

VIEWPOINT

Newsflash

A new month and the 152nd issue of Viewpoint from **Financial Partners**.

This document will be made available on our website www.f-p.hk

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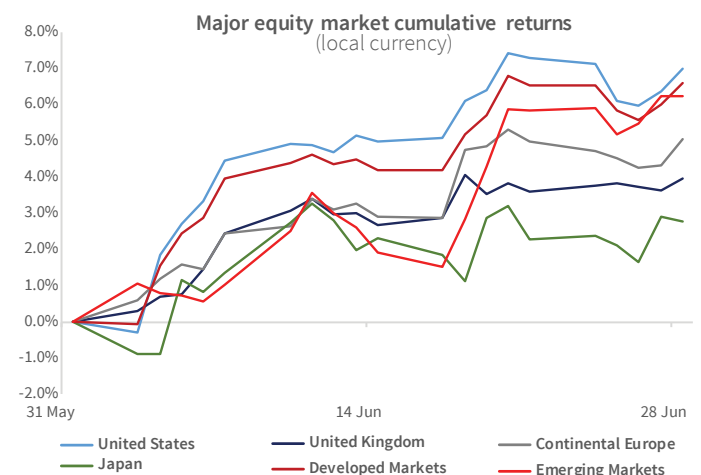
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Market Commentary

The trade war inspired sell off in equity markets in May rapidly reversed in June, while yields on bonds continued the decline that started in late 2018, leaving nearly all asset classes in positive territory for the month. The US again led the way, returning 7.0% in June, taking the MSCI World index up 6.6%, while emerging markets participated fully in the rise, returning 6.2%. The notable laggard was Japan, up only 2.8%, while the UK was held back by Brexit worries, returning 4.0%. Bond markets also rallied strongly with most gaining 1-2% or in the case of emerging market bonds 4.1%.

Figure 1.1: Global equity markets rebound from the sell-off in May



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

A thawing of the US-China trade war, with US President Trump and China's President Xi agreeing to resume trade talks, and the resolution of the US-Mexico dispute over illegal immigrants, provided a more favourable backdrop for markets. However, the main driving force behind the rebound in markets was an about turn by the European Central Bank (ECB) in favour of keeping policy looser for even longer.

In the face of weakening growth, a slowdown in manufacturing output and falling inflation across the eurozone, the ECB surprised investors by announcing its readiness to provide additional stimulus, including further cuts in policy interest rates, extending its forward guidance, committing to keep rates unchanged at least until mid 2020, a further round of cheap funding to banks and the possibility of restarting its Quantitative Easing programme, on hold since the beginning of the year. This led to a significant reduction in interest rate expectations and pushed bond yields across the eurozone to record lows. Six eurozone countries now have negative bond yields at 10 year maturity, with the 10 year German government bond yield falling to an all-time low of -0.33%, while the French 10-year bond yield turned negative for the first time.

The Federal Reserve continued its progressively more dovish approach, taking a further step towards policy easing in the face of rising evidence of slower growth. It shifted its interest rate, inflation and growth expectations lower, with Chairman Powell noting that ‘uncertainties about the outlook have increased’ and committing to ‘act as appropriate to sustain the expansion’. Markets priced in between three and four rate cuts over the next year, a dramatic change from expectations of little more than six months ago. Other central banks also eased policy with Australia’s Central Bank cutting rates and the Bank of England adopting a more dovish approach while warning of falling business and consumer confidence, and the increasing threat of a no deal Brexit.

In remarkably benign conditions, with nearly all asset classes up, it was notable that gold, the traditional safe haven asset, also performed well, up 8.0%, perhaps reflecting the deep uncertainty prevailing about the state of the global economy, geopolitics and longer term implications of monetary policy, as well as the reduced cost of holding the precious metal as interest rates drop.

With the announcement of the new leader of the Conservative party, and hence Prime Minister of the UK, only days away it is a near certainty that Boris Johnson will win. His intent to fulfil Brexit and take the UK out of the EU by the deadline of 31st October, with or without a deal, has increased the risk of a no deal exit materially and with it the prospect of short term disruption to trade between the UK and EU. Sterling is already reflecting this possibility, having slipped to a two year low against the dollar, but further weakness is likely as the ramifications of the change in leadership are fully absorbed. Elsewhere in Europe, the Italian budget dispute with the EU reached a short term compromise solution while leaving open substantial longer term problems. The Italian government agreed to restrain its fiscal deficit to 2.0% of GDP, enabling the EU to back off from disciplinary action. Italian assets

were among the best performers in the month, in contrast to eurozone banks which continue to suffer from post crisis legacies and negative policy interest rates.

The US-Iran dispute deteriorated materially, with attacks on oil tankers in the Gulf, thought to be the work of Iran, and increasingly hard-line tactics by both Iran and the US. This supported the oil price, as did the extension of production curbs by Russia and Saudi Arabia, with oil up 3.0% in June, taking its year-to-date rally to 24.0%.

Some caution is warranted in the short term. Equity and bond markets have risen sharply this year, driven by the prospect of easier financial conditions, and valuations have become stretched in some areas, notably in fixed income. Yet the economic backdrop has deteriorated, corporate earnings are under pressure especially in sectors most exposed to manufacturing, and markets are largely discounting sizeable policy easing by central banks in coming months.

However, while trade and manufacturing have been weak, the key service sector has remained firm, employment has been strong and the consumer is generally in good shape. There are no signs of systemic financial problems and an ensuing liquidity crunch nor of capacity shortages, inflation and a sudden tightening of policy. With inflation subdued central banks have considerable flexibility in keeping policy ultra-loose for much longer, thereby extending this extraordinary cycle.

Furthermore, the extent of the falls in government bond yields and the impact on financial conditions and valuations of other markets should not be under-estimated. Notably, US bond yields have fallen by over 100 basis points since late 2018. This provides a strong underpinning to equities and other risk assets, offsetting the more challenging conditions faced by the corporate sector after last year’s benign backdrop.

While some consolidation is overdue we, therefore, believe that the cycle has further to run and any falls in markets will give rise to opportunities to add to risk assets, while at all times maintaining careful diversification in portfolios to provide protection during inevitable shorter term setbacks.

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 28 June 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
United States	S&P 500 NR	USD	7.0%	4.1%	18.2%	9.8%
United Kingdom	MSCI UK NR	GBP	4.0%	3.3%	13.0%	1.6%
Continental Europe	MSCI Europe ex UK NR	EUR	5.1%	4.3%	17.3%	6.0%
Japan	Topix TR	JPY	2.8%	-2.4%	5.2%*	-8.2%
Asia Pacific (ex Japan)	MSCIAC Asia Pacific ex Japan NR	USD	6.3%	0.7%	12.2%	0.8%
Global	MSCI World NR	USD	6.6%	4.0%	17.0%	6.3%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	7.6%	11.7%	20.2%	15.6%
Emerging Asia	MSCI EM Asia NR	USD	6.4%	-1.2%	9.7%	-2.3%
Emerging Latin America	MSCI EM Latin America NR	USD	6.2%	4.4%	12.6%	18.4%
BRICs	MSCI BRIC NR	USD	6.3%	-0.2%	13.7%	3.3%
Global emerging markets	MSCI Emerging Markets NR	USD	6.2%	0.6%	10.6%	1.2%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	0.9%	3.1%	5.4%	7.5%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	0.8%	3.0%	6.4%	4.9%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	2.4%	4.5%	9.9%	10.7%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	2.3%	2.5%	9.9%	7.5%
UK Gilts	JP Morgan UK Government Bond TR	GBP	0.2%	1.4%	5.0%	5.2%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	1.2%	2.0%	6.3%	6.0%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	2.3%	3.4%	6.0%	6.5%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	1.6%	2.2%	5.4%	4.8%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	2.4%	2.4%	7.8%	5.6%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	0.7%	1.2%	2.9%	3.3%
Australian Government	JP Morgan Australia GBI TR	AUD	1.2%	3.6%	7.8%	11.5%
Global Government Bonds	JP Morgan Global GBI	USD	2.1%	3.5%	5.4%	5.7%
Global Bonds	ICE BofAML Global Broad Market	USD	2.1%	3.4%	5.7%	6.0%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	4.2%	3.2%	11.3%	4.4%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	4.1%	4.4%	10.8%	11.7%

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

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 28 June 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
US Property Securities	MSCI US REIT NR	USD	-0.6%	2.3%	-0.2%*	3.7%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	2.6%	2.4%	16.7%	13.9%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	4.5%	-2.2%	12.7%	9.8%
Global Property Securities	S&P Global Property USD TR	USD	2.4%	0.4%	15.0%	7.9%
Currencies						
Euro		USD	1.8%	1.4%	-0.8%	-2.7%
UK Pound Sterling		USD	0.5%	-2.6%	-0.5%	-3.9%
Japanese Yen		USD	0.4%	2.7%	1.6%	2.6%
Australian Dollar		USD	1.2%	-1.1%	-0.4%	-5.2%
South African Rand		USD	3.5%	2.9%	2.0%	-2.6%
Commodities & Alternatives						
Commodities	RICI TR	USD	3.1%	-1.3%	8.0%	-7.2%
Agricultural Commodities	RICI Agriculture TR	USD	-0.1%	1.0%	-0.8%	-6.1%
Oil	Brent Crude Oil	USD	3.2%	-2.7%	23.7%	-16.2%
Gold	Gold Spot	USD	8.0%	9.1%	9.9%	12.5%
Hedge funds	HFRX Global Hedge Fund	USD	1.5%*	1.4%*	4.1%*	-2.1%*
Interest rates						
United States			2.50%			
United Kingdom			0.75%			
Eurozone			0.00%			
Japan			0.10%			
Australia			1.25%			
South Africa			6.75%			

Market Performance - UK (All returns in GBP)



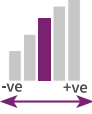



Asset Class/Region	Index	To 28 June 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
UK - All Cap	MSCI UK NR	GBP	4.0%	3.3%	13.0%	1.6%
UK - Large Cap	MSCI UK Large Cap NR	GBP	3.8%	3.0%	12.8%	2.9%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	4.3%	2.9%	10.9%	-6.7%
UK - Small Cap	MSCI Small Cap NR	GBP	1.2%	2.1%	14.5%	-5.9%
United States	S&P500NR	USD	6.4%	6.6%	18.7%	14.1%
Continental Europe	MSCI Europe ex UK NR	EUR	6.3%	8.1%	16.8%	7.2%
Japan	Topix TR	JPY	2.8%	2.6%	7.7%*	-2.1%
Asia Pacific (ex Japan)	MSCIAC Asia Pacific ex Japan NR	USD	5.8%	3.1%	12.7%	4.8%
Global developed markets	MSCI World NR	USD	6.0%	6.4%	17.4%	10.5%
Global emerging markets	MSCI Emerging Markets NR	USD	5.7%	3.0%	11.0%	5.2%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	0.2%	1.4%	5.0%	5.2%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	0.0%	0.3%	0.8%	1.3%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	0.3%	1.3%	3.7%	5.3%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	0.2%	2.0%	8.0%	7.2%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	-0.9%	1.9%	8.0%	8.7%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	0.5%	2.3%	4.1%	7.0%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	-1.5%	1.7%	9.9%	9.8%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	1.2%	2.0%	6.3%	6.0%
US Treasuries	JP Morgan US Government Bond TR	USD	0.4%	5.6%	5.8%	11.7%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	2.4%	4.5%	9.9%	10.7%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	2.3%	2.5%	9.9%	7.5%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	2.3%	3.4%	6.0%	6.5%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	1.6%	2.2%	5.4%	4.8%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	2.4%	2.4%	7.8%	5.6%
Global Government Bonds	JP Morgan Global GBI	GBP	1.6%	5.9%	5.8%	9.8%
Global Bonds	ICE BofAML Global Broad Market	GBP	2.1%	3.4%	5.7%	6.0%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	4.2%	3.2%	11.3%	4.4%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	3.5%	6.8%	11.2%	16.1%

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


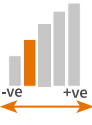


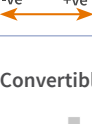

Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 28 June 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
Global Property Securities	S&P Global Property TR	GBP	1.9%	2.8%	15.4%	12.1%
Currencies						
Euro		GBP	1.3%	4.1%	-0.4%	1.2%
US Dollar		GBP	-0.5%	2.7%	0.5%	4.0%
Japanese Yen		GBP	-0.1%	5.5%	2.1%	6.8%
Commodities & Alternatives						
Commodities	RICI TR	GBP	2.6%	1.0%	8.4%	-3.6%
Agricultural Commodities	RICI Agriculture TR	GBP	-0.6%	3.4%	-0.4%	-2.4%
Oil	Brent Crude Oil	GBP	2.6%	-0.4%	24.2%	-12.9%
Gold	Gold Spot	GBP	7.4%	11.6%	10.3%	16.9%
Interest rates						
United Kingdom			0.75%			
United States			2.50%			
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. Valuations look reasonable and thus global equities remain attractive, particularly versus ever more expensive sovereign and some corporate bonds. June's performance was very strong which takes the shine off from a valuation perspective but momentum remains with risk assets for now » 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. + The increasingly dovish policy pivot remains favourable for global equities, though we remain cognisant of weakening data across an increasing number of regions + Equities are better placed than most asset classes to perform in a moderately pro inflationary environment - The trade war back drop remains unresolved and remains a key risk for global equities
UK equities (relative to developed) 	<ul style="list-style-type: none"> » UK equities continue to look cheap today but caution is warranted given the now extended Brexit timeline and continued political jockeying, now in the throes of a leadership race to Downing Street. 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. » With October as the new timeline we should expect to see continued volatility in Sterling and UK assets as that date approaches (and likely beyond). + 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. The economy has fared better than many expected. - Today the chief worries lie within the political sphere - the protracted Brexit timeline and the current Tory party leadership contest. 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's new TLTRO program goes some way to replacing the stimulus lost when the bond purchase program ended, but inflationary pressures have all but evaporated and it is difficult to identify a catalyst for meaningful earnings growth » Christine Lagarde's expected appointment as the next ECB chief has also been welcomed and has been supportive of local (and global) equity prices. + Any 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. 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 going into reverse and helping to buoy riskier assets. + The economy remains in reasonably good health with several leading indicators remaining positive, albeit weakening + Following the Fed's recent policy pivot, 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. - The market expects a Fed rate cut. If it does not materialise expect prices to move lower.
Japan equities (relative to developed) 	<ul style="list-style-type: none"> » Japanese equities continues to be attractive today. We acknowledge government policy designed to improve working practices and governance. The direction of the Yen is an important driver of returns with Yen weakness supporting Japanese equities and vice versa; recent Yen strength and relative underperformance of equities provides some cushion going forward » Japanese assets should remain well buoyed by the Bank of Japan, which is the sole major central bank still buying assets today, for now at least. + Japanese equities' relative underperformance leaves some scope for 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"> » 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 and reasonable valuations should support EM equity returns over time. Some caution is warranted as 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. - Despite some encouraging trade talks recently the Sino-US trade war backdrop remains unresolved and remains a key risk for emerging markets as a whole.

Past performance is not indicative of future returns.

Fixed Income	
Government 	<ul style="list-style-type: none"> » DM government bonds remain largely unattractive today with poor real return prospects in aggregate following the spectacular recent rally. After the recent repricing in most rates markets we remain cautious on bonds and look for more diversification to come from cash and gold. 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. - Net central bank bond purchases have, for now, now turned negative and may be a headwind for all rate sensitive debt when the current buying frenzy ends.
Index-linked (relative to government) 	<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.
Investment grade Corporate (relative to government) 	<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 - With quantitative easing slowing the risks appear more asymmetric - Credit quality has drifted lower in recent years, and leverage has moved higher
High Yield Corporate 	<ul style="list-style-type: none"> » Spreads have recently widened but out to a level that is probably about fair in our opinion, but which is likely to remain somewhat elevated and potentially volatile. » 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 further again from here. + In the absence of a systemic market shock, and with the current dovish tone driving markets, high yield will likely trump most of other fixed income. - 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
Emerging market debt 	<ul style="list-style-type: none"> » The asset class remains attractive today, with spreads slightly elevated relative to history in spite of lower yields after recent rate moves. 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 would weigh on EM assets, with local bonds and FX likely bearing the brunt - Idiosyncratic events will occur so expect some periodic volatility
Convertible bonds 	<ul style="list-style-type: none"> » Convertible bonds played their protective role well through the latter stages of 2018 and enjoyed a decent uplift through Q1. We continue to favour an allocation to convertibles in a multi asset portfolio for the convexity it 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 to 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. - 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 industrial commodities will likely 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, as witnessed during recent market weakness - 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, UK property outside London holds some appeal, with industrial and office space having more attractive fundamentals than the under pressure retail sector. + Premium yields should continue to attract capital and provide some floor to prices, as will any sustained Sterling weakness + 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 and performance has been strong at the index level through both the market weakness in latter 2018 and the strong gains year to date » Their income generating potential should continue to support the sector and attract buyers of quality infrastructure assets. + 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 a spate of recent events has hit a handful of stocks hard.
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 mis-pricings, 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 as high quality bonds get ever more 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"> » Politics and the conservative leadership race has replaced headline Brexit risk in the short term. Boris Johnson looks the likely winner but whoever emerges as victor is unlikely to have much impact while the Brexit saga rolls on. Expect little progress over the summer » 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 and expectations for additional easing have resurfaced as forward inflation expectations have nosedived. 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. We retain a neutral rating but there is scope for another leg up if global risk appetite falls from favour again.

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



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