

Monthly Market Commentary

December 2024



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Global Markets: US Leads Powerful Rally as Optimism Takes Hold

Global markets delivered sharply contrasting returns in November, with US indices reaching new highs while other regions struggled with mounting economic and political challenges. World equities advanced 5.71%, masking significant regional dispersion.

US equities demonstrated remarkable strength, surging 6.96% as they notched record closing highs. US small caps outperformed significantly, rising 12.16% in November as investors positioned for an aggressive domestic policy agenda by the incoming president. The contrast with European markets (-1.53%) was particularly striking. Political uncertainty in France, recession concerns in Germany, and the threat of US tariffs weighed heavily on sentiment. The euro registered its steepest monthly decline since early 2022, while European bank shares tumbled 5% on mounting rate cut expectations.

UK equities proved more resilient, with large caps advancing 2.61%. Japanese equities gained 2.28%, but broader Asian markets declined 2.25% amid concerns over Chinese growth and trade tensions.

Fixed income markets reflected this divergence. While global high-yield debt posted modest gains of 0.82%, global government and corporate bonds recovered towards month end posting 1% gains. Global infrastructure assets continued to attract flows, rising 4.52% in November.

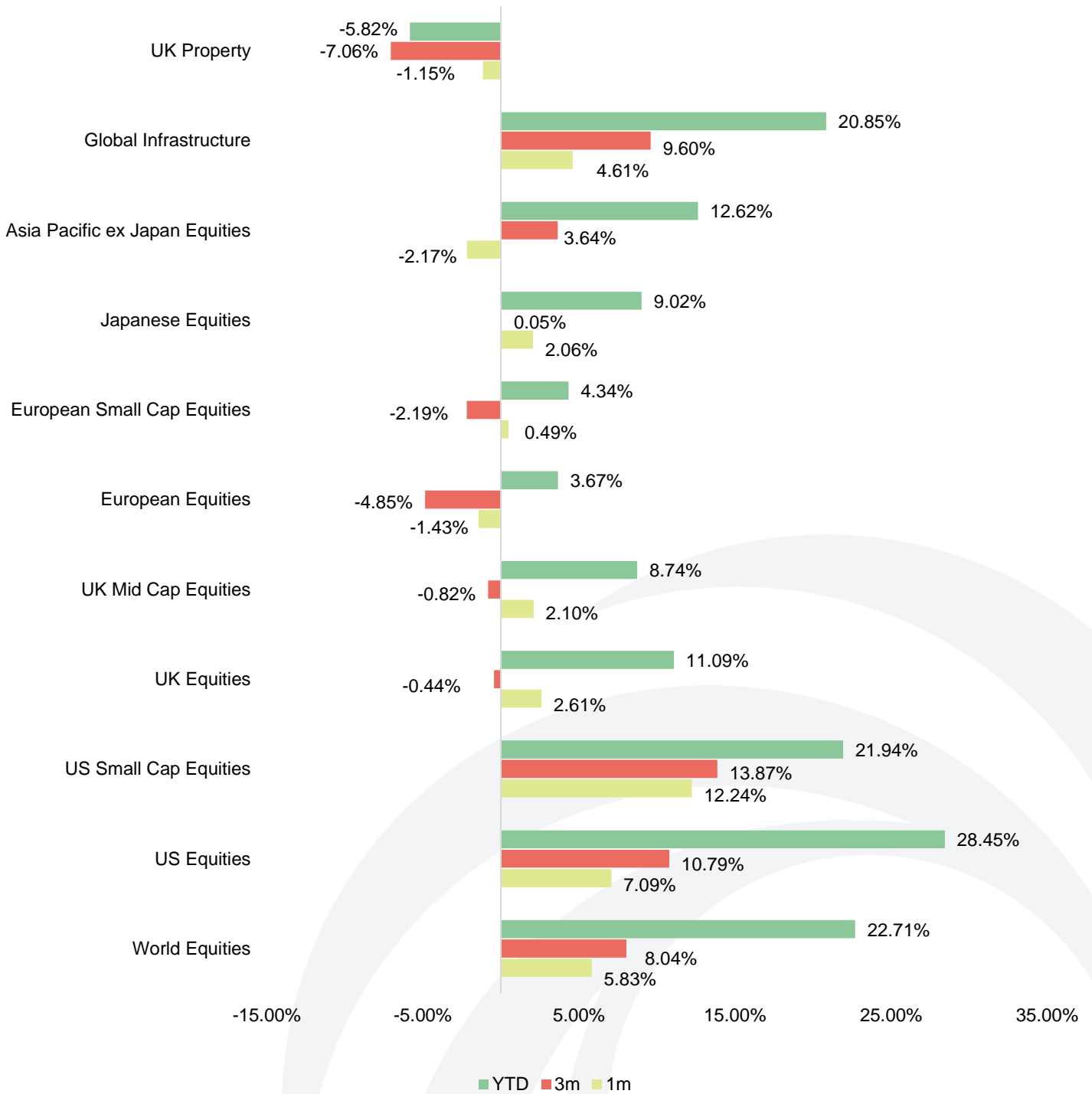
Portfolios have delivered exceptional performance in 2024, benefiting from deliberate up risking and asset allocation shifts. Favouring high-yield over investment-grade credit and U.S. small-caps over UK large-caps, has contributed significantly to outperformance. The investment environment remains constructive as inflationary pressures moderate, and U.S. economic resilience persists, while the anticipated broadening of corporate profit recovery provides additional support for risk assets.

Looking forward to 2025, fixed income markets continue to offer attractive returns for conservative portfolios while maintaining their diversification benefits. We maintain a disciplined approach to risk management, particularly regarding high-yield bond exposure where valuations have become more challenging. Similarly, while Japanese equities have performed well, we remain vigilant regarding yen vulnerability and associated risks.

While maintaining our constructive outlook, we remain vigilant regarding potential risks and continue to emphasise portfolio diversification and systematic risk management in our allocation decisions.

Asset Class Performance

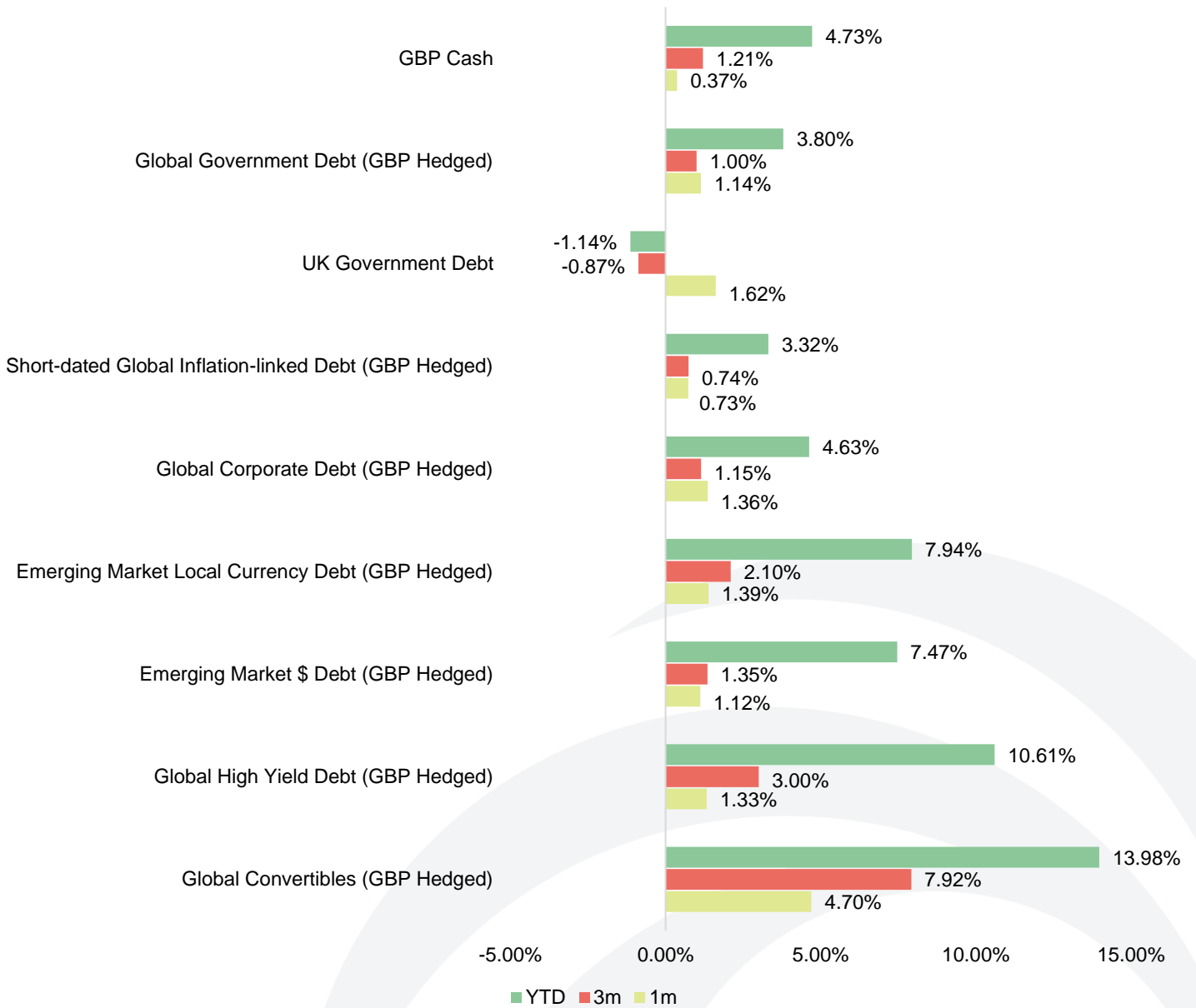
Equities & Property



Source: FactSet – 30/11/2024

Past performance is not a guide to future performance

Bonds & Cash



Source: FactSet – 30/11/2024

Past performance is not a guide to future performance

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