Review & Outlook – First Half 2024

At the start of the year expectations for developed market central banks to cut interest rates were high following the rapid rise in 2022, however, by the end of the first quarter these expectations were significantly dialled back, especially for the US, and equity markets pared back some of their first quarter gains. Resilient inflation caused a reset in expectations in the second quarter for fewer cuts to begin in the second half. Despite its resilience, inflation continued to fade, particularly in Europe, while earnings reports were solid and growth held up which put equities back on track for further gains. Bond markets experienced less success as interest rates remained on hold. Riskier sectors such as high yield benefited from solid earnings results and led the broader sector.

- US stocks continued to be led by the technology sector as AI remained the primary theme. The biggest tech companies nicknamed the "magnificent seven" which included the likes of Nvidia, Apple, Alphabet (Google), Microsoft & Meta (Facebook) continued to make up the majority of the gains in the US. The Federal Reserve remained on hold at 5.5% while our current expectation is for three cuts by year end.
- European markets were among the weakest globally despite the ECB cutting interest rates in June by 25bps to 3.75%. European parliamentary elections which saw gains by the far right and the calling of snap elections in France, raised investor uncertainty and hurt returns. In the UK, despite a more rapid decline in inflation as compared to the US and hitting the preferred 2.0% level, the BOE kept rates at 5.25% citing concern on whether the level was sustainable. The UK election was less impactful as the Labour party entered the election with a large lead, causing less uncertainty.
- Asia Pacific equities were among the best performing globally led by Taiwan and Korea. Taiwan was especially helped by its tech sector, leading the market to new highs. Japan also had solid gains as exporters were helped by a weak yen. The BOJ have been steadfast in keeping interest rates ultra-low which has had a negative impact on the currency.
- Emerging markets had solid gains led by Asia, most specifically India and China. India continues to have strong growth while more recently, concern eased over policy continuity after PM. Modi's political party had weaker than expected election results. Eastern Europe and Latin America were more lacklustre.
- Global bond markets were weak as expectations for interest rate cuts, particularly in the US, were dialled back. Riskier classes such as high yield and Emerging Markets were among the strongest performing sectors.

HSBC World Selection portfolios

The World Selection portfolios were all higher for the period led by the higher risk portfolios. Equities, where we have an overweight bias, led the portfolios relative to bonds and alternative sectors. Our strongest gains were made in the US and Emerging Markets. Within the US, our specific allocations to the SPDR technology (+17.9%) and Ishare MSCI Quality (16.6%) ETFs were the strongest contributors. Within Emerging Markets we took profit on our Brazil allocation prior to it having steeper declines and moved into Taiwan and Turkey which have both performed well. We continue to underweight fixed income but have a positive bias towards government debt, securitized debt and Emerging Market Local bonds. The best performing areas were positions in gov't inflation linked, global securitized debt, high yield and Emerging market bonds. While global gov't and investment grade pared back some of gains. Within alternative we benefited from our manged futures / trend investing strategies along with gold and commodity positions. In addition, our splitting of real estate to include infrastructure was also a benefit. Going forward we believe there will be more opportunities in fixed income as interest rates are expected to decline. Equities should also benefit from lower interest rates as we watch for a broader participation in gains given technology has been the primary story in the first half of the year.

Fund Performance: June, 2024

Portfolio	1 Year	3 Year	5 Year	10 Year
Managed Portfolio World Selection 1 IC	6.5%	-0.7%	1.8%	2.8%
Managed Portfolio World Selection 2 IC	9.1%	0.5%	3.5%	4.0%
Managed Portfolio World Selection 3 IC	12.5%	2.1%	5.8%	5.3%
Managed Portfolio World Selection 4 IC	15.2%	3.3%	7.5%	6.4%
Managed Portfolio World Selection 5 IC	16.1%	3.9%	8.2%	6.7%
Specialist Fund Alternative Class AC (May)	12.0%	5.9%	8.2%	6.7%