Soft landing, earnings returning

Outlook 2020

Fidelity Editorial

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Fidelity International

Soft landing, earnings returning

Themes for 2020

- Synchronised modest global recovery – recession ultimately avoided
- Earnings returning in 2020 after flat 2019
- Inflation pressures building in the US, as consumer remains strong
- Monetary policy likely to give way to fiscal
- Risks include US elections, trade and market rotation

Key highlights

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Geopolitical risks that dominated headlines in 2019 - such as the trade war and Brexit - have been subsiding. If this fragile calm can persist throughout 2020, we should see a soft landing for global Gross Domestic Product (GDP) growth.

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We believe inflation will re-emerge in 2020, as wage pressures build amid low levels of unemployment and tariffs add to input costs, or their removal triggers an upswing in growth.

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We should avoid an earnings recession. In that scenario, equity markets could go higher still and value investing could return after its long-term underperformance.

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With core bond yields likely to remain low, we expect further inflows into areas of fixed income with more attractive yields such as emerging market debt.

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Tactical allocations to non-US assets such as emerging markets, alongside alternatives and income plays, could help navigate a switch in market regime.

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In this uncertain environment, focus on property assets with sustainable income. Companies will face increased costs, so it is important to have long-lease tenants with strong balance sheets who can absorb those costs and afford higher rents.

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House view

Domestic and international political risks remain the most significant tail risk for 2020 in our view. Central banks, having taken the baton almost as far as they can for the last decade, look increasingly spent. How governments confront questions of growth, inequality and demographics for the next 10 years will be key.

House view on asset allocation

November 2019: Near- and medium-term views

	–	0	+
Strongly negative	■□□□□		
Mildly negative	□■□□□		
Neutral	□□■□□		
Mildly positive	□□□■□		
Strongly positive	□□□□■		

	NEAR-TERM (3-6 months)		MEDIUM-TERM (12-18 months)		
Asset Class	**Allocation**	**Change**	**Allocation**	**Change**	**Key Views**
EQUITIES	□□■□□	0	□□■□□	0	**Near-term view on equities remains neutral.** Assuming that the economy stabilises, there is a path to higher market levels. In this case, we expect to see a return of value investing after its long-term underperformance. Growth and quality and US equities will underperform in this scenario, primarily on rich valuations.
Growth / Quality	□■□□□	-2	□■□□□	-2	
Value / Income	□□□■□	+2	□□□■□	+2	
US	□■□□□	0	□■□□□	0	
Europe	□□□■□	0	□□□■□	0	
Japan	□□□■□	+1	□□□■□	+1	
EM	□□■□□	0	□□■□□	0	
SOV. BONDS	□□□■□	0	□■□□□	0	**No change to near-term moderate overweight**, reflecting our preference to buy US Treasuries and Gilts on weakness. We moved to a tactical neutral on Bunds and China Govt Bonds. The European Central Bank (ECB) has underwhelmed on Quantitative Easing (QE) and valuations are uncompelling assuming a recession in Europe is not imminent. We've taken profits on CGBs, which face technical headwinds in supply.
US	□□□■□	0	□■□□□	0	
Europe	□□■□□	0	□■□□□	0	
UK	□□□■□	0	□□■□□	0	
China	□□■□□	0	□□□■□	0	**No change to moderate medium-term underweight in sovereign bonds**. Our base case does not assume a recession in either the US or Europe before the end of 2020. Additionally, we see some upside risk to US inflation.
CREDIT	□□■□□	0	□□■□□	0	**No change to overall neutral view.** The world is caught between late cycle dynamics, trade and geopolitical risks and weak manufacturing on the one hand and resilient labour/consumer data and central bank support on the other. Valuations in Asia remain compelling relative to the rest of the world.
Global IG	□□■□□	0	□□■□□	0	
Global HY	□□■□□	0	□□■□□	0	
Asia Credit	□□□■□	0	□□□■□	0	
EM CREDIT	□□□■□	0	□□□■□	0	**Maintain near-term moderate overweight.** Valuations are still attractive against other asset classes and central bank easing is supportive. However, we anticipate lower returns in 2020 on tepid growth, lingering trade tensions, rising geopolitical risk, stronger USD and diminishing firepower of the central banks.
EM Corp	□□□□■	0	□□□□■	0	
EM Sov. $	□□□■□	0	□□□■□	0	
EM Sov. Local	□□□■□	0	□□□■□	0	
CASH	□□■□□	0	□□■□□	0	

Strong conviction longs and shorts

November 2019: Medium-Term (12-18 month) view

ASSET CLASS	Long / Overweight	Short / Underweight
EQUITIES	▪ **Value**: Assuming that the economy stabilises, there is a path to higher market levels. In this case, we expect to see a return of value investing after its long-term underperformance.	▪ **Banks**: Lower for longer policy rates are a significant headwind.
FIXED INCOME	▪ **Breakevens:** Signs of rising US inflation, eventual stimulus and valuations amongst the cheapest in fixed income drive our overweight in breakevens. ▪ **Emerging market corporates:** Slightly less risk-on due to sluggish growth, but stimulus, monetary easing and valuation remain tailwinds. ▪ **China government bonds:** Continued People's Bank of China (PBOC) easing and expectation of eventual convergence to US Treasury yields make us bullish.	▪ **US Treasuries and Bunds**: Although downside risks are growing, our base case is that the global economy will bend but not break over the course of 2020. We also see some upside risk to US inflation. US Treasuries and Bunds also price in more recession risk and rate cuts than we currently anticipate.
CURRENCIES	▪ **CAD:** We like CAD on valuation, fundamentals and technical indicators. In the short-term, the oil price should rise on shale disappointing supply and bottoming demand, boosting CAD demand. Canada 2yr yields are also higher than US Treasuries and signals from a flat curve, carry, momentum and relatively higher economic growth support an overweight.	▪ **USD:** We are negative on USD over the medium-to-long-term on valuation. An accommodative Fed and slower growth should also contribute to a lower USD. ▪ **Emerging market FX**: We moved to underweight EM FX due to lower growth and return expectations in 2020.
COMMODITIES	▪ **Copper:** Near-term, global growth will override fundamentals. Longer-term, struggling supply conditions and solid demand should provide support. ▪ **Gold:** In a depressed real yield environment, gold should outperform; similarly it will do well in the case of inflationary government policies.	▪ **Natural gas:** Ramping US shale oil results in greater gas supply as gas is a by-product. ▪ **Iron ore:** Supply is recovering over 12-18 months and demand is softening, hurting prices.
REAL ESTATE	▪ **EUR mixed use:** Tenants attracted to assets integrated into the urban fabric, offering attractive live-work-play environments in order to attract and retain staff. Expected to be resilient in any slowdown. ▪ **Focus on income:** Acquire longer duration (5+ years), and extend leases on existing assets to provide liquidity and income stability within portfolios.	▪ **Low liquidity markets:** Aggressive repricing is no longer compensating for additional risks. ▪ **UK Retail:** The sector has begun to reprice, but disruption from ecommerce is still impacting on the reliability of income.

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Economic outlook

The synchronised wave of dovish central bank policy in 2019, plus a confident consumer buoyed by strong employment markets, should be enough to prevent a global recession for now in the major developed market economies.

Data & Policy: Global monetary conditions easing

Magnitude of falling yields near 2009 global financial crisis levels

What's changed

- Synchronised central bank easing is taking place. Most developed market economies and emerging markets now have easier monetary conditions than a year ago.

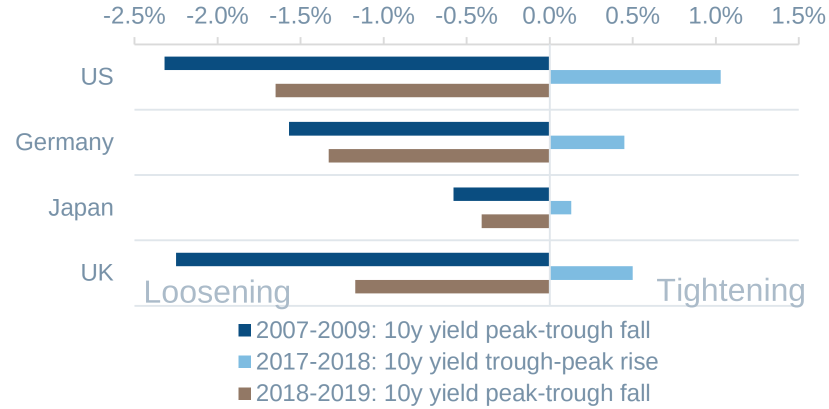
Key takeaway

- The easier conditions have caused government bond yields to fall significantly – on par with the global financial crisis. This is stimulative for the economy.

Investment implication

- We believe inflation will re-emerge in 2020, as wage pressures build amid low levels of unemployment and tariffs add to input costs, or their removal triggers an upswing in growth.

Falling government bond yields: A '2009-like' stimulus after last year's tightening



Fidelity economic estimates for 2020

	GDP growth	Inflation	Policy rates
Global	3.1%	3.0%	n/a
US	1.9%	2.1%	Hold
Eurozone	1.4%	1.5%	Hold
UK	1.3%	2.1%*	Hold
Japan	0.6%	0.5%	Hold
China	5.9%	2.1%	Continue monetary and fiscal easing

Top - Source: National Sources, Haver Analytics, Fidelity International, October 2019.
Bottom – Source: Fidelity International, November 2019. *CPI.

GEARs: Global economy not excessively downbeat

But still on a weak footing

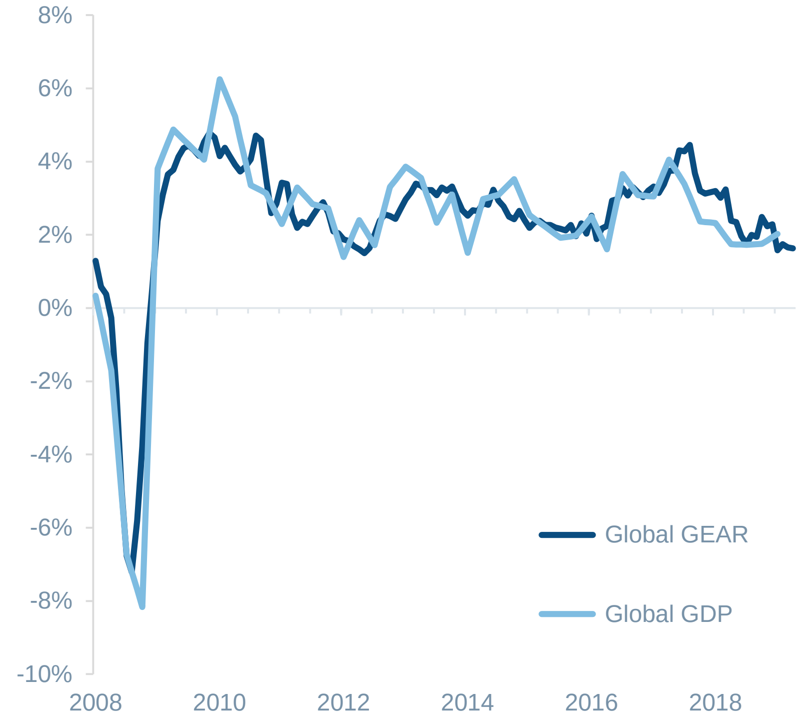
What's changed

- The US is falling back, China is looking brighter and emerging markets show no clear pattern.

Key takeaways

- The US fell back to levels of growth seen around 2016, although this is still in positive territory and above many other developed countries.
- China GEAR edged up and sits well above the lows of Q4 2018. China's magnitude of stimulus is enough to stabilise the domestic economy, but it doesn't have the power to reflate the rest of the world.
- Watch for signs of a long-overdue bounce in eurozone activity and whether the US survey slowdown has troughed.

Global GEAR shows activity is flattening



Source: Fidelity International, October 2019.
The Fidelity Gauges of Economic Activity in Real-time (GEARs) are monthly 'close-to-real-time' indicators of current activity across several key developed market and emerging market economies. They are a proprietary quantitative input to Fidelity's investment process, providing insight into economic activity that supports tactical decision making in portfolios.

FLI: Hopes of a solid acceleration into 2020

Worst looks to have passed

What's changed

- The FLI seems to indicate that monetary policymakers have done enough to offset the risks to the current outlook. However, the story in the underlying components remains mixed, tempering enthusiasm.

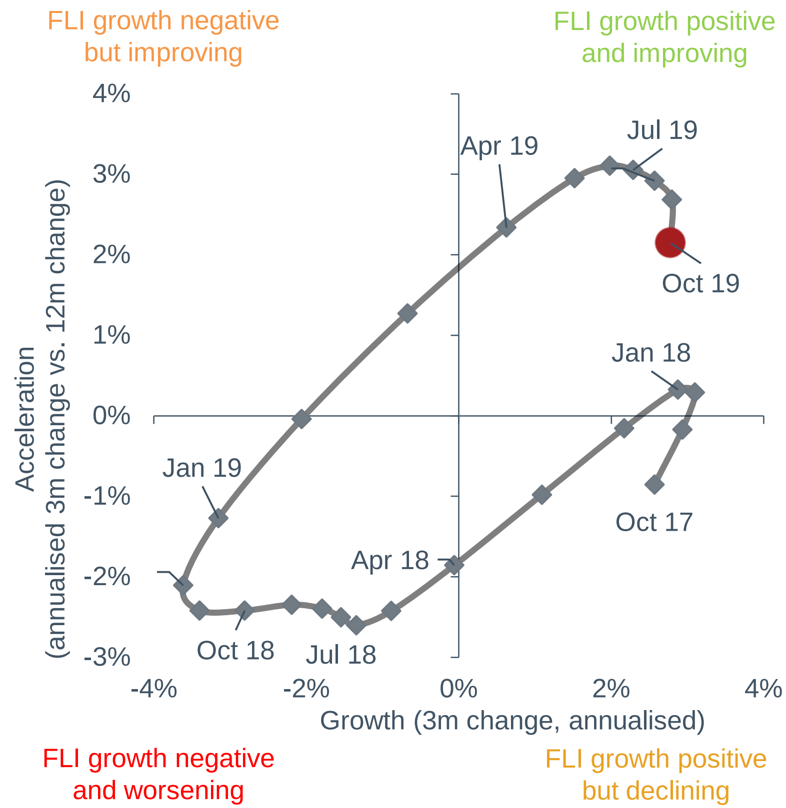
Key takeaway

- We see reasons for optimism. Monetary conditions have eased, with developed market sovereign bond yields plunging, and the Fed is expanding its monetary base. While further rate cuts are dependent on downside surprises in data, the easing bias is firmly intact.

Investment implication

- The FLI 'bet' remains risk-on, approaching the 90th percentile based on historical track record which suggests investors should be short duration and long risky assets.

FLI remains firmly in the top-right quadrant



Source: Fidelity International, October 2019.
The Fidelity Leading Indicator (FLI) is a proprietary quantitative tool, used as an input into shorter-term asset allocation decisions by portfolio managers. It is a model designed to anticipate the direction and momentum of global growth over the coming months, and - importantly for investors - identify its key drivers.

Equities

Amid all the political noise, we remained focused on earnings as they account for the majority of stock price movement over the medium term and 80-90 per cent of price movement over a decade.

Equities: Overview

Earnings returning in 2020

What's changed

- Headwinds are reversing. From 2018's quantitative tightening, we now have quantitative easing and fiscal easing. Markets have rebounded to new highs.

Key takeaway

- While the industrial sector has gone into recession, its diminished importance to overall GDP and the resilience of the US consumer mean we expect a soft landing for the global economy in 2020.

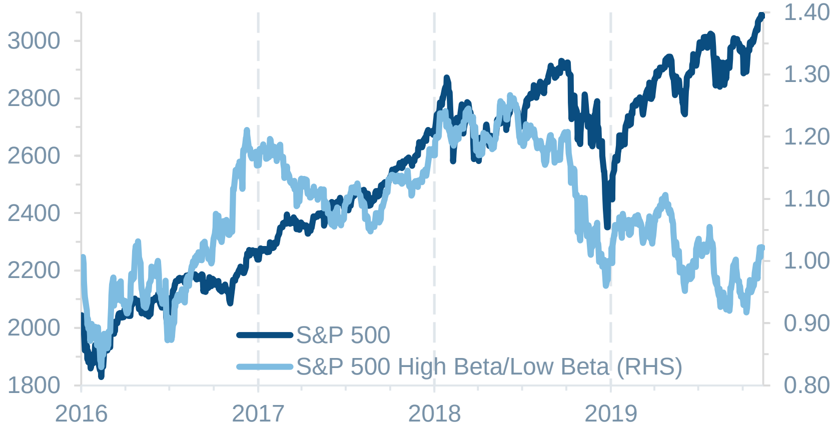
Investment implication

- We should avoid an earnings recession. In that scenario, equity markets could go higher still and value investing could return after its long-term underperformance. US equities could underperform in this scenario, primarily on rich valuations.

Fidelity global forecasts

	2019	2020
Earnings growth	0.0%	8.0%
Return on equity	13.5%	14.0%
Dividend yield	2.5%	2.6%
P/E valuation	16.6x	15.3x
P/B valuation	2.2x	2.1x

S&P 500 cyclical/defensive ratio highlights potential for value resurgence versus growth



Top - Source: Fidelity International, 12 November 2019.
Bottom - Source: Refinitiv, Fidelity International, November 2019.

Economic outlook | Equities | Fixed Income | Multi Asset | Real Estate

Equities: Regions

US and European consumer resilience

US: Industrial and consumer strength diverges

- The consumer sector has been flourishing even as US industrial companies suffer a recession.
- But industrials now account for a much smaller part of the economy than previously, so their weakness has less impact. We anticipate a soft landing in 2020, with potentially not even a single quarter of negative growth.

Europe: Relatively strong consumer

- The European consumer is holding up relatively well, despite the low-growth environment and German industrial weakness.
- However, the economy does remain fragile given the region's dependence on international trade with China. Any economic resurgence in China in 2020 will boost European exports.

Fidelity earnings growth forecasts

	2019	2020
US	0.3%	10.5%
Europe	-3.6%	6.0%
Asia ex Japan	2.8%	9.3%
Japan	1.0%	4.6%
Emerging markets	3.4%	9.9%

US industry and consumer strength diverges

Top - Source: Fidelity International, 12 November 2019.
Bottom - Source: Refinitiv, November 2019.

Equities: Regions

Concerns around China property and US dollar strength

Asia ex Japan: China property is a risk

- China is vulnerable to a property bubble. Real estate accounts for a fifth of GDP and an estimated 65 million flats are empty as investors bank on capital growth. Pinpointing when the bubble will burst is difficult - prices have declined twice over the last five years without prompting a property recession..

Japan: Mounting pressures

- The economy faces both internal and external challenges. But it's important not to overlook the reform and self-help happening at the corporate level.

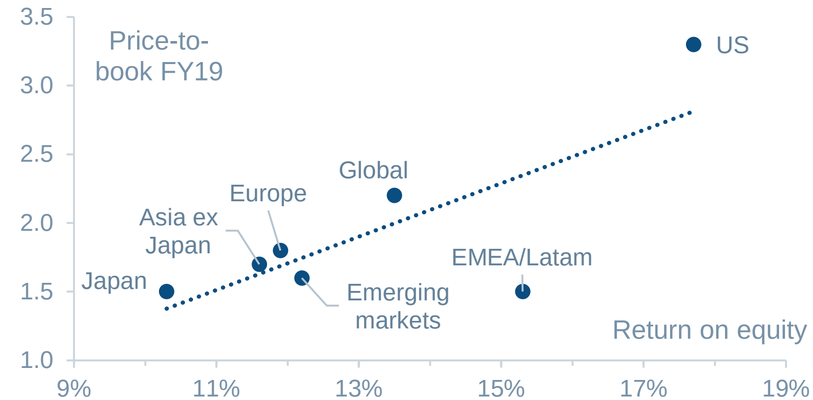
EM: US dollar will influence returns

- The US dollar remains a conundrum. Its safe haven status amid global volatility is a potential headwind but in the longer term, the US twin deficit should be more conducive to a weaker dollar and higher EM returns.

Fidelity capital market assumptions

	3 years	5 years	10 years
US equities	5.2%	6.0%	6.3%
European equities	3.5%	5.2%	4.6%
Japanese equities	4.3%	5.2%	4.9%
Developed market equities (US$)	5.3%	6.5%	6.7%
Emerging market equities (US$)	6.5%	7.7%	7.9%

Valuations not overly stretched despite new equity highs



Top - Source: Fidelity International, June 2019.
These are estimates of return per year in USD, based on our proprietary modelling, for illustrative purposes only. They reflect the views of investment professionals at Fidelity International. Indices used for calculation: US equities - S&P 500, European equities - MSCI EMU, Japanese equities - TOPIX, DM equities - MSCI World, EM equities - MSCI EM.
Bottom - Based on FY19 results. Source: Fidelity International, 12 November 2019.

Equities: Sectors

Low rates strongly affecting sector calls

Bullish sector: Real estate benefits from low rates

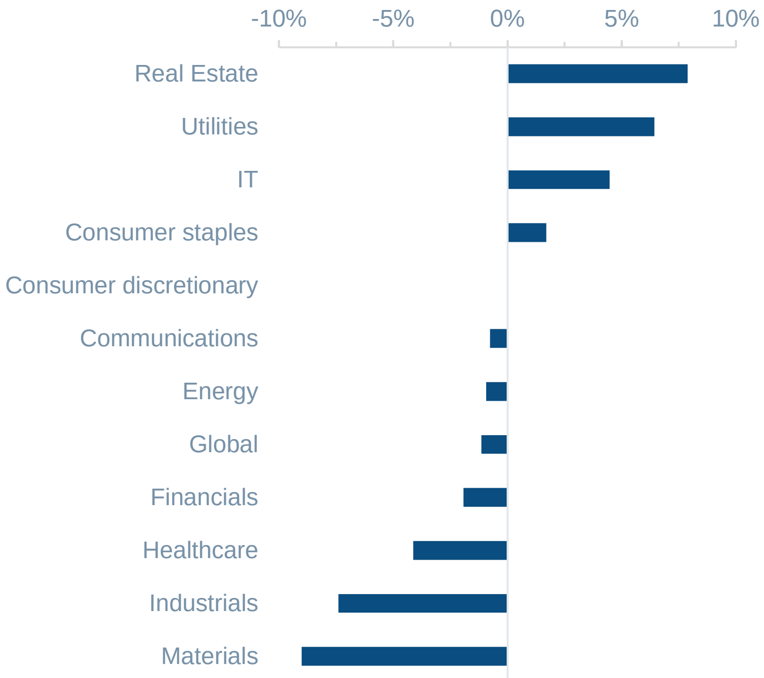
- Three US Fed rate cuts in 2019 have led to mortgage rates declining to their lowest level in around two years. This is spurring consumer demand and reviving the market with existing home sales rising.
- However, low supply driven by underinvestment in new home construction, high material and land costs, and labour shortages are headwinds.

Bearish sector: Banks under pressure from low rates

- The pricing of interest rates will remain extremely low and perhaps go even more negative. This will dampen profits from lending.
- Negative rates introduce a kind of insidious default on assets, acting as a levy on banks and savers such as pension funds.

Low interest rates have diverging effects on sector outlooks

Fidelity International's net income forecasts for 2020 (above/below consensus)



Source: Fidelity International, IBES, September 2019. MSCI World consensus estimates used.

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Fixed Income

We are mildly positive on the outlook for fixed income in 2020, driven by the dovish policy environment and the potential de-escalation in the US-China trade conflict. Absent a recession or an inflation shock, we expect solid returns from higher-yielding areas of the global debt markets.

Fixed Income: Overview

No recession in 2020, but watch out for inflation

What's changed

- In 2019, central banks returned to synchronised policy easing for the first time since the financial crisis and data signalled a weak but not contracting global economy.

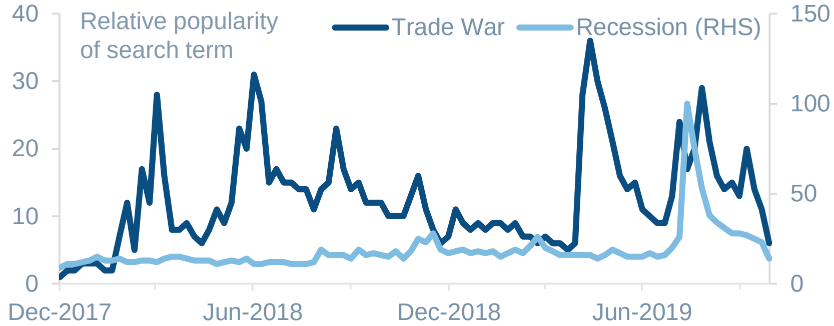
Key takeaway

- The key risk for 2020 is that central bank policy fails to generate growth, governments shrink from fiscal stimulus and the global economy plunges into recession, but we think recession will be avoided and the global economy will have a soft landing.

Investment implication

- With core bond yields likely to remain low, we expect further inflows into areas of fixed income with more attractive yields such as emerging market debt. Inflation pressures continue to build in the US, which could present an opportunity for inflation-linked bonds.

Moderating concerns around recession and trade wars



Fidelity capital market assumptions

	3 years	5 years	10 years
US Treasuries	1.2%	0.8%	1.3%
German government bonds	-1.8%	-1.0%	-1.5%
US investment grade	2.0%	2.4%	2.8%
European investment grade	-0.3%	0.1%	0.3%
US high yield	4.1%	4.3%	4.7%
European high yield	2.0%	2.1%	2.2%

Top – Source: Fidelity International, Google Trends, 5 November 2019. Relative interest of search term during period. 100 = peak popularity.
Bottom – Source: Fidelity International, June 2019.
These are estimates, based on our proprietary modelling, for illustrative purposes only. They reflect the views of investment professionals at Fidelity International. Reflecting data for H2 2019. All returns in USD currency. Figures are future expected returns which are derived from proprietary models and estimates from Fidelity International's research analysts. * Equilibrium definition: A theoretical state of an economy with steady growth and inflation. See appendix slide in this presentation for further information on the definition of equilibrium being used here.

Fixed Income: Inflation-linked

Pessimism around inflation creates opportunity

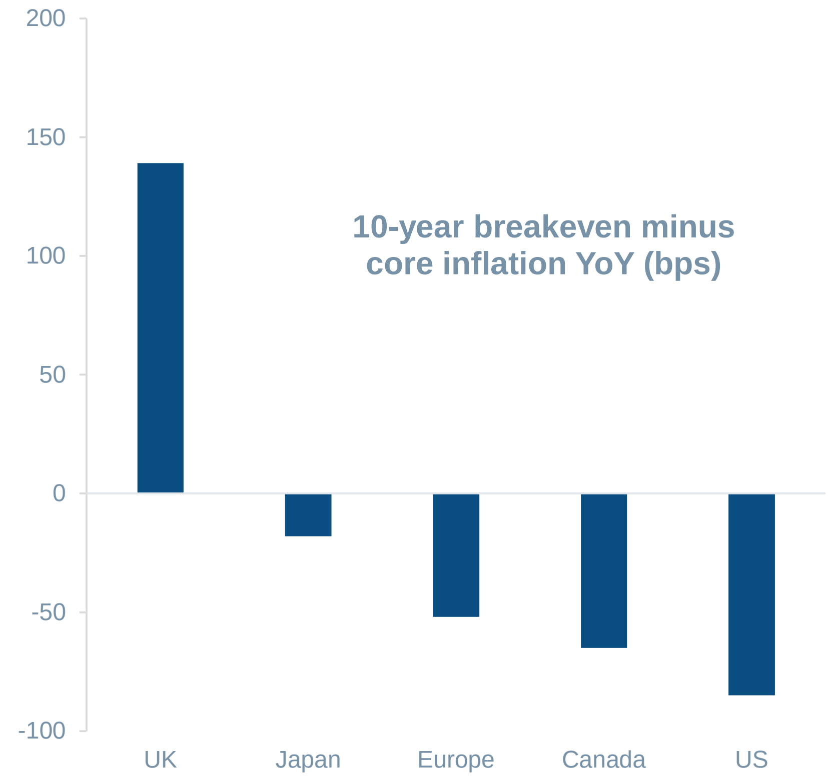
Inflation could re-emerge

- Inflation has been below-target in recent years, but could re-emerge to some degree in 2020 and beyond.
- Our estimate for US inflation in 2020 is 2.1%, driven by building wage pressures amid historically low unemployment and a strong US consumer.

Global breakevens cheap

- In our view, the market is overly pessimistic on inflation with global breakevens trading at a discount to core inflation.
- The exception is the UK where inflation expectations have oscillated alongside sterling and Brexit headlines.

Global breakevens ex-UK trade at a discount to core inflation



Source: Fidelity International, Bloomberg, October 2019. Chart shows 10-year breakeven rate minus core year-on-year inflation.

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Fixed Income: Investment grade credit

Investment Grade (IG) spreads tight

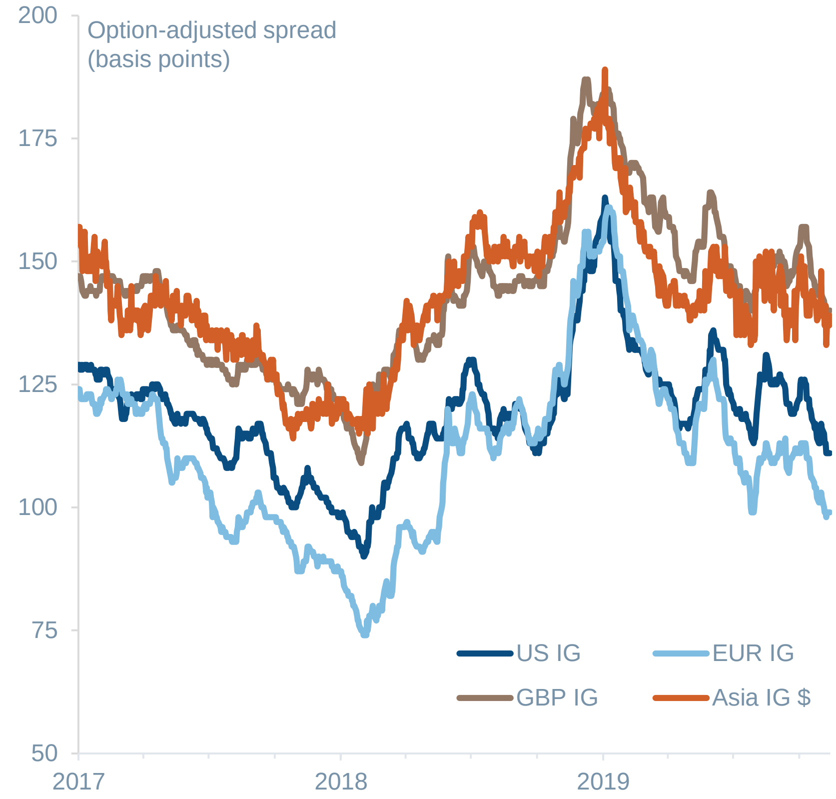
Spreads tightened as 'risk' back on

- The rally in risky assets in the second half of 2019 drove credit spreads tighter across all regions.
- Central bank easing and positive trade rhetoric supported prices along with the increasing confidence that a global recession would be avoided.

US credit cycle maturing

- Increasing evidence that US credit cycle is maturing as 'animal spirits' return. The Fed states its mid-cycle rate adjustment is over, so corporate funding costs unlikely to improve significantly from here. Risks from private equity deploying large volumes of capital in an already highly levered market could be overlooked.
- While risky assets could rally further, valuations are stretched and we maintain underweight stance.

Investment grade credit spreads largely unchanged



Source: Fidelity International, Bloomberg, ICE BofA Merrill Lynch bond indices, September 2019.

Fixed Income: High yield

Low fixed income yields could push investors towards High Yield (HY)

An overall constructive backdrop

- While there is rising dispersion due to the continued macroeconomic weakness, especially in global manufacturing, the overall tone for HY is arguably more constructive, given accommodative global central bank policies and moderating political uncertainty.

Europe and Asia looking attractive

- Less chance of a no deal Brexit, resilient corporate earnings, and relaunched QE by the ECB are all positive for European HY.
- Technicals are supportive, with European corporates limiting issuance to refinance rather than for stock buybacks or M&A. The size of the universe is stable despite earlier fears of mounting debt transitioning from IG to HY.
- Continued easing from Asian central banks, positive trade war rhetoric and potential fiscal stimulus from China should continue to support the Asia HY.

The size of European HY market has not grown

Source: Fidelity International, Bloomberg, October 2019.

Economic outlook | Equities | Fixed Income | Multi Asset | Real Estate

Fixed Income: Emerging markets

Emerging Market Debt (EMD) attractive but beware of EM currencies

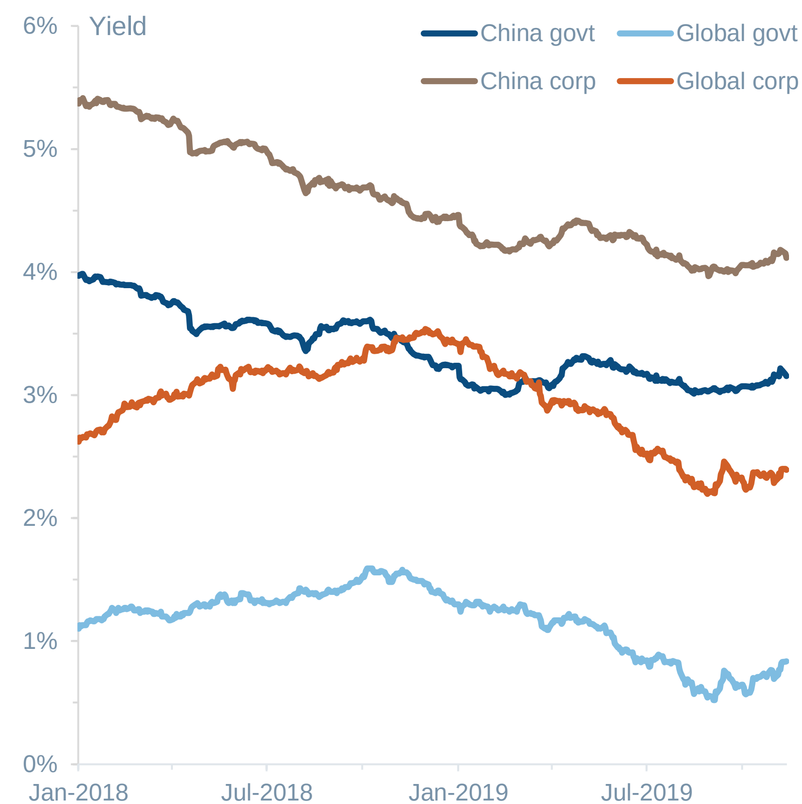
Positive on sovereigns, cautious on EM FX

- Stripping out effects of changes in index composition, spreads have not tightened much in 2019 and valuations are more attractive than they initially appear. Yield-chasing global inflows should also support prices.
- EM FX suffered from a strong US dollar in 2019, and while the Fed is cutting rates, other countries are also easing, reducing the opportunity for dollar weakness. EM FX are also sensitive to any growth slowdown.

Favour Chinese debt

- Chinese debt offers a decent yield while debt loads are manageable for now. China is largely financed internally and external debt financing is relatively low.
- If the trade war ramps up and conditions worsen, Chinese policy makers are likely to step in and provide targeted fiscal reflation or monetary easing.

China still offering decent yields



Source: Refinitiv, November 2019.

Multi Asset

While 2019 was about the US-China trade talks, Brexit and renewed monetary stimulus, 2020 could be an inflection point for profits and liquidity. If Democrats look likely to win the US election, it could present an opportunity in non-US assets.

Multi Asset: Overview

Approaching a moment of reckoning

What's changed

- US companies do not share consumers' confidence. Companies are losing their willingness to borrow. If they reduce issuance and take liquidity from the market, this could create a liquidity squeeze that tightens conditions for more highly levered firms.

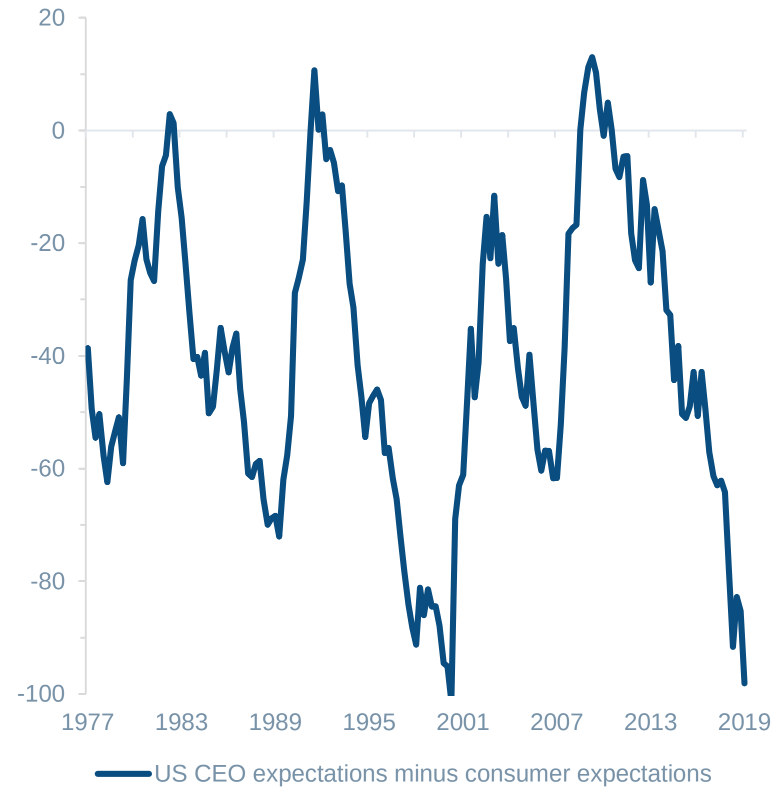
Key takeaway

- Either the cycle turns or rolls on until the US election. Corporate concerns about borrowing will increase if Democrats appear likely to win the US election and central banks may have limited tools to combat these late-cycle dynamics.

Investment implication

- Tactical allocations to non-US assets such as emerging markets, alongside alternatives and income plays, could help navigate a switch in market regime.

US companies don't share consumers' optimism



Source: Haver Analytics, November 2019. Surveys by The Conference Board.

Multi Asset: Equities

Maintaining neutral

What's changed

- We maintain a neutral view on equities. We prefer emerging markets given looser monetary policy. Both the US and Europe face economic headwinds driving our negative stance.

Investment implications for selected markets

- **US –** Continued weakness in manufacturing and non-manufacturing data contrast with a resilient labour market and consumer. Overly optimistic earnings forecasts and a market narrowing towards tech shifts our view to negative.
- **Europe incl. UK -** Europe's largest economy remains a concern as Germany teeters on recession. The rest of the bloc has shown signs of improvement, but with trade headwinds still in play our view remains negative.
- **Asia Pacific ex Japan** - The Reserve Bank of Australia rate cut appears to have supported the equity market for now, but trade headwinds and property market weakness continue to weigh on sentiment. Our view on remains neutral.
- **Global emerging markets** - On a relative basis, we are still positive on emerging markets, with a bias to Asia. Fed dovishness has allowed EM central banks to ease policy and inflation remains muted. If US dollar strength reverses this would be an added tailwind.

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Multi Asset: Fixed Income

Maintain negative view

What's changed

- Inflation is 'out of sight, out of mind' for many investors, but we do not see the risk of an inflationary upside surprise priced in and like inflation-linked bonds as a result.

Investment implications for selected markets

- **Government bonds** - We continue to see US Treasuries as an important safe haven asset with attractive yields, which are inching closer to zero after hitting all-time lows in Q3 2019. In some portfolios, our negative view on Bunds is expressed through short positions. On Euro peripheries we are negative, and don't think that markets are pricing in enough political risk.
- **Investment grade** - At an index level, US investment grade spreads are near historic tights despite weakening fundamentals and late cycle dynamics. We remain neutral overall and are focused on quality USD denominated issues.
- **High yield** - The asset class remains vulnerable and we keep a neutral outlook. Demand for US HY is buoyant on the back of US Fed rate cuts, but valuations are stretched and defaults have increased. In Europe, broader headwinds are keeping us from moving to a positive view, but the ECB's 'open-ended' QE program is likely to continue supporting the asset class for now. Asia HY offers attractive yields with supportive fundamentals relative to other regions.
- **Emerging market corporate debt** – We continue to be negative, preferring to obtain exposure to emerging markets through equity and government debt. We are biased to high-quality corporate debt.

Multi Asset: Currency

Negative USD, positive EUR, positive JPY

Investment implications for selected markets

- **US dollar –** USD strength has waned over the past month, and we remain negative. Rate cuts have continued, growth is weak, and the US's 'twin deficits' have not receded. We see the currency as overvalued.
- **Euro -** The Euro looks to be pricing in more pessimism than is warranted. The currency is cheap, which conflicts with the surplus on the current account. We don't think rates will decline much further and we retain our positive view.
- **Japanese Yen -** JPY is attractive as a defensive asset, and some of our portfolios own it for this purpose. We see significant upside potential on valuation, and the Bank of Japan looks to be less dovish than its developed market counterparts.

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Real Estate

Real estate assets offer diversified protection, and, against an uncertain backdrop, a stable yield. Being selective and actively assessing tenant exposure will optimise and sustain income returns into 2020.

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Real Estate: Overview

Markets are gearing up for the next phase of the economic cycle

What's changed

- There is a strong consensus in the market for a scenario where economic growth will continue to be muted, and rental incomes harder to increase.

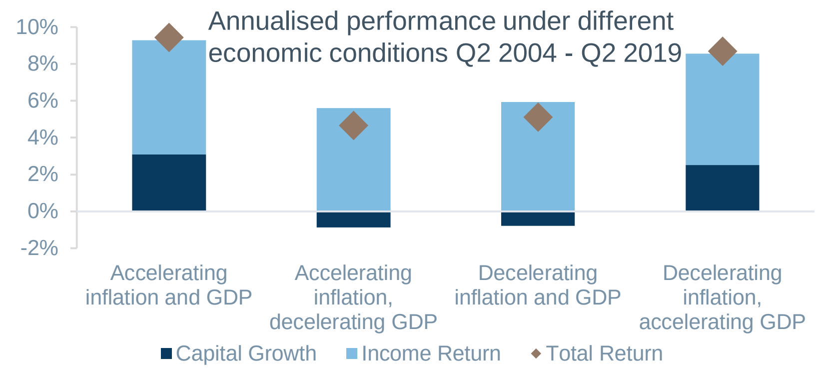
Key takeaway

- Another scenario is an unknown factor shocking the market and causing values to fall rapidly. For example, if inflation spikes all asset classes will be hurt as yields rise and earnings decline, potentially causing a structural shift in markets.

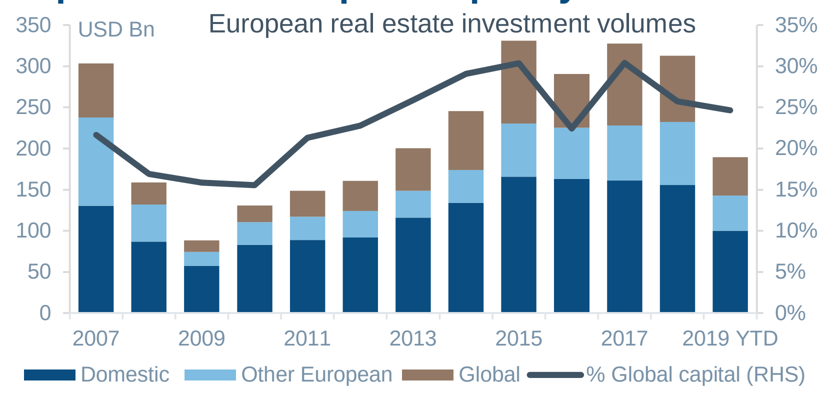
Investment implication

- In this uncertain environment, focus on property assets with sustainable income. Companies will face increased costs, so it is important to have long-lease tenants with strong balance sheets who can absorb those costs and afford higher rents.

Real estate can be a good inflation hedge



Global capital has become increasingly important for European liquidity



Top - Source: MSCI Pan-European Property Fund Index, Q2 2019
Bottom - Source: Real Capital Analytics, Q3 2019.

Summary

House view: Geopolitical risks that dominated headlines in 2019 - such as the trade war and Brexit - have been subsiding. If this fragile calm can persist throughout 2020, we should see a soft landing for global GDP growth.

Equities: We should avoid an earnings recession. In that scenario, equity markets could go higher still and value investing could return after its long-term underperformance.

Multi Asset: Tactical allocations to non-US assets such as emerging markets, alongside alternatives and income plays, could help navigate a switch in market regime.

Economic outlook: We believe inflation will re-emerge in 2020, as wage pressures build amid low levels of unemployment and tariffs add to input costs, or their removal triggers an upswing in growth.

Fixed Income: With core bond yields likely to remain low, we expect further inflows into areas of fixed income with more attractive yields such as emerging market debt.

Real Estate: In this uncertain environment, focus on property assets with sustainable income. Companies will face increased costs, so it is important to have long-lease tenants with strong balance sheets who can absorb those costs and afford higher rents.

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