

April Market Overview

April saw markets recover strongly, delivering a positive month for client portfolios following a more unsettled end to the first quarter. Risk assets moved back into favour as investors looked through near-term geopolitical uncertainty and focused instead on stronger corporate earnings, improving sentiment and renewed momentum behind US growth companies. US equities therefore led the developed market rally. The S&P 500 rose by 10.5%, the Nasdaq Composite gained 15.3%, and the Russell 2000 advanced 12.3%, with much of the strength driven by mega-cap technology and AI-linked companies. The revival of the artificial intelligence trade was a key feature of the month, supported by continued innovation in the sector and a strong first-quarter earnings season, where companies exceeded expectations by a meaningful margin.

For the Income portfolios, this was a supportive but uneven environment. The strongest areas of the stock market were concentrated in growth and technology, while more traditional income areas, including the UK and parts of Europe, trailed the US-led rally.

Markets largely looked through the ongoing Middle Eastern conflict. Investors appeared to take the view that disruption to energy supply, including the closure of the Strait of Hormuz, would ultimately prove temporary. As a result, the inflationary impact was not treated as significant enough to derail the broader equity rally or materially de-anchor inflation expectations. However, oil and energy prices remain central to the outlook, particularly for inflation, interest rates and consumer spending.

Government bonds continued to face pressure from geopolitical uncertainty and higher energy prices. Both short and longer-dated government bonds came under pressure, while credit performed better as strong corporate earnings improved sentiment towards company debt relative to government debt. This was helpful for the Income portfolios, where exposure to corporate credit, shorter-duration bonds and alternative income assets provided a useful counterbalance to more rate-sensitive areas of fixed income.

Portfolio Positioning

April saw no trades within the Income portfolio range. Our approach remains focused on balancing income generation with resilience. We continue to favour diversified income streams across equities, credit, infrastructure, alternatives and cash, rather than relying too heavily on any single

source of yield. This is particularly important when interest rate expectations are shifting quickly and inflation risks remain closely tied to energy prices.

Within equities, we continue to see a role for high-quality income stocks, particularly companies with resilient cash flows, disciplined balance sheets and the ability to sustain dividends through more uncertain market conditions. While April's strongest returns came from US growth and technology names, the Income portfolios remain deliberately diversified, with exposure to areas that can provide both yield and long-term capital growth.

Fixed income remains more challenging. Government bonds continue to be vulnerable to inflation uncertainty, particularly if higher energy prices persist for longer than markets currently expect. As a result, we remain selective, with a preference for shorter-duration credit, cash, inflation-linked exposure and alternative income assets that can provide greater insulation from interest rate volatility.

Infrastructure remains an important allocation within the range. Its income profile, inflation linkage and exposure to essential assets make it a valuable diversifier in an environment shaped by geopolitical tension and energy market disruption. Cash also continues to play a useful role, providing stability and flexibility while yields remain attractive.

Overall, positioning remains balanced. The portfolios are designed to participate in further market strength while maintaining a focus on income stability, diversification and protection against inflation shocks.

Outlook

Looking ahead, the outlook remains closely tied to oil, inflation and interest rates. If the Strait of Hormuz reopens quickly and energy prices stabilise, markets may continue to focus on earnings growth, improving sentiment and the resilience of the global economy. This would provide a supportive backdrop for risk assets, including equity income and credit.

However, a longer closure of the Strait of Hormuz would force markets to confront a more lasting inflationary impact, not only through petrol prices but also through broader consumer goods and supply chains. This could make central banks more cautious, weigh on government bonds and increase volatility across markets.

For the Income portfolios, this reinforces the importance of diversification and discipline. Portfolios need to generate

attractive income, but they also need to remain resilient when inflation expectations, interest rates and risk appetite shift quickly. We therefore continue to favour a broad mix of income sources, including equity income, credit, infrastructure, alternatives and cash.

Overall, we remain constructive but measured. April was a strong month for markets and a reminder of the importance of staying invested through periods of uncertainty. While the near-term path may remain volatile, the long-term case for diversified Income portfolios remains firmly intact, with portfolios positioned to capture income opportunities while retaining defensive characteristics for clients and their advisers.



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