



# INVESTMENT CRIB SHEET

OCTOBER 2023

FOR PROFESSIONAL INVESTORS ONLY

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## Investment Crib Sheet October 2023

		Opportunity Set	UW	N	OW	Change	Conviction
Main Asset Class	Debt	Sovereign			▲		Duration changes favoured as we expect the Fed and the developed market's Central Banks to change the monetary policy stance.
		HY Sterling		●			High Yield credit spreads do not show signs of stress. We may revisit this as we approach Q1 2024.
		Sterling Corporate		●			High quality corporate bonds with duration under 5 years favoured.
	Equities	North America	▼			▼	Leading indicators point to a weakness in risk assets. Mixed macro data from the US and we are now in Fed pause with some softening of macro indicators.
		Equity - UK			▲		UK equities overweight compared to Morgan Stanley Capital International All Country World Index allocation.
		Japan			▲		Japanese equities have exhibited strong resilience as inflation has emerged from its dormant state. Equities remain strong.
		Emerging Markets					The market remains skeptical of China's growth story and manufacturing data. However, India and Brazil are better stories within the Emerging Markets.
		Europe X UK	▼			▼	Economic growth facing challenges and lingering geopolitical risks in Europe. We keep a close eye on Economies linked to China via exports. We also expect the European Central Bank to step in as the economic picture deteriorates.
		Asia Pac X Japan		●			Emerging Market excluding China suffering from higher commodity prices and dollar shortages.
	Infrastructure	Global Infrastructure		●			Green infrastructure spending and energy infrastructure rewiring in Europe can provide some long-term opportunities. However, this asset class has still to show some positive momentum.
	Real Estate	Real Estate Equity					Real estate equities exposed to monetary policy over tightening. Reduction in real estate exposure.
	Commodity	Gold					Gold remains a commodity of interest. No direct investments in Gold.
Cash	Cash			▲	▲	Cash levels remain in line with our defensive posture.	
Inflation	Security of supply					Inflationary pressure, whilst it may have peaked, is above the central bank's target rate.	
Future World	Sustainable world					Digitisation, Ageing world, Sustainability - Healthcare and sustainable energy will be the key focus.	
Look East	New growth areas			▼		We have lowered our exposure to China. People's Bank of China has not stimulated the economy as we had expected.	
Recovery	Covid reopening					Focus has shifted away from energy into technology and growth stocks for first half of the year.	

- The above views are as at the end of October.
- ABP Asset Allocation is independent of Strategic Benchmark.
- Thematic allocation using active managers in Core Plus, Ethical, SRI and Sustainable portfolios

▼ Underweight      ● Neutral      ▲ Overweight

# MANAGER'S COMMENTARY

- US, EU and Bank of England monetary policy on pause with the 10y treasury now yielding positive real rate. Inflation appears to be nudging down across the board and the bond market expects future inflation to be around Fed's expected level.
- The US job numbers have started to show some softening, mainly due to supply side increase.
- Yield curve inversion still in play – albeit less severe. Treasury supply and absorption remains market's focus.
- PBOC and Bank of Japan in easing territory to support local economy. We keep a close eye on development and data coming out of China.
- We keep a close eye on Bonds, Dollar Index, and risk assets.

# IMPORTANT INFORMATION

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