MONTHLY UPDATE: ACUMEN PORTFOLIOS
JUNE 2023

tavistock
ASSET MANAGEMENT

MARKET REVIEW FOR LAST MONTH

Technology stocks continued to perform well in May, with a handful of companies driving most of the returns, namely: Alphabet (Google's parent company), Amazon, Meta (Facebook's parent company), Microsoft, and Nvidia, the chip manufacturer. These companies led the S&P 500 Technology Index in the US, to rise over 9% for the month.

Despite that, the broad S&P 500 index in the US only rose by around 0.5% in May, so returns were concentrated in just a few names.

Global equities fell by just under -1% in May, driven lower by UK and European markets, which were down -5% and -2.5%, respectively. Emerging Market equities also fell in May, down by just over -1.5%.

Fixed Interest securities, otherwise known as bonds, were also lower. Developed market government bonds were down over -2% for the month, whilst global corporate bonds were lower by, on average, -1.5%.

Energy and industrial metals declined last month, which led commodities to fall by around -6%, on average. Precious metals also lost some of their shine in May, with Gold down over -4% and Silver lower by nearly -10%.

RECENT CHANGES TO THE ACUMEN PORTFOLIOS

There were several changes made to fixed income holdings in the ACUMEN Portfolios, in the month of May.

Whilst we still think that the second half of the year will be challenging, the Investment Team made some alterations to better reflect their conviction in certain parts of the global bond market.

A position in Indian Government Bonds was initiated in ACUMEN Portfolios 3-8 and the ACUMEN Income Portfolio. Unlike most major economies, the benchmark interest rate in India is above inflation and this holding will increase the portfolio yield.

This trade was funded by selling a position in Emerging Market Corporate Bonds in ACUMEN Portfolios 3-8. This position was sold to reduce credit, otherwise known as default, risk. In an environment where growth slows in developed markets, emerging market companies may face some challenges.

The team also reduced their holding in Chinese Bonds to open the Indian Government Bond investment.

A LOOK AHEAD →

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Despite a strong start to the year for equity markets, most of the returns have come from just a handful of large, US technology based, companies. This has masked the fact that the global economy is facing a recession, and there are challenging times ahead for companies and individuals alike.

We expect inflation to remain ‘sticky’ and to have higher-for-longer interest rates, especially in the UK. We also believe that we are yet to feel the full effects of rising interest rates in the real economy, and we believe equity valuations, particularly in the US, remain expensive.

As always, we remain pragmatic and continue to question our assumptions and market outlook. Should the economic environment change, we will adapt as required.

Registered address Tavistock Asset Management, 1 Queen’s Square, Ascot Business Park, Lyndhurst Road, Ascot, Berkshire, SL5 9FE.