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Tailored Discretionary Managed Portfolios

Q1 2025 Update

eden park INVESTMENT MANAGEMENT

CHARLES STANLEY Wealth Managers

Latest Market Commentary – March 2025

The FTSE 100 hit another new all-time high at the end of February, boosted by some solid earnings reports, a stronger dollar and takeover talk. However, equity markets slipped in March as investors sought clarity on the scope and impact of Donald Trump's tariff strategy ahead of new "reciprocal" measures that will be announced in April.

Equity markets have also been impacted by a note of caution over the pace of US interest rate cuts during 2025 following comments by senior Federal Reserve policymakers. The US central bank is now projecting just two interest rate cuts this year, as inflation has remained stubborn – and several of Mr Trump's policies are likely to contribute to inflation should they be implemented in full. However, some weak economic data has resulted in markets believing there may be more cuts than the central bank's current guidance.

Major US technology shares are still dealing with the fallout from January's news that Chinese group DeepSeek had developed an artificial intelligence (AI) system cheaper than those developed in the West that it claimed is just as powerful. After AI companies saw their valuations swell in 2024 on optimism over prospects for the nascent technology, concerns mounted that businesses were overspending. However, major companies such as Amazon, Facebook-owner Meta and Google-owner Alphabet remain committed to investing in AI infrastructure. Most of the US companies involved in the sector have welcomed the competition from China.

Donald Trump was inaugurated as US president in January after he won a majority in both chambers of Congress in the November 2024 election. He immediately released a flurry of Executive Orders, many of which involved reversing climate initiatives. These included the US's immediate withdrawal from the Paris Agreement on climate change and a promise to "drill, baby, drill" to increase the country's output of oil and gas.

The new president plans to raise tariffs of up to 25% on Mexican and Canadian goods from early March, as he targets illegal immigration and drug smuggling. Mr Trump has also vowed to impose additional 10% tariffs on Chinese goods on top of the 10% he already introduced in February. Tariffs of 25% on steel, aluminum and vehicles have also been unveiled. A big announcement is expected in the first week of April. Mr Trump insists that reciprocal action, where tariffs are raised to match those of other nations, is needed because the world's biggest economy had been "ripped off by every country in the world". He has deemed the day of this announcement "Liberation Day".

The defence sector has been a major beneficiary of President Trump's new policies as he attempts to pressure NATO members into increasing their spending in this area. He believes the US is bearing too much of the cost of protecting Europe and members of the trans-Atlantic alliance need to increase spending significantly. The US is attempting to strike a deal with Russian leader Vladimir Putin to end the war in Ukraine, but Trump is excluding allies in Europe from the initial negotiations and the process remains controversial.

The fourth-quarter earnings season was generally supportive of equity markets, but companies that issued disappointing guidance were hit hard in valuation terms. Given concerns in the market about inflation and tariffs, analysts have lowered earnings estimates more than normal for S&P 500 companies in the first quarter.

Clearly, Donald Trump's policy intentions have created some uncertainty over the outlook for inflation and growth in the US, but the Federal Reserve is still expected to engineer a soft economic landing. Although evidence of a slowdown has emerged in the UK, there is nothing yet to suggest this could morph into a recession.

	Tailored Lower Risk	Tailored Medium Low Risk	Tailored Medium High Risk	Tailored Higher Risk
Fixed Income	**53.5**	**36.5**	**22.4**	**8.9**
Government Bond	15.4	12.3	9.2	4.4
Inflation Linked Bond	4.5	3.2	3.4	2.1
Investment Grade Bond	27.6	15.8	5.3	0.0
High Yield Bond	6.0	5.2	4.5	2.5
Equity	**26.9**	**44.4**	**63.1**	**76.4**
North America	13.1	21.7	29.4	38.1
Japan	3.8	4.9	7.0	7.1
Europe	3.5	5.0	5.1	7.0
UK	3.8	6.0	7.3	7.6
Asia Pacific ex-Japan	1.9	3.9	8.7	9.2
Global Emerging Market	0.9	2.9	5.7	7.4
Global Equity / Thematics	0.0	0.0	0.0	0.0
Alternatives	**9.0**	**11.3**	**12.3**	**13.7**
Property	2.0	3.1	4.0	5.1
Absolute Return / Multi Asset	0.0	0.0	0.0	0.0
Infrastructure	5.8	6.3	6.2	6.3
Cash & Equivalent	**10.6**	**7.9**	**2.1**	**1.0**

Table 1. Source: Charles Stanley as of 31 March 2025. Figures subject to rounding.

Portfolio Positioning

The first quarter of the year saw our annual strategic asset allocation review with changes resulting from this, in addition to portfolio changes to reflect changes to our investment strategy.

The key portfolio changes through the quarter were:

- Trimming our direct equity exposure to introduce passive index exposure to improve regional diversification and improve our ability to tilt regional exposures. This included adding to our S&P Equal Weight position which we view as more defensive

- Small adjustments to our fixed income and equity region exposures to align to our longer-term views, with an increase in Government and Investment Grade bonds in the Lower risk portfolios.

- Exiting our thematic holdings – World Healthcare & M&G Global Dividend

- Restructuring our Infrastructure exposure, introducing Sequoia Economic Infrastructure and The Renewables Infrastructure Group and exiting HICL.

Quarterly Performance

Following strong equity market returns in 2024 driven by North American many investors felt this theme would continue and had the potential to be amplified by Donald Trumps second term as President. However, the story that played out was quite different.

Equity Markets slipped as investors sought clarity on the scope and impact of Donald Trump's tariff strategy. European equity indices fared better than those in the US, amid a rotation by investors from Wall Street where valuations are rich and economic uncertainty now prevails. Emerging market shares outperformed developed markets in general, with China outperforming India in the short term.

Weakness in US equity markets was sparked by investor worries over the effect of Donald Trump's tariff strategy on the country's economy. This uncertainty was compounded after the announcements by the US president left many questions unanswered.

As expected, the US Federal Reserve held its key interest rate steady at 4.25% to 4.50%. Its Federal Open Markets Committee (FOMC) downgraded its outlook for economic growth and moved its inflation projection higher. Inflation protected assets performed well over the quarter.

Alternatives produced mixed returns with broad global infrastructure faring better than Property and more target closed ended infrastructure over the quarter.

The silver lining is that we are now seeing diversification benefits in portfolios during this selloff that were not present during the last market correction. This was true in the first quarter for stocks and bonds, with falling yields in the US partially offsetting equity losses, and the opposite being true in Europe.

Figure 1: Rolling Quarterly Performance

Source: Bloomberg, gross performance figures. Past Performance is not a reliable indicator of future returns. As at 31 March 2025.

Tailored Lower: -0.5%; Tailored Medium Low: -1.7%; Tailored Medium High: -3.0%; Tailored Higher: -4.1%

Performance Attribution

Tailored Discretionary Medium High Risk (DT6)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	**20.7**	**5.3**	**1.1**
Government Bond	7.7	2.3	0.2
Inflation Linked Bond	3.3	6.8	0.2
Investment Grade Bond	7.0	5.5	0.4
High Yield Bond	2.6	12.2	0.3
Emerging Market Bond	0.0	0.0	0.0
Equity	**67.7**	**-0.7**	**-0.2**
North America	30.5	-0.1	0.0
Japan	6.4	-3.6	-0.3
Europe	6.9	-2.5	-0.1
UK	5.3	0.3	-0.2
Asia Pacific ex-Japan	8.7	-1.4	-0.1
Global Emerging Market	5.6	7.9	0.4
Global Equity / Thematics	4.4	3.6	0.1
Alternatives	**10.2**	**-0.1**	**0.0**
Property	3.7	-1.7	-0.1
Absolute Return / Multi Asset	0.0	0.0	0.0
Infrastructure	6.3	0.4	0.1
Commodities	0.0	0.0	0.0
Private Equity / Debt	0.2	1.6	0.0
Cash & Equivalent	**1.4**	**-2.0**	**0.0**

Table 2. Source: Bloomberg, gross performance figures as of 31 March 2025.
Figures subject to rounding.

Table 2 shows the attribution of the medium-high (DT 6) risk portfolio over the last 12 months.

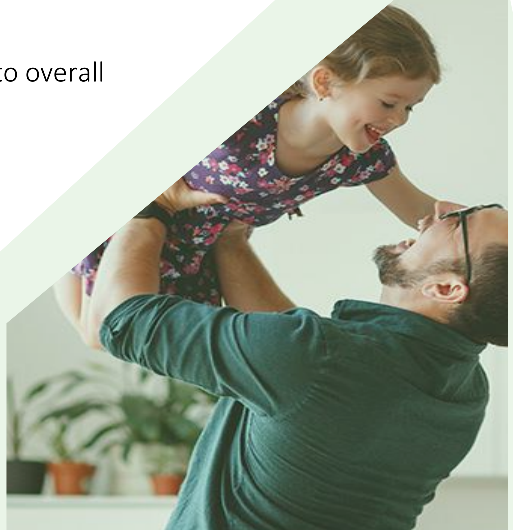
The first quarter saw a large unwind of the positive equity performance through the year with our US equity allocation ending the period approximately flat for the year on the back of concerns over Trump's tariff implementation and its impact on the US and the rest of the world. Emerging markets, led by strong Chinese equity markets, were the primary bright spot within equities.

Fixed Income delivered modest positive total returns in aggregate but have acted as a decent hedge against falling equity markets with Government and Investment Grade Bonds benefitting from falling Treasury yields. The standout remains the High Yield Bond allocation with the Man GLG High Yield Opportunities Fund held delivering 12.2% TR for the period, showing substantial value from their active management and Pan-European tilt to the underlying portfolio.

The picture remains mixed in the Alternatives exposures, with modest returns from Infrastructure and Private Debt, alongside negative contributions from Property. The listed trusts held within infrastructure (INPP and HICL) held back the positive total returns delivered by the L&G Global Infrastructure fund. We continue to see these trusts as attractive, but the discounts to NAV have persisted through the year.

Booking (+38%), Apple (+27%), Siemens (+24%), and Starbucks (+25%) were the top performers and contributors to overall performance.

Novo Nordisk (-47%), Micron (-35%), and Synopsys (-22%) were the notable underperformers.



Performance Attribution – Other Risk Profiles last 12 months

Tailored Discretionary Lower Risk (DT4)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	**48.2**	**5.0**	**2.4**
Government Bond	12.0	2.1	0.3
Inflation Linked Bond	4.4	6.8	0.3
Investment Grade Bond	25.8	4.3	1.1
High Yield Bond	5.9	12.2	0.7
Emerging Market Bond	0.0	0.0	0.0
Equity	**31.9**	**-1.4**	**0.0**
North America	14.5	-0.9	0.0
Japan	4.8	-3.4	-0.1
Europe	4.7	-1.1	0.0
UK	3.2	0.2	-0.1
Asia Pacific ex-Japan	3.1	-2.5	0.0
Global Emerging Market	0.1	-6.7	-0.1
Global Equity / Thematics	1.5	13.3	0.3
Alternatives	**8.5**	**2.5**	**0.2**
Property	2.5	-1.9	0.0
Absolute Return / Multi Asset	0.0	0.0	0.0
Infrastructure	6.0	3.9	0.2
Commodities	0.0	0.0	0.0
Private Equity / Debt	0.1	1.6	0.0
Cash & Equivalent	**11.4**	**3.9**	**0.4**

Tailored Discretionary Medium Low Risk (DT5)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	**33.4**	**5.2**	**1.7**
Government Bond	10.2	1.9	0.2
Inflation Linked Bond	4.0	6.8	0.3
Investment Grade Bond	14.6	5.1	0.7
High Yield Bond	4.6	12.2	0.5
Emerging Market Bond	0.0	0.0	0.0
Equity	**49.6**	**-1.6**	**-0.4**
North America	22.2	-1.4	-0.3
Japan	5.5	-3.3	-0.2
Europe	6.3	-0.7	0.0
UK	5.2	0.3	-0.1
Asia Pacific ex-Japan	5.0	-0.6	0.0
Global Emerging Market	1.7	2.6	-0.1
Global Equity / Thematics	3.7	5.9	0.3
Alternatives	**9.2**	**0.0**	**0.0**
Property	3.3	-2.1	-0.1
Absolute Return / Multi Asset	0.0	0.0	0.0
Infrastructure	5.7	0.4	0.1
Commodities	0.0	0.0	0.0
Private Equity / Debt	0.2	1.6	0.0
Cash & Equivalent	**7.8**	**3.4**	**0.3**

Tailored Discretionary Higher Risk (DT7)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	**7.9**	**5.5**	**0.4**
Government Bond	3.7	1.7	0.1
Inflation Linked Bond	2.2	6.8	0.1
Investment Grade Bond	0.0	0.0	0.0
High Yield Bond	2.0	12.2	0.2
Emerging Market Bond	0.0	0.0	0.0
Equity	**77.4**	**-1.1**	**-0.8**
North America	33.1	-0.2	-0.7
Japan	7.0	-3.4	-0.3
Europe	7.2	-3.2	-0.3
UK	6.2	0.2	-0.2
Asia Pacific ex-Japan	9.7	-1.7	-0.1
Global Emerging Market	7.3	7.1	0.5
Global Equity / Thematics	6.9	3.5	0.3
Alternatives	**13.1**	**1.1**	**0.2**
Property	4.6	-2.2	-0.1
Absolute Return / Multi Asset	0.0	0.0	0.0
Infrastructure	8.2	3.0	0.3
Commodities	0.0	0.0	0.0
Private Equity / Debt	0.2	1.6	0.0
Cash & Equivalent	**1.7**	**-4.0**	**0.0**

Source: Bloomberg, gross performance figures as of 31 March 2025. Figures subject to rounding.

Top and Bottom Contributors – 12 months to 31 March 2025

	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
Tailored Lower Risk	Man GLG High Yield Opportunities	5.9	12.2	0.7	Novo Nordisk	1.0	-46.8	-0.4
	Apple	1.2	27.2	0.5	iShares S&P 500 ETF	0.3	-10.7	-0.4
	Vanguard Global Credit	7.1	5.7	0.4	L&G US Index	0.3	-11.4	-0.3

	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
Tailored Medium Low Risk	Apple	1.8	27.2	0.6	iShares S&P 500 ETF	0.5	-10.7	-0.6
	Man GLG High Yield Opportunities	4.6	12.2	0.5	L&G US Index	0.4	-11.4	-0.5
	Siemens	2.0	23.9	0.5	Novo Nordisk	1.2	-46.8	-0.5

	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
Tailored Medium High Risk	Booking	2.1	33.2	0.8	iShares S&P 500 ETF	0.7	-10.7	-0.8
	Apple	2.1	27.2	0.8	L&G US Index	0.6	-11.4	-0.7
	Siemens	2.2	23.9	0.6	Novo Nordisk	1.6	-46.8	-0.7

	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
Tailored Higher Risk	Apple	2.4	27.2	0.8	iShares S&P 500 ETF	0.9	-10.7	1.0
	Booking	2.1	33.2	0.8	L&G US Index	0.7	-11.4	-0.9
	Siemens	2.3	23.9	0.6	Novo Nordisk	1.7	-46.8	-0.7

Source: Bloomberg, gross performance figures as of 31 March 2025. Figures subject to rounding.

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