2024 mid-year investment outlook
American Century Investments |
Renaissance U.S. Equity Income Fund

[Energetic music]

[CIBC logo]

[CIBC Asset Management]

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[U.S. Equities : 2024 mid-year recap and outlook]

[Brian Woglom, an adult male wearing a suit jacket, button-down shirt and headset, sitting in an office and addressing the camera.]

[Brian Woglom
Vice-President, Senior Portfolio Manager
American Century Investments]

Brian Woglom (onscreen) : So at the start of 2024 we were coming off a very strong year in 2023, driven by growth and momentum in the markets, mainly attributed to the enthusiasm around AI, a select introduction to weight loss drugs and the expectation that the Fed will be cutting rates this year aggressively.

[Skyscrapers in a financial district. A computer screen with text appearing onscreen. A man looking at a computer screen as text appears onscreen. Aerial shot of a busy highway. A person sitting in the driver’s seat of a self-driving car, tapping on a tablet while the car drives on a highway.]

Brian Woglom (offscreen) : As the first half of 2024 has gone on, we've seen continued enthusiasm around AI with strong earning reports from several of those names, but we feel the market is now priced in to continued aggressive growth and unprecedented return assumptions.

Brian Woglom (onscreen) : Going forward we're seeing opportunities in three sectors, mainly defensive ones.

[Timelapse of a busy medical lab. A lab worker looking at something under a microscope. Dozens of pills being sent down a conveyor belt. Pills being sorted on a sorting machine.]

Brian Woglom (offscreen) : In health care, we're seeing opportunities in several names that are providing solid top-line growth and margin improvement, leading to better than expected earnings while having strong dividend yields and generating significant free cash flow, while the market is continuing to discount the fundamentals making them attractive from a valuation point of view.

Brian Woglom (onscreen) : In consumer staples, we’ve seen some improvement in companies in the household and personal product sectors.

[A factory worker pulling a skid of goods through a large warehouse. A forklift in a warehouse, lifting a skid of goods.]

Brian Woglom (offscreen) : We’re still seeing significant upside there as we continue to expect solid top-line growth with solid margin improvement.

Brian Woglom (onscreen) : Where we’re seeing new opportunities is in the food and beverage spaces, where we're seeing a lag in volume improvements despite lapping easier comps.

[Aerial shot of two large farming vehicles in a field, harvesting crops. Workers wearing plastic gloves checking frozen strawberries as they move along a conveyor belt. Apples in a sorting facility, moving along a conveyor belt.]

Brian Woglom (offscreen) : But we are seeing a slowdown in food “away from home” eating due to higher prices.

[A group of people dining in a restaurant. A cook in a restaurant kitchen, flipping vegetables in a wok.]

Brian Woglom (onscreen) : And we think these categories will benefit from them. Again, valuations are very low, so we see limited downside in those names.

[A hydroelectric dam. A windfarm on a vast open field.]

Brian Woglom (offscreen) : With utilities, we've seen certain ones benefit from the enthusiasm around AI and their exposure to renewables, but we think if the demand expectations are anywhere close to accurate going forward, all utilities will benefit because the demand for electricity will be significantly higher five years from now than it is today, and all utilities will need to participate.

[Energetic music]

[How are you positioning your investment strategy to align with the outlook? (Renaissance U.S. Equity Income Fund)]

Brian Woglom (offscreen) : So as you would expect, we’re overweight those three sectors: health care, consumer staples and utilities.

[A large limestone quarry with machines moving throughout. An excavator loading crushed stone into a dump truck.]

We are underweight more cyclically exposed sectors like industrials and consumer discretionary because we are concerned about the overall economy.

Brian Woglom (onscreen) : Recently we saw several weak earnings reports from consumers discretionary names that are showing signs that the consumer is pulling back on spending.

In industrials, we've seen signs, namely from early-cycle companies cutting guidance due to a lack of expected increase in demand for their services in the second half of this year. So we continue to be underweight those names on fear of the economy will weaken as we progress throughout the year.

[Energetic music]