

[CIBC Asset Management]

[2024 mid-year investment outlook
Walter Scott & Partners Ltd. | Renaissance Global Growth Fund]

[Soft music plays]

[Global equities: 2024 recap and outlook]

[Roy Leckie, a man with grey hair, speaks to the camera from his home office.]

Roy Leckie (onscreen): At the beginning of the year, in my outlook for 2024, I suggested that the range of possible outcomes for global equities was really very wide.

[Roy Leckie
Executive Director, Investment & Client Service
Walter Scott & Partners Ltd.]

Highlighted in particular uncertainty with the inflation outlook, and therefore, the direction of interest rates.

Roy Leckie (offscreen): I also questioned just how healthy the broad corporate profit environment was, and of course, the potential for volatility on the back of a political and geopolitical uncertainty.

[A computer-generated (CG) map of the Russia Ukraine border. A CG map of the Gaza Strip.]

Roy Leckie (onscreen): What's transpired thus far in a manner really pretty similar to what we saw last year in 2023, is that equity markets have continued to climb the wall of worry.

[Aerial view of the Brooklyn bridge. Exterior of the New York Stock Exchange. A timelapse shot of the Shanghai Skyline.]

Roy Leckie (offscreen): The US remains the leading market, the best performing market, with Europe and Asia not too far behind.

[An aerial view of downtown San Francisco. Aerial views of Apple Park in Silicon Valley.]

Roy Leckie (onscreen): And then, of course, within the US, quite a narrow subset of technology companies have had an outsized influence on returns.

Roy Leckie (offscreen): And that in terms of politics, obviously a lot of elections taking place.

[Exterior of the White House.]

A lot of elections still to come. The ones that have taken place so far, all pretty benign.

[An aerial view of Taipei. A CG map of Taiwan surrounded by Chinese and US ships. A Chinese aircraft carrier.]

Particularly Taiwan, I would highlight. There were real concerns about some China tensions kicking off around that, while thankfully things have gone pretty peacefully. And although, some commentators are still, you know, rather unhelpfully suggesting that China is primed for military action, we still see that is really very highly unlikely.

[Timelapse images of Shanghai. The exterior of a government building in Beijing.]

And it might take some time for sentiment towards the Chinese economy and Chinese assets to improve. But that will happen.

Roy Leckie (onscreen): So I do think, all that being said, that we do now have a clearer picture on interest rates and that it's likely that they are not going to come down as quickly as previously thought.

[Soft music plays]

[How are you positioning your investment strategy to align with the outlook?]

Roy Leckie (offscreen): In terms of the outlook for the rest of the year, I think there's probably a couple of things I'd highlight.

[The Federal Reserve Building. A low angle timelapse shot of skyscrapers. A woman shops online with her phone. Market data on a tablet.]

The first is, that governments, companies, consumers, investors really only slowly coming to terms with this new era that we find ourselves in...

Roy Leckie (onscreen): ...that is higher interest rates that aren't going back to the extreme lows of where they came from, which means a higher cost of capital, higher borrowing costs, tighter liquidity, tougher business conditions where not every business is going to thrive or even survive.

[Low angle images of office buildings at dusk.]

Roy Leckie (offscreen): So, balance sheet risk, corporate credit risk, is going to become a thing again for the first time in quite a while.

Roy Leckie (onscreen): And then secondly, I think we're likely to be coming to the end soon enough of this period of extreme market concentration. History tells us that when a new company becomes the world's largest, it starts to underperform. There's obviously lots of outperformance on the journey to get there but tends not to last too much longer.

So, I think we're probably heading into the final stages of some of the AI driven investment hype.

[Timelapse image of Parliament Hill in Ottawa. Aerial views of a shipping yard and a large ship.]

Roy Leckie (offscreen): And so, the benefits of regional and country and sector diversification, are going to become more apparent in the coming months ahead, than they have been for quite a while now.

Roy Leckie (onscreen): So, what does that mean for Walter Scott? Well, it'll remain a stock pickers market for us with a growing conviction that our focus on sustainable business models, resilient financial profiles, companies operating a long way from breakeven levels, that strategy is going to pay off more so than it has done for the last few years.

[Soft music plays]

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