

April 2025 – Market Update – “Trump’s Tariffs”



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Recent market volatility – our thoughts

As many of you will be aware following extended coverage over the past week, equity markets moved sharply downwards following a flurry of impactful trade tariff announcements by the Trump administration in the US.

Trump’s ‘Make America Great Again’ tariff policies have substantially rocked market confidence with investors now wrestling with the increased potential of a recession and the possibility of increasing inflation in the US, something which most experts were discounting as unlikely to happen at the start of the year.

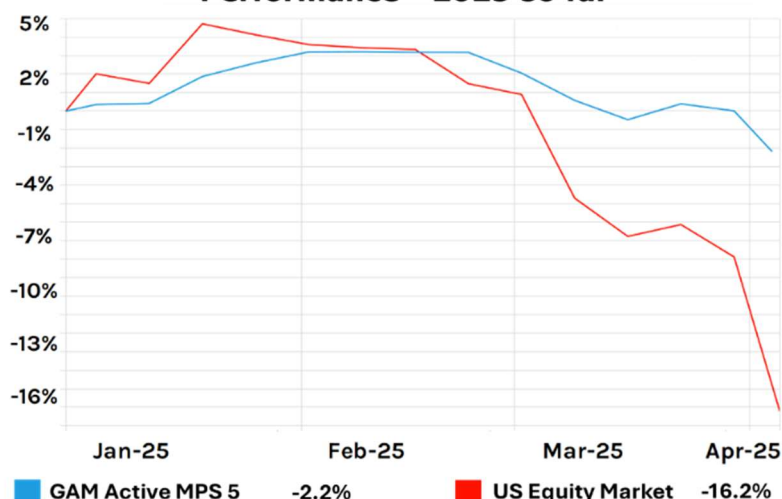
Markets hate uncertainty – the more uncertainty, the more skittish they become, and this has clearly been the case so far in 2025. Whilst markets can be volatile it’s still too early to say with any certainty what the outcomes of these policies will be, but below we discuss a few key points which we hope you will find both useful, and reassuring.

The benefits of diversification

Diversification is a process whereby investors combine assets within a portfolio which can help lower volatility and smooth the investment journey. Put simply, it’s the idea of not putting all of your eggs in one basket.

Investment Portfolios are often constructed in this way to ensure that if something goes wrong in one area, the entire portfolio is not harmed

Performance - 2025 so far



Source: Morningstar Direct – 7th April 2025

Past performance is not a reliable indicator of future results

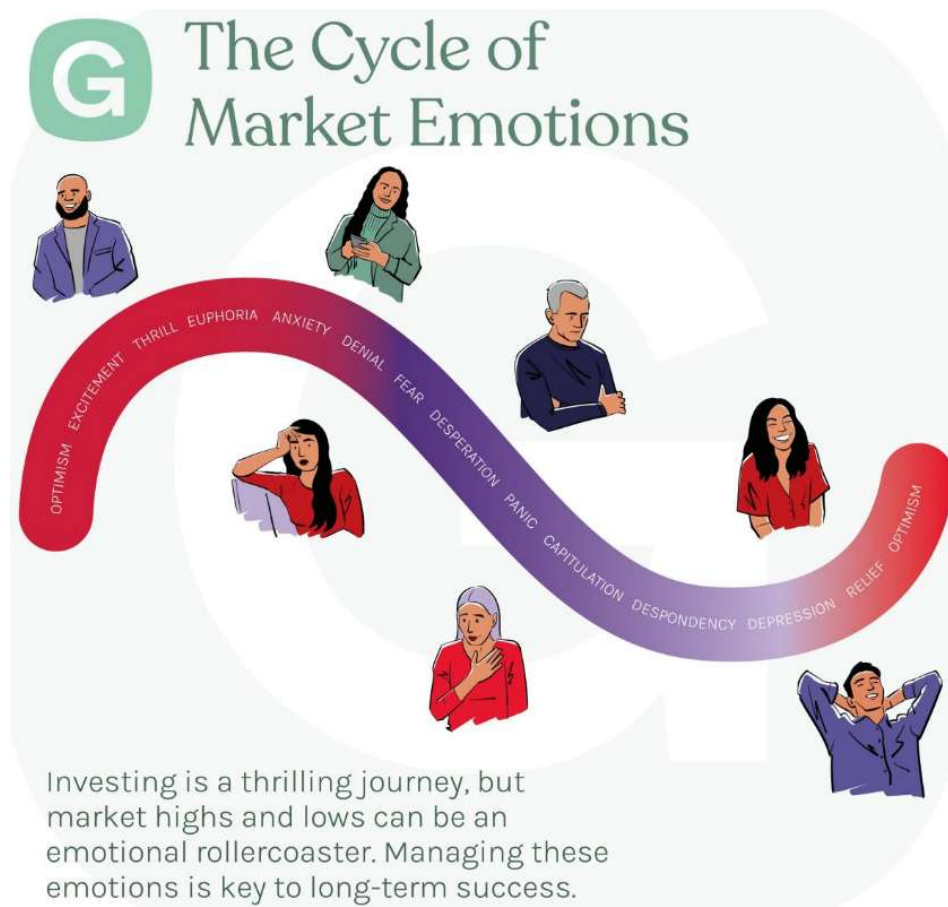
The chart left references a typical mid-range portfolio managed by our sister company Gemini Asset Management (GAM).

This portfolio holds a variety of assets, from lower volatility assets such as government bonds, to higher volatility assets classes such as equities - some of which are in the US but also spread globally. GAM Active MPS 5 invests roughly 26% of the assets into the US equity market and so through this process of diversification, it has led to the portfolio performing better than the US stock market alone.

Market Rollercoasters

Markets and economies move in cycles – they rise and they fall, but it's important to not let emotion dictate decision making.

We will continue to act objectively in our decision making and implement our investment process consistently throughout the cycle of both the good and bad times which may lie ahead.

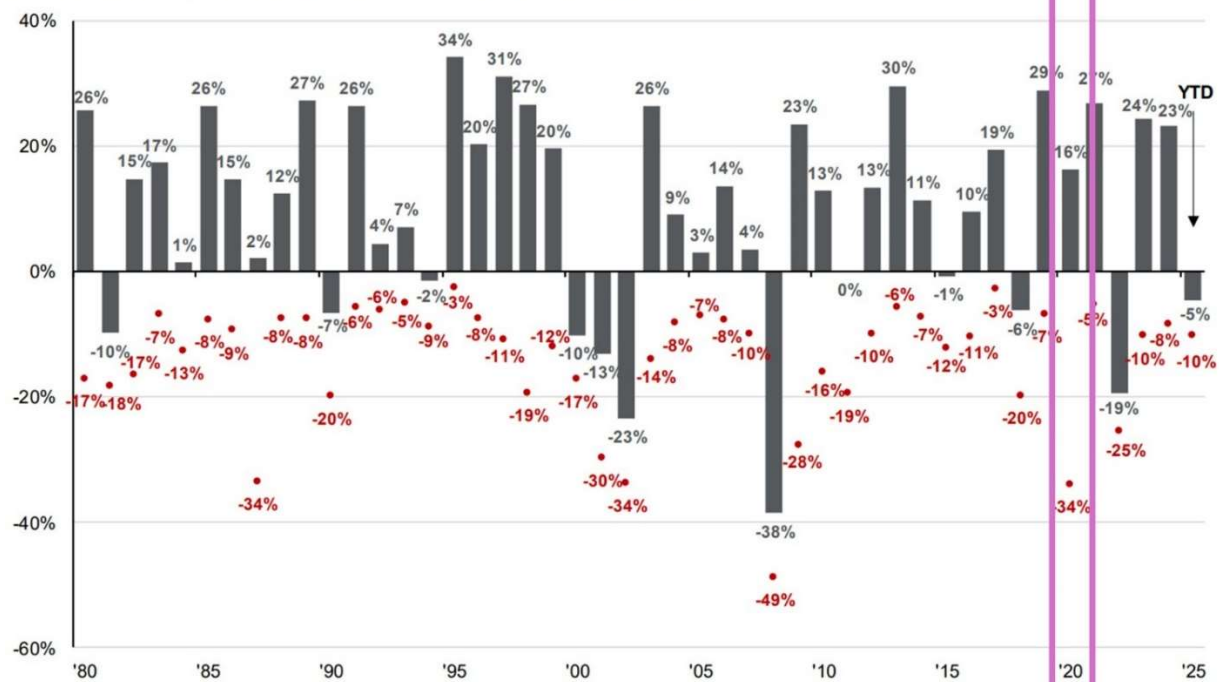


The Normality of Volatility

Finally, it's also worth noting that the world is an unpredictable place, and volatility is a perfectly normal characteristic of the investing journey – the chart below tells this story perfectly.

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



(Source - JPMorgan -Guide to Markets, Date 31st March 2025)

The data on the chart goes all the way back to 1980, with the bars on the chart showing the total return generated by the US equity market in a given calendar year, and the red dots below the zero-line showing how much markets fell at some point during that same year.

For example, we can see that in 2020 – highlighted here with the pink box --, the US equity market was, at one point, down 34%! However, even in that cauldron of uncertainty, by the end of the year, the US equity market not only made its way back to positive ground, but finished the calendar year by return a pleasing 16%!

When we look more deeply into the data, even though the US equity market fell at some point during each year, which is uncomfortable at the time, in 76% of the cases, it has gone on to produce positive returns by the end of that year.

Summary

As we have consistently said in the past, our key message is to stick to the plan which your financial adviser has prepared and implemented for you.

Reacting to short term market volatility, whether it is during market euphoria or market difficulties, is rarely a good choice and the best advice is often to just stick to the long-term plan. If for any reason your personal circumstances have changed and you would like to discuss this with your adviser, please feel free to contact them to discuss this.

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