

The Managed Portfolios and Income Portfolio have now been rebalanced, with changes to the Equity, Fixed Income, Infrastructure (only in Managed Portfolio 3) and Cash segments of the strategies. The Managed Portfolios have seen an increase to UK equities which is being funded from Cash. Both the Income Portfolio and Managed Portfolio 3 to 6 saw a switch from Inflation Linked Bonds into US Government Bonds (hedged).

There were no changes to Managed Portfolio 7 or 8, however, we took the opportunity to rebalance these strategies back to their target weights.

Momentum Managed Portfolios 3 to 6

Managed Portfolios 3 to 6 saw an increase to UK equities via Schroders UK Recovery and Old Mutual UK Smaller Companies. UK equity valuations are attractive again after a recent sell off due to the UK's ever evolving Brexit negotiations and continued political jockeying. MSCI UK is down 4.8% YTD and 8.5% since June. Additionally, Sterling is down 3.4% YTD and 9.0% since May, again, mostly due to the uncertainty around Brexit negotiations. We do not anticipate Sterling falling to much lower against the USD and therefore adds additional value to UK equities at the current level - cheap for international investors in local currency. Nevertheless, we still add with caution with the larger cap market constituents are more globally focused than they are UK, and have earnings shielded in large part from FX swings, which means the more domestically oriented names may face bigger challenges.

Managed Portfolios 3 to 6 and the Income Portfolio saw a switch out of Inflation Linked Bonds via the L&G Global Inflation Linked Bond Index and reinvested into US Government Bonds via the Vanguard US Government Bond Index (hedged). On a medium-term outlook DM government bonds remain largely unattractive with poor real return prospects in aggregate, however, US treasuries are the exception and offer improved value today as yields oscillate around the 3% level. Additionally, inflationary forces remain somewhat muted and on any renewed concerns over global growth they would almost certainly underperform nominal bonds.

Although the global economy is generally in good shape, with reasonable growth combined with low inflation, this is not a time for investor complacency. Some of the negative developments in recent weeks could be of a relatively short-term nature: there might well be compromise solutions to the problems in the EU with Italy and the UK in the months ahead. However, it is becoming increasingly likely that the trade war between the US and China will persist for some time and could have a rising impact on confidence and growth. Most importantly of all, the Fed will continue to tighten policy by increasing rates, probably to over 3% by the end of 2019, and removing liquidity. Bond yields could well rise further, putting pressure on other asset values. Those countries, companies and households with excessive debt face difficult times ahead, and much greater caution is warranted with respect to credit risks in portfolios. It will be important to watch for signs of any pickup in inflation in the US, notably in wages, as this would be a potential trigger for an unexpectedly sharp tightening of monetary policy.

Managed Portfolio New Fund Selection - v33

momentum

September 2018

↑ Increase Allocation ↓ Decrease Allocation → No Change ● New Allocation

low risk

high risk



| | 3 | 4 | 5 | 6 | 7 | 8 |
|---------------------------------------------------------|-------|-------|-------|-------|-------|-------|
| EQUITIES | | | | | | |
| UK EQUITY | | | | | | |
| CF Lindsell Train UK Equity Fund | 1.0→ | 3.0↑ | 6.5↑ | 5.5→ | 3.0→ | 3.0→ |
| Evenlode Income B Acc | 3.5→ | 7.5→ | 10.5→ | 8.0→ | 8.0→ | 4.0→ |
| Liontrust UK Smaller Companies ACC | - | - | - | - | 3.0→ | 3.0→ |
| Old Mutual UK Smaller Companies R Acc | - | - | 2.0● | 3.0→ | 3.0→ | 3.0→ |
| Schroder UK Recovery Z | 7.0↑ | 11.0→ | 14.0→ | 11.0↑ | 11.0→ | 10.0→ |
| GLOBAL EQUITY | | | | | | |
| Evenlode Global Income Fund | 3.0↑ | 6.0→ | 7.0→ | 7.0→ | 5.0→ | 6.0→ |
| Trojan Global Equity O Acc | - | 6.5→ | 8.0→ | 8.0→ | 6.0→ | 4.0→ |
| Fidelity Global Index | - | - | - | 6.0→ | 6.0→ | - |
| FP Crux European Special Situations Fund I Acc GBP | 1.5→ | 1.5→ | 2.0→ | 4.0→ | 5.5→ | 6.0→ |
| Fidelity Index Japan W | 1.5→ | 1.5→ | 2.0→ | 3.0→ | 4.0→ | 5.0→ |
| EMERGING MARKET EQUITY | | | | | | |
| JPM Emerging Markets Dividend | 3.5→ | 4.0→ | 5.0→ | 5.0→ | 9.0→ | 11.5→ |
| Fidelity Emerging Markets Index Acc | - | - | - | - | - | 9.0→ |
| First State Asia Pacific Leaders B Fund Acc | - | 3.0→ | 5.0→ | 7.5→ | 11.0→ | 13.0→ |
| Somerset Emerging Dividend Growth Fund Acc | - | - | - | 5.0→ | 6.0→ | 8.5→ |
| FIXED INCOME | | | | | | |
| INFLATION LINKED GILTS | | | | | | |
| L&G Gbl Infln Lkd Bd Index I Acc | 10.0↓ | 6.0↓ | 3.0↓ | 0.0↓ | - | - |
| GOVERNMENT BONDS | | | | | | |
| Vanguard US Government Bond Index | 3.0● | 3.0● | - | - | - | - |
| iShares UK Gilts All Stock | 6.0→ | 5.0→ | 2.0→ | - | - | - |
| INVESTMENT GRADE | | | | | | |
| Vanguard UK STInvGrdBd Idx A£ | 5.0→ | - | - | - | - | - |
| CORPORATE BONDS | | | | | | |
| Fidelity Strategic Bond Fund | 4.0→ | - | - | - | - | - |
| Jupiter Strategic Bond Fund | 4.0→ | - | - | - | - | - |
| MI TwentyFour Dynamic Bond Fund I Acc | 10.0→ | 8.0→ | 6.0→ | 4.0→ | 2.5→ | - |
| HIGH YIELD | | | | | | |
| AXA US Short Duration High Yield Fund ZI Gross Acc | 7.0→ | 6.0→ | 2.0↓ | - | - | - |
| CONVERTIBLES | | | | | | |
| RWC Global Convertibles B GBP Hedged | 2.0→ | 2.0→ | 2.0→ | 3.0→ | 2.0→ | - |
| EMERGING MARKET DEBT | | | | | | |
| L&G Em Gov Bd (USGBX) Index I Acc | 5.0→ | 6.0→ | 6.0→ | 2.0→ | - | - |
| LIQUID ALTERNATIVES | | | | | | |
| F&C Global Equity Market Neutral Fund Share Class 3 Acc | 5.0→ | 4.0→ | 4.0→ | 3.0→ | 2.5→ | 2.0→ |
| Old Mutual Global Absolute Return | 5.0→ | 4.0→ | 3.0→ | 3.0→ | 2.5→ | 2.0→ |
| PROPERTY | | | | | | |
| First State Global Listed Infrastructure GBP B Acc | 4.0↑ | 3.0→ | 4.0→ | 6.0→ | 5.0→ | 5.0→ |
| L&G Global Real Estate Dividend Index Fund | 3.0→ | 3.0→ | 3.0→ | 4.0→ | 3.0→ | 3.0→ |
| CASH | | | | | | |
| Cash | 6.0↓ | 6.0↓ | 3.0→ | 2.0→ | 2.0→ | 2.0→ |

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