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As the new year begins, many investors may be wondering how best to invest their money in 2024, given the uncertainty markets face as interest rates remain at multiyear highs.

Thomas Heller, the chief investment officer of Switzerland-based Belvédère Asset Management, says his first piece of advice to clients with a long-term view is to stay invested regardless of the current macroeconomic conditions.

"Be invested. Not being invested, in my view, is the biggest investment mistake one can make," Heller told CNBC Pro from Zürich.

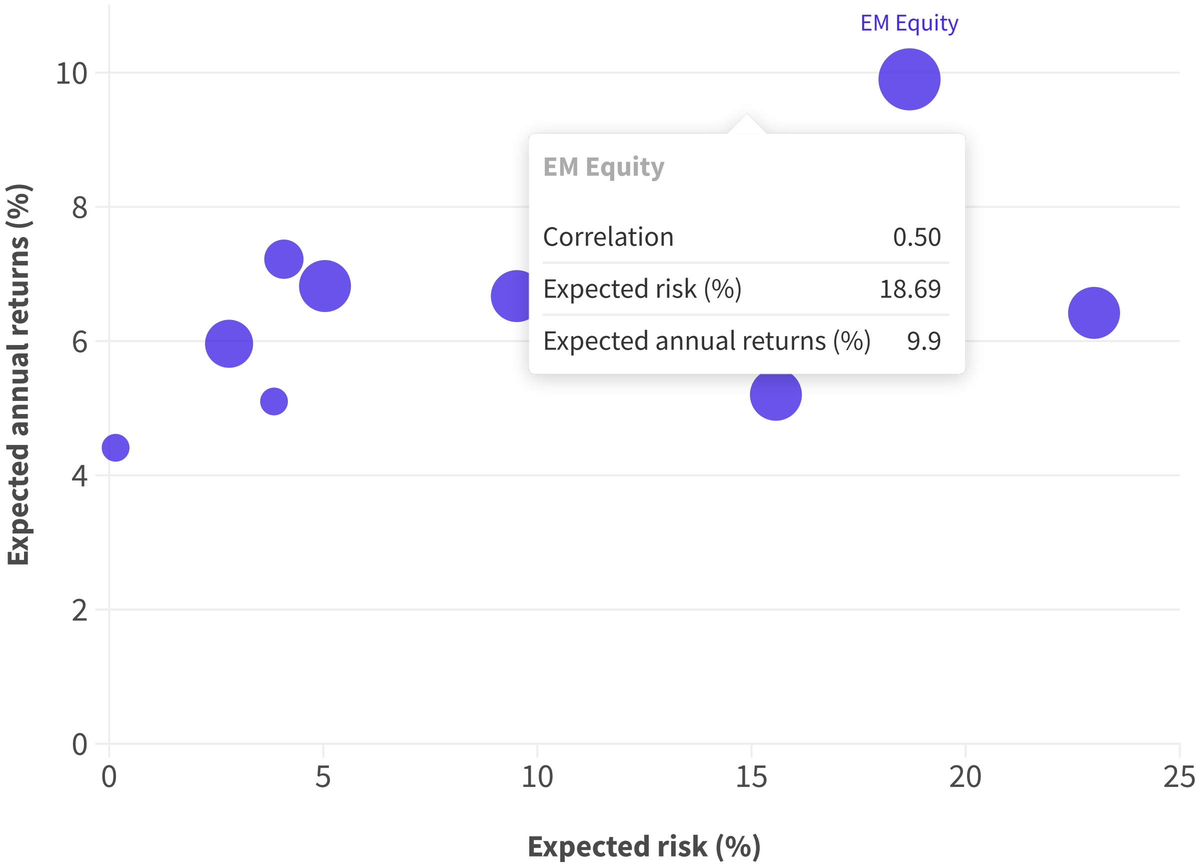
"My experience is more that [investors] have [cash] on the cash account because they just simply don't know what to do or ignore it. It's not an active position," he explained. Heller, whose firm typically serves clients with about $1 million in investible assets, added that earning a higher interest rate on cash balance shouldn't be an excuse to delay investment decisions.

Hani Redha, the head of multi-asset solutions at PineBridge Investments, believes investors should make decisions on portfolio allocations in line with the state of the economy.

Redha, who has previously managed sovereign wealth funds and hedge fund portfolios, laid out an "intermediate-term approach" focused on the next five years. He believes this time frame roughly aligns with one business cycle and allows investors to be more adaptable to changes than holding an investment statically for 10 whole years.

The chart below shows PineBridge Investments' five-year forecasts across multiple asset classes.

**PineBridge asset class risk/returns forecast over the next five years**




Source: PineBridge Investments • Size of the dots represents an assets correlation with the global asset class average

## Where to allocate?

For a 10-year investment horizon, assuming limited need for the invested money during that time frame, Heller would allocate 90-95% to equities for a "medium risk" portfolio, or 70% to equities and 20% to bonds for a "more cautious investor."

Investors comfortable with locking up a small portion of their money could also invest in higher-yielding assets such as private equity and private credit, according to Heller, who was previously the chief investment officer at the Swiss-government-owned lender Schwyzer Kantonalbank for eight years.

"A 10% allocation towards alternatives I would recommend as well over these 10 years," he added.

Redha pointed to the VanEck CLO ETF, which is "sub-advised" by PineBridge, as an example of an alternate asset in which investors could invest 3-5% of their portfolio.


The fund bundles up Collateralized Loan Obligations (CLOs), which are fixed-income products with higher returns than corporate bonds. CLOs were previously accessible only to individuals of ultra-high net worth, family offices or institutions.

The ETF, which holds debt issued mostly by investment-grade rated companies, has risen by 8.8% this year and currently offers an SEC 30-day yield of 6%.

However, Redha cautioned that as CLOs are sensitive to the prevailing interest rate, future returns might not be as high since the Federal Reserve has hinted at three cuts next year.

## Looking at geography

Heller believes global investors should not "ignore the American market" despite the recent run-up in U.S. stock prices but should instead diversify globally with a slight home country bias.

He suggests explicitly tilting U.S. equity exposure beyond large benchmark indexes to include global small-cap stocks.

Meanwhile, Redha sees emerging markets and Indian equities specifically as attractive equity investments for a $1 million portfolio — he expects significantly higher expected annualized returns for those markets than broad U.S. or European stock indexes over the next five years.

He advises being selective within markets like the technology-heavy Nasdaq, noting expensive valuations across big benchmark indexes. Even the S&P 500 is set to close 23% higher this year, and many market participants believe valuations have run ahead of the fundamentals.

Instead, Redha suggests investors should look toward U.S. health-care stocks through the Health Care Select Sector SPDR ETF, which he believes is attractive for structural and cyclical reasons.

**Health Care Select Sector SPDR Fund**

RT Quote | Last NASDAQ LS, VOL From CTA | USD

After Hours: Last | 7:02 AM EST

**133.15** ▲ +0.42 (+0.32%)

QUOTE DETAILS

**132.73** ▼ -1.95 (-1.45%)

Close


## Fixed income

The rise in yields over the past year has meant that bonds are attracting interest from investors unlike anything seen over the past decade.

When it comes to picking up additional yield, Belvedere's Heller favors investing in corporate bonds over government bonds, recommending "quality" corporates for at least half of the fixed income allocation.

PineBridge's Redha echoed that view. "Fixed income is back," he said, noting that bonds and other fixed-income investments are far more attractive now than in the past decade when yields were meager.

For instance, the Vanguard Long-Term Corporate Bond ETF pays out nearly 6% annual dividend, which, according to Redha, is "a pretty good outcome" for corporate bond investors.

Even accounting for his expectation that inflation decreases from current high levels but remains above pre-pandemic lows, an investment-grade corporate bond would provide an inflation-adjusted "real return" similar to what equities historically delivered, according to Redha.

Overall, Heller and Redha emphasized that investors should be more selective in their investments over the next decade than in the past rather than relying on basic market cap-weighted indexes or broad benchmarks.