MAY 2024 INVESTMENT UPDATE

HIGHLIGHTS

Market Review

- After a relatively stable Q1, which saw equities climb on the back of the economy's resilience, April saw fresh bouts of volatility.
- Interest rates (and inflation) continue to be the main driver of volatility for financial markets in the near term.
- It is important not to look at inflation data in isolation. Economic indicators are largely positive, and households are fundamentally in good shape for now.
- A wide dispersion across markets means there are abundant opportunities as sentiment and growth expectations continue to improve.

High Interest Rates Meet Better Earnings

"In the short run, the market is a voting machine but in the long run, it is a weighing machine."

- For now, April's declines look to be within the 'normal' range of volatility investors should expect.
- Such bouts of volatility are not uncommon, with two similar episodes in just the past year where markets recovered from.
- Despite average intra-year declines of 14.2%, yearly returns were positive most of the time (33 out of the last 44 years)
- Over the past month, there were further signs that resilient economic activity and recovering corporate earnings can support markets in 2024.

Start of a Durable China Rally?

- Increasing evidence that we are on a more durable recovery in China equities.
- The strongest performance sometimes comes when no one is paying attention, and this looks to be another one of those cases:

	Jan	Feb-Apr
China 'A' Equities	-7.1%	+11.1%
Global Equities	+1.2%	+3.7%

- Importantly, the performance over Feb-Apr occurred when fears of higher US interest rates drove declines in other markets.
- This is the clear benefit of diversification and highlighting the distinctive growth drivers of our Emerging Opportunities positions.

Focus on Income, Not Rates!

- While the environment has become more conducive for bond investors, one still needs to focus on the right source of returns: income.
- Betting on where interest rates would go has been a challenging strategy this year. High-yield (HY) markets are up 2.0% year to date while Investment grade (IG) bonds are down -1.6% due to IG's higher duration and rate sensitivity.
- We continue to harvest the higher income available in select high-yield bond markets while monitoring for potential risks that may prompt us to take some money off the table.

Read the full commentary here

Finexis Asset Management