tam active

MARKET
Review

Q1 2024 proved to be a positive quarter for the global stock market. The sheer appetite of investors wanting to buy into the market ahead of well flagged interest rate cuts has been very powerful, which has pushed investors into equities over bonds. The belief, based on compelling evidence that the US economy is going to avoid a recession, is a clear confidence backstop helping investors to get comfortable getting back into the market from a rough 2022 and 2023. What has been an interesting development in this Q1 rally is the sectors doing well have broadened out to include more than just the Magnificent 7, which was just about the only major US sector in 2023 that investors were flocking into. Unsurprisingly, as the equity market has rallied on a more buoyant economic landscape, we have seen corporate and high yield markets continue to rally ahead of their government bond counterparts.

In terms of figures, the US Treasury market is down 1% over Q1 2024, which isn't too disastrous considering treasuries rallied over 6% in Q4 2023. On the corporate bond side the picture looks better with corporate and high yield funds returning 7% over the last 6 months vs. the global bond market, which is up just 2% over that same time period.

PERFORMANCE REVIEW

The performance data below relates to the period 01 January – 31 March 2024.

	PORTFOLIO	BENCHMARK	RELATIVE
Defensive	1.04%	0.08%	0.96%
Cautious	2.81%	2.46%	0.35%
Balanced	4.72%	4.67%	0.05%
Growth	6.21%	6.72%	(0.51%)
Adventurous	7.87%	8.43%	(0.56%)
Speculative	6.47%	9.53%	(3.06%)

Source: TAM Asset Management Ltd. Notes on Benchmarks: Composite of an equity and fixed income component. The equity component is the Bloomberg Developed Market Large & Mid Cap Total Return Index, the fixed income component is the Bloomberg Barclays Global Aggregate Bond Index. Both components are apportioned based on each individual risk profile.

PORTFOLIO ACTIVITY

Tactical trades have been present within the active portfolios in Q1. TAM was reducing its US Treasury exposure in January as excitement around rate cuts was overdone after the strong Q4 rally. Portfolios also had their allocation to US value equities increase. We saw the focus on the Magnificent 7 starting to lose ground to the remainder of the market as portfolios had their investments in global funds concentrated into areas we believed were best placed to outperform this year, and away from funds with a higher exposure to mega cap US tech.

Finally, we took out our investment in volatility protected investments on the belief that the market was going to remain in a positive mode for more of the year. This allocation was rotated back into US equities, as well as gold and silver, which have been showing much more positive strength in the face of the risk of a more resurgent inflation dynamic which could permeate the market in Q2.

OUTLOOK AND STRATEGY

In TAM's view, Q2 will likely be a more volatile one that Q1 as investors need more of a reason to keep buying stocks and not to retreat to the safety of government bonds. To us, this spells a market that can certainly rally across the full breadth of 2024 but will happen in fits and starts as the data lends itself to inflation then deflation tilts. We have seen allocations to value investing, -which routed growth stocks in the final March rally - starting to garner interest once again, which is great to see for a diversified client portfolio.

We see more positivity coming back to Europe and emerging markets as investors go hunting for good companies with cheap share prices. Gold and silver are tipped for strong performance in Q2, along with broad commodities, all providing an area for optimism. A reassuring backstop for continuing positivity will come from central banks proving they are keen to start lowering interest rates, so should we see a recession on the horizon then expect to see swift support coming from central banks, which will help to stem any severe selloff.

tam ASSET MANAGEMENT INTERNATIONAL

TAM ASSET MANAGEMENT INTERNATIONAL LIMITED
Nexteracom Tower 1, Ebene, 72201, Mauritius
+230 454 6400 | infor@tamint.com | www.tamint.com