



## Valu-Trac KMGIM Growth fund May 2024

### Monthly review

April was a tough month for both equity and fixed income markets. A combination of hot US inflation data and a first quarter US GDP print that while weak on first glance, showed resilient private demand, fuelled market fears that central banks will not ease monetary policy as quickly as previously hoped. Conversely, higher commodity exposure and increased investor interest in low valued Chinese equities helped emerging market equities deliver positive returns.

Markets felt relieved over the lack of further escalation in the Middle East, but the focus returned to the inflation theme. Volatility in bonds and equities continued as concerns over the US Fed's ability to cut rates against a backdrop of sticky inflation continued to weigh on sentiment. The recent respite also allowed investors to focus on a solid start to the Q1 company reporting season.

Eurozone inflation in April remained flat at 2.4% year on year, but the important services component fell 30bps to 3.7%. UK headline inflation also receded, although there are still concerns about the stickiness of some core components. A less inflationary environment, combined with the prospect of stable but slow growth in the euro area and UK, means that markets are more confident in the prospects for rate cuts from the ECB and BoE than from the Federal Reserve. The first cut from the ECB is still expected over the summer though there are now only two cuts fully priced by year-end. The BoE is expected to cut a little later with the first cut now priced for September.

During April, the VT KMGIM Growth Fund delivered a negative return of -0.84%.

### Since inception performance - 1<sup>st</sup> November 2019 – 30<sup>th</sup> April 2024



01/11/2019 - 30/04/2024 Data from FE fundinfo2024

**Past performance is no guarantee of future success. Please note that as a fund of fund our pricing is a day later than other funds and indices. This is due to the collating of the underlying prices of the funds we hold and then the publishing of our fund price follows.**

## **Investment Strategy & Outlook**

The big picture remains unchanged. Global growth is positive, and expectations are being nudged higher. Inflation is coming down, but the phrase the final mile of disinflation is hard is a well uttered one. This is leading to a divergence in the rates outlook between the US and Europe and US yields have risen relative to European bond yields. Markets have not yet priced out all Fed rate cuts for this year, but they are moving that way.

However, the economic backdrop remains supportive to corporate earnings and the first quarter earnings season has seen companies broadly beat expectations. Markets were, however, more willing than usual to punish companies that missed estimates as investors looked to see if earnings justified the last six months of valuation expansion.

Interest rate cuts appear far more likely this side of the Atlantic, with the ECB leaving the door wide open for a cut in June (though what comes next is up for debate) and the Bank of England likely to be cutting rates by late summer so long as the expected falls in CPI from energy prices are not offset by continued strength in wage data and services inflation. Fundamentally, this creates a positive backdrop for equities, but the risks of persistent inflation and geo-political concerns remain high on the agenda.

### **Investor criteria**

The fund is aimed at investors with 5 or more years to invest and comfortable with equity investments in their portfolio of no more than 75%.

<b>Fund Details</b>	
Inception Date	1/11/2019
Estimate Yield	2.13%
Total Expense Ratio	0.90% (net – clean)
Number of holdings	28
Amount of Cash	1.93%
.Benchmark	BoE Base Rate +3%
Volatility Target Range	9% - 14%
Minimum Investment Time Horizon	Five years

### **One year performance - 1<sup>st</sup> May 2023 to 30<sup>th</sup> April 2024**



28/04/2023 - 30/04/2024 Data from FE fundinfo2024

**Portfolio Activity**

During April, our exposure to real assets was a positive driver of returns alongside our exposure to UK equity funds. With tensions in the Middle East intensifying, energy stocks rallied delivering robust number for commodity related stocks. In contrast, artificial intelligence and US orientated funds struggled as robust economic data and sticky inflation pushed out expectations for rate cuts to later in the year.

**Performance statistics**

	1 <sup>st</sup> Nov 2019 – 30 <sup>th</sup> Apr 2024			Average annual compound return
	Maximum fall in capital *	Performance	Volatility	
Index: <b>FTSE 100</b>	-31.62	31.35	17.90	6.25
Index: <b>FTSE UK Conventional Gilts All Stocks</b>	-33.83	-23.80	9.93	-5.86
Index: <b>S&amp;P 500</b>	-24.31	78.74	17.30	13.78
Index: <b>FTSE Eurofirst 300</b>	-25.89	44.74	17.74	8.57
Index: <b>MSCI World</b>	-24.58	62.84	15.97	11.45
Index: <b>AFI Balanced Index</b>	-19.46	17.95	11.01	3.74
BM: BoE Base Rate + 3%	0.00	23.91	0.28	4.88
Fund: <b>VT KMGIM Growth</b>	-21.43	22.82	11.21	4.68
Index: <b>ARC Steady Growth PCI (Peer comparison)</b>	-14.45	18.09	9.73	3.77

\* The percentage between the highest and lowest values