



Q3 Report | 2021



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GLOBAL EQUITIES MARKETS (%)						
As of 30/09/2021	3-MONTHS	YTD	1-YEAR	3-YEARS	5-YEARS	10-YEARS
S&P 500	2.94	17.14	24.10	48.50	104.42	406.61
FTSE ALL SHARE	2.23	13.56	27.89	9.53	29.81	119.18
MSCI ACWI IMI	1.31	12.96	23.61	37.27	77.97	257.50
MSCI EUROPE (EX-UK)	0.50	10.96	20.94	27.37	56.76	178.42
MSCI EMERGING MARKETS	-5.84	0.12	13.34	23.82	49.82	108.58
MSCI ASIA PACIFIC (EX-JAPAN)	-6.83	-2.09	10.75	26.71	55.86	157.40

Source: Morningstar

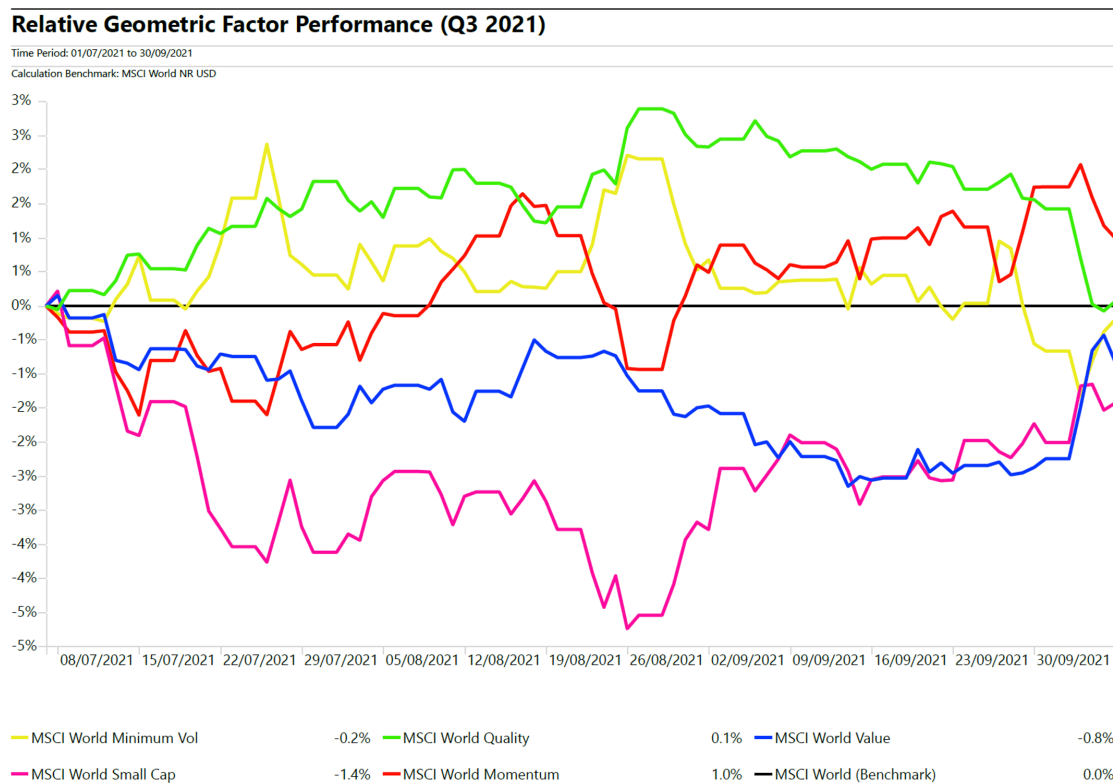
Overall Market Backdrop, Q3

- After a stellar performance in Q2, most developed Global markets as a whole were singing to the same tune in Q3 with modest returns lead by the S&P 500 for the second quarter running. Meanwhile, Emerging Markets and Asia Pacific regions have had negative returns.
- Inflation and global growth fears took the role of puppet master for the quarter, increasing volatility within global markets; the VIX index increased by 50% within Q3.
- Fears stemming from the delta variant, inflation and the global growth rate boiled over in September which caused a drawback in all global equity markets.
- Momentum stocks have also been helped by rotating into stocks that have more robust balance sheets and cash flows, making them the ideal candidate to deal with a variety of investor concerns and volatility.

Drivers of Market Conditions in Q3

- Developed market equities had restrained returns for Q3 and can even be looked at being broadly flat due to a moderate decline in September which erased most of the gains made in July and August. Equities held up over the quarter after receiving a barrage of downwards pressure which mostly came from concerns about a peak in the rate of economic growth and rising inflation.
- Emerging Markets had rough quarter resulting in negative returns, the main culprit being Chinese equities which have struggled and dragged emerging market equities down. News that had negative impact on equities seemed to be ongoing throughout the quarter for China:
 - Chinese equity investors feared private tutoring companies turning into non-profit organisations, the reason being that investors feared this theme may drip across to other sectors.

- A big theme for China throughout the quarter stemmed from regulation changes, the technology sector faced the brunt of most of these changes so far with bans on children playing computer games for more than three hours per week.
- Towards the end of the quarter, investors struggled with fears around the potential default of a large Chinese property developer, Evergrande, which rapidly into became a household known name, and the potential domino effect occurring from a possible default.
- In the first two months of Q3, the S&P 500 had strong returns but the index was hit hard in September after fears of a slowing global economic growth rate took hold. This fear was combined with previous fears of high inflation and news from the Federal Reserve (Fed) that suggested tapering may begin sooner rather than later (most likely in November). The Fed also implied that interest rates over the next few years will likely increase, with the general expectation being 1.75% by the end of 2024. This caused a negative reaction due to the pace of expected rate hikes which was faster than the market had been pricing in.
- The hawkish outlook was a regular occurrence through many developed economies throughout the quarter with the Bank of England (BoE) also suggesting that it could incorporate interest rate hikes as soon as the end of the year. The general opinion being that these hikes won't occur until early next year. UK government bond yields moved sharply higher, more than reversing the rally from earlier in the quarter.
- The European Central Bank (ECB) has taken a slightly different stance to the UK and US, even though they also announced a reduction in the pace of its asset purchases, they continued to reiterate that this was not the beginning of a process of tapering purchases down to zero.
- The Hawkish outlook coming from the US and UK was mainly concentrated in September, which caused yields to increase sharply and offset the decline in yields from earlier in the quarter. This resulted in yields being at a similar place to the start of the quarter, the US 10-Year treasury yield started on 1.45% and ended on 1.52%.



The chart shows the relative Factor performance benchmarked against a global index (MSCI World). Performance data is for each factor index over the course of the month, with the market benchmark being the black line horizontally shown along the x-axis.

How did Factors Perform in Q3?

- There is no surprise that the Quality factor has been one of the better performing factors within the last quarter, economic reopening has continued throughout developed economic markets but there are still concerns over inflation, global growth rates, and delta virus cases which has created an environment that is optimal for the Quality factor. Quality companies tend to have structural tailwinds, strong balance sheets, and strong cash flows which makes the factor ideal to be resilient against a range of outcomes in the pandemic and economy, and this can be seen when looking at recent economic data, companies that have these qualities have proven to be robust and have subpar earning reports throughout the pandemic. The continued outperformance of Quality stocks also shows an unfamiliar scenario where there is a continued preference for defensive stocks rather than the more typical recovery/cyclical factors we've seen after other market downturns in the past.
- After a tough Q1 and Q2 when compared to market returns, the Momentum factor has bounced back after latching itself onto Quality stocks in Q3. Short-term Momentum stocks' outperformance can be attributed to the now 6-month long run of Quality stocks which now make up a meaningful portion of the Momentum Index. However this stays true for developed markets only, in Emerging Markets, Momentum has a very different factor profile and has thrived only due to the high overlap it has within Emerging Market Value stocks. Emerging Markets Value has outperformed Growth in Q3 by almost all measures and has done well all year long.
- There were two sides to the quarter in terms of factor performances, September saw Value and Small-Cap outperform the market. These factors are traditionally seen to do well in recovery periods and are typically cyclical. However, in terms of performance for the quarter, it was all a little too late as both factors fell to the bottom of the barrel.

FACTOR PERFORMANCE (%)						
As of 30/09/2021	3-MONTHS	YTD	1-YEAR	3-YEARS	5-YEARS	10-YEARS
MSCI WORLD MOMENTUM	3.47	9.89	14.88	45.35	117.24	386.85
MSCI WORLD QUALITY	2.52	15.54	20.67	58.15	114.72	378.54
MSCI WORLD	2.45	14.60	23.51	40.07	83.40	281.22
MSCI WORLD MINIMUM VOL	2.25	8.37	8.32	21.15	45.54	205.66
MSCI WORLD VALUE	1.60	15.33	26.24	17.50	45.33	188.20
MSCI WORLD SMALL CAP	0.99	14.79	34.46	31.84	73.30	290.02

Source: Morningstar

ASSET CLASS RETURNS % (AS OF 30/09/2021)							
GLOBAL EQUITY MARKETS	1-MONTH	3-MONTHS	YTD	1-YEAR	3-YEARS	5-YEARS	10-YEARS
S&P 500	-2.71	2.94	17.14	24.10	48.50	104.42	406.61
FTSE ALL SHARE	-0.96	2.23	13.56	27.89	9.53	29.81	119.18
MSCI ACWI IMI	-2.00	1.31	12.96	23.61	37.27	77.97	257.50
MSCI EUROPE (EX-UK)	-3.59	0.50	10.96	20.94	27.37	56.76	178.42
MSCI EMERGING MARKETS	-1.99	-5.84	0.12	13.34	23.82	49.82	108.58
MSCI ASIA PACIFIC (EX-JAPAN)	-2.19	-6.83	-2.09	10.75	26.71	55.86	157.40
BONDS	1-MONTH	3-MONTHS	YTD	1-YEAR	3-YEARS	5-YEARS	10-YEARS
BLOOMBERG BARCLAYS US TREASURY 10+	-0.75	2.93	-5.95	-13.62	25.55	13.31	76.60
BLOOMBERG BARCLAYS US TREASURY 3-5	1.49	2.42	0.29	-5.20	9.52	6.91	39.74
BLOOMBERG BARCLAYS GLOBAL AGG CORP	0.51	1.68	-1.10	-2.47	15.17	16.60	70.49
FTSE WGBI	-0.24	1.19	-4.64	-7.31	7.94	3.02	28.36
FT ACTUARIES ALL STOCKS GILTS	-3.70	-1.84	-7.40	-6.81	9.24	6.00	43.35
FACTORS	1-MONTH	3-MONTHS	YTD	1-YEAR	3-YEARS	5-YEARS	10-YEARS
MSCI WORLD MOMENTUM	-1.72	3.47	9.89	14.88	45.35	117.24	386.85
MSCI WORLD QUALITY	-4.48	2.52	15.54	20.67	58.15	114.72	378.54
MSCI WORLD	-2.17	2.45	14.60	23.51	40.07	83.40	281.22
MSCI WORLD MINIMUM VOL	-2.55	2.25	8.37	8.32	21.15	45.54	205.66
MSCI WORLD VALUE	-1.01	1.60	15.33	26.24	17.50	45.33	188.20
MSCI WORLD SMALL CAP	-1.10	0.99	14.79	34.46	31.84	73.30	290.02

Source: Morningstar

PORTFOLIO RETURNS % (AS OF 30/09/2021)

EBI EARTH UK BIAS	1-MONTH	3-MONTHS	YTD	1-YEAR	3-YEARS	5-YEARS
VANTAGE EARTH UK BIAS BOND	-0.49	-0.05	-0.84	-0.14	7.60	7.15
VANTAGE EARTH UK BIAS 20	-0.84	0.30	2.49	5.75	10.09	15.26
VANTAGE EARTH UK BIAS 40	-1.19	0.65	5.83	11.93	12.54	23.32
VANTAGE EARTH UK BIAS 60	-1.53	1.00	9.18	18.42	14.96	31.32
VANTAGE EARTH UK BIAS 80	-1.86	1.34	12.55	25.24	17.34	39.23
VANTAGE EARTH UK BIAS 100	-2.19	1.69	15.92	32.43	19.70	47.07
EBI EARTH	1-MONTH	3-MONTHS	YTD	1-YEAR	3-YEARS	5-YEARS
VANTAGE EARTH BOND	-0.49	-0.05	-0.83	-0.13	7.52	6.94
VANTAGE EARTH 20	-0.90	0.27	1.86	4.60	12.61	18.33
VANTAGE EARTH 40	-1.29	0.58	4.51	9.30	17.54	30.32
VANTAGE EARTH 60	-1.67	0.88	7.13	13.97	22.24	42.94
VANTAGE EARTH 80	-2.03	1.17	9.72	18.62	26.68	56.15
VANTAGE EARTH 100	-2.38	1.45	12.28	23.24	30.83	69.92

Source: Morningstar



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