Investment Update - April 2025

The King of the Pivot

The speed at which markets are reacting to Trumpeconomics has led me to rewrite this publication six times in the past two weeks. Much of this volatility stems from one man—the second coming of Donald Trump. His promise to "Make America Great Again" casts a long shadow over global trade, creating uncertainty that makes investment decisions increasingly complex as his policies pivot almost hourly.

For traders positioned correctly amidst the relentless news flow, this can be a golden era, with significant winners and losers emerging. However, for investment managers, these rapid changes present challenges. Our timelines for trading are not governed by daily fluctuations. Instead, we back our convictions and allow markets to unfold over a longer horizon, constantly evaluating and adjusting as needed.

At the close of 2024 and the start of 2025, the investment committee considered increasing exposure to U.S. equities. However, we prudently chose to delay our decision, keen to see how tariffs might evolve. This proved wise, as U.S. equity markets fell sharply. Today, many Americans may not feel "great again", as their 401(k)s and investments endure the ripple effects of Trump's "tariffmania"—designed to protect domestic industries while reducing trade deficits.

Trump has faced unexpected consequences from his protectionist tariff regime—not so much in equity markets, which can recover quickly, but in U.S. Treasuries, the cornerstone of risk management in turbulent equity markets. Instead of the anticipated flight to safety, falling equity markets were accompanied by rising 10-year Treasury yields, reducing their value.

This dynamic, coupled with a weakening dollar, created unexpected challenges for Trump, threatening both the U.S. economy and the dollar's status as a safe haven.

Under pressure to cut interest rates, the Federal Reserve wisely resisted, citing concerns over the inflationary impact of tariffs. This resistance prompted a sharp pivot from the administration, resulting in a 90-day delay on new tariffs (excluding China) and messaging about trade deal opportunities with multiple countries.

Even U.S.-China trade relations appear to be shifting from an all-out trade war toward a phased tariff regime, showcasing just how powerfully bond markets—not political parties—can influence policy.

Why the 10-Year U.S. Treasury Yield Matters

The 10-year U.S. Treasury yield serves as a pivotal economic indicator due to its impact on borrowing costs, market sentiment, and broader economic stability:

- **Benchmark for Borrowing Costs:** This yield directly influences interest rates on mortgages and corporate bonds, with rising yields potentially slowing growth by increasing borrowing costs.
- **Economic Sentiment:** It reflects investor confidence. High yields may signal inflationary expectations, while lower yields often imply economic certainty and reduced interest rates.
- **Policy Implications:** Rising yields can counteract economic policy benefits, such as tax cuts, by driving up borrowing costs.

Shifting Focus to Ukraine

Meanwhile, the war in Ukraine continues with tragic consequences. Increasingly, there is speculation that Ukraine may need to cede occupied territories, such as Crimea, to secure peace. While this prospect leaves a bitter taste for many Ukrainians, it is becoming a pragmatic consideration to save lives amidst ongoing conflict.

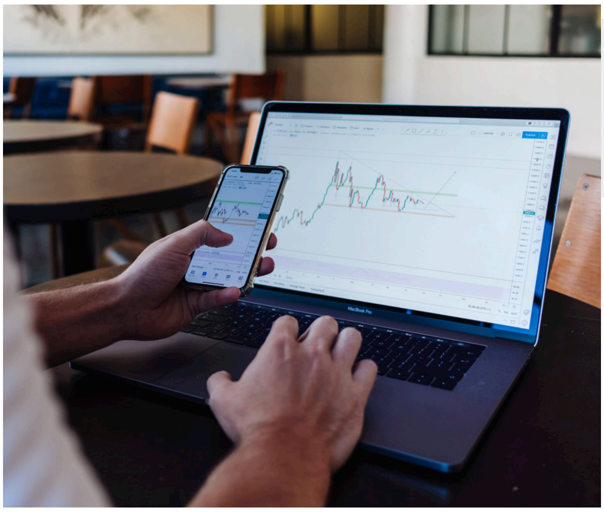
Our Investment Approach

Amid these uncertainties, our investment committee continuously evaluates client portfolios, making tactical adjustments to asset allocation.

Yet, the rapid pace of political and economic shifts often necessitates stepping back to reaffirm our core principles: diversification and risk management through money markets, fixed income, and a balanced equity mix.

While this approach may appear less active on the surface, the opposite is true. We are intensely engaged in analysing macroeconomics, asset allocation, and investment data.

When changes are ready to be implemented, rest assured that we will communicate with you in advance.



Vobis news

I am delighted to announce that Vobis has partnered with Fidelius, who have joined us as a minority shareholder in the company. For over a decade, Vobis has grown organically and successfully, thanks to our commitment to acting and working closely with our clients. This has been, and will always be, at the heart of what we do. As we look to the future, we recognise that steady growth, enhanced capabilities, and strengthened infrastructure are key to achieving the next phase of our journey. Fidelius is an ideal partner to support this vision.

Over the past year, as our discussions have evolved, we've discovered a shared cultural alignment—most notably, our mutual dedication to putting clients at the centre of everything we do. Fidelius's investment provides us with the resources and platform to enhance our service proposition and realise economies of scale that will enable us to better serve you.

We are incredibly proud of what Vobis has achieved so far and are excited about the opportunities this partnership will unlock.

Thank you for your continued support and trust as we embark on this new chapter together.

Warm regards,

RStott

Richard Stott, CEO