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NCM

Commentary: NCM Global Income Growth Class

On April 15, 2024, Portfolio Manager Jason Isaac, CAIA, CFA, shared a market update and some of his recent changes to the NCM Global Income Growth Class portfolio.

TRANSCRIPT:

Jason Isaac here, lead PM of the Global Income Growth fund from NCM. It's April 15th, 2024. It's 19 degrees out right now in Calgary. And we're going to get a snow storm tonight. So gotta love spring in the West.

What I'm looking at right now with an update is what's going on on my Bloomberg. Obviously more issues going on in the Mideast. Israel was attacked again. We don't particularly like that, but we don't like the fact that there's a lot of violence there on both sides. It's unfortunate. There's market issues and impacts, and we've got to keep an eye on it.

On the equity side, Goldman came out with some results. Stock popped. It bodes well and actually started the day really well. Net income for Goldman was up 28%. Although they came out with a research report and said that gold, not Goldman, but gold, the shiny metal, is in an unshakable bull market. I tend to be a little bit leery anytime Goldman comes out and and bangs the drum on a particular market. Sometimes I'm wondering if they're just banging on their book there.

So, Friday, as you all know, it was a terrible day in the markets. Only 9% of issues in the S&P 500 actually advanced. And like I mentioned before, this morning actually started off really good, but it's since rolled over and we're down about 1.3% at the time of this recording. And it's continued today. Looks like, there's some weak retail sales. Again, the issues in the Middle East and rates are going up tends to cause some, problems, with equities and long duration assets.

That being said, we are at a bull market. And I just kind of wanted to highlight to the end of the close of Friday, a year to date returns in Canadian dollars. The S&P 500 is up 11.8%, Japan's up 11.5%, and the euro area is up 11%. And then poor old Canada is pulling up the rear at 4.5%, which just fully speaks to you want to be globally diversified.

Turning to the fund, it is fully invested. and it's been that way basically since we hit the market bottom in October of 2023. We're 1% cash. We're 13% fixed income, and we're 86% equities. Since our last update, equities have been brought down a little bit. We were pushing probably closer to 89-89.5%. That extra has moved into fixed income because there's some opportunities there.

No real changes in the top ten. I was looking at the top ten from about six weeks ago, and the names are still pretty much the same. The only thing that we did is we took a little bit off the table from some of them and reduced the top ten total weighting of about 40% of the fund to about 35% of the fund, just to dampen and broaden and diversify the risk a little bit.

Have done some stuff under the surface, though. we've been selling a little bit probably starting about three weeks ago. Names from the pro cyclical trade. We think that the low hanging fruit from the market bottom in October of 2023 has been had. And now we're moving to your more fundamental revenue generating, better valuation, free cash flow generating securities, which tends to be a little bit more defensive, more fundamental.

So some sectors, there's been some changes. We've increased health care, increased communication services, decreased staples a little bit and decreased consumer discretionary. But those are just changes under the surface. The aggregate exposures for the portfolio are more or less the same.

A couple of things I would like to know looking forward. Well, we do think we're still kind of in the Goldilocks era, meaning, you know, PMIs, purchasing manager indexes, and growth is good.

Inflation is coming down even though there's pockets hot and cold. And it's kind of adding to some consternations of central banks on when and what to cut. And they've kicked these out. But the general trend is they will be cutting. It's just a question of how much, not will they. So that suggests that we're still pretty predisposed towards equities.

The risks to the equities though would be and, and dovetailing into what I was just saying, Fed comes out and says there's no cuts this year for whatever reason, inflation is still running hot. We don't think that that's the case. But of course this is the whole concept of being data dependent. You got to wait and see what it comes in. And you can't book it without knowing exactly where it's at. Or they go back to hikes and that would cause some of this pull forward in the rates on the markets that would cause the equity markets to sell off.

And then the other thing that's more of a fundamental challenge to the equity markets would be the ten year U.S. bond yield, if that consistently challenges 5% and pierces and starts to go up, that would be a massive headwind to equities.

Neither scenario we think are likely. So we are positioned in stable, safe equities. Although if those risks come to play then we will be changing. But as it sits right now, it looks like hopefully spring gets here once and for all. And, I just want to say, happy day to everybody, and we'll talk to you soon.

Thanks. Bye.

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