CREATE
FINANCIAL MANAGEMENT

HOYL
INDEPENDENT ADVISERS

HOYL
CAPITAL WEALTH

YOUR Q2 2024 INVESTMENT UPDATE (10 minute read)

Q2 was again positive for global equities, particularly the shares of larger companies. Economic data remained solid, with inflation generally falling, but investors continued to scale back expectations of interest rate cuts which led to muted bond performance.

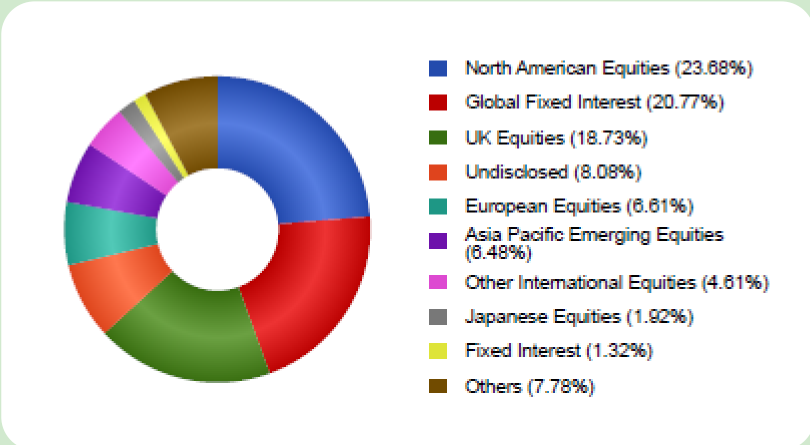
YOUR PORTFOLIO

PMX Hoyl Responsible Portfolio 6

(Portfolio Weightings shown)

ASSET ALLOCATION

As at 19 July 2024



PORTFOLIO PERFORMANCE

1 Apr 24 to 30 Jun 24 – **+1.20% ***

1 Feb 24 to 30 Apr 24 – **+2.61% ***

1 Nov 23 to 31 Jan 24 – **+9.42%**

* Our aim in each of our updates is to give you a clear and current picture of investment conditions. To help do this, we have changed the reporting dates above to reflect actual fiscal quarters.

This Q2 update therefore covers market events and portfolio performance between 1st April and 30th June 2024, which means in this update the performance shown above for April has been reported in two different quarters.

Q2 2024 RESPONSIBLE MODEL PORTFOLIO CHANGES

PortfolioMetrix, with overview from our Investment Committee, have made a recent change to our Responsible Model Portfolios. Other changes are currently pending and full details will be included in our Q3 update.

IN No changes

OUT L&G UK Future World ESG Index

A decision has been taken to remove this fund on ESG / Sustainability gounds.

3 June – all PMX Hoyl Responsible Model Portfolios rebalanced.

Overview

April

- Inflation in the US, UK and Euro area proved to be more stubborn than expected.
- Marginally more positive than expected economic data caused markets to re-evaluate timing and pace of interest rate cuts by central banks, particularly in the US.
- Further escalation of tensions in the Middle East led to uncertainty, market volatility and higher oil prices.
- UK equities a notable exception, benefitting from exposure to large oil companies and dollar earnings, and Emerging Markets, driven by commodity exporters.

May

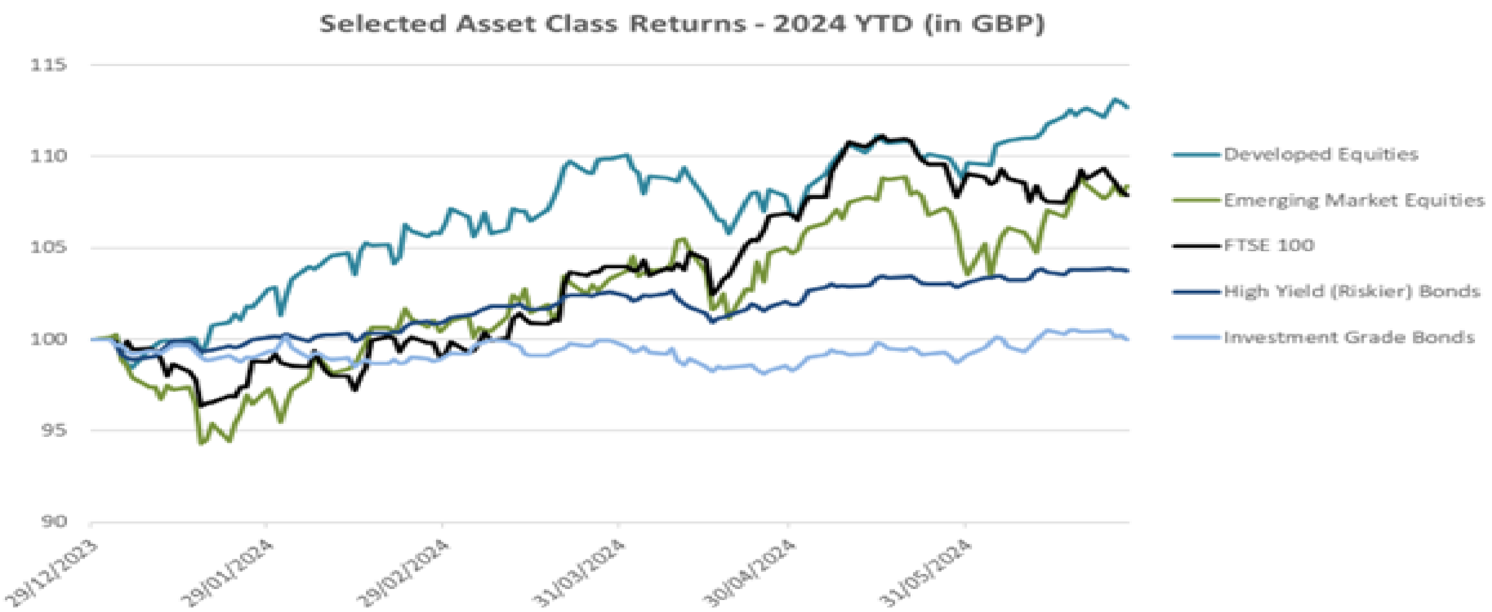
- A good month across almost all asset classes, with positive returns from both bonds and equities globally.
- The UK and Euro area both reported to have grown faster than expected in Q1, exiting the technical recessions they entered in Q4 2023.
- Inflation fell in a number of regions, and the US economy showed signs of a moderation helping bond yields to fall slightly (and hence bond prices to rise).
- UK inflation dropped to the Bank of England's target of 2% for the first time since 2021.
- Having peaked in April, oil price fell as OPEC+ announced it would increase supply in Q4 this year, overshadowing the ongoing conflicts in the Middle East, and Ukraine.

June

- A a mixed month, with modest positive returns across all fixed income asset classes but mixed returns across equity regions.
- European Central Bank (ECB) cut interest rates as expected, but timing of the first rate cut from the Bank of England and US Federal Reserve remains uncertain (markets still expect them to cut later this year).
- UK and European equities fell as a surprise snap general election was called in France – causing some uncertainty in European markets amid fears the country's far-right party could win.
- French bonds were also hammered, as analysts warned of a Liz Truss-style market panic following Macron's shock decision to call snap national assembly elections.
- US Equities performed strongly as did Emerging Market Equities following the results of the Indian general election and Chinese data that again positively surprised.

Asset classes

- Q2 saw strong performance from global equities, although Chinese and Japanese equities fell.
- FTSE 100 rose 3.7% over the quarter including dividends.
- Emerging market equities (MSCI EM Index) rose 4.9%.
- Oil fell 3% over the first quarter and gold rose 4.1%, benefitting from strong demand amidst increased geopolitical uncertainty.
- Given elevated yields, and the potential for rate cuts, the outlook for fixed income is positive, despite flat returns so far this year.



Data Source: Financial Express
Indicies used (including interest & dividends): Investment Grade Bonds - GBP hedged Bloomberg Global Aggregate Index; High Yield (Riskier) bonds - GBP hedged Bloomberg Global High Yield Index, Developed Equities - MSCI World Index in GBP; Emerging Market Equities - MSCI Emerging Markets Index in GBP; FTSE 100 (UK Large Capitalisation Equities)

Looking forward

Geopolitics and elections have generated some market excitement so far in 2024, but the two most important themes moving markets have been interest rates (and specifically when the US Federal Reserve will cut its policy rate) and market fervour around Artificial Intelligence (most notably embodied by the continued rise of chipmaker NVIDIA).

It is likely these themes will continue to drive markets, although the upcoming US election could certainly cause some further market turbulence in November.

Markets are desperate for central banks to cut interest rates, which would support global growth by lowering borrowing costs for companies and individuals. These were originally raised to control rampant inflation after the pandemic, and will only begin to be lowered once inflation falls back towards its targets.

Whilst inflation has been coming down, this has not been moving in a straight line and still remains above the 2% target of most western central banks (the UK being the only exception where inflation hit 2% in May).

With inflation falling globally, some central banks have started to cut policy rates, with the ECB the biggest of those to move so far, cutting by 0.25% in June.

Given the importance of US monetary policy to global markets, the big question is when the US Federal Reserve (Fed) will start cutting interest rates, and more important to UK citizens and investors is when the Bank of England will begin to lower rates.

Whilst expectations have been dramatically scaled back, markets still expect to make one or two 0.25% cuts from this year.

Fading optimism on rate cuts over the first half of 2024 hasn't held back global equity markets, which have performed strongly, but it has dented returns on bonds.

Looking more closely at equities, most returns have come from mega-caps and particularly artificial intelligence driven names like AI chipmaker NVIDIA, with more modest year-to-date returns from smaller and value companies, which tend to be more sensitive to interest rates.

If inflation continues to gently fall and economic indicators remain solid, a broadening of market performance is likely, with mid and small cap equities catching up to the mega caps, and bonds generating better returns.

POTENTIAL RISKS

The main risks are that inflation doesn't continue to fall and/or economic growth slows significantly, and there are geopolitical risks that could impact both outcomes.

Apart from any unknowns, conflicts in Ukraine and the Middle East both have potential to spread, hitting supply chains and energy exports, which would likely boost inflation.

Markets have so far digested the results of elections held this year, but the US election in November, which will now be a match-up between Kamala Harris and Donald Trump, could yet result in market uncertainty.

This is particularly true given how concentrated global equity markets have become in the US, which currently makes up 65% of global equity indices, and with the top 10 companies currently making up more than 22% of global equity indices (and 9 of these top 10 are US companies).

AI remains a driver of this concentration, with NVIDIA, which designs and makes the chips used to power AI models, surpassing \$3 trillion in market cap in June and briefly becoming the most valuable company, before pulling back to finish the month just behind Microsoft and Apple.

Here in the UK, markets have taken Labour's 4th July election win well, with the pound up marginally against the dollar after the results.

Markets now appear to be expecting a period of relative stability and some success delivering on Labour's stated priority of 'growth'. History provides modest reasons for optimism here, with previous large majorities in the UK having delivered above average growth numbers.

Election	Winning Party	Elected Prime Minister	Seats Won	Average GDP Growth % (Election Year and Four Years After)
2001	Labour	Tony Blair	413	2.8
1997	Labour	Tony Blair	418	3.5
1987	Conservative	Margaret Thatcher	376	2.7
1983	Conservative	Margaret Thatcher	397	3.8
1966	Labour	Harold Wilson	364	2.9
1959	Conservative	Harold Macmillan	365	3.8
			Average	3.3
			Post-War Average	2.3

Data Source: ManGroup, July 2024

Whilst mindful of the opportunities and risks as we head into the second half of 2024, as always, we do not try to predict specific outcomes. Instead, we recognise market uncertainty is a constant and remain diversified in our portfolios.

We continue to hold bonds given their attractive yields, but also as insurance against any future recession. We also hold equities for their long-term growth potential, but do tilt slightly away from areas we see risks and/or lower longer-term upside and towards areas with more underappreciated potential.

LIKE TO KNOW MORE?

Our updates aim to give you a broad overview of global investment conditions as seen by both PortfolioMetrix and our own Investment Committee.

If you would like to know more, either about your own portfolio, the investment markets, or investing in general, then you are always welcome to get in touch with your dedicated financial adviser.

We will be in touch with our Q3 2024 Investment Update in October, so until then we wish you all the very best for the remaining months of summer.