Q: The past 12 months have been interesting and turbulent for the investment industry. How did your client portfolios fare and how has this impacted asset allocation going into 2024?

A: For well over a year, following market corrections spurred by the rate hiking cycle, Taurus has maintained a strong bias in terms of quality of issuers, regardless of asset class. Investing in fundamentally robust companies that command market leadership in their respective industries while adopting a measured, risk-managed portfolio approach has been the key focus for our client portfolios.

Maintaining a close eye on concentration risk, geographic and sectoral exposure from a top-down, consolidated portfolio basis enabled our clients to participate in the strong-but-narrow rally markets seen last year while limiting downside risks. An example of this would be our approach to individual stock selection last year. Given the narrow band of equity outperformance, any investor, in hindsight, would have wished to be overweight the “Magnificent7” companies. However, on a more diversified basis, we culled a basket of stocks (weighted against multiple criteria, including balance sheet strength, market positioning, business model, etc) for which we followed disciplined trading plans. This tactical approach to our equity allocations helped our clients outperform markets on a risk-adjusted basis.

Additionally, our priority for wealth preservation has resulted in portfolios being diversified across both asset classes as well as individual holdings. We continue to maintain a balanced perspective for portfolios across equities, bonds, alternatives (hedge funds and private equity), commodities and cash moving into 2024.

Q: Recent years have seen a strong rise in interest across alternatives and private markets. Do your clients look to the asset class more for returns? Which investment sectors are your clients interested in and how are they accessing them?

A: Whilst alternative strategies (hedge funds) underperformed public markets last year, we have continued to advocate significant allocation to select alternative funds that we have carefully curated over time. From a long-term perspective, these alternatives as an asset class have outperformed broad markets. Thus, while S&P 500 and Nasdaq have been more or less flat over Jan 2022–Dec 2023, certain of our high conviction alternative strategies have delivered over 25% absolute returns over the same period.

The market-neutral nature of these funds enables them to provide stable returns regardless of global financial conditions, providing a strong base for the overall portfolio to grow. We believe a portfolio of varying underlying strategies is the key to this stable base of alternatives. As an EAM, our investment team is contacted by over 100 fund managers every year. Our investment committee filters out these funds based on our key criteria (including but not limited to AUM, portfolio manager, risk management, years since inception, ratios, etc).

Once approved, the fund is onboarded on our Singapore VCC platform for our clients to access. The VCC structure enables access to these funds for our clients without the need for investing larger quantums. Some of the strategies we have been investing in include:

- Equity Long/Short
- Arbitrage/M&A
- Global Macro
- Algorithm/Quant-based
- Absolute alpha returns

Private markets have experienced valuation adjustments over the past 2-3 years amidst a challenging global macro environment. Since Taurus' inception, we have been cautious when considering this asset class, recommending specific opportunities exclusively to clients who are able to stomach the significant risks that these investments entail and also have an extended investment horizon.

As a firm, we are highly selective when presenting private market opportunities to clients on a risk-appropriate basis. Taurus works with a limited set of high-quality institutional investors in the PE/VC space to help curate and source access to direct private equity opportunities. The focus typically has been on late stage, pre-IPO opportunities. Appetite of late has been muted among clients and the impact on valuation multiples (in an environment of tightening liquidity) is expected to still play out; however, once the primary markets become more conducive to listing and exits, we do believe that interest will once again be piqued in quality opportunities.