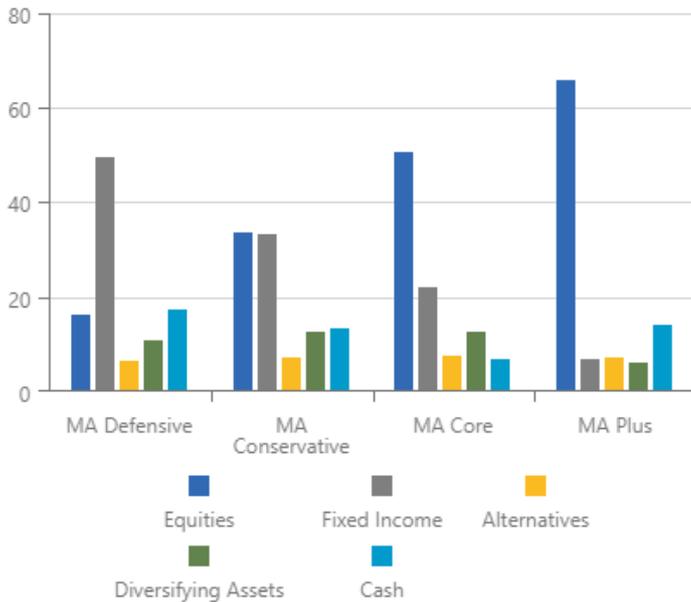


	Equities	The coronavirus poses a significant threat to the global economy. Central banks and governments are providing unprecedented stimulus to limit a global recession. For now we are taking a safety first approach, but longer term, there will be tremendous opportunities in equity markets.
	Fixed Income	The opportunity set is evolving rapidly in fixed income markets. Government bonds provide safe harbour but yields are exceptionally low and negative in real terms. Investment grade corporate bonds are supported by central bank purchases. High yield and emerging market sovereign bonds will present opportunities in the coming months.
	Alternatives	Directional alternatives can provide diversification benefits to multi-asset investors. The outlook for gold remains strong given the backdrop of negative real bond yields and increasingly extreme monetary policy. Listed Real Estate (REITs) provide income in a world searching for yield.
	Diversifying Assets	A creative approach to diversification is required with government bond yields at these levels. Diversifying risk factors provide an alternative source of return with very low correlation to both equities and bonds.
	Cash	Exceptionally low interest rates ensure that cash is a poor long term investment but is tactically attractive in the current environment.

Asset allocations as at 2020-07-08





Equities

The coronavirus poses a significant threat to the global economy. Central banks and governments are providing unprecedented stimulus to limit a global recession. For now we are taking a safety first approach, but longer term, there will be tremendous opportunities in equity markets.



UK Equity

UK equities are among the cheapest in the developed world although dividend cuts are to be expected.



Global Equity

Global value stocks enjoy a significant margin of safety compared to growth stocks and with their valuations trading at an historically wide discount to the market



US Equity

The Federal Reserve and the government has responded quickly to the crisis with monetary and fiscal stimulus. However, some of America's perceived strengths such as a flexible labour force may turn out to be a weakness and valuations are high compared to the rest of the world.



Europe ex UK Equity

Europe faces significant challenges to respond quickly to the coronavirus crisis although their less flexible labour laws may be an advantage in the current crisis.



Japan Equity

Japanese corporates have some of the strongest balance sheets globally, with more than half having net cash on their balance sheet. This will allow them to weather the storm and benefit from the recovery.



Asia-Pacific ex Japan Equity

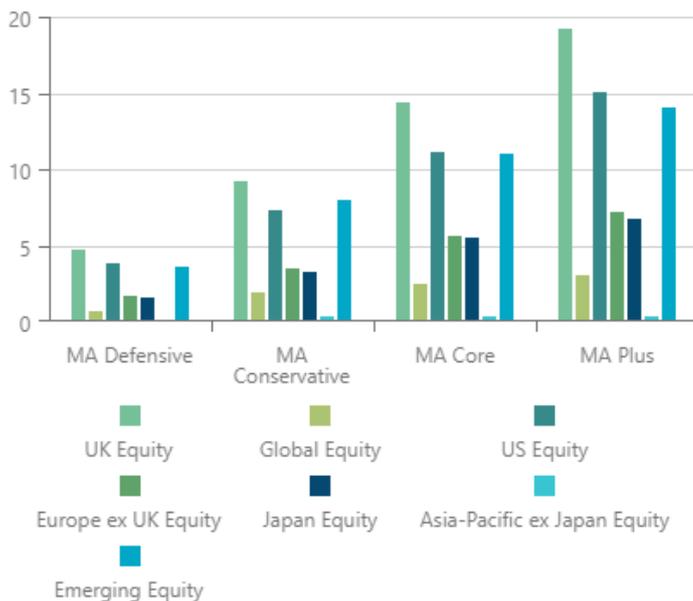
Australia's reputation as the lucky country may be coming to an end and the rest of the region will need to adjust to a changing China



Emerging Equity

Emerging market equities are more attractively valued and Asia is further through this crisis. We expect emerging markets to outperform the rest of the world.

Equities allocations as at 2020-07-08



Equities allocations over time





Fixed Income

The opportunity set is evolving rapidly in fixed income markets. Government bonds provide safe harbour but yields are exceptionally low and negative in real terms. Investment grade corporate bonds are supported by central bank purchases. High yield and emerging market sovereign bonds will present opportunities in the coming months.



UK Government Bonds

UK gilt yields are very low relative to history but government bonds offer protection in this market environment.



EM Bonds - Local Currency

Emerging market local currency bonds have higher real yields than in the developed world, but we are more cautious on the near term outlook for their currencies



EM Bonds - Hard Currency

Hard currency emerging market government bonds offer considerably higher yields than government bonds in the developed world and although there are risks that spreads widen further, we expect the long term returns from hard currency bonds to be attractive



Investment Grade Corporate Bonds

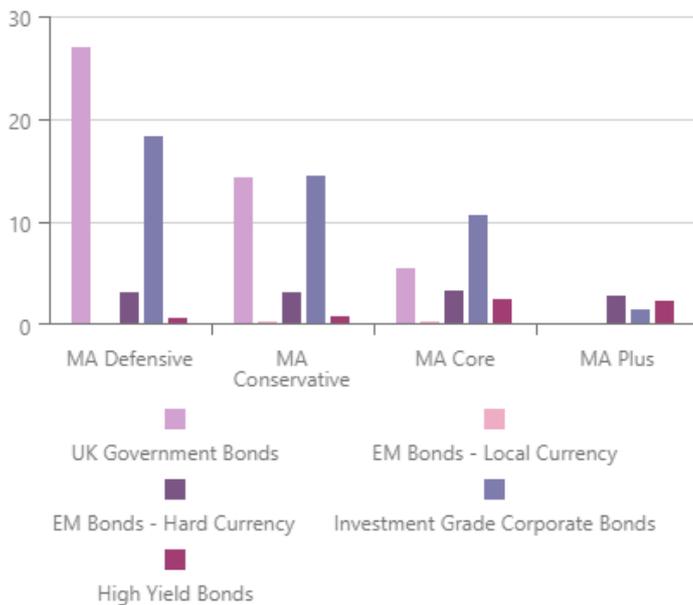
Investment grade bond spreads have widened and are at least partially supported by central bank buying of corporate bonds



High Yield Bonds

We are cautious on the outlook for high yield in the short term, but as spreads continue to widen, the risk return characteristics of high yield become increasingly attractive.

Fixed Income allocations as at 2020-07-08



Fixed Income allocations over time





Alternatives

Directional alternatives can provide diversification benefits to multi-asset investors. The outlook for gold remains strong given the backdrop of negative real bond yields and increasingly extreme monetary policy. Listed Real Estate (REITs) provide income in a world searching for yield.



Commodities

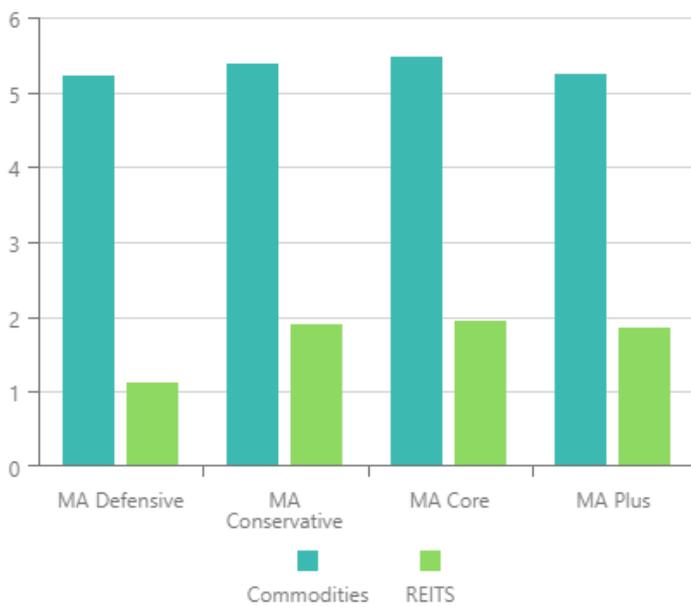
Negative real yields provides a strong tailwind for gold. As governments and central banks adopt more extreme policies to combat the economic slowdown, gold should continue to thrive.



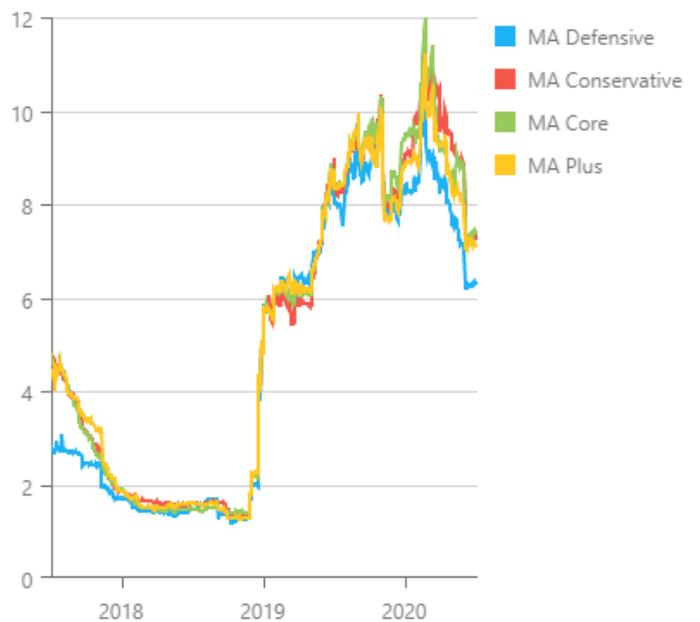
REITS

REITs provide a source of income in a world searching for yielding assets although an economic slowdown poses some risks.

Alternatives allocations as at 2020-07-08



Alternatives allocations over time





Diversifying Assets

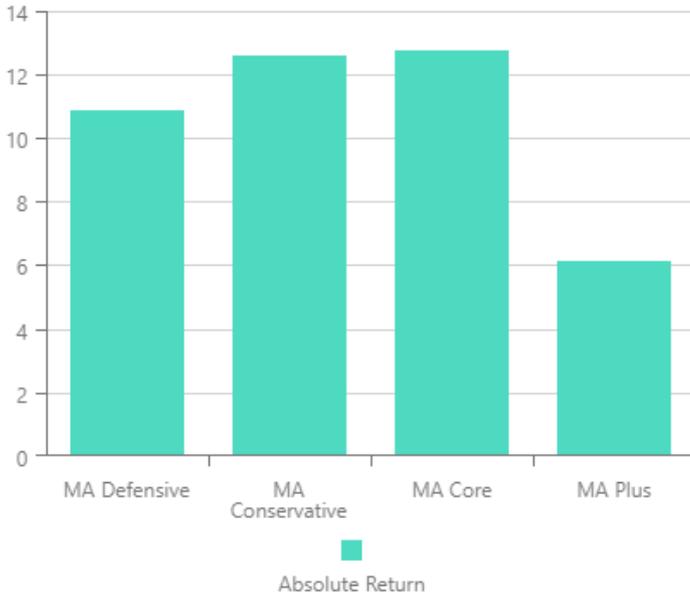
A creative approach to diversification is required with government bond yields at these levels. Diversifying risk factors provide an alternative source of return with very low correlation to both equities and bonds.



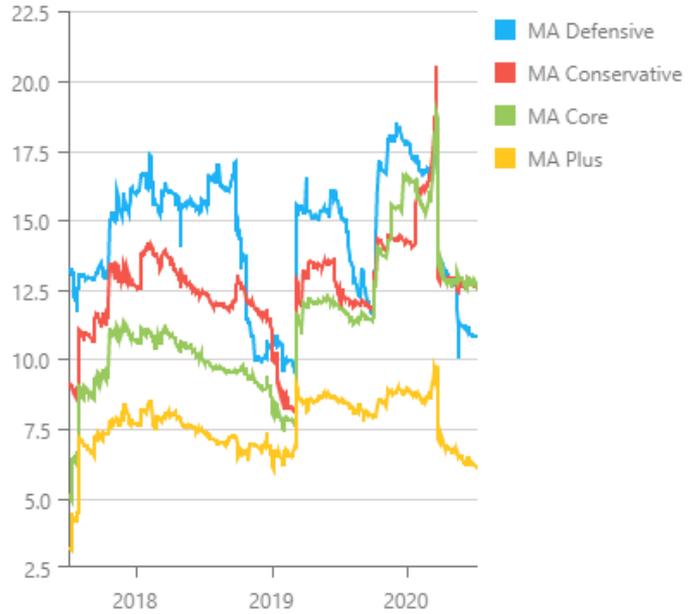
Absolute Return

The environment for macro managers is improving as central banks' policies become more extreme, providing opportunities. Finding true diversification is increasingly challenging for investors; diversifying risk factors help to solve this puzzle, offering returns that are uncorrelated with both equities and bonds.

Diversifying Assets allocations as at 2020-07-08



Diversifying Assets allocations over time

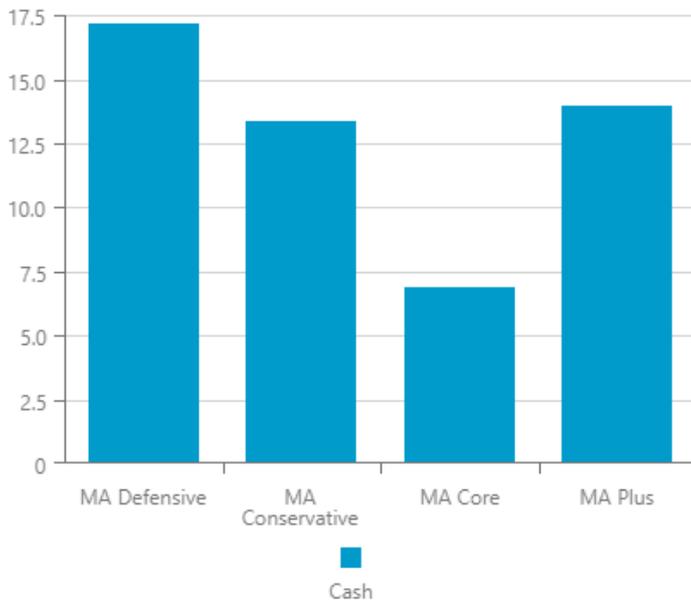




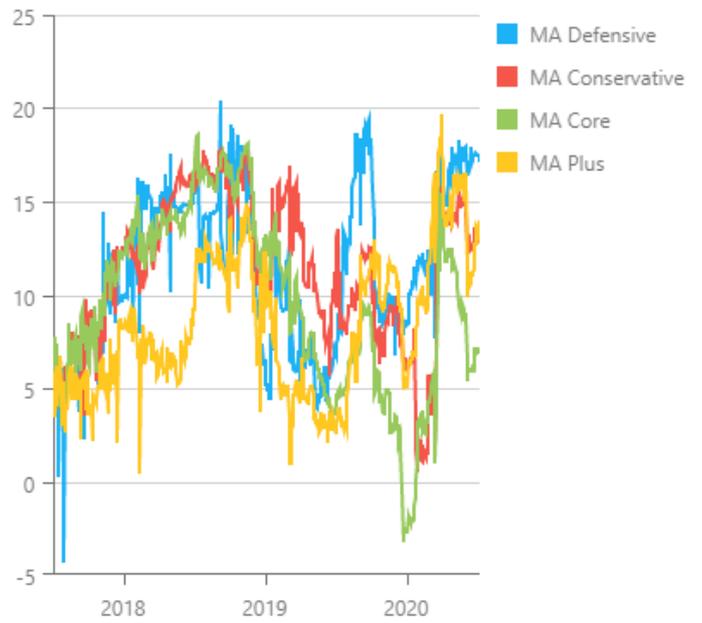
Cash

Exceptionally low interest rates ensure that cash is a poor long term investment but is tactically attractive in the current environment.

Cash allocations as at 2020-07-08



Cash allocations over time



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