APR 2024 INVESTMENT UPDATE

HIGHLIGHTS

Q1 Review: 'Picture of Two Halves'

- The year started with a volatile January, followed by gains starting in February as investors shook off their prior concerns.
- Recent market gains are supported by data, as indicated by improved economic conditions. This should give markets more reasons to go up.
- Markets have tended to continue to gain after Manufacturing PMI data crosses above 50 (indicating economic expansion). PMI jumped to 50.3 in March.
- The shift from contracting to expanding economies improves the odds that markets will end up higher at the end of the year, further broadening the market rally.

Cash is not trash, but...

- **...Cash is not king either.**
- Short-term: With cash returns at their highest in years, monies set aside for short-term goals can generate good returns.
- Medium-long term: cash still does not beat inflation, especially when interest rates are set to come down going forward.
- Investors with a medium-long term time horizon can look to credit markets which are money market funds' (MMF) ' "next door neighbour". Credit markets have already delivered higher returns vs cash in the last 6 months:

Cash	DM IG	DM HY	EM IG	EM HY
2.41%	9.14%	12.08%	11.70%	16.71%

***DM**: Developed Market, **EM**: Emerging Market,*
***IG**: Investment Grade, **HY**: High Yield*

Equity: Rotation to Fundamentals

2023:

- Investors hid in a narrow segment of mega-cap stocks as markets faced the uncertainty of high rates and slowing economies.
- 2/3 of returns in 2023 (S&P 500) were driven by the market becoming more expensive (valuation re-rating).

2024:

- 'Show me the numbers' market where companies with better earnings will be rewarded, while those that disappoint will be punished.
- With improving risk appetite and growth expectations; pro-cyclical segments have good potential to benefit. E.g. small-caps.

Securing Next Decade's Return, Today.

- The US market as represented by the S&P 500 is undisputedly the most popular market and investment in recent years, on the back of their strong performance in the past decade.
- Historic high valuations of the US relative to the rest of the world means that investors should start thinking about diversification into Emerging Opportunities with the potential to be tomorrow's winners – a hedge to secure returns in the years ahead.
- We are finding Emerging Opportunities in Asia and Emerging Markets such as Vietnam on the back of attractive valuations and reasonable expectations.

Read the full commentary [here]

Finexis Asset Management