Q1 2025

ASTUTE

INVESTMENT MANAGEMENT

Quarterly Commentary.

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Introduction.

Thank you for taking the time to read our Q1 commentary. We discussed in our last quarterly commentary how President Trump would likely dominate the narrative and lead to more uncertainty and market volatility. Unfortunately, that has proved true as we find ourselves lurching from one executive order to the next. It's important to remember at times like this that our investment horizon is longer than a presidential term, and as a client of Astute you will always have a dedicated team untangling the mess of global tariffs and taking a calm and considered approach to the changes they create in the world around us.

Given the recent turmoil in the market, our CIO letter focuses on how best to navigate difficult moments in markets and highlights why this current episode is perhaps less worrisome than some others in our recent history.

In our Astute Overview section we provide an overview of the new Tariff regime announced on "Liberation Day" (2nd of April) and consider what certainty and uncertainty it delivers to the global economy.

Our regular Astute Perspective shows our current conviction views, while Astute Positioning covers how those views translate into the portfolios, and what changes we have made in the past three months.

Putting the financial plan at the heart of our process means our investment philosophy is built intentionally to deliver on your long-term objectives, providing a truly joined up approach between advice and investments.

As always, we take a long-term approach to investing our clients' assets, but success is a journey, not a destination, and the short-term views expressed herein are aimed at managing risk and making your investment journey as smooth as possible. By taking a risk-adjusted approach to your investments, we aim to deliver reliable growth in line with our stated risk profiles and provide you, and your financial planner, with the consistency and security to plan for your long-term financial future. Thank you for your continued support. If you have any further questions or require any additional information, please do not hesitate to contact your usual financial planner.

Scott Osborne
Chief Investment Officer

Hannah Owen
Head of Group Communications

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Senior Investment Analyst

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Junior Investment Analyst

Trading Winds of Change.

I can't say President Trump has done much to make my life easier since he came into office. As an "agent of change" (one of the decidedly more generous terms applied to him in recent days) he has created a very large degree of uncertainty in the world generally, and particularly in its largest and most important economy, and wading through the 37 pages of tariff exempted items in Annex II of his latest executive order is not how I wanted to spend my Friday night. However, I am grateful that he scheduled his "Liberation Day" tariff announcement to land just before I put pen to paper on this commentary, because the most challenging moments on any journey, real or metaphorical, are when communication is most important and impactful. We have a more detailed look at what was announced and what it means within our "Astute Observations" section so I will focus my attention here on broader market implications.

The uncertainty Trump has created since inauguration had already begun to drag on market sentiment, even before he dropped his tariff bombshell. As Aristotle said, nature abhors a vacuum and in market terms this means that in the absence of actual news, people's thoughts are mostly filled with of all the bad things that could happen. Unfortunately in this case, the reality, at least with respect to tariffs, was almost as bad as the uncertainty.

The much talked about 10% tariff imposed on the exclusively penguin populated Heard & Macdonald Islands demonstrates, not stupidity, but intent. There will be no escaping these tariffs. The administration is making a political choice despite the harm it will do to the global economy, not because they don't foresee any. There are plenty of genuinely stupid elements to the policy (I don't see America "reshoring" vanilla bean or banana growing anytime soon for example) but even if these get ironed out there is still enough grit in the gears of the globalisation machine to bring it to a shuddering halt. This de-railing of global growth and potential for recession is what has led to the steep market drops.

Having said all that, the immediate market reaction to the new US tariff regime produced the worst two days since March 2020. A potentially humanity ending virus this is not. Nor is it a systemic global financial crisis, or even a Russian invasion of Ukraine with the myriad of impacts that created. Assuming there is a global trade war, and that's still a big if with both the pressure on Trump's popularity and the window for individual country "deals", we will have to rebase our growth expectations. That's not good for risk assets but it's about as "normal" as market corrections get.

It's also where portfolio diversification can demonstrate its importance. We've already seen the value of our diversifiers (like government bonds) go up and at times like these, we rely on the hard work we have done in the past to diversify our risk. See our "Astute Positioning" for a broader overview, but we firmly believe we have the tools we need to navigate these conditions. Crucially, taking a cool headed and long-term approach, we will also seek to take advantage of any opportunities presented by the emotional or short-term decision making of others.

I have written many times about the importance of a disciplined and repeatable investment process. It is easy to say this when the going is good, it is only when markets start to fall that we are really tested. The current tariff turbulence is a perfect opportunity to make some very bad decisions, and moments like these are when our discipline is most required. Remember these key points: markets have always generated strong, long-term returns despite many periods of losses, diversification is key to navigating volatility, and nobody knows what happens next so ignore people making strong predictions about the near future, good or bad.

It is for all these reasons that I am less worried here than I was for many of the corrections of the past 10 years, and even our shortest recommended time horizon is longer than Trump's entire tenure. It might not be comfortable for some time, but our process was built to adapt to exactly these kinds of conditions. As a client of Astute you will have a carefully considered financial plan supported by a diversified investment portfolio and a dedicated team who remain 100% focused on delivering on our clients' individual investment objectives. Peace of mind is the most valuable service we can provide so, if you can, turn off the news, get some fresh air. Let us do the worrying for you.

S. Osborne

S Osborne, PhD CFA
Chief Investment Officer

Astute Observations.

Tit for Tariff

What is a tariff?

In global trade, a tariff is a basically a border tax imposed by a government on imported goods. It can be levied on different products, at different rates, and on different countries, but in principle when somebody pays to import a good of some kind the government then charges a tax. Usually this is based on the declared value of that item, i.e. 10%, and it is the person or entity bringing that product into the country that bears the responsibility of paying that tax.

Clearly this can be used to protect domestic industries by increasing the cost of imports, aiming to give local producers an edge. Economists generally don't like tariffs because they conflict with the principle of "comparative advantage" where nations specialise in producing goods they can make most efficiently, or, more commonly in developed economies, directing labour towards more "valuable" services jobs and away from goods manufacture. This has been the story of globalisation for decades and while broadly it has increased global living standards, there have been winners and losers. This creates tension between national protectionism and the benefits of open markets, which is ultimately reconciled by politics.

What do we know?

Trump and his team do not like trade deficits. That is where the US buys more goods from a second country than it sells to them; they see this as a sign that they are being taken advantage of. There are plenty of reasons to question that view, but, as the current administration is not interested in that debate, we can park that discussion. In order to "rebalance" trade deficits Trump is making it harder for those countries to sell their goods into the US by announcing a huge round of tariffs. While proposed as "reciprocal" these tariffs appear to be based on the size of each countries trade deficit with the US, and nothing to do with existing tariffs or trade barriers elsewhere (see the table to the below). In addition to this calculation, every country is subject to a minimum tariff of at 10%. These tariffs are proposed to take effect from the 5th of April, effectively making almost every item imported into the US at least 10% more expensive. The highest tariff rates imposed on the "worst offenders" will come into effect on April 9th. Finally there is a blanket 25% tariff on all automobiles which was brought into effect immediately.

Trump's Reciprocal Tariffs

Country	'Tariffs to the US'	New Tariffs
EU	39%	20%
China	67%	34%
Japan	46%	24%
India	52%	26%
Vietnam	90%	46%
Taiwan	64%	32%
UK	10%	10%

Sources: thewhitehouse.gov

Astute Observations.

Tit for Tariff continued

What don't we know?

Clearly the biggest unknown at this stage is the response from other nations and businesses themselves. While the tariff plan is predicated on the US buying more from other countries than it sells, there is still a lot of US goods sold overseas. These may become subject to retaliatory tariffs further complicating the re-ordering of global trade flows. China has already committed to matching the 'Liberation Day' tariffs, directly impacting the $143bn of American goods they import. Even when the tariff dust settles, companies will have to decide what to do: try to pass the tax on to their consumers in higher prices? take some of the hit in their own profit margins? substitute the item where possible? even give up on a particular product or market altogether? There may still be room for negotiating for both sovereigns and corporates and we would expect to see both retaliation and capitulation in different forms over coming weeks and months. Some would say this is the whole purpose of the exercise and probably the best reason to not over-react to the news in the short-term.

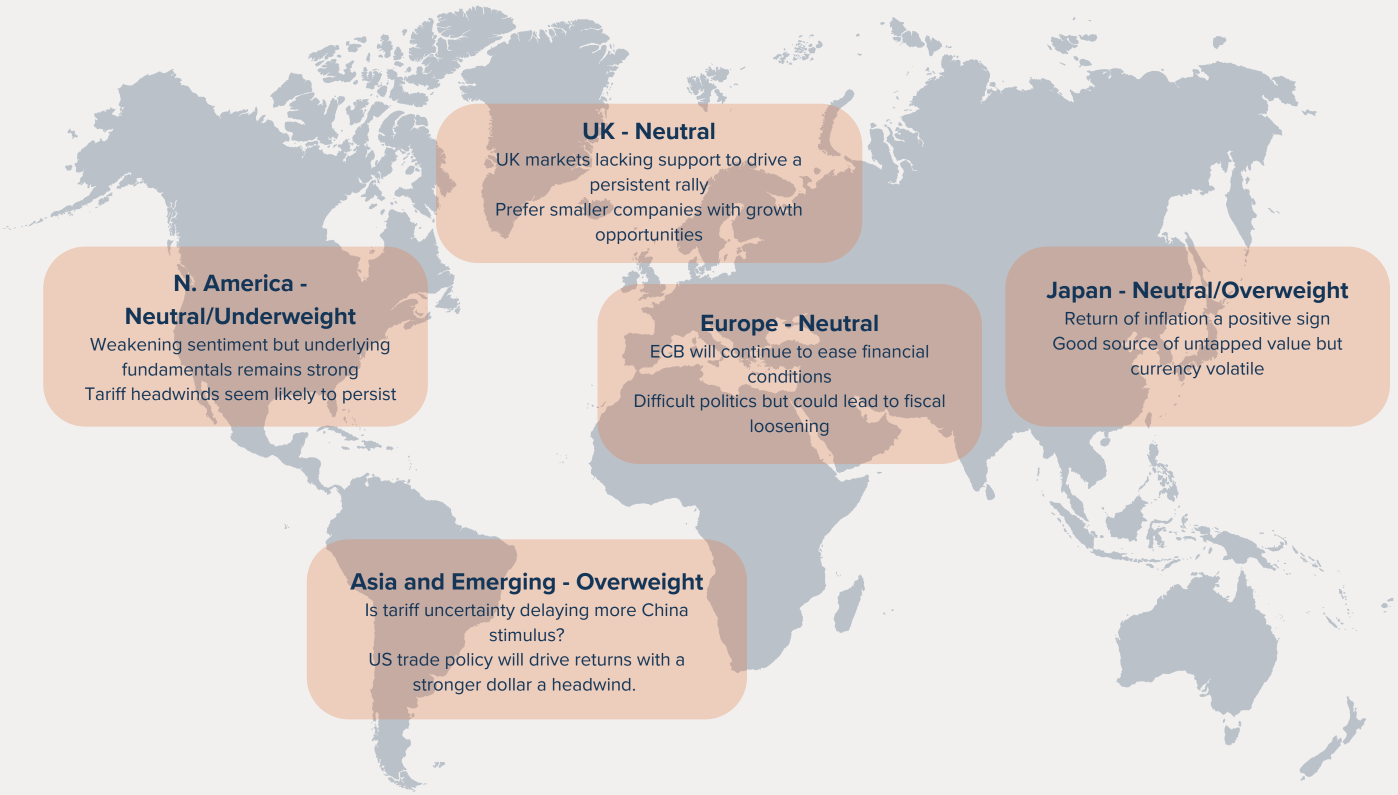
Finally, the consumers' response will be unpredictable. Adapting to the new reality of different costs and product availability, but also potentially making choices based on politics or patriotism. So while "Liberation Day" has removed a small degree of uncertainty it has raised just as many questions as it has answered.

What are the consequences?

The scale of the announced tariffs is unprecedented and much larger than markets were expecting, leading to worries around a global trade war, slowing growth and potential recessions globally. In turn this has led to a steep selloff, as equity markets particularly, reacted badly to the news and US markets suffered their worst week since March 2020. The oil price fell almost $10 in the immediate aftermath and, reassuringly, safe haven assets have been bid for, particularly government bonds. All of these are totally normal responses to expectations of slower growth and so while the lurch lower is never comfortable, a properly diversified portfolio should be well equipped to weather this type of "conventional" market drop. Knee-jerk market responses, while justifiable in direction, are rarely well considered in scale or scope; and volatility of this type can create opportunities for disciplined investors with the right time horizon.

Longer term, it is much harder to say given the transactional nature of President Trump and the… mercurial nature of his decisions. However, if a trade war does materialise and displace the economic status quo then a new paradigm for the global economy may emerge. This would likely lead to a restructuring of global markets as winners and losers emerge, something we must be prepared to adapt to, even if it is still a distant possibility as this point.

Astute Perspective.



UK - Neutral
UK markets lacking support to drive a persistent rally
Prefer smaller companies with growth opportunities

N. America - Neutral/Underweight
Weakening sentiment but underlying fundamentals remains strong
Tariff headwinds seem likely to persist

Europe - Neutral
ECB will continue to ease financial conditions
Difficult politics but could lead to fiscal loosening

Japan - Neutral/Overweight
Return of inflation a positive sign
Good source of untapped value but currency volatile

Asia and Emerging - Overweight
Is tariff uncertainty delaying more China stimulus?
US trade policy will drive returns with a stronger dollar a headwind.

ASTUTE INVESTMENT MANAGEMENT

Asset Class Views

A key pillar of our investment process is driven by our asset class views, something which we keep under review. The scale below shows how we currently feel about each asset class, which is reflected in our underlying investments.

Alternatives

Fixed Income

Sovereign Bonds

Corporate Bonds

High-yield bonds

EM Debt

Equites

UK

Europe

Asia & Emerging

Japan

USA

Astute Positioning.

Interest rates on global government bonds continued to ascend as the new year began, offering us further opportunities to add to our long-dated gilt positions. Given the balance of scenarios this year combined with our cautious but optimistic outlook, these bonds pay an attractive yield, close to 5%, but will also provide strong downside protection if growth slows materially. Should markets overreact to recession fears or an inflationary tariff environment, we see the potential to tactically trade these bonds as yields swing within the broad range seen last year.

In late January, we were informed that the lead manager of our Aegon fund would be departing following a company-wide annual review. This was disappointing news, especially given the fund was a recent addition and had been performing well. However, the manager's tactical input was a key part of our investment thesis, so we decided to exit the position and reallocate to M&G. This is a plain vanilla, globally diversified fixed income strategy with a generally defensive stance. While the manager avoids strong directional bets on credit or duration, they have historically delivered alpha by capitalising on mispricing and market inflection points.

In February, trade policy took centre stage, with Trump creating significant market turbulence after his threats to impose tariffs on Canada, Mexico, and China raised concerns of widespread disruptions to economic growth. If implemented, such tariffs would represent a negative supply shock which could both dampen growth while driving inflation higher, a scenario where central banks would find it difficult to justify rate cuts. This was not long after global tech stocks had been shaken by the release of China's new AI model, DeepSeek, which delivered performance on par with US counterparts, but at a fraction of the cost. Amid all this uncertainty and negative sentiment, we chose to remain patient, waiting for the headlines to settle and volatility to subside, believing this approach would reveal stronger entry points.

By the end of March, the initial optimism surrounding Germany's expansive fiscal plans and their potential to boost growth was quickly overshadowed by the EU preparing strong countermeasures against US tariffs. While growth in the region may be supported, Europe's near-term success hinges heavily on how swiftly spending can be channeled into the right projects to stimulate both short and long-term growth. In this uncertain environment, this was bad for our European growth manager Miton, compounding earlier losses from tech-related companies.

Although our other European manager fared relatively better, persistent macro-driven volatility continued to outweigh stock-specific fundamentals. We therefore trimmed exposure to both managers slightly, reallocating into a lower-cost European equity tracker to reduce tactical risk while awaiting greater clarity on the tariff situation. Additionally, we replaced our existing emerging markets passive allocation, with an ESG overlay for the non-ESG version. This shift, we believe, offers a better balance of exposures across stocks and sectors, which we think will position us more effectively to benefit from long-term themes going forward.

Looking ahead, the previous enthusiasm to simply "buy the dip" appears to be fading, especially if central banks hesitate to intervene as tariff speculation stokes inflation fears. The near-term direction for both equity prices and global yields is highly uncertain, and volatility is likely to stay elevated. A substantial hit to global growth is likely required before central banks are forced into action. In light of the divergent outcomes, and the strong influence of macro factors we are increasingly focused on diversification. While the impact of tariffs and the potential for pauses, re-negotiations and deals are driving markets we must continue to stay nimble and be prepared for tactical opportunities when they arise.

Fund Activity

New Purchase

M&G Global Corporate Bond	Con / Bal
Xtrackers S&P Europe ex UK	Con / Bal / Gro
iShares Core MSCI EM IMI ETF	Bal / Gro

Top Up

UK Gilt 4.75% 22/10/2043	Con / Bal / Gro
L&G S&P 500 Equal Weight	Con / Bal / Gro

Trim

RGI European	Con / Bal / Gro
Premier Miton European Opps	Con / Bal / Gro

Sold

Aegon IG Global Bond	Con / Bal
iShares S&P 500 Equal Weight	Con / Bal / Gro
iSahres MSCI EM SRI ETF	Bal / Gro

Con = Conservative, Bal = Balanced, Gro = Growth

Sources: Astute Investment Management as at 31/03/2025. Past performance is not a reliable indicator of future results.

VT Astute Conservative.

The Conservative fund lagged both inflation and its market comparator this quarter. This was primarily due to our highly rate-sensitive UK Government bonds, which faced challenges in delivering returns amid rising yields. Additionally, the preference for smaller companies across developed markets also added to relative losses.

Trump remained a dominant presence in the headlines throughout the quarter, as the highly anticipated “Liberation Day” and broad-based tariffs weighed on sentiment and thus equity prices. As a result, global yields rose, posing significant headwinds for our government bonds despite their relatively high coupons. However, corporate credit remained a strong contributor, benefitting from resilient company earnings, solid demand and positive credit selection from our managers.

During the period, the top contributors came from a diverse mix of asset classes. The Man Sterling Corporate and Dynamic Income holding continued to generate consistent returns, driven by solid credit selection in Financials and Real Estate. Gresham surged 38.78%, supported by a strong earnings report and a bid for a similar rival. RGI European and M&G Global Emerging Markets also delivered positive performance, benefitting from capital outflows from the US and significant dollar weakness.

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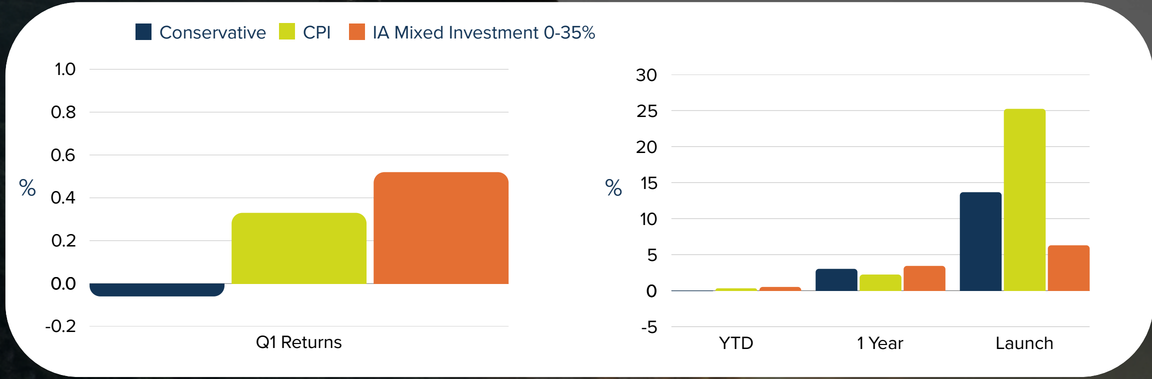
Performance



Asset Classes

Asset Classes	Avg Weight	Return	Contribution to Portfolio Return
Cash & Equivalents	2.98%	1.17%	+0.04%
Government	28.66%	-0.04%	-0.00%
Credit	27.88%	1.81%	+0.48%
UK	4.00%	1.88%	+0.09%
N. America	12.59%	-6.89%	-0.79%
Europe	2.95%	1.06%	+0.05%
Japan	2.00%	1.51%	+0.03%
Asia & Emerging	4.02%	-0.13%	+0.02%
Thematic	0.98%	-0.24%	+0.01%
Alternatives	13.93%	0.94%	+0.15%

Top Funds

Fund Name	Avg Weight	Return	Contribution to Portfolio Return
Gresham House Energy Storage	0.35%	+38.78%	+0.12%
RGI European	2.01%	+5.28%	+0.11%
Man Sterling Corporate Bond	4.49%	+2.51%	+0.10%
Man Dynamic Income	3.53%	+2.80%	+0.10%
M&G Global Emerging Markets	2.01%	+5.21%	+0.10%

Sources: Refinitiv Lipper for Investment Management & Astute Investment Management as at 31/03/2025. Past performance is not a reliable indicator of future results. All performance is shown net of ongoing charges. Morningstar Target Allocation indices are used as performance comparators. Launch data is for the period 20/07/2020 to 31/03/2025. 1 year data is for the period 31/03/2024 to the 31/03/2025. Contribution to return may not sum to the total return due to rounding and averaging.

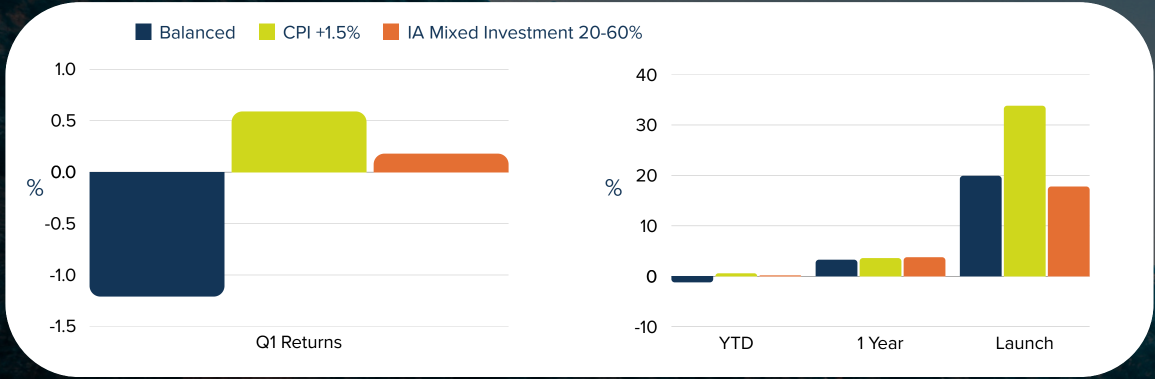
VT Astute Balanced.

The Balanced fund began the year in negative territory, underperforming both inflation and its market comparator. While overall returns were mostly positive, underperformance stemmed primarily from our rate-sensitive government bonds and exposure to smaller cap stocks in developed markets, which continued to lag behind their larger-cap counterparts.

Trump continued to dominate headlines throughout the quarter, as the highly anticipated "Liberation Day" and broad-based tariffs dampened sentiment, pressuring equity prices. Global yields climbed in response to the potential inflationary impact of these policies, creating significant headwinds for our government bonds. Additionally, our overweight position in small and mid-cap stocks in the UK and Europe proved particularly challenging, as these companies, despite the increased defence spending and capital inflows, continued to trade at substantial discounts to their intrinsic value.

With heightened levels of dispersion, the top-performing funds came from a range of asset classes, each contributing positively. The RGI European, JPM UK Equity Core, and M&G Global Emerging Markets holdings delivered a strong performance, benefitting from capital inflows and increased fiscal spending. Gresham saw an impressive surge of 38.78%, driven by a robust earnings report and a bid for a similar rival. Meanwhile, Man Dynamic Income continued to provide steady returns, supported by strong credit selection.

Performance



Asset Classes

Asset Classes	Avg Weight	Return	Contribution to Portfolio Return
Cash & Equivalents	2.47%	1.17%	+0.04%
Government	16.55%	-0.02%	+0.01%
Credit	18.82%	1.88%	+0.35%
UK	7.02%	2.51%	+0.21%
N. America	24.85%	-7.45%	-1.64%
Europe	5.60%	-0.62%	+0.02%
Japan	4.75%	1.25%	+0.06%
Asia & Emerging	7.98%	-1.06%	-0.02%
Thematic	1.46%	-0.24%	+0.01%
Alternatives	10.48%	1.17%	+0.15%

Top Funds

Fund Name	Avg Weight	Return	Contribution to Portfolio Return
JPM UK Equity Core ETF	4.09%	+6.08%	+0.20%
RGI European	3.06%	+5.28%	+0.16%
M&G Global Emerging Markets	2.99%	+5.21%	+0.15%
Gresham House Energy Storage	0.33%	+38.78%	+0.12%
Man Dynamic Income	3.01%	+2.80%	+0.11%

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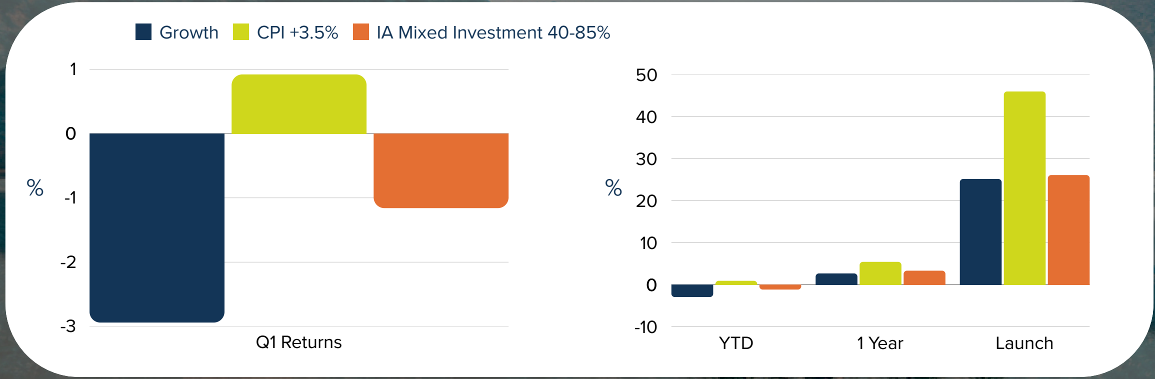
VT Astute Growth.

Global equities experienced wide variations in returns this quarter, with the US significantly underperforming while European markets delivered strong gains. Although we managed to outperform within the US despite its negative contribution, the Growth fund lagged both its market comparator and inflation. This underperformance was driven by our overweight to small and mid-caps across Europe and the UK.

Trump remained a dominant force in the headlines throughout the quarter, with the much-anticipated “Liberation Day” and the announcement of tariffs weighing on sentiment and putting pressure on equity markets. This followed steep declines already triggered by the launch of China’s DeepSeek, which challenged the narrative of US exceptionalism. Our overweight exposure to small and mid-cap names in the UK and Europe also continued to pose issues as despite the increased defence spending and a recovery in flows, they still trade at deep discounts to their intrinsic value.

As expected, our top performing funds this quarter were led by equity managers, though corporate credit also made a positive contribution. RGI European, JPM UK Equity Core, and M&G Global Emerging Markets delivered strong results, driven by capital inflows and increased fiscal spending. Lazard Japan also posted gains, supported by ongoing momentum in corporate governance reforms. On the credit side, Man Dynamic Income continued to generate steady returns, underpinned by effective credit selection.

Performance



Asset Classes

Asset Classes	Avg Weight	Return	Contribution to Portfolio Return
Cash & Equivalents	2.40%	1.17%	+0.03%
Government	5.92%	-0.32%	+0.02%
Credit	3.79%	2.10%	+0.08%
UK	12.04%	1.86%	+0.30%
N. America	39.01%	-7.21%	-2.45%
Europe	10.08%	0.64%	+0.04%
Japan	7.10%	1.11%	+0.09%
Asia & Emerging	13.02%	-2.02%	-0.17%
Thematic	3.51%	-0.24%	+0.03%
Alternatives	3.12%	-1.44%	-0.04%

Top Funds

Fund Name	Avg Weight	Return	Contribution to Portfolio Return
JPM UK Equity Core ETF	6.08%	+6.08%	+0.29%
RGI European	5.57%	+5.28%	+0.29%
M&G Global Emerging Markets	3.03%	+5.21%	+0.17%
Lazard Japanese Strategic Equity	4.57%	+1.59%	+0.15%
Man Dynamic Income	1.01%	+2.80%	+0.06%

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