

HIGHLIGHTS

Moving Past Easy Money, A Sea Change Ahead

- ❖ As the war on inflation appears to be won with a 'soft landing' scenario playing out, the stage is set for 2024 to be a good year for investors and an excellent one for those daring enough to grasp the window of opportunity that today's new era of Sea Change presents.
- ❖ The investment world today is redefined by elevated interest rates, yet more rewarding opportunities for gain. With cash and bonds roaring back into play, and sidelined equity markets rallying to close out 2023, investors can expect better roads ahead.
- ❖ Navigating today's different era certainly calls for a different approach. While income investors are now "spoiled for yield," equity investors, in contrast, should be selective in their investments to secure returns, focusing on areas that may offer specific growth opportunities.

New Theme: Emerging Opportunities

- ❖ The end of the easy money era and a shift to specific growth invites a look beyond popular markets that performed well yesterday to uncover tomorrow's winners. Opportunities can be found in high-growth markets shaped by their distinctive economic paths and selling at bargain prices!
- ❖ One such example is Vietnam, a hidden gem that has, over the decades, been quietly powering up, benefiting from the US-Sino decoupling and a booming middle class.
- ❖ China too retains long-term potential despite recent subdued market sentiment due to stringent government crackdowns. While an emerging opportunity, we maintain a reduced overweight position, tactically invested for potential rebounds on attractive valuations amidst other more timely opportunities.

Preparing For Soft-Landing Recovery

- ❖ In today's high-rate environment, past successful strategies (such as buying FAANG or Magnificent 7 stocks) may not continue to perform well. Performance leadership tends to rotate in a new market regime, and high valuations can limit future returns.
- ❖ Better return opportunities lie in areas with strong growth and attractive valuations, especially in the context of a soft landing.
- ❖ Quality-focused, higher-growth markets (at near historically attractive valuations) like US Small Caps are poised for a rebound amid a potential broadening of market leadership beyond the 'Magnificent 7'.
- ❖ Europe's Equities also signal great recovery potential, owing to a strong industrial base and an equally strong case for a soft-landing recovery.

Bonds: The Comeback Kid

- ❖ What was once "return-free risk" is now "risk-free return" - (government) bonds are now yielding shields again, promising better returns and acting as a buffer in investors' portfolios.
- ❖ With income themes now having transitioned from "search for yield" to "spoiled for yield", investors stand to benefit from capitalizing on high rates and potential capital appreciation opportunities today in high yield segments, particularly those from financially resilient, higher quality issuers!
- ❖ Our alternative income strategy remained a beacon of stability in 2023, providing stable double-digit income, with lucrative yields expected to continue through 2024.

Read the full commentary [here](#)