



April Review

Investment update

What happened in markets?

April was a volatile month for global equities with the S&P 500 falling 5% at one point during the month. Tech was the main drag, whereas commodity related stocks outperformed. The UK was the best major performing market given its relatively high levels of exposure to the better performing sectors. Inflation concerns have crept back into financial markets with central banks expected to hold rates higher for longer.

Bond markets struggled as the prospect of near-term interest rate cuts began to fade. US treasuries and UK gilts underperformed the rest of the world, with short, medium, and long-dated bond yields moving higher. The economic divergence between the US and the rest of the world saw the US dollar rise by 1.6%.

There were big moves in commodity markets, with gold rising 4% and industrial metals jumping by 13%, although oil prices finished 1.5% lower as Middle East tensions began to subside. Listed real estate suffered as bond yields rose, falling by more than 5% over the month, whereas listed infrastructure fell less than 1%.

What did we do in the funds?

After rallying 30% since the end of October, we trimmed Sanlam Global Artificial Intelligence in VT Esprit Tactical Growth. We also took this opportunity to reduce the L&G US Index Trust and added the proceeds to the Wisdomtree US Quality Dividend Growth ETF, which has greater exposure to growth and quality stocks than the S&P 500 and moderates our exposure to economically sensitive companies.

In VT Esprit Tactical Alpha Plus we reduced our exposure to UK mid and small cap equities and added the proceeds to US equities, as part of a strategic decision to gradually increase our US equity exposure over time. With rate cuts being priced further out, the prospect of near-term outperformance from smaller companies is waning. That said, UK assets continue to offer value relative to global peers and we introduced the RM Alternative Income fund which is now held across the VT Esprit fund range. This vehicle invests in real assets such as specialist real estate and infrastructure. The fund obtains this exposure through investment in a portfolio of investment trusts, many of which trade at a double-digit discount to net asset value and offer dividend yields in the high-single digits.

We made wholesale changes to VT Esprit Sustainable Growth in order to align the fund with our updated strategic asset allocation framework and the newly launched Responsible Model Portfolio Service. Broadly speaking we introduced high yield bonds, regional equity exposure and a thematic water fund. The full list of changes is available on request.

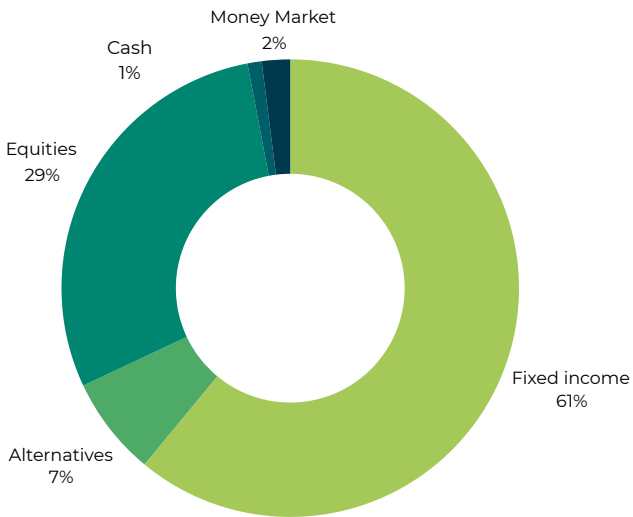
What did we do in the funds?

VT Esprit Tactical Growth		
Fund	Increased	Decreased
Sanlam Global Artificial Intelligence	0	-1%
L&G US Index Trust	0	-2%
WisdomTree US Quality Dividend Growth ETF	+2%	0
UBS Select Money Market	+1%	0

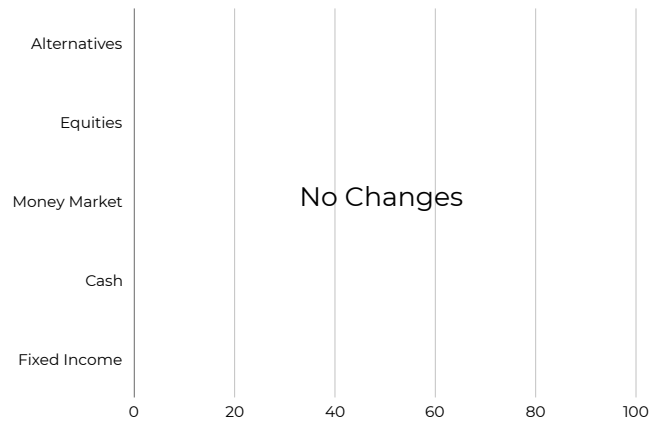
VT Esprit Tactical Alpha Plus		
Fund	Increased	Decreased
Fidelity US Index	0	-10%
L&G UK Mid Cap	0	-1%
Montanaro UK Income	0	-1%
UBS Select Money Market	0	-2%
SPDR S&P 500 ETF	+12%	0
RM Alternative Income	+2%	0

Asset allocation

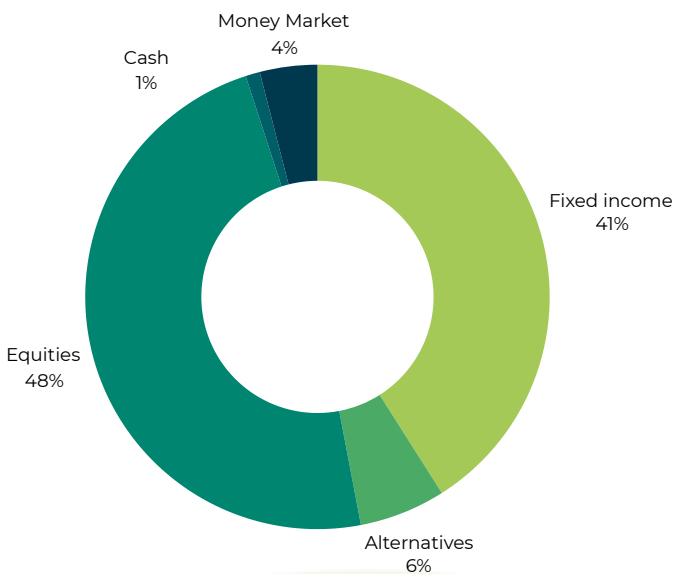
VT Esprit Careful Growth



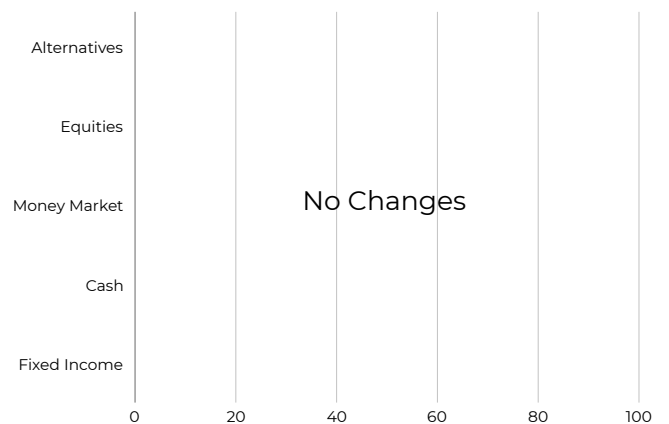
Portfolio changes



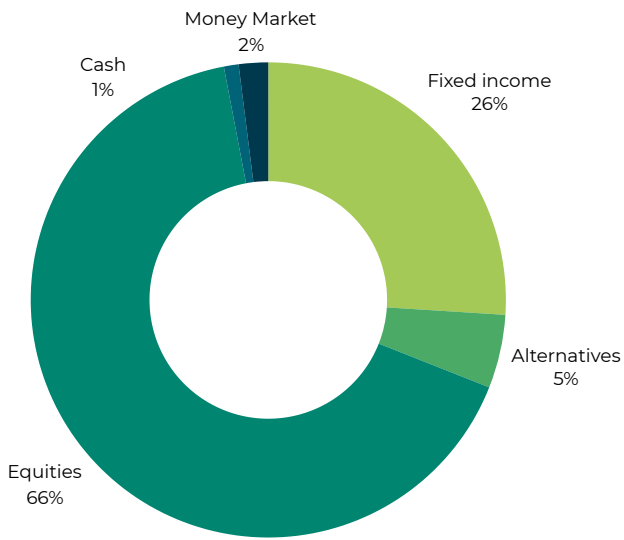
VT Esprit Tactical Balanced



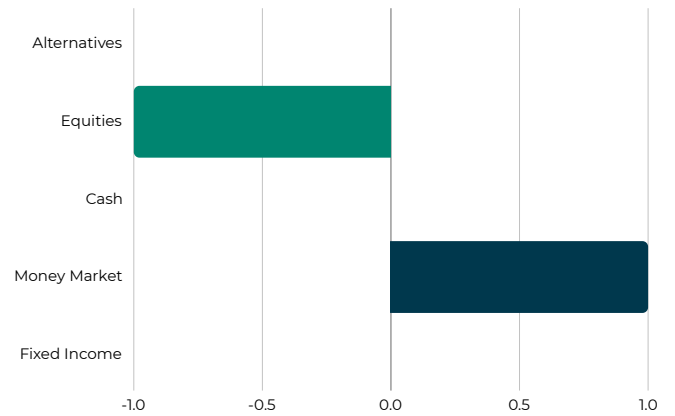
Portfolio changes



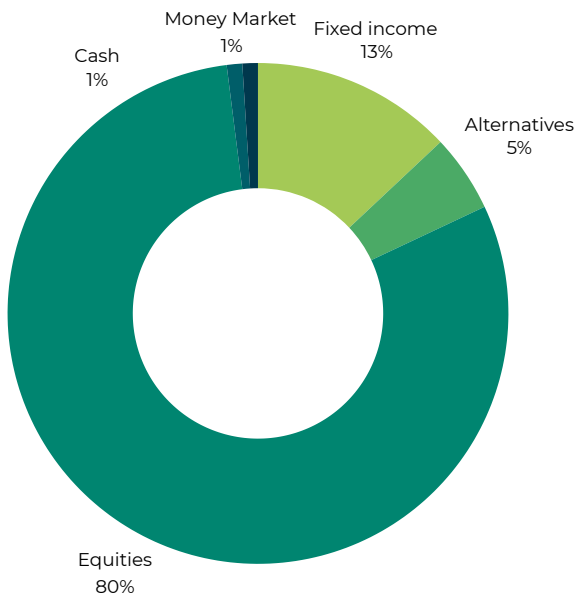
VT Esprit Tactical Growth



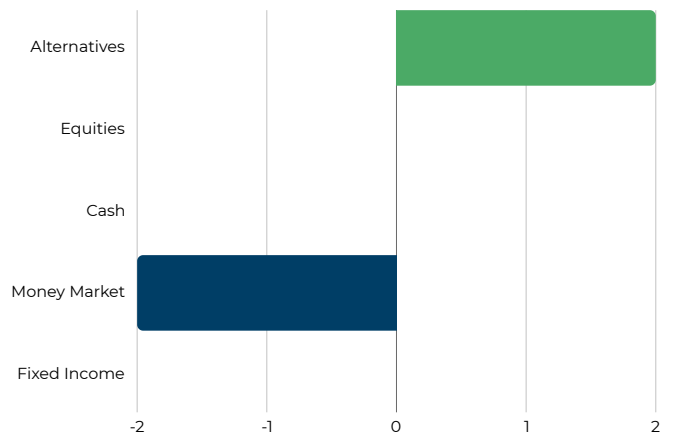
Portfolio changes



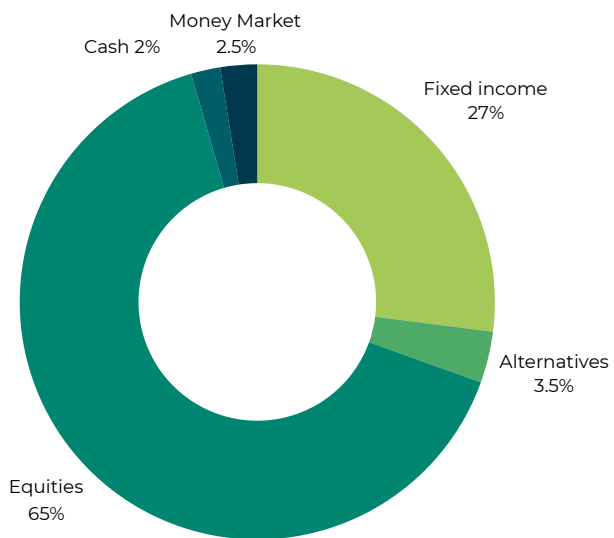
VT Esprit Tactical Alpha Plus



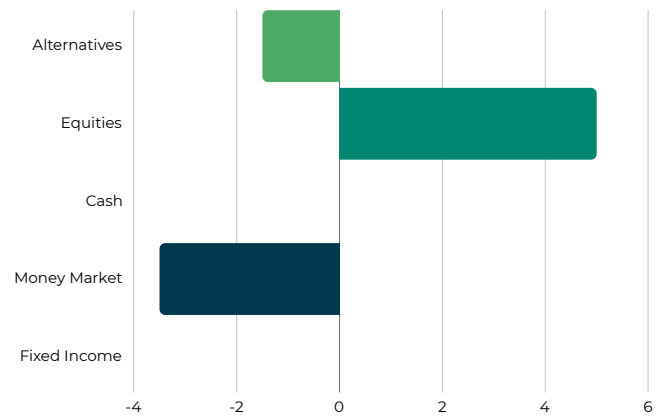
Portfolio changes



VT Esprit Sustainable Growth



Portfolio changes



What is the outlook?

Markets now expect just two cuts from the Fed this year, opening up the prospect of the Bank of England and European Central Bank beginning their rate cutting cycles before the US central bank. Recent currency movements have begun to reflect this. US economic growth continues to diverge from the rest of the world, and inflation looks to be somewhat stickier. It's possible that the Fed will not cut at all this year, especially with an election in November.

Corporate earnings momentum remains relatively strong, particularly in the US which is dominated by the tech sector. The UK and some areas of Europe appear to be recovering from short-lived technical recessions, with real incomes now rising as energy and food disinflation continues apace. However, until we start to see looser monetary policy, growth is likely to be tepid.

While progress on inflation has stalled, at least in the US, we're more positive on other developed markets where disinflation trends remain on track (the UK and Europe), or where inflation isn't an issue (Japan). Keep in mind that if we do see an economic slowdown in the US, perhaps later this year or in 2025, central banks have scope to cut rates aggressively if required.

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