

marketmatters

Market Summary

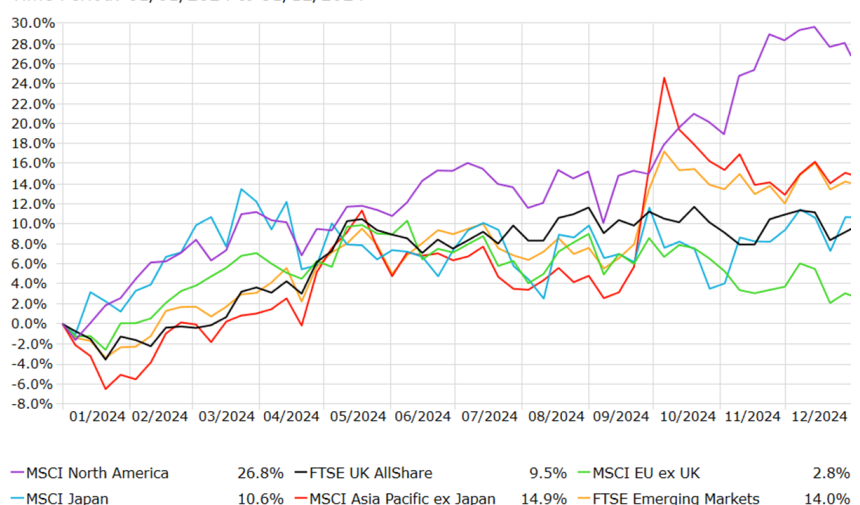
Q4 2024 saw global markets largely shaped by Donald Trump's re-election, evolving central bank policies, and geopolitical tensions. US equities rallied following Trump's victory, fuelled by expectations of pro-business policies. Emerging markets experienced pressure due to concerns over potential trade tariffs and their exposure to China. The Fed cut rates to 4.50%, while the BoE remained more cautious, cutting to 4.75% themselves.

For the year, US equities led the charge with a gain of 26.8%, followed by UK equities, which posted a 9.5% rise. Japanese equities also delivered solid returns, while emerging markets rounded off the year with a strong rally. Bond markets saw mixed results but finished the year in positive territory as central banks shifted towards easing.

In the UK, the government's Autumn Budget, revealed a tax increase of £40 billion. Following the budget announcement, UK government bonds experienced a sell-off due to concerns surrounding an additional borrowing. The Autumn Budget drove upgrades to near-term growth and inflation forecasts, they were however judged to have limited long-term benefit to the economy's productive capacity, and growth outlooks were subsequently reduced. Tax increases announced had a knock-on effect for business sentiment and was cited as reasons for job losses in some sectors.

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

Time Period: 01/01/2024 to 31/12/2024



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

Equity Markets — see Figure 1



The US equity market delivered strong returns in 2024, with the S&P 500 gaining 26.8%. This performance was driven by expectations of pro-business policies under President Trump, robust corporate earnings, and optimism around interest rate cuts. US mid-cap stocks were particularly favoured, benefiting from domestic growth drivers.



UK equities showed notable resilience, with the FTSE All-Share index returning 9.5% for 2024. This was supported by a surge in mergers and acquisitions activity and renewed investor confidence throughout the year leading into Q4. However, concerns over fiscal policy and long-term economic growth tempered sentiment in quarter 4.



Europe was the worst performing major regional equity market in 2024, posting returns of 2.8%. Political instability, and concerns over the economic strength of the region weighed on sentiment. However, expectations of further European Central Bank (ECB) rate cuts provided some positivity as the ECB chief declared 'the end of inflation'.



Japanese equities posted solid gains, with the TOPIX delivering 10.6% in 2024. Large-cap exporters benefited from yen weakness, while domestic demand supported retailers and services sectors. Emerging market equities faced headwinds from trade tensions and currency volatility but still returned 12.1% in GBP terms for the year. Chinese stimulus measures and strength in markets like India helped offset broader challenges for this cluster of markets.

Fixed Income

Bonds experienced mixed performance in 2024 as central banks eased monetary policy in a rather unpredictable fashion throughout the year – remember as interest rates fall, bond prices tend to rise.

High-yield bonds outperformed all other comparators in the chart on the right hand side. Investors were attracted by the substantial absolute yield of the bonds, resilient and improving credit fundamentals, and the generally positive outlook for the US and wider global economy. Corporate bonds rallied late in the year, and Government bonds also posted positive returns. UK Government bonds – Gilts – rallied after enduring a volatile period following the Autumn Budget in the UK.

Economic Update



The Federal Reserve cut rates by 0.75% in Q4, bringing them to 4.50-4.75%. Inflation remained stubborn at 2.6% in October, raising concerns about how far rate cuts could extend into 2025. There is uncertainty regarding Trump’s potential tariff policies, and how these may affect both economies and markets in 2025, but as things stand in 2024, expectations for the US were relatively high, and markets took note of this.



Inflation in the UK broadly continued its downward trajectory towards target levels, although it remains above the Bank of England’s (BOE) target of 2% and ticked up slightly towards the end of the year. This uncertainty led to the BOE cutting rates down to 4.75% but then pause towards the end of the year. The UK economy suffered in Q4, as negative sentiment following the Autumn Budget impacted unemployment & business confidence.



Economic activity remained weak, with data indicating contraction across services and manufacturing sectors. The European Central Bank cut rates in Q4, and heralded ‘the end of inflation’ as an issue for the region.



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 31/12/2024												
Name	30/09/2024 31/12/2024		Year to Date		31/12/2023 31/12/2024		31/12/2021 31/12/2024		31/12/2019 31/12/2024		16/03/2017 31/12/2024	
	GAM Portfolio	Sector	GAM Portfolio	Sector	GAM Portfolio	Sector	GAM Portfolio	Sector	GAM Portfolio	Sector	GAM Portfolio	Sector
GAM Dynamic MPS 3	0.58	-0.34	6.48	4.37	6.48	4.37	4.44	-0.62	13.85	6.00	25.54	14.49
GAM Dynamic MPS 4	0.96	0.06	7.89	6.18	7.89	6.18	4.18	2.49	18.68	12.76	32.30	24.68
GAM Dynamic MPS 5	1.74	1.16	10.18	8.88	10.18	8.88	5.79	5.72	25.62	24.05	43.97	42.35
GAM Dynamic MPS 6	1.66	1.16	10.95	8.88	10.95	8.88	5.15	5.72	27.95	24.05	49.65	42.35
GAM Dynamic MPS 7	2.15	1.16	12.55	8.88	12.55	8.88	3.99	5.72	28.63	24.05	55.37	42.35
FTSE All Share	-0.52		9.52		9.52		20.34		26.59		46.24	

Source: Morningstar Direct data 17/03/2017 – 31/12/2024. Past performance is not a reliable indicator of future results. Figures do not include initial, advice, discretionary management or platform fees, but do include fund charges/OCFs.

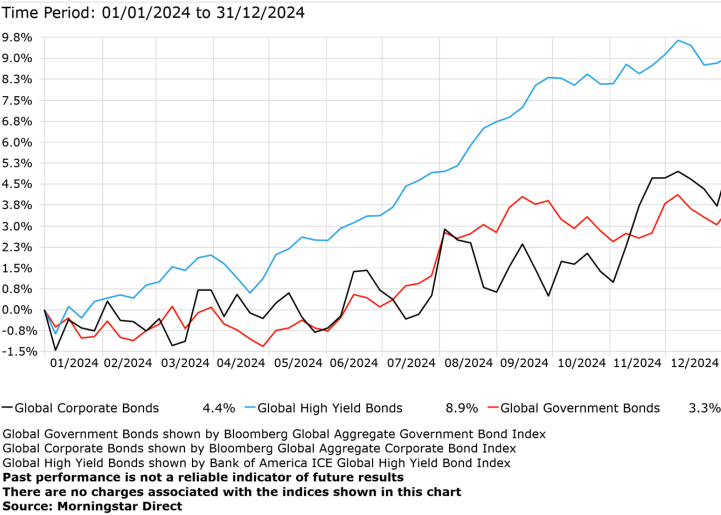
The sectors used as comparators with the portfolios are the respective IA Mixed Investment sectors. Gemini’s GAM 3 is compared to the IA Mixed Investment 0-35% Shares sector; GAM 4 is compared to the IA Mixed Investment 20-60% Shares sector; and GAM 5, GAM 6, and GAM 7 are compared with the IA Mixed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

The Gemini Asset Management investment team 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 no changes made to the GAM discretionary models during Q4 2024.

Chart 2 - Bond Market Performance - Year to Date - 2024



Disclaimer

The price of shares and investments and the income derived from them can go down as well as up, and investors may not get back the amount they invested. Past performance is not necessarily a guide to future performance.

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