31 December 2024 **Aven Global Cautious Tracker**

Fund Details

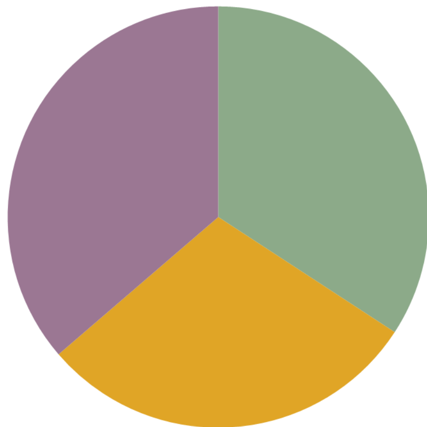
Currency	USD($)
Benchmark	US 3 Month LIBOR + 3%
Risk profile	Cautious
Investment period	5 years or longer
Launch date	01 December 2016

Fund Objectives

The objective of the portfolio is to provide capital growth by investing in a combination of equity (max 50%) and fixed interest assets over a full market cycle. This portfolio is suitable for investors who require stable capital growth over a 5-years or longer timeframe.

Holdings as at Month End	%
iShares Core Global Aggregate Bond UCITS ETF	34.85
iShares Core MSCI World UCITS ETF	36.18
Schroder ISF US Dollar Liquidity	28.97

Global Asset Allocation

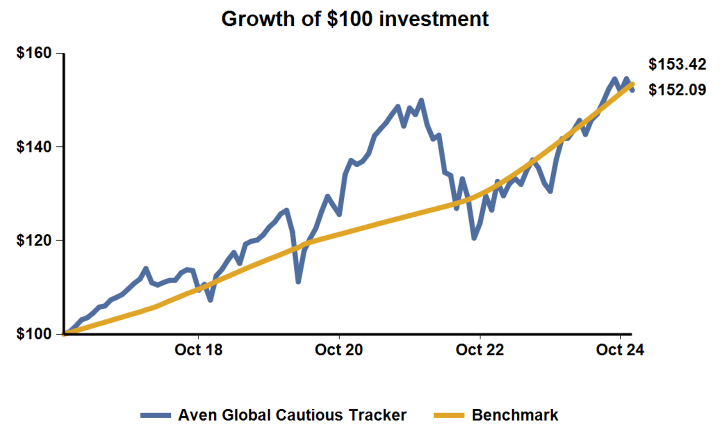


Investor Profile

This fund is suitable for investors looking for:

- Stable income and a high level of capital stability
- Low probability of capital loss over the medium to long term
- A minimum investment horizon of 5 years or longer

Cumulative performance since launch*



Performance (%)	Fund*	Benchmark
1 Month	-1.59	0.64
3 Months	-1.57	1.98
6 Months	3.47	4.08
YTD	7.30	8.39
1 Year	7.30	8.39
2 Years (annualised)	9.65	8.17
3 Years (annualised)	0.48	6.79
5 Years (annualised)	3.89	5.57
Since Launch (annualised)	5.32	5.44

Risk statistics (since launch)	Fund*	Benchmark
Returns (annualised)	5.32%	5.44%
Standard deviation (annualised)	8.86%	0.51%
% Positive months	70.10%	100.00%
Maximum drawdown	-19.62%	0.00%
Sharpe ratio	0.29	5.17

Fees (incl. VAT)	
Annual Wrap fee	0.17
Underlying Manager TER's	0.19

* The investor is liable for CGT on any transactions in the units of the underlying unit trusts within the wrap funds. Compulsory investments are not subject to CGT. Performance is calculated using net returns (after fees) of the underlying unit trusts, and quoted excluding wrap fund fees. Performance quoted is pre-tax. Fund performance numbers shown are for a notional portfolio and do not reflect the actual performance of the client invested in the wrap fund due to timing differences of investments or disinvestments of the client. Dual-listed wraps will reflect combined fund sizes and will reflect primary platform performance information. Benchmark returns for CPI are based on actual published returns and an estimated one month return for the month of the report date. ASISA Benchmark returns are the ASISA returns available as at the time of reporting.

Commentary

Market Review

Global equities faltered in December, with broad-based weakness driven by persistent inflation concerns and evolving central bank policies. US equities closed the year on a cautious note, with the S&P 500 and Russell 2000 declining 2.4% and 8.3% respectively, while the NASDAQ Composite managed modest gains (0.6%), buoyed by strength in mega-cap tech stocks. Despite the year's 17.5% global equity gain in dollar terms, December's performance reflected investor hesitancy as the US Federal Reserve (Fed) signalled fewer rate cuts for 2025 and the MSCI World shed 2.6% over the period.

European equities ended the month lower (-0.5%), with the decline led by healthcare, utilities, and communication services. The technology and consumer discretionary sectors offered some support, but the overall picture was weak. The MSCI Europe Index closed December down, as the European Central Bank reduced its deposit rate by 25 bps and signalled a shorter period of restrictive policy. In the UK, disappointing economic data weighed on equities (the FTSE All Share lost 1.2% in December), which also declined as inflation rose to 2.6%.

Asia-Pacific equities presented a mixed picture. Chinese markets advanced (the Shanghai Composite rose 0.9%) on optimism around 2025 stimulus plans, while Taiwan gained 3.6% on AI-related stocks. Conversely, South Korea fell 2.2% amid political turmoil, and Australian equities declined on concerns about slower Fed rate cuts. Emerging markets overall were flat, buffered by Asia and the Middle East performances, while Brazil underperformed as its central bank raised rates by 100 bps to 12.25%.

Global bond markets struggled in December, with rising yields weighing on returns. US Treasuries lost 1.69%, German Bunds fell 1.61%, and UK Gilts declined 2.55%. Corporate bonds were mixed, with US investment-grade bonds underperforming (-1.78%), while sterling and euro-denominated bonds fared better, down 0.64% and 0.43%, respectively. The Fed cut rates by 25 bps to 4.25-4.50% but projected fewer reductions in 2025, citing sticky inflation.

US economic data remained strong, with 3Q24 GDP growth at 3.1% and job gains of 227 000 in November. Inflation persisted, with CPI at 2.7% and core CPI stable at 3.3%. Europe faced weaker growth prospects, with subdued activity in Germany and a snap election on the horizon. Meanwhile, UK GDP contracted in October, reflecting stagnant growth and higher inflation.

December capped 2024 with a cautious tone. While global equities posted strong annual returns, the final month revealed concerns about inflation, central bank policy shifts, and geopolitical risks. Investors will likely remain vigilant as markets enter 2025 with mixed signals across regions and sectors.

Outlook

Our view is that a cautious, yet optimistic approach remains prudent as markets balance the potential for further growth against geopolitical and economic risks. For now, the slowing global growth environment offers a supportive backdrop for risk assets, but vigilance is key as with a new year comes many new risks. Although earnings growth is expected to continue slowing, we anticipate that the easing interest rate cycle should continue, albeit at a slower rate than previously thought. This should provide support for equity returns in the short term, while inflation has been trending towards central banks' respective targets. Although we do not foresee a damaging recession on the cards, we do expect a normalisation in valuations from more concentrated areas of the market.

Chinese growth remains a concern for global growth, while the impact of the new Trump administration on trade will be closely watched in how it may impact the prospect for emerging markets. In the euro area, activity has improved in the short term, but generally soft economic data remain a concern. Emerging economies continue to show resilience, and with the potential for easier monetary policy, growth could accelerate pending global trade speedbumps.

We therefore remain constructive to growth assets (such as equities and property). Similarly, while we retain a constructive approach to fixed income, we recognise that the risks and rewards for duration assets are finely balanced, and a measured outlook is warranted.