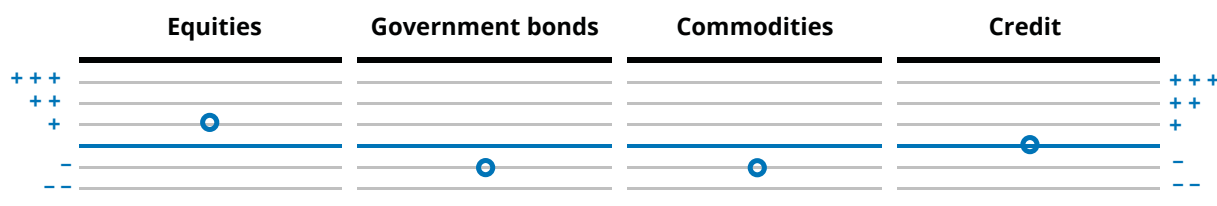


Schroders Multi-Asset Investments

Monthly Views

August 2017



	Category	View	Comments
MAIN ASSET CLASSES	Equities	+ \triangle	The encouraging outlook for global growth is translating into better earnings; as global liquidity remains loose, we expect equities to grind higher.
	Government bonds	- ∇	Rich valuations, the stage of the economic cycle and technical indicators all support our negative view on bonds.
	Commodities	-	Broad commodity price momentum, on a 12 month basis, remains weak.
	Credit	0	Although spreads remain resilient, the risk/reward prospects look less favourable as valuations have become more expensive.

	Category	View	Comments
EQUITIES	US	-	We remain negative, believing that non-US equities offer greater upside potential via higher earnings.
	UK	0	Without a tailwind from currency depreciation, the market is lacking the momentum in earnings to drive outperformance, although valuations are appealing.
	Europe	+	We remain positive as the region offers broad-based economic growth and healthy earnings momentum.
	Japan	+	Japanese equities are exhibiting strong earnings growth while providing relatively inexpensive exposure to the cyclical expansion.
	Pacific ex-Japan	0	We expect the uncertainty around Australian domestic policy along with the softer data to act as a drag on Australian equities, which dominate the Pacific ex. Japan universe.
	Emerging markets	+	We expect emerging markets' pro-cyclical sensitivity to drive outperformance, should economic momentum persist globally as expected.

	Category	View	Comments
GOVERNMENT BONDS	US	- ∇	Treasuries look rich, implying only 1-1.5 Federal Reserve (Fed) hikes by the end of 2018 and little chance of improving growth/inflation. There seems a low hurdle for surprise.
	UK	0	The near-term outlook remains uncertain, but gilts already price this therefore it is hard to go overweight, particularly with some MPC members sounding hawkish.
	Germany	-	Improved domestic growth continues to pressure the European Central Bank to reduce policy accommodation, thus weighing on Bunds and justifying our negative view.
	Japan	0	The Bank of Japan remains resolute in its JGB yield target, therefore remain neutral for now.

	US inflation linked	+	Remain positive given improved valuations and low current inflation expectations in the market.
	Emerging markets USD	-	Hard to see further spread tightening, whereas spreads could come under pressure if developed market credit spreads widen and/or global liquidity tightens.
	Emerging markets local	0	Valuations remain attractive and external vulnerabilities have improved, but investors appear overly optimistic. Therefore, we prefer to wait before re-entering.
IG CREDIT	US	-	Valuations continue to look expensive relative to history; carry is dominating investors' preference but we think that the risk rewards are tilted to the downside.
	Europe	-	We continue to hold a cautious view due to the combination of the tight spreads and uncertainty of future central bank actions.
HY CREDIT	US	0	Although valuations remain expensive, a low inflation and low growth backdrop continues to provide a favourable backdrop for carry assets.
	Europe	0	European high yield remains expensive; however, this is offset by continued strong economic momentum. We maintain our neutral score, with a growing downside bias.
COMMODITIES	Energy	0	Output growth in the US and the return of Libya and Nigerian production has materially blunted the OPEC cuts.
	Gold	0	Real rates remain range bound as the Fed gradually normalises monetary policy.
	Industrial metals	0	Chinese financial tightening is having a direct impact on industrial commodity prices, the authorities are trying to balance growth and clamp down on speculative excess.
	Agriculture	+	Prices have reacted positively to weather disruption but stocks remain high.
CURRENCIES	US \$	0	Remain neutral, given softer outlook for US economy and the anticipated economic and business friendly programmes are unlikely to be implemented in the near term.
	UK £	-	Maintain negative view given weaker economic growth. Additionally, the Bank of England is unlikely to hike rates due to Brexit-related downside risks.
	EU €	+	Positive growth and the resulting flows are likely to continue to support the currency.
	JPY ¥	-	The cyclically stronger macro environment and abundance of global liquidity should continue to be positive for risk taking, but negative for JPY.
	Swiss ₣	- ▽	Downgraded to negative as safe-haven flows into the CHF unwind and return to the eurozone, a trend that we expect to continue.

Source: Schroders, August 2017. The views for corporate bonds and high yield are based on credit spreads (i.e. duration-hedged). The views for currencies are relative to US dollar, apart from US dollar which is relative to a trade-weighted basket.

Important Information: These are the views of the Schroders' Multi-Asset Team and may not necessarily represent views expressed or reflected in other Schroders communications, strategies or funds. These views are subject to change rapidly as economic and market conditions change. Strategies mentioned are for illustrative purposes only and should not be viewed as a recommendation to buy/sell. This newsletter is intended to be for information purposes only and it is not intended as promotional material in any respect. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The material is not intended to provide, and should not be relied on for accounting, legal or tax advice, or investment recommendations. Information herein has been obtained from sources we believe to be reliable but Schroder Investment Management North America Inc. (SIMNA) does not warrant its completeness or accuracy. No responsibility can be accepted for errors of facts obtained from third parties. Reliance should not be placed on the views and information in the document when taking individual investment and/or strategic decisions. The opinions stated in document include some forecasted views. We believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know. However, there is no guarantee that any forecasts or opinions will be realized. Schroders has expressed its own views and opinions in this document and these may change. Past performance is no guarantee of future results. Portfolio holdings may change at any time. Schroder Investment Management North America Inc. ("SIMNA Inc.") is registered as an investment adviser with the U.S. Securities and Exchange Commission and as a Portfolio Manager with the securities regulatory authorities in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec and Saskatchewan. It provides asset management products and services to clients in the United States and Canada. Schroder Fund Advisors, LLC ("SFA") is a wholly-owned subsidiary of Schroder Investment Management North America Inc. and is registered as a limited purpose broker-dealer with the Financial Industry Regulatory Authority and as an Exempt Market Dealer with the securities regulatory authorities of Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Quebec, and Saskatchewan. SFA markets certain investment vehicles for which SIMNA Inc. is an investment adviser. SIMNA Inc. and SFA are indirect, wholly-owned subsidiaries of Schroders plc, a UK public company with shares listed on the London Stock Exchange. This document does not purport to provide investment advice and the information contained in this newsletter is for informational purposes and not to engage in a trading activities. It does not purport to describe the business or affairs of any issuer and is not being provided for delivery to or review by any prospective purchaser so as to assist the prospective purchaser to make an investment decision in respect of securities being sold in a distribution. Further information about Schroders can be found at www.schroders.com/us or by calling (212) 641-3800. Schroder Investment Management North America Inc.