

STANHOPE CAPITAL FORTNIGHTLY BULLETIN

TACTICAL POSITIONING

Equity markets continue their bullish mood despite the ongoing geopolitical developments that we discuss below. We may now be reaching a stage when some of the equity market ‘laggards’ of the last three years start to recover. Prime candidates could be real estate, smaller listed companies and other interest rate sensitive sectors. In this environment, actively managed equity funds could start to outperform passive index strategies for the first time in several years as their managers hunt out pricing anomalies that have been created by the very concentrated market rally of the last two years. With this in mind, we have been looking at broadening market exposure across portfolios to avoid too much concentration in last year’s winners.

MARKET MOVES

	Equities (incl. Dividends)						
15-Oct-24	World (\$)	US (\$)	Europe ¹ (€)	UK (£)	Japan (¥)	EM (\$)	Asia (\$)
Month to Date	0.0%	1.0%	-0.4%	0.2%	5.4%	-1.7%	-2.1%
Year to Date	18.4%	23.2%	11.4%	9.7%	21.5%	12.7%	16.7%

	Commodities			Currencies (vs. USD)			Gov’t
	COM ² (\$)	Gold (\$)	WTI Oil (\$)	EUR	GBP	JPY	UST 10Y ³
Month to Date	-1.3%	1.2%	3.5%	-2.2%	-2.3%	-3.7%	25bps
Year to Date	4.6%	28.8%	-1.5%	-1.3%	2.7%	-5.5%	15bps

Note: ¹Europe excluding UK; ²Bloomberg Commodity Index; ³US Treasury 10 Year Yield shows absolute change in yield; Source: Bloomberg

Unrest in the Middle Eastern deepens

As the world marked the one-year anniversary of the 7th October Hamas attacks in Israel, geopolitical tensions in the Middle East showed no signs of abating. The conflict extended into southern Lebanon where Israel launched a ground attack on Hezbollah and carried out large-scale airstrikes in Beirut’s southern suburbs. The Biden Administration, having already called for a ceasefire, continued to condemn the attacks, calling for Israel to stop “absolutely” strikes on UN peacekeepers in Lebanon and halt any further movement into the region. The US has also imposed fresh sanctions aimed at cutting off financial support for Hamas, targeting both domestic and international backers of the group.

Perhaps unsurprisingly amid the escalation in military activities, the price of Brent Crude Oil experienced significant swings, including its biggest weekly gain since January 2024 (+8.4%) and its biggest daily increase (+5.0%) since October 2023. Prices fell back slightly to around \$74/bbl following the news that Israeli Prime Minister Netanyahu agreed to limit retaliatory strikes on Iran, focusing solely on military assets whilst avoiding their oil and nuclear infrastructure.

Losing your cool

The year-on-year headline US Consumer Price Index (“CPI”) figures for September came in marginally higher than expected, at 2.4%. ‘Core’ CPI, which excludes the more volatile effects of energy, food, alcohol and tobacco prices, also surprised to the upside, at 3.3% versus a predicted reading of 3.2%.

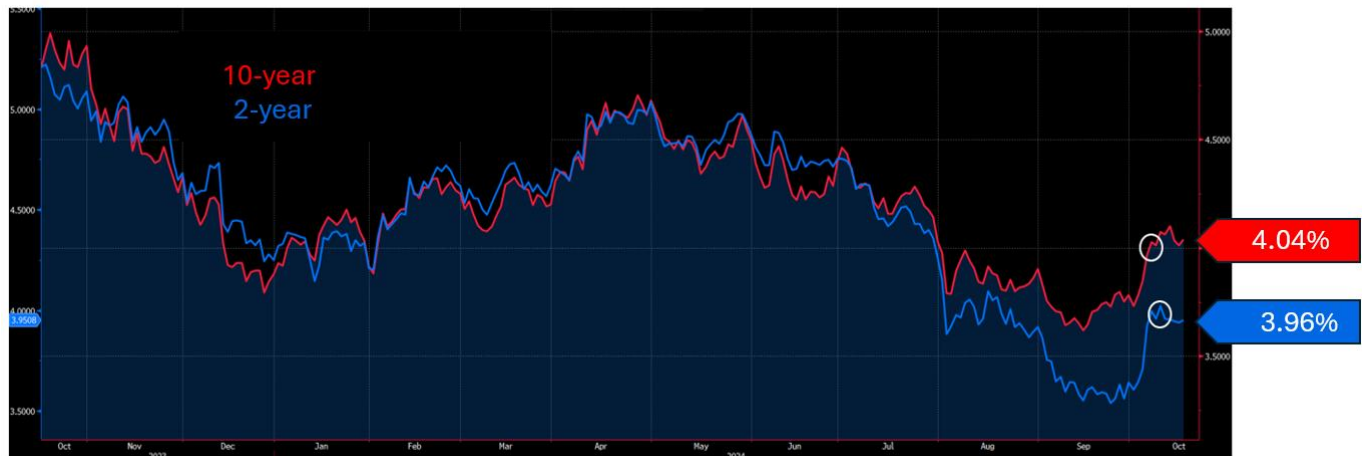
This higher than expected inflation coupled with a statement by Federal Reserve (“Fed”) Chair Jerome Powell that the Federal Open Market Committee was “not a committee that feels like it’s in a hurry to cut rates quickly” helped

reduce the likelihood of a 50 basis points cut in rates at the Committee's next meeting. Markets are now pricing in an 87% chance of a 25bp rate cut on 7th November.

4% Treasury yields

Tensions in the Middle East and some knockout US payrolls data that point to the economy remaining strong led to the US 2-year and 10-year Treasury bonds seeing their yields rise to 4% for the first time since August.

US Government bond yields



Source: Bloomberg

The best 3 week run since 1965

Following a dismal 2023, when a broken real estate market, dwindling foreign investment and relentless government intervention led to the fall in the market, the announcement of a bumper stimulus package, including measures to cut banks' required reserve ratio and a reduction in the 7-day reverse repo rate, led to the Hong Kong stock index posting its best performance since 2022 and its best 3 week run since 1965. However, after initially celebrating these government measures, volatility returned to Chinese markets following the Golden Week break with mainland stocks tumbling more than 7% amid uncertainty surrounding the scale of government stimulus. Enthusiasm diminished further as investors forecast that the country's economic growth will be slightly under 5% this year.

ECONOMIC UPDATES

The US unemployment rate dropped to 4.1%, beating analysts' forecast of 4.2% and signalling that the economy is in much better shape than anticipated. Additionally, the ISM Services data outperformed predictions, registering 54.9% compared with a projected 51.7%, marking the highest reading since February 2023 and surpassing nearly every economist's estimate on Bloomberg. The stronger-than-expected data poured cold water on the likelihood of the Fed cutting rates as aggressively as previously thought. Investors, buoyed by the prospect of a more positive labour market, also helped US equities record their 46th high of 2024 so far.

The Q3 earnings season kicked off in the US with many large banks such as Wells Fargo, BlackRock and BNY Mellon posting decent results. Most notably JP Morgan, which announced quarterly profits of \$12.9bn fuelled by gains in investment banking and rising interest payments which helped their share price jump 5% on the day. Elsewhere, Europe's leading chipmaker ASML cited underwhelming earnings leading to a 15.6% fall in its share price, its worst daily fall since 1998.

JONATHAN BELL, IVO COULSON, RORY TOWNSEND-ROSE

IMPORTANT INFORMATION

The information contained herein (the "Information") has been prepared by the Stanhope Group. The Stanhope Group comprises Stanhope Capital (Switzerland) SA and its subsidiaries, including Stanhope Capital LLP and Stanhope Capital SAS. Stanhope Capital (Suisse) SA is incorporated in Switzerland and is affiliated with SO-FIT, the Supervisory Body for Financial Intermediaries & Trustees authorised by the Swiss Financial Market Supervisory Authority (FINMA). Stanhope Capital LLP is a limited liability partnership incorporated in England and Wales authorised and regulated by the Financial Conduct Authority (FCA). Stanhope Capital LLP is regulated by the US SEC under firm number 162512. Stanhope Capital SAS is a "Société par Actions Simplifiée" incorporated in France and regulated by the Autorité de Marchés Financiers (AMF). Acceptance of delivery of any part of this Information constitutes acceptance to the conditions of this legal disclaimer.

The Information attached is being disclosed by the member of the Stanhope Group indicated in the Information and exclusively to the intended recipient (the "Recipient").

The Information does not constitute an offer to sell or a solicitation of an offer to buy any investment fund or other financial products. The Information does not constitute investment advice or advice with respect to the suitability of any investment.

Restrictions

The Information is private and confidential and provided for information purposes only. No part of the Information is to be distributed, copied or disseminated directly or indirectly to anyone other than the Recipient and its professional advisers (for the sole purposes of obtaining advice). The Information should not be relied upon for tax, auditing or other purposes. The Information is not intended for any person in any jurisdiction (by way of nationality, residence, domicile or otherwise) where the publication or availability of it would be in contravention of any applicable law or regulation.

Opinions, estimates and statements contained in the Information constitute judgments of the Stanhope Group at the time of their preparation and are subject to change without notice.

The value of investments can fall as well as rise; potential income or profits are accompanied by the possibility of loss. The Recipient may not receive back the original amount invested. Past performance is not a reliable indication of future results. Performance figures included in the Information are unaudited except where indicated. Please refer to the risk warning notes provided next to any performance figures included in the Information. In certain circumstances prices stated may be historic because of the delay in obtaining prices and/or valuations from third parties. Valuations are based on either market prices available at the time of the preparation of the Information or on the Stanhope Group's reasonable estimates thereof at the time made. Valuations based upon other models or assumptions or calculated as of another date or time may result in different values. The valuation or returns on investments in currencies other than the base currency of a client's account may increase or decrease as a result of currency fluctuations.

The Stanhope Group may recommend or make investments for its clients in illiquid or volatile instruments or funds which may carry a high degree of default risk or in funds which utilise leverage/gearing which can exaggerate performance and may lead to large falls in value.

Any description of any investment process or investment management process described in the Information may change from time to time at the discretion of the Stanhope Group or otherwise.

While reasonable skill, care and diligence have been taken to ensure that the Information was accurate as at the date of writing, the Stanhope Group has not verified and accepts no legal responsibility for any third-party Information.

In addition, the Stanhope Group makes no representation, warranty, undertaking or guarantee, express or implied, as to the accuracy or completeness of the Information and opinions therein. No members of the Stanhope Group shall be responsible for or have any liability to any

Recipient or third party for losses or damages (whether consequential, incidental or otherwise) arising (i) out of errors, omissions or changes in market factors, conditions or circumstances or (ii) from making any use of the Information.

The Information does not replace, supplement or amend the contractual documentation entered between the relevant member of the Stanhope Group and the Recipient, including but not limited to (i) the required qualifications of the Recipient in order for such Recipient to receive the Information and (ii) the disclaimers and limitation of liability contained in such contractual documentation. Further, the Information does not replace, supplement or amend the documentation applicable to any investment fund or other financial products referred to in the Information.

United Kingdom

To the extent that the Information is aimed at residents of the United Kingdom, the Information has been approved for issue in the United Kingdom by Stanhope Capital LLP. Stanhope Capital LLP's advice is categorised by the Financial Conduct Authority as "restricted" because it advises on investment funds, which are only one type of "retail investment product". Stanhope Capital LLP does not provide investment advice on other retail investment products, such as life insurance, stakeholder pensions or personal pension schemes.

United States

The Information is not intended for residents of the United States or for any U.S. Person. The Information is not an offer to sell any securities to or for the benefit of United States persons or the solicitation of any offer to buy securities on the part of or for the benefit of any such United States persons. For the avoidance of doubt a U.S. Person does not include a U.S. Citizen resident outside the U.S.

France

The amount that is reasonable to invest depends on the personal circumstances of the Investor. To determine this, the Investor must consider his personal and family situation, his personal assets, his current and future needs, but also his aversion to risk. It is also strongly recommended to sufficiently diversify your investments in order to reduce the risks. Investors should inquire about this with their usual advisers (legal, tax or accounting) before any investment. The different risk profiles can be adapted according to the allocation ranges by asset class agreed in the investment objectives defined with the client.

The reports provided by Stanhope Capital regarding the management of life insurance contracts are for information purpose only, this does not replace the statement from the insurance company which remains the only formal statement to be considered for audit, tax or other purposes.