

FED TO MARKET: BE PATIENT!

Stocks continued rally as Fed stays the course

Markets continued their strong start to the year with further positive performance in the month. The MSCI World Index rose by 3.42% in the month, making the first quarter return for the index 11.37%.

U.S. equities achieved further record levels in the month as markets focused on language from the Federal Reserve (Fed) that continued to support the view that the U.S. would enter a rate cutting cycle, possibly beginning as soon as this summer. The supportive language from the Fed came even as data continued to show a U.S. economy that remains strong, with inflation remaining stubbornly above target levels.

European equities outperformed U.S. markets in the month, with the MSCI Europe index returning 3.94% compared to 3.35% for the MSCI U.S. index. Despite an underlying economy much weaker than the U.S., European markets were buoyed by figures that showed European inflation close to target, potentially allowing the ECB to cut rates even before the Federal Reserve in the U.S. The Swiss National Bank fired the starting gun on this rate cut cycle by cutting rates during the month, however the modest spike in Swiss equities that followed was offset by Swiss Franc weakness versus the Euro, leaving Switzerland as one of the weaker performing European markets. The UK was one of the strongest market performers in the months as the market, aided by strong performance in sectors such as Energy, Materials and Financials that dominate the UK market.

China's economy showed nascent signs of stabilization which, as well as supporting global equities, provided a boost to commodities. Oil prices, as well as prices for metals such as aluminum and copper, rallied in the month on rising expectations for the global economy.

Value recovered as markets breadth improves

The Portfolio returned 7.12% in the month, well ahead of the MSCI World Index return of 3.42%. The value style was a major contributor to performance in the month as value significantly outperformed growth. Stock selection was also a strong contributor to performance. The MSCI World Value index returned 4.89% in the month with stock selection also a positive contributor to performance against the value index. The portfolio also benefited from its investment style against the MSCI World Value Index, with the portfolio having a greater exposure to value than the index, which more than offset some weakness from the portfolio's small-cap exposure.

Energy, Materials and Financials were some of the stronger sectors in the month, with Energy and Materials benefitting from rising commodity prices and all these sectors benefitting from an expectation for a stronger global economy. The Consumer Discretionary and Information Technology sectors posted only modest gains after having driven market performance in the prior two months.

Stock selection was a strong positive contributor to performance in the month against both the broad market MSCI World index as well as the MSCI Value index. U.S. aluminum company Alcoa had strong performance in the month reflecting higher aluminum metal prices. UK packaging company DS Smith also performed well after the company received a second takeover bid suggesting the potential for a bidding war. Dutch bank ING also had strong performance in the month as expectations rose for a return of excess capital to shareholders.

See performance and fund data

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Strategy

Global Value invests in global equities from developed markets, cf. the fund's prospectus. Stocks are selected using the value strategy, meaning that through careful fundamental analysis, the team strives to identify companies that trade at healthy discounts relative to intrinsic value. A risk-aware approach to the portfolio construction ensures a well-diversified portfolio and broad exposure across sectors and regions.

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