REVIEW OF MARKET PERFORMANCE

FISCAL YEAR 2024

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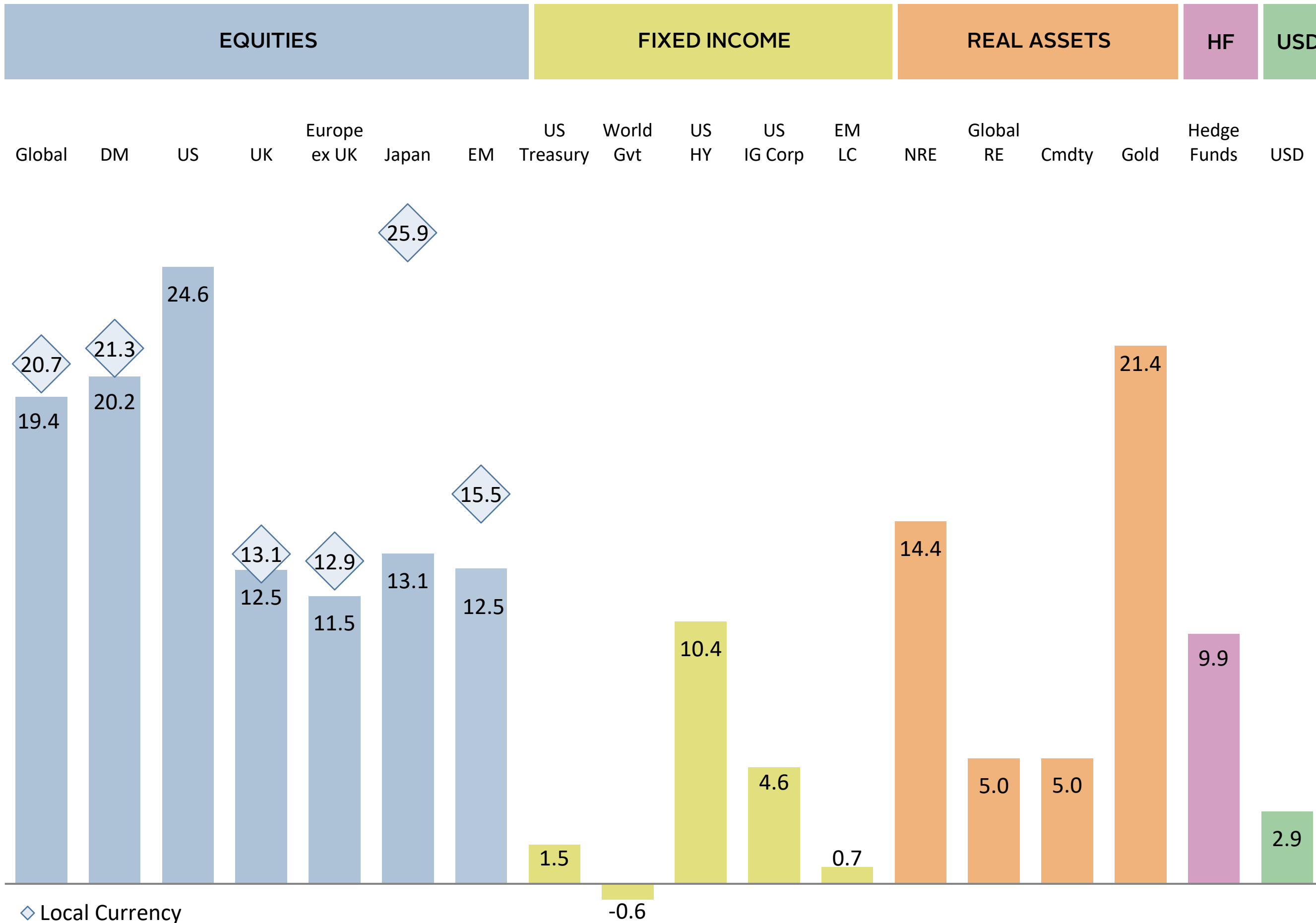
Key Points

- Most risk assets enjoyed strong returns in fiscal year (FY) ended June 2024. Developed markets (DM) equities led on better-than-expected economic data and the anticipation that central banks would begin easing monetary policies.
- Large-cap technology stocks drove the US market on positive developments in artificial intelligence (AI) technologies. This led to growth strategies outperforming value counterparts but led to concentrated gains.
- Bond performance improved as the market began to anticipate policy rate cuts in CY 2024, driving yields on shorter tenors down. Corporate high-yield (HY) bonds were the best performer on an improving economic outlook and attractive coupons.
- Interest rate–sensitive real assets rebounded. Gold rose to all-time nominal highs on heightened geopolitical tensions, while other commodities—including oil and copper—gained on supportive supply/demand dynamics.

FY 2024 was a strong year for risk assets



Sources: Bloomberg Index Services Limited, Bloomberg L.P., EPRA, Federal Reserve, FTSE Fixed Income LLC, FTSE International Limited, Hedge Fund Research, Inc., Intercontinental Exchange, Inc., J.P. Morgan Securities, Inc., MSCI Inc., National Association of Real Estate Investment Trusts, Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Asset classes represented by: MSCI All Country World Index ("Global"), MSCI World Index ("DM"), S&P 500 Index ("US"), MSCI UK Index ("UK"), MSCI Europe ex UK Index ("Europe ex UK"), MSCI Japan Index ("Japan"), MSCI Emerging Markets Index ("EM"), Bloomberg US Treasury Index ("US Treasury"), FTSE World Government Bond Index ("World Gvt"), Bloomberg US High Yield Bond Index ("US HY"), Bloomberg US Corporate Investment Grade Bond Index ("US IG Corp"), J.P. Morgan GBI-EM Global Diversified Index ("EM LC"), market cap-weighted Datastream World Energy Index and Datastream World Basic Resources Index blend ("NRE"), FTSE® EPRA/NAREIT Global Real Estate Index ("Global RE"), Bloomberg Commodity TR Index ("Cmdty"), LBMA Gold Price ("Gold"), Hedge Fund Research Fund Weighted Composite Index ("Hedge Funds"), and Nominal Trade Weighted US Dollar Index: Broad ("USD"). Total return data for all MSCI indexes are net of dividend taxes. Hedge Fund Research data are preliminary for the preceding five months. Gold performance is based on spot price returns.

Most risk assets enjoyed positive returns in FY 2024.

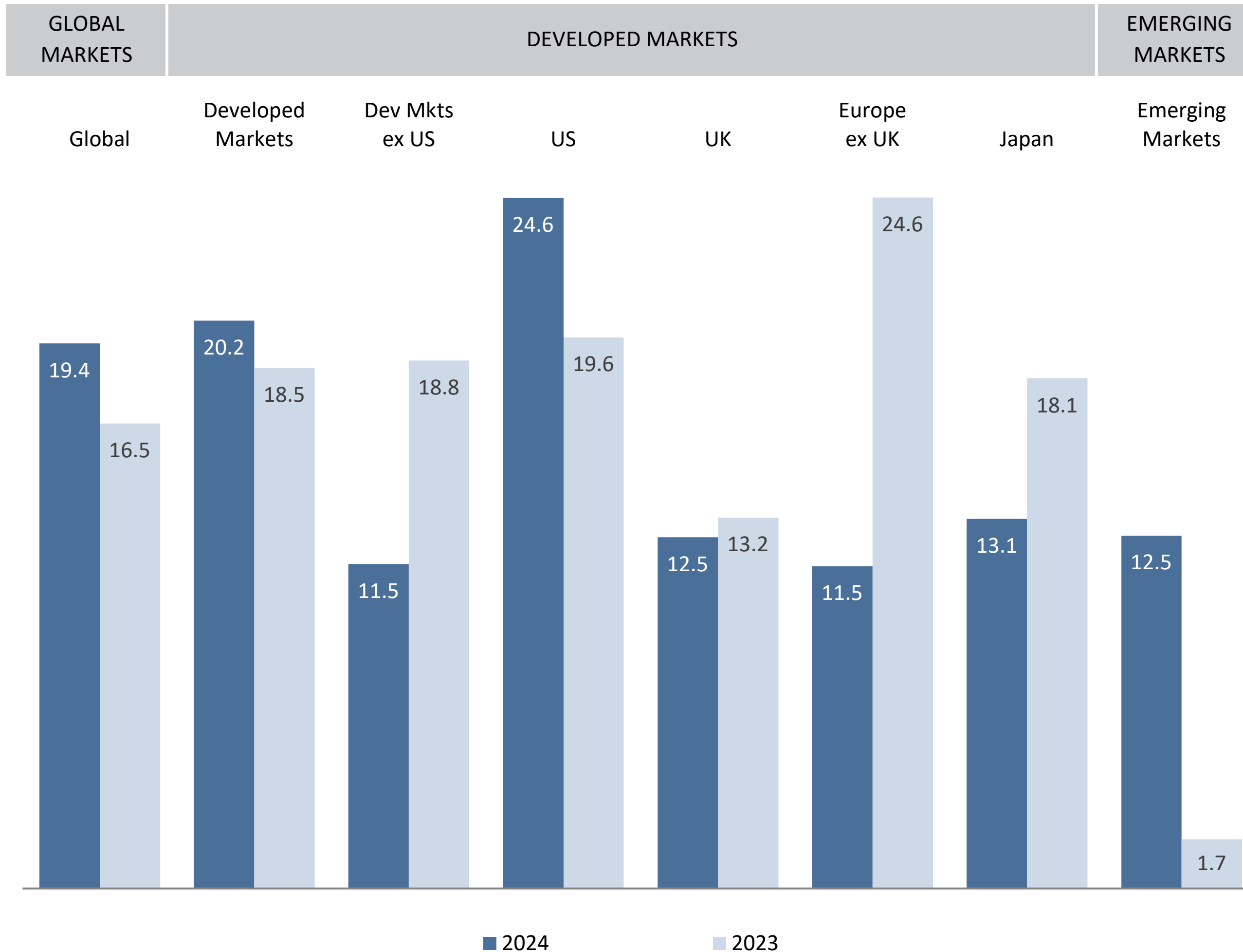
DM equities rallied on stronger economic data, expectations of monetary policy easing and enthusiasm for AI.

Emerging markets (EM) equities lagged as economic data from China was mixed and stimulus efforts disappointed, even as other technology-heavy markets, like Taiwan, outperformed.

Real assets performance improved on higher commodity prices. Gold touched all-time nominal highs, mostly on heightened geopolitical tensions.

Sovereign fixed income performance declined slightly as investors pared down lofty expectations for policy rate cuts. HY bonds rallied on attractive yields and an improving economic outlook.

Global equity markets strength continued in FY 2024



Global equities built on the strength of FY 2023, posting positive returns across the board.

Of the major regions shown, US and EM FY 2024 returns exceeded those of the prior year. Within DM, the US outperformed as economic data proved resilient and growth stocks posted healthy earnings gains.

Europe equities rallied as markets assessed that the worst of the economic slowdown had likely passed, and that monetary policy easing would begin soon. Indeed, the European Central Bank (ECB), and central banks in Switzerland and Sweden cut policy rates towards the end of FY 2024.

EM stocks recovered from a lackluster FY 2023, boosted by tech-heavy markets benefiting from higher AI-related demand and as Chinese equities rebounded later in the fiscal year.

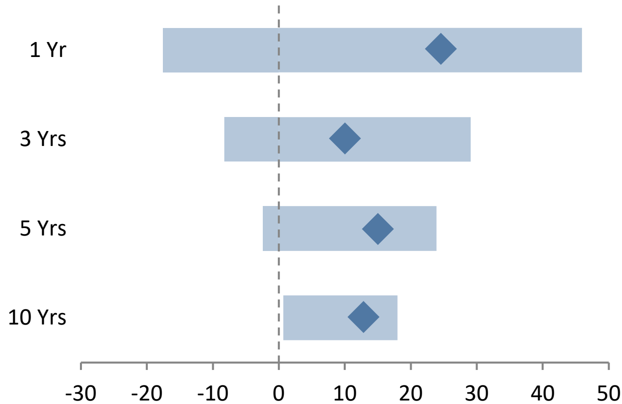
Sources: MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Asset classes represented by the following: MSCI All Country World Index ("Global"), MSCI World Index ("Developed Markets"), MSCI EAFE Index ("Dev Mkts ex US"), S&P 500 Index ("US"), MSCI UK Index ("UK"), MSCI Europe ex UK Index ("Europe ex UK"), MSCI Japan Index ("Japan"), and MSCI Emerging Markets Index ("Emerging Markets"). Total return data for all MSCI indexes are net of dividend taxes.

US and DM equities led across different time periods

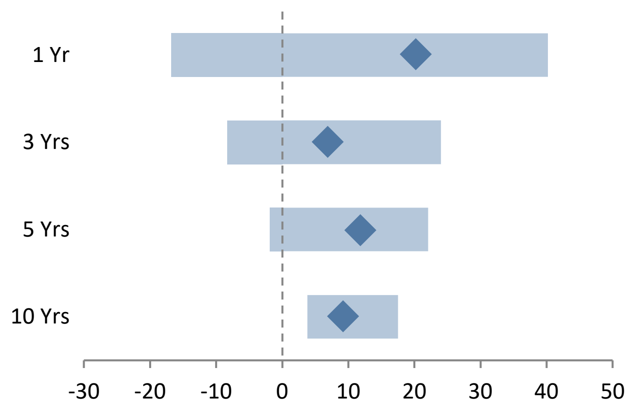
AVERAGE ANNUAL COMPOUND RETURN RANGE FOR VARIOUS TIME PERIODS

Periods Ended June 30, 2024 • Total Return (%) • US Dollar

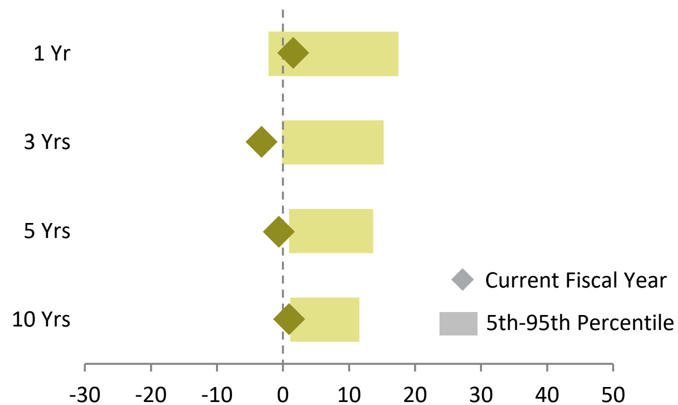
US Equities



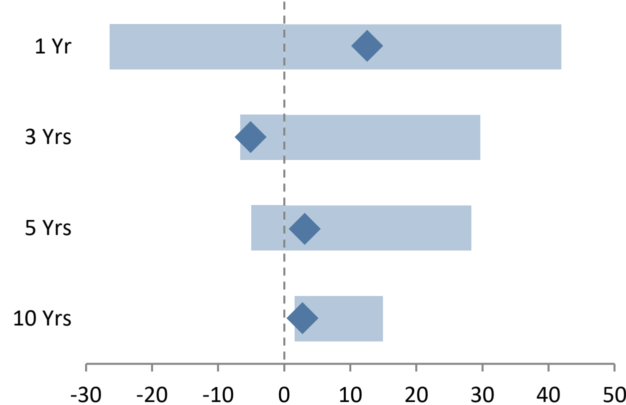
Developed Markets Equities



US Treasury



Emerging Markets Equities



A second year of strong DM equity returns reflected investors' confidence in the resilient US economy and that the worst of economic weakness in Europe had passed. One-year returns for EM equities improved as several central banks shifted to easier monetary policies and were lifted by the ongoing rally in technology-driven economies. Despite this, the three-year return for EM equities turned negative and is near the low-end of distribution.

US Treasury bonds broke a three-year losing streak, boosted by investors beginning to price in policy rate cuts. However, three-five-, and ten-year returns remain near or at the low end of the historic range.

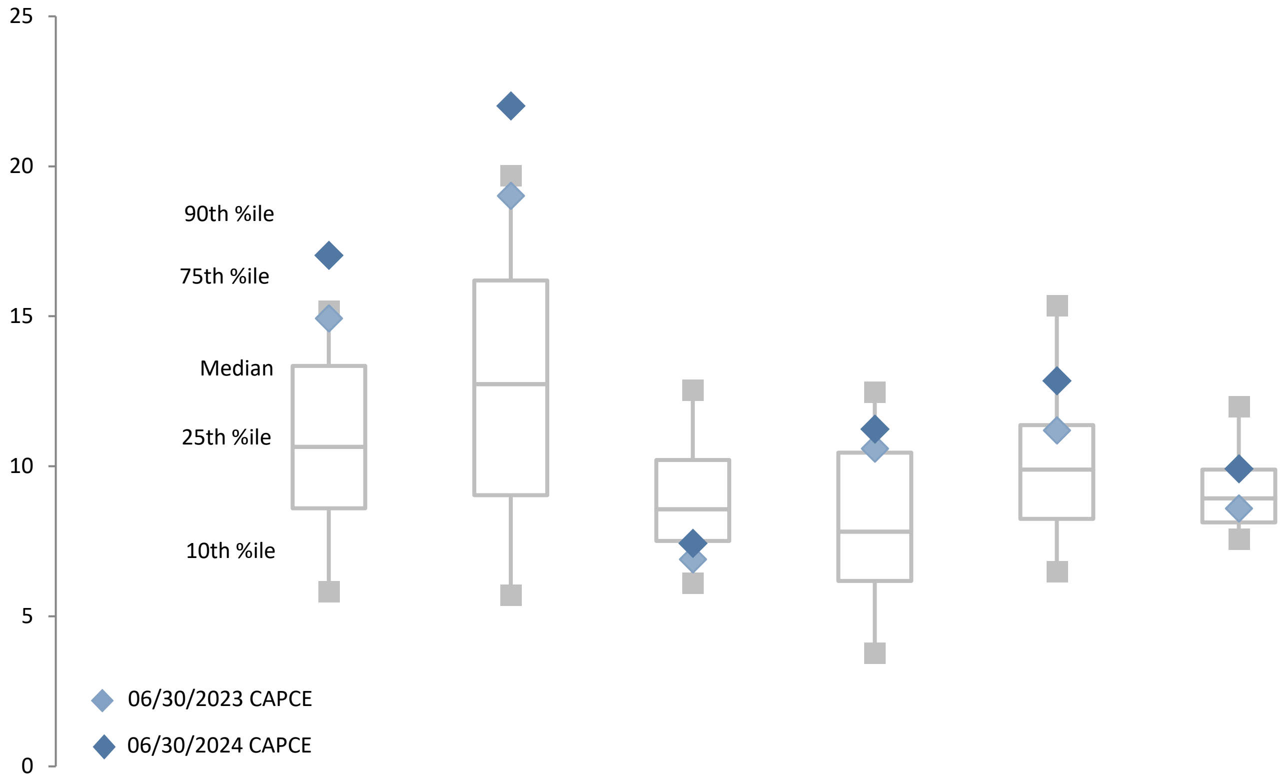
Sources: Bloomberg Index Services Limited, Global Financial Data, Inc., MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Ranges reflect the 5th and 95th percentile of fiscal year returns. Asset classes are represented by the following indexes: S&P 500 Index ("US Equities"), MSCI World Index ("Developed Markets Equities"), Bloomberg Barclays US Treasury Index ("US Treasury"), and MSCI Emerging Markets Index ("Emerging Markets Equities"). Total returns for all MSCI indexes are net of dividend taxes. Total returns for the MSCI Emerging Markets Index are gross of dividend taxes prior to fiscal year 2002. The first full fiscal year periods are 1901 for S&P 500, 1971 for MSCI World, 1974 for US Treasury, and 1989 for MSCI Emerging Markets. Data prior to 1969 for US Equities are from Global Financial Data, Inc.

Equity valuations expanded across major markets

CYCLICALLY ADJUSTED PRICE-TO–CASH EARNINGS (CAPCE) RATIOS BY REGION

As of June 30, 2024



% Change	World	US	UK	Europe ex UK	Japan	EM
to 50th %ile	-37.5	-42.1	15.3	-30.4	-23.0	-10.0
to 25th %ile	-49.5	-58.9	1.0	-45.0	-35.8	-18.1
to 10th %ile	-65.8	-74.0	-17.8	-66.5	-49.4	-23.6

Cyclically adjusted price-to–cash earnings (CAPCE) multiples expanded in all major regions in FY 2024.

US equity valuations rose to above the 90th percentile of historic observations, as investors drove equity returns higher on optimism around AI and expectations that monetary policy would become less restrictive. Multiple expansion in Japan was impressive as well, with equities returning 26% in local currency terms on a weaker yen and enthusiasm for stock market reforms.

Other markets experienced more restrained increases in multiples. While the UK multiple rose, it remains subdued on a historical basis as investors continued to focus on elevated inflation and some political uncertainty.

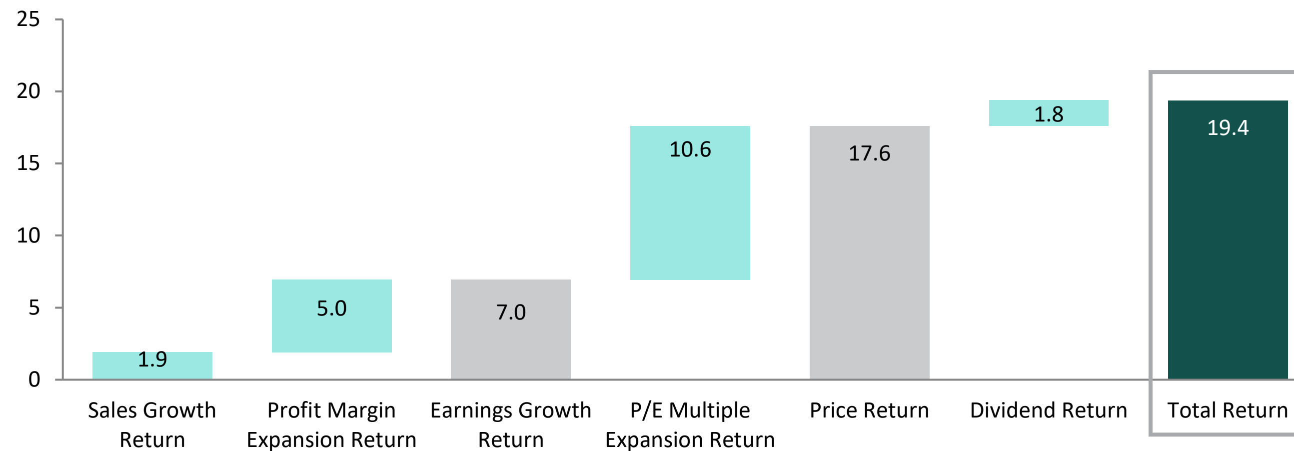
Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: The cyclically adjusted price-to–cash earnings (CAPCE) ratio is calculated by dividing the inflation-adjusted index price by trailing ten-year average inflation-adjusted cash earnings. Cash earnings are defined as net income from continuing operations plus depreciation and amortization expense. MSCI does not publish cash earnings for banks and insurance companies, and therefore excludes these two industry groups from index-level cash earnings. EM is cyclically adjusted by trailing five-year data.

Investors were willing to drive valuations higher despite modest sales growth

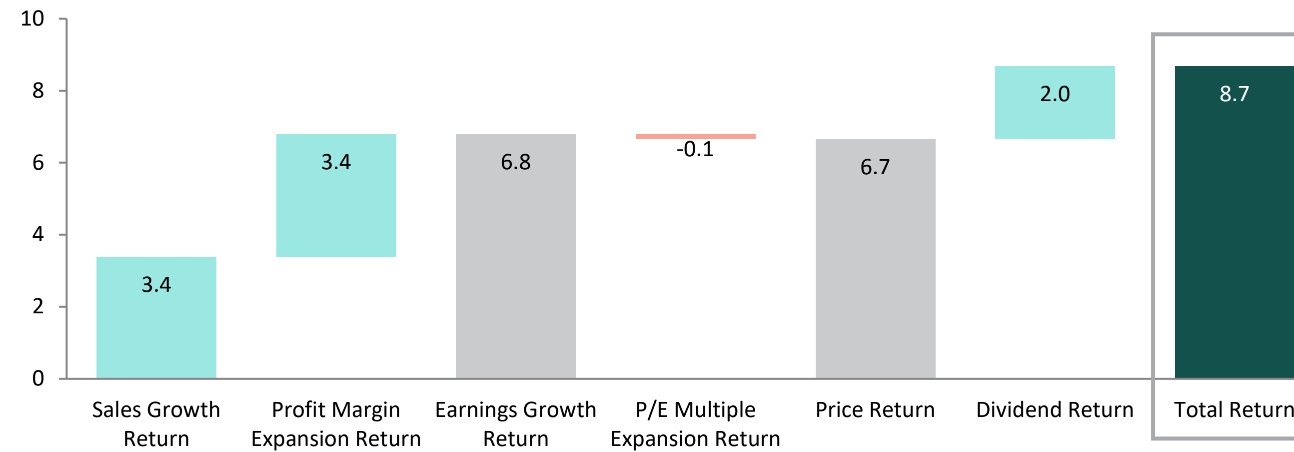
GLOBAL EQUITY RETURN DECOMPOSITION

As of June 30, 2024 • Percent (%) • US Dollar

FY 2024



FY 2004 – FY 2024 Aggregate (AACR)



Investors were more optimistic in FY 2024, driving global equity markets higher on an improving economic backdrop and hopes for policy rate cuts.

Price/earnings multiples rose, contributing the bulk of the attribution of the total return.

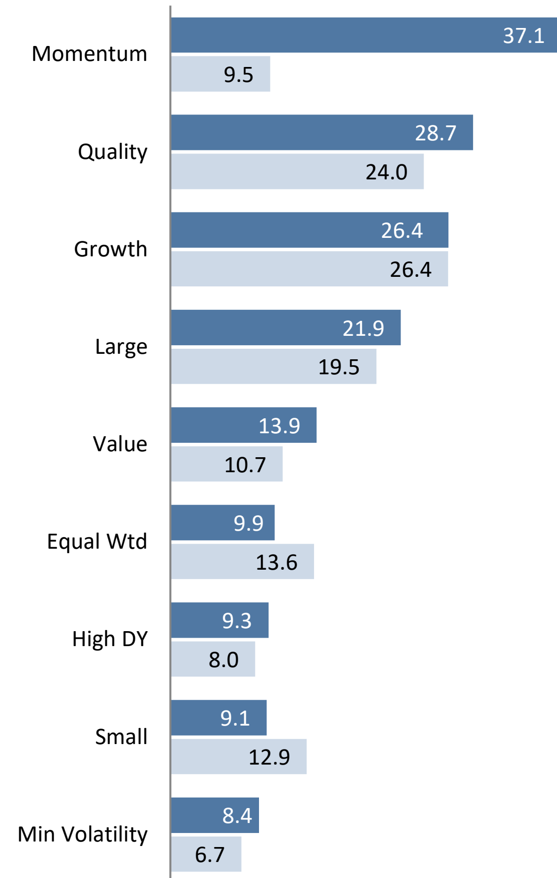
Earnings grew a healthy 7%. Sales growth was below the longer-term average, but higher-than-normal profit margins drove earnings growth. Margins were aided by easing cost pressures as inflation rates cooled relative to last year.

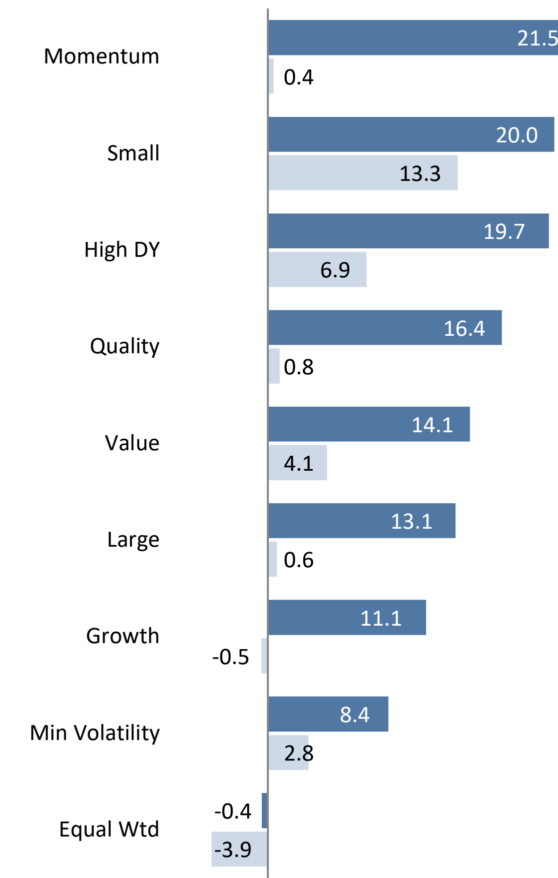
Price and total equity returns were both more than 2x higher than the 20-year average in FY 2024, while dividend returns were nearly at par with historic levels.

Sources: Bloomberg L.P., MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Data are based on the MSCI All Country World Index and in annualized terms. Data use proprietary smoothing techniques. Total returns are gross of dividend taxes. Numbers may not sum due to rounding.

Investors favored momentum in FY 2024

EQUITY PERFORMANCE BY FACTOR AND STYLE: FY 2024 VS FY 2023
As of June 30, 2024 • US Dollar • Percent (%)





2024 2023

Momentum strategies led returns in FY2024 in both DM and EM, rising to the top place from the bottom half in the prior year. This likely reflects investor sentiment favoring positive price trends.

DM returns were also led by quality, growth, and large-cap strategies given the technology rally. Minimum volatility equities lagged, reflecting the relatively poor performance of more defensive sectors such as consumer staples. Small-cap equities were also bottom performers in DM on disappointing earnings revisions and concerns of (or about) higher leverage.

EM factor performance was slightly different, with small-cap and value strategies outperforming growth. As with DM, minimum volatility disappointed.

Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Factors are based on the MSCI World Index and MSCI Emerging Markets Index. Total return data for all MSCI indexes are net of dividend taxes.

Investors yet again flocked to technology-related sectors

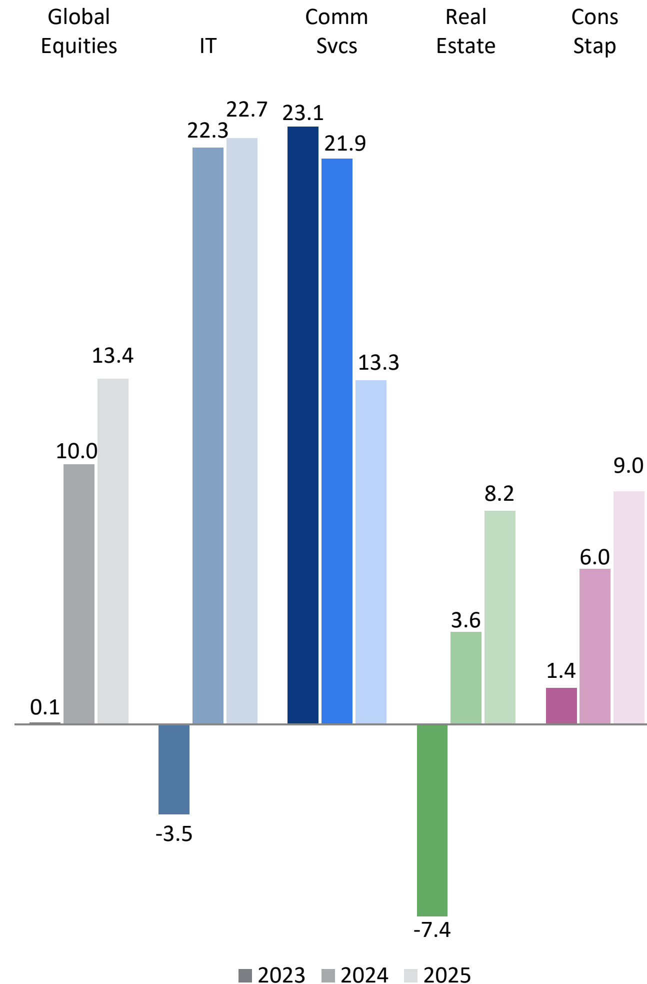
GLOBAL EQUITIES FY PERFORMANCE BY SECTOR

2022–24 • US Dollar • Percent (%)

FY22	FY23	FY24
Energy 21.4	IT 34.3	IT 37.7
Utilities 3.2	Industrials 25.2	Comm Svcs 32.2
Healthcare -4.6	Cons Disc 19.2	Financials 22.0
Cons Stap -4.6	Energy 13.2	Energy 16.6
Financials -12.0	Materials 12.1	Industrials 15.1
Real Estate -13.1	Financials 11.5	Healthcare 10.7
Materials -16.1	Comm Svcs 10.5	Cons Disc 9.0
Industrials -18.7	Cons Stap 7.7	Utilities 6.4
IT -20.5	Healthcare 5.7	Materials 5.9
Cons Disc -28.9	Utilities 0.7	Real Estate 4.0
Comm Svcs -29.8	Real Estate -6.9	Cons Stap 1.3

CY EARNINGS GROWTH FORECASTS

As of June 30, 2024 • US Dollar • Percent (%)



The information technology (IT) sector led global markets once again in FY 2024, posting a staggering 38% return.

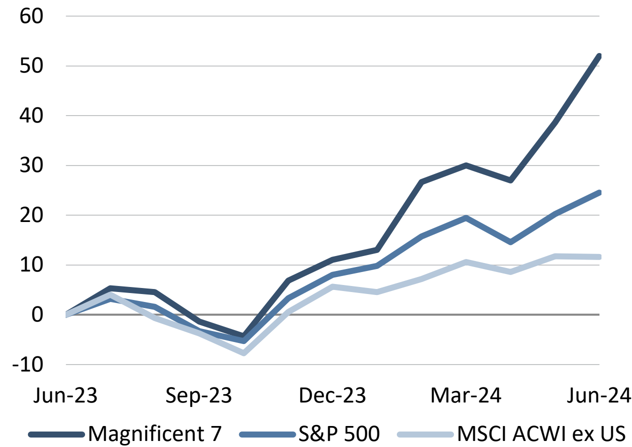
Other top-performing sectors included communication services—which benefited from AI-related enthusiasm—and financials, given a more favorable outlook of financial conditions.

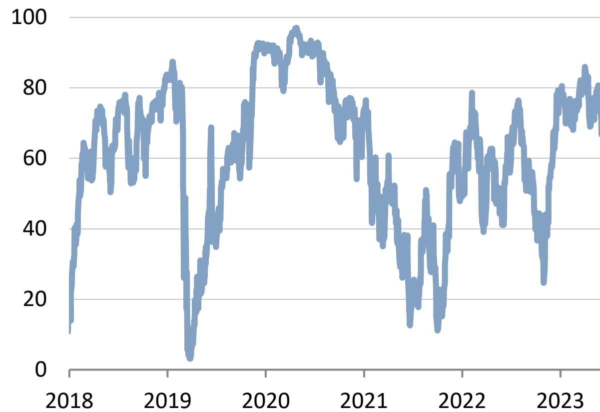
Earnings growth projections supported IT and communication services stocks and exceeded those for the overall market.

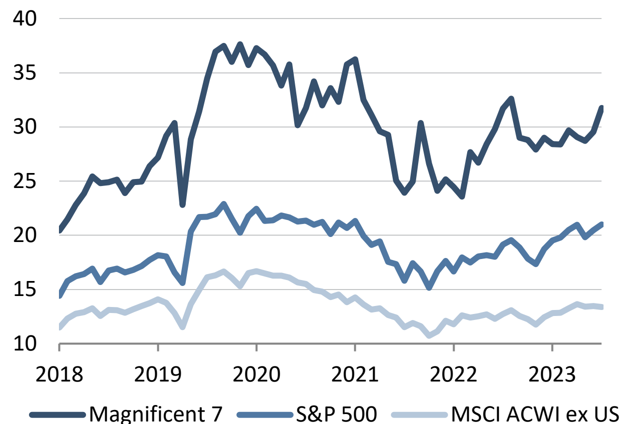
Underperformers included the materials sector, which posted disappointing earnings results. Real estate equities posted muted gains as uncertainty about segments like office lingered. Lastly, consumer staples lagged as investors favored more growth-oriented and less defensive sectors.

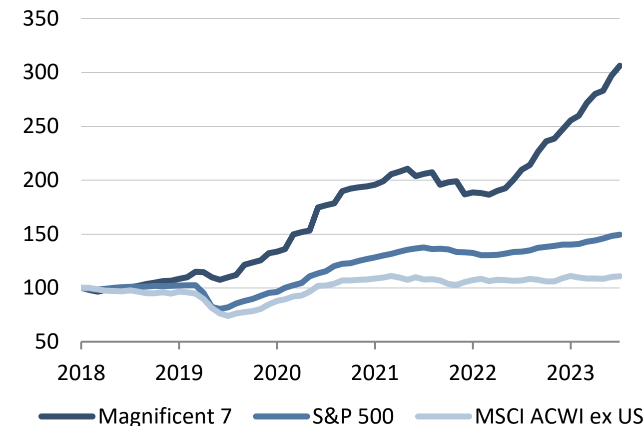
Sources: I/B/E/S, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Global equities are represented by the MSCI All Country World Index. Total return data for all MSCI indexes are net of dividend taxes.

Enthusiasm for AI super charged the US equity rally









A handful of mega-cap tech stocks (popularly known as the Magnificent 7) paced market gains in FY 2024, boosted by AI developments.

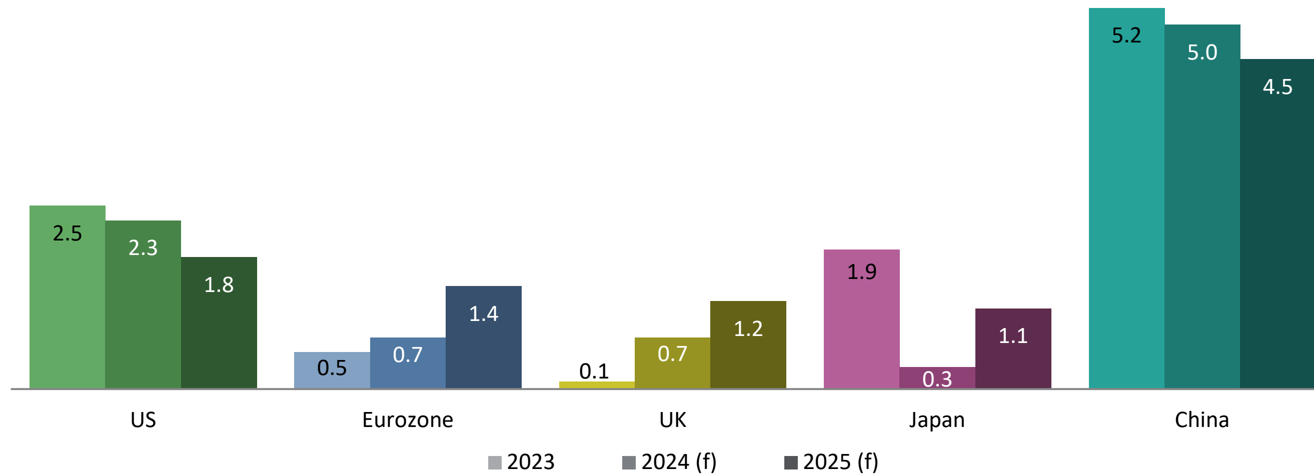
Market concentration increased, with just ten S&P 500 Index companies contributing 65% of the index's total return in FY 2024. Although, performance has broadened out since October 2023.

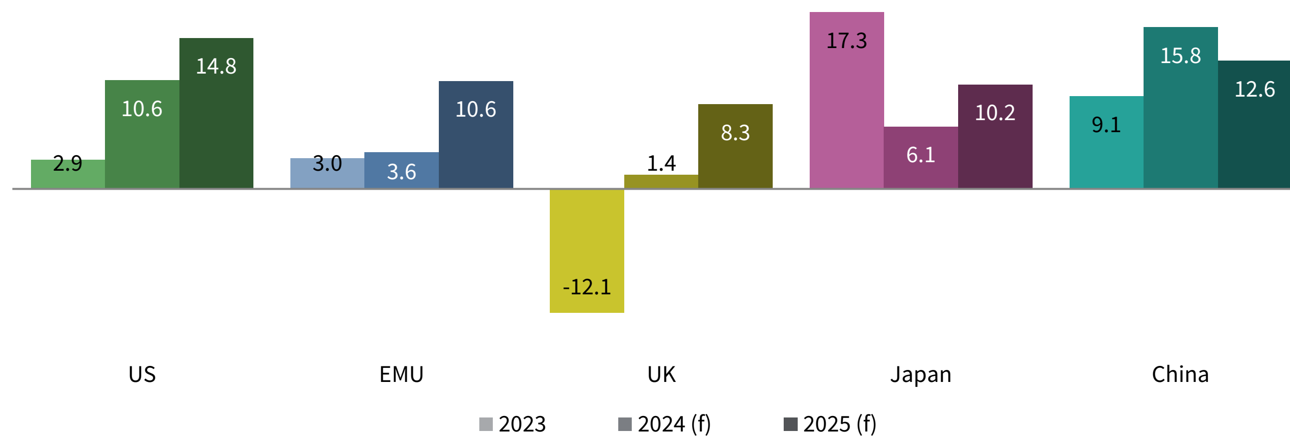
Valuation multiples remain elevated for AI-related equities.

Still, there is some fundamental support for the mega-cap rally. These companies have sound balance sheets and earnings growth profiles that dwarf the rest of the market. Chipmaker Nvidia returned 192% in FY2024 as analysts projected earnings to grow 114% year-over-year in CY 2024.

Sources: Bloomberg L.P., FactSet Research Systems, I/B/E/S, MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: MSCI return data are net of dividend taxes. Return data for the Magnificent 7 is represented by the Bloomberg Magnificent 7 Index, which is an equal-dollar weighted equity benchmark. The Bloomberg Magnificent 7 Index is composed of the following companies: Apple, Alphabet, Amazon, Meta Platforms, Microsoft, Nvidia, and Tesla. Forward P/E ratio for the Magnificent 7 reflects the market-cap weighted harmonic average, and the average 12-month forward EPS for the Magnificent 7 is weighted by number of shares outstanding.

Growth expectations diverged





US GDP growth is expected to moderate slightly but remains higher than other major DM like the Eurozone and UK. Japan, which narrowly escaped entering a technical recession in mid-FY 2024, should see a modest improvement in 2025. Meanwhile, growth in China is also expected to moderate but remains well above DM.

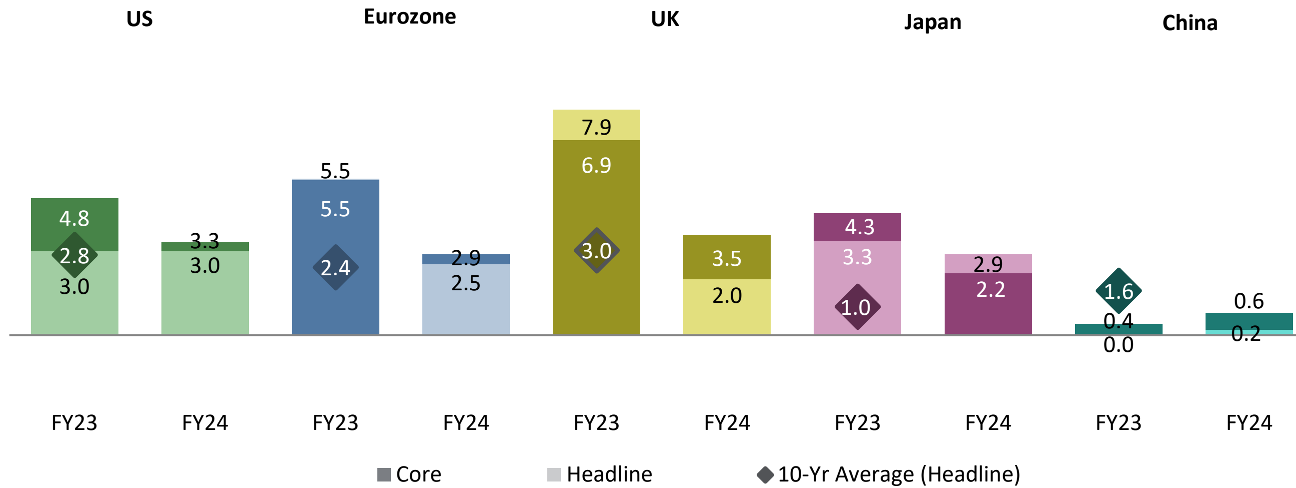
Earnings growth shows a similar picture with the US and China leading. Growth in the US is supported by communication services and IT, whereas growth in China is boosted by communication services and consumer discretionary. Europe's growth has been lackluster but is expected to rebound in FY 2025. Both cyclical and noncyclical sectors should see a rebound, including healthcare and technology.

Sources: Bloomberg L.P., I/B/E/S, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Real GDP growth are seasonally adjusted for all economies except China and reflect data for calendar years ending December 31. EPS data are based on fiscal years ending December 31, except for Japan which are based on fiscal years ending the following March 31. EPS growth estimates are in local currency terms. 2024 and 2025 data are forecasts.

Inflation moderated as monetary policies impacted price levels

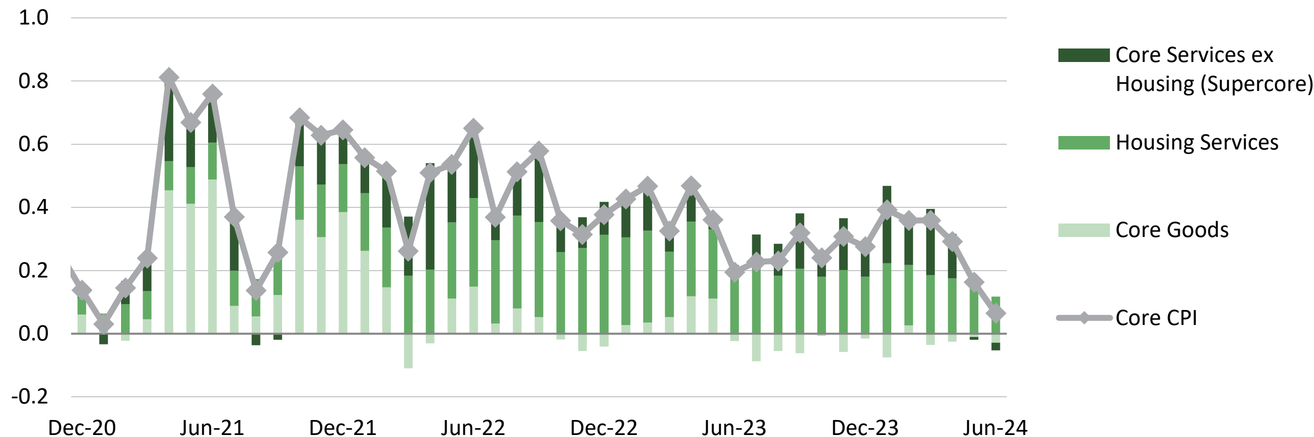
INFLATION

As at June 30, 2024 • Percent (%)



CONTRIBUTION TO MONTHLY US CORE CPI INFLATION

December 31, 2020 – June 30, 2024 • Percent Change (%)



Headline and core inflation rates declined across regions in FY 2024. Slower expansion or outright declines in energy and food prices drove headline inflation down.

UK inflation was among the highest within DM, underpinned by strong wage growth. Japanese inflation hit 40-year highs, leading the Bank of Japan (BOJ) to modestly move away from negative interest rates.

Low inflation in China was an outlier, in part due to limited efforts by the government to support the beleaguered property sector and growth in domestic demand.

Increases in US "Supercore" inflation momentarily became a focal point, causing investors to lower expectations on the magnitude of the Federal Reserve's rate cuts.

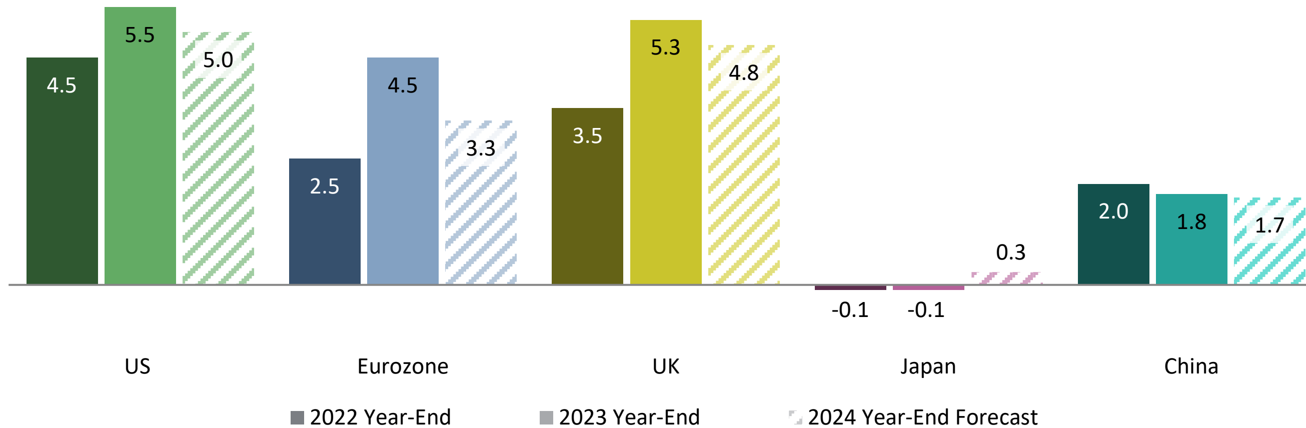
Sources: Federal Reserve, National Sources, and Thomson Reuters Datastream.

Notes: Ten-year average inflation reflects the annual fiscal year (i.e., periods ended June 30) headline inflation from 2015 through 2024. Bottom chart: Copyright (c) 2024, Caleb Bray, Jordan Rappaport, Shu-Kuei X. Yang, and the Federal Reserve Bank of Kansas City. All rights reserved.

Monetary policies began to ease

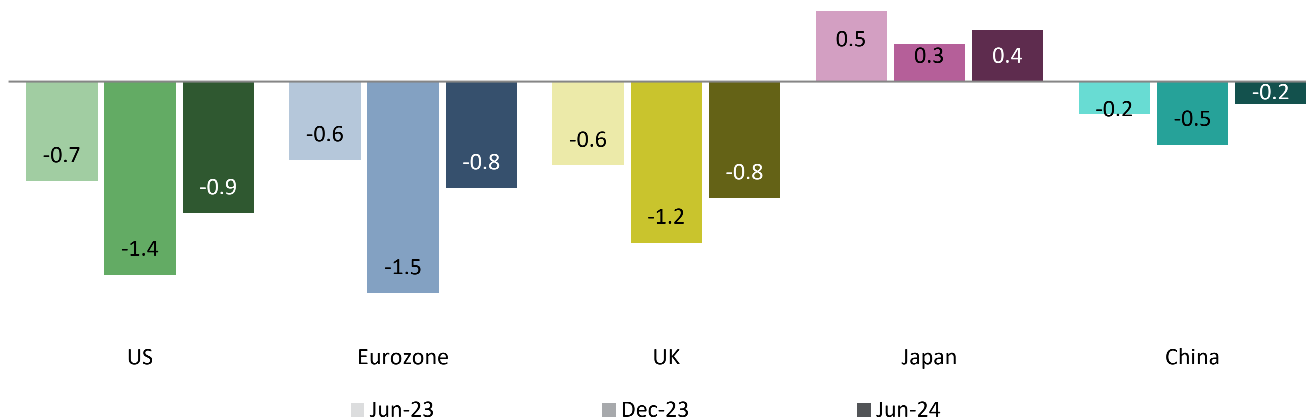
CENTRAL BANK POLICY RATES

2022–24 (f) • Percent (%)



MARKET-IMPLIED CHANGE IN POLICY RATES OVER 1-YEAR HORIZON

As of June 30, 2024 • Percentage Point Difference (%)



Investors' expectations on the magnitude and pace of policy easing seesawed considerably in 2024 as inflation fluctuated.

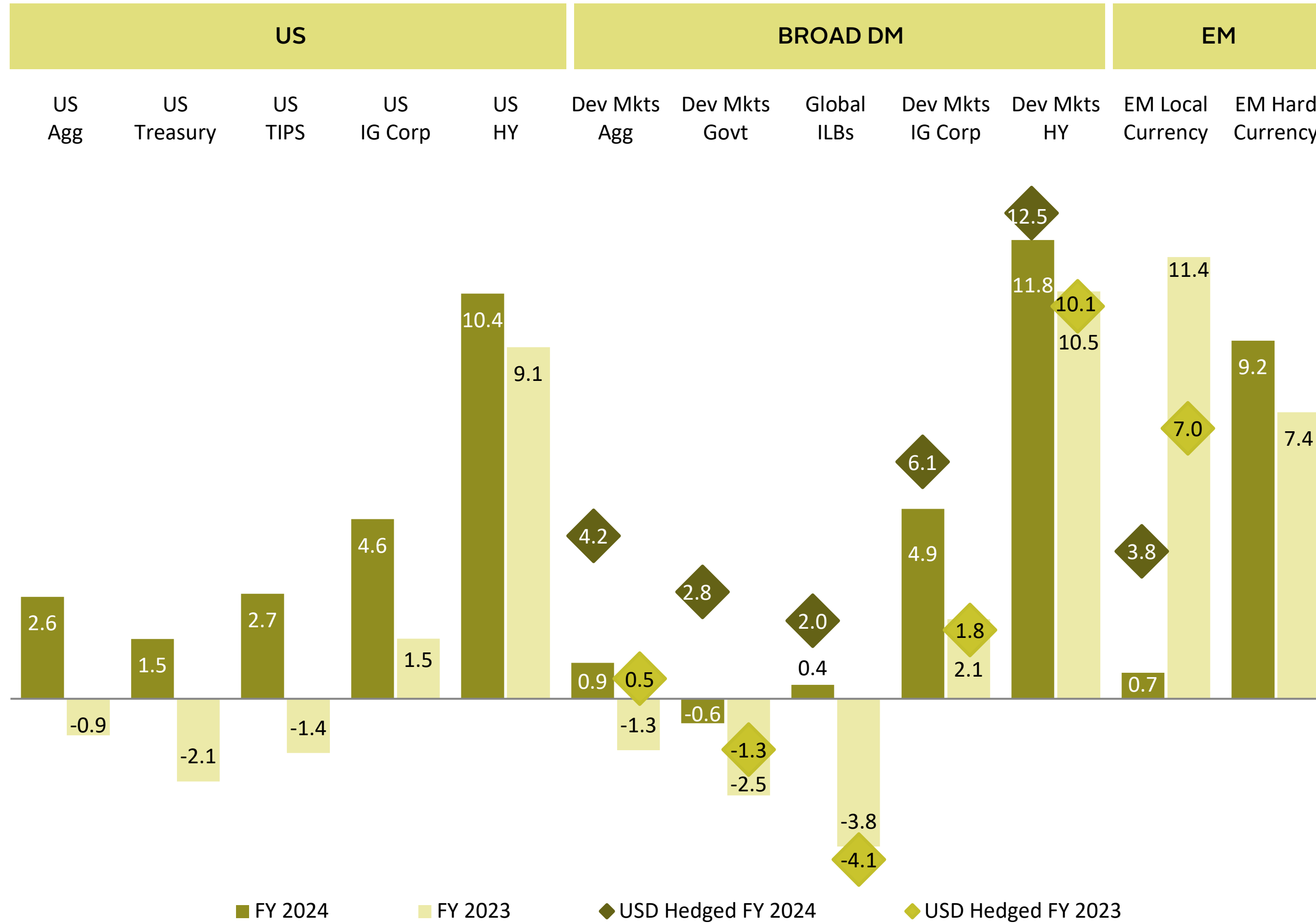
Central banks in Europe, such as Sweden's Riksbank, the Swiss National Bank, and the ECB, each announced at least one 25-basis point (bp) cut to their policy rates. However, expectations for the timing of monetary easing by the Fed were pushed back.

The BOJ abandoned its long-standing negative interest rate policy and modestly increased it to a range of 0.0% to 0.1% as inflation crept higher and the yen slid.

Other central banks remained data dependent and even pointed to a resumption in rate hikes after having cut or paused as inflation proved more stubborn than expected.

Sources: Bloomberg L.P., FactSet Research Systems, National Sources, and Thomson Reuters Datastream.
Notes: Central bank policy rate forecasts are based on median broker projections sourced from FactSet are as of July 1, 2024, except for China which is implied from the six-month forward rate, as of June 30, 2024. China's policy rate and rate estimates are represented by the PBOC 7-day reverse repo rate.

HY and EM bonds were clear winners among fixed income asset classes



Bond performance improved in the US in FY 2024.

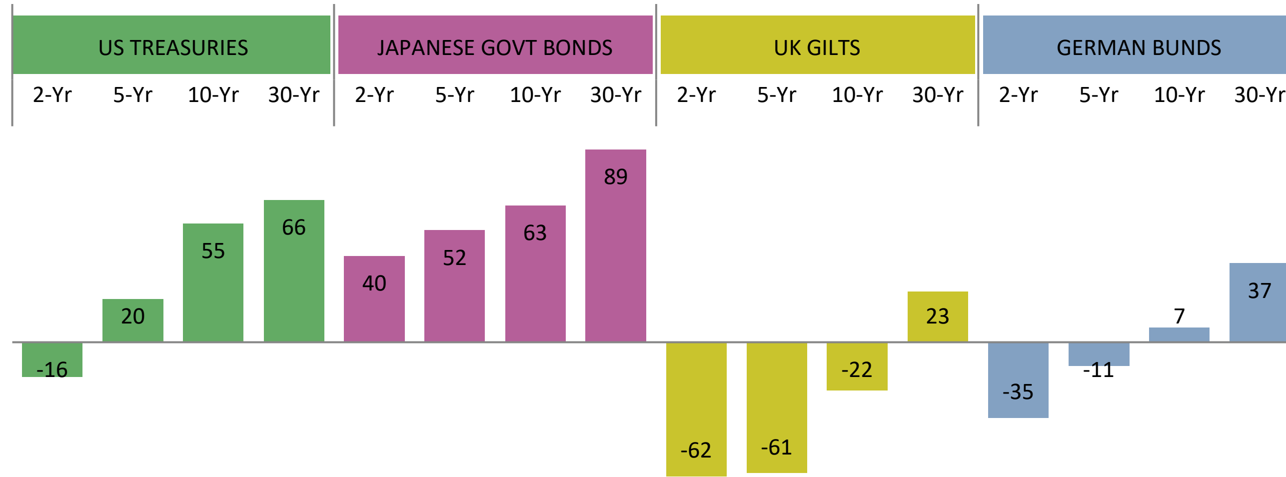
Broad DM and EM core fixed income indexes largely lagged their US counterparts. A preference for US bonds is likely reflective of the opportunity to make higher carry returns.

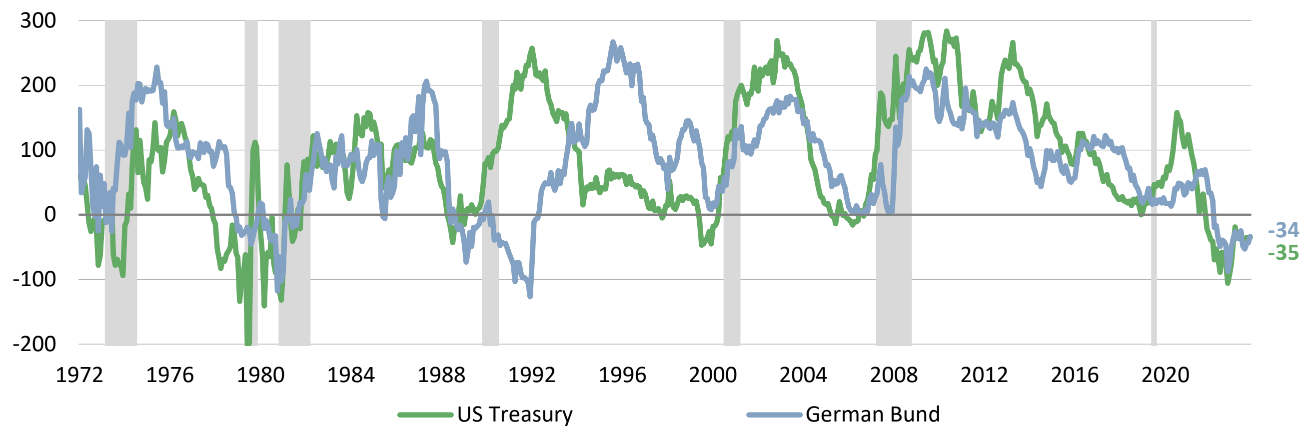
HY bonds outperformed investment-grade (IG) counterparts on attractive coupons.

Inflation-linked bonds improved as data indicated that taming inflation to target would likely take longer than anticipated.

Sources: Bloomberg Index Services Limited, FTSE Fixed Income LLC, J.P. Morgan Securities, Inc., and Thomson Reuters Datastream.
Notes: Asset classes represented by Bloomberg US Aggregate Bond Index ("US Agg"), Bloomberg US Treasury Bond Index ("US Treasury"), Bloomberg US TIPS Index ("US TIPS"), Bloomberg US Corporate Investment Grade Bond Index ("US IG Corp"), Bloomberg US High Yield Bond Index ("US HY"), Bloomberg Global Aggregate Bond Index ("Dev Mkts Agg"), FTSE World Government Bond Index ("Dev Mkts Govt"), Bloomberg Global Inflation Linked Bond Index ("Global ILBs"), Bloomberg Global Aggregate Corporate Bond Index ("Dev Mkts IG Corp"), Bloomberg Global High Yield Bond Index ("Dev Mkts HY"), J.P. Morgan Government Bond Index - Emerging Markets Global Diversified Index ("EM Local Currency"), and J.P. Morgan Emerging Markets Bond Index - Global Diversified Index ("EM Hard Currency").

Shorter-term yields moved lower in most developed markets





As inflation rates finally moderated, investors began anticipating lower policy rates. This drove shorter-term yields lower in most DMs.

In Europe yields fluctuated to reflect political uncertainty with snap elections called in the UK and France.

Japan was an outlier as the BOJ modestly moved away from its ultra-loose monetary policy, responding to higher inflation and a weaker yen.

Expectations of more government bond issuance to help fund spending commitments pushed longer-term rates higher in many countries.

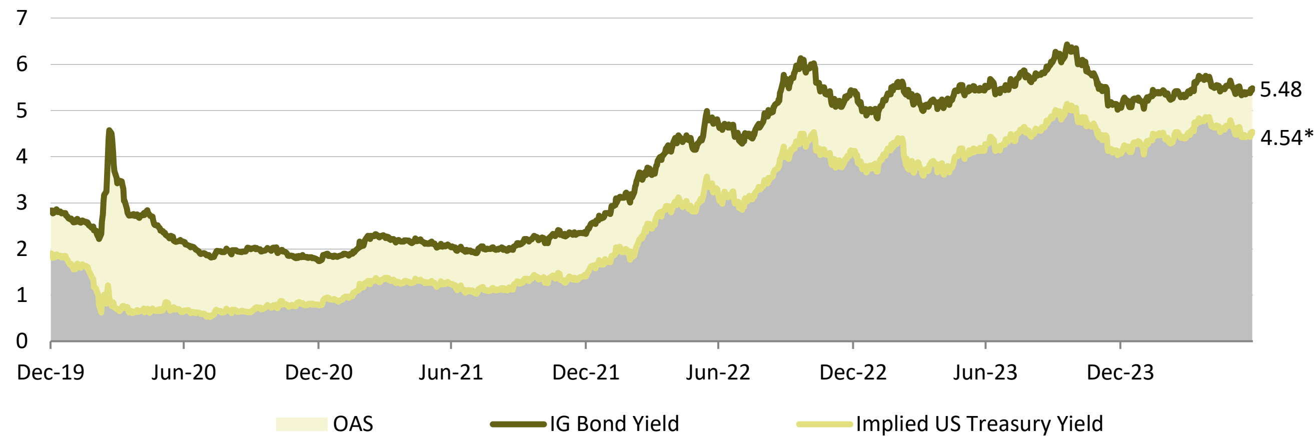
Sources: Deutsche Bundesbank, Federal Reserve, Global Financial Data, National Bureau of Economic Research (NBER), Refinitiv, and Thomson Reuters Datastream.
Note: Grey bars in the bottom chart represent US-defined NBER recessions.

US corporate credit returns were driven by carry and duration

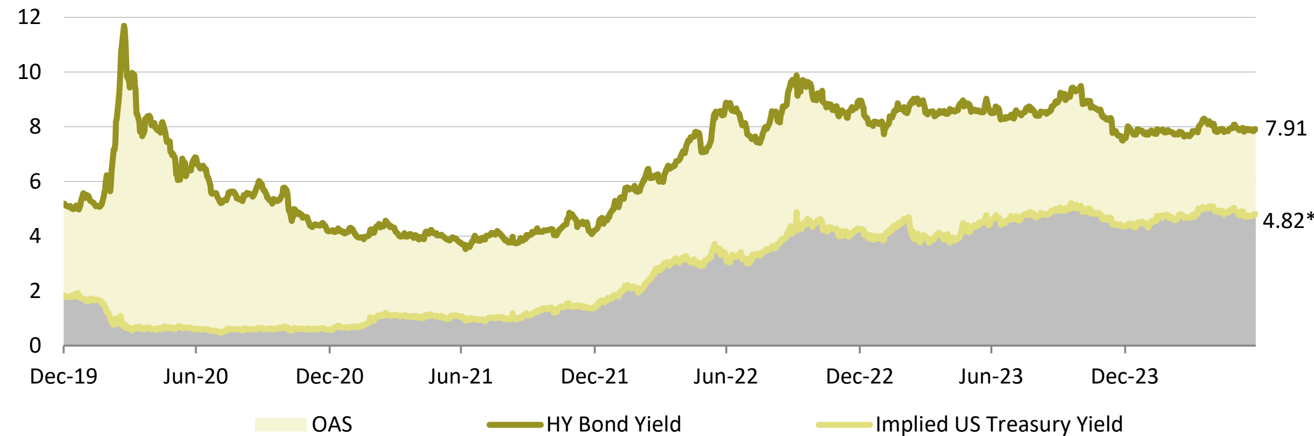
OPTION-ADJUSTED SPREADS (OAS) ON US INVESTMENT-GRADE AND HIGH-YIELD CORPORATE BONDS

December 31, 2019 – June 30, 2024 • Yield to Worst (%)

US Investment-Grade Corporate Bonds



US High-Yield Corporate Bonds



* US Treasury yields are calculated by subtracting the IG and HY OAS from the IG and HY bond yields, respectively.

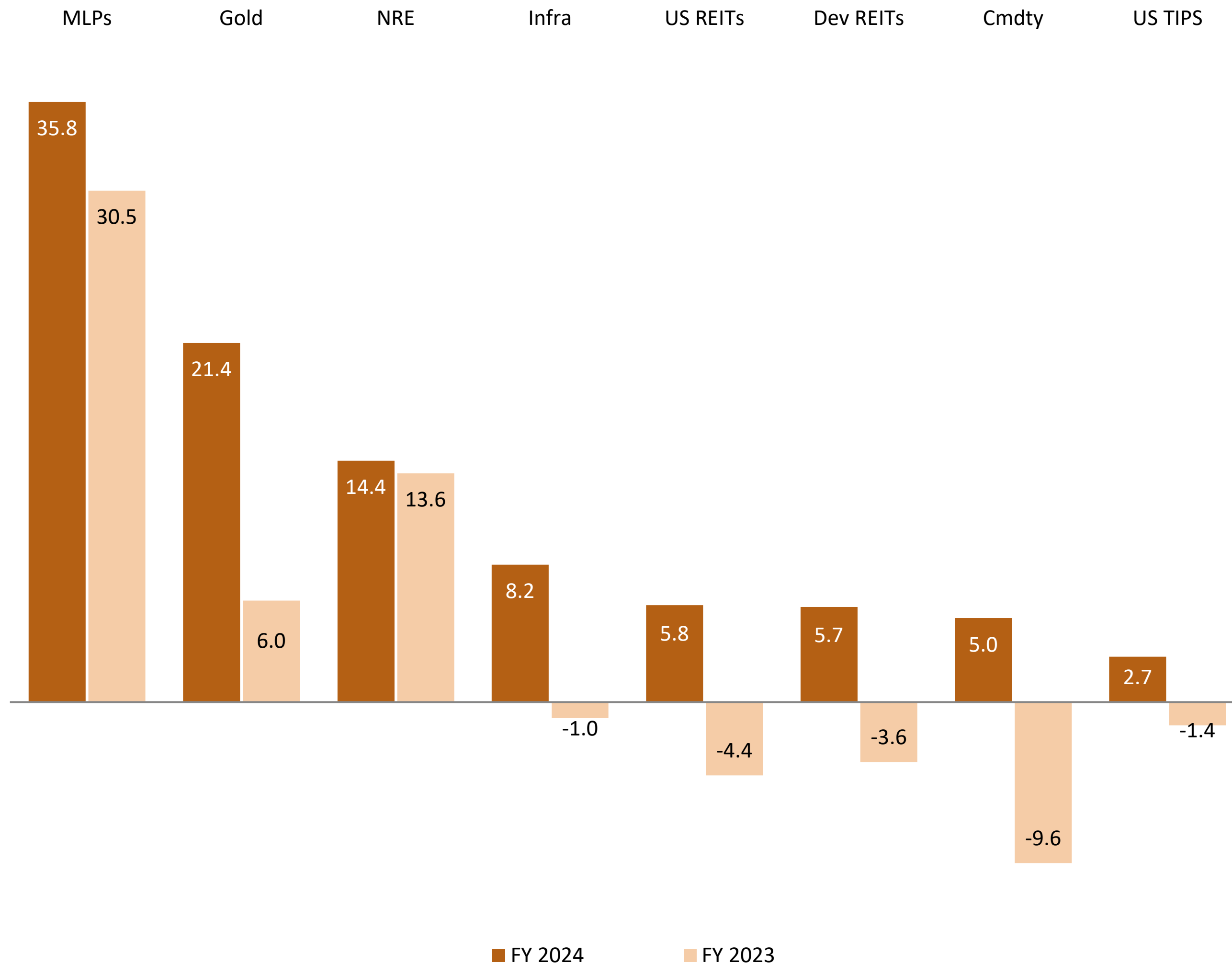
US corporate IG bonds posted carry-like returns but lagged HY peers by nearly 6 percentage points. The corporate IG bond index is longer duration (~7 years) and is particularly interest rate sensitive.

HY corporates generated strong relative and absolute performance as spreads narrowed more than 80 bps.

In both instances the implied treasury yield increased through FY 2024. Additionally, the year-end implied US Treasury yield in the case of IG bonds was very close to the Bloomberg US Treasury Index yield of 4.57%.

Sources: Bloomberg Index Services Limited and Thomson Reuters Datastream.
Notes: Data for US investment-grade (IG) corporate bonds are represented by the Bloomberg US Corporate Investment Grade Bond Index, and data for US high-yield (HY) corporate bonds are represented by the Bloomberg US High Yield Bond Index. Data are daily.

Real assets gained across the board in FY 2024



Real assets gained across the board even as expectations for monetary policy and inflation fluctuated.

REIT performance was subdued as doubts about the pace of Fed easing weighed on investor sentiment toward fiscal year end.

Safe-haven gold rocketed to all-time nominal highs on heightened geopolitical tensions and demand from central banks.

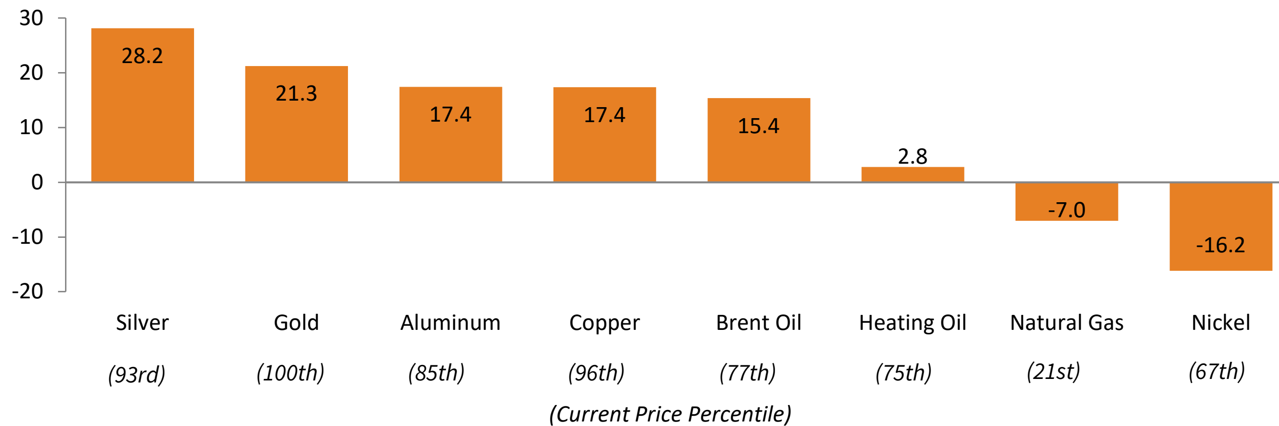
Natural resources equities and commodities returns were boosted by higher prices for both copper and oil on supportive supply/demand dynamics.

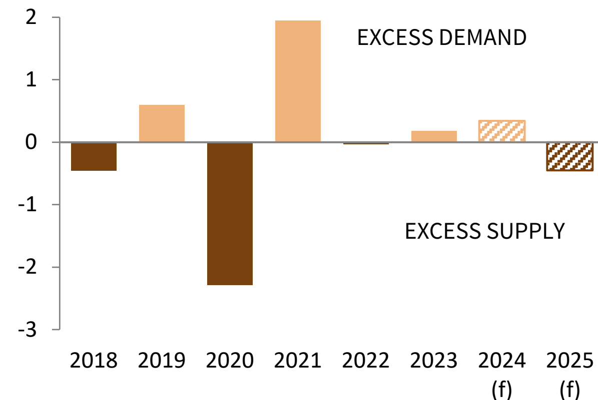
Energy MLPs posted another year of strong returns offering investors attractive distribution yields.

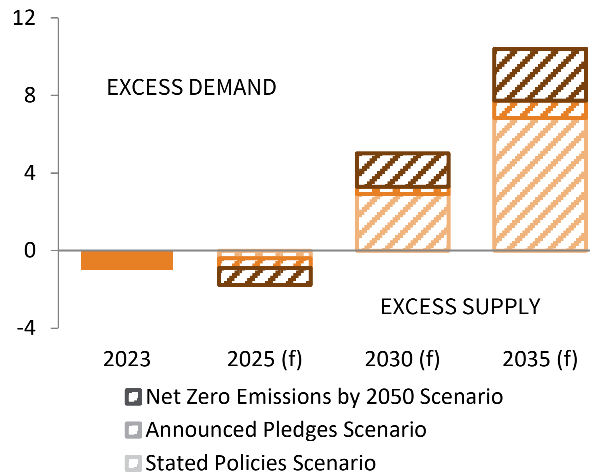
Sources: Alerian, Bloomberg Index Services Limited, EPRA, FTSE International Limited, Intercontinental Exchange, Inc., MSCI Inc., National Association of Real Estate Investment Trusts, Refinitiv, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: All returns are total returns, except those for gold, which are based on spot price returns. Asset classes represented by the following: Alerian MLP Index ("MLPs"), LBMA Gold Price ("Gold"), market cap-weighted blend of Datastream World Energy Index and Datastream World Basic Resources Index ("NRE"), MSCI World Infrastructure Index ("Infra"), FTSE® NAREIT All Equity REITs Index ("US REITs"), FTSE® EPRA/NAREIT Developed Real Estate Index ("Dev REITs"), Bloomberg Commodity TR Index ("Cmdty"), and Bloomberg US TIPS Index ("US TIPS"). Total return data for all MSCI indexes are net of dividend taxes.

Most commodities reflected supportive supply/demand dynamics







Several commodity prices increased to the upper quartile of historic ranges.

Gold reached new all-time nominal highs as geopolitical tensions rose markedly. Copper prices rocketed alongside the AI frenzy. The metal is a key input for electrifying the data centers needed to support AI development, as well as for transitioning energy to greener sources .

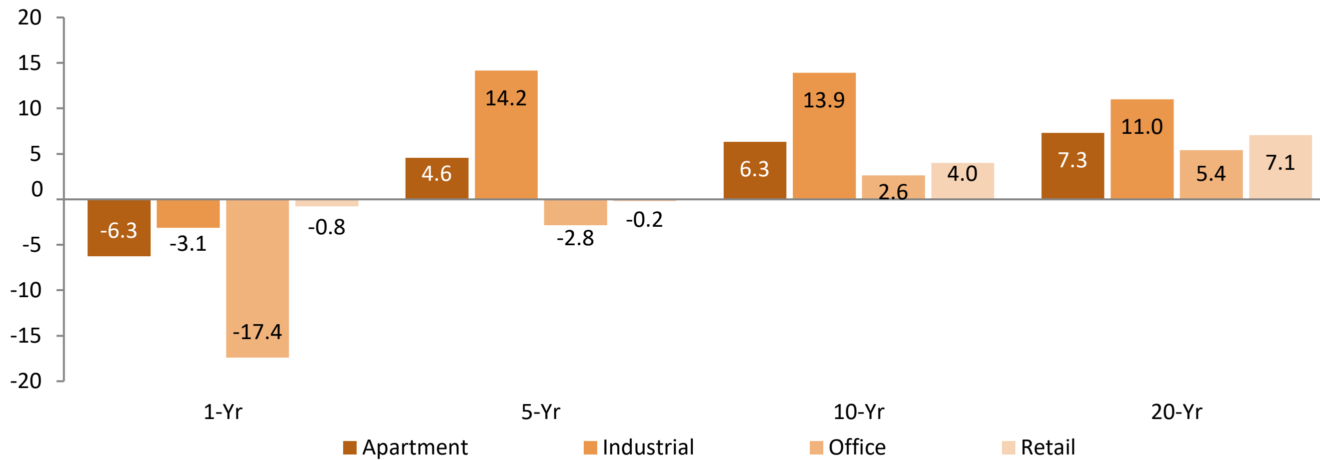
Oil prices were boosted by OPEC+'s ongoing commitment to production cuts into 2025 despite higher US production and expectations of slower economic growth.

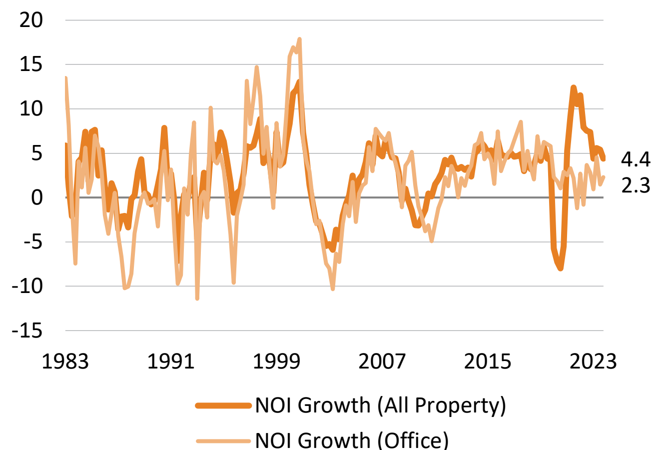
Natural gas and nickel were weighed down by ample supply.

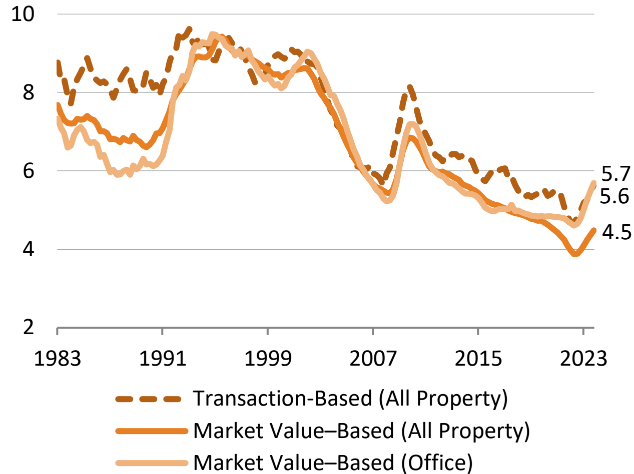
Sources: Bloomberg L.P., Energy Information Administration, IEA (2024), Critical Minerals Data Explorer, IEA, Paris https://www.iea.org/data-and-statistics/data-tools/critical-minerals-data-explorer, and IEA (2024), Share of secondary supply in total demand for selected materials in the Net Zero Scenario, 2010-2040, IEA, Paris https://www.iea.org/data-and-statistics/charts/share-of-secondary-supply-in-total-demand-for-selected-materials-in-the-net-zero-scenario-2010-2040, License: CC BY 4.0.

Notes: Spot returns reflect changes in near-month futures contracts, as reported by Bloomberg L.P. Current valuation for commodities reflect the percentile of the closing price relative to historical prices in nominal terms, calculated using data from July 31, 1997, to June 30, 2024. Excess oil and copper supply/demand is calculated as annual oil/copper supply minus annual oil/copper demand. Primary copper demand is calculated as total demand net of secondary supply from metals recycling and reuse. Primary supply reflect the base case supply from existing assets and those under construction, along with announced projects that have a high chance of moving ahead. The Stated Policies Scenario provides a sense of the prevailing direction of travel for the energy system, based on today's policy settings. The Announced Pledges Scenario assumes that all long-term emissions and energy access targets, including net zero commitments, will be met on time and in full, even where policies are not yet in place to deliver them. The Net Zero Emissions by 2050 sets out a pathway for the global energy sector to achieve net zero CO2 emissions by 2050.

Real estate returns disappointed, with office lagging its peers







Private real estate posted disappointing one-year results, with all four major sub-sectors posting negative performance.

Retail was a relative outperformer, as it continued to recover from the lows experienced during the pandemic, while supply increases in the industrials segment led to negative returns despite secular tailwinds.

The apartment sector performance also suffered because of increased supply.

Office remained the most challenged sector as work-from-home trends persisted, leading to higher vacancy rates and lower property values. As a result, market value–based office cap rates ticked up more than the broader category.

Source: National Council of Real Estate Investment Fiduciaries.
Notes: Returns are total, reflecting property price appreciation and income return. Transaction-based capitalization (cap) rates are from sold properties, and market value-based cap rates are from properties that were revalued during the quarter. All net operating income growth data and cap rates data are based on a four-quarter moving average.

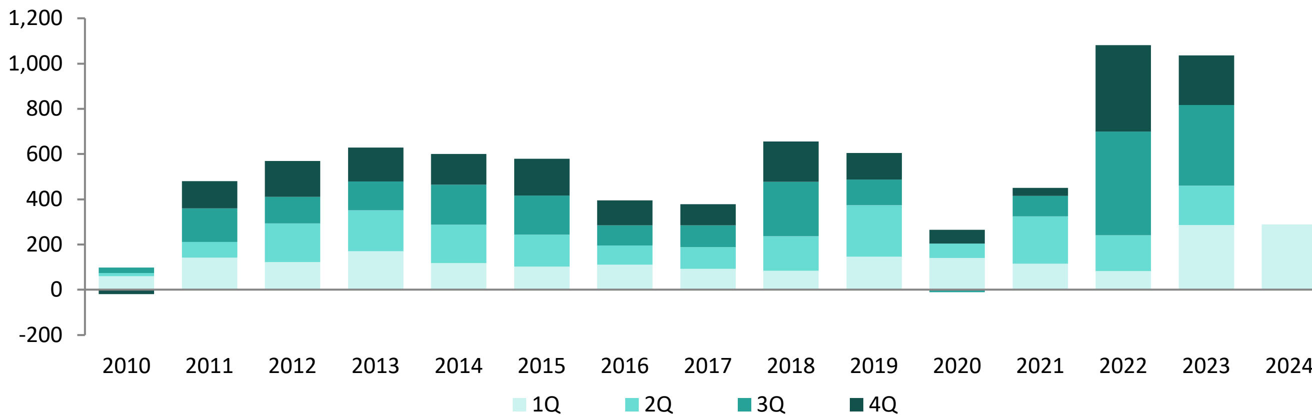
Gold prices rebounded even as yields remained rangebound

GOLD BULLION PRICE VS 10-YR US REAL YIELDS

December 31, 2012 – June 30, 2024

GLOBAL CENTRAL BANKS GOLD DEMAND

2010–24 (1Q) • Tonnes



Gold prices historically have been negatively correlated with long-dated real yields, but this relationship has broken down in recent years.

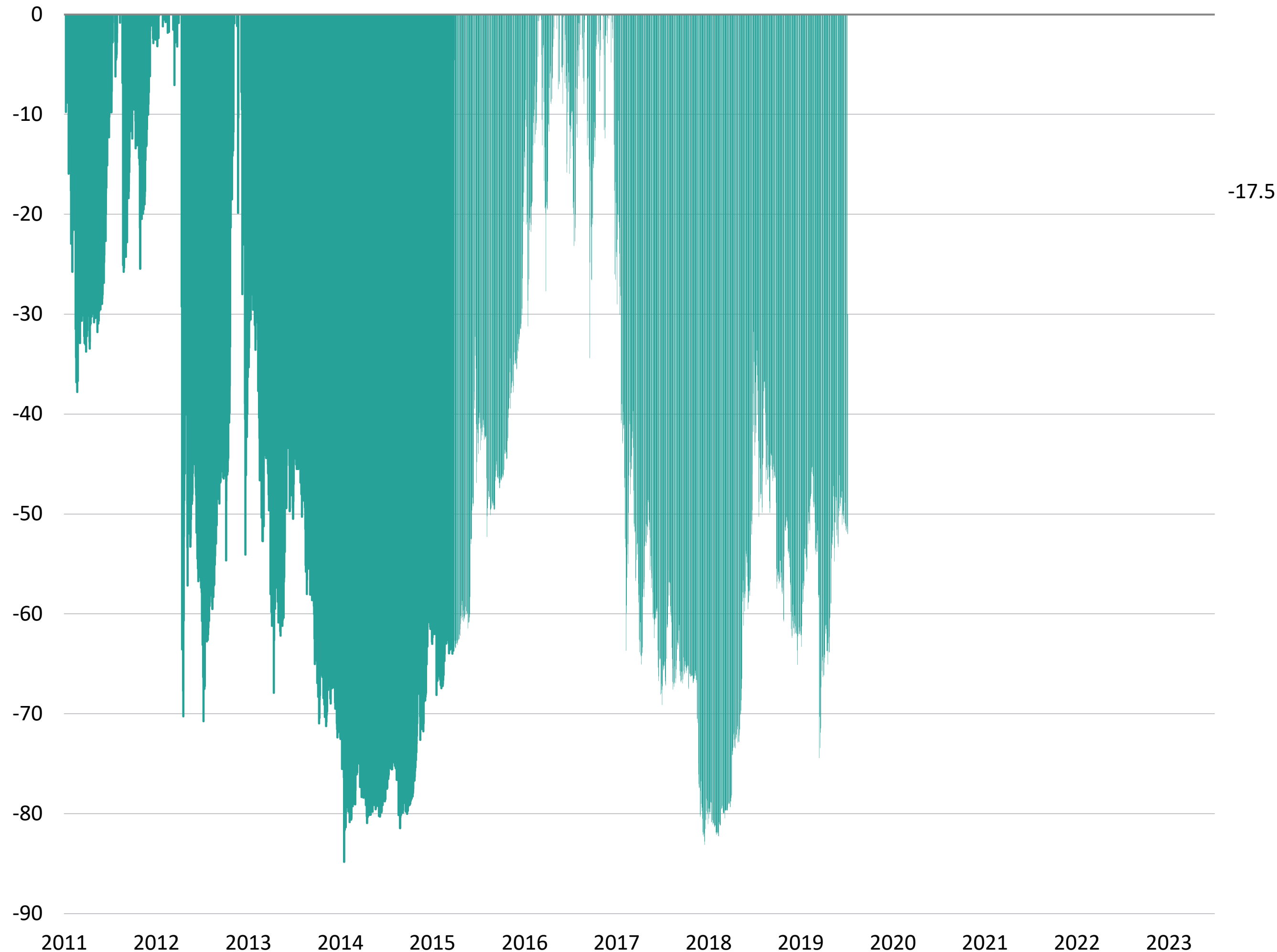
Gold's value has increased in USD terms, despite rising real yields in 2022 and the early part of 2023. US ten-year real yields rose another 49 bps in FY 2024, but gold prices still increased to new nominal highs.

One explanation may be that investors are positioning for the start of monetary easing.

However, a safe-haven bid may have boosted gold prices since 2Q FY 2024 as geopolitical risk rose and demand remained strong from central banks.

Sources: Federal Reserve, Intercontinental Exchange, Inc., Thomson Reuters Datastream, and World Gold Council.
Notes: Ten-year US Real Yields reflect the US ten-year TIPS yield. Data in top chart are weekly. Historical global central bank gold demand data may revise. Global central bank gold demand data are through 1Q 2024.

Crypto winter was in the rearview mirror in FY 2024



Bitcoin returned 53% in FY 2023, and another 98% in FY 2024 despite suffering large drawdowns along the way.

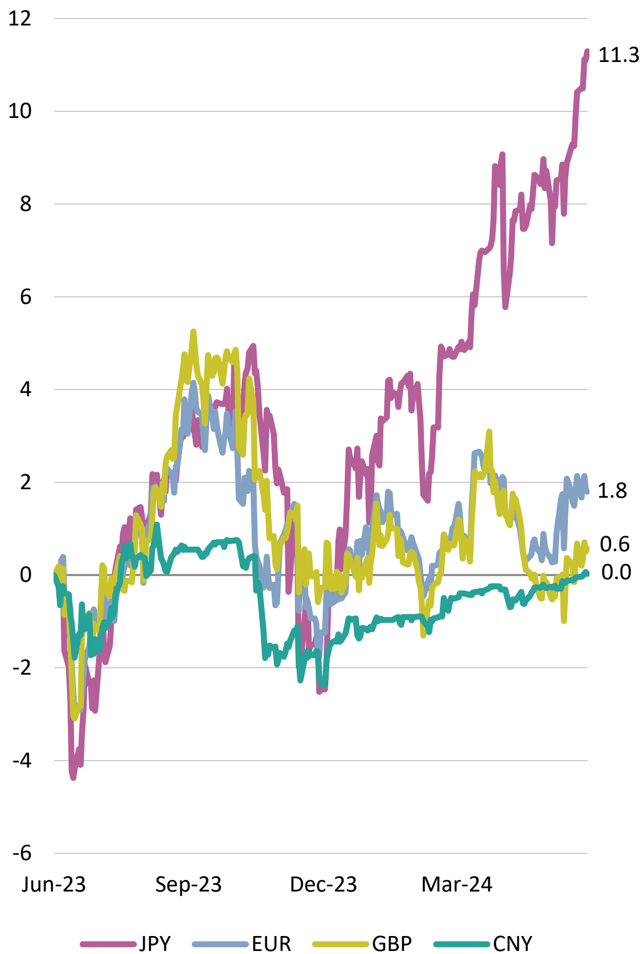
Prices closed FY 2024 at $60,315, 17.5% below the most recent peak in March 2024. Bitcoin rallied in the second half of the fiscal year as investors increased funds to the asset class after approval from the SEC in January to list spot ETFs.

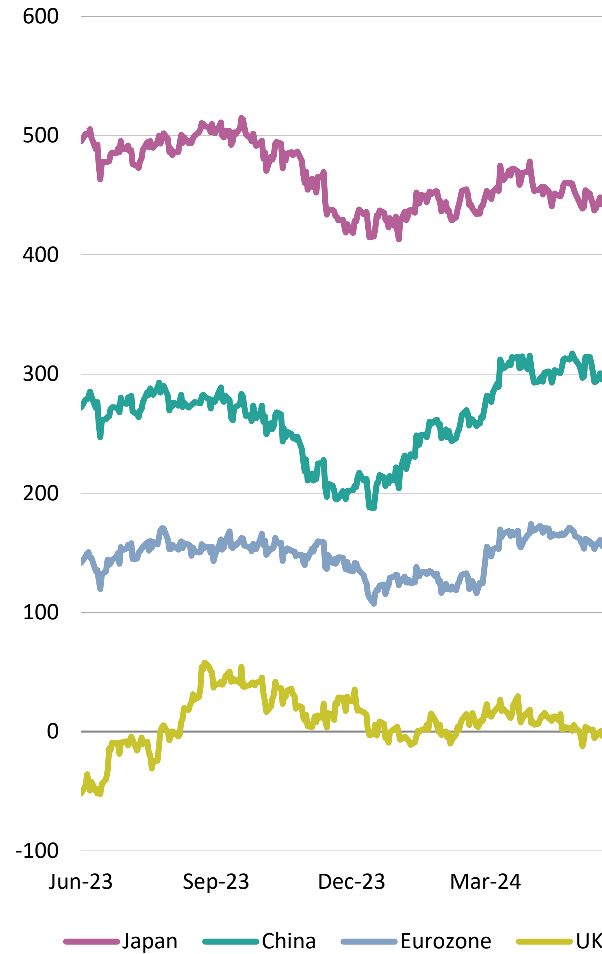
Expected central bank easing also boosted demand for riskier assets.

As a relatively immature asset class, it is not unusual to see significant drawdowns, as seen in FY 2022. The asset class has also previously been mired by bankruptcies and fraud.

Sources: Bitstamp Ltd and Thomson Reuters Datastream.
Note: Data are daily.

US dollar strengthened on resilient US economy





The US Dollar Index gained almost 3% during FY 2024 on relatively stronger economic data than most other DM.

Late in the fiscal year, investors moderated their rate cut expectations in the US on higher core inflation readings. This increase in the interest rate differentials supported the currency, especially as the ECB initiated its first rate cut of the cycle in June.

The greenback also benefited from its status as a safe haven during periods of heightened geopolitical tensions.

The Japanese yen lagged, as a slightly tighter monetary policy was insufficient to boost the currency.

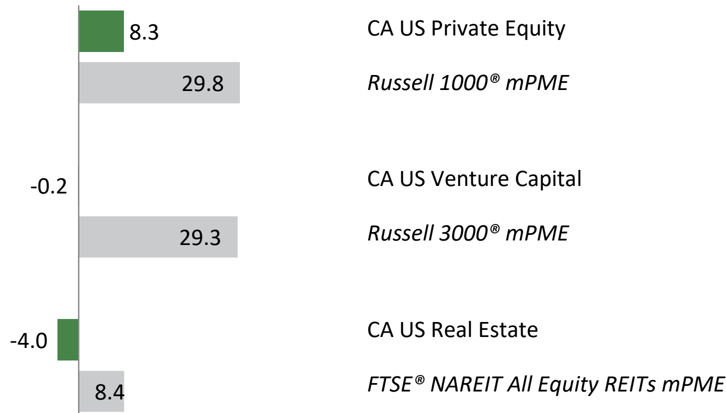
Sources: Federal Reserve, Refinitiv, and Thomson Reuters Datastream.
Notes: Data are daily. Two-year yields for the Eurozone reflect the median bond yield across France, Germany, Italy, and Spain.

Private markets performance lagged public market counterparts

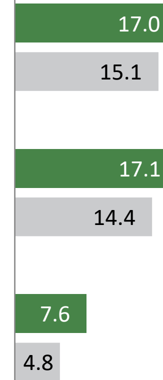
PERFORMANCE OF SELECT CAMBRIDGE ASSOCIATES PRIVATE INVESTMENT INDEXES VS PUBLIC EQUIVALENTS

As of First Quarter 2024 • Percent (%)

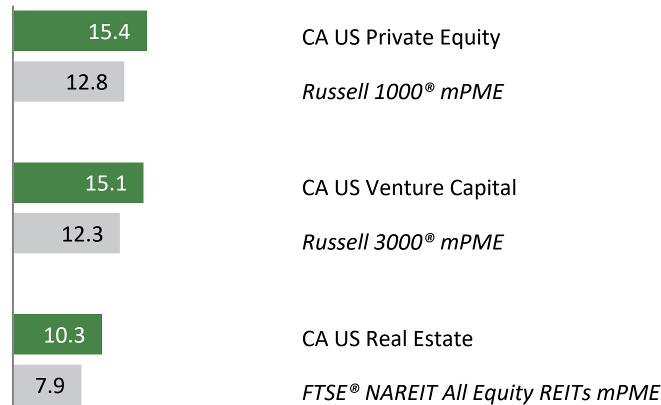
1-Yr Return



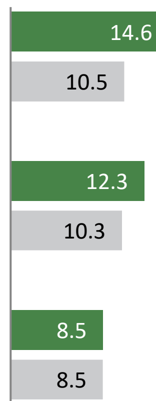
5-Yr Return



10-Yr Return



20-Yr Return



One-year returns as of 3Q FY 2024 show private investments meaningfully lagged public market counterparts. Investors downsized their commitments and became more discerning about valuations, favoring higher quality options. AI-related investments stood out from the pack and continued to enjoy good deal flow and demand higher valuations.

Private real estate posted negative returns, reflecting ongoing uncertainty of the underlying value of assets in a higher rate environment. Supply/demand conditions were also less favorable in several segments, such as office and apartments.

Despite the current weakness in the market, longer-term return profiles however still show private investments have largely outperformed public equivalents.

Sources: Cambridge Associates LLC, FTSE International Limited, National Association of Real Estate Investment Trusts, and Thomson Reuters Datastream.
Notes: Private index returns are pooled horizon internal rate of returns, net of fees, expenses, and carried interest. The CA Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public index's shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME net asset value is a function of mPME cash flows and public index returns.

Hedge fund performance rebounded

Hedge funds rebounded in FY 2024, with positive returns across the board.

Given the equity market recovery since the lows of October 2022, long equity exposure and trend-following strategies performed well.

Increased mergers and acquisitions activity helped event-driven strategies post strong returns.

Macro strategies turned positive as investors took advantage of movements in equities, rates, and FX markets, while uncertainty around inflation and central bank policy helped performance in relative value strategies.

EM strategies were aided by strong performance from India and tech-heavy Taiwan.

Source: Hedge Fund Research, Inc.
Note: Hedge Fund Research data are preliminary for the preceding five months.

David Kautter also contributed to this publication.

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