

FEBRUARY 2024

MONTHLY INVESTMENT COMMENTARY

Market Overview

Strong US data continued in February, showing continued resilience despite higher interest rates. The ISM survey of manufacturing came in stronger than expected, and the US labour report showed average hourly earnings growing at a 4.5% rate on a year-on-year basis. Consumer spending via the personal consumption expenditure report was also robust. Overall, there is little in the data that points to a significant slowdown in economic growth. As a result, the market continued to push back the expected date of the first interest rate cut by the Federal Reserve to June.

Equities

- Equity returns were strong over the month, with global equities gaining 5% in sterling terms.
- This performance was driven by the US and Emerging Markets, with our decision to be overweight in the US adding value.
- Our holdings in the two North of South Emerging Markets funds outperformed broader Emerging Markets, both rising over 7% in February.

Fixed Income

- Fixed Income markets were slightly negative, with yields rising, as markets moved to push out the timing of rate cuts, given the stronger data.
- Our holdings in both UK and US Inflation linked bonds were slight detractors over the month.

Alternatives and Diversifying Assets

- Diversifying assets once again provided returns that are uncorrelated with bond markets.
- A position in the AQR Managed Futures fund, which goes long and short based on market and economic momentum, generated very strong performance, up 7% over the course of the month.
- Alternatives also generated strong returns, with a holding in Riverstone up over 10%, as it announced a plan to return a large portion of the cash it had generated to shareholders, a move we welcome to realise some of the value and reduce the discount to the net asset value.
- We continue to believe there are large opportunities for value creation in this asset class.

PLEASE GET IN TOUCH



PACIFIC ASSET MANAGEMENT
1 Portland Place
London, W1B 1PN
T +44 20 3970 3100
E info@pacificam.co.uk
www.pacificam.co.uk

5 STAR DEFAQTO RATED

Pacific Asset Management has received the highest possible rating from Defaqto for 2023, meaning it is considered to be one of the highest quality MPS offerings on the market.



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