Automatically generated using Asset TV AI and Amazon Web Services.
It may contain errors and omissions.

Hello and welcome to Master Class With me, Marco, Get It's a tough time to be a multi asset manager at the moment, volatilities on the rise and asset classes that traditionally don't correlate with each others, such as equities and bonds. Well, nowadays they do. So what investors expect from, therefore manages. I've got four in the studio. Let's meet them. They are Dominic Bryant, senior macro strategist, part of a global investment strategy team at HSBC Global Asset Management. Soon I'll Krishnan, head of multi asset funds out of Beaver investors. Bilma, Quaker, portfolio manager at Fidelity Multi Asset on Anthony Gillom, head of investments that quilter investors. Dominika mentioned volatility there in the introduction. Do we just need to get used to a world of more volatility? Yeah. I mean, to some extent, I think we do. I mean, I'm not gonna pretend that what we've seen over the past few weeks would be regarded as normal. I do think we have to see it. In the context of the past few years, twenty sixteen, twenty seventeen have been characterized by pretty low volatility. Very synchronized. Strong global upswing at low interest rates contained inflation pressures. All of those factors are very good for assets. Generally on, they've depressed volatility. And to some extent, we've returned to normal way late in the cycle as it were. So it becomes a bit more difficult to have firm views on what's going on. And that means that markets are more susceptible to events which we got more politics. Could you put some numbers on it? What? What? What's low of the past few years and what's normal and where are we? Well, I mean, I was just thinking about the vics. If you look up. Yeah, when I looked at it last week or so, it risen to around about his long run average now. They may have gone a bit up since then, but it's not that it's gone to the extreme levels we've seen into the previous crisis. So some of it is a reversion to normal. But as I said, I wouldn't say the past few days. Certainly yesterday's moves wouldn't be regarded as normal. But we do have to get used to the fact that we've been spoiled a bit over the past two years. So now do you see volatility is a opportunity or a bit of a threat? I think I think it is definitely an opportunity. I actually believe that for the last, let's say five or six years. It has been a bit of a no brainer to build your portfolio as cheaply as possible with the traditional diversification between equities, bonds and kind of leave it alone. And that has been an extremely successful strategy and most active management decisions. For example, to try and balance risks and so on have generally detracted from the performance he would have just got from trusting in in the trend. So actually, I believe the move to this changeable tilt environment really does reward more traditional disciplines of active management, particularly the medication space. And it should be it should be the right time sort of disciplines that are required in terms of being patient about entry and exit points. For for attractive strategy is not being too reliant on recent history in terms of If you talked about the correlation between assets, I think a lot of these disciplines are ones that were forgotten. Eso be interesting to see how quickly people relearn. So in the poor fellows, you're running a you seeing more of a tilt now toe active from managers in some of the underlying portfolios that you're running. Can you give us some idea of how you've moved from passive too active? Yeah, I think we've always had on approach, which was not religious. If you like in terms of choosing between active and passive, and I've always believed that there are certain markets work, it simply is quite difficult to consistently outperformed. So great example of that historically has been US equity market. But I think a the environment is changing be sometimes the opportunity set changes. New, identify styles were approaches out of evil with you been looking quite actively at whether we can improve capabilities in terms of active equity management because we think now is the right time. Bill. From your point of view, how does a world of slightly higher volatility or higher volatility effect the way that you put it? I think that, say maybe slightly different view about high volatility itself. I think high volatility tends to be consistent with more difficult market for foreign clients that that's never particularly welcome thing. So looking into two thousand nineteen, I wouldn't be surprised if Santa in the first half of the year. It's quite quite difficult to make money on DH in terms of how that's reflected in the shape of the portfolios I manage. Wei have bean quite defensive or year on DH. Despite the fact that prices have come off a bit, I think that it's appropriate to continue with that more defensive bias. What does that mean? In terms of big asset classes means less equity onboard defensive equity on then, one of the one. The most challenging things, I think, is identifying assets that will go up in value I on the bad days. This year, for the first time in quite some time when equity markets have sold off, bonds have bean kind, quite reticent to rally to offset the losses one of the ways I've tried to tackle that eyes putting gold into the full Azua replacement for fixed income, and we'll see how that what's out in two thousand nineteen think it's quite an interesting position, just very, very quickly. And I want to bring Antony in terms ofthe gold. What, What sort of what counts is a significant gold exposure all in. We're probably looking at nine of ten percent physical. It's actually predominantly physical gold, but there's some. Exports are much more limited exposure to school mining stocks on DH. You have to be careful with the miners for the quite laboured. It goes up a bit. There. Got a lot vice council. Now the Segways. Beautiful into question. We've just had in, which involves leverage on volatility, I said. How much the downside policies he does. Do you think maybe down to leveraged exposure to equities, bonds, F's funds and stop losses on quantify? Certainly that is quite timely, actually looking at some of the moves over nights, Yvonne US indices. Some of the data that we're looking at in terms of positioning would certainly indicate that Sita is so some of the trend following strategies have been, I think, delivering of late. And I think that is exacerbating some of these trends. We've seen that in the recent period. We were so sort of key one. So this period of Alwyn kind of key three key for isn't unique to share with you really kind of, I suppose, have the taste for it back back in January, February, early in the year when similar similar kinds of phenomena taking hold. You have got these these conferences say most recently, some of the exposure potentially driving get in one of the ways that we've sort of corroborated that, I suppose, is to look att. Concurrent moves in bond markets was quite interesting yesterday to see that, for instance, gap down the S and P but actually a much more muted, movin, risky, risky bonds So high you'd, for example, that is indicative that some of these strategies are having an impact on volatility and equity prices. I think that good overview on volatility. But what are some of the main opportunities and threats that you see right now? I'm evil touched. So can I come to you? What would you say? A big opportunity. Big threat for the next six months. I think from a macro perspective, the the the main opportunity is that, in my view, a lot of the conditions that you would be looking to be in place for at least the earnings, recession and possibly even a macro economic recession not really in place. There are pockets of softness, so there are areas which are not as strong as they were. Look lets us housing market all the Chinese economy, these areas and definitely not as strong as they were. But in broad terms, no, we have done quite a little thinking a czar house and leave. It kind of gets together for a house for you, bringing together all the investors to save. Look, what do you think is the central case scenarios? We found it quite hard to design scenarios where in the normal volatility of things where you might see downturns in parts of the economy that might, for example, have a U. S economy that grows at slower than its trend pace next year. And I think that is quite an important backdrop. You can't always have that confidence, and I think even over a lot, many times in the last ten years. I don't think you could have that. So that, I think, presents an opportunity in terms of the ability of companies to continue to generate profit at a time when there is, I think, a lot of uncertainty among investors about the profit outlook. Given that we had the kind of some of the one time gains this year in terms of the threat, I think person, actually, what what concerns me the most is probably less about the real economy and more about market structure. So actually, the point that you you know something we're just discussing in terms of, uh, the impact of leverage, the fact that there may be fewer shock absorbers in terms of financial system, the fact that there's frankly been probably bit of complacency in terms of poor fellow construction. I think that poses threats. And there are some market, I think, for example, about the credit markets, which I think Mohr vulnerable to that than others. Dominic. So let's talk about generally the global economy being not a bad position. What's your take on the hour? Yeah, well, I agree with a lot of what just being said Actually, I mean, I think people are a bit too pessimistic about the U. S. It's rare for an economy to go from really well above trend growth, which we've got now to below trend growth in a short space of time, more glide path at first and then some way down the line, you have a sharp slowdown people have talked about. The flatness of the yield curve is an indicator recessions. I'm not sure that that works in the way it used to in the past or receive at central bank policies which pool deals down. I'm not sure that when Central Bank policies aimed at shaping the yield curve that you can then use that your cover to predictor of recessions. I think you're more fundamentally. If you take a step back interest rates in the US below their mutual level, you can argue about how much below they are, but economies respond with a lag to interest rates. So really, the U. S is responding to monetary policy twelve months ago, maybe eighteen months ago. On the other side, you've got fiscal policy, which is very stimulatory that will fade through the course of next year. But it's still going to be in place in the first year and it's not going to go restrictive. It's just going to stop supporting growth, to agree. It has over the past twelve months, like to come back to us in a moment if I may. But we talked about the states and the overall global economy. But whatever risks and opportunities do you see out there? Well, I don't want to go back to talking global macro, but I have to say that I've got a bit more of a pessimistic take on the environment would run from a macro perspective. I'm deaf that US room rates are the highest bean since the global financial crisis on DH. Observe that the global system appears to be struggling in that higher interest rate environment and you see it and interest rate sensitive areas of the economy right round the world. Well, the car industry is a great example, housing another example. So do you think the states and maybe the world on the back of it is going to turn into the next Japan? You raise rates a little bit too far, and you it all goes horribly wrong. Well, this is this's uninterested experiment that we're in the midst. The world central banks decided that the end of seventeen, that it was time to move to normalization, that the global patient, If you want to use that metaphor, it was strong enough to stand on its own two feet on DH Fed moved the sea be prepared the ground to begin to raise rates on DH. My motivation would be. The patient is looking a little wobbly on its feet more than that, but a little. And then there are one or two other developments that a source from a completely different day to say but I think are troubling as well. So if you look at corporate earnings and these disappointment has bean very considerable and imagine markets in Europe, Oh yeah, on us has been a very different story. But if you look at the margins forecast for U. S. Companies are no beginning to come down on that troubles me. And then the final thing that I have is that credit markets having quite immune to the headwinds that I think of character. I certainly world outside us this year they suddenly lost that immunity in November, and I look at something for take just one example. General Electric along based company in the world eyes right now, in the midst ofthe emergency asset sales, we don't pay reason's got like they're one of the reasons it's got. That is because it brought back Shiels using borrowed money. And I worry that if credit markets begin to get more selective pervading credit to the corporate sector, then the Greek by backstory might not be as powerful, and the bar back story's over. Yeah. We have seen rising rising leverage in's last credit spreads have been have been widening. I think I'd be a little bit more optimistic on the corporate credit side, I think typically, corporate credit spreads tend to tend to move significantly wider when you see it turning the default cycle. I don't think we're yet seeing enough evidence to make to make that conclusion so well. Spreads are tight, and we have seen some widening in spreads. I don't think we're quite there yet from that from a default cycle perspective. So perhaps a little bit more sanguine, sanguine on that. Where do you think there's a threat phone? Just just just your point, Dominic on the bed and where the neutral rate is, I don't think it knows. I don't think any of the central bankers actually know where the neutral rate is today. A lot of the traditional economic relationships that have held during the past inflation and unemployment wages, for example, he's sort of try inverse of things you would expect to see reasonably high correlation between. Actually doesn't doesn't seem to be working. That's kind of creating the Fed, the world's other central banks. Simpson challenges as those central bank starts to step back from this decade of quantitative easing and I should be with Dae. So we are seeing central banks pulled back that monetary easing it quite an alarming rate. Fix the fiscal office with a flip side to that, isn't there? T simulates the same extent. I think that's That's kind of one of the reasons why we are seeing markets. Markets react as they have. We don't know. What sort of game do you think the central bankers of are they? Are they playing it well at the moment? Well, I mean, take a step back and say, What's the Fed responsible for? Well, it's got a dual mandate on the labor market and inflation. Yeah, the unemployment rate is multi decade lows on DH. Core inflation is around target. You take a step back as to where people worried we might be immediately after the crisis. Well, the U. S at least avoided. The deflationary threat generated a strong recovery in the labor market. It's hard to be too critical, given everything that they've had to deal with GNA in terms of Europe. I mean, obviously, there's an interesting point about the withdrawal of monetary stimulus. If you want to look forward to what that means for twenty nineteen, if you think that the peak was buying eighty billion of bonds a month and it's now down to fifteen billion, that adjustment is sort of happened. You're only really talking about a reduction of another fifteen billion at the end of this year. So I sort of wonder whether some of the volatility we've had this year reflects those withdrawal of monetary policies. But twenty nineteen, I don't really think there's a realistic chance of the bee begins to raise rates at all. I think maybe maybe we've seen some of the adjustment already in markets. And next year, perhaps it could be a bit calmer when Teo the Fed has been signaling and the market's been pyramids quite comfortable. That, I think, is three rate rises for twenty nineteen seems to be the sort of the the blood, the consensus view on where the Fed was going certainly a couple months ago. Where do you see interest rates? Going to think you three heights from here to the end of twenty nineteen is not unreasonable? Got rightly, We don't know where the neutral rate is three hundred twenty five twenty five bits of peace. I'm not in a camp doing less than that is particularly worthwhile not doing that standard. So three twenty five wouldn't be a bad bass case in my mind. If you think about what the fate to think, so is Thistle broadband of mutual policy, which is two, and after three and a half that gets them towards the center of that band. And at that point they start to think, Well, we need to see what's going on come much more data dependent. Three, seven, five pips not next year. What does that take us to our fund? Right? I'll get you Teo, to seventy five to three percent to fifty three percent. So what's your take on where U. S rates going down? Because you keep coming back to this is a topic. It's obviously the rial crucial one. I think it's pretty important in terms of how investors view range of assets. At this point, I think there was clearly an active debate about whether, if you like Phil's concerns might be realised that actually policy reaches a point. Word has a kind of heartbreaking effects on the economy. So I think I think it matters. I actually say in terms of my view of things, don't mix right. Think there's no reason you shouldn't see three hikes next year. What's interesting, though, is as you were talking about the developments in the last couple of months, I mean, that is now a non consensus view. I think markets probably prize for one and a half for next year on DH. There are two ways, I think, to read more recent changes in language from the Federal Reserve. One is, if you like just the outright delish. Oh, well, they're not committed to a long term preset path. They feel that we might not be that far from neutral. Therefore, that's out right delish by bombs. But I think the muchmore long term and interesting implication is actually that we're now exiting the period of forward guidance. You also have the Federal Reserve moving toe. Eight press conferences next year instead of fortune should make it easier to not just be committed to only changing monetary policy at one of those four meetings, but actually, all meetings were in play to my mind, that should be a force from again going back to volatility. A bit more volatility in the interest rate markets. Add in the Treasury markets and potentially a bit maur what we called con term premium in terms of look, actually, you need to be paid a bit more in terms of high yield to own longer dated government bonds. And I think the implications of that aren't just restricted to the Treasury market. People have less easy assumptions about the interest rate environment that stretches across the class is very quickly. Given that view, how does that affect how you're investing today? I think at the moment, if you look a very short term performance, there will always be periods when equity's a very weak in bonds rally. Hard people say, Right, well, the right way to be invested is to have some of both. But I continue to think and I think actually, the last time I was here, my feeling was that we should view decrees in Bonds is broadly un correlated right at the moment, and I think that remains the right something. I actually think that has been truth. You look on that what's happened over the last six months that does have important implications for how to what extent you run leverage, import failures, how attractive cash is, particularly US dollar cash as an asset. So we see cash is having an important role in portfolio. Thank you, Bill. From your point of view, a little less positive. I find thiss fade model that it's all about. The unemployment rate on the inflation rate is I find it quite interesting if I look back to the summer of two thousand on DH. Judge the effect in the Fed policy on those crazy summer of two thousand Top marks unemployment. Very little inflation looking pretty stable. Well done. Fade. Summer two thousand won. We're admittedly modest recession, but we're well in a way it equity markets falling fifty percent go to some of two thousand seven. Exactly the same score in the summer of two thousand seven. Top marks. By the time we get to the middle of two thousand eight, we're in the midst ofthe severe recession. I'm well in a way to equity markets being fifty percent Lord on the way in the summer of two thousand seven. So I don't take too much comfort from the fact that the faith thinks that everything's fine and dandy because those two magic numbers are where they'd like to be. F one narrow fed is no, not the only way to look at what they're all ships I think they're from Let's forget about what the fate should be doing from a market perspective. There are some other things that I think we need to be a lamp, too, is that might tell us more about what is unfolding in the US and cool economy, then the simple numbers that the fate seems to be particularly keen on he almost obsessed, and we're not really wonderful. Paper Home Cold Housing is is underlined the business cycle it was presented to the field in the summer of two thousand seven. He's quite persuasively that arely signals of impending downtown come in interest rate sensitive part of the surprise surprise on interested in paper In two thousand seven, the author, having looked at fifty years data, said, This is what it tells me, but this time it's different. Interesting. No, if you just assume that the Fremont still holds the the housing market is weakening. Car market is weakening more so excited state. Those are troubling signs that it suggests that the level of real interest rates has created a mean for headwind for the global. I think I get your thoughts on that. Yeah, I don't disagree, but I think we've seen more independent central banks around the world. But ultimately, us still does export its monetary policy, and I think you are seeing that impact on some of the sectors that you mentioned. I think it has an impact on emerging markets as well. I think it's difficult, difficult to completely divorce, liquidate global equality conditions from the fed from the from the strength of the U. S. Dollars. So I think, yes, that has has had an impact. But I think what's quite interesting for me and thinking about opportunity is that we've seen a lot of activity in the emerging market. Space is priced to some extent again, trying, trying not to be too short term about things. But if you were to look at the sell off, the pretty sharp selloff we saw last night actually emerging markets performed reasonably well, given what happened in the US now, whether that's to do with the fact that way we can see kind of value in. So I said, some of that risk is already priced or whether it's coming back to those some of those structural factors around, what the trend following leveraged players doing. I think these are part of part of part of that three ideas Fed does export monetary policy. I think he's still valid. But that's not sincerity, a uniformed threat, because in some markets we've already seen the reaction. I think that we've spent a lot on us. I want to move closer to home to the U. K. And we've got a question now which we've got from legal house off Hargreaves Lansdown, his one has to ask the panel. Have you ever seen a time in your career when the UK market has been less love than it is just now, we'll come to you on this one first. Physically speaking, No, I think you'd have to reach back quite a long time. You probably have to reach back, maybe to the maybe to the early nineties, or maybe even further back to see a time when and the UK was just seen a so un interesting by such a large part. The international market. And I think there is tactically, I think there is an opportunity that I would imagine that really any kind of clarity on the future in terms of Brexit Central, I think will lead people to look afresh in the UK. Having said that, I think one thing we need to bear in mind when we look at how UK clients are invested as in inclines is what we see. And it continues to surprise. They continue to have a large amount of home bias in terms of both their equity and fixed income allocations, and we've always taken a bit more of a global approach. So actually the UK tactically does look interesting But in the wider scheme of things, I think it's important for investors to understand that the reason we got here is perhaps because wayward, you know, many clans were over invested in the UK on that has actually costing performance. So opportunity, yes, one that we're taking advantage off. But we want to put this into context if you don't want to be betting too heavily on this. So you need to think about where your starting point is in terms of climate, don't on the economic side, I mean, we've got all of this who are over Brexit. It doesn't look as if it's going away any time. So how does that is with your economics? But when did you start to look at that as a model? How does that affect Cos in the long term? Just having this ongoing political uncertainty week in, week out you think you've seen in the data? I mean, certainly you had the UK performing the eurozone and number of the other economies prior to the referendum, and that sort of uncertainty came in. It just weighs on sentiment and investment. So you saw actually, the UK having quite a decent investment recovery up to sort of twenty, fifteen, twenty sixteen. But that's just given away recently, and it's just stagnated. And then there's the Bank of England argument that this means you got lower productivity growth, so it compresses trend growth. So I mean, you know, I'd say it's having an impact. I mean, firms and markets just don't like the uncertainty that surrounds thiss process. But is it in your view, is it beginning to this uncertainty beginning to compound up into something significant more than market valuation? But actually, there's less GDP growth. Therefore, companies going make less money than just that's going on. You know, I mean, the Q three GDP number for the UK, it wasn't bad. There was some Funny, isn't it? Which raised it both. Perhaps it's trend. But, you know, I think what you can argue is relative to what people were thinking before the actual referendum is that the economy is held up reasonably well, and growth has ticked along at around about its trend pace. I'm so I don't think you can say that there's suddenly being a bigger impact from this uncertainty. Recently, in fact, you know, we're starting to see wage growth pick up in the UK So the interesting question is, what does the UK looked like? If this gets resolved in a smooth, calm way, you've got a decent wage. Growth on the economy is still forming it. Okay, way. In terms of growth, you could get a boost of confidence and a bit of a pick up. So then you can ask, Well, what does the Bank of England doing it? It could be that has to deliver more tightening than people perceive in the event of a smooth managed outcome. And Antony is a farm manager. Is it getting any easier to price what these various risks are? A sui we head towards head doors off our potential Don't head towards our brexit window in March. Next. I think inevitably, as you get more information comes easier. They the extent to which the options are still to some extent, finery things difficult. And I think we've seen that in the pricing of starting, for example, would be kind of in the middle. Neither tiki on expensive, particularly cheap, nor particularly particularly expensive. And I think that's a result of some of these finery outcomes that might. That might results now. That said, I think a CZ we move closer towards a deal on some of the issues clearly explained. Put it, put it put on the table. I think it stopped. You start to be able to build a better ability distribution if you like around what is priced and what isn't priced. I was starting to see, particularly particularly some of them debate. I think that's going to emerge over the next four or five days. I think we're moving a little bit closer to being able to understand that. But I think at the moment we still are in this sort of space where it's difficult. It's difficult to know which which way it goes. And I think given where assets likes turning priced, damn, get a good outcome starting sheets up, you get a bad outcome and study study sheets down. So get getting closer. But but still still still tricky. Tricky price. There. We're picking up on that can, can you? Is a multi estate manager put hand on heart so I can hedge out? You brexit risk to you to your investors. I think that's very difficult. It's if you're not Thomas out in the UK, but for anyone whose assets and liabilities liabilities have to fund her lifestyle here in the UK in standing Hi thie, there is an meaningful risk that we get still some risk of a crash out brexit. And that would mean having overseas assets would be a boon to those UK based investors. And there's still a reasonable risk that we get perhaps even a softer brexit, then looks to be on the cards at the moment. In that world, having overseas assets would turn out to be quite a headwind for the same investors. And I don't think there's many people who could see confidently that the streams are off the table, so that does. It makes it very difficult. Tio. Hey, JJ, the currency. Risking people's portfolios If someone quoted Warren Buffet at you and said, Be greedy when others are fearful, would you say that it doesn't come to my UK exposure? That doesn't apply this time, which which is a lovely notion, and sales people will most of the time. Andi, what that is, just look at the look staring to equated in the context of the last twenty years. Since we left the Orient on it. We've really bean lower than we are today. So the buffet Esca porch would say, Surely you want to be a long standing if if we were to crash out on the twenty ninth of March. I don't think that stealing is cheap in that environment. Things darling is expensive in that environment. S o circumstances, I would cause thie cool relationship between stealing and all the contents to surrender to state that that's kind of unusual stuff. I'm not really seeing it like this. Okay, thank you so much that now we've got another question. I wanted to move on. Now it's a question from Sheldon Donald at our contestants. What about correlations? Multi assets and use alternatives? In an increasingly sophisticated investment world. How do you use alternatives in your portfolio? What do you do for us? There's a couple of reasons why you might use alternatives and two reasons I'd what noise the first would be to generate a particular outcome. For example, we've been talking about inflation customers. I think particular UK based customers need need to focus on inflation kitty if we get out bad Brexit deal. A softening currency tends to tends to be inflationary things. It's an important thing to think off, and certainly in the alternative space, there are lots of different strategies that we can use in multi asset portfolio to help us with helpers. With inflation we could be thinking about infrastructure would be a good example. My portfolio's I don't gold. But again, other other managers might gold exposure, for example, because you don't like it, or it's just not in the terms of your seeing seeing other opportunities. So infrastructure, for example, is something I think generates a u which, which is a little different. Different physical golden att. Any right, But it's a way of getting a diversity of income into inter portfolios as well. But one that I hope give us an inflation hedge Asan example. The other. The other thing that we would use alternatives for is diversification. No, I think customers do come to tea. Estate manages to provide diversification. I think way started talking about it. But it started way. Be worried about this kind of secular increase in correlation between equities and bombs in particular, which it might expects his central banks continue to withdraw liquidity. So you need to raise rates, continue to turn down the dawn on Curie that that that that that coronation could could increase. And so, by picking eternity strategies that I won't correlated to equities who are correlated to fixed income so long short equity strategies, for example, they're not dependent on market beat. I think those have a very valid role to play in multi asset portfolios. To achieve that, achieve that level of diversity occassion we need. So he was saying, I think you're less concerned about correlation between equities bonds in the long run. But how you what exposure to alternatives you building up in the portfolios? I mean, I guess when we look at how clients trying users so in terms of our multi fun Ranger Onyx investment ranger. Typically, they see us as a core allocation onto which they may be ableto things. And so in that context, we feel it's important to be quite sensitive to Causton liquidity. Come back to the critics, I think is a kind of current market regime point there as well. As a result, we have to be quite we feel that we have to be quite choosy about what kind of alternatives may play a role. Many of them will rule themselves out either for excessive costal because they don't meet our liquidity profile. Probably the only real exception to that is absolute return funds on, particularly given some of the changes that are happening. For example, we're talking about the internals of the fixed income market. It requires a certain investments style to be able to bring those in at a scale that really moves. The dialling makes a difference to a multi asset portfolio rather than just a small move in bonds. That doesn't affect what's happening with your equities. Just a couple of other thoughts on that. Firstly, from amore architectural point of view, I think what alternatives may suit Klein are quite client specific in terms of their appetite for illiquidity, their tolerance for volatility, how long they're willing to be locked up for I think those things in a sense, it in our view works for clients to have a core. And then they think about their particular circumstances to get that Mohr kind of focused alternative allocation. Just a last on this, which is. And we've heard a lot of talk in recent years about on illiquidity risk premium. But if you don't need your money for a while, you get paid. Teo, give it up for a while. I think what a liquidity often does is locks you into prevailing rates of return, but maybe with an additional premium. So if we are looking at yields on government buildings that are low by historical standards, equity valuations that are, let's say in the kind of upper end of the distribution, I feel that to some extent, what liquid allocations Khun do today is Look you into that at a time when you may want the capital available to pick up opportunities in what we've agreed is amore vole, tie world. Thank you, Dominic. Just step back. Commodities if you don't wear those because you were touching a little bit on inflation there on our conversation from the old prices, well, where do you see those coming out the next few months? We'll have a senior. The all prices shot be recently. So I mean, I guess that's looking a bit more like him an opportunity, especially if you think of the potential for inflation risks and going back to the discussion about bond versus equities. It really depends on the source of the shortest, whether you think that they're good hedges for each other as it were. I think that we've just seen rates go up, and that's driven the with every market time. So no commodities that may be coming a bit more interesting if you believe that inflation risk is the risk that you wantto hedge against. You know, I think there's a reasonable in case for saying that something we need to consider in the US If you look at what's going on in the economy there, wage growth when you when you look at it, excluding inflation expectations, a real wage growth that's going up pretty quickly. In line with indicators tight the labor market isn't, it suggests that will continue to go forward. So if you start to see inflation expectations move up well in the US and they are on the low side relative to actually inflation. So you might think that on balance, they should start. You know, maybe not in twenty nineteen, but twenty, twenty times people start to think, well, actually, may be a bit more inflation in the U. S than people currently this came so that environment commodities might be something to it. Thank you, Bill. Just picking up on something, and you mentioned if you've got all this exposure to go, but there's a cost of storing it, it doesn't pain income. If it goes wrong, doesn't it mean you haven't got much of a a cushion there for you? Well, I think this interest in that gold famously doesn't have a yield, and people believe that that makes it difficult to value on DH. Certainly if, if it turns out that the world is fine and there's not much to worry about in two thousand nineteen, I think how you lose a bit of money on gold. I don't think I'll lose a ton of money, but it's not going to be contributing apart the portfolio. And that's That's why we have more than one asset portfolios. Hi. But it's important to appreciate that if it turns out that the teals are important next year, whether it's a deflationary environment or in inflationary environment, I think in both of circumstances, gold should what quite well, I compare that with government bonds. Government bonds would love the deflation, the environment, but wouldn't like the inflationary environment on DH kind of Lee one final point in the table. I personally think it's a strange to see is getting an inflationary environment. But if it turns out that the world slows, I think beyond mighty panic amongst politicians and the lever that they be forced to pull in many cases and Europe's a prime candidate, it's a fiscal lever. They have to issue bonds inside on day. If they did that against a backdrop of still quite tight labor markets could be surprised that finally, we've got an event that shocks is from the last thirty five years have been about a deflationary environment of environments. Prune to the lower levels of inflation. Environment just described might be the opposite off the Volcker effect in the late nineteen seventies. Something that shocks isn't more inflation. Environment on gold would like that. Okay, now we gotta compliment Sefton. I want sorry instance. You want to come in on them, Only I agree on the struggle. I think we're gonna have to generate inflation. I think that's right. And I think the price moved last week really exacerbates that particular your points on on inflation expectations. I think. Look, a more inflation is toe form. Those expectations are gonna be on the fiscal side, though I do think, I guess a little bit more troubled by the ability of fist school to offset this contraction that we're seeing on the monetary side. I think I think that's difficult. The U. S This year has had a tail wind we've had. The Trump Administration has managed to get through pretty big fiscal package. I think his ability, Teo, keep renewing. That sort of impulse, if you like, is now not so great, of course. Switch over to Europe way, seeing the arguments between the Italians and the European Commission again fiscal side and that that's something that worries that worries me. So perhaps a little bit more, more sanguine on on the inflation. Yeah. Now we are pretty much at times I want to get a final four from each of you if I may Just everything we've chatted about today. One key point. You could leave every morning. What would it be? Off started this scent. Antony come to you? I think it has to come back. Teo Multi Asset manages what is supposed to dio customers come to Monte asset managers for diversification. And so I think the challenge that we've we've always had. But I think the challenge that we have to continue to focus on is how to cheat diversification portfolios and do it in such a way that way said our portfolio's up T work with inflation, environment, deflation, environment program for not program so that that's that's what? That's what we're focused on. Thank you, Bill. I think I've sounded quite worried through all of this on DH going into two thousand nineteen. I do have my consent, but I think it's important to remember that we do run multi asset for us. There will be parts of the asset mix that respond whale to whatever climate comes into place. I think we might be moving into an era where higher conviction active management is actually going to be really important to protecting and growing people's wealth on we've bean Through ten years, where on indexed sixty percent equities index forty percent bombs has been a thing of beauty. I wonder if the next ten years will be quite different on Denvir Mint, where that very simple proposition years much less well, no, I think I agree fully with what Bill has said way often talk about some of those strategies. They've been very successful, whether they're passive, fixed allocations or smart beater or even quantitative investing is once that are a bit sensitive to regime change. Well, I think this is what regime change look like. We are moving into a new phase of the investment cycle. I think within the sphere of active management, this will really be a question of where is. They're both discipline, but also the fundamental analytical capability to actually identify disagreements with the market and not just be swayed by what's happened in the last week. And I think that's going to be absolutely critical, and I think even within the active management community of multi asset will start to distinguish more robust processes from those that have simply written a few waves. Of course, lost years. Government? Well, I've talked a lot about the macro economy. That's my background. But I think it's very important not to lose sight of valuations. I think it was said earlier things like emerging markets, they've had a tough time. But valuations look attractive. So there's a temptation to always focus on the latest macro story because it's interesting to talk about. But you need to go beyond that and have a more balanced approach. And you need to think about the valuations as well what's priced in in terms of the risks. So, yeah, maybe a little less worry about all the macro side. Even though I'm an economist and some focus on evaluations, the fundamentals of the assets, we have to leave it there. Thank you very much indeed. For what? You and fewer questions. It just remains to me, too. Thank our panel, Dominic Brandt. So, no Christian Bill, Quaker on Antony Guillem, do stay with us. We've got some information coming up in a second on her. You could potentially use this as part of your structure. Cpd, from all of us here. Thank you for watching. Goodbye for now. In order to consider the viewing of this master class structured learning, you must complete the reflective statement to demonstrate what you've learned and its relevance to you. By the end of this session, you should be able to understand and describe the implications of higher volatility for multi asset portfolios. The factors affecting the future direction of

U. S interest rates and how much your little control for managers have been hedging. Brexit risk in portfolios, please complete the reflective statement to validate your cpt.