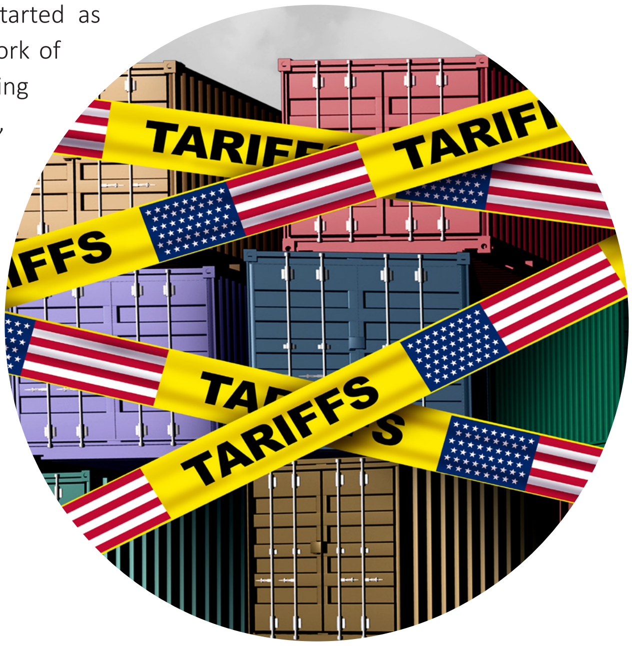
INVESTMENT REVIEW

Quarter 1 2025

As we reflect on the first quarter of 2025, the dominant story for investors has not been inflation, interest rates, or even the prospect of slowing growth—it's been tariffs. In a dramatic return to form, President Donald Trump, having secured a second term in office, launched a sweeping and immediate set of tariff hikes that have reshaped the global trade landscape almost overnight. This abrupt escalation in protectionism has had significant implications for investors, rippling through equity markets, bond pricing, and broader economic sentiment.

TARIFFS BECOME REAL

Tariff rumours reached a crescendo on Trump's "Liberation Day". What started as a blanket 10% tariff on all imports quickly escalated into a complex framework of reciprocal tariffs, some as high as 50%, aimed squarely at economies running trade surpluses with the US. The immediate targets included Europe, China, Japan, and South Korea—with the auto sector in particular again finding itself in the cross-hairs. Not even the UK as a traditional ally was spared, although the tariffs imposed were lower than the European Union, which feels like quite a hollow Brexit victory.



Beyond the headline numbers, the effects of tariffs on sentiment and investment are already being felt. Business investment—especially in trade-sensitive sectors like manufacturing—will likely weaken as firms grapple with rising costs and uncertain policy direction. Tariff uncertainty has become a key issue: while the initial shock may fade, the fear of further changes, retaliatory tariffs, or abrupt policy U-turns leads firms to delay or cancel capital expenditure. Economists now estimate prolonged uncertainty could shave up to 1.7% off global GDP by 2028.

RATE CUTS BACK ON THE TABLE

This environment demands a nuanced approach for equities. Sectors with high international exposure or intricate supply chains, particularly autos, technology hardware, and industrials, are entering a particularly challenging environment. On the other hand, companies with domestic-focused revenues or strong pricing power may prove more resilient. Weaker growth expectations and central bank support could provide a tailwind in bond markets. The Federal Reserve is expected to cut rates more aggressively than planned to help support the US economy.

In Q4 2024, BAM adjusted its portfolio positioning to reduce allocations to the US, primarily due to company valuations looking expensive. This positioning has helped to reduce some of the downsides we have seen in US markets whilst still holding enough US assets to reasonably participate in any turnaround. We can expect continued volatility due to the words and actions coming out of the US that ripple around the world. The portfolios will likely maintain their underweight to US assets. Still, the team are alert to the fact that Trump campaigned on a promise to pare back regulation and cut taxes, which, if they happen, has the potential to turn investor sentiment swiftly.

OTHER NEWS OUTSIDE THE US

The UK, meanwhile, offered a quieter contrast. Chancellor Rachel Reeves' Spring Budget was less notable for what it contained and more for what it didn't. Despite some politically sensitive welfare cuts, the announcement passed largely without market disruption. The status quo continues: little fiscal fire-power and no surprises—a dull but stable backdrop for investors to work with.

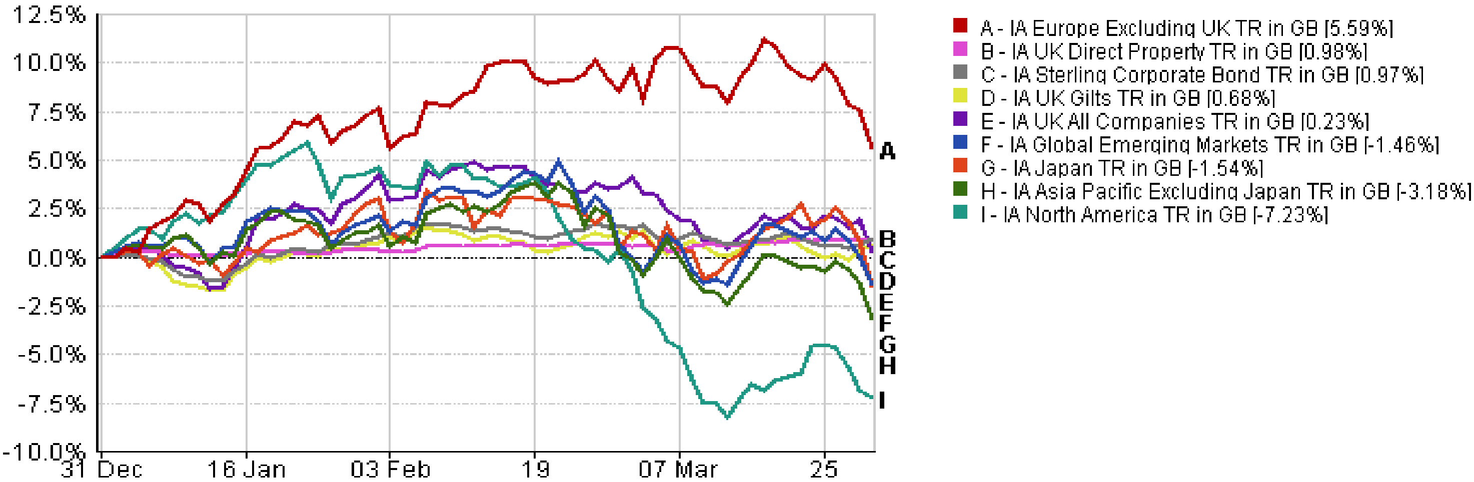
Germany, by contrast, has taken a surprisingly expansionary turn by announcing a large-scale boost in public spending. Investors and economists welcomed the move, which has injected a dose of optimism into one of Europe's more lacklustre economies. Business sentiment is on the rise, and since the turn of the year, Germany's equity indices have outperformed their UK and US counterparts, reflecting confidence that the fiscal splurge may help lift the broader Eurozone out of its recent malaise. The market reaction, while still tentative, has been encouraging, and the BAM portfolios continue to have an overweight allocation to Europe.

The first quarter of 2025 has reminded investors of the outsized influence politics can wield over markets. Trump's tariffs have introduced a powerful new variable into the global economic equation. As always, we continue to monitor developments closely and stand ready to adjust positioning as the landscape evolves. The path forward may be uncertain, but it's times like these when diversification is our friend. The team has positioned the BAM portfolios to be very capable of navigating choppier waters and even finding opportunity amid the upheaval.

Annual Investment Performance

		31/03/2020 to 31/03/2021	31/03/2021 to 31/03/2022	31/03/2022 o 31/03/2023	31/03/2023 to 31/03/2024	31/03/2024 to 31/03/2025
CORE	Defensive Mixed Assets	+12.51	+5.02	-6.27	+5.29	+4.52
	ARC Sterling Cautious PCI	+11.34	+1.62	-4.25	+4.30	+3.78
	Defensive Balanced Mixed Assets	+18.04	+5.06	-6.34	+7.25	+4.38
	ARC Sterling Balanced Asset PCI	+17.86	+3.46	-4.52	+7.19	+2.94
	Balanced Mixed Assets	+28.71	+5.42	-5.39	+9.90	+4.19
	ARC Sterling Steady Growth PCI	+23.53	+4.64	-4.52	+9.24	+2.53
	Focused Growth Mixed Assets	+38.67	+5.49	-4.99	+11.79	+3.92
	ARC Sterling Equity Risk PCI	+30.35	+4.84	-4.61	+10.99	+2.46
	Global Equity		+5.32	-4.79	+13.54	+3.79
	IA Global	+40.59	+8.39	-2.65	+16.74	-0.27
THEMATIC	Ethical Opportunities Portfolio	+17.82	+4.42	-3.01	+4.56	+2.18
	ARC Sterling Balanced Asset PCI	+17.86	+3.46	-4.52	+7.19	+2.94
	Ethical Growth Portfolio					-1.83
	ARC Sterling Equity Risk PCI	+30.35	+4.84	-4.61	+10.99	+2.46
	Global Horizon Portfolio	+47.96	-0.81	-9.03	+8.47	-10.12
	IA Global	+40.59	+8.39	-2.65	+16.74	-0.27

Q1 Investment Performance



Figures shown are for a sterling denominated investor for the 3 month period to 31/03/2025. Source: Financial Express Analytics

BAM MPS PERFORMANCE FIGURES TAKE INTO ACCOUNT THE ONGOING CHARGES OF THE UNDERLYING HOLDINGS BUT EXCLUDE ADVISER CHARGES AND PLATFORM FEES. INCLUSION OF THESE WILL RESULT IN A LOWER RETURN TO THE END INVESTOR, DEPENDING ON THE CLIENT AGREEMENT AND THE PLATFORM USED. ARC PCI: ASSET RISK CONSULTANTS (ARC) OPERATE THE PRIVATE CLIENT INDICES (PCI) ACROSS THE RISK SPECTRUM AS PERFORMANCE MEASUREMENT AND YARD-STICKS FOR DISCRETIONARY PORTFOLIO MANAGERS. THIS DATA INCLUDES PLATFORM FEES AND MAY BE ESTIMATED AND SUBJECT TO REVISION.

AS IS THE VERY NATURE OF INVESTING, THERE ARE INHERENT RISKS AND THE VALUE OF YOUR INVESTMENT WILL BOTH RISE AND FALL OVER TIME. PLEASE DO NOT ASSUME THAT PAST PERFORMANCE WILL REPEAT ITSELF AND YOU MUST BE COMFORTABLE IN THE KNOWLEDGE THAT YOU MAY RECEIVE LESS THAN YOU ORIGINALLY INVESTED. CHANGES IN RATES OF EXCHANGE MAY HAVE AN ADVERSE EFFECT ON THE VALUE, PRICE OR INCOME OF AN INVESTMENT. THE OPINIONS STATED ARE THOSE OF BECKETT ASSET MANAGEMENT LTD, WHICH IS AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.

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