PACIFIC
ASSET MANAGEMENT

POSITIONING FOLLOWING A CHANGE IN LEADERSHIP

EMBRACING INNOVATION, DRIVING MORE PREDICTABLE OUTCOMES AND DEMONSTRATING VALUE

Jeremy Krausz, CFA
Associate Director

defaqto
2024
EXPERT RATED

AGENDA

PAM UPDATE

MACRO UPDATE

TRUMP 2.0

OPPORTUNITIES

CONCLUSION & QUESTIONS

Our story so far

A management owned business, unencumbered by legacy

Family Office Heritage
Pacific Investments

- **PAM is part of Pacific Investments Group**, a UK based private family office established in 1993.
- Pacific Investments is well **regarded as founders and incubators of highly successful asset management** businesses.

Moving Asset Management Forward
Pacific Asset Management

Expertise Across Asset Classes

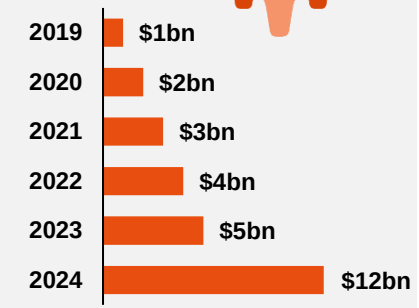
- Multi-Asset
- Equity
- Fixed Income
- Alternatives
- Risk Premia
- Sustainable
- Thematic

Global Client Base

- Advisers
- Institutional Pension Funds
- Wealth Managers
- DFM's
- Consultants

20+ Dedicated Investment Professionals

Consistent AUM Growth



1993 – **PIM FOUNDED**

Businesses previously founded by Pacific Investment.

Thames River · River and Mercantile Group · Nevsky Capital · Liontrust

2016 – **PAM FOUNDED**

2017
Launch of MPS
Launch of EM Equity Fund

2018
Launch of AdviserLab
PAM becomes signatory to UN PRI

2019
Launch of G10 Macro Rates

2021
MPS range awarded 5* Defaqto Rating
EnlightenESG Profiling Tool Launched

2021
Launch of Longevity & Social Change Fund

2022
Launch of EM Income Fund

2023
Launch of North American Fund
Launch of Global Credit Fund

Source: Pacific Asset Management as at 31 December 2024.

Pacific Asset Management

Modern, highly diversified, technology driven asset manager

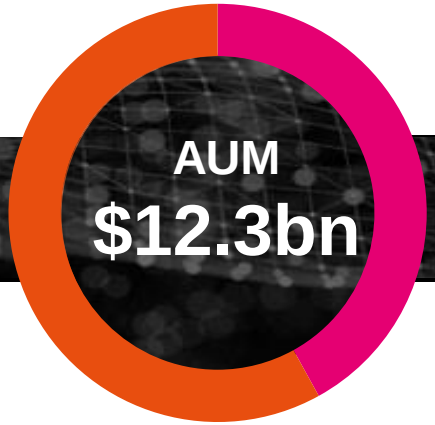
1. Modern Adviser Solutions

$6.7bn

Tech Enabled Multi-Asset Adviser Solutions & ESG Principled Investment

Comprehensive range of Multi-asset solutions across investment styles and risk profiles.

Underpinned Adviser Technology & Support.



PRI Principles for Responsible Investment

enlighten ESG

2. Single Manager Solutions

$5.6bn

Craft-based High Conviction Active Management

Equity
US
Emerging Markets
Global Equities

Fixed Income
Global Credit

Alternatives
G10 Macro Rates

Source: Pacific Asset Management as at 31 December 2024.

Modern Model Portfolio Solutions

Utilising institutional infrastructure to power model portfolios

PACIFIC ASSET MANAGEMENT

Core	Efficient Passive	Tailored	Sustainable	Income
• Defensive • Conservative • Balanced • Adventurous • Aggressive	• Defensive • Conservative • Balanced • Adventurous • Aggressive	• Tailored to meet your firms' requirements • Built *with* you	• Defensive • Conservative • Balanced • Adventurous • Aggressive	• Defensive • Balanced
CORE GLOBAL	CORE GLOBAL			

defaqto 2024 EXPERT RATED

defaqto RISK RATED

Oxford Risk | Behavioural Finance. Applied.

DYNAMIC PLANNER® RISK PROFILED

Source: Pacific Asset Management 2024

MACRO
UPDATE

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Three scenarios

Odds have moved significantly from a hard landing since the start of the year

RECESSION/HARD LANDING

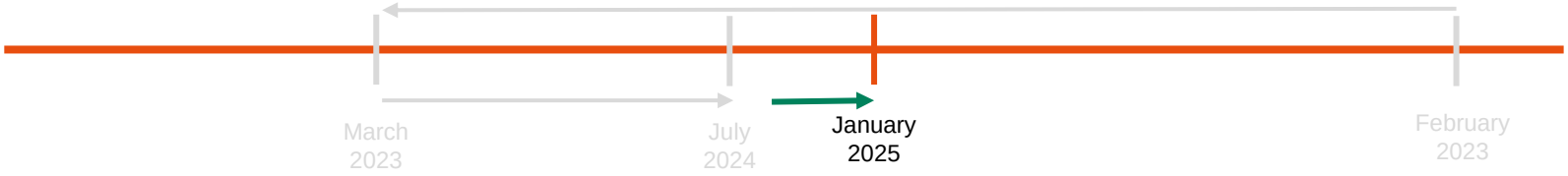
- Consumer spending drops rapidly as rate hikes bite
- Higher unemployment
- Equity earnings fall
- Much lower inflation (maybe not back to trend)
- Lower rates from CBs

SOFT LANDING

- Inflation falls rapidly without a material deterioration in demand/employment mix
- Growth is reasonable, slowing but not recessionary
- Equity +ve
- Rates: stable or slightly lower (ie back to neutral) for CBs

NO LANDING

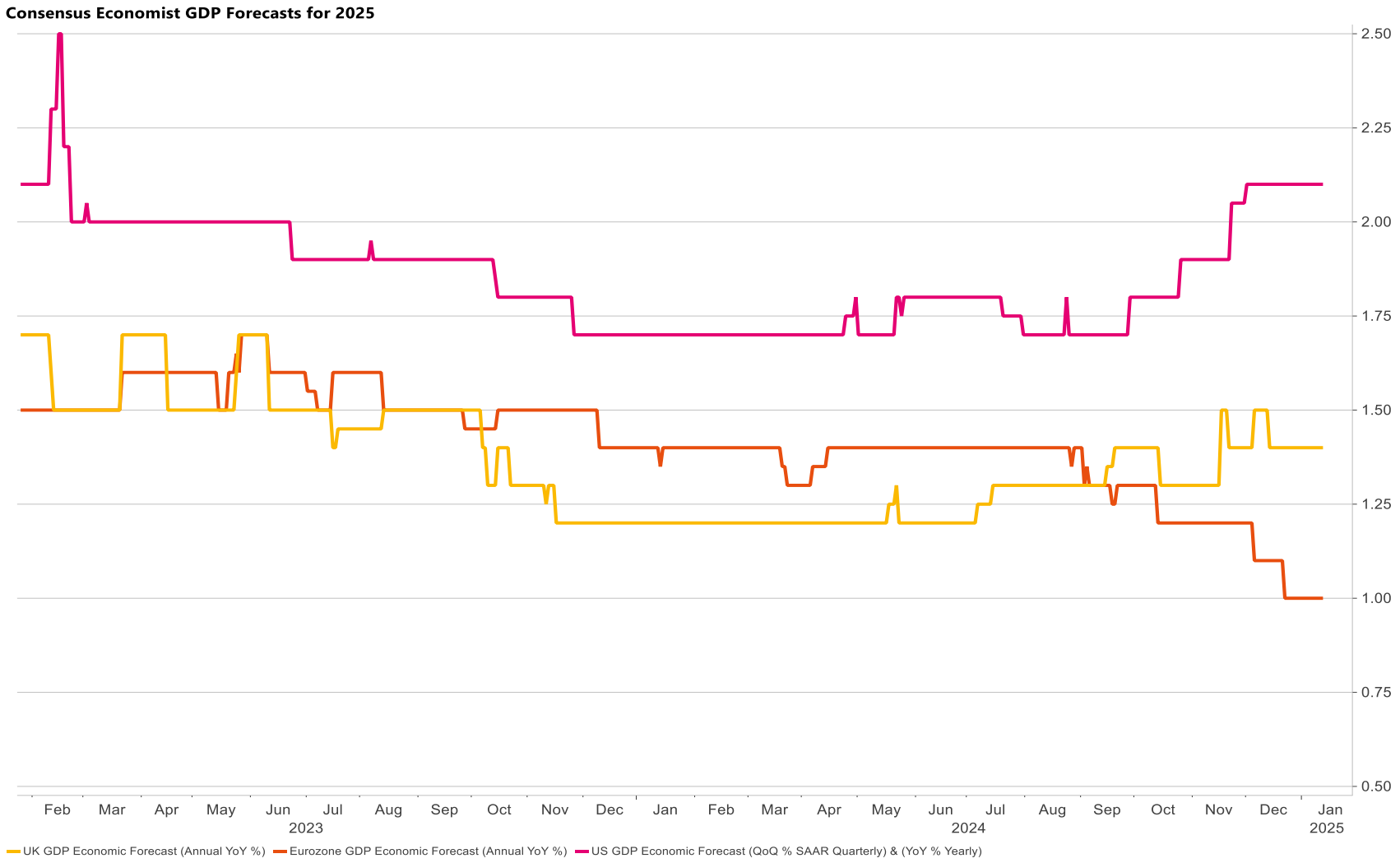
- Inflation fails to decline as rapidly as central bankers expect – rebounding through wages/services
- Central banks are forced to tighten monetary policy further/tighten financial conditions
- Employment remains very strong
- Short term growth is stronger – but higher rates may bring a sudden stop
- Equity, back to 2022 playbook?
- Rates: higher and volatile



Source: Pacific Asset Management, 2025.

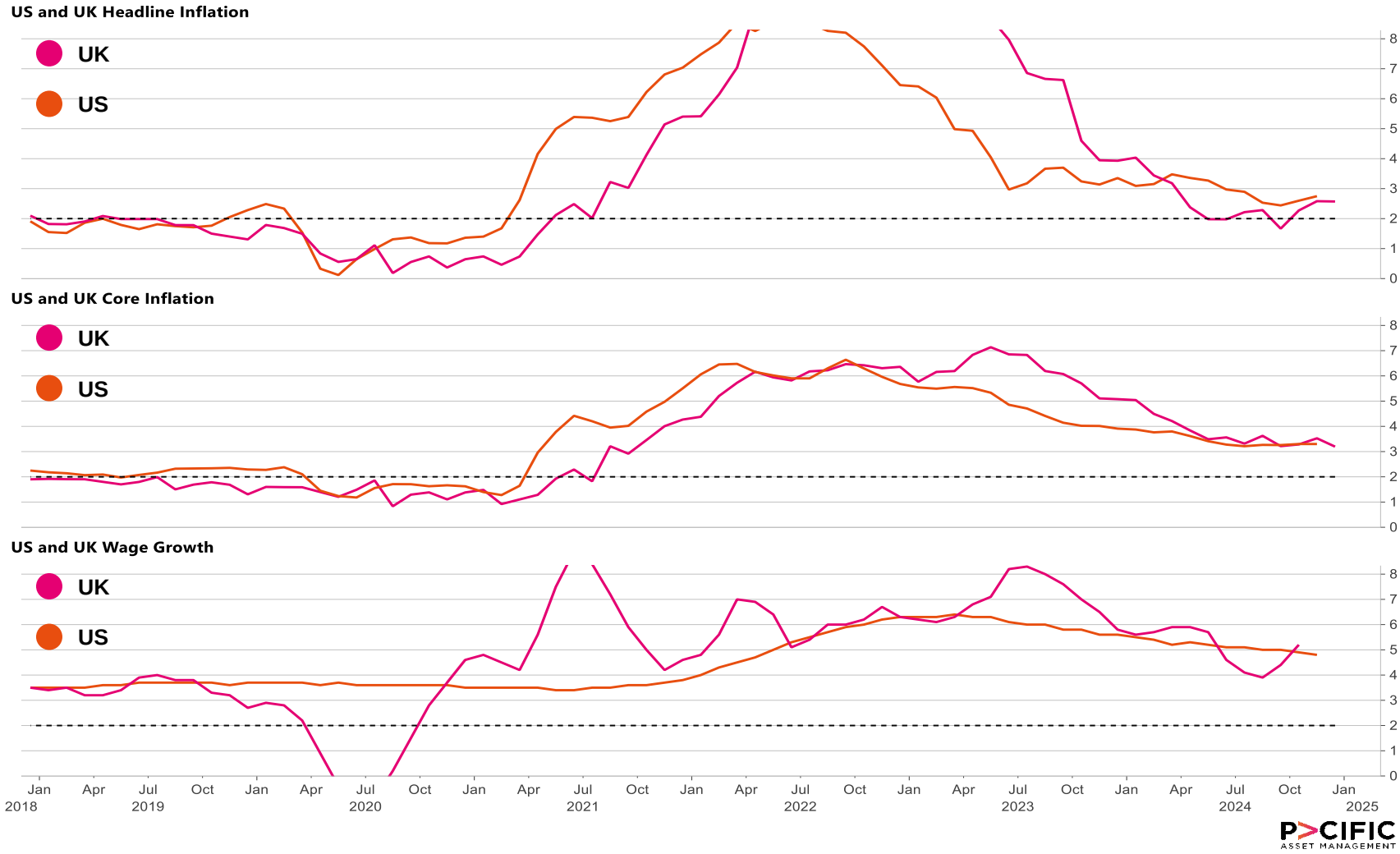
US Growth set to run at or above trend

Other major regions look tepid



Source: Macrobond

Headline inflation has fallen materially but core inflation above target



Source: Macrobond

“With today’s action, we have lowered our policy rate by a full percentage point from its peak and our policy stance is now significantly less restrictive,”

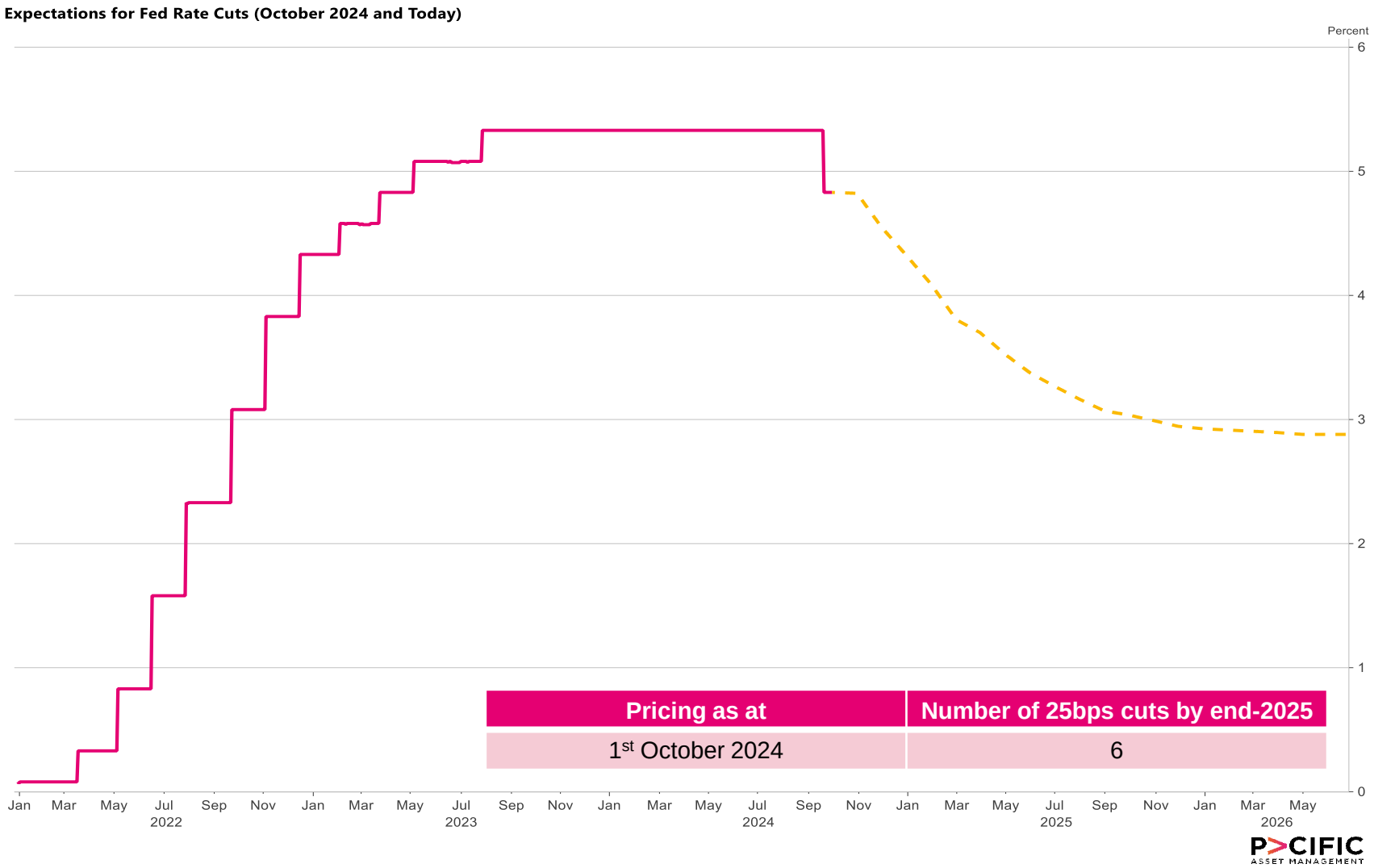
“We can therefore be more cautious as we consider further adjustments to our policy rate.”

Jerome Powell
Chair of Federal Reserve
December 2024 FOMC

Bloomberg | Getty Images

US Interest Rate expectations

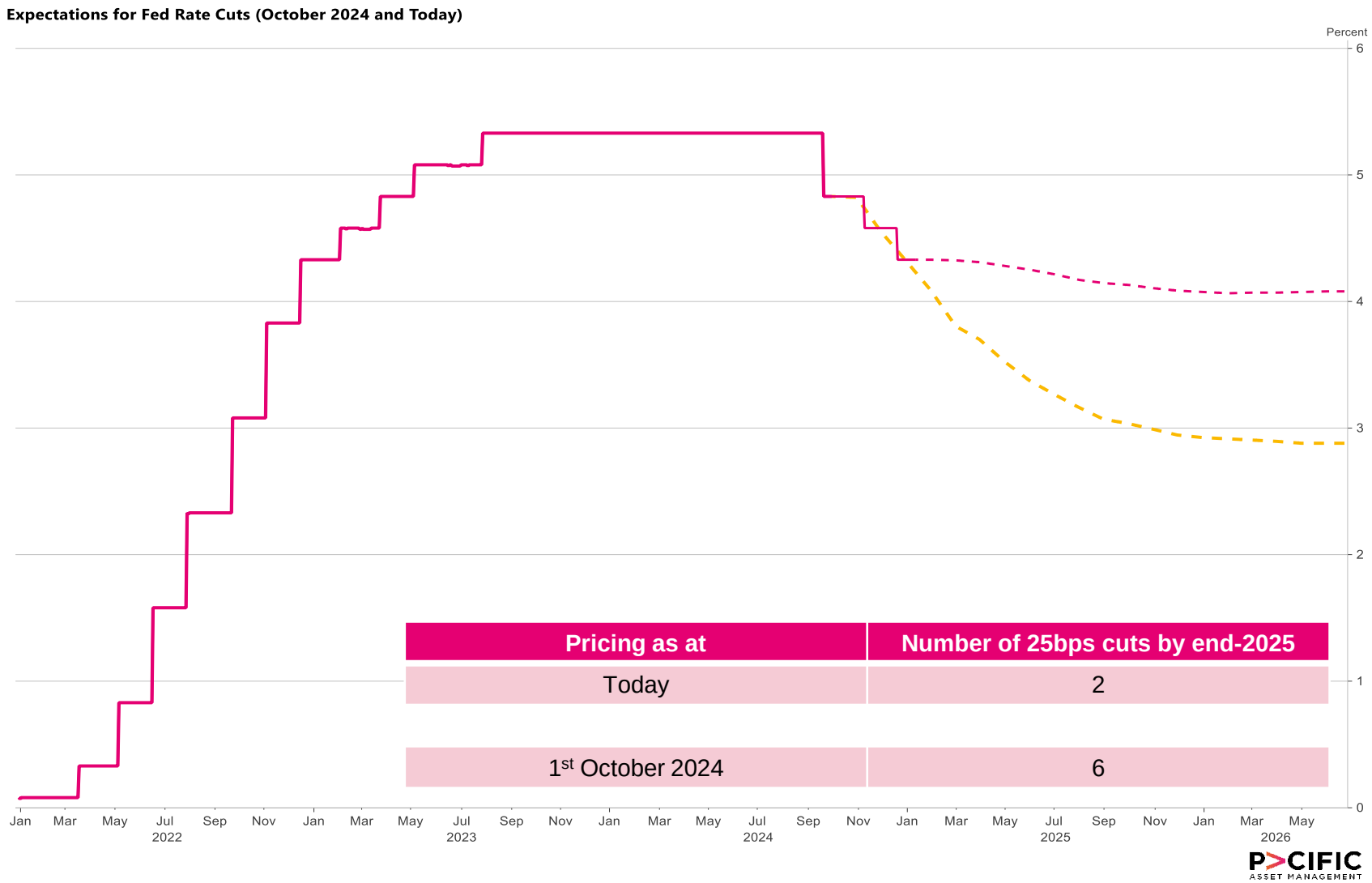
As at 1st October 2024



Source: Macrobond

US Interest Rate expectations

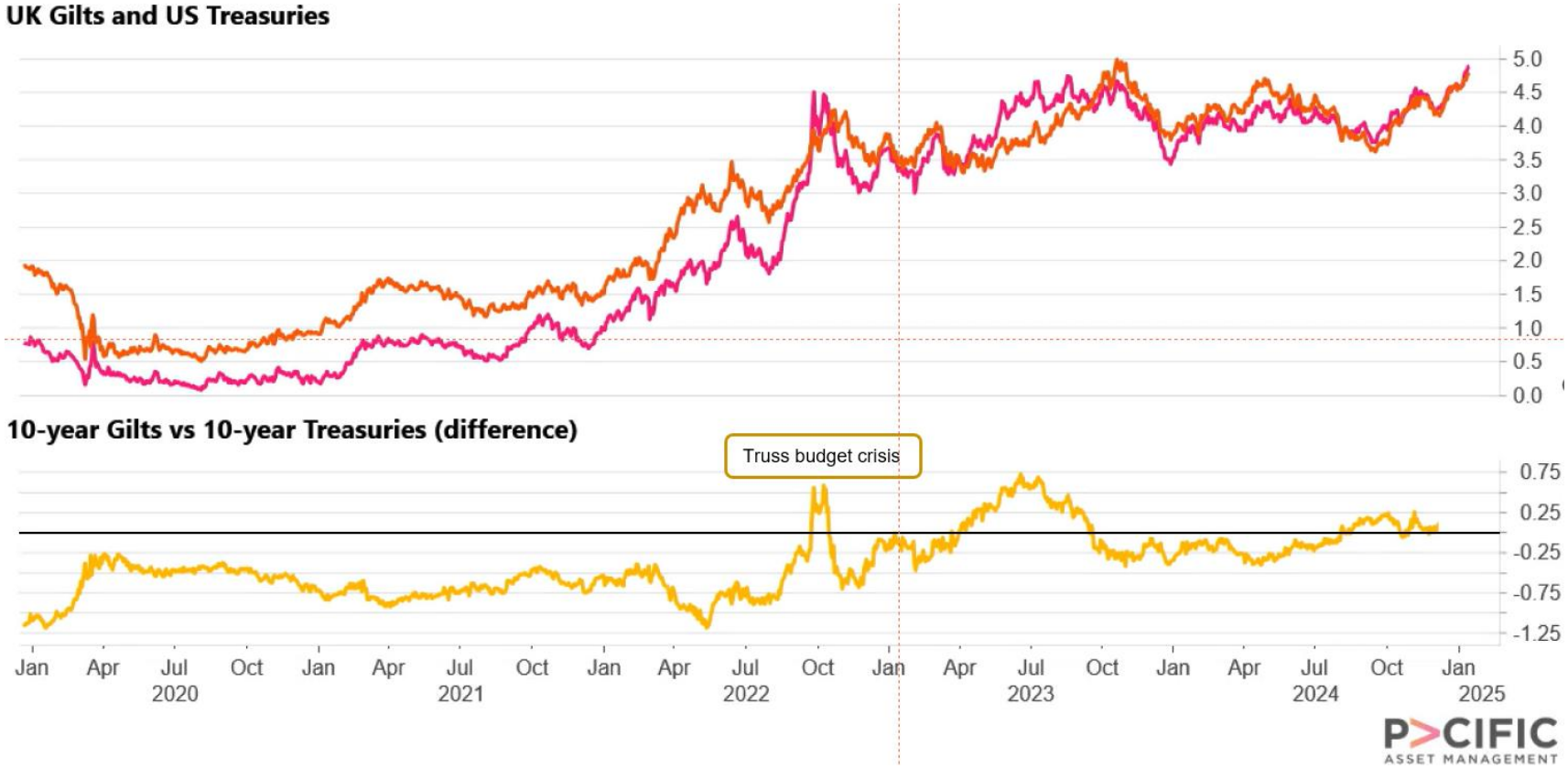
January 2025 and as at 1st October 2024



Source: Macrobond

Not a UK Gilt crisis, at least at this stage

10-year Gilts vs 10-year Treasuries – last 5 years



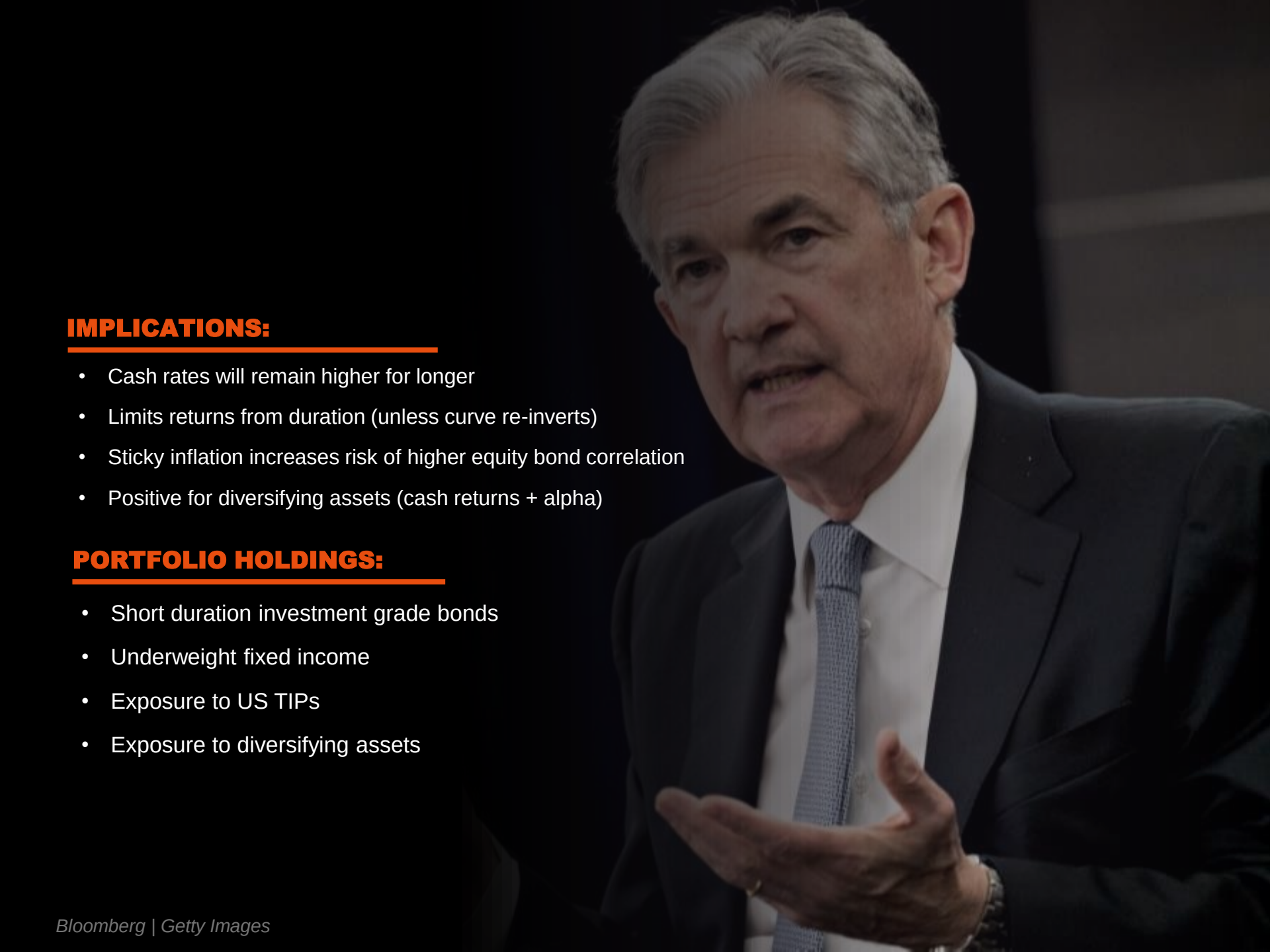
Source: Macrobond

IMPLICATIONS:

- Cash rates will remain higher for longer
- Limits returns from duration (unless curve re-inverts)
- Sticky inflation increases risk of higher equity bond correlation
- Positive for diversifying assets (cash returns + alpha)

PORTFOLIO HOLDINGS:

- Short duration investment grade bonds
- Underweight fixed income
- Exposure to US TIPs
- Exposure to diversifying assets



Bloomberg | Getty Images

TRUMP
2.0

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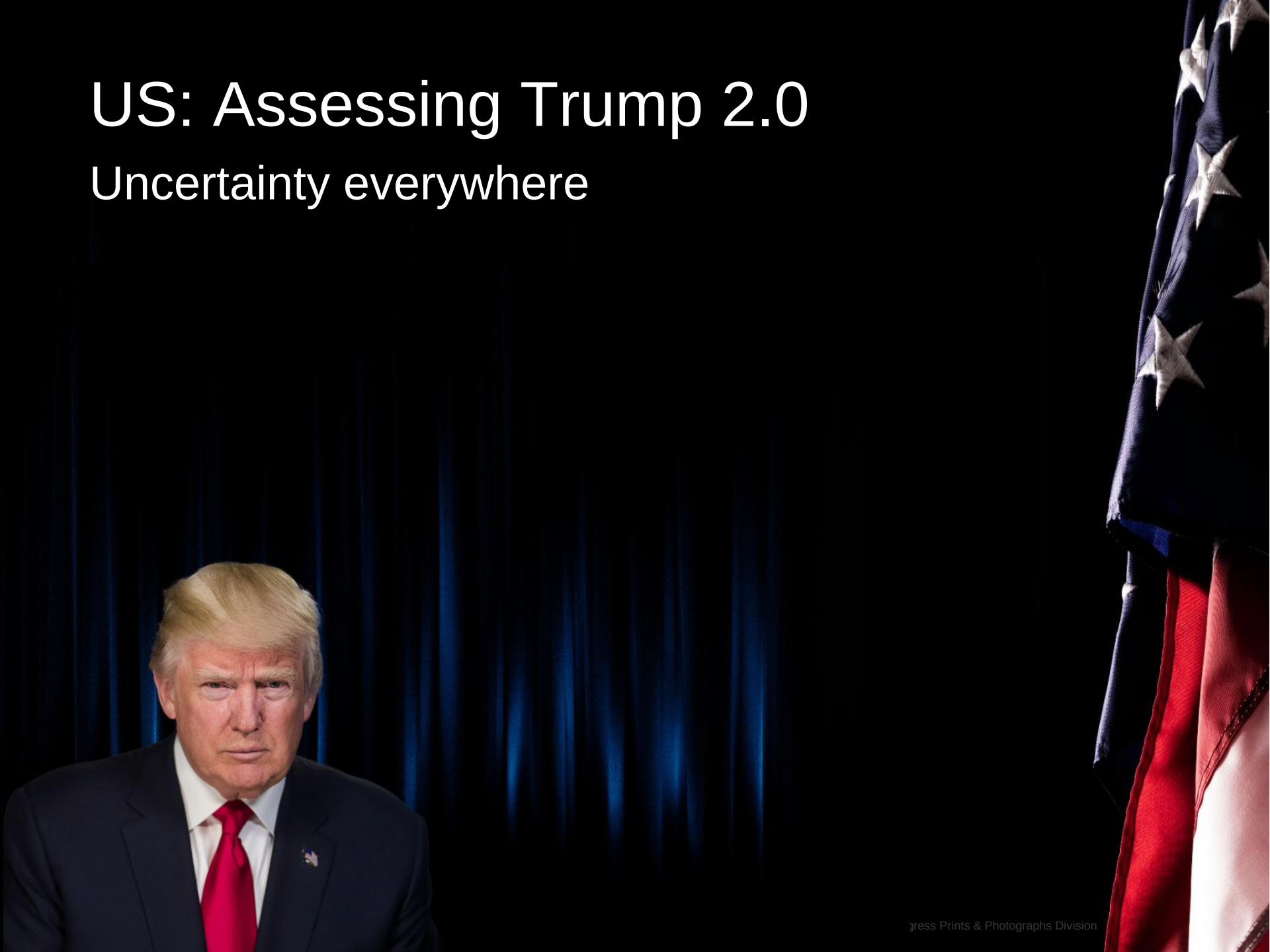
US: Assessing Trump 2.0

Uncertainty everywhere



US: Assessing Trump 2.0

Uncertainty everywhere

TARIFFS

60% 25% 25% 20% *Policy*

1 in 2 1 in 3

Market Surveyed Likelihood

Inflation Impact

Growth Impact

Possible Delivery

2025

Likely Impact

Low *High*

MEDIUM

gress Prints & Photographs Division

US: Assessing Trump 2.0

Uncertainty everywhere

IMMIGRATION

Policy

3M → 1.75M → 0

Market Surveyed Likelihood

1 in 2
500k – 1m

1 in 20
<0

Inflation Impact

Growth Impact

Possible Delivery

2025-26

Likely Impact

Low ***High***

LOW

US: Assessing Trump 2.0

Uncertainty everywhere

FISCAL: TAX AND SPEND

21%

15%

Policy

Market Surveyed Likelihood

1 in 2

Inflation Impact

Growth Impact

Possible Delivery

2026

Likely Impact

Low

High

LOW

US: Assessing Trump 2.0

Uncertainty everywhere

FISCAL: DEPARTMENT OF GOVERNMENT EFFICIENCY

Policy

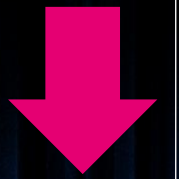
$1tn - $2tn Cut from government spending

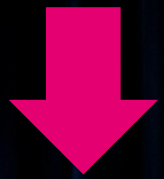
Market Surveyed Likelihood

$0-300 bn range

1 in 2 = $0 bn

Inflation Impact





Growth Impact

Possible Delivery

2027

Likely Impact

Low **High**

VERY LOW

US: Assessing Trump 2.0

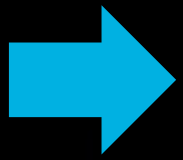
Uncertainty everywhere

REGULATION

Policy

Deregulation of major industries

Inflation Impact



Growth Impact

2027

Possible Delivery

Likely Impact

Low

High

MEDIUM

Implications for portfolios

IMPLICATIONS:

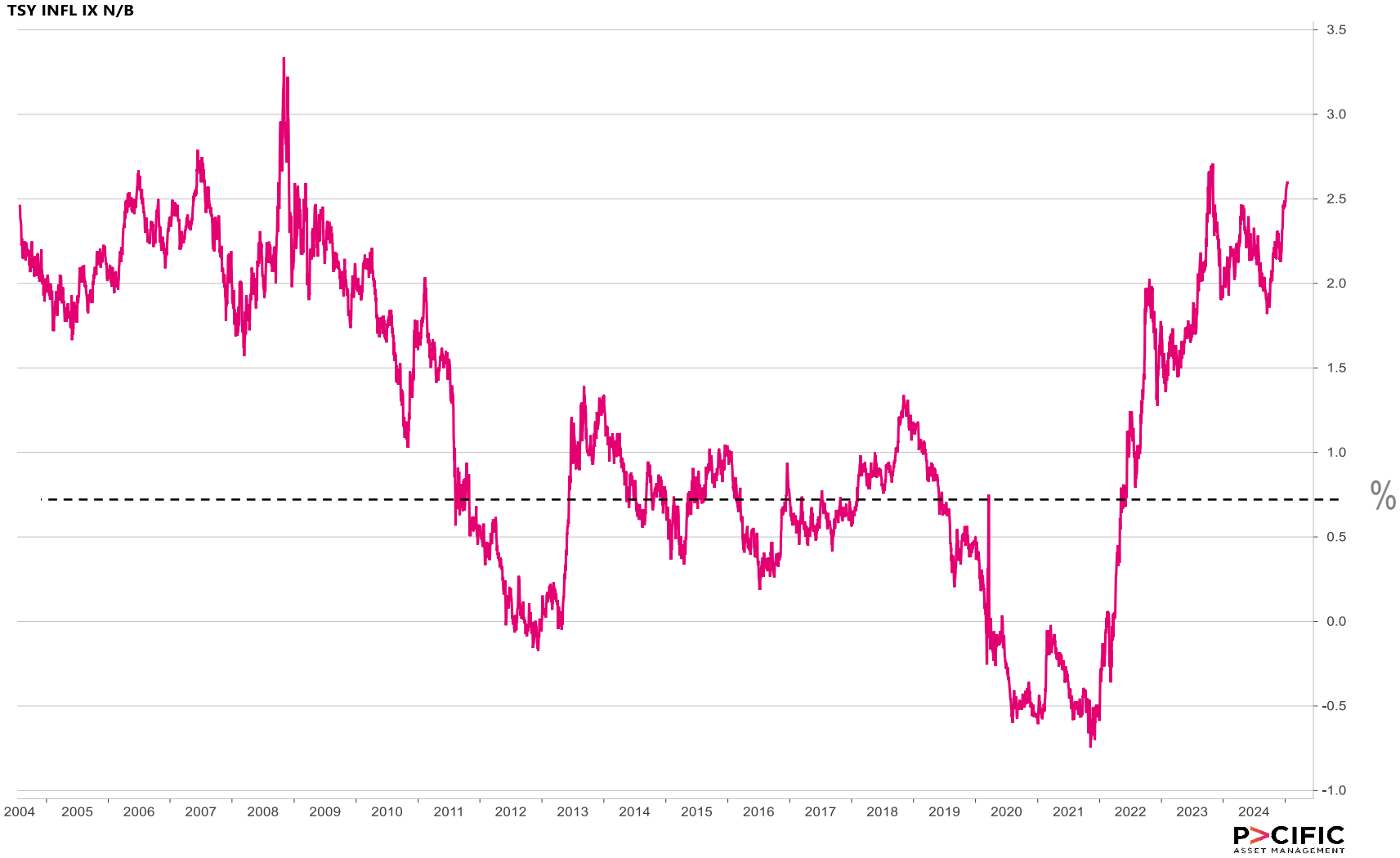
- Lower corporate taxes are positive for earnings, but policy risks of higher inflation
- Inflation uncertainty = steeper yield curves

PORTFOLIO HOLDINGS:

- Overweight equities
- Holding in Curve Steepener
- Exposure to US TIPs

20-year US Inflation linked (real) return

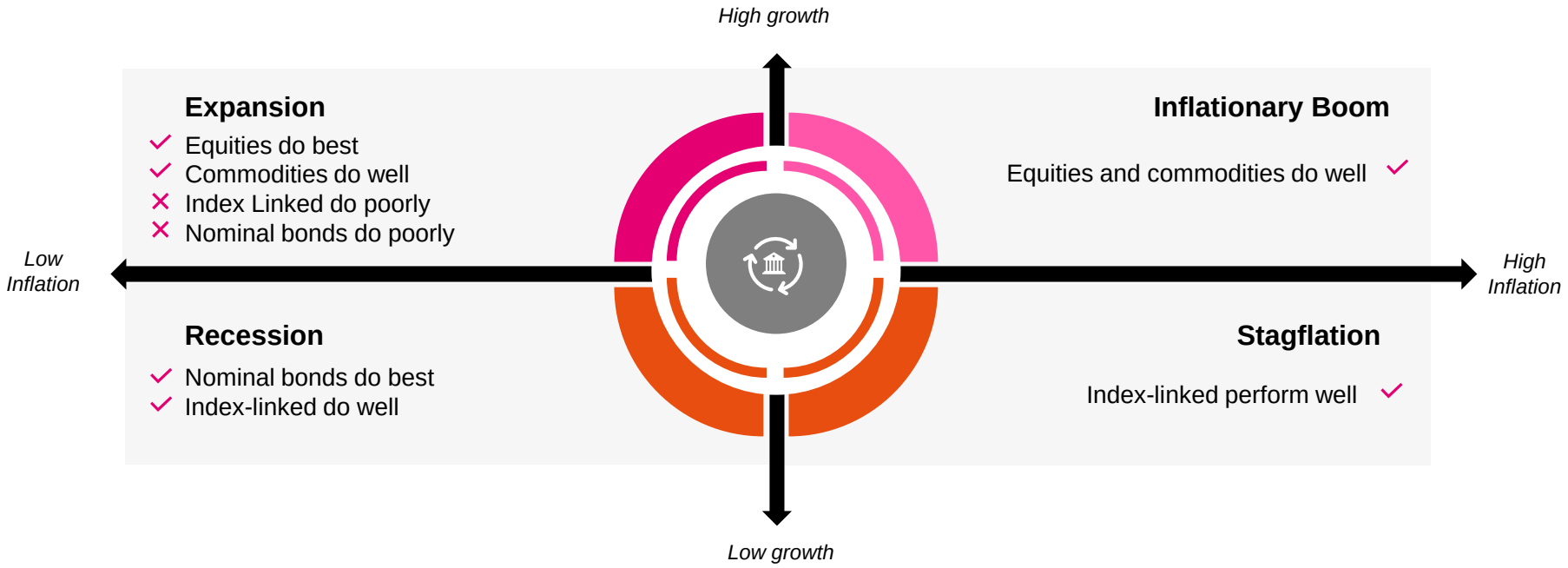
Few need persuading to invest in equities today, many need persuading to invest in bonds



Source: Macrobond

Index-linked bonds perform well in scenarios where equities fall

They are also the most reliable portfolio protectors against inflation



Source: MAN institute & Pacific Asset Management, 2024

US EXCEPTIONALISM FOREVER?

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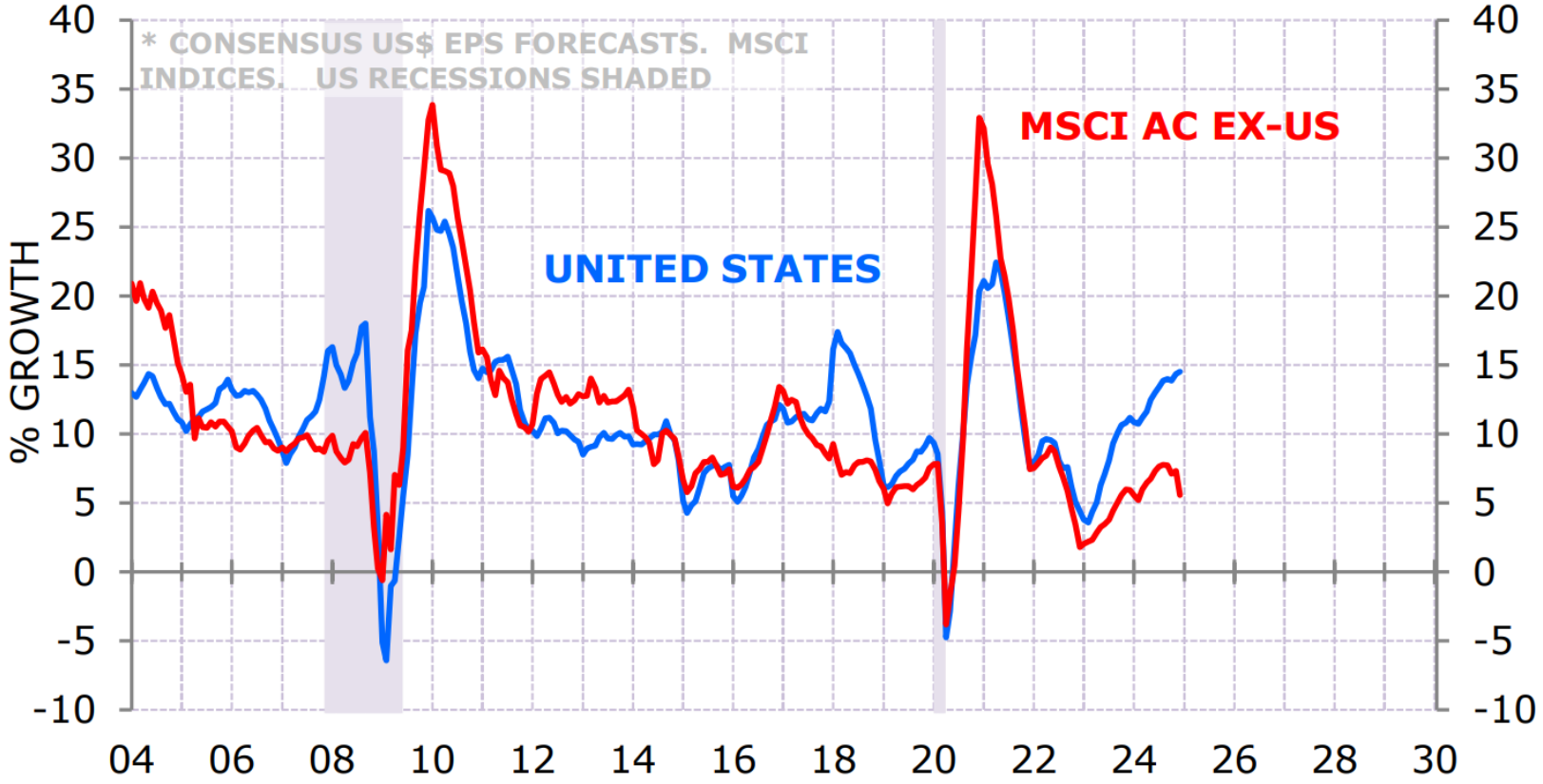
US Earnings per share have grown faster than the rest of the world

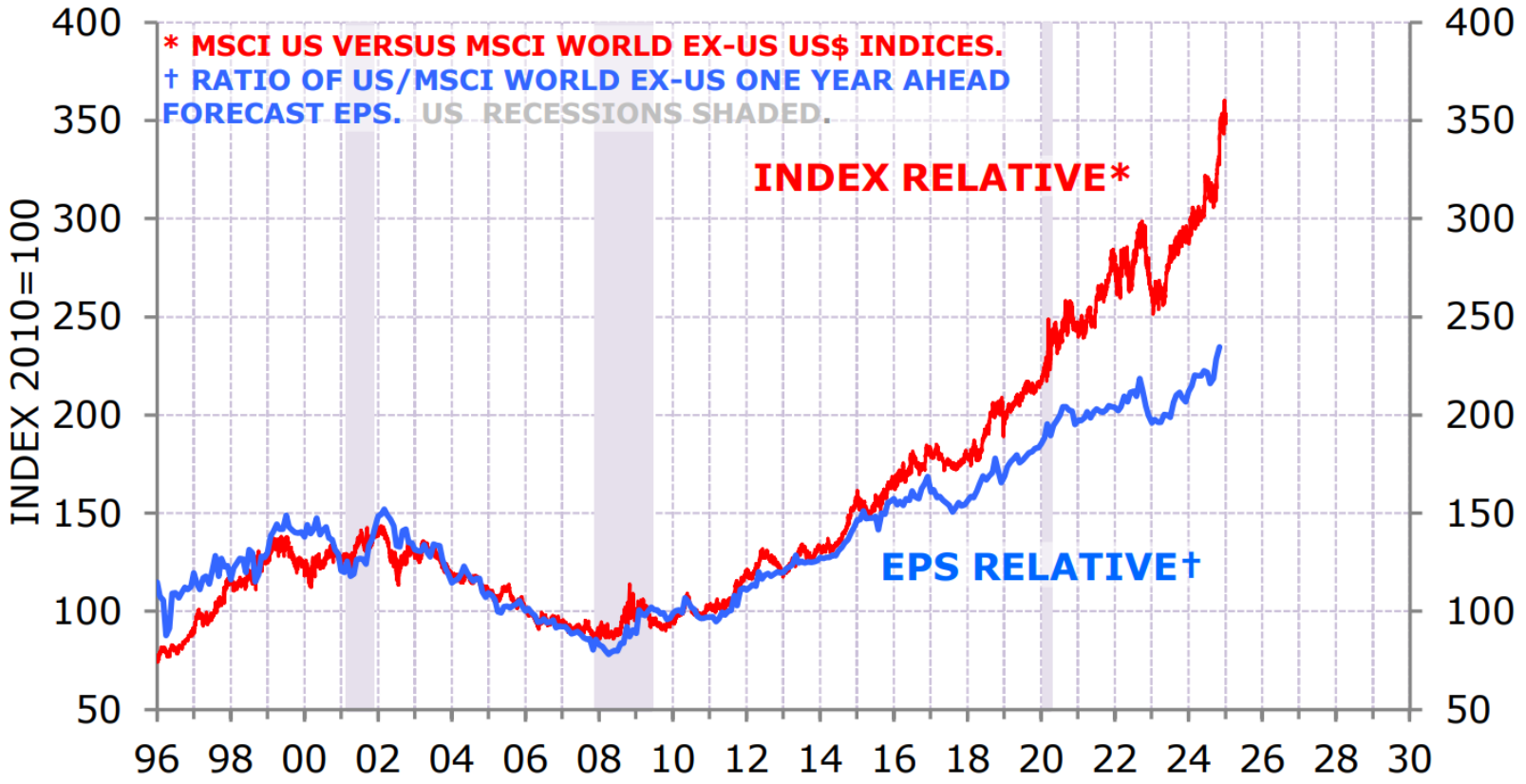
Forecast 12-month EPS growth – since 2004



Source: MSCI, IBES/DataStream, NBER; Minack Advisors

Relative performance of US driven by stronger earnings and valuations

Forecast forward EPS and total return performance for US vs World (ex US) - since 1996



Source: MSCI, IBES/DataStream, NBER; Minack Advisors

Implications for portfolios

IMPLICATIONS:

- US Equities have everything going for them in the short term: macro, USD, corporate earnings, AI, MAGA
- But expectations (and therefore valuations) are high
- Short term this has little to no influence on returns, longer term the odds are stacked against the US *outperforming*

PORTFOLIO HOLDINGS:

- Overweight US equities *for now*
- Global diversification remains important
- Important to be able to respond to evolving environment

CLOSED END
OPPORTUNITIES

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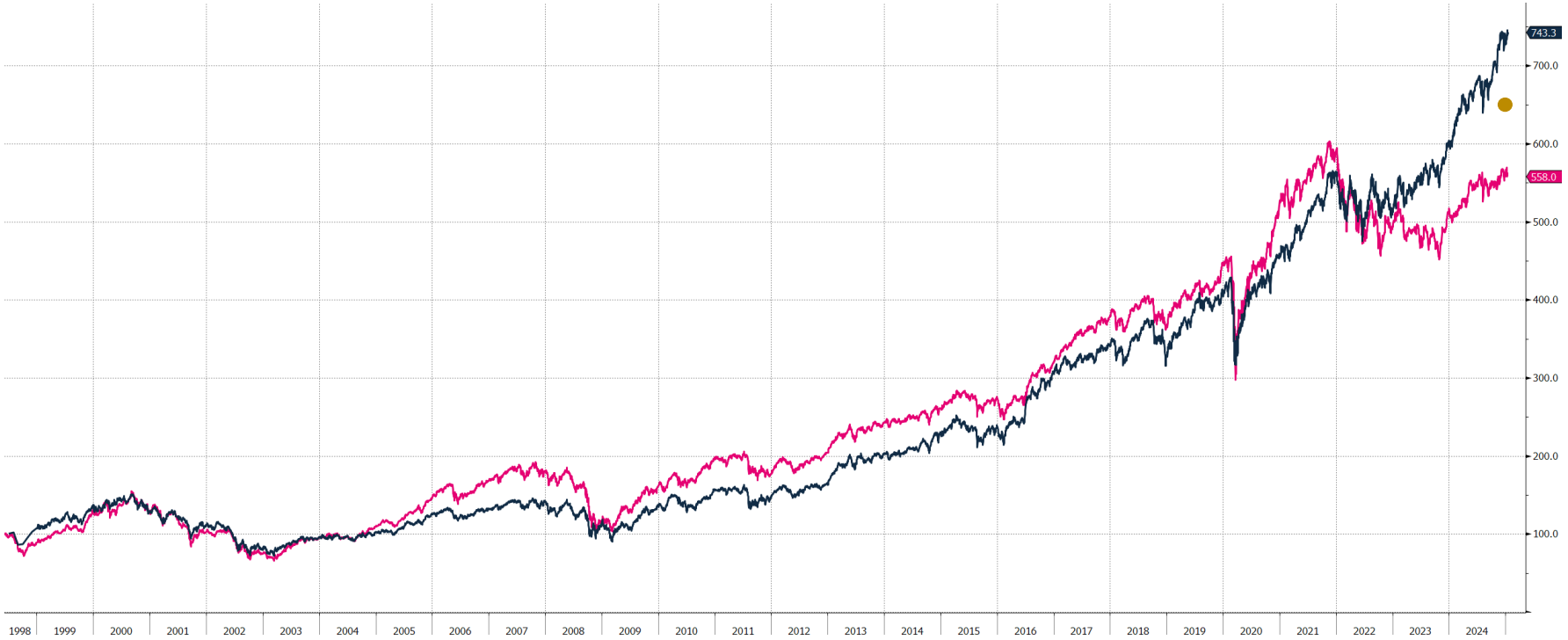
FTSE Investment Trusts matched MSCI World from 1998 to 2021

Discount widening presents the opportunity



Source: Bloomberg

Closed end funds characteristics that we look for

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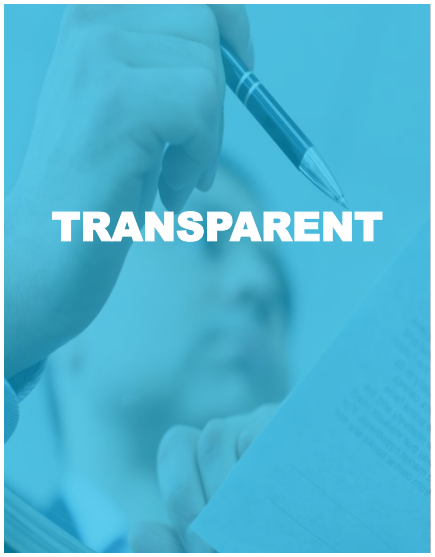

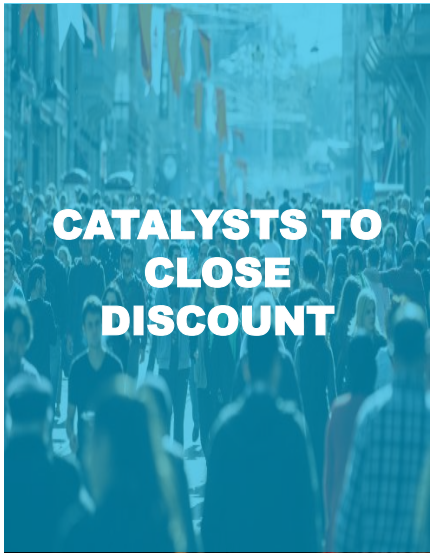

Implications for portfolios

IMPLICATIONS:

- UK Investment Trusts have been around since 1868
- Several factors have pushed the sector to near record discounts: cost disclosure, oversupply, wealth manager consolidation
- This presents an opportunity to buy e.g. £1 of assets for 65p

CONCLUSION

- Central banks are likely to slow their pace of cuts in 2025
- Macro data remains resilient, and labour market remains key
- Soft landing remains the aim for central banks which would continue to be positive for equities
- Risks of reflation or recession remain, so diversification still important
- Trump 2.0 is boost to US equities but increases the risk of inflation and uncertainty and so volatility is likely to pick up in 2025

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Adviserlab Technology

ADVISERLAB TECHNOLOGY & UNIQUE SERVICE

Source: Pacific Asset Management 2024

Your support team

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Head of Multi-Asset Solutions

BEN SEARS
Partner

DAVID COCKERTON
Director

DAVID BROOKS
Director

ELLIOTT KIBBLE
Associate Director

JEREMY KRAUSZ
Associate Director

ADELLA HIVES
Head of Client Engagement

MARKETING

SIMON LOWANS
Chief Marketing Officer

EMMA CHURCH
Senior Marketing Manager

IVA PISKACOVA
Marketing Executive

https://mps.pacificam.co.uk/signin

Source: Pacific Asset Management 2024

QUESTIONS?

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