

Harmony Portfolios Quarterly Report

Q4 2021

**INTERNATIONAL
ADVISER
GLOBAL FINANCIAL
SERVICES AWARDS '21**

WINNER

INTERNATIONAL FUND MANAGEMENT
GROUP - SMALL



Contents

Global Market Review & Outlook

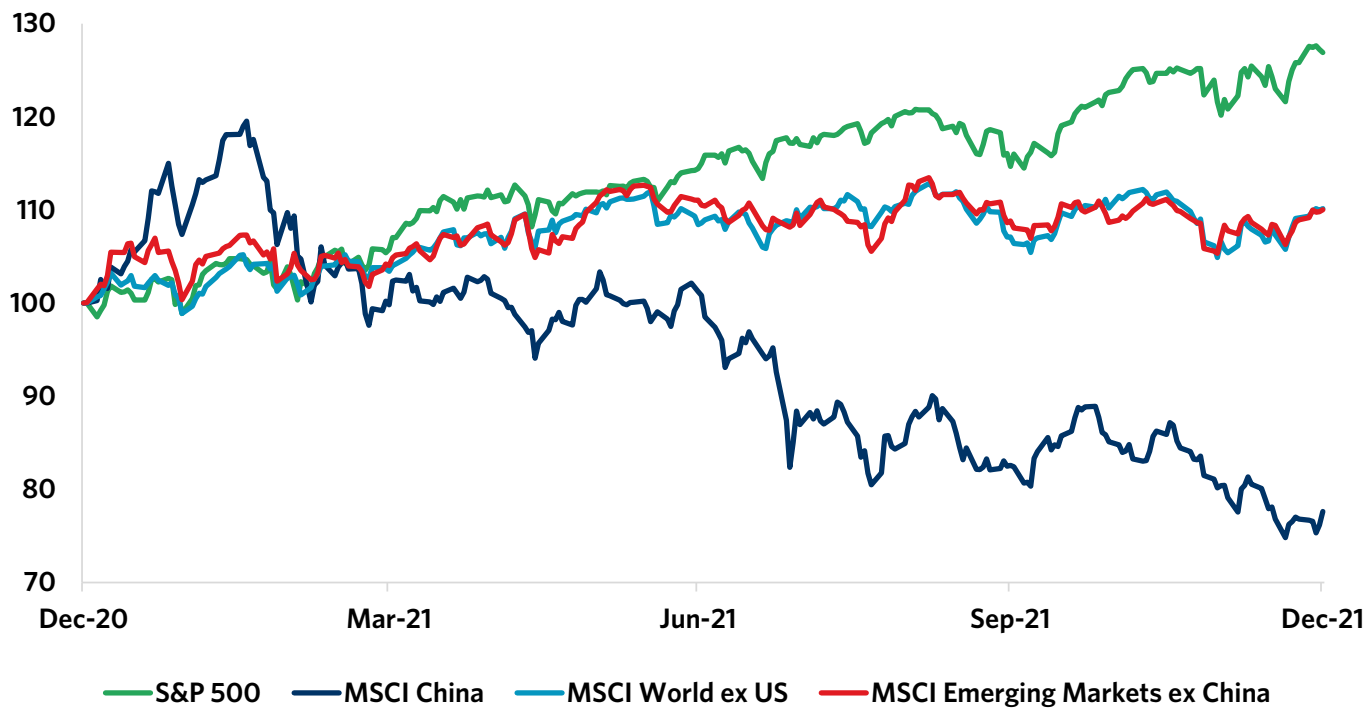
Two years ago, news began to emerge of a cluster of a pneumonia type sickness in China, soon to be identified as a novel coronavirus.

In early January 2020 the WHO reported no evidence of significant human-to-human transmission. Within days it became clear that China saw things very differently, when it forced the 11 million people of Wuhan into a strict lockdown. The rest is history, but few of us then anticipated that as we entered 2022 the pandemic would still be raging, at record case numbers globally of over two million per day. Even fewer would have predicted that in those ensuing two years global equity markets, as measured by the MSCI World index, would return over 40%.

2020 was a year of dramatic collapse in the global economy and financial markets, followed by equally dramatic recovery, with nearly all asset classes producing strong returns, accompanied by a weak dollar. 2021 saw the dollar strengthen across the board and only developed equity markets and some

commodities produced sizeable positive returns. The MSCI World index returned +22% in 2021, the US again leading the way, +28%, while emerging markets returned -2.5%, led by China, -22%. So dominant has the US become that it now represents 69% of the market capitalisation of the MSCI World index, while China, despite its sharp fall, accounts for 30% of the MSCI Emerging Markets index. Stripping out the contribution of these two markets from the respective global indices shows very similar returns, around 10% in USD, from MSCI World ex-US and MSCI Emerging Markets ex-China.

Equity market returns 2021 - US dominates

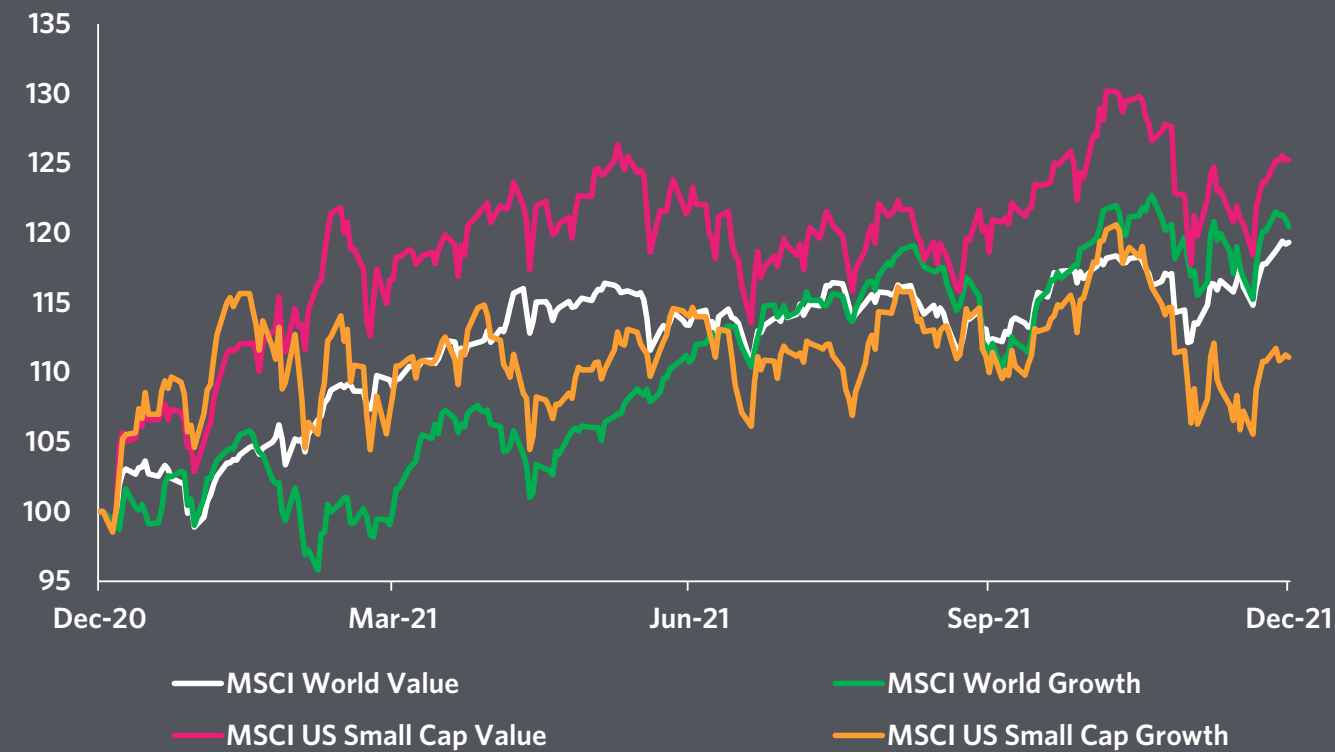


Source: Bloomberg Finance L.P., Momentum Global Investment Management.

The 'reflation trade', which took hold in late 2020 on the Pfizer vaccine news, continued into the early months of 2021 with economically sensitive stocks substantially outperforming the 'pandemic winners'. However, it faded as the year progressed and new variants of Covid triggered renewed mobility restrictions, casting doubt over the sustainability of the economic recovery. By year end, MSCI Value stocks and Growth stocks had performed broadly in line over the course of the year. Perhaps the most notable feature of equity markets, however, was the narrowing of breadth in growth stocks, and the extraordinary dominance of a small number of highly rated mega-cap stocks. In the US, five stocks, Apple, Microsoft, Nvidia, Alphabet and Tesla, contributed one third of the market's return, and there was a similar picture in Europe, with ASML, Novo Nordisk, Nestle, Roche and LVMH making up 30% of the market's return. In contrast, aggressive growth stocks further down the market cap scale suffered. Small cap growth underperformed materially and one of the market traders' favourite funds of 2020, the Ark Innovation fund, suffered a 25% fall in 2021.

"In the US, five stocks, Apple, Microsoft, Nvidia, Alphabet and Tesla, contributed one third of the market's return"

Equity style returns 2021



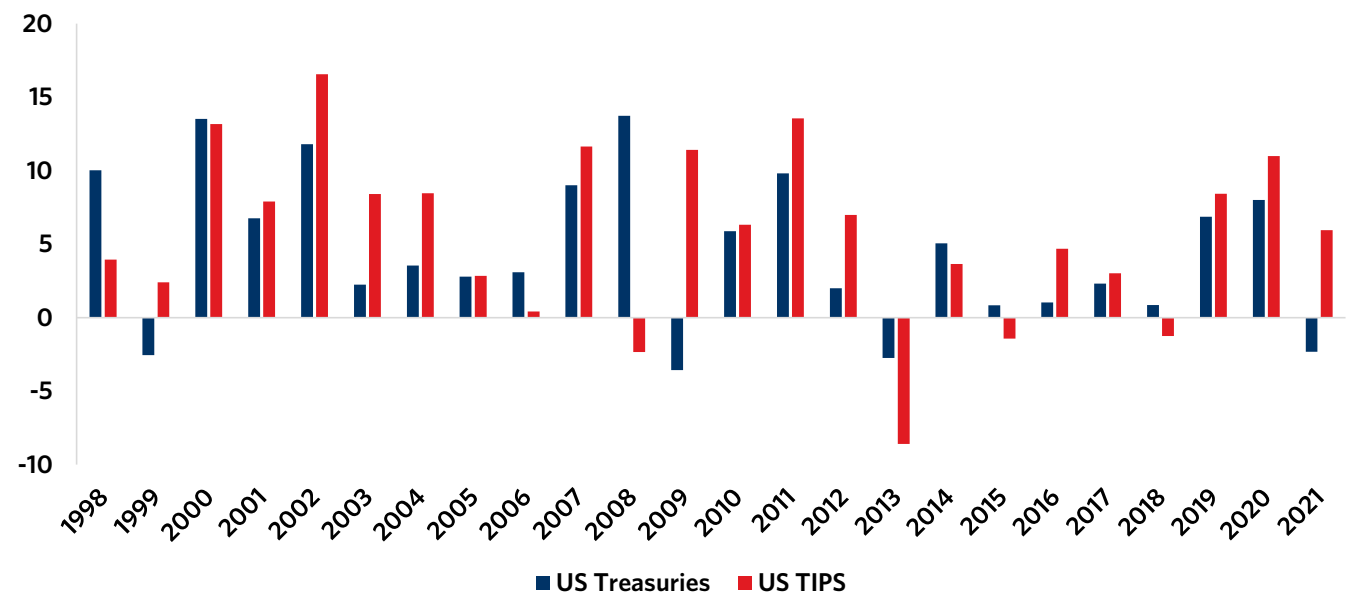
Source: Bloomberg Finance L.P., Momentum Global Investment Management.

Commodity markets were dominated by the recovery in the oil price from 2020's collapse, Brent crude gaining +50% to take it back to pre-pandemic prices. Industrial metals were mixed, generally benefiting from the strong recovery in the global economy, with copper up +25% after a similar gain in 2020, although the iron ore price suffered from a sharp slowdown in the Chinese economy and fell -26% following a +78% rise in 2020. Precious metals were held back by the strong dollar, gold falling by -4% over the year.

As the global economy recovered sharply from 2020's crash, and inflation began to pick up in the face of surging demand meeting supply chain constraints, bond markets suffered. Unusually, all major government bond markets produced negative

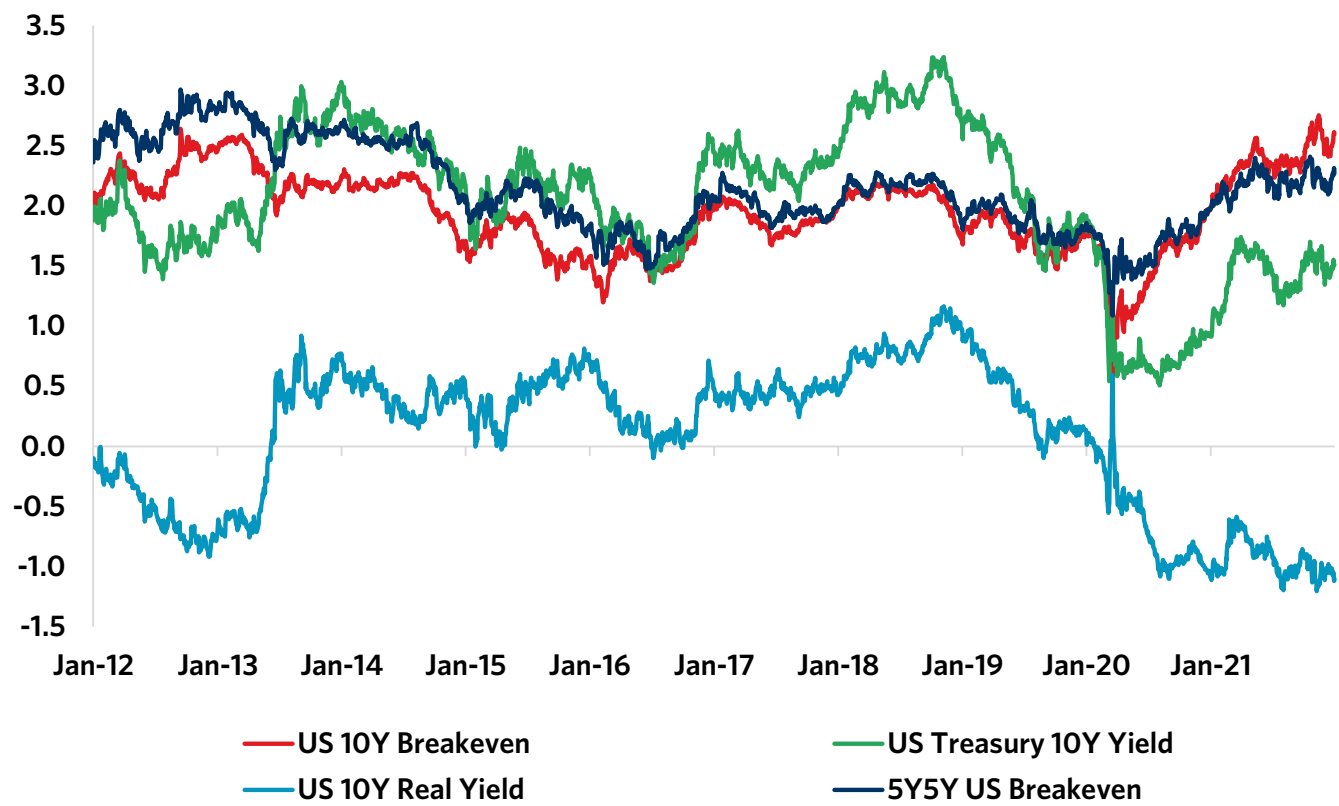
returns, the -2.6% return from US Treasuries being the first calendar year to show a negative return since 2013. The yield on the 10 year US Treasury rose from 0.9% at the end of 2020 to 1.5% by the end of 2021, having reached a high in March of 1.7%, when the reflation trade was at its peak. In credit, high yield bonds benefited from low defaults and easy financing conditions, returning +5.3% over the year, but the best performance in fixed income came from inflation-linked bonds, with US TIPs returning +6.0%. Moves in yields were driven primarily by a significant rise in inflation expectations, with the 10 year breakeven inflation rate in the US rising 60bps over the year to 2.6%. Real yields, in contrast, remained remarkably low and well into negative territory, at around -1% in the US 10-year bond.

Calendar year returns of US Treasuries and TIPS



Source: Bloomberg Finance L.P., Momentum Global Investment Management.

US 10-year bond yields and inflation expectations



Source: Bloomberg Finance L.P., Momentum Global Investment Management.

The pandemic has dominated the narrative underpinning the global economy and financial markets for the past two years, and has resulted in levels of policy support previously considered unimaginable in peace time. The emergence of the highly transmissible Omicron variant in late 2021 means that we enter the new year in much the same way as the beginning of 2021, with lockdowns and mobility restrictions restraining growth and casting considerable uncertainty. Recent data shows a marked

slowdown in the pace of growth in recent weeks; the widely followed Atlanta Fed GDPNow tracker, a running estimate of GDP growth in the US, has slowed from over 9% at the beginning of December to 6.7% now, and forward indicators point to the deceleration continuing into Q1 2022, in the US and elsewhere. However, the driving forces for markets will be very different in 2022, a year in which we expect the pandemic to transition to endemic status.

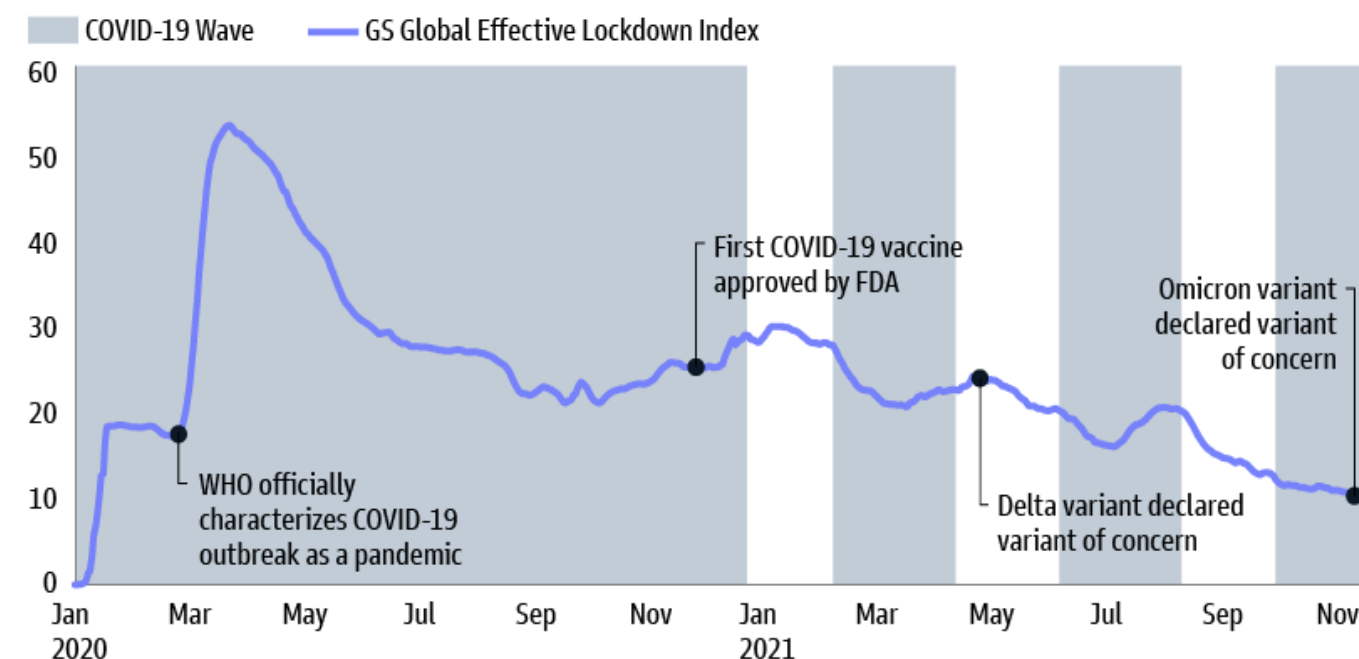


2022 Outlook

The factors which drove growth in 2021, recovery from enforced inactivity and the release of post-lockdown pent-up demand, will continue into 2022 but not to the same extent: the peak rate of growth for the global economy in this cycle has passed. Omicron is dampening activity in the short term and consumers will feel the pinch of higher inflation; discretionary spending is likely to slow during the year. We are also past the peak of policy accommodation. The pandemic-induced emergency fiscal spending for businesses and individuals will fade, and the extraordinary levels of monetary policy support will be progressively withdrawn. That will make for a more challenging backdrop for markets. However, it does not mean an end to the bull market; after a year of low volatility, and the lowest hanging fruit of the re-opening trade having been harvested, we should expect lower returns and a bumpier ride; nor can we rely on the leadership among asset classes and styles of the past two years to be sustained; but we do not see the conditions for a substantial and sustained fall in markets. The key factors underpinning our cautious optimism are:

1. The extraordinary success of the vaccination programme, the development and approval of anti-viral drugs, and extended natural immunity, aided by the rapid spread of the mild variant, Omicron, mean that we are well over the worst of the pandemic. We are learning to live with the virus, and despite the surge in cases from the Delta variant, then Omicron, the impact of the pandemic on economic activity has continued to fall throughout 2021, as illustrated by the Goldman Sachs Global Effective Lockdown index, and is now insignificant in comparison to 2020 and early 2021.
2. We enter 2022 with households and corporations in aggregate in a strong financial condition. Companies enjoyed an exceptional year for profits in 2021, recovering from the collapse in 2020 and from the extraordinary surge in demand as lockdown savings were released. A combination of forced savings, strong house prices and sharp rises in equity markets have driven growth in US household wealth to 70-year highs. With employment also strong, consumer spending is underpinned and likely to drive growth this year, lower than the extraordinary levels of 2021, but well above the long-term trend rate. After suspending investment during the pandemic, corporations will respond with increased capital investment, further driving economic expansion.

GS Global Effective Lockdown Index



Source: GS Global Investment Research and GS Asset Management

3. Although emergency fiscal support is being withdrawn, there is no prospect of a return to fiscal austerity. Higher spending on healthcare, infrastructure, climate change, and addressing inequality, will support growth. In the US, Biden is struggling to get approval from the Senate for the full extent of his massive 'Build Back Better' fiscal plan, but even at a watered-down level, currently \$1.7tn, it would be a significant addition to growth when finally approved, and comes on top of the \$1bn infrastructure bill already approved. The EU is drawing down its EUR800bn Recovery Plan, which, together with its long-term budget of EUR1.2tn, will be the largest stimulus package ever financed in Europe, and China is expected to step up fiscal spending in 2022 to support flagging growth.
4. While tightening is underway, monetary policy will remain accommodating. While several central banks across the developing world have led the move towards higher rates and started to rein in their asset purchase programmes, and the Federal Reserve in the US has started to normalise policy, the Fed Funds rate is expected to be only around 1% by the end of the year, extremely low by any historical measure and well below the expected level of inflation. A similar picture emerges with the ECB and Bank of Japan, where interest rate rises are still a distant prospect, and China has recently started to ease policy in response to its slowdown. We are at an important inflection point in global monetary policy, and with it comes heightened uncertainty, but financial conditions will remain loose globally throughout 2022, and most likely for some time beyond.

5. The biggest risk to financial markets to emerge from the carnage of the pandemic is inflation, but we do not see convincing evidence that inflation is moving structurally higher. We take comfort from the transitory nature of a significant part of the inflation rise: some due to base effects, especially of oil prices, which fell dramatically in the early stages of the pandemic but recovered sharply so that the year-on-year comparisons will be much more favourable as we move into the second quarter of the year; and some one-off price rises such as those for second-hand cars, which have risen steeply in price due to the shortage of new cars, and are not repeatable. Already car manufacturers are pointing to signs of easing in

semiconductor shortages which have been holding back production. In the same way, other supply chain distortions and disruptions will be corrected in the course of 2022, easing the inflationary impact, helped also by a sharp fall in shipping costs in recent months, albeit from exceptionally high levels. We believe that inflation, while remaining above central bank targets, will move down materially in the second half of 2022 and this change in direction will be an important support to markets.

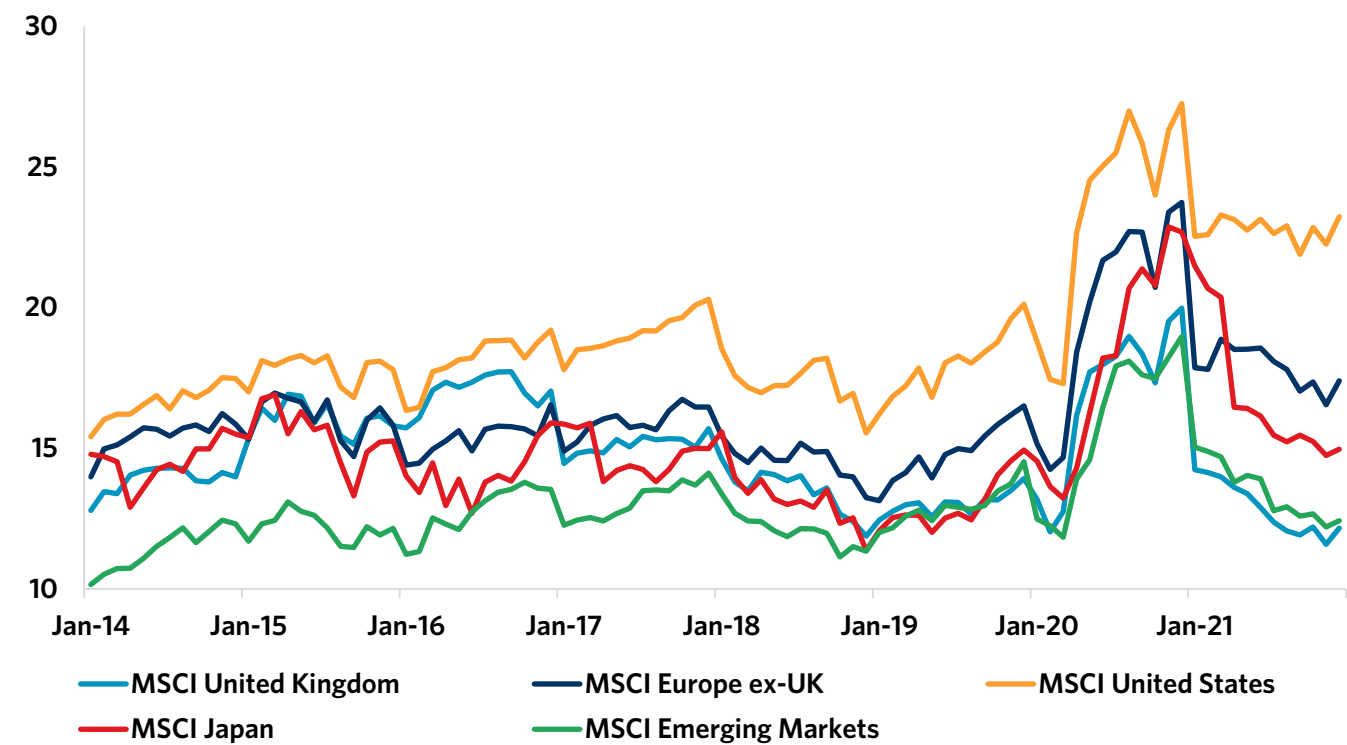
6. China's difficulties in 2021 are well documented: an abrupt tightening of the regulatory noose, deleveraging focussed on the huge property development industry, the zero-Covid policy creating supply difficulties and a sharp slowdown in economic activity, leading to the worst performance among large equity markets in 2021 and some investors to conclude that China will continue to be a headwind at best, and at worst uninvestable. There is no question that China faces a long-term structural deceleration in growth but even at the 4-5% anticipated in the medium term its growth will exceed that of most other large countries and there is a strong likelihood that China will loosen policy to stimulate growth this year when other countries are tightening. The worst of the regulatory crackdown is probably behind us, and the debt problems in the property sector are manageable, with limited contagion risk in China and none outside. After disappointing in the past 18 months, China could well provide an upside surprise in 2022.

"The EU is drawing down its EUR800bn Recovery Plan, which, together with its long-term budget of EUR1.2tn, will be the largest stimulus package ever financed in Europe"

The prospects for 2022, then, are for continued above-trend but decelerating growth in economies, inflation at multi-decade highs but peaking in the first half of the year, the gradual withdrawal of policy support but continuing low interest rates and accommodative financial conditions. In this environment, corporate profits should build on the growth in 2021, albeit at a much lower pace. As in 2021, equity markets will be driven by growth in earnings – we see little possibility of a re-rating in a period of rising policy interest rates and higher bond yields. Despite the generally strong equity markets last year, valuations start 2022 significantly lower than a year ago, thanks to the exceptional profit growth in 2021. We therefore believe that equities will make further progress and, as in 2021, provide the bulk of returns in 2022.

“equities will make further progress and, as in 2021, provide the bulk of returns in 2022.”

Valuations of equities fell sharply in 2021



Source: Bloomberg Finance L.P., Momentum Global Investment Management.

It would be highly unusual for bond markets to produce negative returns for two consecutive years, but we find little value in safe-haven government markets, where real yields are well into negative territory and cash yields will be rising. We are also mindful of very tight spreads in credit markets so will be highly selective in finding opportunities elsewhere, in asset-backed and emerging market debt, as well as Chinese government bonds, which offer higher yields than safe-haven bonds with no credit risk and good diversification characteristics. Shorter duration and floating rate instruments make sense at a time when policy rates will be increasing, but we will be looking for opportunities later in the year, when inflation has peaked and central banks are well into the policy tightening cycle, to add to duration.

The intensity of focus on one key theme, climate change took a further leap forward with COP 26, and will continue in 2022 and for many years beyond. It has profound investment implications, and the pace of change could well accelerate. We continue to build our portfolios with sustainability at the centre of our process.

“The focus on climate change took a further leap forward with COP 26, and we will continue to build our portfolios with sustainability at the centre of our process”

We recognise the risks going into 2022. Chief among these is inflation and the possibility that it becomes persistent and entrenched, leading to much more aggressive tightening by central banks. The uncertainties created by the pandemic make the risk of a policy error especially high. We are optimistic that we are on our way out of the pandemic but could still face some significant setbacks on the way, just as now with Omicron. The critical question is 'can inflation be brought under control through monetary tightening without triggering a crack in markets?', and the key metrics to monitor will be wages and inflation expectations. Wage growth in the US has moved up from around 3% six months ago to over 4% by year end, the highest since before the global financial crisis, and with unemployment having fallen to 3.9%, close to the level regarded as full employment, and with well-publicised labour shortages in the US and other developed countries, there is a risk of a further acceleration in 2022. Inflation expectations have also moved up, but, as with wages, have not moved out of the longer run range of the past two decades. While alarm bells are not currently being rung, complacency about the risks would be dangerous at this stage of the cycle, and we are mindful that the transition to a carbon-neutral economy might well be inflationary, at least in the short to medium term.

Building investment decisions around political risks is unlikely to be a consistently successful approach, but the geopolitical situation we face today is as worrying as it has been for years, perhaps since the end of the Cold War. President Putin presents a threat to stability on Europe's eastern flank, currently with 100,000 troops on its border with Ukraine, and with control over some 40% of Europe's gas supplies; a political mis-step is not difficult to imagine. China's ambition to extend its global reach, and in particular its intent to reunite Taiwan, is a threat to US hegemony and arguably the issue to define the next generation. It is unlikely to flare up in the short term, but given the size and importance of the Chinese economy, managing that relationship and avoiding a complete breakdown is critical for stability.

The Middle East remains a perennial concern, most importantly, from the perspective of investors, Iran's ambition to become a nuclear armed state, something that Israel in particular would be unlikely to accept.

All of this comes at a time when leadership in the US and Europe is weakening. Biden looks likely to lose his slim majority after the mid-term elections in November, and the Republican party has been engulfed by a bellicose wave of populism. In Europe, the end of the Merkel era in Germany leaves a vacuum, while Macron faces a tough Presidential election in May. What better time for enemies of the West to create difficulties?

In a year during which we expect markets to be more volatile as monetary tightening gets into full swing, it is vital to retain protection against these risks and uncertainties. True portfolio diversification will be more important than ever. Equities will be the core of our portfolios to participate in the growth ahead and provide protection against inflation risks, but it will be vital to invest across a range of styles. Some of the corporate winners of the pandemic and a range of growth stocks are highly rated and vulnerable to rising rates, while value stocks on lower multiples should offer better protection, both against inflation and tighter monetary policy, with commodity stocks and financials among the clear beneficiaries. It will also be important to include defensive assets to protect against periods of volatility and the risk of a sharper slowdown in the economy. Gold has disappointed in the past year but continues to play a role as a proven store of value, while inflation protected bonds remain an important safe haven asset and portfolio diversifier. Alternative income-producing assets will also feature more prominently in our portfolios as reliable sources of income, especially those which have a degree of inflation protection.

A more challenging year in markets is likely, and returns will be harder to come by than in the past 18 months, but we expect further gains in equities, and with patience, diversification and resolve to stay invested during periods of volatility, investors will be rewarded in 2022.



“A more challenging year ahead but with patience, diversification and resolve to stay invested we remain cautiously optimistic”

Portfolio Commentary

Performance

While the new Omicron variant drove the pandemic back to the forefront of investor concerns in the fourth quarter, it did not have the detrimental impact on stock markets that many feared when the WHO first flagged it as a 'variant of concern' in late November. Instead, after a short wobble, equity markets and other risk assets accelerated their ascent in December as data increasingly supported hopes that this new, more infectious variant was far milder than those that came before and therefore may hasten the end of the pandemic.

Global equities, measured by the MSCI AC World index, rose 6.7% in US dollar terms over the quarter; the US market outperformed once more, up 11.2%, while Europe and the UK lagged slightly. Japan was a notable underperformer amongst developed markets, down 1.7% in local currency terms. Asian and emerging market equities continued to lag, with respective indices down approximately 1.0% for the quarter.

Government bond yields were generally steady over the quarter, including in the US where the 10-year Treasury ended the quarter at 1.5%. This is perhaps surprising considering announcements from the Federal Reserve that guided for an earlier end to their quantitative easing programme than previously expected, in March 2022. This follows a hawkish shift recently by the US Central Bank, as well as most others globally, as they recognise that the ongoing surge in inflation is less transitory than previously expected.

Against this backdrop all of the Harmony Portfolios posted gains in the fourth quarter. The European Growth Portfolio led the way, up 3.5% in base currency terms for the A class shares, closely followed by gains of 2% - 3% for the Sterling and US Dollar Portfolios across all risk profiles (Cautious, Balanced and Growth). The Asian Balanced and Asian Growth Portfolios lagged with gains of 0.7% and 0.6% respectively. The underperformance of Asian equities also held those Portfolios back over the full year, during which period they gained 2.4% and 4.5% respectively, although this was considerably better than the -2.9% return for the MSCI AC Asia Pacific ex Japan index. The other Portfolios delivered much stronger returns over twelve months of between 7.4% (Cautious Income) to 14.1% (Europe Growth) in base currency terms.

There were two clear themes to performance attribution over the quarter, reflected across all Portfolios.

The first was the broad-based outperformance of our real estate and infrastructure holdings, which mostly delivered mid- to high- single digit returns, or more in some cases, thereby generally outperforming general equity indices. This explains how the Cautious Income Portfolio, which has a higher strategic allocation to these asset classes, kept pace with higher risk profiles over the period. The strongest performers over the quarter were Ediston Property Investment Company (+18%), Gore Street Energy Storage (+11%) and global real estate funds managed by Third Avenue and Blackrock (both +10%). We have been increasing and/or broadening out our allocations to real estate and infrastructure across the Portfolios in the last year, on the basis that the relatively high yield on the underlying assets as well as better than average inflation passthrough characteristics are increasingly attractive in the current market environment.

The second was the change in fortunes for growth stocks relative to the rest of the market, another temporary setback perhaps but one that has only gathered pace so far at the time of writing in January 2022. This played out across holdings we are invested in across all markets, with the likes of Granahan US Small/Mid Cap (-12%), Sands Emerging Markets (-12%) and Europe-focused Chrysalis (-8%) all seeing a contraction in the valuation levels of their portfolios. Conversely, high-quality and value orientated strategies performed well, including Robeco US Conservative (+10%), Morgan Stanley Global Sustain (+9%) and RWC UK Equity Income (+5). We believe it is these styles that offer the best forward-looking prospects hence earlier in the year we were incrementally adding to the relevant strategies across the Portfolios, while taking profits from the growth orientated strategies which had significantly outperformed over most short- and medium-term horizons.

During the quarter we increased allocations to Asia, and more specifically China, across all Portfolios. After disappointing investors on many fronts in the past 18 months, we believe China could well provide an upside surprise this year. Recent difficulties are well documented, and China faces further growth deceleration ahead, but even at the 4-5% level anticipated in the medium term it will exceed that of most other large countries, while there is a strong likelihood that policy will be loosened to stimulate growth when other countries are tightening.

Portfolio Changes

New Holdings & Changes

- ***Introduced 1167 China Government Bond Fund***
- ***Introduced Schroder UK Public Private Investment Trust***
- ***Introduced Greencoat UK Wind Investment Trust***
- ▲ ***Increased RWC Asian Convertible Bond Fund***

The Chinese equity market has fallen sharply since it peaked back in February 2021, significantly underperforming other major equity markets, which we felt presented a good opportunity to increase exposure there at what are becoming increasingly attractive valuation levels. During October we tilted our convertible bonds allocations towards Asia, away from the US and Europe. We added to an existing holding - the RWC Asian Convertible Bond Fund, which would benefit significantly from any rebound in the Chinese equity market. Convertible bonds benefit from the protection of a bond-floor, while the attached equity options can lead to significant upside participation if the related stocks rise, thereby creating an attractive convex return profile.

Then in December we added the 1167 China Government Bond fund, a new holding across the Portfolio range. The fund brings a broad exposure to the Chinese government bond market, which currently offers a relatively high yield - versus developed market sovereign bonds, in both nominal and real terms - as well as defensive characteristics; local interest rates and the Renminbi currency have proved resilient during most periods of heightened volatility in the past. We believe this allocation, funded from our US Treasury and liquid alternatives positions, increases diversification and resilience in the Portfolios without sacrificing potential returns.

Regarding other changes to positioning, we switched a small portion of global listed infrastructure exposure in the Sterling and Cautious Portfolios into the Greencoat UK Wind investment trust. The company is a listed renewable energy infrastructure fund, which owns a portfolio of 40 UK wind farms with net energy generating capacity of 1,290 megawatts. The assets produce enough renewable electricity to power 1.3 million homes, saving more than 1.6 million tonnes of CO2 emissions per annum. The trust provides investors with a high dividend yield of 5-6% p.a. and aims at increasing dividends in line with inflation, while preserving the capital value of its investment portfolio in the long term on a real basis.

Finally, within the Sterling Portfolios only, we switched some of the UK equity allocation from the Jupiter UK Smaller Companies fund to the Schroder UK Public Private ('SUPP') investment trust. The company invests mainly in privately held UK businesses with a disruptive technology or business model. It focuses on early-stage companies looking for capital to scale up and grow. It's managed by an expert team, with extensive experience and an excellent track record in the private equity world.

Overall, our expectation is that the factors which drove growth in 2021, like the recovery from enforced inactivity and the release of post-lockdown pent-up demand, will continue into this year but not to the same extent: the peak rate of growth for the global economy in this cycle has passed.

The Omicron variant is dampening activity in the short term and consumers will feel the pinch of higher inflation; so discretionary spending is likely to slow during the year. We are also past the peak of policy accommodation. The pandemic-induced emergency fiscal spending for businesses and individuals will fade, and the extraordinary levels of monetary policy support will be progressively withdrawn.

Portfolio Positioning

That will make for a more challenging backdrop for markets. However, it does not mean an end to the bull market; we should expect lower returns and a bumpier ride, along with probably some changes in market leadership, but corporate profits should build on the growth in 2021, albeit at a slower pace. Therefore, we expect that equities will make further progress and lead asset class returns this year. The case for equity markets is further supported by significantly lower valuations compared to a year ago, thanks to the exceptional profit growth delivered since then.

It would be highly unusual for bond markets to produce negative returns for two consecutive years, but we find little value in safe-haven government markets, where real yields are well into negative territory and cash yields will be rising. We are also mindful of very tight spreads in credit markets so are highly selective in finding opportunities elsewhere.

We recognise the risks going into 2022. Chief among these is inflation and the possibility that it becomes persistent and entrenched, leading to more aggressive tightening by central banks than is currently priced in. Geopolitical risks, in particular around the ambitions of Russia and China, are also cause for concern and may at a minimum spook markets from time to time.

Given such risks, as well as the many unknown unknowns, true portfolio diversification will be more important than ever. Equities are at the core of our portfolios to participate in the growth ahead and provide protection against inflation risks, but we include vital diversification across a range of styles: value stocks (on much lower multiples than growth stocks) should offer better protection, both against inflation and tighter monetary policy. We also include defensive assets to protect against periods of volatility and the risk of a sharper slowdown in the economy: among those gold, inflation protected bonds, as well as other income-producing assets such as real estate and infrastructure, with the latter two providing reliable sources of income and often a higher degree of inflation protection.

Overall, the Harmony multi-asset Portfolios continue to carry more risk than their long-term strategic asset allocation, reflecting this constructive medium-term outlook for equity markets, and our concerns around the outlook for government bonds. The additional risk largely comes from active security selection within equities, our credit bias within fixed income and our overweight to real assets (listed infrastructure and real estate). However, our risk levels are meaningfully lower and cash levels higher than the levels they reached 18 months ago, when valuations for most ‘risky’ asset classes were considerably lower.

We should be prepared for some periods of volatility, but we believe we are in a long market cycle and with patience and true diversification investors will be well rewarded in the year ahead.

Portfolio Activity

Recent Changes

Asset Allocation Decision Manager Selection Decision			
Date	Holding initiated ● / Increased ▲	Holding sold ◆ / Decreased ▼	Harmony Funds
October	▲ RWC Asia Convertibles	▼ CQS Chinook Global Convertibles ▼ Aviva Global Convertible Bond	Sterling, US Dollar, Europe and Australia Portfolios
	● Schroder UK Public Private	▼ FTSE 100 futures ▼ Jupiter UK Smaller Companies	Sterling Growth Sterling Balanced
November	● Greencoat UK Wind	▼ Maple-Brown Abbott Global Listed Infrastructure ▼ First Sentier Responsible Listed Infrastructure	Sterling Portfolios Cautious Income
December	● 1167 China Government Bond Fund	▼ Neuberger Berman Uncorrelated Strategies ▼ US Treasuries ▼ Cash	All Portfolios







Target Portfolios

	Cautious	Balanced	Growth
Equities	28.50%	37.50%	61.00%
Fixed Income	45.00%	32.75%	14.50%
Property / Infrastructure	15.75%	12.0%	13.50%
Alternatives	4.00%	5.50%	3.50%
Commodities	4.00%	7.50%	5.00%
Cash	1.75%	4.25%	2.50%

These target weights are correct as at the time this report is published and are indicative of the managers’ medium term outlook for markets, which is driven principally by their assessment of relative valuation opportunities. Target weights are based on the Cautious Income, USD Balanced and USD Growth Funds respectively. Allocations may vary for the other Balanced and Growth Funds in the range.

Portfolios & Peer Group Performance

Performance to 31 December 2021

	Fund returns (local currency)	3 months	6 months	2021	2020	2019	2018	3 years (annualised)	5 years (annualised)
	Cautious Income¹	2.6%	2.9%	7.4%	0.8%	9.4%	-	-	-
	Peer group median	0.9%	0.6%	3.0%	5.5%	10.9%	-	-	-
	Balanced Portfolio	2.2%	1.3%	7.5%	6.7%	14.9%	-7.2%	9.6%	6.5%
	Peer group median	2.7%	1.3%	6.4%	9.6%	13.3%	-7.3%	9.7%	6.8%
	Growth Portfolio	2.7%	2.1%	11.5%	7.5%	19.0%	-9.2%	12.6%	8.5%
	Peer group median	3.3%	1.8%	8.1%	10.3%	15.0%	-7.8%	11.1%	7.8%
	MSCI AC World	6.7%	5.6%	18.6%	16.3%	26.6%	-9.4%	20.4%	14.4%
	S&P 500	11.2%	11.7%	28.5%	17.8%	30.7%	-4.9%	25.5%	17.9%
	Cautious Income²	2.7%	3.1%	7.2%	-2.1%	7.5%	-	-	-
	Peer group median	0.9%	1.2%	2.3%	4.1%	7.4%	-	-	-
	Balanced Portfolio	2.2%	3.3%	9.0%	-0.3%	8.2%	-4.2%	5.6%	3.5%
	Peer group median	1.6%	2.3%	5.8%	3.7%	10.0%	-5.5%	6.5%	4.1%
	Growth Portfolio	2.2%	4.0%	12.1%	-1.6%	10.8%	-4.9%	6.9%	4.5%
	Peer group median	1.6%	2.3%	6.2%	3.8%	10.4%	-5.7%	6.7%	4.3%
	MSCI AC World	6.2%	7.7%	19.6%	12.7%	21.7%	-3.8%	17.9%	12.3%
	MSCI UK	5.1%	7.4%	19.6%	-13.2%	16.4%	-8.8%	6.5%	4.2%
	Cautious Income³	2.9%	3.2%	7.8%	-2.7%	4.4%	-	-	-
	Peer group median	1.3%	1.3%	3.8%	1.3%	4.4%	-	-	-
	Growth Portfolio	3.5%	4.0%	14.1%	-1.3%	15.7%	-10.8%	9.2%	4.1%
	Peer group median	2.7%	2.7%	8.1%	0.1%	10.4%	-6.7%	6.1%	2.9%
	MSCI AC World	8.7%	10.1%	27.5%	6.7%	28.9%	-4.8%	20.6%	12.7%
	MSCI Europe ex UK	7.7%	8.1%	24.4%	1.7%	27.1%	-10.9%	17.2%	9.8%
	Cautious Income⁴	2.7%	3.3%	8.1%	-3.0%	-	-	-	-
	Peer group median	N/A	N/A	N/A	N/A	-	-	-	-
	Growth Portfolio	1.7%	3.1%	11.7%	-0.9%	16.2%	-3.9%	8.8%	6.1%
	Peer group median	1.7%	3.5%	9.5%	-1.1%	12.3%	-1.3%	6.8%	5.3%
	MSCI AC World	6.1%	9.2%	26.3%	6.4%	27.5%	1.2%	19.7%	14.9%
	ASX All Ordinaries	2.5%	4.6%	17.7%	3.6%	24.1%	-3.5%	14.8%	10.4%
	Balanced Portfolio	0.7%	-1.4%	2.4%	7.1%	11.0%	-8.8%	6.7%	4.9%
	Peer group median	0.6%	-2.9%	-0.8%	11.4%	10.9%	-10.5%	7.0%	5.4%
	Growth Portfolio	0.6%	-1.9%	4.5%	8.5%	12.6%	-10.6%	8.5%	6.3%
	Peer group median	0.7%	-2.9%	-0.2%	10.4%	11.1%	-11.2%	7.0%	5.6%
	MSCI AC World	6.7%	5.6%	18.5%	16.3%	26.6%	-9.4%	20.4%	14.4%
	MSCI AC Asia Pacific ex Japan	-0.8%	-9.1%	-2.9%	22.4%	19.2%	-13.9%	12.3%	10.8%

Past performance is not indicative of future returns. Returns are based on share class A except for Cautious Income Portfolios, which are based on share class E (accumulating). For inception dates please refer to the important notes.

Momentum Global Investment Management Limited

**The Rex Building, 62 Queen Street
London, EC4R 1EB**

T +44(0)20 7618 1806

www.momentum.co.uk

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¹Inception date January 17 2019. ²Inception 14 March 2019. ³Inception 18 February 2019. ⁴Inception 27 September 2019.