APR 2025 INVESTMENT UPDATE

HIGHLIGHTS

Market Review

- The global macroeconomic landscape has transformed dramatically since the start of 2025, driven largely by US tariffs and a more aggressive stance towards key trading partners, including historic allies.

- The first quarter of 2025 was marked by volatility and performance divergence across markets.

- Concerns over a US economic slowdown, coupled with policy and geopolitical risks, triggered sharp declines in US equities.

- In contrast, European equities surged, bolstered by proactive fiscal stimulus and defense spending initiatives. We would caution chasing the rally before getting more clarity on recent tariff threats.

Liberation Day!

- Markets finally got details on Trump's latest tariff threats on Liberation Day (April 2, 2025) - and they did not like what they heard. The S&P 500 (-4.8%) and NASDAQ (-5.8%) led declines in the initial knee-jerk market reaction.

- **Possibility of a good outcome?** President Trump discussed the possibility of reducing tariffs if other nations offer something 'phenomenal'. Markets could resume their upward trend if negotiations go well, and economic growth holds up.

- **The latest escalation increases the risk of a negative scenario happening.** Potentially leading to higher prices (renewed inflation), and further declines in consumer and business spending which could evolve into a recession if not managed properly. Watch closely.

Strategic Portfolio Adjustments

We've made strategic adjustments since the start of the year to ensure that our portfolios are better prepared for unexpected shocks in Trump's second presidency:

1. Reduced exposures to economically-sensitive Emerging Markets that would be at risk from Trump's policies.

2. Preferring market segments with more supportive earnings, and reducing concentration from the richly-valued Magnificent 7 stocks which led market declines (peak-to-trough decline of 24%).

3. Bond markets have held up well amid volatile equity markets. We invest in higher quality bonds such as select Investment Grade Credits which have gained more than 3% year-to-date.

Income Amid Trump 2.0

- March was almost like a replay of February, just with more volatility. Good news for income investors: amid large declines in equities, fixed income played its role in being resilient.

- **Asia income markets a standout**: come outperformers Asia corporate bonds outperformed, boosting our fixed income positions. While trade tensions affect all regions, steadier EM fundamentals have supported their outperformance this time.

- **Focus on income**: Income investors need to focus on income assets that generate return from cash flow generation, and not be swayed by return from swings in equities and interest rates.

Read the full commentary [here]

Finexis Asset Management