momentum
global investment management

Momentum Managed Portfolio Service

Q4 2024 Investment Update

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> ***2024 was characterised by stronger economic growth than expected with inflation falling but remaining above policy targets.***

Portfolio Management Team

Alex Harvey, CFA
Senior Portfolio Manager
& Investment Strategist

Gregoiré Sharma, CFA
Senior Portfolio
& Research Analyst

Gabby Byron
Investment Services
Executive

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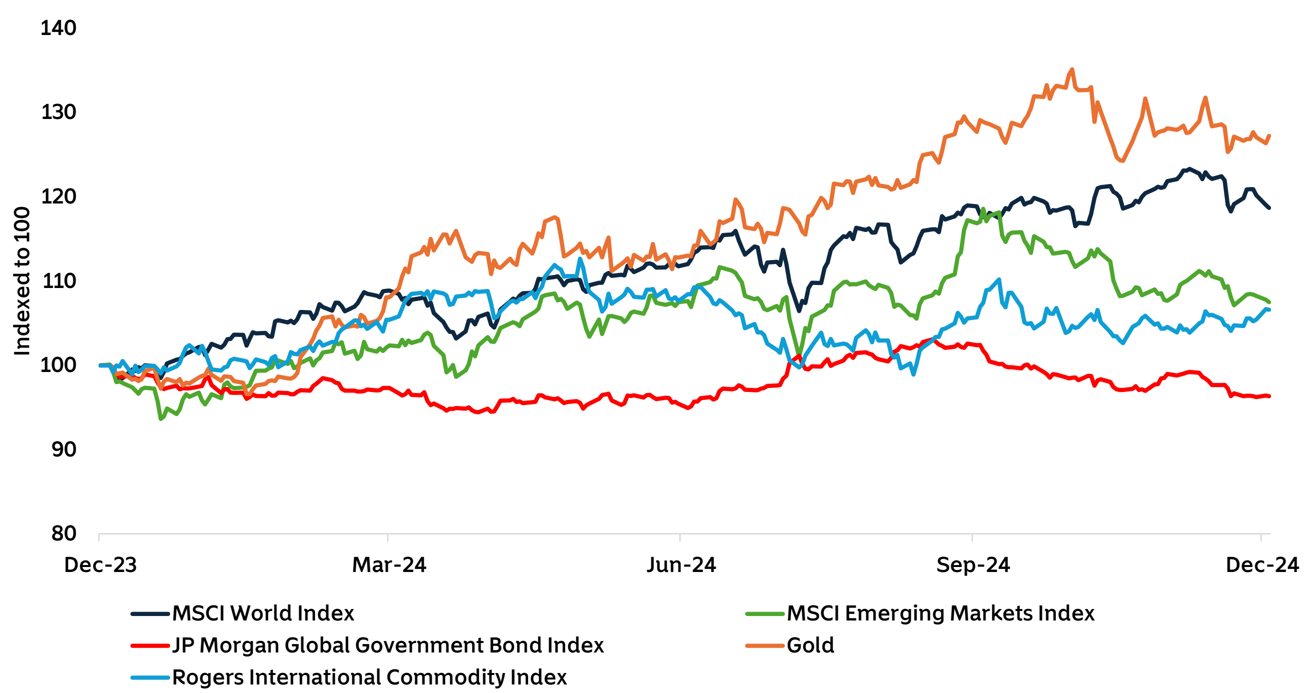
Global market review & outlook

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.

Asset class returns (USD terms)



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

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.

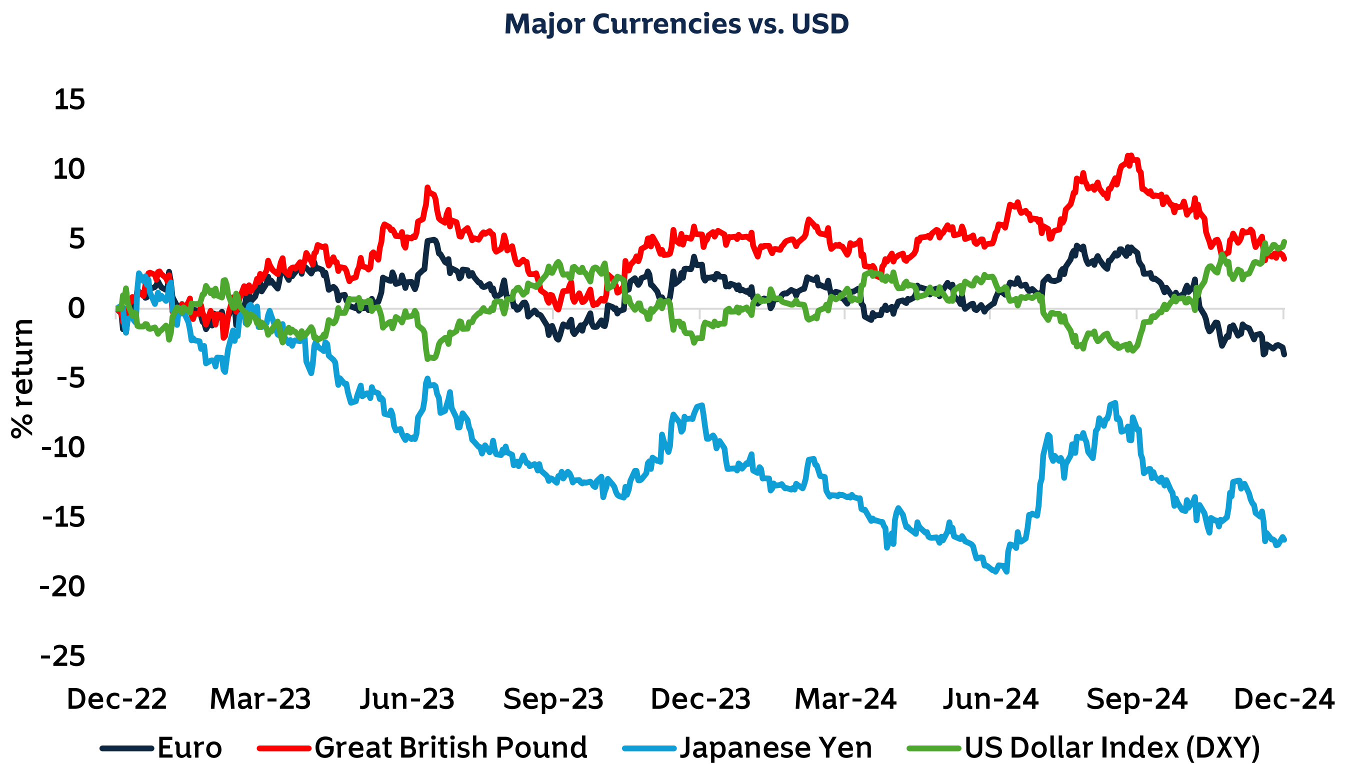
US interest rate expectations for end 2025

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.

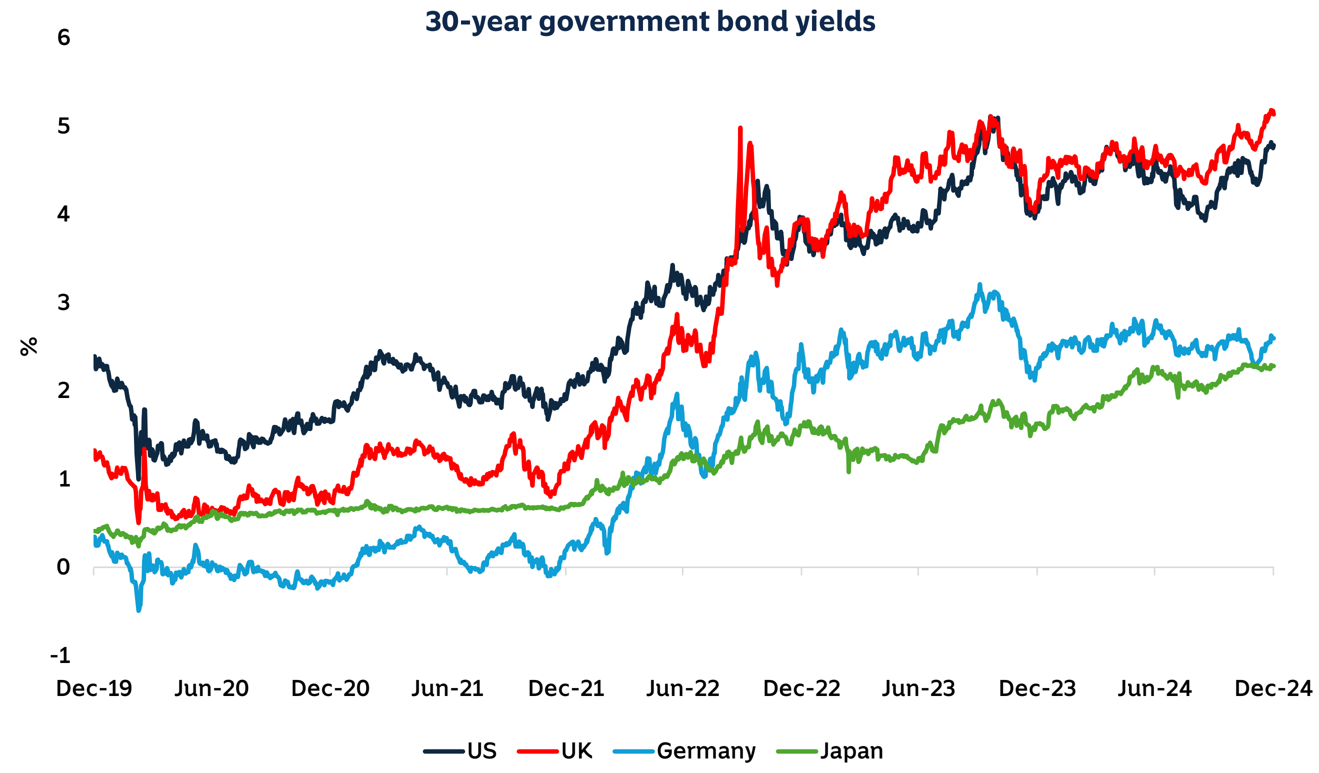
» The overthrow of the Assad regime in Syria returned the Middle East to the forefront of geopolitics; the immediate reaction of relief to see a brutal regime banished, with Russia and Iran clearly weakened, was mixed with deep uncertainty about the intent of the new regime.



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"



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.

Managed Portfolios commentary

2024 was characterised by stronger economic growth than expected with inflation falling but remaining above policy targets. The end of the year saw a general slowdown in global economic growth with the US economy expanding 2.8% in the third quarter, down from 3% in Q2. The UK economy contracted for two consecutive months in September and October with GDP growth flat in Q3, whilst Eurozone growth ticked up by 0.4% in Q3 relative to Q2. In the US, the Federal Reserve (Fed) lowered interest rates by 50bps in total, to a range of 4.25%-4.5%. The European Central Bank (ECB) also cut rates by 50bps over the quarter, lowering the deposit rate to 3%, while the Bank of England (BoE) reduced interest rates from 5% to 4.75%. 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. In the UK the Labour government's Autumn budget resulted in a collapse in business confidence as it revealed more expansive fiscal policy than expected. The spectre of stagflation is back in the UK. 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. Finally, 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.

Markets struggled in the face of these uncertainties, with mixed performance within global equity markets. Whilst US equities were buoyed by Donald Trump's victory in the presidential election, and the Republicans gaining control of Congress, Eurozone shares declined in Q4 amid recession fears, political instability in France and Germany along with concerns over trade wars with the US. UK equities also fell on stagflation concerns and poor sentiment in the wake of the government's Autumn Budget. The most notable moves were in the bond markets on the back of 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. US 10yr yields jumped from 3.8% at the end of September to 4.6% at the end of December negatively impacting interest rate sensitive assets. Indeed, global investment grade credit suffered negative total returns for the quarter as a result of its interest rate sensitivity, despite spread compression, whilst global high yield credit outperformed, generating positive total returns, on the back of spread compression and a strong income component.

Over the quarter, in this market context, the Momentum Managed Portfolios (MPS) generated total returns ranging from -1.1% in MPS3 to 1.2% in MPS7.

Within the portfolios, the main positive contributors came from our global equity exposure, in particular the more quality growth focused allocations (Troy Trojan) following the Trump US election victory. Secondly, our global high yield credit exposure contributed positively to performance given the asset class's strong performance thanks to spreads compressing further in Q4. Thirdly our alternatives exposure (Neuberger Berman) contributed positively to returns. The main detractors of performance came from our UK equities overweight given the underperformance of the region versus global equities, and more specifically, the strong performance from US equities. Within global equities, our manager selection detracted (Evenlode) given the strategy's holdings in consumer staples and healthcare which suffered in the wake of rising US bond yields and relative to the outperformance of the tech sector following the Trump US election victory. Finally, our real assets exposure also detracted (RM Alternative Income) given the infrastructure exposure which exhibits high interest rate sensitivity.

Managed Portfolio	3 Mths	6 Mths	YTD	12 Mths	3 Yr (ann)	5 Yr (ann)	Since inception (ann)	Volatility
Managed Portfolio 3	-1.1%	2.2%	3.1%	3.1%	-0.3%	1.5%	3.2%	5.0%
Managed Portfolio 4	-0.1%	2.9%	5.7%	5.7%	0.8%	3.0%	4.4%	6.3%
Managed Portfolio 5	0.5%	3.1%	7.2%	7.2%	1.6%	3.8%	5.3%	7.6%
Managed Portfolio 6	0.9%	3.1%	8.5%	8.5%	2.2%	4.7%	6.0%	8.6%
Managed Portfolio 7	1.2%	2.9%	9.5%	9.5%	2.3%	5.2%	6.4%	9.3%
Managed Portfolio 8	0.4%	2.1%	9.1%	9.1%	1.7%	4.7%	6.7%	10.0%
Income Portfolio	-0.8%	2.8%	4.6%	4.6%	1.1%	2.6%	4.2%	6.0%

Q4 2024 Portfolio changes

Increased / New allocation	Reduced / Sold
» New allocation 2.5% Fidelity Index World *(Transact platform)*	» Reduce 2.5% Evenlode Global Income
» New allocation 2.5% Curate Sustainable Equity *(all other platforms)*	

Fund contributions*

Helped	Hurt
» Global equities quality growth exposure *(Troy Trojan)*	» UK equities overweight *(Jupiter, Liontrust, Evenlode)*
» Alternatives exposure *(Neuberger Berman)*	» Global Equities security selection *(Evenlode Global Income)*
» High yield credit exposure *(Axa)*	» Real assets exposure (*RM Alternative Income)*

**Not an exhaustive list, information shown highlights the main contributors and detractors.*

Discrete annual returns to 31 December 2024

Managed Portfolio	Dec 23 - 24	Dec 22 - 23	Dec 21 - 22	Dec 20 - 21	Dec 19 - 20
Managed Portfolio 3	3.1%	4.2%	-7.9%	4.9%	4.0%
Managed Portfolio 4	5.7%	5.9%	-8.4%	9.4%	3.5%
Managed Portfolio 5	7.2%	7.0%	-8.6%	12.8%	2.1%
Managed Portfolio 6	8.5%	7.9%	-9.0%	14.3%	3.3%
Managed Portfolio 7	9.5%	7.8%	-9.3%	15.4%	4.2%
Managed Portfolio 8	9.1%	7.2%	-10.1%	14.4%	4.7%
Income Portfolio	4.6%	5.6%	-6.4%	9.3%	0.4%

Sources of all data: Momentum Global Investment Management (MGIM), Bloomberg Finance L.P. Performance is calculated on a total return basis in GBP terms. The value of the underlying funds and the income generated from them can go down as well as up, and is not guaranteed. Investors may not get back the original amount invested. The value of investments involving exposure to foreign currencies can be affected by currency exchange rate fluctuations. Past performance is not a guide to future performance. Since inception date 1 January 2010. MGIM commenced management from 1 February 2016.

Sustainable Managed Portfolios commentary

2024 was characterised by stronger economic growth than expected with inflation falling but remaining above policy targets. The end of the year saw a general slowdown in global economic growth with the US economy expanding 2.8% in the third quarter, down from 3% in Q2. The UK economy contracted for two consecutive months in September and October with GDP growth flat in Q3, whilst Eurozone growth ticked up by 0.4% in Q3 relative to Q2. In the US, the Federal Reserve (Fed) lowered interest rates by 50bps in total, to a range of 4.25%-4.5%. The European Central Bank (ECB) also cut rates by 50bps over the quarter, lowering the deposit rate to 3%, while the Bank of England (BoE) reduced interest rates from 5% to 4.75%. 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. In the UK the Labour government's Autumn budget resulted in a collapse in business confidence as it revealed more expansive fiscal policy than expected. The spectre of stagflation is back in the UK. 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. Finally, 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.

Markets struggled in the face of these uncertainties, with mixed performance within global equity markets. Whilst US equities were buoyed by Donald Trump's victory in the presidential election, and the Republicans gaining control of Congress, Eurozone shares declined in Q4 amid recession fears, political instability in France and Germany along with concerns over trade wars with the US. UK equities also fell on stagflation concerns and poor sentiment in the wake of the government's Autumn Budget. The most notable moves were in the bond markets on the back of 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. US 10yr yields jumped from 3.8% at the end of September to 4.6% at the end of December negatively impacting interest rate sensitive assets. Indeed, global investment grade credit suffered negative total returns for the quarter as a result of its interest rate sensitivity, despite spread compression, whilst global high yield credit outperformed, generating positive total returns, on the back of spread compression and a strong income component.

Over the quarter, in this market context, the Momentum Sustainable Managed Portfolios (sMPS) generated total returns ranging from -1.1% in sMPS4 to -0.5% in sMPS6.

Within the portfolios, the main positive contributors came from strong manager selection in the global investment grade space (BNY Mellon) despite the increase in interest rates this quarter, our exposure to alternatives (Neuberger Berman), and security selection in the emerging market equity space (Vanguard). The main portfolio detractors came from global equity security selection (Stewart Investors, Schroders, Morgan Stanley). Our UK equities overweight and manager selection (Ninety One, Evenlode) also underperformed, as did our emerging market debt manager selection (PIMCO) given the fund's elevated US treasury exposure. Our global high yield underweight exposure further detracted from performance due to the asset class's strong positive performance relative to other fixed income asset classes this quarter. Finally, our real assets exposure in infrastructure hindered performance on the back of the asset class's high sensitivity to this quarter's rising interest rates.

Portfolio returns to 31 December 2024

Sustainable Portfolio	3 Mths	6 Mths	YTD	12 Mths	3 Yr (ann)	5 Yr (ann)	Since inception (ann)	Volatility
Sustainable Portfolio 4	-1.1%	2.6%	3.8%	3.8%	-0.4%	-	-0.4%	7.5%
Sustainable Portfolio 5	-0.7%	2.8%	4.9%	4.9%	0.1%	-	0.1%	8.1%
Sustainable Portfolio 6	-0.5%	2.8%	5.7%	5.7%	0.5%	-	0.5%	8.7%

Q4 2024 Portfolio changes

There were no portfolio changes during Q4.

Fund contributions*

Helped	Hurt
» Global investment grade security selection *(BNY Mellon)*	» Global equities security selection *(Stewart Investors, Schroder, Morgan Stanley)*
» Alternatives exposure *(Neuberger Berman)*	» UK Equities overweight and manager selection *(Ninety One, Evenlode)*
» Emerging markets equity exposure *(Vanguard)*	» Emerging market debt manager selection *(PIMCO)*
	» Global high yield underweight exposure

**Not an exhaustive list, information shown highlights the main contributors and detractors.*

Discrete annual returns to 31 December 2024

Sustainable Portfolio	Dec 23 - 24	Dec 22 - 23	Dec 21 - 22	Dec 20 - 21	Dec 19-20
Sustainable Portfolio 4	3.8%	5.7%	-9.9%	8.8%	-
Sustainable Portfolio 5	4.9%	6.5%	-10.1%	10.6%	-
Sustainable Portfolio 6	5.7%	7.0%	-10.2%	12.3%	-

Sources of all data: Momentum Global Investment Management (MGIM), Bloomberg Finance L.P. Performance is calculated on a total return basis in GBP terms. The value of the underlying funds and the income generated from them can go down as well as up, and is not guaranteed. Investors may not get back the original amount invested. The value of investments involving exposure to foreign currencies can be affected by currency exchange rate fluctuations. Past performance is not a guide to future performance. Since inception date 1 January 2010. MGIM commenced management from 1 February 2016.

Passive Plus Portfolios commentary

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Over the quarter the Momentum Passive Plus Portfolios generated total returns ranging from -0.3% in Passive Plus Cautious to +1.9% in Passive Plus Dynamic

Portfolio returns to 31 December 2024

Passive Plus Portfolio	3 Mths	6 Mths	YTD	12 Mths	3 Yr (ann)	5 Yr (ann)	Since inception (ann)	5 Yr Volatility
Passive Plus Cautious	-0.3%	3.2%	4.8%	4.8%	0.8%	2.0%	3.3%	6.3%
Passive Plus Moderate	1.5%	3.8%	9.5%	9.5%	3.8%	4.4%	5.6%	9.6%
Passive Plus Dynamic	1.9%	3.8%	12.2%	12.2%	4.8%	5.8%	7.0%	11.1%

Q4 2024 Portfolio changes

There were no portfolio changes during Q4.

Fund contributions*

Helped	Hurt
» Global Equities *(Fidelity)*	» Gilts *(Blackrock)*
» Alternatives exposure *(Neuberger Berman)*	» US Treasuries *(Vanguard)*
» Emerging market debt *(Legal & General)*	» Global listed property *(Blackrock)*

**Not an exhaustive list, information shown highlights the main contributors and detractors.*

Discrete annual returns to 31 December 2024

Passive Plus Portfolio	Dec 23 - 24	Dec 22 - 23	Dec 21 - 22	Dec 20 - 21	Dec 19-20
Passive Plus Cautious	4.8%	4.7%	-6.7%	5.4%	2.5%
Passive Plus Moderate	9.5%	7.2%	-4.8%	12.5%	-1.3%
Passive Plus Dynamic	12.2%	8.2%	-5.3%	12.8%	2.4%

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Asset allocation views

Score	---	--	-	/	+	++	+++

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.

For more information, please contact:
Distribution Services

E: distributionservices@momentum.co.uk
T: +44 (0)207 618 1806

Investment Manager - Momentum Global Investment Management Limited.

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