

# Quarterly Research Report: Global Equity Markets

## Meridian Capital Management | Q2 2024

**Report Date:** June 30, 2024

**Prepared by:** Research Team

**Classification:** Internal & Client Distribution

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### Executive Summary

Meridian Capital Management's research team presents our comprehensive analysis of global equity markets for Q2 2024, focusing on our core investment regions of India and the United States. Despite persistent inflationary pressures and geopolitical uncertainties, both markets demonstrated resilience with selective opportunities emerging across technology, healthcare, and financial services sectors.

Our portfolio strategies delivered a weighted average return of 8.2% for the quarter, outperforming respective benchmarks by 150 basis points. The Indian equity segment contributed 4.8% absolute return while US holdings generated 3.4% absolute return to overall portfolio performance.

### Market Overview

#### United States Market Analysis

The US equity markets experienced moderate volatility during Q2 2024, with the S&P 500 gaining approximately 4.3% for the quarter. Technology stocks led the rally, driven by continued artificial intelligence adoption and cloud infrastructure investments. Our core holdings in Microsoft Corporation and Apple Inc performed exceptionally well, contributing significantly to portfolio returns.

Federal Reserve policy remained accommodative with interest rates holding steady at 5.25-5.50% range. Consumer spending patterns showed resilience despite elevated borrowing costs, particularly benefiting our consumer discretionary holdings including Amazon and Home Depot.

Healthcare sector dynamics proved favorable for our positions in Johnson & Johnson and UnitedHealth Group, with both companies reporting strong quarterly earnings and raising full-year guidance. The sector benefited from demographic trends and continued innovation in pharmaceuticals and medical devices.

#### Indian Market Analysis

Indian equity markets demonstrated robust performance in Q2 2024, with the Nifty 50 advancing 6.7% during the quarter. Our India-focused strategy capitalized on strong domestic consumption trends and

government infrastructure spending initiatives.

Information technology sector leadership continued through our positions in Tata Consultancy Services and Infosys, both benefiting from increased global demand for digital transformation services. The banking sector showed mixed performance, with our holdings in HDFC Bank and ICICI Bank delivering steady returns despite margin pressure concerns.

Reliance Industries, our largest Indian holding at 12.5% portfolio weight, contributed significantly to quarterly performance through strong refining margins and retail business expansion. The company's renewable energy initiatives align with our long-term ESG investment criteria.

## **Sector Analysis**

### **Technology Sector Performance**

Technology remained our highest conviction sector allocation across both markets. Combined tech exposure represents 31.2% of total portfolio assets, reflecting our belief in long-term digital transformation trends.

US technology holdings including Microsoft, Apple, and Alphabet demonstrated earnings resilience and continued market share expansion. Cloud computing revenues grew 23% year-over-year across our major holdings, supporting our overweight position in this subsector.

Indian IT services companies in our portfolio reported strong order book growth, with total contract values increasing 18% quarter-over-quarter. Currency headwinds remained manageable due to natural hedging strategies employed by portfolio companies.

### **Financial Services Assessment**

Banking and financial services represent 25.8% of our combined portfolio allocation. US financial holdings including JPMorgan Chase and Visa benefited from stable net interest margins and increased transaction volumes.

Indian banking sector performance was supported by credit growth normalization and improving asset quality metrics. Our positions in HDFC Bank and State Bank of India reflected broader sector strength, though we maintain cautious outlook on real estate exposure.

### **Healthcare and Consumer Sectors**

Healthcare allocation at 12.7% of portfolio demonstrated defensive characteristics during market volatility periods. Johnson & Johnson's pharmaceutical pipeline developments and UnitedHealth's membership growth supported sector performance.

Consumer discretionary and staples combined represent 19.4% of portfolio weight. Strong performance from Amazon's cloud division offset retail margin pressures, while Procter & Gamble and Hindustan Unilever delivered consistent dividend growth.

## **Risk Assessment**

### **Market Risk Factors**

Global inflation concerns persist despite central bank policy effectiveness in major economies. Supply chain disruptions continue affecting certain portfolio companies, particularly in automotive and industrial sectors.

Geopolitical tensions between major economies create ongoing uncertainty for multinational corporations in our portfolio. Currency volatility affects international revenue translation for both US and Indian holdings with significant overseas exposure.

### **Portfolio Risk Metrics**

Current portfolio beta measures 1.15 relative to combined benchmark, indicating slightly higher systematic risk profile aligned with our growth-oriented investment mandate. Maximum drawdown during the quarter remained within acceptable parameters at 3.2%.

Concentration risk remains managed through diversification across 15 core holdings in each geographic region. No single position exceeds 12.5% of total portfolio value, maintaining risk distribution aligned with investment committee guidelines.

### **ESG Risk Considerations**

Environmental, Social, and Governance factors increasingly influence portfolio construction decisions. Climate transition risks affect traditional energy holdings, while social governance improvements enhance long-term investment sustainability.

Our portfolio companies demonstrate strong corporate governance practices with independent board structures and transparent financial reporting. ESG scoring methodology indicates 78% of holdings meet or exceed industry sustainability benchmarks.

## **Investment Outlook**

### **Near-term Market Expectations**

Third quarter 2024 presents mixed opportunities across our target markets. US equity valuations appear fairly valued relative to earnings growth expectations, while selective Indian market segments offer attractive risk-adjusted return potential.

Interest rate environment stability supports continued equity allocation strategies, though we maintain flexibility for potential policy shifts. Corporate earnings growth sustainability depends on consumer spending resilience and business investment continuation.

## **Strategic Portfolio Positioning**

Technology sector overweight position remains appropriate given structural growth trends and competitive moat characteristics of portfolio holdings. Financial services allocation provides portfolio stability and dividend income generation.

Geographic diversification between US and Indian markets offers currency hedging benefits and access to different economic growth cycles. Emerging market exposure through India provides portfolio enhancement opportunities despite higher volatility profiles.

## **Performance Attribution**

### **Quarterly Return Analysis**

Total portfolio return of 8.2% for Q2 2024 exceeded benchmark performance through active security selection and sector allocation decisions. Technology sector overweight contributed 280 basis points of outperformance relative to market capitalization weighted indices.

Individual security selection added 190 basis points of value, with strongest contributions from Reliance Industries, Microsoft Corporation, and TCS holdings. Currency translation effects were largely neutral due to balanced geographic exposure.

### **Year-to-Date Performance**

Six-month portfolio performance reaches 14.7% compared to 12.1% benchmark return, maintaining consistent outperformance trend established since portfolio inception. Risk-adjusted returns indicate strong alpha generation capability across market cycles.

Volatility metrics remain within target parameters, with annualized standard deviation of 16.8% comparing favorably to peer group averages. Sharpe ratio of 1.34 demonstrates efficient risk utilization for return generation.

## **Recommendations**

### **Portfolio Optimization**

Maintain current geographic allocation between US and Indian equity markets, with potential for modest rebalancing based on relative valuation opportunities. Technology sector exposure remains appropriate for long-term growth objectives.

Consider tactical increases in healthcare and consumer staples allocation to enhance portfolio defensive characteristics during potential market volatility periods. Financial services positions provide dividend yield and value characteristics complementing growth-oriented holdings.

## **Risk Management**

Continue monitoring concentration risk across individual positions and sector allocations. Implement periodic rebalancing protocols to maintain target portfolio weights and risk distribution parameters.

Enhance ESG integration within investment process to address evolving client preferences and regulatory requirements. Develop comprehensive climate risk assessment framework for portfolio companies.

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