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YOUR Q3 2024 INVESTMENT UPDATE

MARKET OVERVIEW

- **Global equities continued to deliver positive returns fuelled by easing monetary conditions, while fixed income rallied as central banks kicked off long-awaited rate cuts.**
- **Alternatives were a positive contributor to holistic portfolio performance, driven in part by infrastructure securities, whereas equities lagged, hindered by weaker performance in U.S. large-cap growth securities.**
- **September typically sees weaker stock performance, but this year, global share prices made notable gains, resulting in a positive and somewhat emotional third quarter for investors.**
- **However, due to the strength of sterling, returns were much more subdued for UK-based investors, as the gains in global stock markets were offset by currency losses. The strength of the pound is somewhat perplexing given the current political climate.**
- **Despite growing concerns about the new government's growth strategy, the economy is performing reasonably well, surpassing some very pessimistic expectations.**
- **All Invesco Portfolios remain focussed on achieving appropriate levels of diversification to navigate the investment challenges ahead.**

Market Environment

Global equity returns were largely positive, driven by moderating inflation and the onset of monetary easing cycles. Domestic equity performance was positive but subdued, as the economy continues to perform reasonably well.

Developed market equities lagged behind emerging markets, despite delivering solid results for the quarter.

Emerging market performance was particularly strong in China, which benefitted from the announcement of extensive stimulus measures.

Commodities had mixed results, with oil prices retreating while gold soared amid geopolitical uncertainty.

Fixed income showed robust improvement as central banks collectively embarked on their first easing campaigns in over four years.

U.K. Equity

Returns for UK-based equity investors were tepid, partly due to the strength of sterling over the quarter.

Optimism surged after Labour's decisive general election win, raising hopes for a domestic economic recovery. However, this positive sentiment was tempered by Prime Minister Keir Starmer's warning of a challenging autumn budget, which hinted at tax hikes and spending cuts to address public finance shortfalls.

While initial growth estimates were promising, revised figures indicated a slight slowdown, and inflation edged higher.

In terms of sector performance, consumer staples, financials, and consumer discretionary sectors outperformed, whereas the energy sector detracted.

Fixed Income

Global fixed income markets surged as major central banks began cutting interest rates. The Federal Reserve's long-anticipated easing of monetary policy weakened the dollar and boosted US Treasuries.

Meanwhile, rate cuts by the Bank of England and the European Central Bank fuelled bond market rallies across the UK and Europe. Corporate bonds, especially investment grade and high yield, also gained momentum.

Longer-term government bonds and emerging market debt posted strong returns, benefiting from the shift in investor expectations towards a more accommodative interest rate environment.

Gilts underperformed due to a tighter labour market, prompting the Bank of England to adopt a cautious approach to future easing.

Global Equity

Despite some volatility during the quarter, global equities ended with robust positive returns.

Real Estate Investment Trusts (REITs), due to their interest rate sensitivity and favourable yield, topped the charts, while semiconductor stocks experienced a reversal of fortune as big tech struggled.

Small-cap stocks performed well due to recent rate cuts, while the energy sector declined as oil prices fell.

The Bank of Japan raised interest rates at the end of July, causing a sharp rise in the yen, which drove Japanese equities lower.

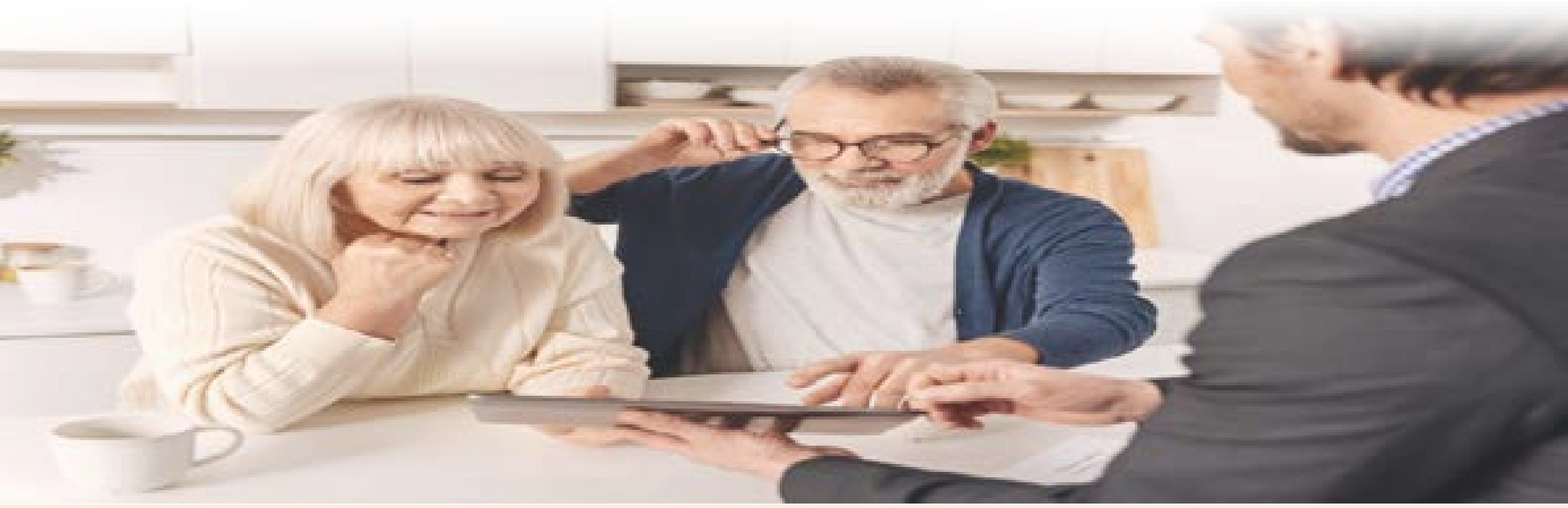
Emerging market equities outperformed developed markets, driven by a quarter-end rally in Chinese stocks, despite weak performance in Taiwanese equity markets.

LIKE TO KNOW MORE?

Our updates aim to provide you with a broad overview of global investment conditions, as observed by both Invesco and our Investment Committee.

If you would like to learn more about your portfolio, investment markets, or investing in general, please reach out to your dedicated financial adviser.

Our next newsletter will be in mid-December. Until then, we wish you all the very best for the weeks ahead.



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