

April Market Overview

Markets in April shot back into positive territory, delivering a strong month for client portfolios. US equities led the developed market rally, with the S&P 500 rising 10.5%, the Nasdaq Composite surging 15.3%, and the Russell 2000 gaining 12.3%, as mega-cap technology and AI-linked names drove much of the move. The month's performance was largely centred around a revival of the US AI trade, with the emergence of new AI systems continuing to generate positive disruption across the technology sector. This was complemented by a first quarter corporate earnings season that not only beat expectations but did so by a historically wide margin. UK and European markets trailed, unable to match the momentum generated by the US technology and earnings-led advance. Markets largely looked through the Middle Eastern conflict, with investors taking the view that the Strait of Hormuz will reopen quickly enough to prevent any lasting inflationary impulse or meaningful disruption to the AI rally, which remains a key pillar of broader market sentiment. Government bonds continued to face headwinds, with uncertainty around Iran and its inflationary implications weighing on both short and longer dated securities. Credit outperformed, with resilient corporate earnings underpinning investor confidence in company balance sheets relative to sovereign debt.

Portfolio Positioning

The Passive range delivered strong absolute gains over April, driven by its US and emerging market equity allocations. US equities were well positioned to capture the month's rally, with the tariff pause providing the initial catalyst before strong technology earnings carried markets higher through the remainder of the period. Emerging market and Asian equity exposure was the standout contributor however, with capital continuing to flow towards the semiconductor and hardware infrastructure underpinning the AI buildout, with Taiwan and South Korea among the key beneficiaries. Gold gave back a modest contribution over the month, with safe-haven demand easing as trade tensions partially de-escalated. In fixed income, corporate bond exposure added a small positive return, consistent with the broader credit rally as investor confidence in company fundamentals held firm. Gilt positions were a slight drag, reflecting the ongoing pressure on government bonds from elevated uncertainty and its inflationary implications.

Outlook

Looking ahead, we remain balanced in our equity exposure whilst looking to increase US allocations over the coming weeks. That said, we are preparing for a more volatile environment as the Strait of Hormuz remains closed, which may begin to force markets to confront the more persistent inflationary effects of the energy shock and its pass-through into consumer goods beyond petrol prices. We continue to hold inflation-protected bonds to provide further insulation from this dynamic, and remain moderately underweight duration given that near-term rate cuts appear increasingly unlikely. This defensive positioning in fixed income acts as a counterweight to our full equity exposure, allowing clients to participate in further equity upside whilst maintaining a degree of portfolio resilience across the risk spectrum.



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