We are the champions

We run our rule over the sectors gunning for glory in 2024...

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It's been an intense summer of competitions. First, we had the big musical face-off: the Swifties shook their sequins off on the streets of Edinburgh and London, while the Kepler office was sharply divided on whether Coldplay ruled Glastonbury (if not the world).

Next up was the Euros, with the added incentive of an office sweepstake (although eyebrows were raised when Pascal 'happened' to draw the winner for the second sweepstake on the trot). England may have squeaked through to the finals but it wasn't such good news for M&S, whose share price went south as Gareth Southgate's seventh consecutive outing of a bog-standard white polo shirt failed to light the sartorial flames of the waistcoat-tastic 2020 Euros.

Oh, and then there was the small matter of the elections, when the UK turned a sea of red and even the weather punished Rishi (a good example of pathetic fallacy if you're a GCSE English student). The announcement of the results for South-West Norfolk descended into a game of "Where's Wally/Liz Truss?", Ed Davey dad-danced his way through a barn-storming rendition of Sweet Caroline and it was eighth-time lucky for Nigel. But before we leave the topic of politics, credit to the AIC for trying to chalk up an early win on day one by lobbying Labour to change cost disclosure rules (we fear it may not be first on Angela's to-do list...).

With the passing of the halfway mark of 2024, it therefore seems an opportune time to hold our own Kepler Olympic games. It may not quite have the glitz of the men's 100 metres final but investors backing the Usain Bolts of 2024 will no doubt be counting, if not wearing, their piles of gold.

So, without further ado, these are the top-performing sectors for the first half of 2024, based on average returns for a combined universe of open and closed-end funds from the AIC and Investment Association sectors:

Top 10 Sectors By Performance

POSITION	SECTOR	TOTAL RETURNS
1	Technology	16%
2	India	14%
3	North America	11%
4	Structured debt	11%
5	UK Smaller Companies	10%
6	Financials	10%
7	Global	10%
8	Asia Pacific	9%
9	UK All Companies	7%
10	Global Emerging Markets	6%

Source: FE Analytics, based on total returns for the six months ended 30/06/2024
Past performance is not a reliable indicator of future results

As is often the case, the Americans dominated the medals with the Technology and North America sectors taking gold and bronze respectively. No big surprises there given that NVIDIA alone has chalked up a blistering year-to-date share price increase of more than 140% (all year-to-date numbers as at 22/07/2024), with Meta, Apple and Alphabet also rewarding investors with some eye-catching gains.

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Two of the biggest players in the investment trust world, **Alliance Trust (ATST)** and **Witan (WTAN)**, announced a **blockbuster merger** last month and Alliance Trust remains one of the highest-performing trusts.

ATST offers the opportunity to access a sophisticated 'fund of funds' strategy typically reserved for institutional investors with a team of specialist managers each creating a bespoke best-ideas 20-odd-strong portfolio. Overall, the portfolio is highly diversified, with around 200 holdings, which enables the trust to avoid the excessive concentration risk embedded in the benchmark index. Top holdings in companies such as Microsoft, Amazon, Apple and NVIDIA will have helped to power ATST to an impressive six-month net asset value total return of 8% (all fund data as at 19/07/2024), although it is worth noting that ATST has an underweight exposure to these companies.

India takes the silver medal and has also embodied the merit of the marathon over the sprint as far as investing is concerned. It's been one of the star performers over the past few years as the Modi-led economic reforms and burgeoning middle class have continued to drive strong growth.

This outperformance had prompted some reservations over the valuation premium of Indian equities relative to their Asia peers. But it's shrugged off its doubters and the leading Nifty 50 Index continues to hit record highs, having recovered from its brief dip when Modi failed to cruise to his expected third-time majority in last month's election and India returned to coalition rule.

Ashoka India Equity (AIE) is the top-performing trust in the AIC India & Indian Subcontinent sector over the last five years, with an impressive net asset value total return of 165%, including a 15% return in the last six months. The trust has benefitted from being overweight small and mid-caps and AIE's top two holdings (as at 31/06/2024), ICICI Bank and the State Bank of India, offer a long potential runway for growth given the under-penetration of credit in the Indian banking sector.

The UK may be sitting just outside a medal position but both the Smaller Companies and All Companies sectors put in a commendable performance to feature in the top ten. It's fair to say that we've been banging the drum of UK equities for a while so it's good to finally witness the green shoots of the long-awaited recovery. Macroeconomic factors have undoubtedly played their part, with falling inflation, a return to positive GDP growth and consumer confidence hitting its highest level in more than two years.

Rockwood Strategic (RKW) continues to demonstrate the potential value in the UK small-cap sector, adding a 26% six-month net asset value total return to its five-year return of more than 105%. Manager Richard Staveley runs a concentrated portfolio of around 20 stocks, with communications specialist Filtronic and small business loan provider Funding Circle delivering year-to-date share price returns of more than 250% and 170% respectively.

Finally, a mention for Asia Pacific which accounts for half the world's population and is approaching a similar milestone in terms of GDP. Asian economies are generally unencumbered by the public debt burdens of their western counterparts and, according to the World Data Lab, the region is home to the largest consumer class globally.

Schroder Oriental Income (SOI) offers an income-oriented play on the region which, despite offering similar dividend yields to the FTSE 100, is often overlooked by income-seekers.

The swathe of structural and corporate reforms and, in particular, sustained pressure on companies to improve shareholder value by reducing undeployed cash on their balance sheets, has led to a steep rise in dividends and a record high in share buybacks. SOI has delivered a six-month net asset value total return of 17% and is currently trading on a dividend yield of 4.3%.

As is the British way, we should politely clap the Eddie the Eagles that brought up the rear in the first half of 2024. The wooden spoon goes to Latin America, which continues to bounce between hero and zero, second-only to the North American sector in 2023 but falling by almost 20% in the first half of 2024.

Its popularity soared on the back of rising commodity prices and the re-shoring movement but investors have subsequently shifted their attention back to Asia as the big growth story. It also wasn't the best start to the year for the property sector but we'll spare any further blushes and pack away the podium for now.

Looking ahead, it remains to be seen which sectors will triumph to take the top spots for 2024. There are undoubtedly still some bumps ahead to navigate, not least the US elections and the likely timing of interest rate cuts, but UK, US and Asian equities have made a promising start to the year. Once we've watched Tom Daley go for gold in his fifth Olympics, fierce competition will resume in the Kepler office as we jockey to take first place in the **investment trust picks for 2024**.

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