen remains cheap relative to the Dollar. The Bank of Japan's policy of yield curve control crushed the Yen in recent years, but their recent shift to a hiking bias has seen periods of rapid reappraisal as carry trades unwind. This should have further to run over the medium term. The higher for longer narrative in the US has buoyed the dollar, as has Trump's recent election victory, but as rates look set to fall its dominance may wane. Its safe haven status at a time of heightened geopolitical risk does however assure it a diversification premium.

The asset allocation views are updated at the end of each quarter unless otherwise stated.



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Important Notes

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