



Market Review

Quarterly Report

Q1 2024

Table of Contents

Contacts	2
Key Indicators at a Glance	3
Executive Summary.....	4
Charts and Data.....	8
Economic Indicators.....	8
Equities	9
Fixed Income.....	11
Commodities.....	12
Currencies	13

Contacts

Steve Tyson

Senior Adviser/Trustee

steve.tyson@apexgroup-fs.com

Whilst care has been taken in compiling this document, no representation, warranty or undertaking (expressed or implied) is given and neither responsibility nor liability is accepted by Apex Group plc or any of its affiliates, their respective directors, consultants, employees and/or agents (together, "Protected Persons") as to the accuracy, efficacy or application of the information contained herein. The Protected Persons shall not be held liable for any use and / or reliance upon the results, opinions, estimates and/or findings contained herein which may be changed at any time without notice. Any prospective investor should take appropriate separate advice prior to making any investment. Nothing herein constitutes an invitation to make any type of investment. This document is intended for the person or company named and access by anyone else is unauthorised.

Apex's Investment Advisory business comprises the following companies: Apex Investment Advisers Limited (no. 4533331) and Apex Trustee Services Limited (no. 12799619), which are limited companies registered in England & Wales. Registered Office: 6th Floor, 125 London Wall, London, EC2Y 5AS. Apex Investment Advisers Limited (FRN 539747) is an Appointed Representatives of Khepri Advisers Limited (FRN 692447) which is Authorised and Regulated by the Financial Conduct Authority.

Key Indicators at a Glance

Index (Local Currency)		Q1 2024	Q1	2023
Equities		Total Return		
UK Large-Cap Equities	FTSE 100	7,953	3.98%	7.68%
UK All-Cap Equities	FTSE All-Share	4,338	3.56%	7.70%
US Equities	S&P 500	5,254	10.55%	26.26%
European Equities	EURO STOXX 50 Price EUR	5,083	12.94%	23.21%
Japanese Equities	Nikkei 225	40,369	21.43%	31.01%
EM Equities	MSCI Emerging Markets	1,043	2.41%	10.20%
Global Equities	MSCI World	3,438	9.01%	24.44%
Government Bonds				
UK Gilts	FTSE Actuaries UK Gilts TR All Stocks	3,079	-1.62%	3.69%
UK Gilts Over 15 Years	FTSE Actuaries UK Gilts Over 15 Yr	3,621	-3.56%	1.65%
UK Index-Linked Gilts	FTSE Actuaries UK Index-Linked Gilts TR All Stocks	3,965	-1.81%	0.93%
UK Index-Linked Gilts Over 15 Years	FTSE Actuaries UK Index-Linked Gilts TR Over 15 Yr	4,218	-3.44%	-4.28%
Euro Gov Bonds	Bloomberg EU Govt All Bonds TR	222	-0.65%	7.12%
US Gov Bonds	Bloomberg US Treasuries TR Unhedged	2,255	-0.96%	4.05%
EM Gov Bonds (Local)	JP. Morgan Government Bond Index Emerging Markets Core Index	134	-2.24%	10.91%
EM Gov Bonds (Hard/USD)	JP. Morgan Emerging Markets Global Diversified Index	911	2.04%	11.09%
Bond Indices				
UK Corporate Investment Grade	S&P UK Investment Grade Corporate Bond Index TR	362	0.19%	9.63%
European Corporate Investment Grade	Bloomberg Pan-European Aggregate Corporate TR Unhedged	233	0.56%	8.84%
European Corporate High Yield	Bloomberg Pan-European HY TR Unhedged	447	1.81%	12.78%
US Corporate Investment Grade	Bloomberg US Corporate Investment Grade TR Unhedged	3,208	-0.40%	8.52%
US Corporate High Yield	Bloomberg US Corporate HY TR Unhedged	2,517	1.47%	13.45%
Commodities				
Brent Crude Oil	Generic 1st Crude Oil, Brent, USD/bbl	87	13.55%	-10.32%
Natural Gas (US)	Generic 1st Natural Gas, USD/MMBtu	1.76	-29.87%	-43.82%
Gold	Generic 1st Gold, USD/toz	2,217	7.03%	13.45%
Copper	Generic 1st Copper, USD/lb	401	2.99%	2.10%
Currencies				
GBP/EUR	GBPEUR Exchange Rate	1.17	1.40%	2.12%
GBP/USD	GBPUSD Exchange Rate	1.26	-0.85%	5.36%
EUR/USD	EURUSD Exchange Rate	1.08	-2.26%	3.12%
USD/JPY	USD.PY Exchange Rate	151	7.31%	7.57%
Dollar Index	Dollar Index Spot	104	3.11%	-2.11%
USD/CNY	USDCNY Exchange Rate	7.22	1.72%	2.92%
Alternatives				
Infrastructure	S&P Global Infrastructure Index	2,738	1.36%	6.82%
Private Equity	S&P Listed Private Equity Index	225	7.26%	40.75%
Hedge Funds	Hedge Fund Research HFRI Fund-Weighted Composite Index	19,823	5.53%	7.21%
Global Real Estate	FTSE EPRA Nareit Global Index TR GBP	3,704	-0.39%	3.59%
Volatility			Change in Volatility	
VIX	Chicago Board Options Exchange SPX Volatility Index	13	4.50%	-42.55%

Source: Bloomberg. All return figures quoted are total return, calculated with gross dividends/income reinvested.

Executive Summary

- **Inflation (including core inflation) fell slightly in Q1**, but less than expected, driven by persistent wage and services prices, causing central banks to revise the more dovish stances they took in Q4 2023. Annual CPI fell to 3.4% in UK (February), compared to 3.4% for the US and 2.4% for Eurozone (March). **All major Central Banks held their current rates in Q1**, though the prevailing direction is still downward, albeit at a slower pace. Generally, economic indicators proved more positive than expectations, reducing some fears of stagnating growth and recessionary risk, but the UK and Europe are still showing declining GDP growth (with the UK entering a technical recession). China, whilst beginning to recover, is doing so slowly and is still struggling with its property crisis. The US once again led the way with a resilient domestic job market (unemployment at 3.8%) and a healthy consumer market leading to steady GDP growth.
- **Q1 was positive for most markets except government bonds**, in keeping with the largely positive trend of the 2023. **Global equities (MSCI World) rose sharply by 9.0%** in local currency terms over the quarter, with Growth (+10.0%) rising more sharply than Value (+6.9%). **Emerging Market and UK equities notably lagged** behind other markets, with Emerging Markets returning 2.4% in local currency and UK equities returning 3.6%. Following a strong 2023, **Japanese equities** had a spectacular quarter (returning c.20%) as optimism over positive economic indicators and the BoJ's monetary overhaul signalling a departure from negative rates drove foreign investment. UK equities suffered slightly from a value bias as well as the lack of rate cuts as the UK entered a technical recession. **US equities performed strongly** (+10.5%), as Q4 GDP growth was revised up and economic indicators improved. Bonds had weaker performance this quarter, as rate cuts were held across the major markets. **Longer-dated Government bonds (and index-linked) showed the biggest fall**, particularly in the UK. Shorter-dated credit did better, with credit spreads tightening, and investment grade credit underperformed high yield.

It is worth highlighting the following themes, impacting investment markets:

- **Core inflation continues stubbornly high – is c.4% rates the “new” (and old!) normal?** It is likely that rates may stay elevated through much of 2024, and Central Banks will need to see evidence of weakening demand (e.g. recession) to cut them, i.e. a traditional “cycle”!

- Global equities rose in Q1 on the back of good corporate earnings, positive economic data (particularly in the US) and increasing enthusiasm over AI.
 - In the US, the S&P 500 and NASDAQ rose by 10.6% and 8.7%, respectively. Market consensus expects still predicts three interest rate cuts for the year.
 - UK equities increased by 3.6% but continued to underperform global equities. Since the end of Q1, UK equities have been performing notably better.
 - The Euro Stoxx 50 rose by 12.9%, with the IT sector leading returns over AI enthusiasm.).
 - Japanese equities returned 20% in Q1 (Nikkei: 21.4%, TOPIX: 18.0%). Optimism over wage growth and positive economic indicators drove foreign investment with the Nikkei reaching 40,000 Yen for the first time.
 - Emerging market equities rose by 2.4% in Q1, with Asian Markets returning slightly better as China began to recover (although slowly), Indian Manufacturing grows due to relocations from China and Taiwan enjoys the AI boom.
- In Fixed Income, yields generally rose over the quarter, dovish stances taken by central banks last quarter were tempered, resulting in mildly negative performance for most government bonds.
 - The US 10-year Treasury yield rose from 3.88% to 4.20%, while the 2-year yield rose from 4.25% to 4.62%.
 - The UK 10-year Gilt yield rose from 3.53% to 3.93% while 2-year yields rose from 3.95% to 4.17%. The BoE held rates this quarter as despite its continued fall, the inflation rate (particularly core inflation) remains above its peers as does wage growth.
 - Corporate bonds outperformed Government bonds, with high yield leading but all returns were muted. US and European high yield returned 1.5% and 1.8%, while US, UK and European investment grade credit returned -0.4%, 0.2% and 0.6% respectively.

Fund Performance and Investment Strategy

Q1 Dorset performance was in line with benchmark following a better quarter in Q4 2023. However, it is clear that since Dorset delegated the manager selection to the Brunel Pool, there have been more negative periods than positive ones. To be fair to Brunel, this has been a period of “headwinds” for Brunel so it is not totally surprising that Dorset performance now finds itself lagging benchmarks over 3 and 5 year periods, and this has

now filtered through into the 10 year comparisons. So what are these “headwinds”? Principally the Ukraine War has been positive for energy stocks which Brunel is underinvested in and rising interest rates has been bad for Growth/Quality stocks, which Brunel have been overweight in. Responsible Investing – which is the mandate adopted by Dorset and that has also been given to Brunel by each of their client base – has been troubling for investment returns. Why did this happen and is it temporary or permanent? It is my belief that the whole ESG investing theme got overblown and overpriced in 2020/2021, just at the time when Brunel was launching most of the funds for their clients. Consequentially, we may have inadvertently and unintentionally lost some investment performance, and at the same time, had very little collective impact on climate change. Will this performance be recouped? Not quickly in my view. The headwinds are now beginning to slacken in 2024, and we have described before how as the headwinds disappear, we expect Brunel’s performance to be no worse than benchmarks. The jury is out.

The other recent factor that I have described before is the performance of the “Magnificent Seven” mega-cap US technology stocks which have been the almost sole driver of US and hence Global Equity performance recently. These stocks are hugely weighted in indices and highly successful, for example Nvidia is becoming well known and has just overtaken Apple as the second largest company in the world. But cracks are starting to appear, for example in Tesla. Are these stocks at their peak? If they are, then it will be much easier for Brunel’s appointed managers to outperform and that will be very good for Dorset’s relative performance versus benchmark. It is worth remembering that at the end of the film The Magnificent Seven, only three of them are alive. Distinguishing between the winners and losers is important, and not a straightforward task. Technology and AI will no doubt continue to be highly important industries driving economic and stockmarket growth, but it is quite possible that the winners of today will not be the same companies that will be the winners of tomorrow. In summary, I have some sympathy with underperformance that derives from not being fully weighted in these very expensive stocks.

Despite these challenges, Dorset is benefitting from a high weighting to equities, and performance in absolute terms is above the discount rate. It wouldn't be surprising if we get a pullback in equities at some point. However, Dorset has to play the long term investment game consistent with the long term nature of our liabilities.

Charts and Data

Economic Indicators

Table 1: Quarterly GDP Growth Rate and Monthly CPI

%	GDP		CPI		
	Q4 2023	Q1 2024	Jan	Feb	Mar
UK	-0.3	N/A*	4	3.4	N/A*
US	0.8	N/A*	3.1	3.2	3.4**
Eurozone	0	N/A*	2.8	2.6	2.4
Japan	0.1	N/A*	2.2	2.8	N/A*

Source: Bloomberg; Trading Economics.

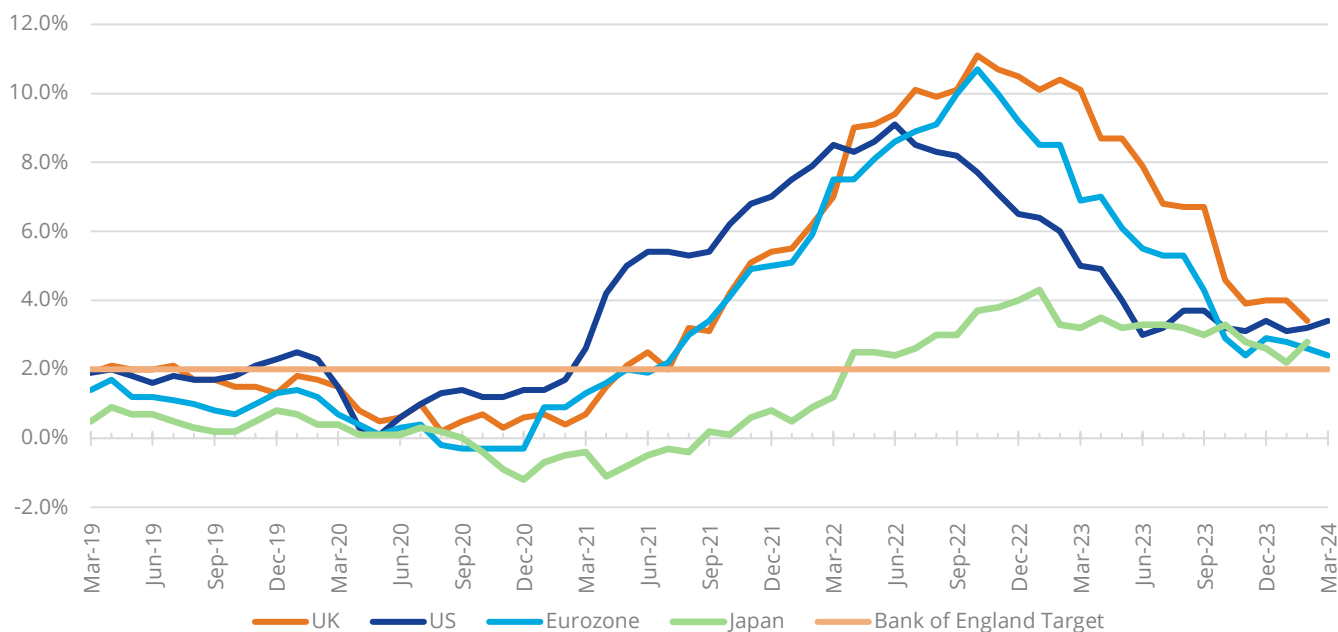
Notes: * Not available at time of publication; ** Forecasts based on leading indicators (not available at time of publication this quarter)

CPI: UK: UK CPI EU Harmonised YoY NSA (Ticker: UKRPCJYR Index); US: US CPI Urban Consumer YoY NSA (Ticker: CPI YOY Index); Eurozone: Eurostat

Eurozone MUICP All Items YoY Flash Estimate (Ticker: ECCPEST Index); Japan: Japan CPI Nationwide YOY (Ticker: JNCPIYOY Index)

GDP: UK Real GDP (Ticker: UKGRABIQ Index), US Real GDP (Ticker: GDP CQOQ Index) de-annualised, Eurozone Real GDP (Ticker: EUGNEMUQ Index), Japan Real GDP (Ticker: JGDPQGDP)

Chart 1: CPI – Annual rate of Inflation - Five Years to March 2024



Source: Bloomberg

Notes: UK: UK CPI EU Harmonised YoY NSA (Ticker: UKRPCJYR Index); US: US CPI Urban Consumer YoY NSA (Ticker: CPI YOY Index); Eurozone: Eurostat

Eurozone MUICP All Items YoY Flash Estimate (Ticker: ECCPEST Index); Japan: Japan CPI Nationwide YOY (Ticker: JNCPIYOY Index)

Equities

Chart 2: Global Equity Markets Performance



Source: Bloomberg. All in local currencies

Notes: FTSE All-Share Index (Ticker: ASXTR Index); S&P 500 Index (Ticker: SPXT Index); STOXX Europe 600 (Ticker: SXXG Index); Nikkei 225 Index (Ticker: NKYTR Index); MSCI World Index (Ticker: DLEACWF Index); MSCI Emerging Markets (Ticker: M1EF Index)

Chart 3: Global Equity Markets, Growth vs Value



Source: Bloomberg

Notes: MSCI World Value Index (Ticker: MXWO00V Index); MSCI World Growth Index (Ticker: MXWO00G Index)

Table 2: MSCI ACWI Composition

Region	Q4 2023 (%)	Q1 2024 (%)
US	62.5	63.7
UK	3.6	3.4
Europe (ex-UK)	12.2	11.9
Japan	5.4	5.5
Developed Asia-Pacific	2.8	2.5
Emerging Markets	10.5	10.0
Other	3.1	2.9

Source: iShares MSCI ACWI ETF

Fixed Income

Chart 4: US Corporate Bond Spreads



Source: Bloomberg

Notes: Bloomberg Barclays US Corporate Option Adjusted Spread (Ticker: LUACSTAT Index); Option-Adjusted Spreads (OAS) represent the difference between the index yield and the yield of a comparable maturity treasury

Chart 5: Government Bond Yields



Source: Bloomberg

Notes: US Generic Govt 10 Year Yield (Ticker: USGG10YR Index); UK Govt Bonds 10 Year Note Generic Bid Yield (Ticker: GUKG10 Index); Euro Generic Govt Bond 10 Year (Ticker: GECU10YR Index); Japan Generic Govt Bond 10 Year Yield (Ticker: GJGB10 Index)

Commodities

Chart 6: Gold and Brent Crude Oil Prices



Source: Bloomberg

Notes: Gold USD Spot (Ticker: XAU Currency); Generic 1st Brent Crude Oil (Ticker: CO1 Commodity)

Currencies

Chart 7: Three-Year Currency Rates of Major Currencies vs Pound Sterling



Source: Bloomberg

Notes: GBPEUR Spot Exchange Rate (Ticker: GBPEUR Currency); GBPUSD Spot Exchange Rate (Ticker: GBPUSD Currency); GBPJPY Spot Exchange Rate (Ticker: GBPJPY Currency)

Table 3: Currency Rates as of 31 March 2024

Pair	Q1 Value	% Change Over Quarter
GBP/EUR	1.1697	1.40%
GBP/USD	1.2623	-0.85%
EUR/USD	1.079	-2.26%
USD/JPY	151.35	7.31%

Source: Bloomberg

Notes: GBPEUR Spot Exchange Rate (Ticker: GBPEUR Currency); GBPUSD Spot Exchange Rate (Ticker: GBPUSD Currency); EURUSD Spot Exchange Rate (Ticker: EURUSD Currency); USDJPY Spot Exchange Rate (Ticker: USDJPY Currency)

Whilst care has been taken in compiling this document, no representation, warranty or undertaking (expressed or implied) is given and neither responsibility nor liability is accepted by Apex Group plc or any of its affiliates, their respective directors, consultants, employees and/or agents (together, "Protected Persons") as to the accuracy, efficacy or application of the information contained herein. The Protected Persons shall not be held liable for any use and / or reliance upon the results, opinions, estimates and/or findings contained herein which may be changed at any time without notice. Any prospective investor should take appropriate separate advice prior to making any investment. Nothing herein constitutes an invitation to make any type of investment. This document is intended for the person or company named and access by anyone else is unauthorised.

Apex's Investment Advisory business comprises the following companies: Apex Investment Advisers Limited (no. 4533331) and Apex Trustee Services Limited (no. 12799619), which are limited companies registered in England & Wales. Registered Office: 6th Floor, 125 London Wall, London, EC2Y 5AS. Apex Investment Advisers Limited (FRN 539747) is an Appointed Representatives of Khepri Advisers Limited (FRN 692447) which is Authorised and Regulated by the Financial Conduct Authority.