

FEIFA 2025: THOUGHTS FROM THE DESK



FREDDIE STREETER
Head of Multi-Asset Solutions

INPUT

TECHNICAL

OUTPUT

Pacific Asset Management

Modern, highly diversified, technology driven asset manager



1. Modern Adviser Solutions

\$8.9bn

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.

2. Single Manager Solutions

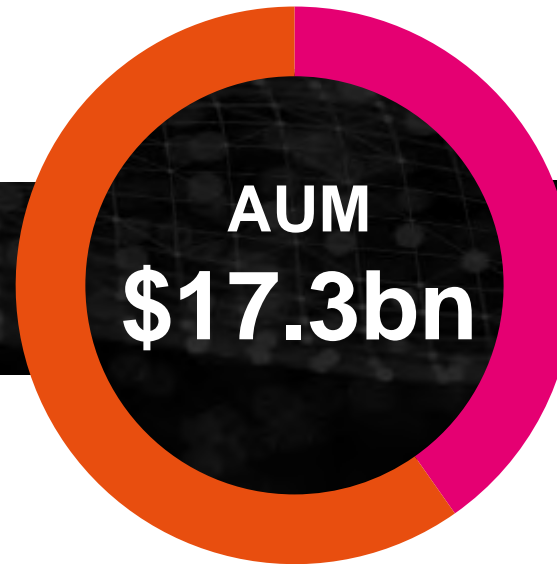
\$8.5bn

Craft-based High Conviction Active Management

Equity
US
Emerging Markets
Global Equities

Fixed Income
Global Credit

Alternatives
G10 Macro Rates



Signatory of:



Pacific Multi-Asset Solutions Team



Multi-Asset Portfolio Managers



Will Bartleet
CIO & PM

- Previously worked at HSBC for 17 years
- Ran \$5bn range of multi-asset funds
- Chairman of their Tactical Asset Allocation Committee



Will Thompson
CSO & PM

- Focuses on PAM's Sustainable Multi-Asset Portfolios and PAM's Responsible Investing Policy
- Previously Senior Portfolio Manager at HSBC AM
- Worked on multi-asset fund ranges totalling \$14 bn

Quantitative Specialists



Louis Cucciniello
Head of
Diversifying Assets

- Lou joined Pacific in 2016 after leading \$5bn in factor strategies at Deutsche Bank.
- He developed Pacific's risk premia strategies and holds degrees from Cornell, the University of Chicago, and the University of Illinois.



Ross Wright
Head of Direct
Indexing
& Quantitative
Trading

- Ross joined Pacific in 2021 with over 20 years' experience, including senior trading roles at Deutsche Bank and UBS.
- He holds a PhD in Mathematics from Imperial College London.

Analytics and Research



Laura Robins
Senior Investment
Analyst

- Focuses analysis on fund selection, performance attribution and asset allocation



Lucian De Boinville
Portfolio Analyst

- Previously Research Manager at Valuation
- Responsible for portfolio construction, company valuations & portfolio analysis



Edvardas Moseika
Quantitative Analyst

- Responsible for automating data collection, developing stock selection systems and researching the investment universe in a broad sense.



Henry Littleworth
Quantitative Analyst

- Responsible for the monitoring and control of PAMs range of MPS portfolios across investment trading platforms



Daniel Douglas-Wright
Portfolio Analyst

- Focuses analysis on fixed interest markets and manager research
- Provides the team with macro and market-based research and commentary



Ramon Varela
Sustainability &
Project Lead

- Ramon joined Pacific in 2025 after two years in sustainability consulting, following a 2023 internship with the firm.
- He holds an MSc in Climate Change from the University of Leeds and previously earned a double degree in Law and International Relations in the Basque Country.



Joseph Watson
Platform & Portfolio
Reporting Analyst

- Helps with the monitoring and control of PAMs range of MPS portfolios across the investment trading platforms
- Holds a Masters degree from Durham University

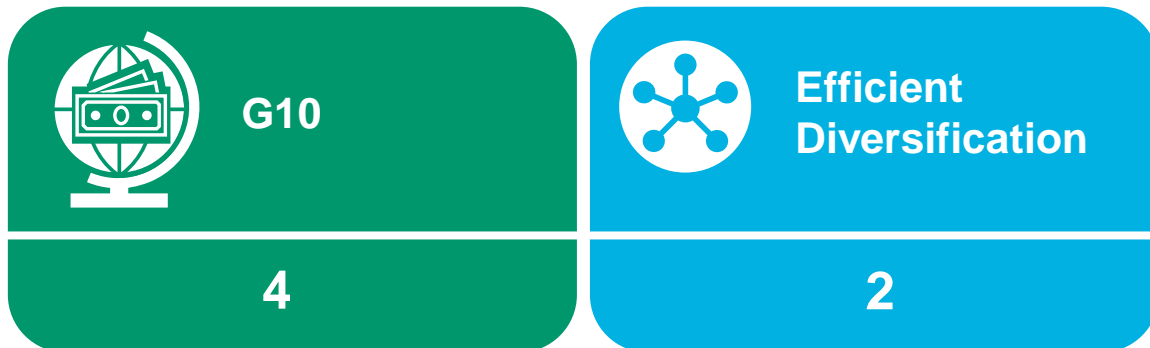
Wider expertise and resource

Investment specialists overseeing £6.3bn

Equities



Liquid Alternatives



Fixed Income



Supporting your CIP

Research



J.P.Morgan



FACTSET



Bloomberg

MORNINGSTAR



MACROBOND

CLARITY AI

Investment Providers



Goldman Sachs



J.P.Morgan



Vanguard



JUPITER

iShares
by BlackRock

MACRO

OVERVIEW

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Narrative vs Markets

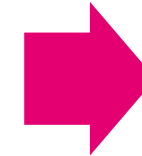
HEADLINE VOLATILITY IS HIGH

- Trump policies flood the narrative
- Concerns around tariff policy slowing growth
- Concerns around fiscal path for developed market economies
 - Labour markets softening
 - Geopolitics



MARKETS AT ALL TIME HIGHS

- Earnings have remained robust
- Underlying macro looks like a shift from US exceptionalism to slower but positive global growth
 - Labour market more in equilibrium than outright slowing
- AI capex driver of growth and US earnings



ADAPTING TO THE ENVIRONMENT

- Remaining diversified
- Watching for signs of a slowdown
- Preparing for market exuberance

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
- Equities fall
- Much lower inflation (maybe not back to trend)
- Lower rates from Central Banks

SOFT LANDING

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

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

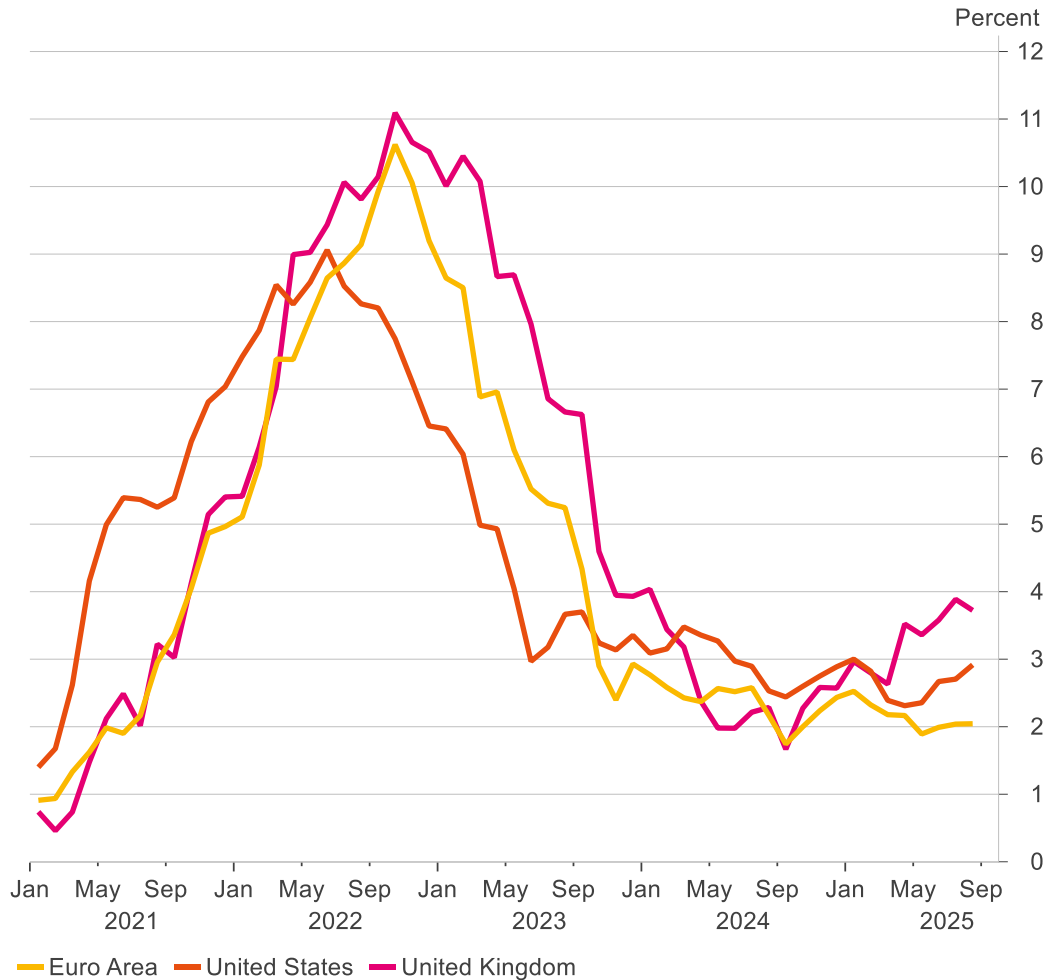
“Liberation Day” tariffs

October 2025

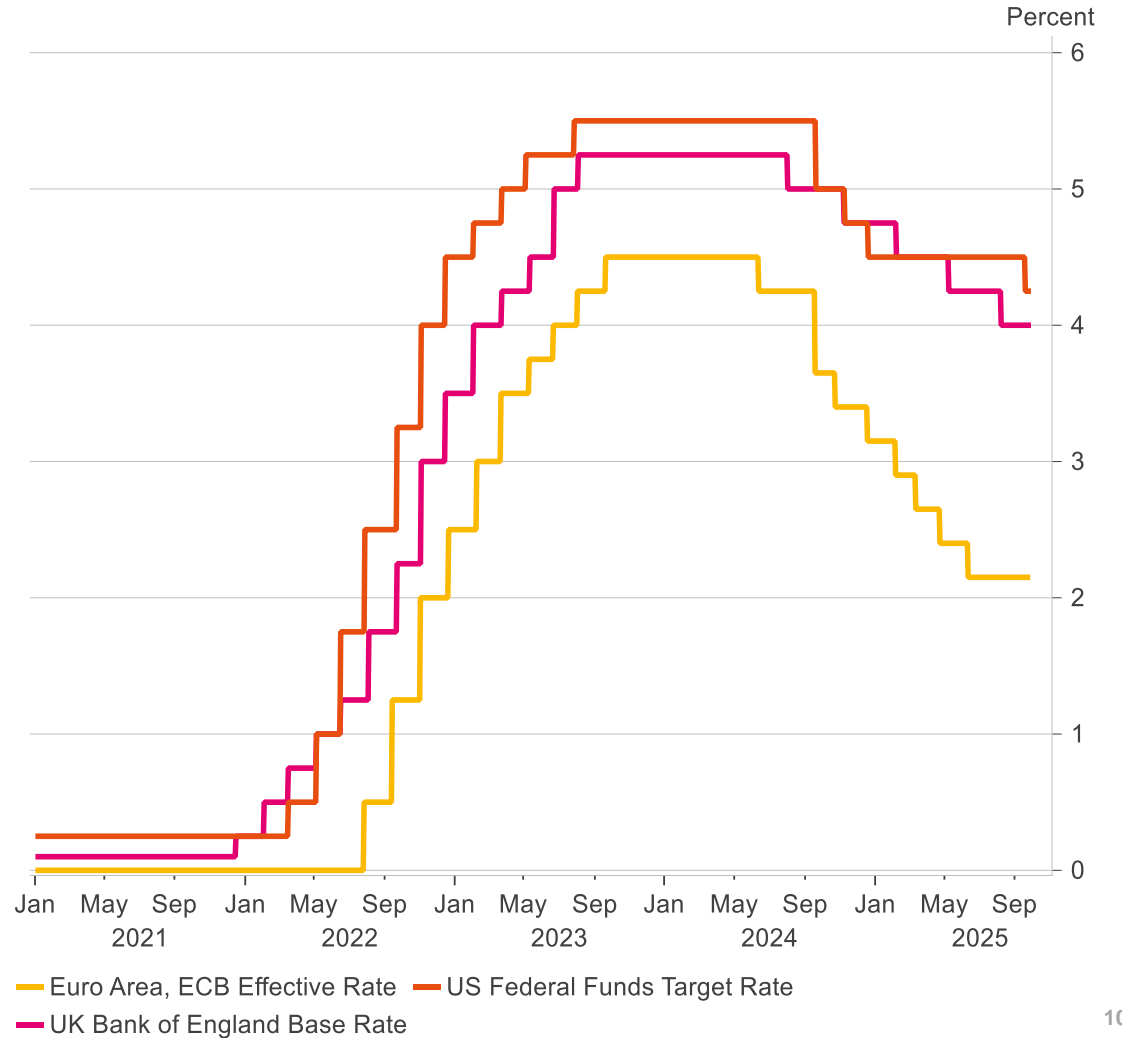
December 2024

Despite inflation being above targets for US and UK, rate cuts restart

Consumer Price Index, Change Y/Y



Policy Rates



Source: Macrobond (April 2025)

“ ”

*“The marked slowing in both the supply of and demand for workers is unusual in this less dynamic and **somewhat softer labor market...***

*I think you could think of this in a way as a **risk-management cut.**”*

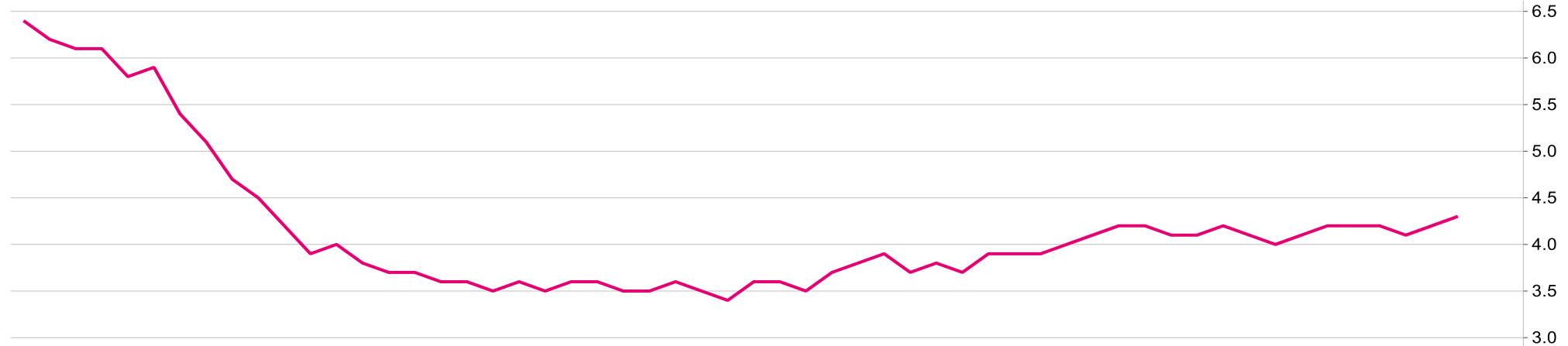
Jerome Powell

Chair of the Federal Reserve of the United State

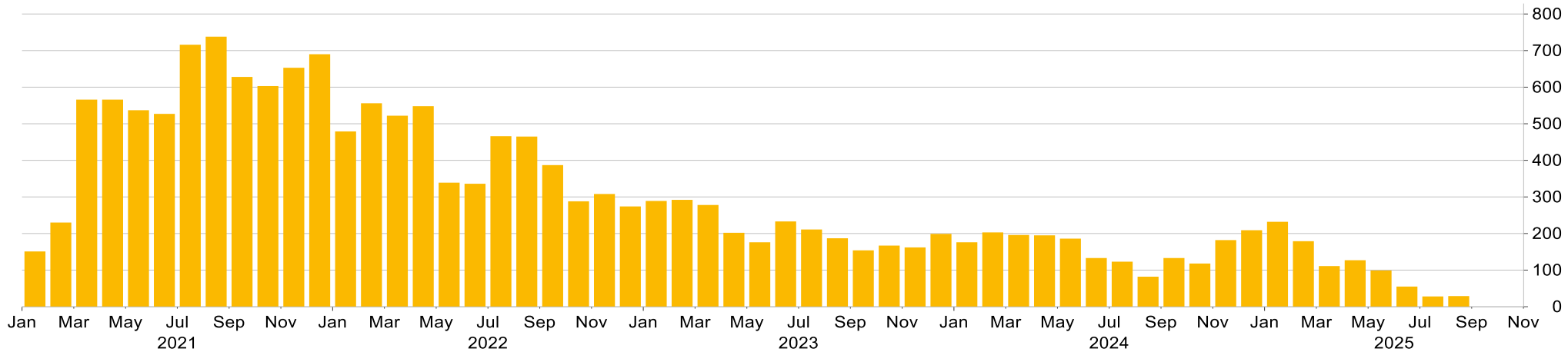
US Labour Market

No-hiring, no-firing job market continues

US Unemployment (%)



US Payrolls (3m average)

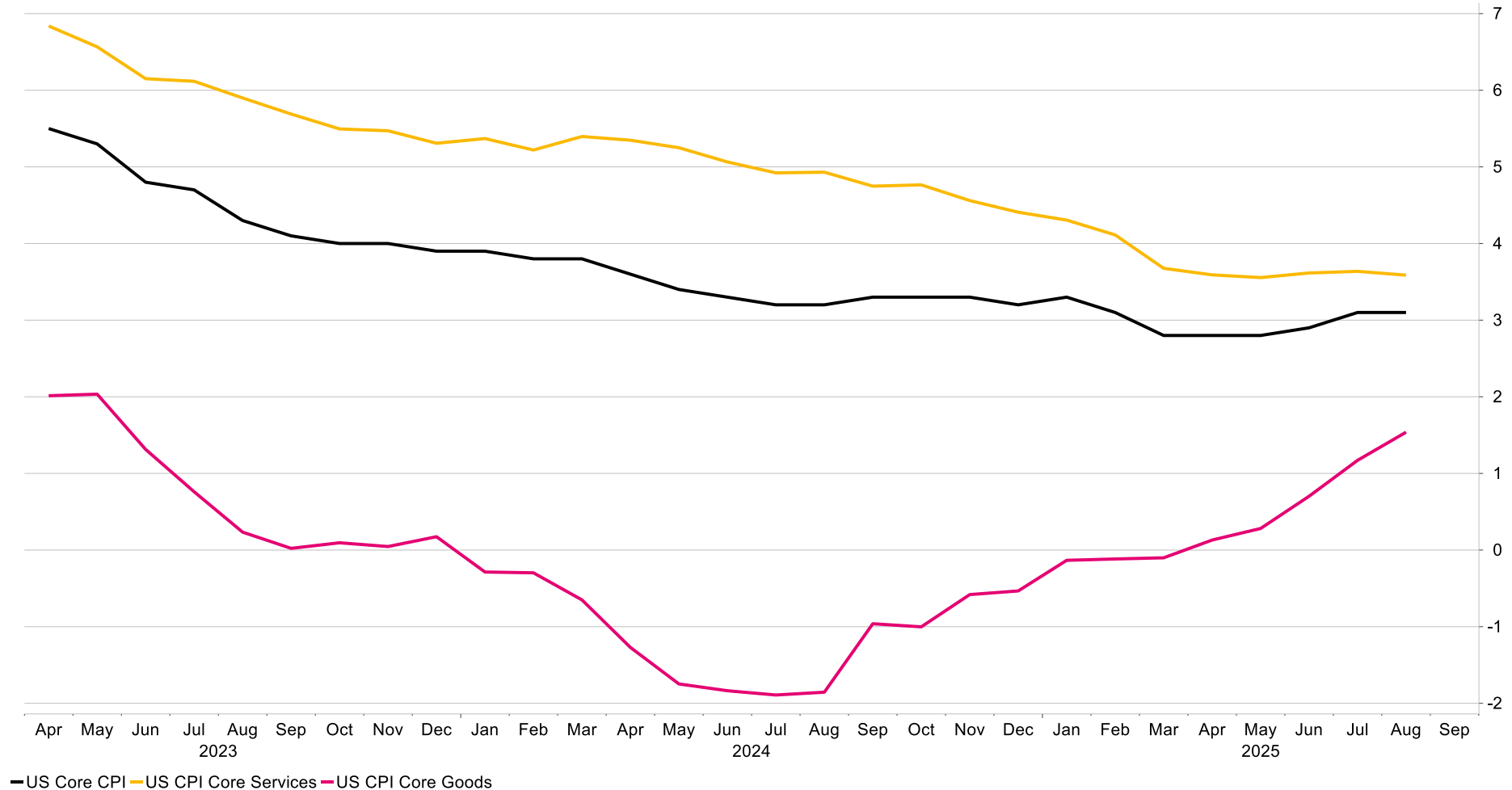


— U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted ■ US BLS Employees on Nonfarm Payrolls 3 Month Average Net Change SA

Tariffs: yet to fully feed into the data

A tale of two inflations: underlying services inflation falling whilst tariff passthrough means goods' inflation picks up


Core CPI Goods (pink) and Core CPI Services (yellow) (% YoY)



Trump continues to put pressure on Powell.. ...and risks the independence of the Fed

Donald J. Trump  
@realDonaldTrump · 1d



 2.66k  7.94k  33.9k   

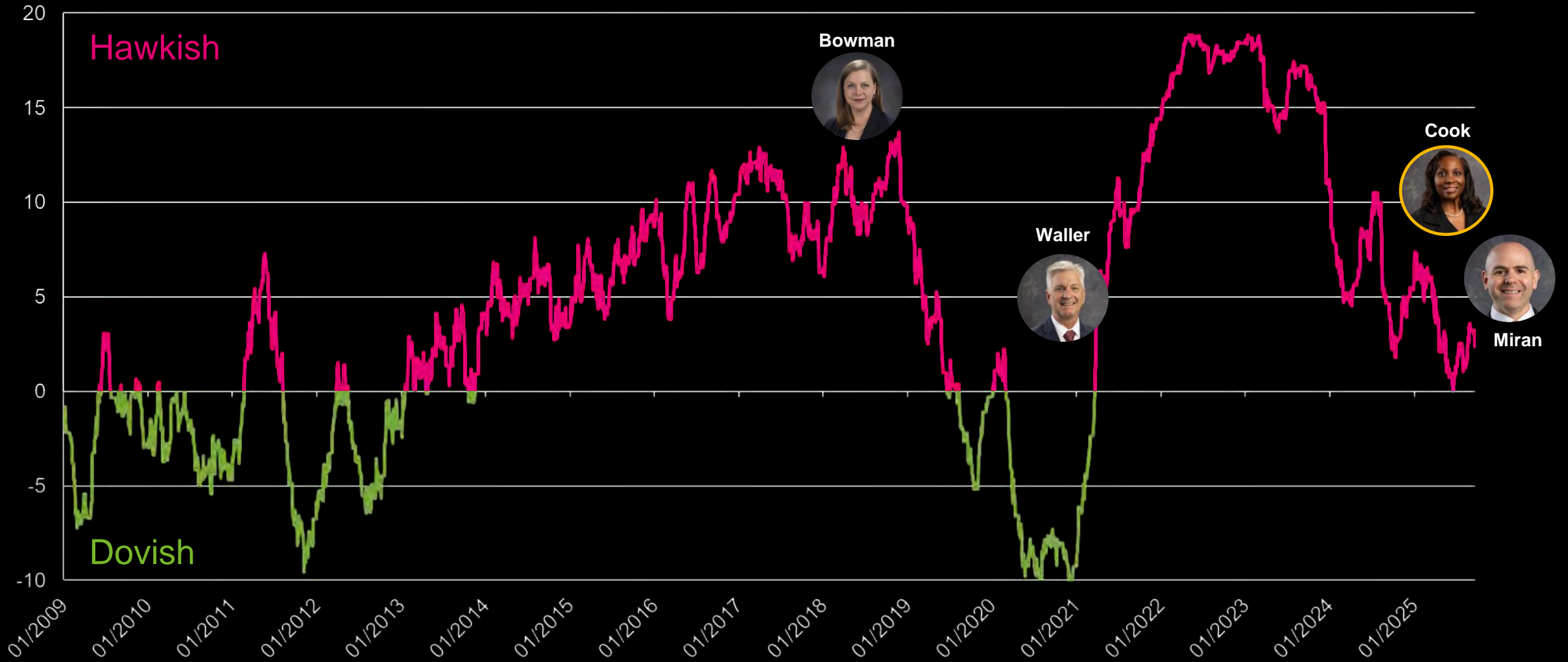
“ ”

“If he continues to refuse, the board should assume control, and do what everyone knows has to be done!”

Donald Trump on Powell
US President

Trump's appointees and FOMC shifting dovish

Fedspeak Sentiment Index



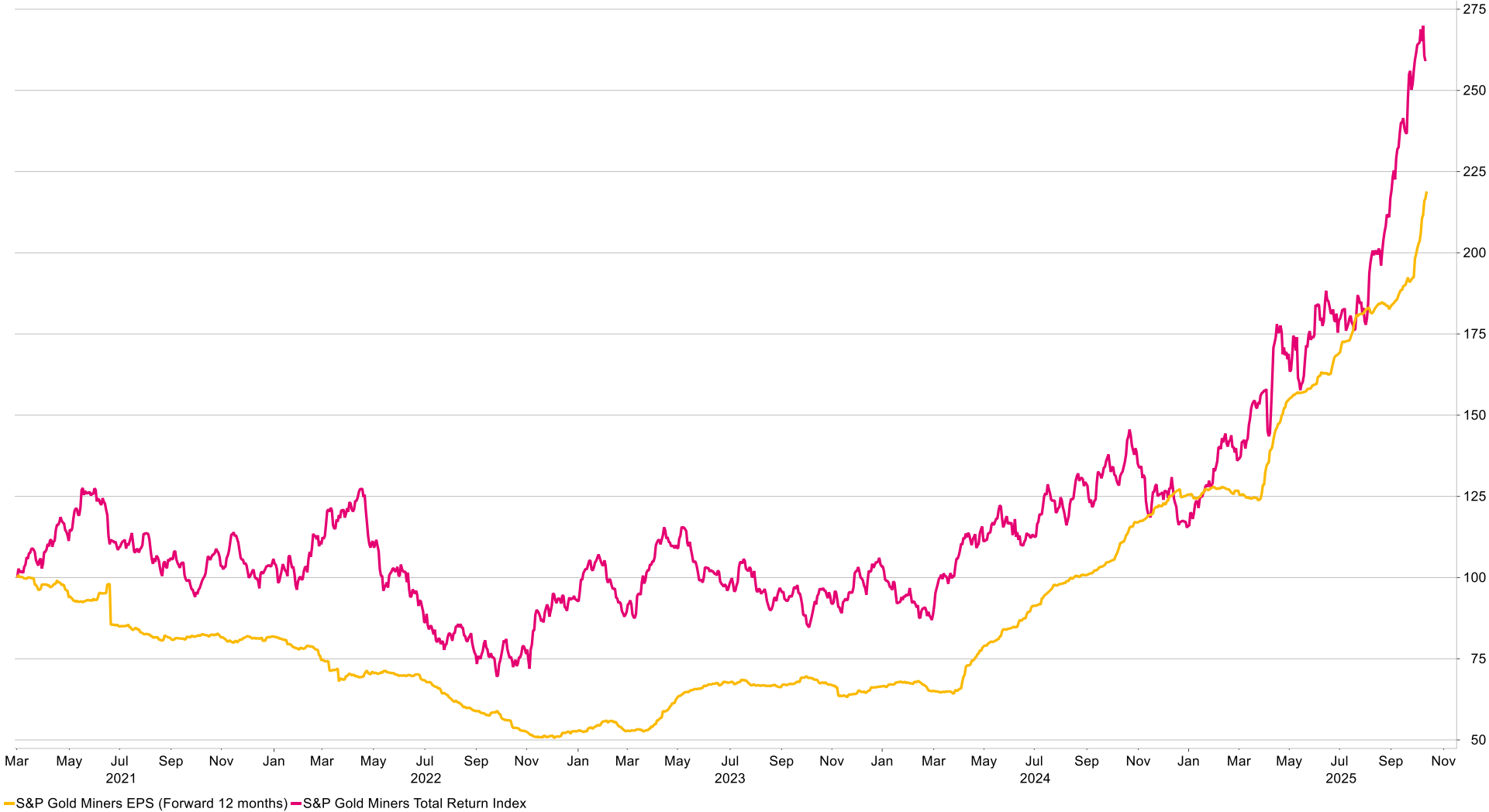
Fed dot plot



Gold Mining companies – performance driven by earnings



Gold Miners price (pink) and Earnings (gold)



Source: Macrobond, Pacific Asset Management, 2025

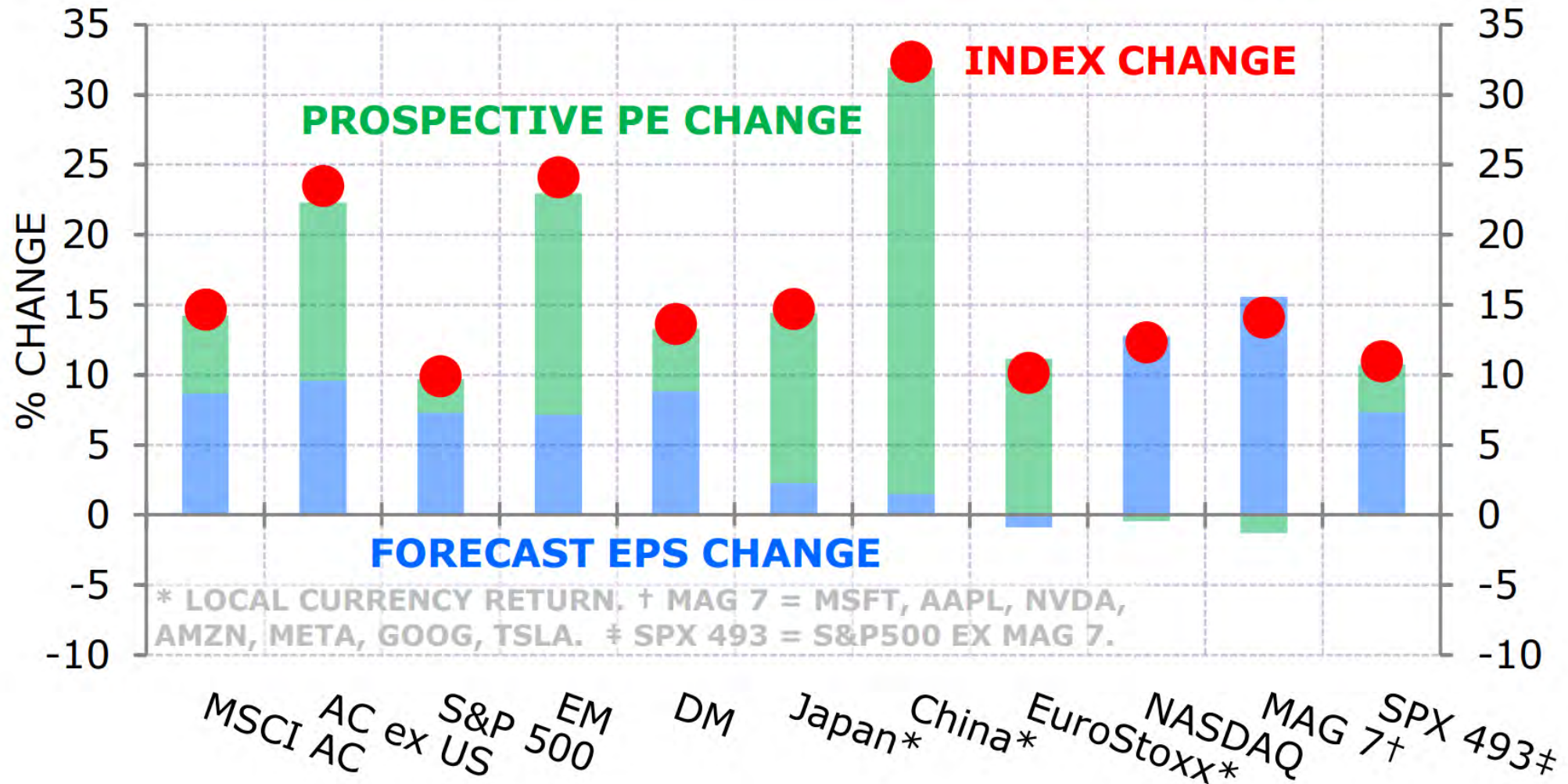
EQUITY

MARKETS

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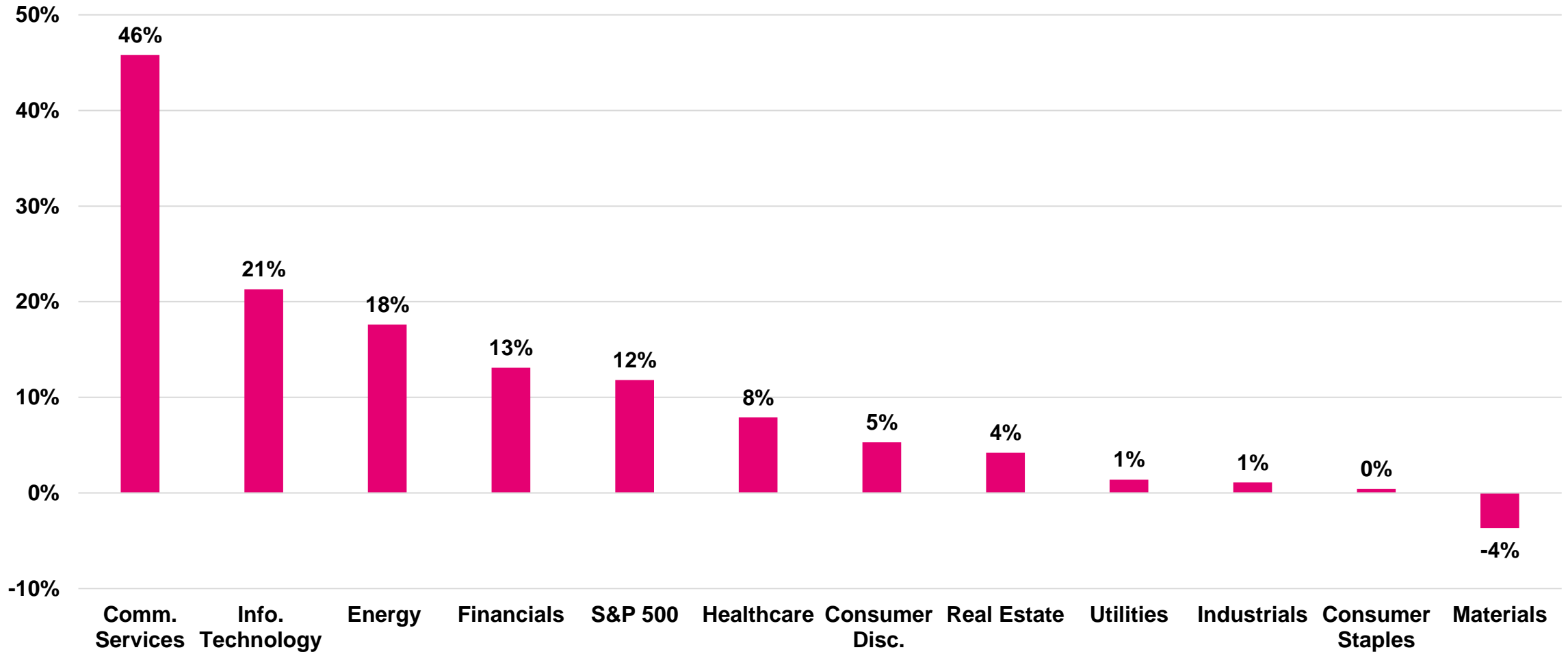
Composition of returns: EPS and Valuation

In local currency

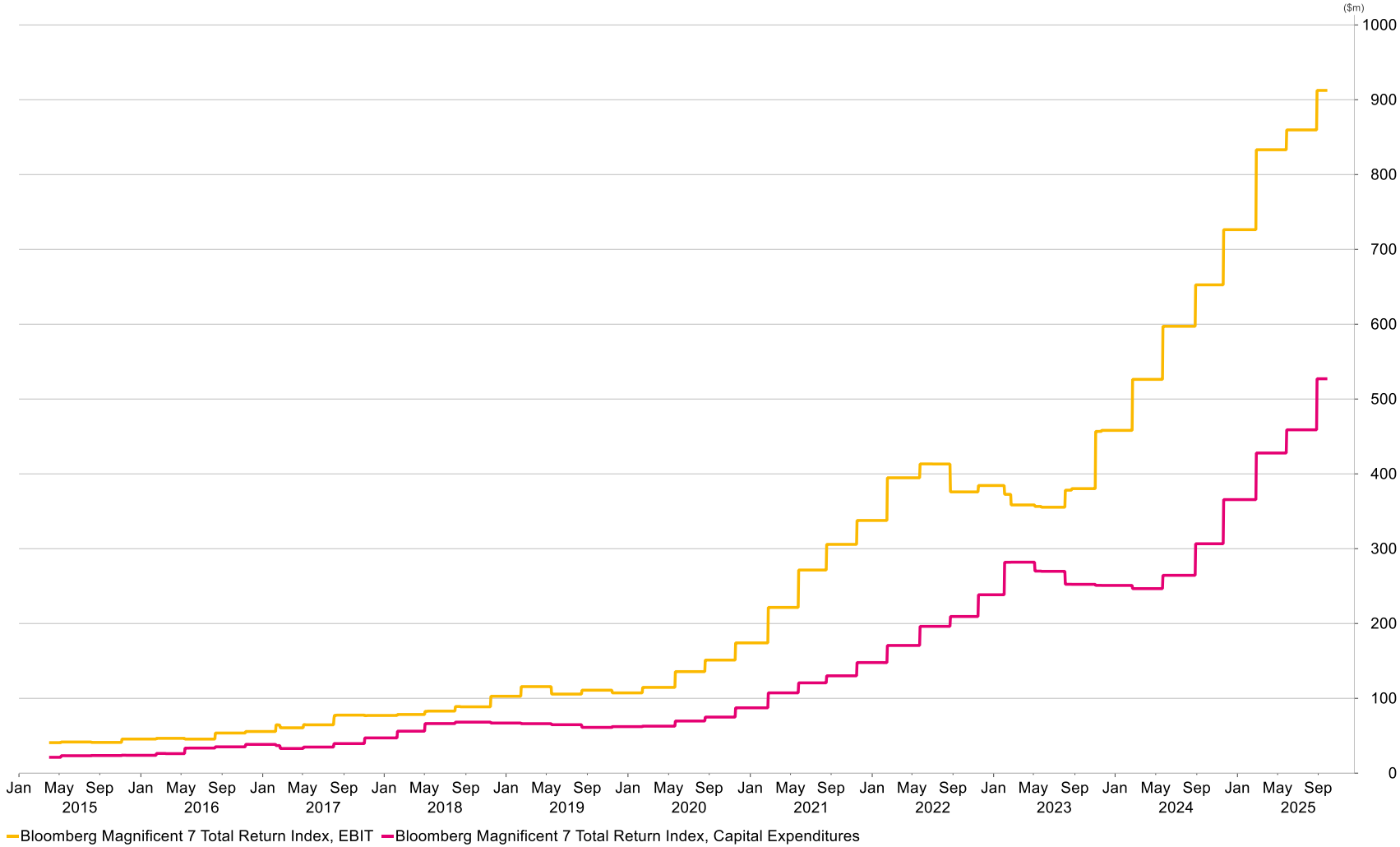


US Q2 Earnings Scorecard

S&P 500 12 months earnings to end June 2025



Magnificent 7 earnings and capital expenditures



Source: Macrobond, Bloomberg October 2025

AI

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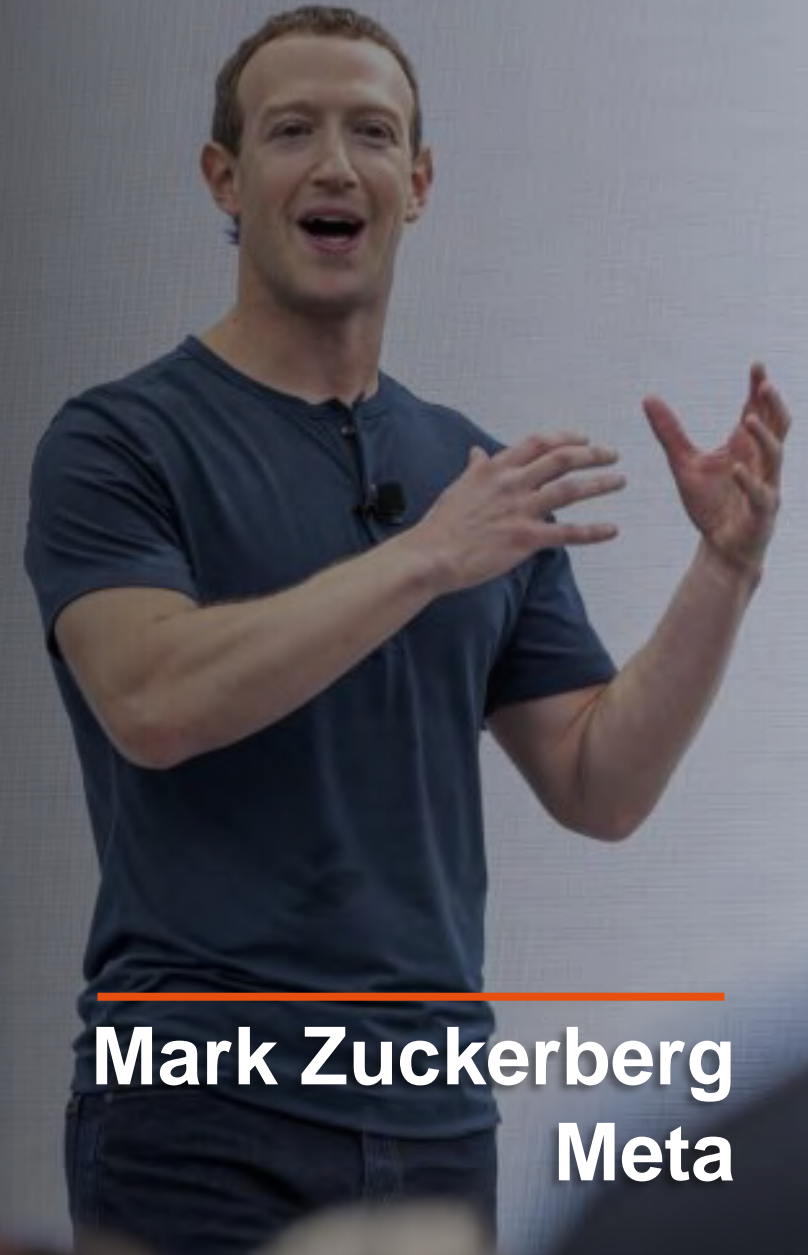
“The biggest risk could be missing out. AI will be the most profound shift of our lifetimes.”

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Sundar Pichai
Google

“ ”

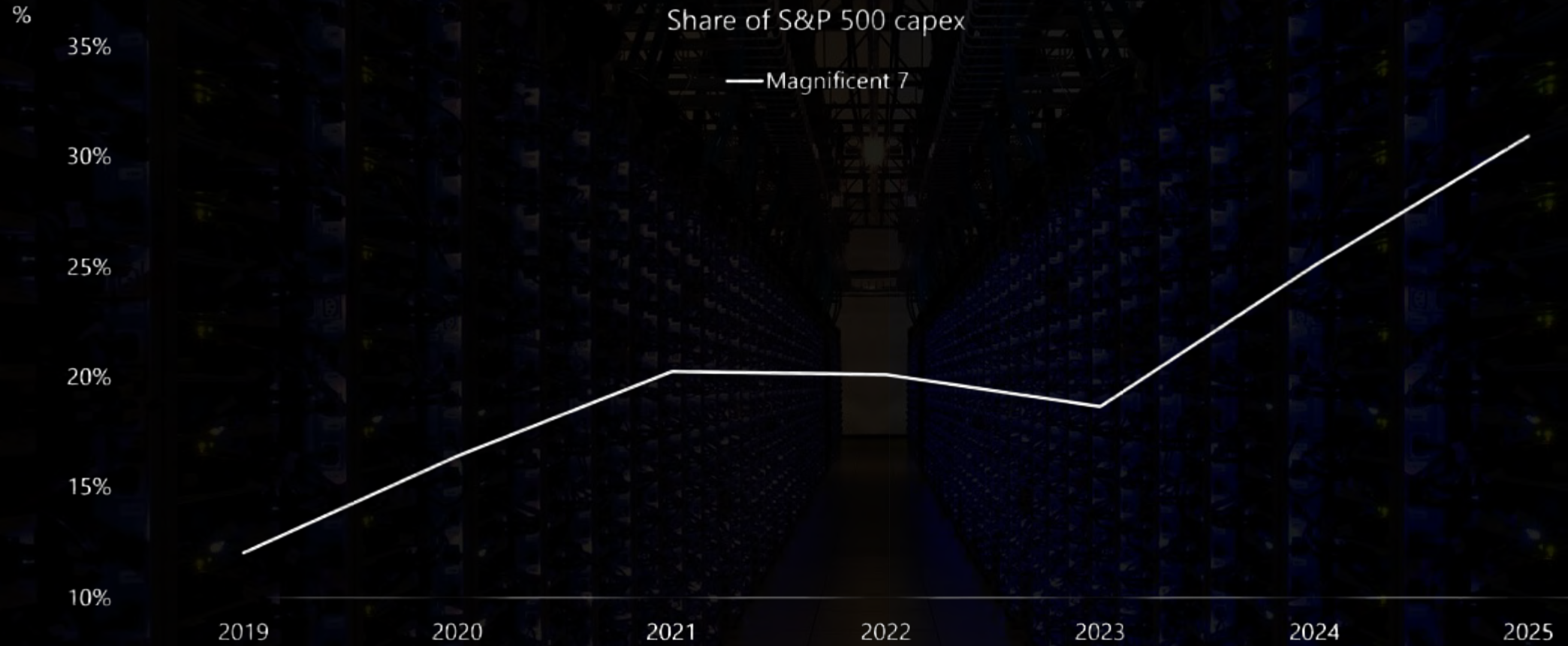
“If we end up mispending a couple of hundred billion dollars, I think that that is going to be very unfortunate obviously... But what I'd say is I actually think the risk is higher on the other side.”



Mark Zuckerberg
Meta

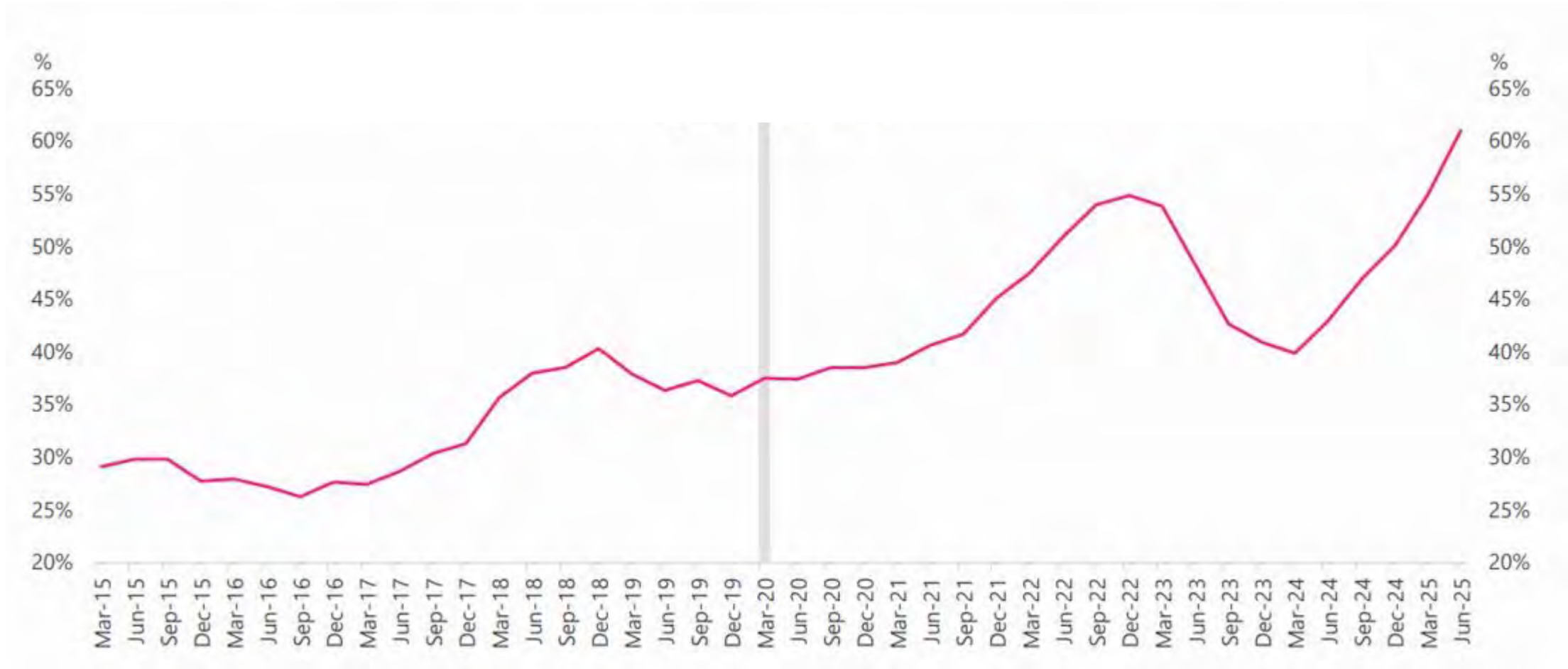
AI Capex

Magnificent 7 share of S&P 500 capex

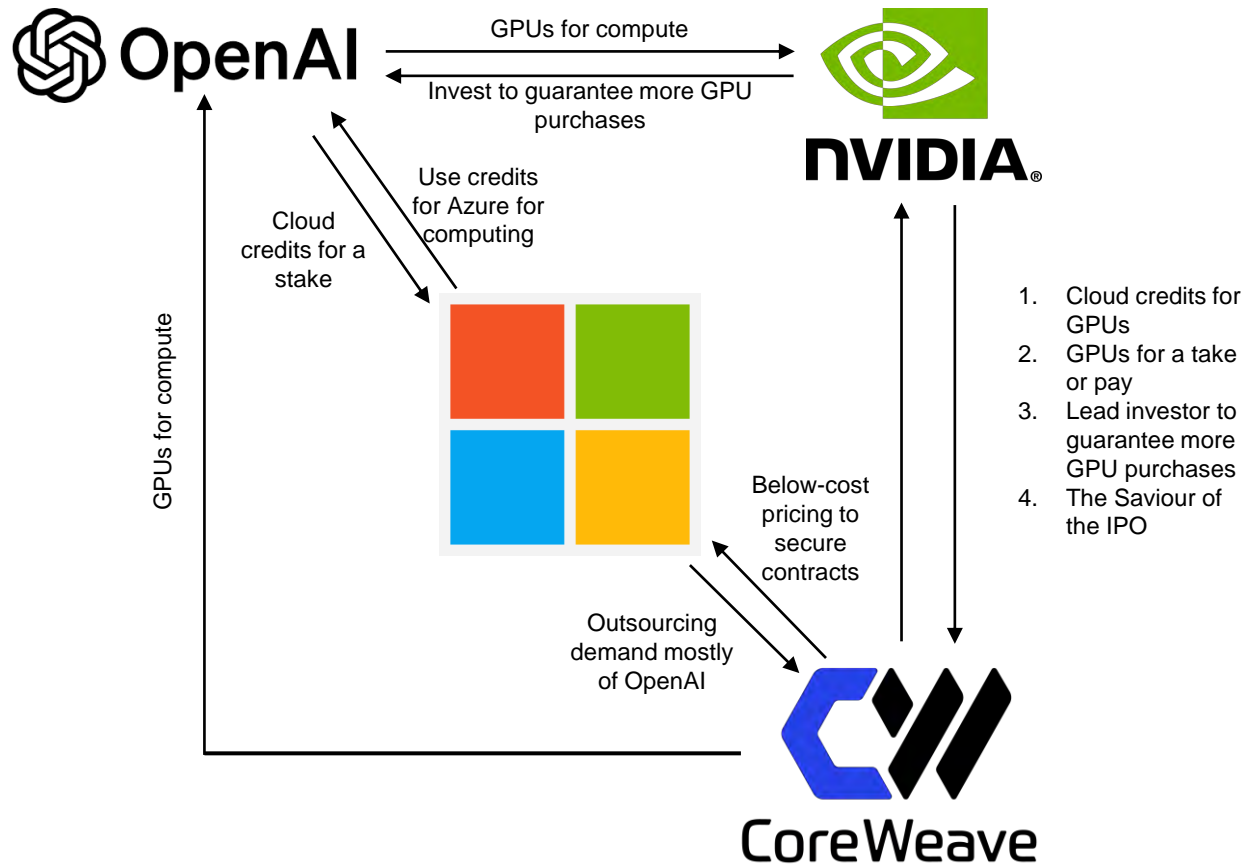


AI Capex

Amazon, Google, Microsoft, Meta and Oracle capital expenditure as a percentage of operating cash flow



Circular AI economy



- > Nvidia commits \$100bn of funding to OpenAI
- > OpenAI will use that \$100bn commitment from Nvidia as a guarantee to raise the \$300bn it committed to pay to Oracle to purchase compute
- > Oracle will use OpenAI's commitment, now backed by Nvidia, to raise debt to buy Nvidia GPUs and scale up its infrastructure to serve OpenAI's demand
- > OpenAI will then pay Oracle with the money funded by Nvidia
- > Oracle, at this point, will use that money to pay for the debt it funded to purchase Nvidia GPUs in the first place

Putting scale into context

Meta Louisiana data centre project



- > 4 million-square-foot campus and the largest data centre to date in Meta's global data centre fleet.
- > **Consumes enough electricity to power the city of Seattle** and must reject a level of waste heat 24/7 that creates thermal plumes visible on weather radar.
- > Requires:
 - GPUs, Servers, Racks
 - Networking/Cabling
 - Power distribution and supply
 - Switchgear
 - Chillers, Cooling towers

*Meta has pledged to match its electricity use with **100 percent clean and renewable energy.***

THEME

CHINA TECH

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US Company



China Counterpart



US Company



China Counterpart



US Company



Google

China Counterpart



Baidu 百度

bilibili

US Company



Google

amazon

China Counterpart



Alibaba.com

Baidu 百度

bilibili

Alibaba.com



JD.COM

US Company



Google

amazon



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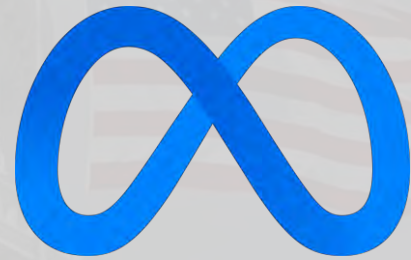


Google

amazon



NVIDIA



Tencent

China Counterpart



Alibaba.com

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US Company



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US Company



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amazon



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China Counterpart



Alibaba.com

Baidu 百度

bilibili

Alibaba.com



















JD.COM

Baidu 百度

Tencent



	Major businesses (U.S.)	Key overlaps	Major businesses (China)
	Hardware products including iPhone, iPad, and Mac, and wearables (Watch, AirPods). Bundled software via iOS/macOS and the App Store (iCloud, TV+, Music).	Smartphones and wearables, integrated software ecosystem, and application software revenue.	Smartphones, wearables, IoT, and internet services. 
	Software services including Windows OS, Office/M365, LinkedIn, Azure cloud, and GitHub. Gaming division includes hardware (Xbox), services (Game Pass), and developing/publishing (Activision Blizzard).	Cloud Infrastructure/Platform as a Service (IaaS/PaaS).	Alibaba Cloud, retail, and e-commerce marketplaces. 
	Software oriented with Google search and ads, YouTube, Android OS, Maps, Cloud, AI/DeepMind. Waymo autonomous driving. Hardware products include the Pixel smartphone, Nest smart home accessories, and Fitbit.	Search and ads, AI cloud, and autonomous driving. Online video community and creator ecosystem.	Mobile ecosystem including ERNIE Bot, and search and ads via the Baidu app. AI cloud, Apollo autonomous driving and Kunlun AI chips. Video game and anime platform, and live streaming.  
	AWS cloud, E-commerce (Prime), smart home devices (Echo), and media (Twitch/MGM Studios).	E-commerce marketplace, AI cloud, and ads. Leading e-commerce platforms and logistics integration.	Alibaba Cloud, retail, and e-commerce marketplaces. E-commerce platform and logistics networks including last-mile delivery and cloud warehouses.  
	Semiconductors (GPUs) and networking equipment (InfiniBand/Ethernet) for AI and HPC. Cloud and software solutions (NVIDIA AI Enterprise).	AI semiconductors, AI cloud platform, and model/tooling ecosystem.	AI cloud services and Kunlun AI chips. 
	Ads via social media platforms (Facebook/Marketplace, Instagram, WhatsApp). VR/AR (Reality Labs) and nascent AI division (Llama/Meta AI).	Social platforms with digital ad ecosystems.	WeChat super-app and QQ instant messaging. Value Added Services (Video, Music, Sports, and Anime and Manga subscriptions). FinTech services (Weixin Pay). Infrastructure (Tencent Cloud). 
	Autonomous EVs, energy storage, and solar systems.	EVs and batteries.	EVs (passenger and commercial) and rechargeable batteries. 

The US Magnificent 7 and Chinese counterparts

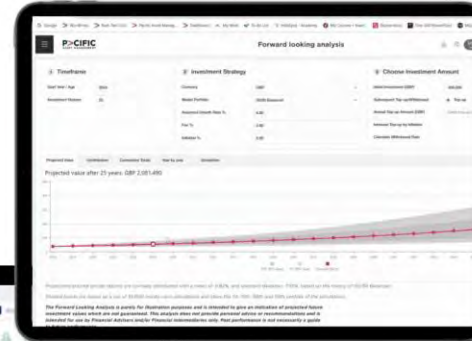
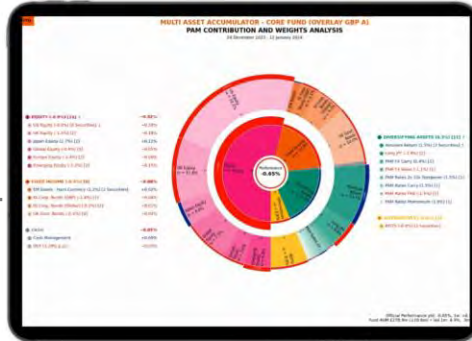
Name	Y/Y Sales %	Price / Sales	Forward P/E	YTD Return
U.S. Mag 7				
Microsoft	14.9	13.6	32.7	22.1
Nvidia	71.6	27	39.5	36.7
Apple	6	9.3	34.7	2.3
Meta	19.4	9.3	22.1	30.7
Alphabet	13.1	7.7	23.6	32.8
Tesla	-2.7	15.6	253.0	7.5
Amazon	10.9	3.6	26.5	3.8
U.S. Mag 7 Total	19.0	9.3	32.7	20.5

Name	Y/Y Sales %	Price / Sales	Forward P/E	YTD Return
China Mag 7				
Alibaba	5.2	5.7	22.3	93.2
Baidu	-3.5	2.1	16.8	64.1
Xiaomi	40	2.6	29.6	62.6
Tencent	11.1	7.7	21.9	53.7
Bilibili	20.4	2.2	34.2	47.3
BYD	31.7	0.1	23.5	23.4
JD.com	12.2	0.6	13.2	-1.3
China Mag 7 Total	16.7	2.2	22.3	59.2

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Contribution Analysis



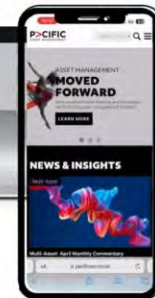
Forward looking analysis



Analyst view data



Live performance and allocation data



CIO View



ADVISERLAB TECHNOLOGY & UNIQUE SERVICE



New CIO View available



Fully exportable PDFs

Pacific Asset Management - CIO View
Document Saved Date: 26-09-2025
Commentary Date: 2025/07/08

dV Investment

	Equities	Equity markets have been supported by strong corporate earnings and a backdrop of modestly positive economic growth and falling inflation pressure. The outlook has been complicated by the policies of the US administration which threaten to damage growth, slow the progress on inflation and increase geopolitical risks. However, provided the tariff policies are limited, and the labour market remains robust the global economy can continue to expand. There are significant opportunities in undervalued regions and sectors that have been overlooked by global investors.
	Fixed Income	As inflation pressures have eased, most central banks have cut interest rates, but the pace of cuts has been cautious as inflation remains above their targets. Inflation linked bonds look attractive given the potential for inflation expectations to rise from here. Spreads on riskier corporate debt are not sufficient to compensate for the risks of a global slowdown.
	Alternatives	Directional alternatives can provide diversification benefits for multi-asset investors. Gold provides an antidote to excessive government debt in the system. In commercial property, some parts of the UK REITs market are trading at significant discounts to their underlying value, whilst valuations have stabilised, rents are rising, and corporate activity is starting to pick up.
	Diversifying Assets	Diversifying assets provide an additional source of diversification in an environment where bonds and equities are more correlated than they were in the first two decades of this century. These strategies are uncorrelated with bonds and equities, providing an additional source of returns to portfolios. In addition, most of these strategies benefit from higher cash rates.
	Cash	Central banks have cut interest rates as inflation levels move closer to their targets. Whilst cash rates are still higher than they were post financial crisis, there are better opportunities in other asset classes.

PAM Quarterly Outlook

February 2025

PACIFIC ASSET MANAGEMENT

PACIFIC MULTI-ASSET SOLUTIONS
INVESTMENT OUTLOOK
FEBRUARY 2025 Insights

OUTLOOK SNAPSHOT: (Estimated reading time 60 seconds)

- The US economy remained resilient in 2024, with strong consumer spending and central banks cutting rates, though inflation remains a challenge.
- Donald Trump won the 2024 presidential election, with policy priorities including tax cuts and deregulation, which could boost growth but also increase inflation risks.
- The US stock market significantly outperformed global peers, driven by corporate earnings, AI advancements, and policy support, though high valuations pose future risks.
- Historical market trends suggest US dominance is not guaranteed, and other regions may present investment opportunities over the long term.

OUTLOOK: (Estimated reading time 5 minutes)

We start a new year on the back of a strong year for risk assets in 2024. Economic growth, particularly in the US, remained resilient, as US consumer spending remained robust. Central banks started cutting rates in the third quarter, acknowledging that they had made material progress on returning to a benign inflation regime, and that whilst economies remain at full employment, their monetary policy remains restrictive. The Fed, having cut rates three times, announced a pause at the end of the year, acknowledging that sticky components of inflation remain a challenge.

Donald Trump secured a decisive victory in the 2024 US presidential election, defeating Vice President Kamala Harris. Trump won both the Electoral College and the popular vote, and the Republicans won control of the Senate and the House. Trump campaigned on five major policy areas: tariffs, immigration, tax cuts, government spending cuts and deregulation. Whilst it is early to tell, undoubtedly the pace at which Trump has begun his second term is far quicker than the first, and the policy mix could support growth, but it could also lead to inflation. Further, the range of outcomes is incredibly wide, particularly with areas such as government spending cuts, which could ease the debt burden but damage the growth trajectory of the US economy. So whilst the outlook for global growth remains reasonably positive, there is increasing uncertainty.

American Exceptionalism Forever?

In the last quarter of 2024, the S&P500 outperformed the rest of the world by one of the largest margins we've seen. For many investors, this is just seen as business as usual. After all, the US stock market has pulled off this trick for 13 of the last 15 years and for 7 years in a row. Has it deserved to achieve this feat? Absolutely. In the short term, US markets were buoyed by the promises of corporate tax cuts and deregulation from President Trump, and the AI theme, which has been lifting earnings expectations. Longer term, equity market returns are a combination of returns from corporate earnings and changes in valuation, and on the earnings front, US corporates have trounced the rest of the world since 2010. As a result, investors have been willing to pay higher valuations for these stronger earnings, and so the double whammy of earnings per share and higher valuation multiples has delivered this world beating performance.

Will it be sustained into the future? This is the question that all investors should be asking themselves, after all, as Warren Buffett once wrote, "If past history was all that is needed to play the game of money, the richest people would be librarians." Looking ahead at the start of 2025, the US stock market has pretty much everything going for it compared to the rest of the world, stronger earnings supported by a resilient macro backdrop, the highest exposure to AI, a strong dollar, and a President that wants to drive home this advantage. The US is an overweight position in our portfolios for now, for all these reasons. However, there is one caveat. Up to now, valuations have been a tailwind

MOVE FORWARD Quarterly Outlook 1

PACIFIC ASSET MANAGEMENT

for US investors, having expanded versus other markets. Given the level of relative valuations today, if the US fails to deliver those earnings, that valuation expansion tailwind will become a headwind. In that case, the US will most likely underperform. Investors should be ready and willing to turn away from the bright lights of the US.

One way to think about the likelihood of delivering on those expectations is to consider what is in the price; in other words, can the US continue to deliver the earnings growth required to justify today's valuations? Bridgewater, the US hedge fund, estimates that for the US to justify its current valuations, earnings need to grow at 9% per year, whereas the rest of the world requires just 2.5% and Emerging Markets (ex-India) need to deliver no earnings growth. This is another way of highlighting how much higher the bar is for further US outperformance from here.

Many observers of markets over the last decade would be forgiven for thinking that US outperformance is the natural way of things. A librarian with a Bloomberg terminal would tell you that's not the case: Europe (ex UK) outperformed the US in the 45 years between 1969 and 2014. Therefore, US exceptionalism is not a given.

While we're reflecting on stock market history, Deutsche Bank recently produced a study looking back at UK stock market returns in quarter of a century blocks going back to 1700, as shown in the chart below. Whilst the full history is beyond the time horizon of most investors, 25 years is a reasonable time horizon for many investing for their pension. The study confirms what most investors already know: equities deliver strong returns above inflation. On average, real returns are 5.5% per year (as shown by the dotted black line). This is despite everything that the world has thrown at equity investors since 1700, including world wars, depressions, inflation, deflation and pandemics.

UK stock market real returns

Period	Real Return (%)
1700-1724	10.5
1725-1749	3.5
1750-1774	2.5
1775-1799	4.5
1800-1824	7.0
1825-1849	3.0
1850-1874	5.5
1875-1899	7.5
1900-1924	2.0
1925-1949	4.5
1950-1974	3.5
1975-1999	14.5
2000-2024	2.0

Source: Deutsche Bank 2025

It's interesting to note that the last quarter of a century has been the joint worst period for investors in the UK stock market, returning a relatively meagre 2.5% above inflation. That's partly because this period had the misfortune to start on 31st December 1999, when UK equities were at record valuations, and since then earnings have failed to deliver on those lofty expectations. The best 25-year period? 1975-2000, helped by a starting point when prices were at rock bottom levels, and ending at those record high valuations. If you had told UK investors that they were about to enjoy real returns of nearly 15% per annum for the next 25 years after enduring the savage bear market of 1974, they would have laughed at you. It's worth bearing this in mind when investors dismiss cheap markets out of hand.

Uncovering Opportunities

We believe that there is significant value to be found in forgotten areas of the UK market today. Investment trusts, which have been around since the 19th century, are almost unique in their structure, sometimes enabling investors to buy assets for less than their known underlying value.

The interesting characteristic of investment trusts is that they have both a net-asset value, like a fund, and a price at which they trade on the stock market. At times of the cycle, these can diverge, presenting opportunities. Of the over 400 listed investment trusts, we have identified opportunities in two trusts that invest utilising an endowment style of investing across equities, private equity and private equity funds. These trusts have high quality assets, which are simple to understand, very strong long term track records, and strong corporate governance. They also trade at a discount to net asset value of 25-35%. In the chart below, we show the NAV performance (orange), the share price (green) and discount to NAV (pink), for one of the trusts we recently purchased, Caledonia.

MOVE FORWARD Quarterly Outlook 1 2

PACIFIC ASSET MANAGEMENT

Caledonia NAV and Share Price

Caledonia discount to NAV (%)

Source: Mirodonk, Bloomberg 2025

If these trusts return from their current discounts (of between 25-35%) to their long-term average discount of 15%, this will provide a strong capital return before we take into account the possibility of NAV movements. We further think there are catalysts for this to happen: the trusts we own are increasing share buybacks, raising awareness through marketing and acknowledging heightened activism in the sector, aimed at closing discounts.

CONCLUSION

2024 was an exceptional year, with the US dominating the news flow and market returns. We believe that long-term history teaches us to question whether US outperformance can continue forever, especially over longer time frames. In 2025, we expect a broadening of opportunities across different geographies and sectors. Investment trusts are an example of a neglected area of the market that present opportunities for investors who are able to take advantage of the deep discounts that are on offer.

PLEASE GET IN TOUCH

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updates and to find out
more please visit our website

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MOVE FORWARD

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World at Glance

MARKET COMMENTARY

April 2025

Market Commentary

SNAPSHOT | TBC | TBC | All percentages below are YTD.

US MARKETS -4.37%

UK MARKETS 6.11%

EMERGING MARKETS 2.55%

EUROPE MARKETS 7.78%

ASIA MARKETS 1.93%

JAPAN MARKETS -0.04%

Market Commentary

POUND VS OTHER CURRENCIES

- GBP vs USD: 2.71%
- GBP vs JPY: 2.14%
- GBP vs EUR: -1.53%
- GBP vs CNY: 2.42%

BOND MARKETS

- UK GOVERNMENT BONDS: 0.4%
- INVESTMENT GRADE BONDS: 2.8%
- WORLD GOVERNMENT BONDS: 2.39%
- HIGH YIELD BONDS: 3.4%

KEY INDICATORS

- GOLD: 18.21%
- OIL: 2.12%
- COMMODITIES: 8.88%
- INFLATION: 2.8%

Global Markets

Market volatility increased on signs of economic weakness, despite the benefits of moderating inflation and lower interest rates.

US MARKETS
Disappointing tech giants tempered overall returns

UK MARKETS
Positive economic momentum propelled marketing returns

EUROPEAN MARKETS
Mixed performance and data led to modest gains

JAPAN MARKETS
Underperformed other developed markets

The World at a Glance

	2020	2021	2022	2023	2024	March 2025	Year to Date
US equity	17.75	20.91	-10.51	23.07	24.0	-0.67	-4.37
UK equity	11.55	18.44	4.7	7.55	6.86	-2.04	6.11
European equity	6.82	23.37	-14.67	19.46	16.12	-2.6	7.78
Asian ex Japan equity	32.37	-3.06	15.4	6.44	16.21	-0.17	1.93
Japanese equity	6.98	12.38	-2.88	21.77	20.02	-3.76	-0.04
Emerging Market equity	16.12	-6.19	-15.54	8.85	13.12	0.3	2.55
World Government Bonds	6.8	7.1	14.39	4.36	4.1	0.81	2.39
US Government Bonds	6.8	4.46	32.36	4.4	4.36	-1.22	0.4
Investment Grade Bonds	6.8	5.1	10.89	4.6	4.91	0.51	2.8
High Yield Bonds	1.24	1.05	10.97	1.44	1.77	1.21	3.4
Commodities	3.12	27.11	16.69	11.5	5.86	3.33	8.88
Gold	39.05	47.8	3.14	72.67	29.63	0.94	18.21
Oil	56.71	61.02	24.4	1.07	13.78	3.46	2.12

World Equity Markets

KEY POINTS

- Global equities delivered a modest return over the month, with developed markets outperforming emerging markets, and small-cap stocks outperforming large-cap stocks in aggregate.
- US equities recorded gains, with large cap growth equities underperforming their value-based counterparts, and small-cap stocks outpacing large caps. Some cooling inflationary pressures increased the likelihood of a September Fed rate cut.
- UK equities had a strong month, outperforming their developed market peers, with robust service sector PPIs helping to drive returns.
- Chinese equities continued to face difficulties due to persistent challenges in the real estate sector, which has broad negative implications on the economy overall.

Generic 10-year Yields*

KEY POINTS

- Global bond markets had a strong month, with government bonds performing particularly well. The bond markets were buoyed by heightened expectations of rate cuts later in 2025.
- US Treasuries gained over the month, driven by speculation of a Federal Reserve rate cut.
- With the bond market anticipating further interest rate cuts by the European Central Bank, European government bonds continued to perform well.
- UK gilts underperformed global bond markets, with stronger-than-expected GDP growth, and persistent services inflation, tempering rate cut expectations.
- Corporate and high-yield bonds underperformed government bonds but still delivered positive returns over the month.

Glossary of Terms

- BoE**: Bank of England – central bank of the United Kingdom
- BoJ**: Bank of Japan – central bank of Japan
- Correlation**: The degree to which the returns of financial assets or instruments move in relation to each other
- CNY**: Chinese renminbi (yuan) – currency of the People's Republic of China
- CPI**: Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
- Dovish**: The approach in which central banks are likely to keep monetary policy 'loose' or accommodative
- ECB**: European Central Bank – the central bank of the European Union countries which have adopted the euro
- EUR**: Euro, the official currency of the European Union for the 20 of 27 member states that have adopted the currency
- The Fed**: or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
- GBP**: British Pound, sometimes referred to as sterling
- GDP**: Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries
- Growth Stocks**: Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
- Hawkish**: The approach in which central banks are likely to keep monetary policy 'tight' or restrictive
- JPY**: Japanese Yen – currency of Japan
- Macro**: or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
- Purchasing Managers' Index** – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
- PMI**: Purchasing Managers' Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
- USD**: US Dollar – currency of the United States of America
- Value Stocks**: Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to growth stocks
- Yield Curve**: a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
- YTD**: Year-to-date

Adviser Support – Investment updates

Quarterly Webinars

INVESTMENT UPDATE
JANUARY 2024

WILL WESTLAK
WILL THOMPSON

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PORTFOLIO CHANGES

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Changes to Dynamic funds in Q4 2023

Asset Class	Value
US Large Cap Growth	1.5%
US Large Cap Value	1.5%
US Mid Cap Growth	1.5%
US Mid Cap Value	1.5%
US Small Cap Growth	1.5%
US Small Cap Value	1.5%
US Div Growth	1.5%
US Div Value	1.5%
US High Yield	1.5%
US Corporate Bond	1.5%
US Government Bond	1.5%
US Cash	1.5%
Global	1.5%
Commodity	1.5%
Real Estate	1.5%
Private	1.5%

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Changes to Dynamic funds in Q4 2023

Keynote Address: The market has been volatile and uncertain, with inflationary pressures persisting. The Fed's aggressive tightening cycle has led to a sharp rise in Treasury yields, which has had a significant impact on the performance of many equity funds. We expect the market to continue to be volatile in the near term, but we believe that the long-term outlook remains positive. We will continue to monitor the market closely and adjust our portfolio as needed.

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MACRO UPDATE

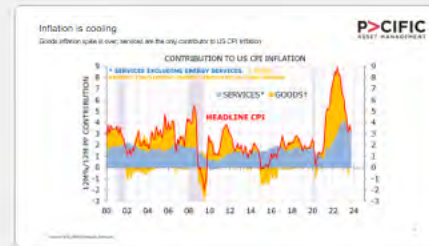
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Three scenarios

- INFLATIONARY LANDING:**
 - Consumer spending weakens
 - High inflation persists
 - High unemployment
 - Market overvalued
 - Real estate market weakens
- SOFT LANDING:**
 - Inflation gradually declines
 - High unemployment
 - Market overvalued
 - Real estate market weakens
 - Real GDP growth slows
 - Real estate market weakens
 - Real estate market weakens
- NO LANDING:**
 - Inflation remains high
 - High unemployment
 - Market overvalued
 - Real estate market weakens
 - Real GDP growth slows
 - Real estate market weakens
 - Real estate market weakens

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Powell Pivot – from Higher for Longer to rate cuts

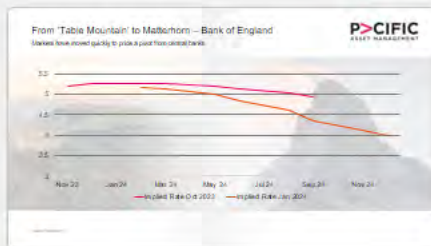
“In determining the extent of any additional policy levers that may be appropriate to return inflation to 2% over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.”

JEROME POWELL
CHIEF OF THE FEDERAL RESERVE OF THE UNITED STATES

Combined with comments on: “inflation has eased”, and “economic growth has slowed”

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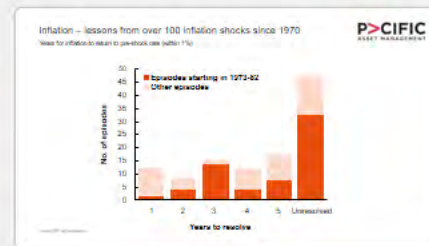
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Central Bank balancing act

Soft Landing

Protonic rise vs Protonic fall

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Inflation – lessons from over 100 inflation shocks since 1970

- Countries achieved victory over inflation too soon
- Countries had looser monetary policy
- Countries had inconsistent tightening policies
- Countries allowed excessive rate expectations
- Countries had higher nominal wage growth
- Countries experienced higher growth in the short term... but not over the 5-year horizon

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Regular Video Updates



CONCLUSION

- Headlines remain disconcerting
- Markets continue to benefit from supportive earnings backdrop
- Valuations are stretched in some areas of the market
- Opportunities in AI adjacent themes
- 2025 - a year for diversification

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