Alpha Beta
PARTNERS

INVESTMENT CRIB SHEET

AUGUST 2024

FOR PROFESSIONAL INVESTORS ONLY

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Investment Crib Sheet August 2024

Main Asset Class		Opportunity Set	UW	N	OW	Change	Conviction
Main Asset Class	Debt	SOVEREIGN			▲		Increase in duration as we go up the risk curve – we expect monetary policy easing across the developed economies to affect the short end of the yield curve.
		HIGH YIELD STERLING		●			High Yield credit spreads do not show signs of stress at this point.
		STERLING CORPORATE		●			High quality corporate bonds with duration under 5 years favoured. No Signs of corporate debt wall problems in H1 2024.
	Equities	NORTH AMERICA			▲		We expect ample liquidity and rate cuts from the US Treasury and Fed, maintaining a risk-on sentiment, with US equities performing well into Q4 2024, especially in this election year.
		EQUITY - UK			▲		UK equities overweight compared to Morgan Stanley Capital International All Country World Index allocation.
		JAPAN			▲		Japanese equities have exhibited strong resilience as inflation has emerged from its dormant state. We have trimmed our Japanese equity position after it had reached 40K level and we have seen some policy confusion at the Bank of Japan.
		EMERGING MARKETS	●				Chinese equities have shown some signs of life, but the policy response remains less than adequate. Geopolitics will also impact the Chinese equities especially and Emerging Markets in general. Increase in Geopolitical risk can result in Dollar strength and emerging market equity weakness.
		EUROPE X UK		●			Political changes across Europe in August impact risk assets' performance.
		ASIA PAC X JAPAN	●				Emerging Market excluding China suffering from higher interest rate differential with the US and a strong Dollar.
	Infrastructure	GLOBAL INFRASTRUCTURE		●			This asset class has still to show some positive momentum.
	Real Estate	REAL ESTATE EQUITY					No exposure to real estate – will revisit later in the year once we know the magnitude of rate cuts across different economies.
	Commodity	COMMODITIES			▲		Active copper and silver positions in Global Macro, Core, and Plus portfolios to benefit from supply shortages and geopolitical risks.
	Cash	CASH		●			We have selectively and cautiously deployed some cash back into risk assets.
	Technology	GLOBAL TECH AND AI					Technology remains a much-loved sector despite valuations – we have added some exposure in satellite positions and have an active position in our Global Macro portfolio.
	Future World	SUSTAINABLE WORLD					Healthcare exposure in lower risk portfolios.
	Look East	NEW GROWTH AREAS					We have added some exposure to emerging markets in higher risk portfolios.
	Special Situations	SPECIAL SITUATIONS					We have added some European and American special situations funds in our higher risk portfolios.

- **The above views are as at the end of August 2024.**
- **ABP Asset Allocation is independent of Strategic Benchmark. Over and Under weights are in relation to equilibrium portfolio.**
- **Thematic allocation using active managers in Core Plus, Ethical, SRI and Sustainable portfolios.**

▼ **Underweight** ● **Neutral** ▲ **Overweight**

MANAGER'S COMMENTARY

- US and the UK's monetary policy remain on pause with the bond market pricing in roughly 2 rate cuts this year. European Central Bank delivered its first rate cut as expected frontrunning the Federal Reserve. The US economy remains strong despite a lower GDP growth in Q1 2024, with positive indicators from unemployment and inflation rates.

- Treasury supply and absorption remains in focus. US Treasury reduced the supply of duration, and we expect this to continue for the rest of the year. Treasury General Account estimates remain supportive of our liquidity thesis and now a reduction in Quantitative Tightening by the Fed is to further add liquidity. Quantitive Tightening reduction is to start in AUGUST 2024.

- The People's Bank of China maintains a supportive stance. As expected, risk-on sentiment in Chinese equities is unsustainable without fiscal policy changes. We remain cognizant of geopolitical risks in the South China Sea.

- We monitor bonds, Dollar Index, commodities, and risk assets, expecting ample liquidity, ongoing issuance policy, and US deficit spending to support risk assets, maintaining a risk-on outlook

IMPORTANT INFORMATION

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