

Think Tank

Multi Asset: A Portfolio for all Seasons

September 2024

momentum
investments

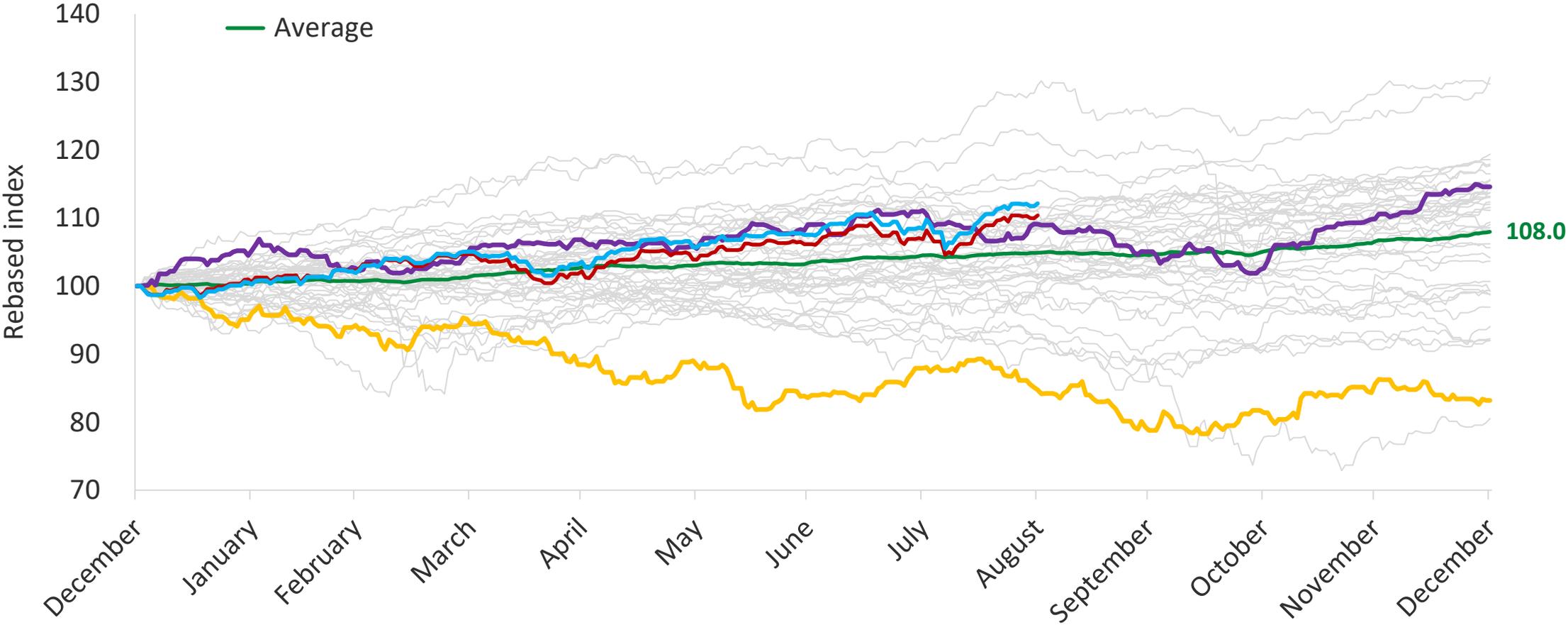


The year so far



An above average path ... but significant year on year variation

Path of calendar year returns since 1978 - Global 60/40

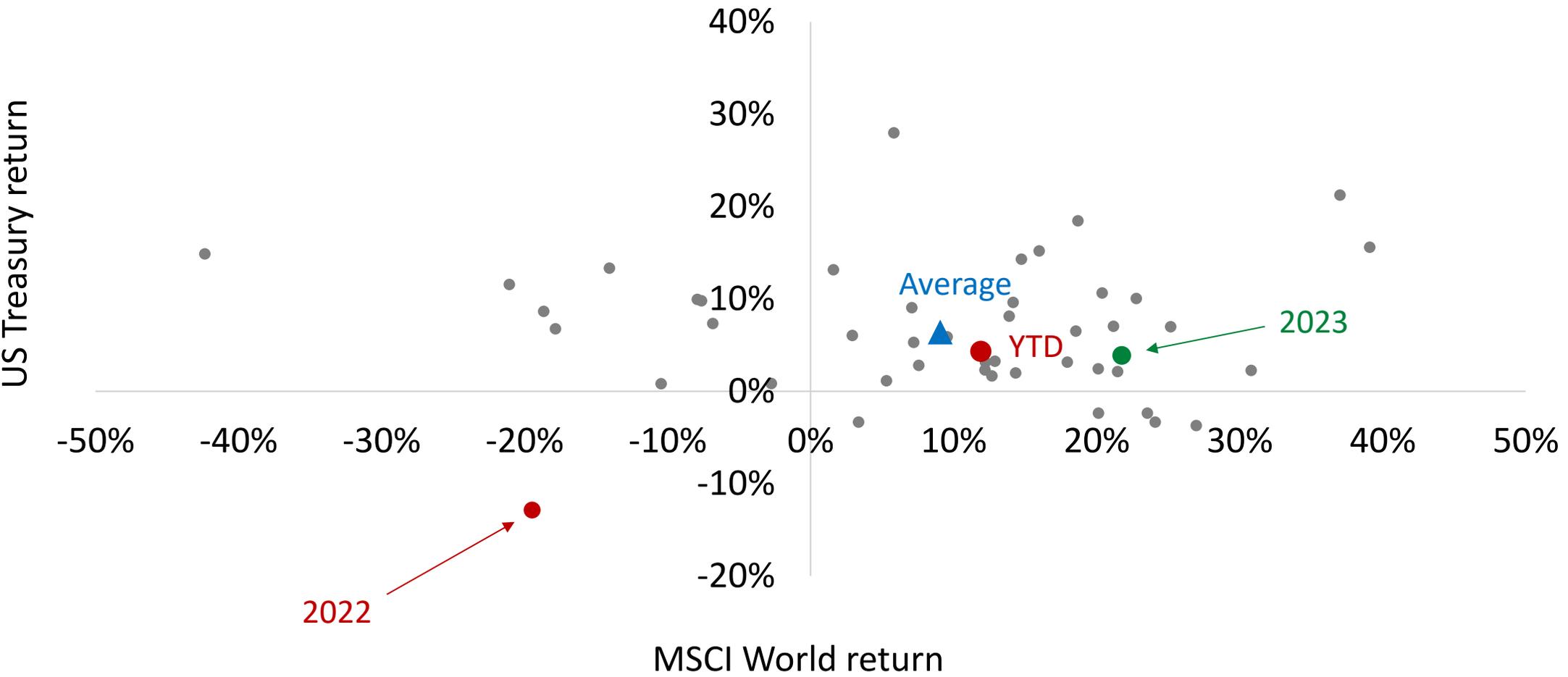


Source: Bloomberg Finance LP, Momentum. YTD data to 31st August 2024. 60/40 portfolio composed of 60% MSCI World equity and 40% ICE BoA US Treasury index. Grey lines show path of each calendar 60/40 return from 1973 to 2023. Harmony Balanced AA is a simulated YTD return based on the Harmony US Dollar Balanced fund asset allocation as at 27th August 2024 and excludes manager selection, fees and costs.

The year so far



An above average path... but significant year on year variation

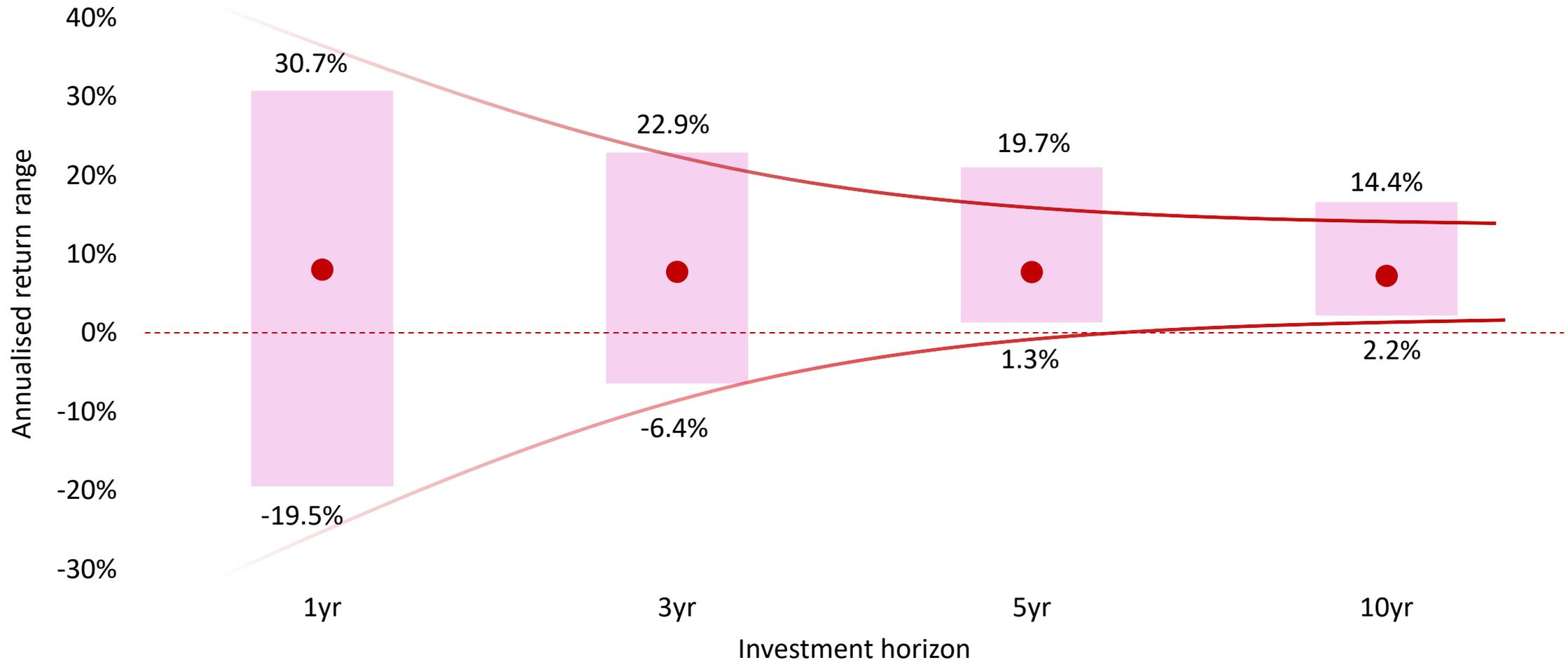


Source: Bloomberg Finance LP, Momentum. Treasury returns are ICE BofA US Treasury Index (G0Q0). Calendar year returns 1978 – 2023. 2024 YTD returns to 10th Sep 2024

Take the long view

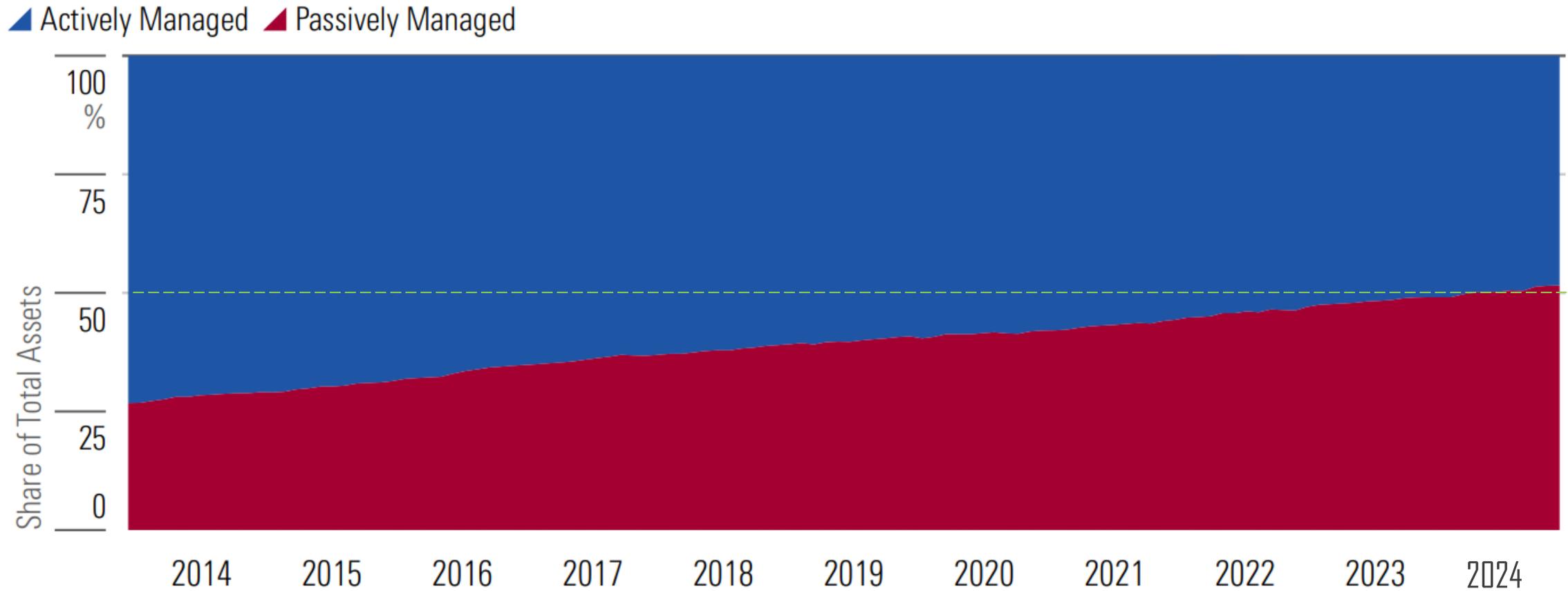


Dispersion of annualised 60/40 portfolio horizon returns



Passive attack

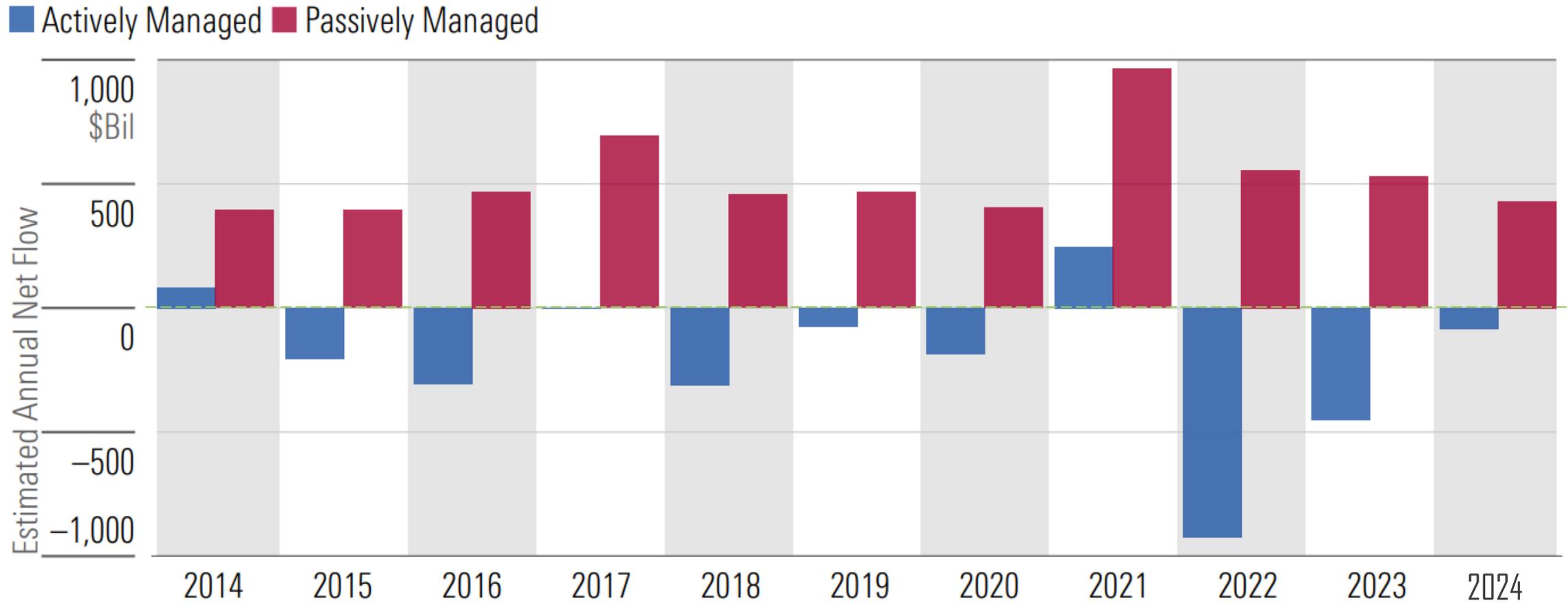
Rise of the machines



Source: Morningstar Direct Asset Flows. Data as of July 31, 2024. Shows US long term fund assets. Open ended mutual funds and ETFs

Passive attack

Rise of the machines



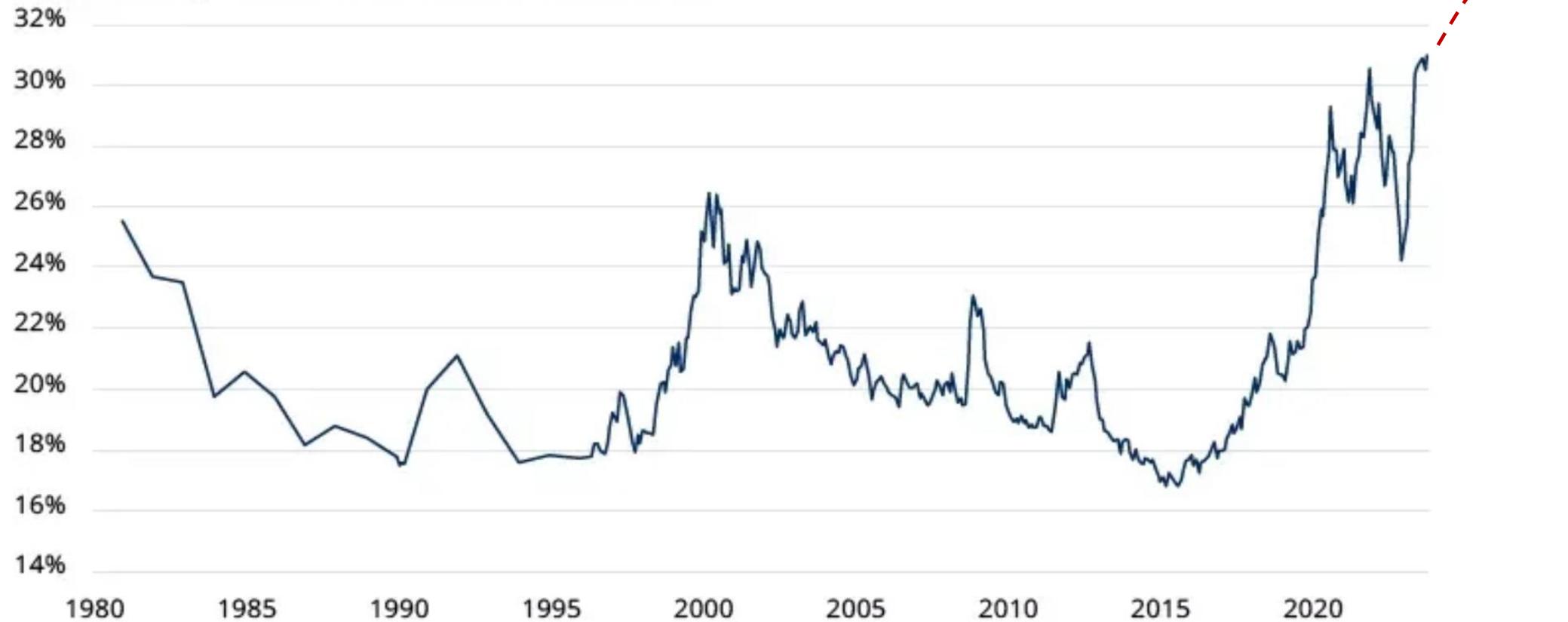
Source: Morningstar Direct Asset Flows. Data as of July 31, 2024. Shows US long term fund assets. Open ended mutual funds and ETFs

Passive attack



Index buying feeds off itself. More begets more

Weight of 10 largest stocks in the S&P 500 index over time



Source: Schroders, "Active vs passive: concentrated markets swing the pendulum back in favour of active" 14th Nov 2023. Annual to May 1996 and monthly thereafter. As at 11th Sep 2024 the combined weight top 10 constituents of the iShares Core S&P500 ETF was 34.1%

Concentration risks

Dominance of large cap is cyclical



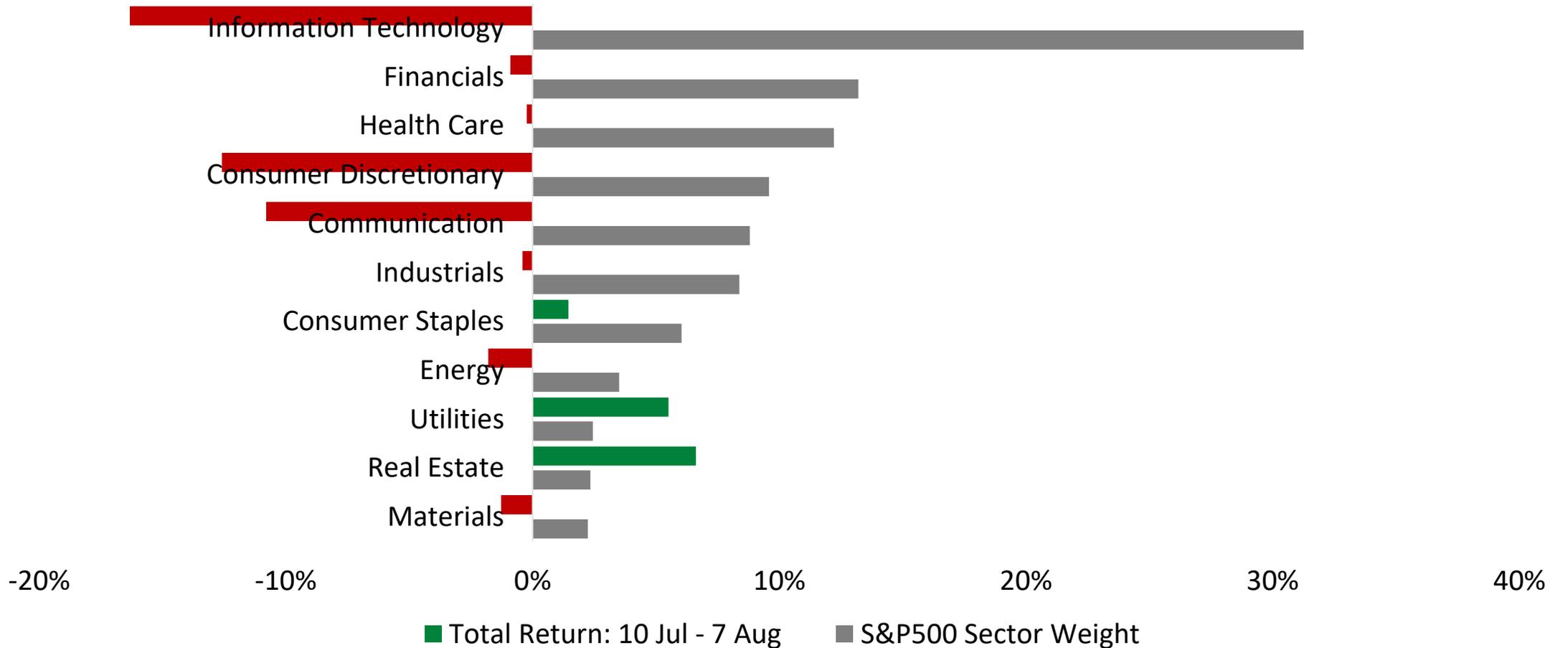
SPW vs SPX 5yr rolling relative return



Source: Bloomberg Finance LP. SPW is the equal weight S&P500 SPX is market weight S&P500

Rotation risk

Big tech underperformance



Source: Bloomberg Finance LP, Momentum. Sector weights at 30th Aug 2024

Persistence

Increasingly hard to keep up



Relative Change in Market Share

Years After

Cohort	0	10	20	30	40	50	60	70	80	90	100	110	120
1900	100%	72%	34%	22%	15%	14%	16%	9%	12%	9%	8%	11%	3%
1910	100%	54%	40%	42%	35%	42%	26%	26%	16%	12%	11%	4%	
1920	100%	74%	95%	85%	102%	63%	61%	38%	21%	21%	11%		
1930	100%	121%	99%	126%	64%	55%	43%	36%	22%	7%			
1940	100%	78%	84%	42%	36%	26%	23%	14%	4%				
1950	100%	108%	58%	49%	36%	30%	21%	8%					
1960	100%	65%	52%	36%	28%	18%	6%						
1970	100%	64%	34%	21%	15%	6%							
1980	100%	57%	40%	29%	9%								
1990	100%	74%	51%	21%									
2000	100%	63%	47%										
2010	100%	111%											
2020	100%	?											
2024	100%												
Average	100%	78%	58%	47%	38%	32%	28%	22%	15%	12%	10%	8%	3%

Source: 'The Life Cycle of Market Champions' by Bob Price, Khia Kurtenback, Thomas Maisonneuve. June 18th 2024. Bridgewater Associates, LP. Chart shows the (eventual) market share (decline) of the top 10 US champions at the start of each decade since 1900.

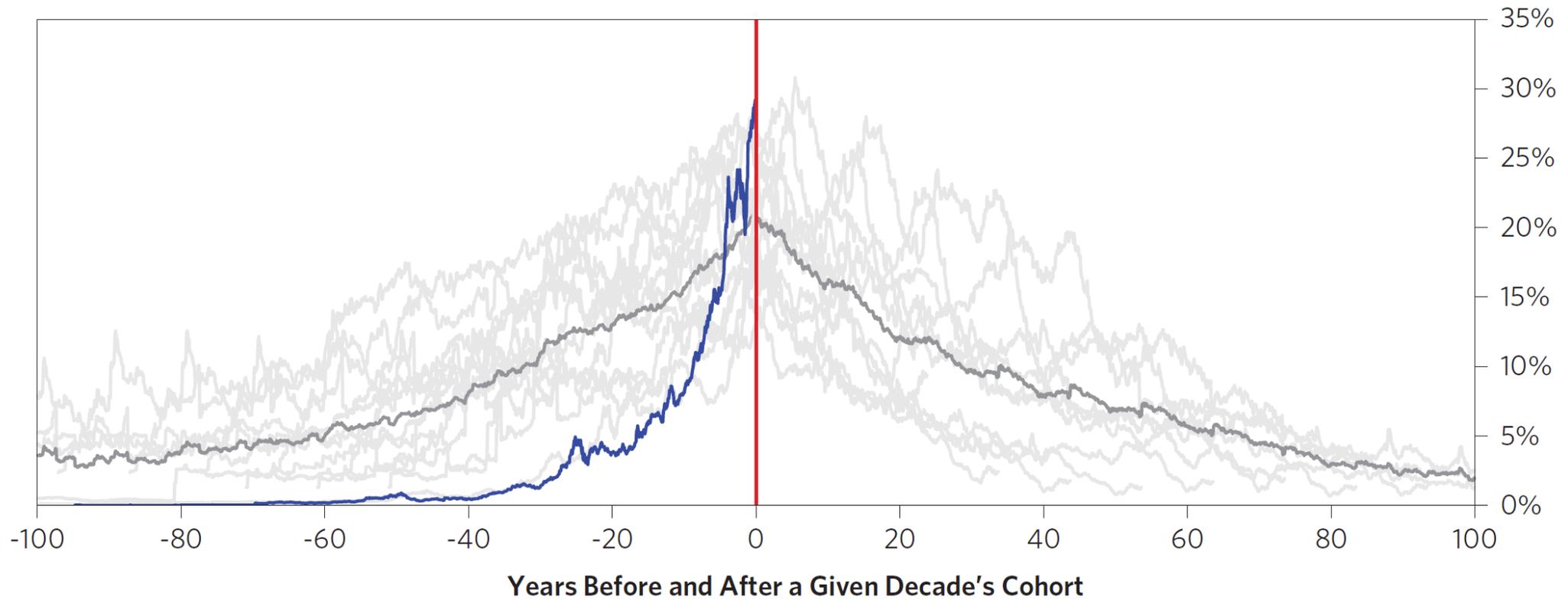
Persistence

Is this time different?



Top 10 Companies by Decade (Share of Total US Market Cap)

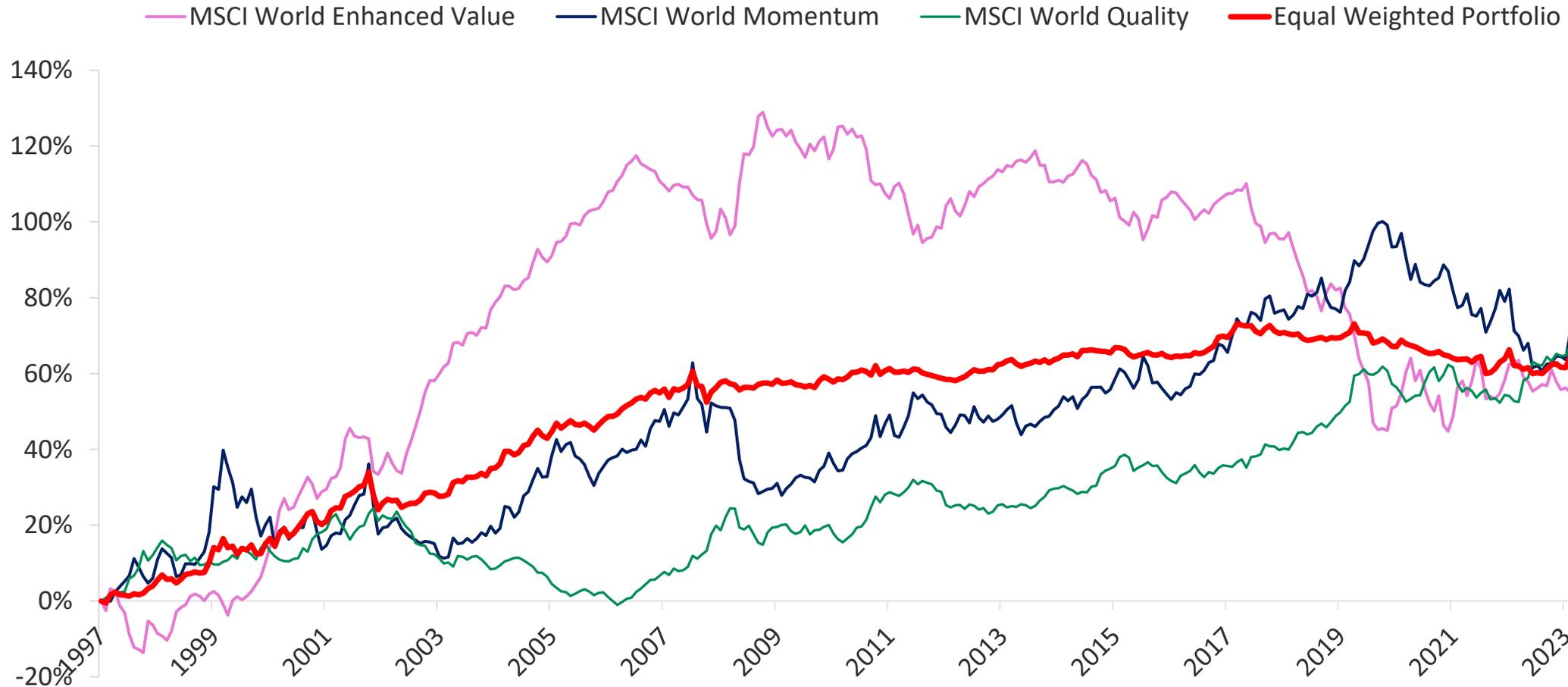
— 2024 Cohort — Average Path



Source: 'The Life Cycle of Market Champions' by Bob Price, Khia Kurtenback, Thomas Maisonneuve. June 18th 2024. Bridgewater Associates, LP. Chart shows rise and fall of the largest 10 companies by market cap across different decades starting 1900 (120 years). Each grey line shows the market cap of the champions at the start of each decade

Blend is your friend

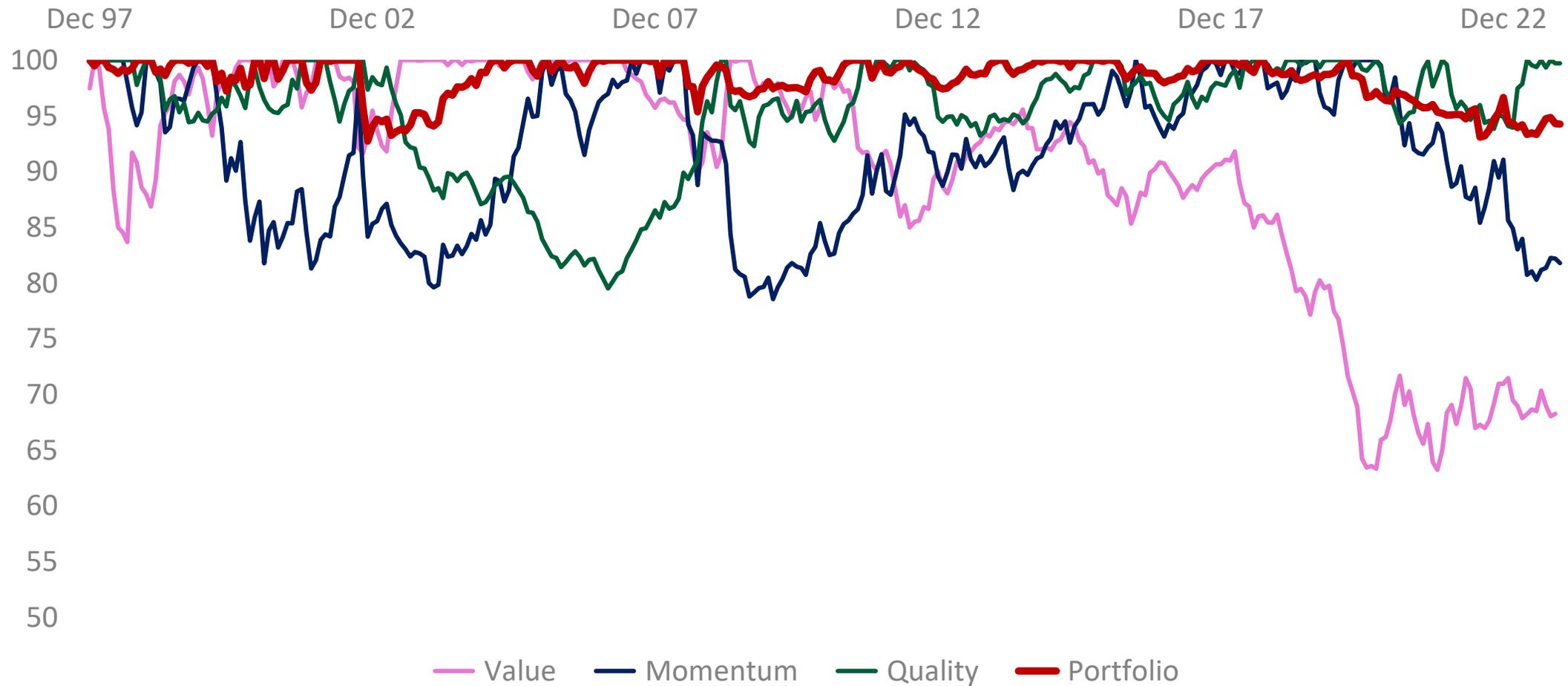
Don't time your style



Source: Bloomberg Finance LP, Momentum. Chart shows the performance of each global equity style relative to MSCI World index (ie. outperformance)

Blend is your friend

Improve the journey



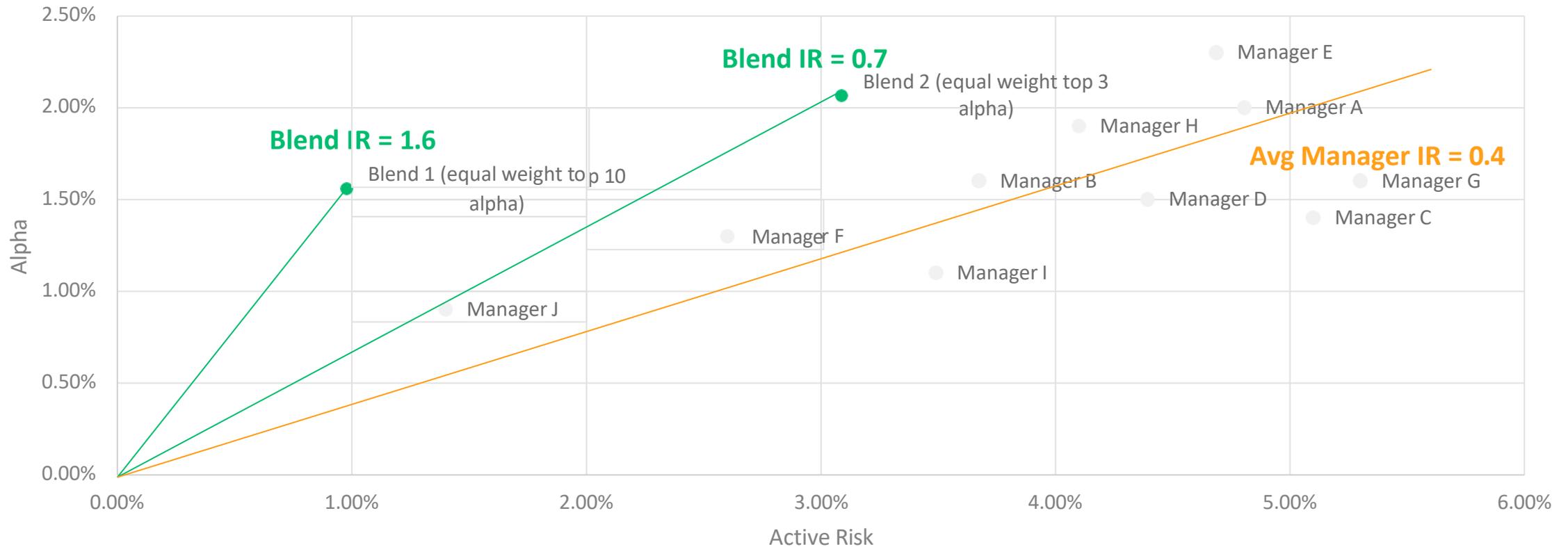
Source: Bloomberg Finance LP, Momentum. Chart shows the performance of each global equity style relative to MSCI World index (ie. outperformance)

Diversification within alpha generation



Useful to decrease active risk, increase information ratio and deliver stable alpha

When managers are of varied quality



Time in the market

Play your cards right



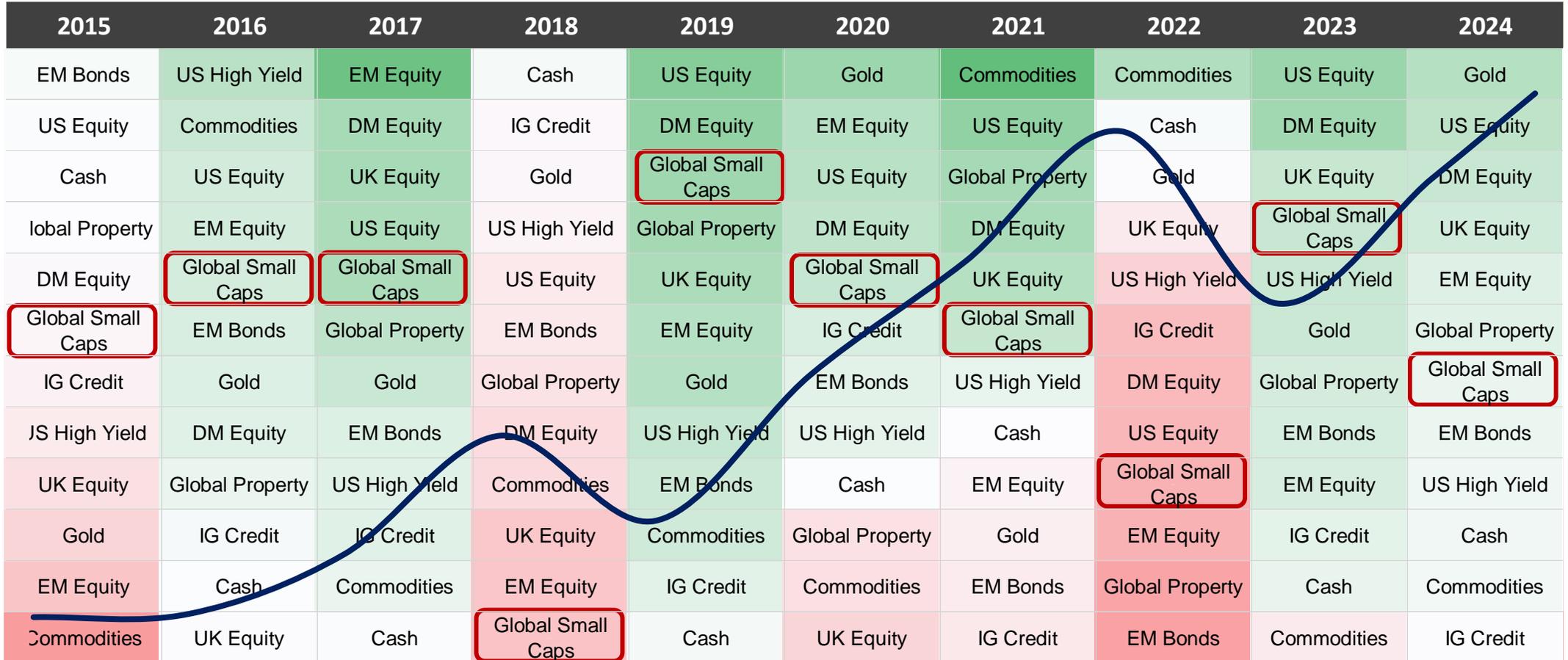
Oct-23 Nov-23	Nov-23 Dec-23	Dec-23 Jan-24	Jan-24 Feb-24	Feb-24 Mar-24	Mar-24 Apr-24	Apr-24 May-24	May-24 Jun-24	Jun-24 Jul-24	Jul-24 Aug-24
Global Property	Global Small Caps	US Equity	US Equity	Gold	Gold	US Equity	EM Equity	Global Small Caps	Global Property
DM Equity	Global Property	Commodities	EM Equity	UK Equity	UK Equity	DM Equity	US Equity	Global Property	UK Equity
Global Small Caps	EM Bonds	DM Equity	DM Equity	Commodities	Commodities	Global Small Caps	DM Equity	Gold	EM Bonds
US Equity	DM Equity	Cash	Global Small Caps	Global Small Caps	Cash	UK Equity	US High Yield	UK Equity	DM Equity
EM Equity	UK Equity	US High Yield	EM Bonds	Global Property	EM Equity	Global Property	EM Bonds	IG Credit	US Equity
UK Equity	US Equity	Gold	Cash	DM Equity	US High Yield	Gold	Cash	EM Bonds	Gold
EM Bonds	IG Credit	IG Credit	US High Yield	US Equity	EM Bonds	EM Bonds	Global Property	US High Yield	IG Credit
IG Credit	EM Equity	EM Bonds	Gold	EM Equity	IG Credit	IG Credit	IG Credit	DM Equity	EM Equity
US High Yield	US High Yield	UK Equity	Global Property	EM Bonds	DM Equity	Commodities	Gold	US Equity	US High Yield
Gold	Gold	Global Small Caps	UK Equity	US High Yield	US Equity	US High Yield	Commodities	Cash	Cash
Cash	Cash	Global Property	Commodities	IG Credit	Global Property	EM Equity	UK Equity	EM Equity	Global Small Caps
Commodities	Commodities	EM Equity	IG Credit	Cash	Global Small Caps	Cash	Global Small Caps	Commodities	Commodities

+29%

Source: Bloomberg Finance LP, Momentum. Chart shows asset class monthly returns since October 2023

Time in the market

Play your cards right

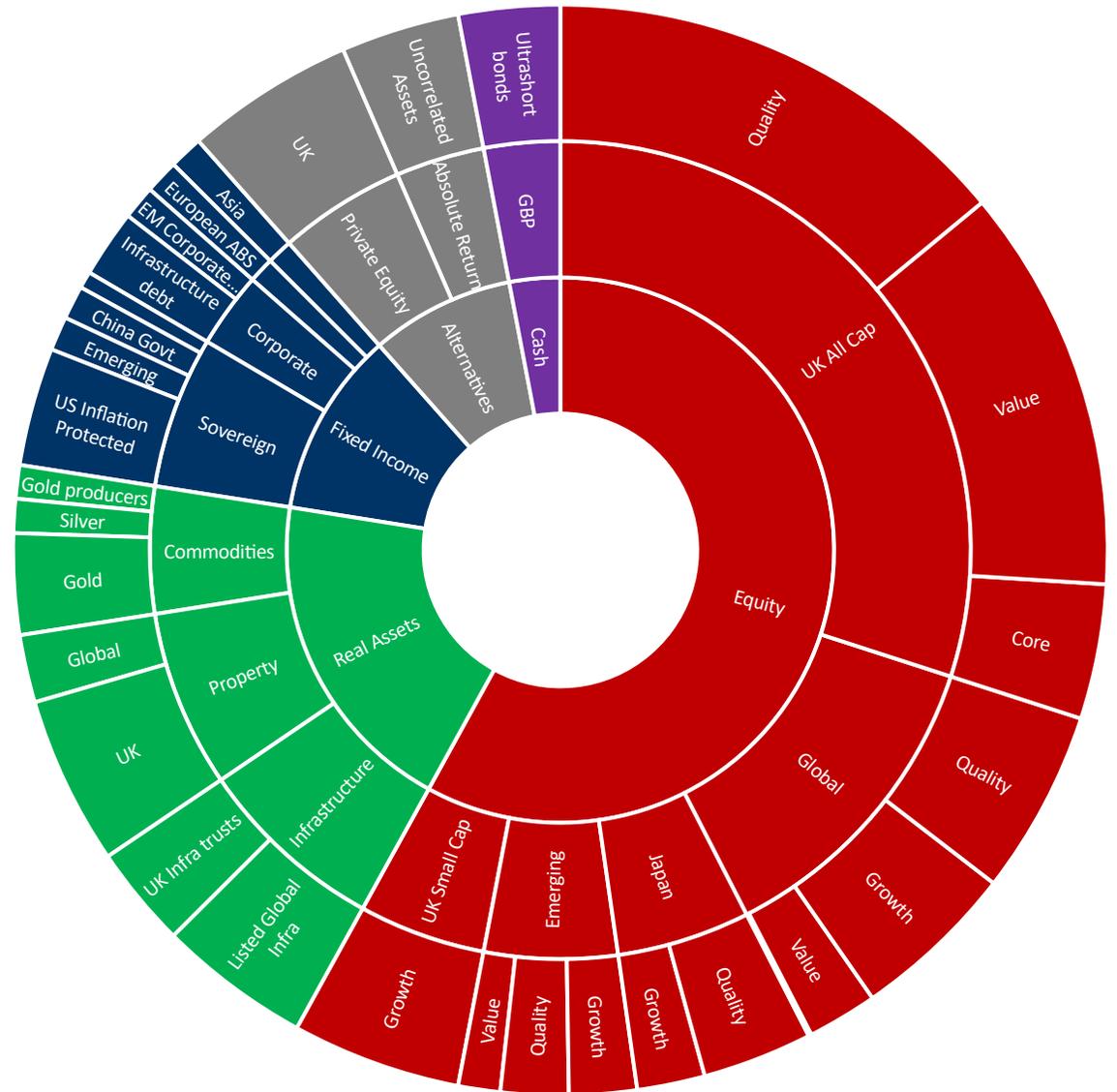
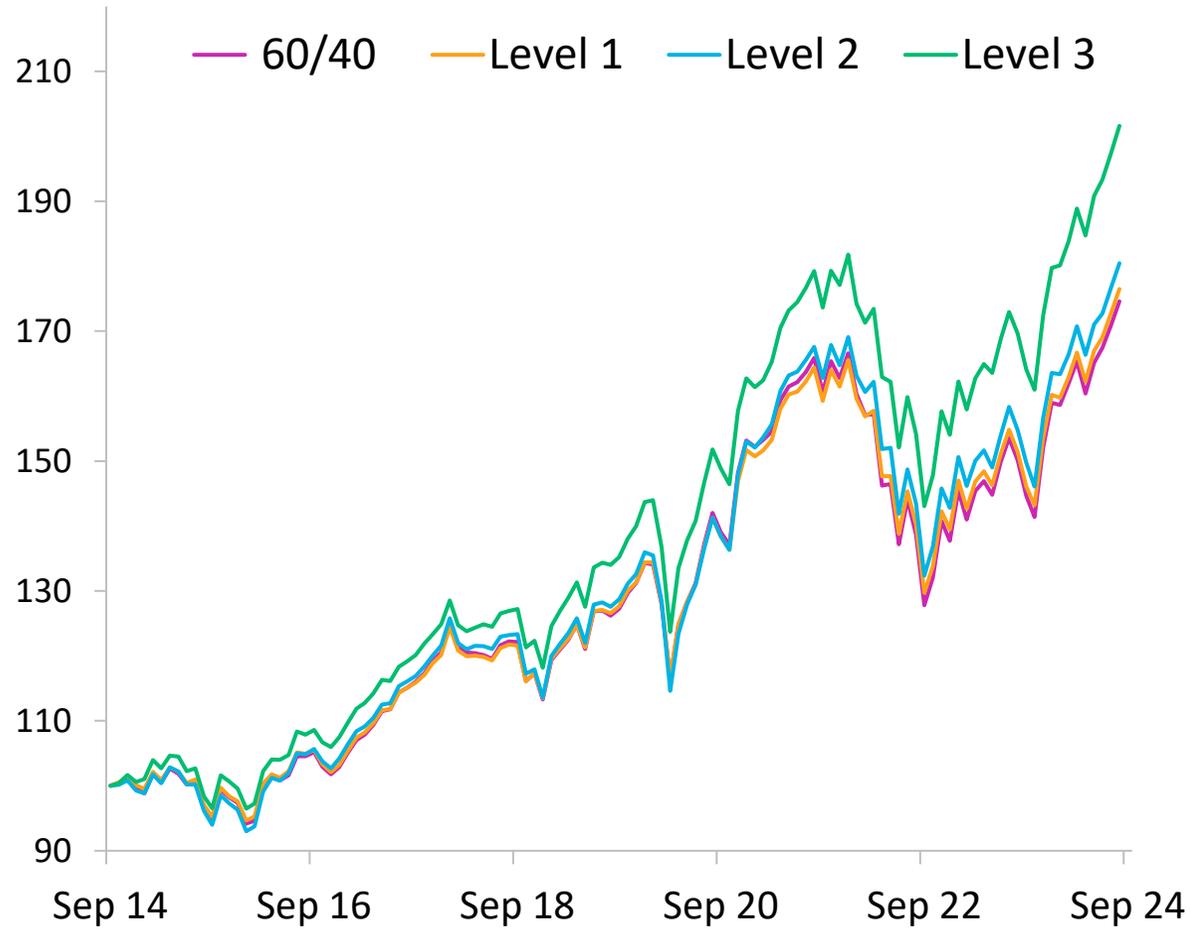


+117%

Source: Bloomberg Finance LP, Momentum. Chart shows discrete annual asset class returns since 2015

True multi asset

Diversify your diversifiers

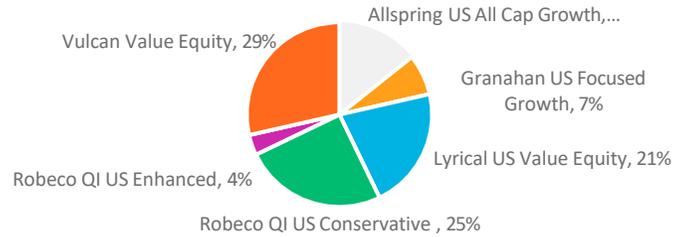


Source: Bloomberg Finance LP., Momentum. Chart shows a 10 year historical simulated return based on the asset allocation of the Harmony US Dollar Balanced Fund as at 27th August 2024. 60/40 is 60% MSCI ACWI 60% Bloomberg Global Aggregate unhedged in USD. Levels 1 to 3 add more asset classes and increase granularity through geography, styles and maturities

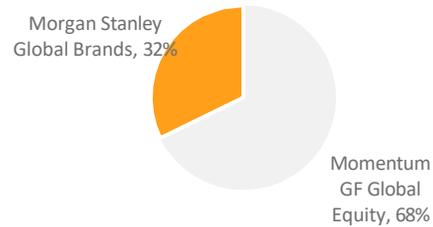


USD Balanced portfolio breakdown

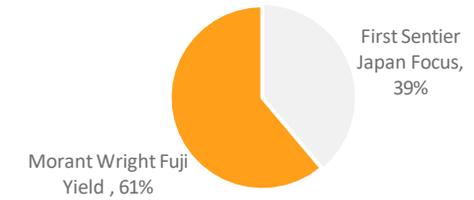
US equities – 14%



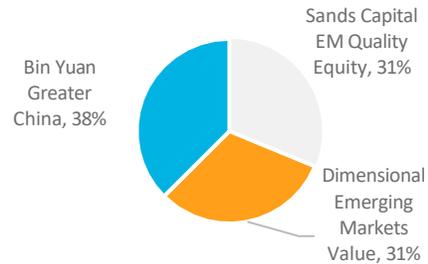
Global equities – 15.5%



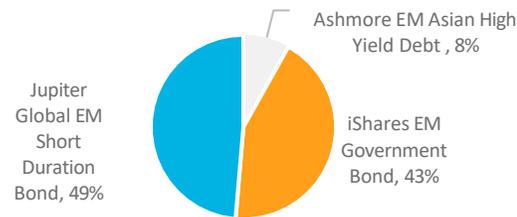
Japan equities – 4.5%



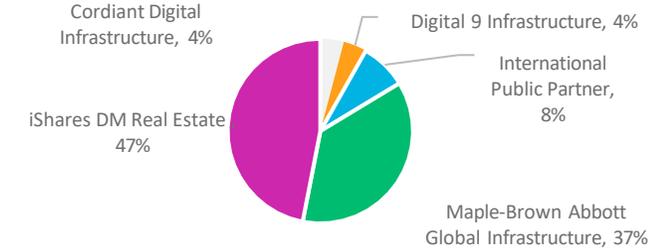
EM equities – 4%



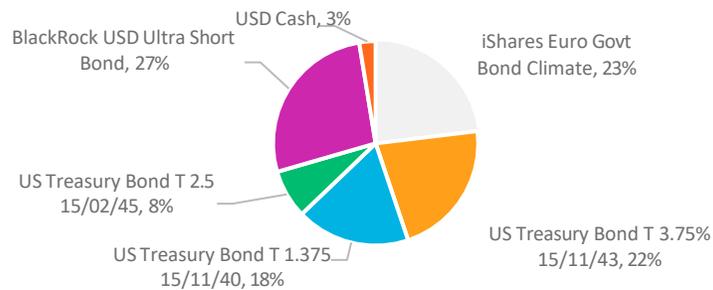
EM debt – 9%



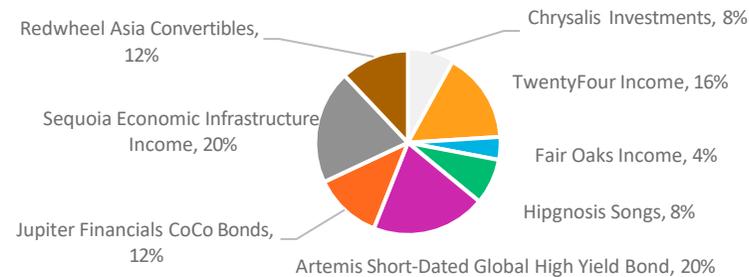
Real assets – 12%



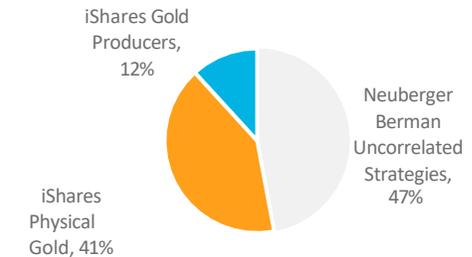
Government bonds – 20%



High yield & specialist financial – 12.5%



Alternatives – 8.5%

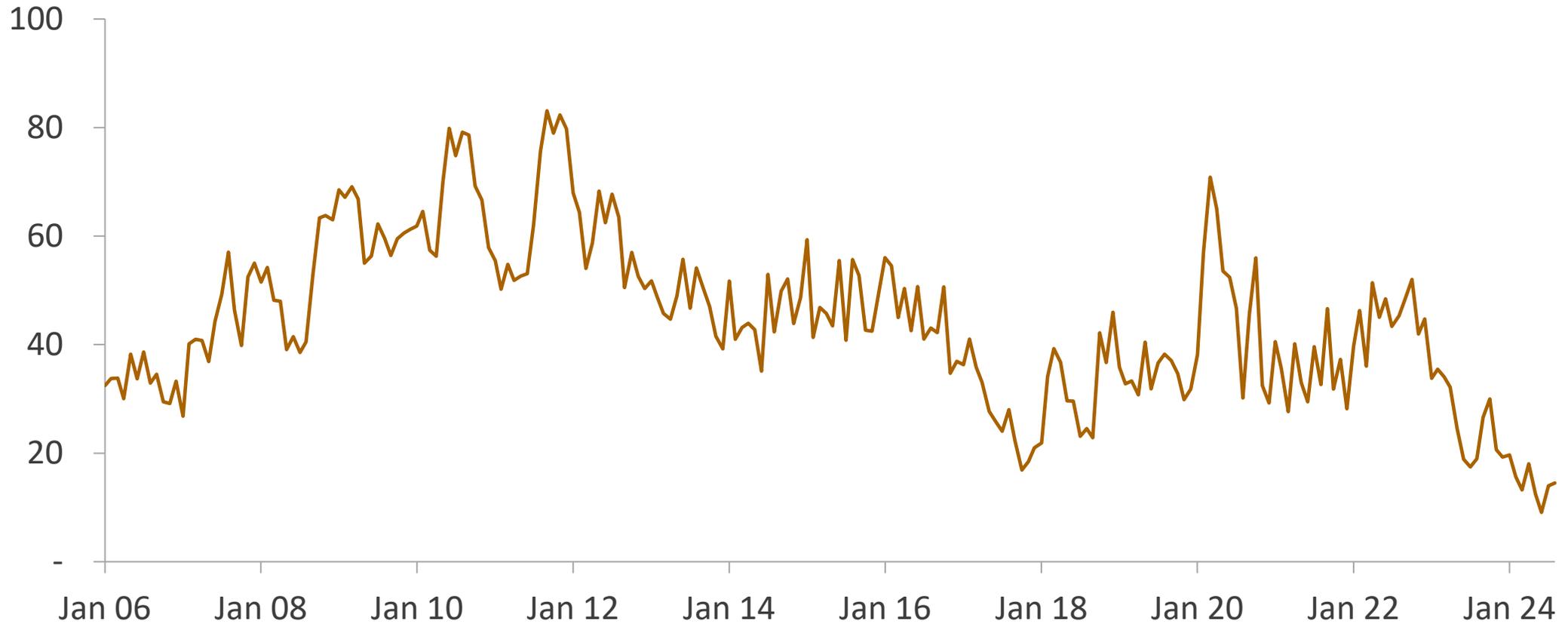


Correlation and dispersion



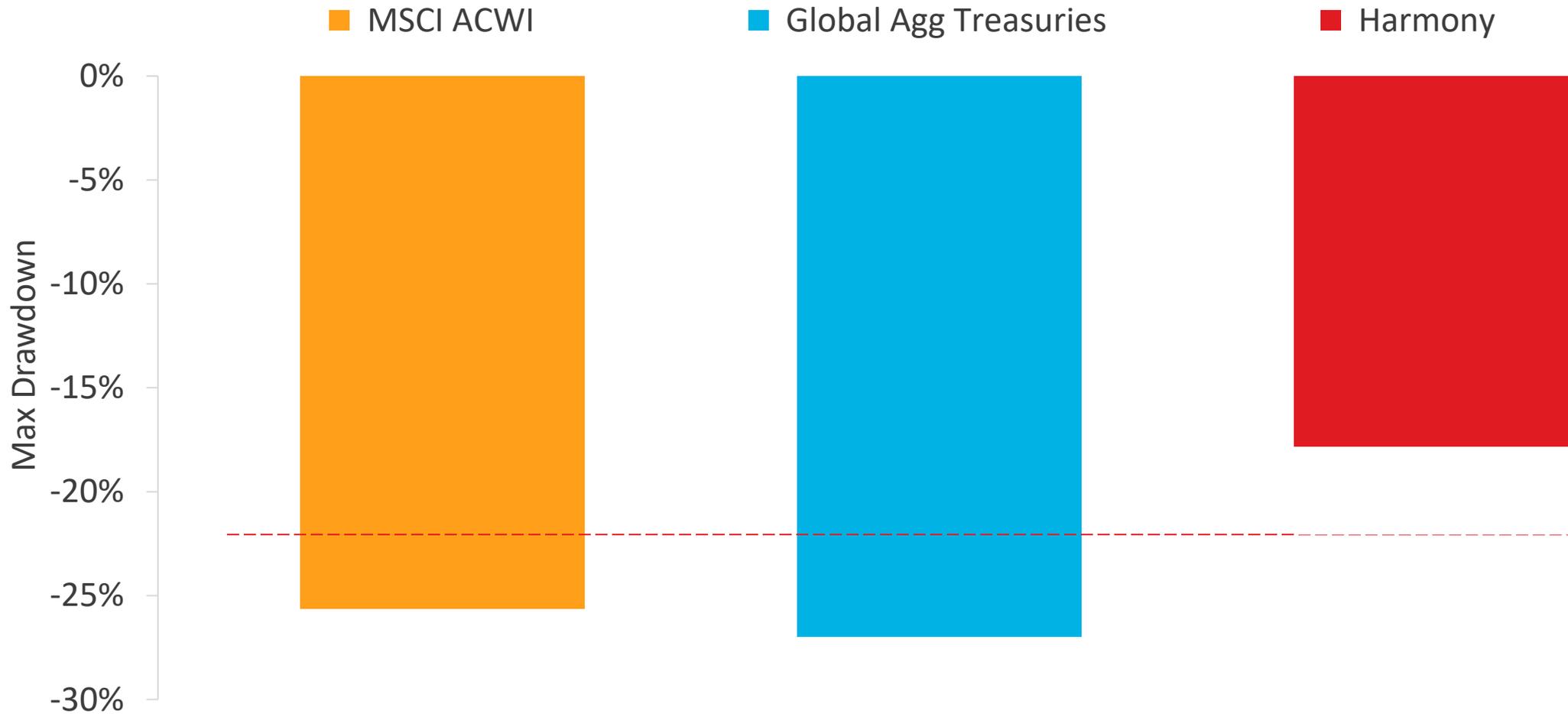
Improving diversification benefits and active manager opportunity

CBOE 3m Implied Correlation index



Drawdown

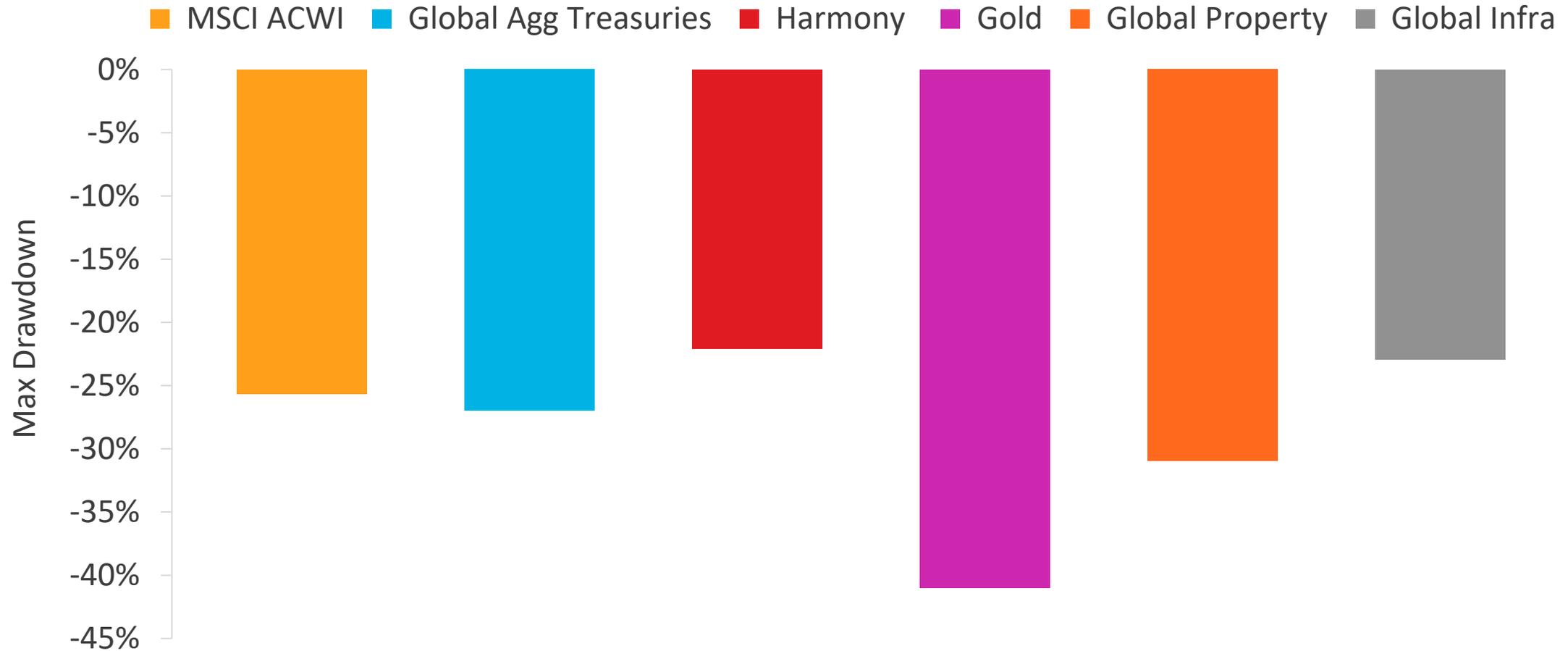
Win more by losing less



Source: Bloomberg Finance LP. Harmony US Dollar Balanced fund Class E. Monthly return data since 31st August 2012 (inception of share class)

Drawdown

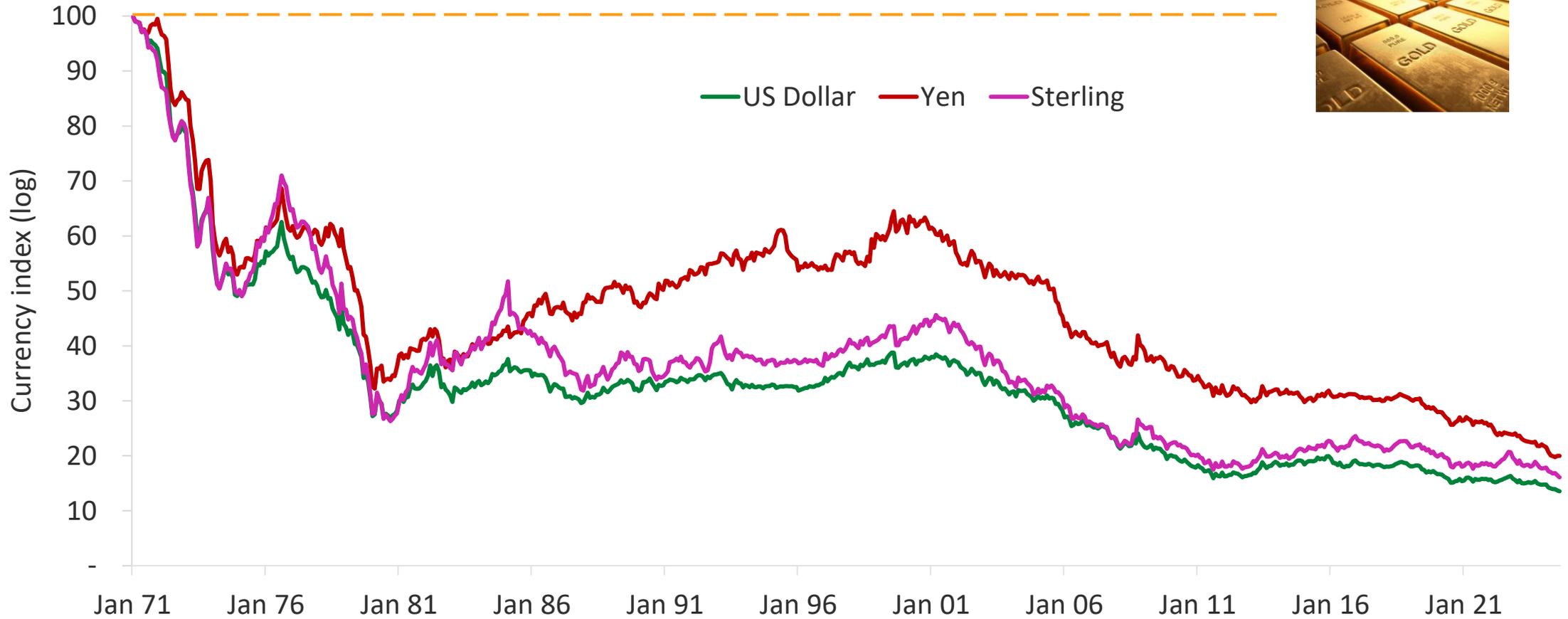
Win more by losing less



Source: Bloomberg Finance LP. Harmony US Dollar Balanced fund Class E. Monthly return data since 31st August 2012 (inception of share class)

Gold

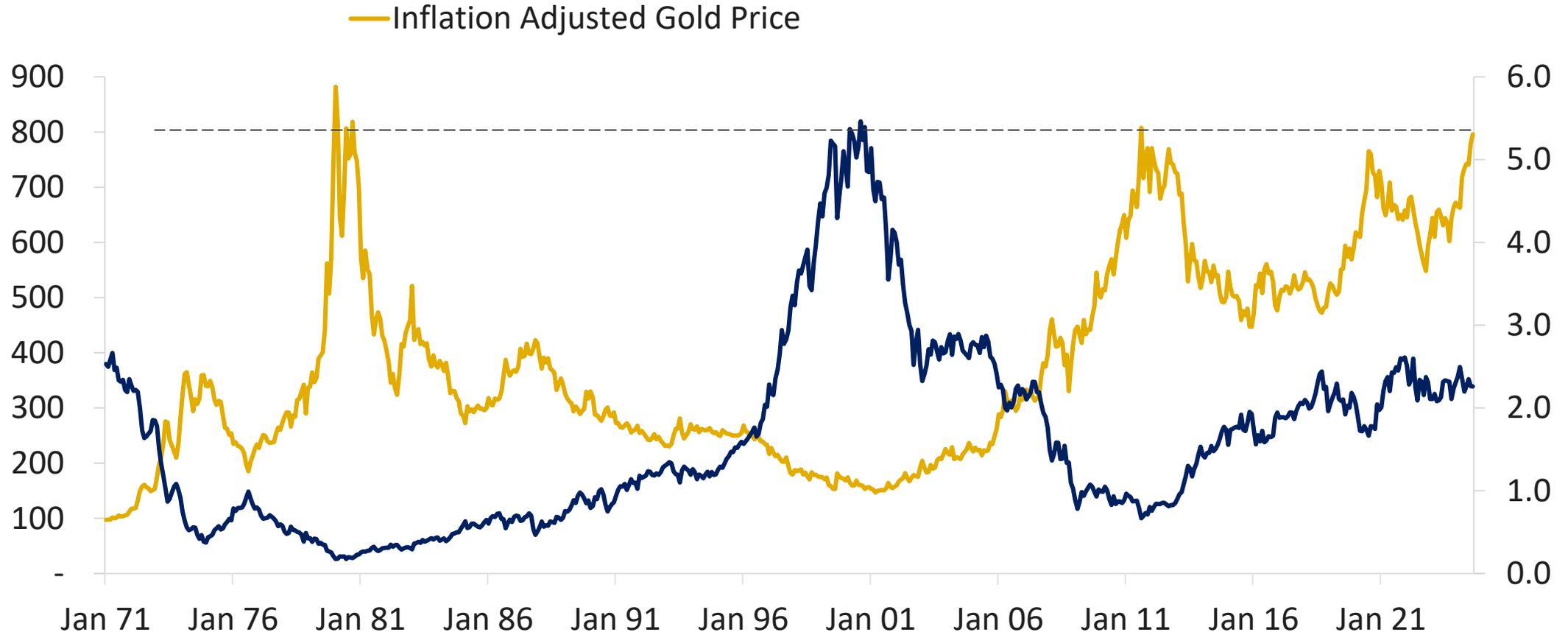
Fiat currency depreciation



Source: Bloomberg Finance LP, Momentum. Chart shows purchasing power of the US Dollar, Japanese Yen and Pound Sterling in constant gold terms. Data from 31st Dec 1970 to 31st Aug 2024

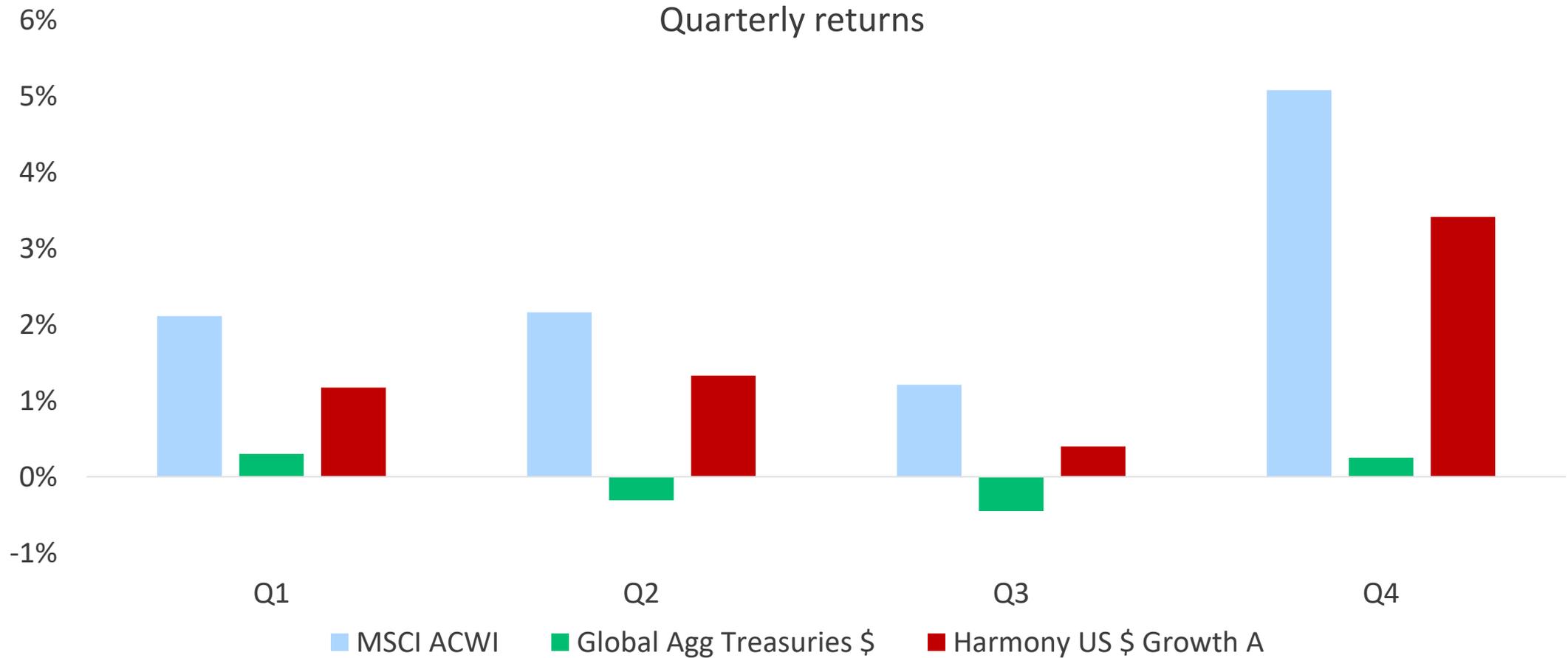
Gold

What's in the price?



Seasonality

Christmas cheer?



Source: Bloomberg Finance LP. Chart shows quarterly returns of the Harmony US Dollar Growth fund Class A Acc. Quarterly returns since 1st Jan 2012

Seasonality

Christmas cheer?



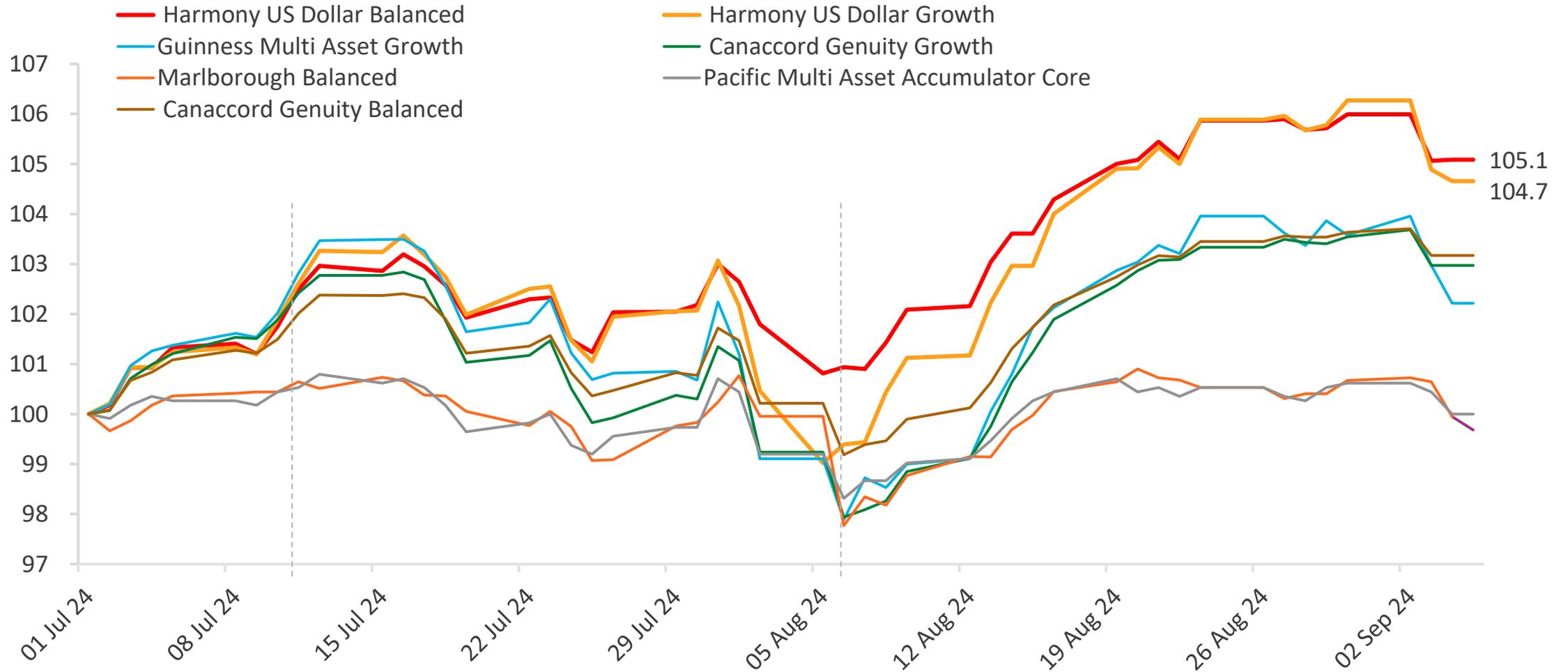
	Q1	Q2	Q3	Q4
Average	1.2%	1.3%	0.4%	3.4%
2024	3.61	-.14	5.78	
2023	3.98	2.65	-4.22	10.00
2022	-5.55	-15.28	-7.26	7.85
2021	2.82	6.21	-.58	2.74
2020	-21.86	16.97	5.53	11.43
2019	10.55	1.63	-1.04	6.99
2018	-.01	1.14	.51	-10.68
2017	5.97	2.80	3.19	3.31
2016	.86	.67	4.56	-.61
2015	.21	.09	-9.15	2.92
2014	-.22	3.73	-1.95	2.56
2013	6.59	.84	4.89	4.29
2012	8.27	-4.04	5.29	.17

Source: Bloomberg Finance LP. Chart shows quarterly returns of the Harmony US Dollar Growth fund Class A Acc

Harmony Multi Asset Funds



Mini rotation works in our favour



Thank you

momentum
investments

