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	2.46%	0.08%	2.38%
Cautious	3.55%	2.46%	1.09%
Balanced	4.70%	4.67%	0.03%
Growth	6.01%	6.72%	(0.71%)
Adventurous	7.11%	8.62%	(1.51%)

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

In Q1, we continued to position the portfolio around a continuance of US resilience, ensuring we maintain exposure to areas of the market we believe still offer attractive upside. Namely, US large-cap tech kept buoyant by solid corporate earnings and continued optimism around artificial intelligence (AI). We also added to our emerging market (EM) equity exposure. EM equities have been cheap on a relative basis to their developed counterparts and a shift in corporate culture towards greater capital efficiency is supporting profitability trends. As such, we introduced HSBC's Islamic Emerging Market equity fund to the portfolio - another exciting strategy recently launched for Sharia-compliant investors.

At the macro level, the expectation of an easing in monetary conditions should be supportive for markets and has led us to take the portfolio to a slight overweight position in equities. An investment in a silver ETC was also made to broaden our precious metals exposure and to help capture the same policy easing tailwinds that have pushed equities higher.

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 | info@tamint.com | www.tamint.com