

RESEARCH UPDATE

MARKET *watch*

APRIL 2024

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WEALTH PARTNERS

Equity markets extended their rally in March with the S&P 500 Index and the Nasdaq Composite Index up 2.9% and 1.9% respectively. Nine of the 11 sectors in the US finished higher, led by the Energy, Communication Services and Utilities sectors. The Hang Seng Index slid -0.7%, despite more positive economic indicator data coming out of China. The S&P/ASX 200 rose by 2.6% as Australia's rate of inflation came in below expectations. The Reserve Bank of Australia (RBA) continued to hold the cash rate at 4.35%, with market expectations for the first rate cut to occur as soon as May.

S&P/ASX 200 Sector Performance

Real Estate was the best-performing sector in March, rallying by 9.8%. The increasing likelihood of impending rate cuts saw higher demand for Real Estate Investment Trusts (REITs) due to the market perception of them as a 'bond proxies' due to the underlying rents producing predictable and long-dated cash flows. Lower interest rates also result in lower debt costs for REITs. Goodman Group led the sector higher, rising by 17.3%. Goodman Group announced that it will receive \$272.4 million to relinquish its management rights of the New Zealand-focused Goodman Property Trust after an internalisation proposal was approved by unitholders at the end of March. Other standout performers include Charter Hall Group, Scentre Group and Ingenia Communities Group, which rose by 12.4%, 10.4% and 10.1% respectively. Charter Hall

Group announced a joint venture with the Charter Hall Retail REIT to acquire a 14.8% stake in Hotel Property Investments Limited.

The next best sector was Energy, which rebounded 4.4%. Gains were driven by oil and gas producers with Karoon Energy Limited, Beach Energy Limited and Santos Limited returning 15.5%, 12.9% and 9.3% respectively. Global oil prices have risen following production cuts by the OPEC+ (Organisation of the Petroleum Exporting Countries and non-member participants) and attacks on Russian crude oil refineries. Beach Energy Limited also announced a strategic review aimed at delivering increased returns to shareholders by introducing a new organisational structure and making operational cost improvements. On the other hand, uranium producers delivered mixed returns whilst coal miners dragged on the sector with New Hope Corporation

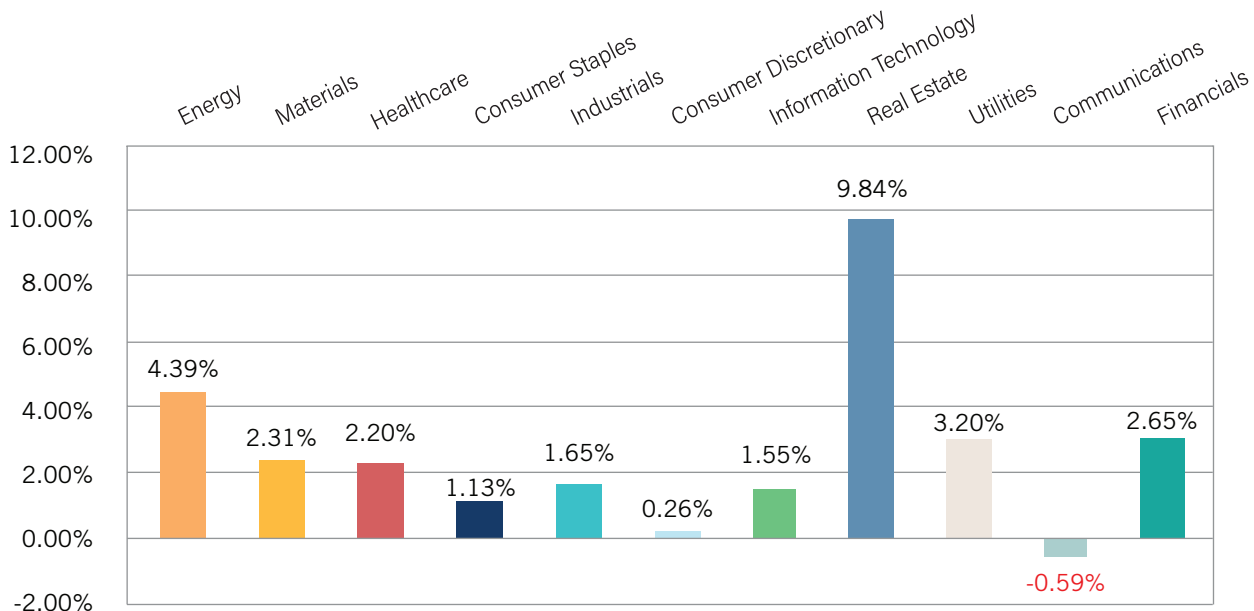
Limited down -2.1% and Yancoal Australia Limited falling -10.3%.

The Utilities sector rose 3.20% despite no major news in the sector. Gains were driven by APA Group (+5.7%) and Infratil Limited (+2.7%), whilst AGL Energy Limited offset some gains, falling by -2.5%. Infratil Limited held its Investor Day for 2024, reaffirming its growth strategy and guidance as it targets total shareholder returns of 11-15% per annum over rolling ten-year periods.

Communications was the only sector to fall in March, edging lower by -0.6%. Losses were led by Aussie Broadband Limited, which is down -20.3% over the month. Aussie Broadband Limited lost its broadband

services agreement with Origin Energy Limited to rival Superloop Limited. The agreement is expected to have brought in \$14 million in earnings in Financial Year 2024 (FY24) for Aussie Broadband Limited. Superloop Limited then directed Aussie Broadband Limited to reduce its stake in Superloop Limited as it was above the 12% maximum allowed under Superloop Limited's constitution, to which Aussie Broadband Limited responded by commencing legal action. However, the Federal Court of Australia denied the injunction and Aussie Broadband Limited agreed to sell 37.6 million shares of Superloop Limited at \$1.31 per share.

Graph 1: S&P/ASX 200 Sector Performance



Data Source: Desktop Broker, 2 April, 2024

Highlights

Australia: The Australian Bureau of Statistics (ABS) reported that the Australian Gross Domestic Product (GDP) grew by 0.2% over the December quarter on a seasonally adjusted basis. GDP rose 1.5% over the full calendar year but represents the lowest level of annual growth since the end of the COVID-19

pandemic. However, GDP per capital fell 0.3% over the December quarter and was down 1.0% for the year. GDP growth was driven by spending from the government and from private businesses.

The Federal Government have announced the removal of the 5% import tariff for almost 500 different goods

including tampons, toothbrushes and washing machines. The decision comes after a review last year from the Productivity Commission. It calculated that the government tariff generated tax revenue of \$1.8 billion, which was likely less than the compliance costs incurred by businesses, estimated to be between \$1.2 billion to \$3.6 billion. The complete list of affected items will be revealed in the May Budget, with the changes to apply from 1 July 2024.

US: President Biden has proposed new reforms to ensure large corporations and billionaires pay a higher level of tax. The corporate tax rate is set to be raised to 28% and the corporate minimum tax rate for billion-dollar corporates will be raised to 21% from 15%. A tax framework agreement between more than 130 countries will also see a crackdown on tax avoidance by multinational companies. Billionaires will see a minimum tax level of 25% applied. Currently, they average an income tax rate of 8% after tax preferences and loopholes. The highest marginal income tax will be restored to 39.6%, after previously being reduced in 2017.

Apple has been fined €1.8 billion by the European Commission for 'abusing its dominant position on the market for the distribution of music streaming apps'. Apple was found to have implemented anti-steering provisions that prevented music streaming apps from disclosing to customers alternative and/or cheaper music subscription services and how to acquire them. The US Department of Justice has also filed an antitrust lawsuit against Apple.

Denmark: Novo Nordisk, a Danish pharmaceutical company, and creator of the popular weight-loss drugs Wegovy and Ozempic, has completed Phase 1

trials for a new drug named Amycretin. The Amycretin trial participants lost 13.1% of their body weight over a 12-week period, more than double the body weight lost by Wegovy users (6%) over the same period.

Finland: Finland has once again been named the world's happiest country, extending its streak to seven consecutive years. The World Happiness Report uses global survey data over three years and from more than 140 countries. Six main factors are considered to evaluate happiness from GDP per capita: social support, healthy life expectancy, freedom, generosity and corruption.

France: France is the first country to make abortion a constitutional right, the move passing with a parliamentary vote of 780 to 72.

Japan: The Bank of Japan has ended its negative interest rate monetary policy after eight years of the rate being set at -0.1%. In its first rate hike in 17 years, the central bank has brought the interest rate up to a range of 0%–0.1%. The Bank of Japan has also ended its yield curve control policy where it bought government bonds to lower borrowing costs.

China: China has announced an economic growth target of 5% for 2024. The goal is considered ambitious, with the country still struggling with problems in the real estate sector and ongoing geopolitical tensions, which are impacting trade. China is expected to roll out further economic stimulus, including the issue of special treasury bonds worth 1 trillion yuan, with the proceeds used to fund science, technology and development in rural-urban areas. Another 3.9 trillion yuans' worth of special bonds is expected to be issued to local governments.

What to watch out for

Gold prices have rallied in March, reaching all-time highs of more than US\$2,250/oz. Prices have been elevated since the start of the COVID-19 pandemic,

with conflict in Ukraine and the Middle East further pushing up prices as people turned to gold as a safe-haven asset.

Conclusion



Markets rallied in March, pricing in impending rate cuts from central banks. Geopolitical tensions across the world remain elevated but have so far had little impact on markets. The depth and degree of the current economic slowdown and the timing of any interest rate cuts remain the key uncertainties for markets.

During periods of uncertainty, clients should:

- Stick to the plan and focus on your long-term goals. Our investment approach is focused on the long term and designed so that your portfolio can ride out any downturns – including this one. Staying the course, despite how uncomfortable it may feel right now, will prove to be the better option when looking back five years from now.

Investors who stayed on the course while equity markets declined in the depths of the COVID-19 pandemic in early 2020 have benefitted from one of the fastest market turnarounds with equity markets. For investors who sold equities during the downturn and waited until economies started to show recovery before buying back into the market missed a large part of the recovery.

- Maintain a buffer of safety. Holding a buffer of cash and term deposits has been a key strategy to provide a cushion against market downturns and to protect capital.
- Take advantage of the weakness. Market downturns provide buying opportunities to

invest in long-term, quality investments.

- Focus on quality investments. Invest in companies that generate stable cash flows to support distributions, which are not connected to the movements in asset prices, and partner with fund managers who share the same investment philosophy and objectives.
- Diversification: across assets classes, industries, sectors and geographies.
- Regularly rebalance the portfolio back to your risk profile to ensure that the portfolio is not exposed to unwanted risks and to also lock in profits.
- Remain calm and speak to your Apt adviser. It is important that you speak to your Apt adviser before making any financial moves. Your adviser understands your long- and short-term goals and will have been planning for these types of scenarios already, so they are best placed to explain any impact and discuss the best options and opportunities for you personally.

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