Watson Moore
INDEPENDENT FINANCIAL ADVISERS LIMITED

Monthly Investment Update

April 2024

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Performance Update

It was another great month for major stock markets, with the FTSE 100, Euro Stoxx, and S&P 500 rising by 4.85%, 4.51%, and 3.36%, respectively. Bonds also rose, with UK Gilts and Corporate Bonds rising 2.63% and 2.08%, respectively. Our portfolios had a good month, rising between 1.29% and 3.49%.

Global stock markets continue to advance higher as the "Fear of Missing Out" ensures that more money is being invested in equities, and thus, the positive momentum continues. The US S&P 500 and Japanese Nikkei continue to make new all-time highs. The Euro Stoxx 50 and FTSE 100 are both nearing their previous all-time highs.

The Bank of England has held the base rate at 5.25% since August 2023, but is expected to cut the rate 3 to 4 times this year, potentially starting the cuts from next month. Mortgage rates are beginning to be cut in anticipation. Inflation fell to a two-year low of 3.4% in February from 4% at the start of the year. It is expected to fall even further, thus helping the case for lower interest rates.

The yield on UK 10-year gilts is falling again. Having increased to as high as 4.2% in February, it is now back at 3.9%. However, yields on US 10-year government bonds increased, rising from 4.25% to 4.30%. This tells us that UK interest rates will probably be cut before US interest rates.

However, the collapse of Baltimore's Francis Scott Key Bridge, the recent rise in energy prices, and the continued harassment of shipping in the Red Sea, which has seen Suez Canal volumes down around 50%, make the decision to cut interest rates extremely difficult for policymakers. If they ease interest rates too quickly, they risk resuming the upward inflationary trend.

Oil rose from $79 to $83 over the month, up from $71 at the start of the year. The steady increase can be attributed to a global economy doing better than previously expected. Other commodities also had a good month, with Gold rising 8.26% and cocoa rising an incredible 62.24%!

The performance of the portfolios over the last one month, six months and one year are shown below:

Portfolio	Performance % 1 month	Performance % 6 months	Performance % 1 year
Foundation	3.21	8.37	8.30
Cautious	3.20	9.66	10.89
Balanced	3.36	11.34	12.34
Adventurous	3.25	14.00	15.30
Dynamic Equity	3.49	17.52	19.26
Income Generating	2.93	9.15	9.25
Fourth Industrial Revolution	1.29	16.80	19.20
Retirement Investment Solution 1	3.35	10.47	11.58
Retirement Investment Solution 2	3.37	11.56	12.75
Retirement Investment Solution 3	3.38	12.56	13.81

Please note that these figures do not include the platform or Watson Moore's fees.*All figures are sourced from Financial Express to 31.03.2024.

Trend Following Signals

The table below shows whether the asset class has a positive trend (✓) or a negative trend (x). A positive trend is when the market is above the average price over the previous 200 days. The portfolios will have more exposure to those asset classes in a positive trend and less (if any) to those in a negative trend. These are the main asset classes we monitor:

Asset Class	Trend Signal		Trend Signal
Global Equity	✓	Emerging Market Equity	✓
UK Equity	✓	Commodities	x
Europe ex UK Equity	✓	UK Corporate Bonds	✓
US Equity	✓	UK Corporate Bonds (Short dated)	✓
Japan Equity	✓	UK Index-Linked Bonds	✓
Pacific Equity	✓	Global Bonds	✓
Gold	✓	UK Gilts	✓
Global Property	✓	Emerging Market Bonds	✓
Global Infrastructure	✓	Overseas Corporate Bonds	✓

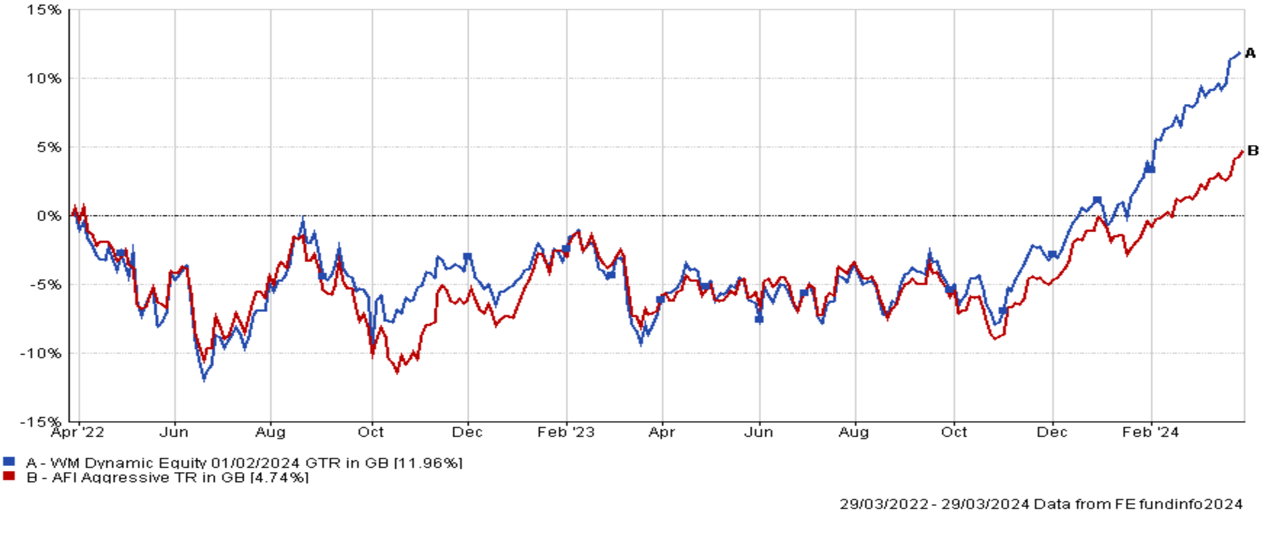
Of the leading 23 markets we monitor, 22 are now above trend.

Cautious, Balanced and Adventurous portfolios

The portfolios remain fully invested in equities and bonds and are benefitting from the recent growth in both asset classes. No changes were made except in the Balanced and Adventurous portfolios, in which emerging market bonds replaced the exposure of UK corporate bonds as their momentum is now stronger. All three portfolios are significantly outperforming their peers.

Dynamic Equity portfolio

There were no changes again to the portfolio, with the best-performing asset classes continuing to advance higher. The chart below compares the Dynamic Equity portfolio to a benchmark of typical higher-risk portfolios that advisers invest their clients into. We use this as a comparator to see how your portfolios perform against our peers. As you can see, they largely tracked each other until recently, when our momentum investment philosophy started to outperform significantly:



Foundation portfolio

No changes were made, meaning every asset class other than commodities is above trend. The portfolio made strong gains last month, with every underlying holding increasing. The chart over the page shows how the portfolio has performed against a lower-risk comparator. You can see the Foundation portfolio didn't fall as much during the difficult period in which bonds crashed but has also managed to outperform during the recent period in which every asset class has been rising.

Income Generating portfolio

UK equities advanced higher, helping the portfolio produce a strong return last month. The portfolio's yield stands at 3.43%, which will become very enticing when interest rates start to be cut. This could be a very profitable time for the portfolio.

Fourth Industrial Revolution portfolio

The portfolio gained the least out of the portfolios but is still up 19.20% over the last year. The holding in the L&G Battery Value-Chain fund grew 4.04% in March and was the best underlying investment. However, it has fallen by 4% over the last year. This could be the time that we experience a "catch-up" in the sectors that have struggled recently. The portfolio remains highly diversified, investing in over 2,500 individual companies.

Retirement Investment Solutions

The Retirement Investment Solutions invest in three of our portfolios: the Foundation, Dynamic Equity and Multi-Asset Trend Following. The Foundation and Multi-Asset Trend Following portfolios have their maximum allocation to bonds and equities and are benefitting from the significant gains in both asset classes. The "Momentum" theme within the Dynamic Equity portfolio is also helping produce some great returns for the Solutions.

Summary of Portfolios

Global equity markets continue to move significantly higher. In addition, we are seeing the price of many commodities advance, with gold hitting a new all-time high. It is difficult to answer the question as to why this is happening now, but the underlying factor is that we appear to be heading towards the goldilocks economic scenario in which inflation eases and interest rates can be cut, but economic activity remains positive, and a global recession is averted. Nothing is too hot or too cold. This "good news" then leads to investors putting more money into markets in fear of missing out on some exceptional returns. The momentum continues to push prices higher, and this leads to more money being invested in what is a positive loop.

The "Trend Following" portfolios remain fully invested in equities, gold, and bonds and have benefited from their recent strong performance. The "Momentum" part of the portfolios has also benefited from having more money invested in the asset classes and regions that are continuing to perform the best.

Asset Class Review

This section will give you an insight into our current thinking. This month, we look at four markets that have broken higher recently and are carrying the strongest momentum. The momentum four form a large part of our portfolios and have helped with their outstanding recent performance.

Japan – up 23.5% in 1 year

The Nikkei 225 has hit an all-time high, rising above the previous high in 1989. Japan has benefitted from the end of its deflationary era and has welcomed inflation, whereas the rest of the world has had trouble absorbing the spike in recent inflation. Japan has lagged behind the performance of other developed markets for decades, but you can see how it has recently surged higher.

Technology breaks to new highs.

The Nasdaq 100 is a technology-laden US stock market that has moved to new highs this year. 2022 proved to be a difficult period as technology companies absorbed the rise in global interest rates. However, the furore around artificial intelligence and the expected interest rate falls this year have caused a significant recovery since the recent low in December 2023.

Europe- accelerating past the previous high

Since going above the 2007 high, the main European stock market has surged higher, showing again that momentum tends to carry the market much higher once a new high has been hit.

Gold finally breaks out.

After nearly four years of trending sideways, Gold has finally broken out and is rallying much higher. This is another excellent example of how momentum takes a market higher once it breaks to a new high.

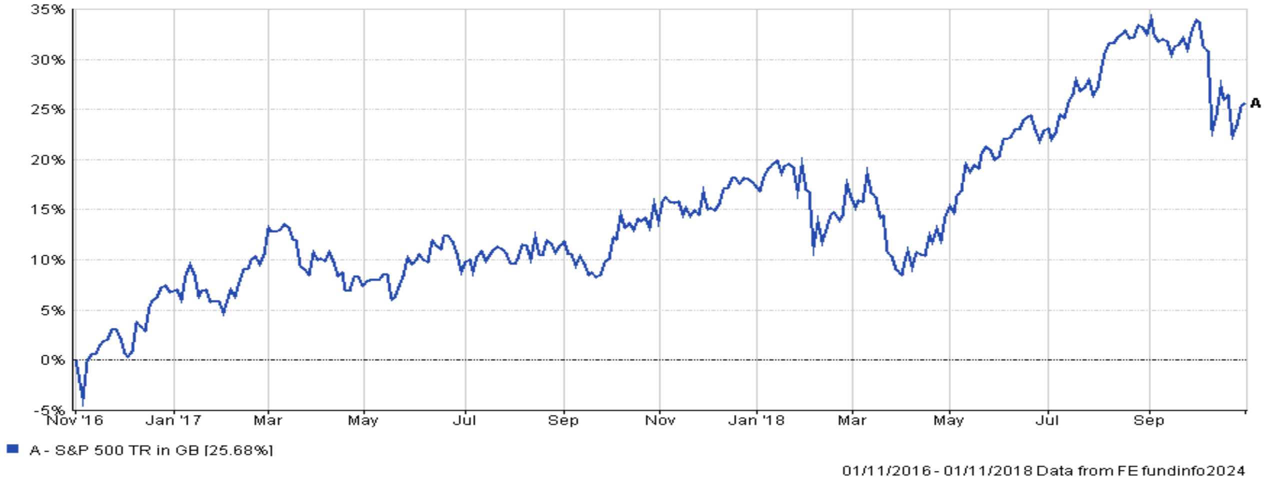
In Summary

Stock markets globally are clearly on upward trends and have accelerated higher. Even gold has now joined in. Hitting a new all-time high also proves a catalyst for a rapid move higher, and we have experienced this recently in many different markets.

Double Trump

It isn't easy to believe following what happened after the last Presidential election, but Donald Trump has a 50% chance with the bookmakers of becoming the next American President. Joe Biden has a 40% chance of winning, with outsiders such as Michelle Obama and Robert F Kennedy Jr making up the rest. We believe that if Trump withstands the legal challenges he faces and is allowed to run for President, he will win as the support behind Biden is falling. This upcoming election (November this year) will be less about popularity and more of a referendum on which candidate Americans perceive as the least bad option.

So, how will Trump's potential second term affect our wealth? On the 9th of November 2016, the day after Trump became President, US stock market futures initially fell 4%. However, the initial panic was short-lived, and the S&P500 experienced its biggest bounce back since the 2008 crisis. Over the next two years, the S&P500 rose significantly and was up 25.68% (in Sterling terms):



During his four years of being voted in and then out, the S&P500 went up 77.52% in US Dollars despite suffering a crash in early 2020 due to COVID-19. The main reason for this dramatic increase was Trump's economic policies, which cut taxes and regulations. If he wins again, we should expect similar but perhaps even more business-friendly policies. In addition, he has vowed to end the war in Ukraine, which could achieve a significant increase in global stock markets. Is there a better person to understand Putin's brain and character?

What about the election in the UK, and how will that affect our wealth? Back in 1997, when Labour had last overturned a Conservative government, the FTSE 100 (green line) tracked the S&P500 (red line) up for the following year. This coincided with strong global economic growth. However, the FTSE 250, which represents smaller UK companies (blue line), struggled for the first few months as there was a fear that Labour would harm the UK economy. This fear dissipated after the first three months, and substantial gains were made. This time, taxes are already high, and the Conservatives appear to have adopted many of Labour's policies, meaning a change in government this time could be the least disruptive in history.

In summary, we are not concerned about the forthcoming elections in the UK and US and believe that a Trump victory could help our wealth grow. A Labour victory probably will not change anything in the UK.

Final Comment

Recent economic news is proving to be positive for most asset classes. Central Banks appear to have managed the recent spike in interest rates exceptionally well, raising interest rates enough to produce an economic slowdown (and thus lower inflation) but not enough to cause a significant recession. Inflation is falling due to their actions, and we are now at a stage in which interest rates will fall and thus help support the economy. Against this backdrop, both equities and bonds have advanced significantly.

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