

marketmatters

Market Summary

Quarter 3 of 2024 experienced some cautious growth. US followed the European Central Bank and Bank of England in lowering its interest rates by 0.5%. Though fears loomed over investors as the question still arose around the likelihood of a US recession.

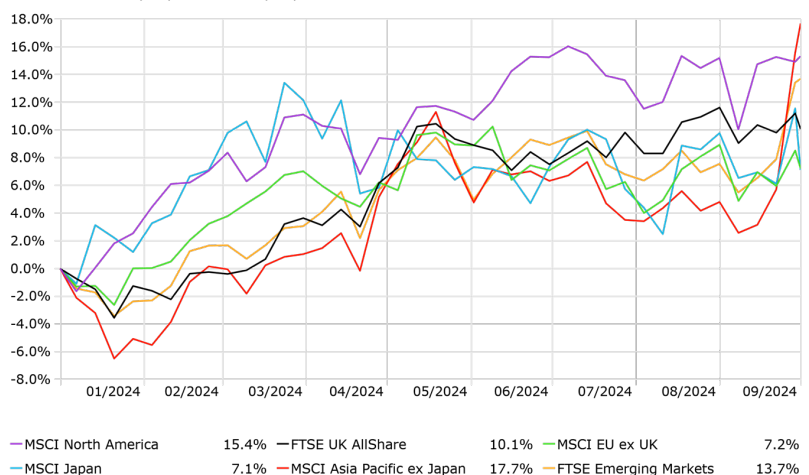
Even after good news of falling inflation and wage growth in the US, unemployment data was not as strong as once predicted leading to a trigger of a well followed economic indicator that typically is associated with near term recessions. The market reaction following this was overstated and cooler heads arose, with the US market climbing back to pre distressed levels.

Japanese equities were among the hardest hit by the weakening US unemployment data and this was further compounded by the Bank of Japan raising interest rates. While the decline in the Nikkei 225 surpassed the extent of the Black Monday Crash of 1987, the market rebounded with a 10.2% increase the following day.

The landslide of the Labour government was welcomed by asset allocators as investors bet on a return to political stability. Sticking with the UK, a thoroughly welcomed piece of news as the Bank of England cut its rate by 0.25% to 5.00%. China's released of over half a trillion dollars worth of stimulus with the aim bolstering the stock market and aiding the stricken property sector—initially this was well received by investors.

Chart 1 - Equity Market Performance - Year to Date - 2024

Time Period: 01/01/2024 to 30/09/2024



Past performance is not a reliable indicator of future results
There are no charges associated with the indices shown in this chart
Source: Morningstar Direct

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US shares ended flat after a wild ride after US recessionary fears were given more credence from unemployment data leading to a large sell off in US equities though the market soon steadied as investors saw this as less useful. During this period some of the winners were the likes of real estate and utilities and technology lagged behind being one of the worst performers over this period.



The UK market performed well over the quarter following a Labour win in the general election. This election occurred when investors had expectations that interest rates would be cut. Not long after, UK taxpayers were warned of a 'painful budget,' which did not sit well with the UK stock market. However, sectors such as consumer staples, financials, and consumer discretionary performed well over the quarter.



Eurozone stocks did well in Q3, spurred by the hope of lower interest rates that sectors such as real estate and healthcare enjoyed. The service sector improved over this period due to the Olympic Games, but a stubborn global downturn in manufacturing has not aided European returns.



Japanese equity faced a lot of ups and downs over this period due to external factors such as US unemployment data and internal factors such as Bank of Japan raising rates. China achieved solid gains due to the new stimulus being rolled out. Brazil did not perform as well as other peers due to increasing interest rates due to reversing previous monetary policy decisions.

Gemini Asset Management Limited

Gemini House, 71 Park Road, Sutton Coldfield, West Midlands B73 6BT

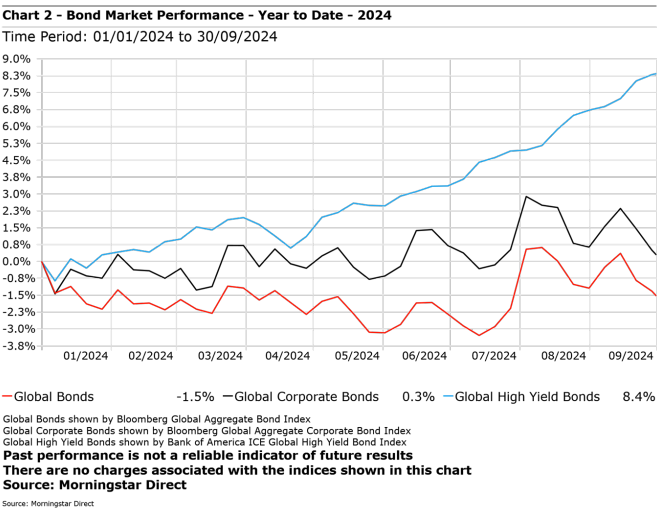
T: 0800 255 0123 E: info@gemini-assetmanagement.com W: www.gemini-assetmanagement.com

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Fixed Income

Bond market performance (Chart 2) saw further improvements this quarter with major central banks cutting interest rates. However, similar to the picture in Quarter 2 lower quality bonds were the top performers over this period—much of this was stemmed from the idea of the US avoiding recession. Nonetheless, falling inflation and expectations of rate cuts in the US came to reality with a 0.5% cut in interest rates. Over in the UK the Bank of England also cut rates as inflation was near its 2% target.

With all major central banks cutting this has been a boon for bond market prices, with lower quality bonds relishing in the rate cut picture more than higher quality sovereign and corporate bonds.



Economic Update



The US economy has been through a period of uncertainty; previous expectations over the US circled around a soft landing—i.e. avoiding recession following the interest rate hiking and cutting cycle. However, in Q3, following some weaker employment data, the market repriced the chances of a soft landing. No recession remained the base-case for investors, and this was further enforced following the half a percent cut in interest rates by the Federal Reserve.



The UK economy has managed to bring inflation down to target levels, roughly 2%. The Bank of England was clearly paying attention to this, and cut rates for the first time in 4 years. Economic Growth surprised on the upside albeit by small margins.



The European Central Bank (ECB) cut interest rates once again during the quarter in a unanimous decision. Business sentiment waned over the period with a slew of car manufacturers announcing concerns over profits. Nonetheless, Europe alongside the UK and US has brought inflation down to lower levels.



Economic growth expectations in regions such as China has waned though announcements of stimulus has up-lifted the spirits of investors. While, Japan bounced through this period expectations for GDP is to be at 1.9%. India is expected to grow at a faster rate than its peers spurred by agricultural production and private consumption.

Portfolio Performance

The table below shows the performance of Gemini Asset Management’s (GAM) discretionary risk-rated portfolios over the course of the last 5 years. The table compares the performance of GAM’s Discretionary Models against the FTSE All Share and the most relevant Investment Association (IA) Mixed Investment sector. The weight of equity in each IA Mixed Investment sector is the main deciding factor when choosing which is the most suitable comparator to each GAM portfolios but the constitution of the GAM portfolios and the relevant IA sectors could still be very different from one another. Whilst a direct comparison of GAM’s portfolios with an equity index such as the FTSE All Share, or the relevant IA Mixed Investment Sector are not like-for-like, it gives an indication of volatility and performance differences on a risk-adjusted basis and can demonstrate the importance of spreading risk through diversification.

Cumulative Performance (%) to 30/09/2024												
Portfolio Name	30/06/2024 30/09/2024		Year to Date		30/09/2023 30/09/2024		30/09/2021 30/09/2024		30/09/2019 30/09/2024		16/03/2017 30/09/2024	
	GAM Portfolio	Sector	GAM Portfolio	Sector	GAM Portfolio	Sector	GAM Portfolio	Sector	GAM Portfolio	Sector	GAM Portfolio	Sector
GAM 3	3.01	2.55	5.86	4.73	12.45	10.68	4.67	0.75	14.06	6.92	24.82	14.88
GAM 4	2.67	2.30	6.86	6.11	13.58	12.14	4.47	4.38	18.97	14.70	31.05	24.60
GAM 5	2.20	1.61	8.30	7.63	14.86	13.83	5.76	7.53	25.67	25.49	41.51	40.71
GAM 6	1.98	1.61	9.15	7.63	15.38	13.83	5.33	7.53	28.56	25.49	47.21	40.71
GAM 7	1.71	1.61	10.18	7.63	16.31	13.83	3.48	7.53	29.73	25.49	52.10	40.71
FTSE All Share	2.37		10.09		13.29		26.09		32.35		47.00	

Source: Morningstar Direct data 17/03/2017 – 30/09/2024. Past performance is not a reliable indicator of future results. Figures given do not include initial, advice, discretionary management or platform fees, but do include fund charges/OCFs.

The sectors used as comparators with the portfolios are the respective IA Mixed Investment sectors. Gemini’s GAM 3 is compared to the IA Mixed Investment 0-35% Shares sector; GAM 4 is compared to the IA Mixed Investment 20-60% Shares sector; and GAM 5, GAM 6, and GAM 7 are compared with the IA Mixed Investment 40-85% Shares sector.

The value of an investment and the income from it could go down as well as up. The return at the end of the investment period is not guaranteed and you may get back less than you originally invested.

Asset Allocation and fund changes – Quarter 3, 2024

The Gemini Asset Management (GAM) investment committee reviewed the existing asset allocation model in conjunction with the recommendations and capital market assumptions put forward by our independent actuary, Dynamic Planner. As a result of this there were changes made to the GAM Active MPS (managed portfolio service) models during Q3 2024, with the main themes for the asset allocation changes covered below.

The table directly below shows the asset allocation for the GAM Active MPS – the weight for each sub-asset class is noted, and the colour of the text signifies whether or not a weighting has been increased, decreased or remained the same during Quarter 3 2024. Increases in weight are highlighted **green**, and decreases in weight are highlighted **red**. If there is no change to the asset class weighting, there is no colour used.

	Risk Level									
Asset Class	GAM 1	GAM 2	GAM 3	GAM 4	GAM 5	GAM 6	GAM 7	GAM 8	GAM 9	GAM 10
Cash	100.0%	49.0%	18.0%	8.0%	5.0%	2.0%	0.0%	0.0%	0.0%	0.0%
Fixed Income	0.0%	38.0%	54.0%	44.0%	27.0%	17.0%	7.0%	6.0%	0.0%	0.0%
Property & Real Assets	0.0%	2.0%	5.0%	5.0%	5.0%	5.0%	3.0%	2.0%	0.0%	0.0%
Equity - UK	0.0%	2.0%	5.0%	7.0%	16.0%	17.0%	26.0%	9.0%	5.0%	0.0%
Equity - US	0.0%	4.0%	10.0%	15.0%	21.0%	21.0%	24.0%	13.0%	10.0%	8.0%
Equity - EU	0.0%	1.0%	2.0%	6.0%	6.0%	6.0%	6.0%	7.0%	5.0%	0.0%
Equity - Japan	0.0%	2.0%	4.0%	7.0%	7.0%	7.0%	7.0%	10.0%	8.0%	0.0%
Equity APACex Japan	0.0%	0.0%	0.0%	4.0%	4.0%	10.0%	11.0%	22.0%	25.0%	26.0%
Equity - GEM	0.0%	0.0%	0.0%	1.0%	5.0%	11.0%	12.0%	27.0%	43.0%	63.0%
Global Specialist	0.0%	0.0%	0.0%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%	3.0%
Global Equity	0.0%	2.0%	2.0%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Commentary

The changes made to the GAM Active MPS in Quarter 3 2024 were made with the view to potentially capitalise on investment opportunities in various sub-asset classes, or with the aim to potentially mitigate risks within the current investment environment. The main asset allocation changes made during Quarter 3 2024 were:

- GAM actioned a fund switch in the Global Specialist asset class. Portfolio weight to this asset class remained the same.
 - ⇒ Fund switch out Regnan Global Equity Impact Solutions.
 - ⇒ GAM added Goldman Sachs Global Small Cap CORE
 - ⇒ The Goldman Sachs fund is believed to give a more holistic and pure exposure to global small cap as a factor.
 - ⇒ Goldman Sachs' fund provides a great levels of diversification and lower levels of concentration compared to Regnan Global Equity Impact Solutions.

Disclaimer

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