TAM ESG PORTFOLIOS
QUARTERLY COMMENTARY : Q2 2024

sustainable world

MARKET Review

Q2 was another strong month for the global equity market, with a 2.66% rally in the global equity index which TAM benchmark against. We remain in a market dominated by AI, and mega-cap US names returning a 4.14% positive return. However, a high proportion of that return is being attributed to a small number of stocks. Specifically, Microsoft, Nvidia, Eli Lilly and Meta make up 55% of the returns from the S&P 500 in the first 6 months of the year, with Nvidia delivering nearly 35% of that gain. This makes it a size and scale within the US market able to move the entire market direction on its own. However, this quarter also saw the UK return strongly from previous lows, led by smaller companies, while Europe looked fairly strong until it suffered amid general election uncertainty in France. On the bond side, it was a negative quarter for the index of corporate and sovereign debt. There were however pockets of stronger performance in emerging market debt and higher yielding bonds. The lion's share of fixed income securities has been held back this year by the increasingly lower expectations of rate cuts in 2024, starting with six quarter point cuts for the US at the start of the year, now down to one or two.

PERFORMANCE REVIEW

The performance data below relates to the period 01 April – 30 June 2024.

	PORTFOLIO	BENCHMARK	RELATIVE
Defensive	0.50%	(0.99%)	1.49%
Cautious	1.46%	1.77%	(0.31%)
Balanced	2.34%	4.57%	(2.23%)
Growth	2.68%	7.43%	(4.75%)
Adventurous	3.33%	10.35%	(7.02%)

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

The quarter saw an investment into Royal Mint Responsibly Physical Gold which facilitates exposure to the rallying gold price within a sustainability overlay framework. With rising geopolitical tensions accompanied by economic factors effecting interest rates, precious metals often provide a safe haven investment as well as currently offering strong capital appreciation opportunities.

We also introduced an exciting new strategy. CCLA are a fund house who are taking the sustainability-focused investment market by storm through their innovative approach to prioritising real-world change, seen lately through their Mental Health Benchmark and AdviserAction initiative. The fund itself invests into large, profitable companies with strong growth pathways across developed economies, a style that the market favours in recent months. This is a trend we see continuing alongside momentum in US quality companies which we are accessing through an increased position in the Janus Henderson US Sustainable Growth fund.

OUTLOOK AND STRATEGY

The second half of the year will continue to be dominated by interest rates, elections, and the concentration in US markets of the mega-cap names. Whilst we see support for these stocks remaining, we are conscious that the rally in these names is prone to upsets from missed earnings or guidance downgrades, which could create a more volatile second half of the year for these behemoth stocks. On rate cuts, we see both Europe and the UK cutting again, perhaps in September with a 0.25% reduction in the headline rate. We think the US Federal Reserve will also begin to cut rates in Q4. Having said that, inflation as we know is not linear, and will continue to deliver both negative and positive surprises. This means that we can expect to see further volatility from interest rates and thus markets, which continue to oscillate around the direction of US inflation. Logically, the rate cutting cycle in the US is positive for bonds in both corporate and sovereign markets, but this will likely come under pressure again as Trump potentially takes back the White House and approaches the bond market for unfunded stimulus. We see the UK at a turning point off the back of the Labour landslide and expect to see some longer-term policies for growth being enacted - a step change from a Conservative party which recently largely sat on its hands.

ASSET MANAGEMENT INTERNATIONAL

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