

## May Market Overview

May delivered another strong month for global markets, with global equities rising almost 4%. Returns were driven by a rally in US technology stocks, while Emerging Markets advanced an impressive 10%, led by semiconductor-heavy Asian economies such as Taiwan and South Korea. Strong corporate earnings remained the key support for markets, with S&P 500 companies delivering earnings growth of around 14% year-on-year, alongside continued enthusiasm surrounding Artificial Intelligence.

For the Income portfolios, this was a particularly constructive environment. While headlines remained dominated by US technology and A.I., performance came from a broad range of income-generating assets. The strongest contributor was the Schroder Asian Income Maximiser Fund, which returned 7.71%, benefiting from the exceptional strength in Asian semiconductor markets and technology-related companies. This was closely followed by the Allspring Worldwide Global Enhanced Income Fund (+5.90%) and the Schroder US Equity Income Maximiser Fund (+5.81%). The Aviva Investors US Equity Income Fund also delivered a strong 4.11% return.

Away from equities, bond markets were more subdued. Government bonds came under pressure as tensions in the Middle East and disruption to shipping through the Strait of Hormuz raised concerns around inflation and energy prices. However, corporate bonds performed more strongly, supported by resilient earnings and positive investor sentiment. The Capital Group Global High Income Opportunities Fund (+1.58%) provided steady contributions, highlighting the benefits of maintaining diversified income sources across regions and asset classes. This was supportive for the Income portfolios, where allocations to investment-grade credit, strategic bond funds and diversified income strategies helped provide a stable source of return alongside equity income.

Overall, May reinforced the importance of diversification. While a narrow group of technology stocks continues to drive headlines, income opportunities remain available across equities, credit, infrastructure and cash, providing multiple sources of yield and reducing reliance on any single market theme.

## Portfolio Positioning

May saw no trades within the Income portfolio range. Our approach remains focused on balancing income generation with resilience, maintaining diversified income streams across equities, credit, infrastructure, alternatives and cash.

Within equities, we continue to favour high-quality companies with strong balance sheets, resilient cash flows and the ability to grow dividends over time. While growth

stocks have dominated recent market performance, we continue to see attractive opportunities within quality income strategies and more value-oriented areas of the market, particularly as earnings growth broadens beyond a narrow group of AI beneficiaries. Recent performance also reinforces our conviction that income investing remains about more than simply chasing yield. The strongest contributors during May were funds combining attractive income characteristics with exposure to long-term growth drivers such as technology, semiconductors and global equity markets. This ability to participate in market appreciation while continuing to generate attractive distributions remains a key feature of the portfolios.

Within fixed income, we remain selective. Government bonds continue to face challenges from inflation uncertainty and geopolitical risks, while corporate credit remains better supported by strong company fundamentals. As a result, we continue to favour shorter-duration credit and flexible bond strategies that can adapt to changing market conditions while delivering attractive levels of income.

Infrastructure and alternative income assets remain important diversifiers within the range, providing income streams that are less dependent on traditional equity and bond market performance. Cash also continues to play a useful role, offering stability and attractive yields while interest rates remain elevated.

Overall, positioning remains balanced and focused on delivering durable income alongside long-term capital preservation.

## Outlook

The AI-driven rally remains well supported by strong corporate earnings and investor demand. Given the scale of recent gains, periods of volatility would not be surprising as investors reassess valuations and respond to economic data releases over the coming months.

Encouragingly, we are beginning to see signs that market leadership is broadening. This could create a more supportive environment for income strategies, particularly those focused on dividend-paying businesses, value-oriented sectors and areas of the market that have lagged recent performance despite continuing to generate robust cash flows.

While investors currently appear comfortable looking through tensions in the Middle East, disruption to global energy markets remains a meaningful risk. Prolonged restrictions to shipping routes or sustained increases in oil prices could place upward pressure on inflation while weighing on economic growth. As a result, inflation, labour

market and consumer confidence data will remain important drivers of markets over the coming months.

Against this backdrop, we remain constructive but measured. Strong corporate earnings, healthy dividend coverage and resilient credit fundamentals continue to provide support for income-generating assets. The portfolios remain focused on delivering diversified and sustainable income streams while maintaining resilience against inflation, interest rate uncertainty and periods of market volatility. While short-term market movements are inevitable, we believe the long-term case for diversified income investing remains firmly intact.



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