MAR 2024 INVESTMENT UPDATE

# HIGHLIGHTS

## Market Review

- Rather than just looking at February's performance, an analysis of returns since end-2023 provides a glimpse of what to expect after the era of cheap money
- Small-caps outperformed over the 3-month period due to improved growth expectations.
- Segments of Europe that are more cyclically sensitive also did well, supporting our observations that Europe stood to benefit from economic data that had troughed.
- Asian high-yield bonds continued to deliver above-trend performance, which shows that even poor sentiment cannot stop an undervalued market from rising.

## Get a jump on income!

- Interest rates have been influencing investor behaviour, with higher cash rates attracting more investors into Money Market Funds (MMF).
- As rates peak, some investors have already started to re-allocate away from MMF, likely in search of better income opportunities.
- Beyond cash and MMF, other income opportunities like Investment Grade and High Yield bonds have delivered strong returns in the past few months.
- The trillions of dollar in MMF assets could potentially flow into other income assets …benefitting investors who get a jump on such income opportunities today.

## 2024: 'Show me the numbers' market

- Higher valuations carried markets up in 2023, as investors paid more to own stocks. Investors were willing to pay up in anticipation of better earnings in 2024.
- 2024 will be a 'show me the numbers' market. Companies with better-than-expected earnings will be rewarded, while those that disappoints will face the harsh judgement of markets.
- NVIDIA is one example of a highly-valued stock that will continue to do well as long as their high expectations are met. But investors should ask if they can withstand the other scenario. A good portfolio can survive different outcomes.
- History is littered with stocks that ended up 'dead money' when such high expectations are not met

## Diversification, or Diworsification?

- Diversification can be both a *defensive* and *offensive* strategy. By having differentiated positions, an investor can avoid outsized risk from holding just a few positions, but also capture returns from other market segments.
- Avoid Diworsification! Popular markets such as World, S&P 500, and NASDAQ have large overlaps in holdings. Rather than diversification, investing across in all 3 markets may offer false comfort at best, especially with their high valuations today.
- Diversifying into high-growth markets with more undemanding valuations can help investors continue to compound high returns over the coming years.

Read the full commentary here



Finexis Asset Management