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Market Update

14th March 2025

MARKET OVERVIEW

February & March 2025 have been challenging months for investors as they focussed on evidence of slowing US economic growth. The geopolitical stage remains uncertain, highlighted by the fact February finished with a debacle between President Trump and Ukrainian President Zelenskyy, which has dominated headlines since.

There were **6 key drivers** in returns:

1. Make Europe Great Again

So far in 2025, we have seen a rotation in equity markets, with Europe taking the lead over the US. As is often the case in investment markets, when one market theme slips, another one rises in its stead. In this case, it is the companies that make up the MSCI Europe Aerospace and Defence Index that are among the newest market darlings. Investors evidently have high expectations for revenue growth already priced into these shares, but it remains to be seen whether defence spending will match them. As always, the rotation of such market themes provides ample opportunities for active investment managers whom we tend to use in most of our portfolios.

2. Gold keeps Glistening

Increased demand in February came from buying by US warehouses looking to replenish inventories ahead of any US tariff problems. This had contributed towards Gold reaching an all time high.

3. DeepSeek panic is over

The fall in values of the Magnificent 7 and artificial intelligence (AI)-related stocks following the arrival of the new lower cost AI-rival DeepSeek in January was short-lived and didn't persist in to February.

However, AI stocks have been under considerable scrutiny ever since, especially around the level of capital expenditure planned to bring AI to fruition. Innovation of the DeepSeek kind will accelerate the use of AI but may challenge the profitability of some existing AI firms.

MARKET OVERVIEW

4. Geopolitics is shifting at pace

A potential for a peace deal in Ukraine, but a weakening of transatlantic relations, alongside US tariffs to come for Mexico and Canada in April and a threatened 25% on the European Union, have all conspired to make the geopolitical backdrop quite unpredictable for markets.

This may also be flattering some economic data as front loading of economic activity appears to be in evidence in anticipation of what may be to come.

6. Is America Slowing?

Robust US economic growth over the past couple of years has surprised many and has been behind much of market's strong performances.

Both the lagged impact of higher interest rates and policy uncertainty appear to be dragging on US growth, while consumer confidence has also fallen somewhat in early 2025.

5. Earnings

Simply put, Q4 2024 company earnings were exceptionally strong, with the US looking like it has delivered 16.9% year on-year growth (20.4% excluding energy stocks) driven mostly by margin expansion. *

Meanwhile, Europe has also delivered better than expected, with earnings growth of 7% or 13.7% when its energy sector is excluded over the same time period.

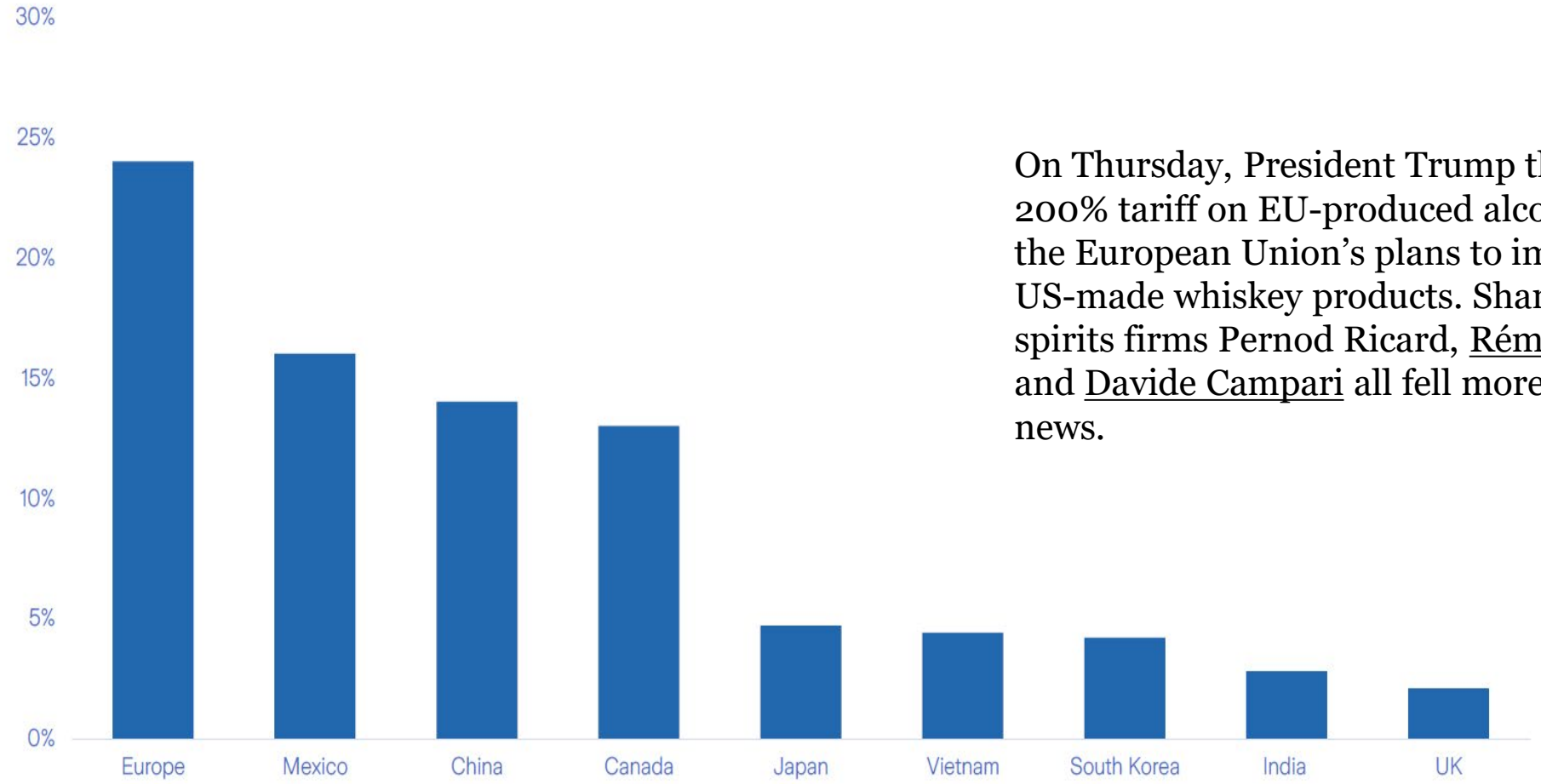
Importantly for markets and investors the growth is coming from different sectors and is no longer so heavily dominated by technology

PRESIDENT TRUMP'S REASONS FOR TARIFFS:

- To raise revenue – the US is running a massive budget deficit
- The bring trade into balance – the US has a large trade gap
- To bring rival countries to heel e.g. illegal migration

Further tariff trepidation stifled US equities again last week. On Monday, US President Trump confirmed at a press conference that tariffs against Canada, Mexico, and China would go into full effect on Tuesday, finally answering the "will he-won't he" questions. It didn't last long, however. On Thursday, Trump announced that the levies on goods from Canada and Mexico would be largely lifted and delayed until 2nd April. Trump insisted the reprieve had "nothing to do" with the recent volatility of the US stock market, adding: "I'm not even looking at the market, because long term, the United States will be very strong with what's happening here".

US IMPORT SHARE



Source: Trading Economics, 2024 Data

On Thursday, President Trump threatened to place a 200% tariff on EU-produced alcohol, responding to the European Union's plans to impose 50% tax on US-made whiskey products. Shares in wine and spirits firms Pernod Ricard, Rémy Cointreau, and Davide Campari all fell more than 3% on the news.

REASONS TO BE POSITIVE & THE RISKS:

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Positives

+ Inflation coming under control
+ Interest rates falling
+ Reasonable GDP growth
+ Good profit growth
+ President Trump?

Negatives

– Valuations not particularly attractive
– US debt to GDP
– President Trump?
– Trade wars?


LET'S LOOK AT SOME OF THE DATA

MARKETS GO UP MORE THAN THEY GO DOWN

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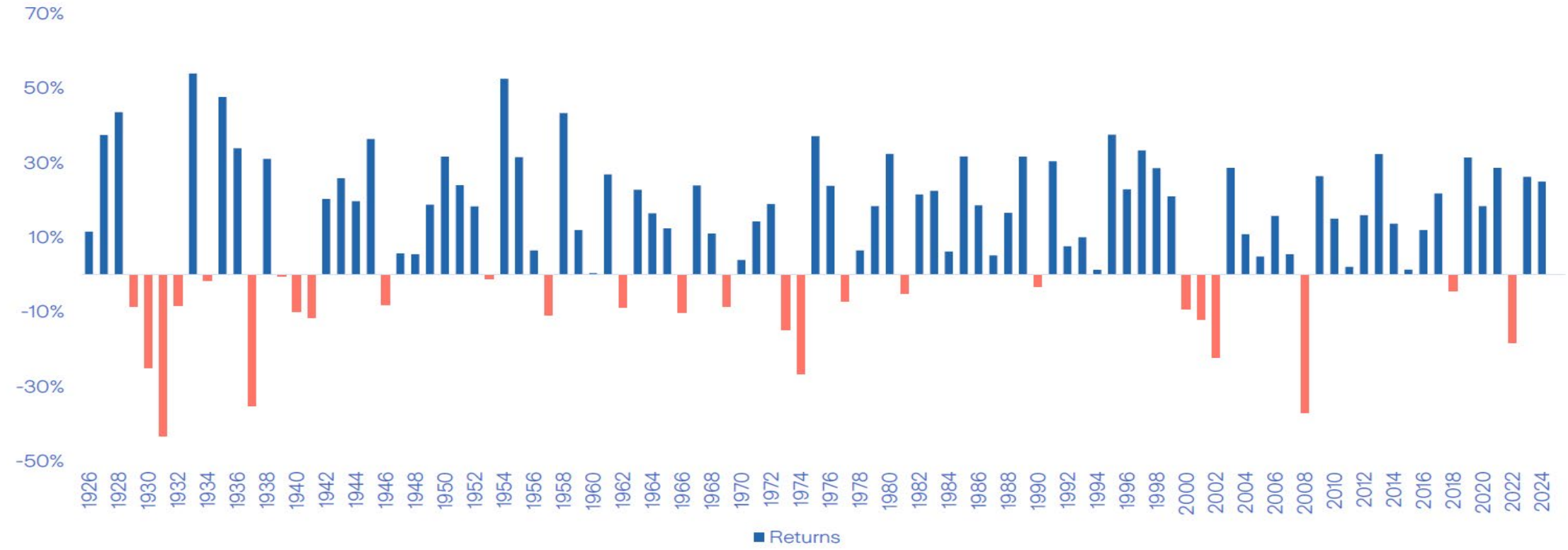
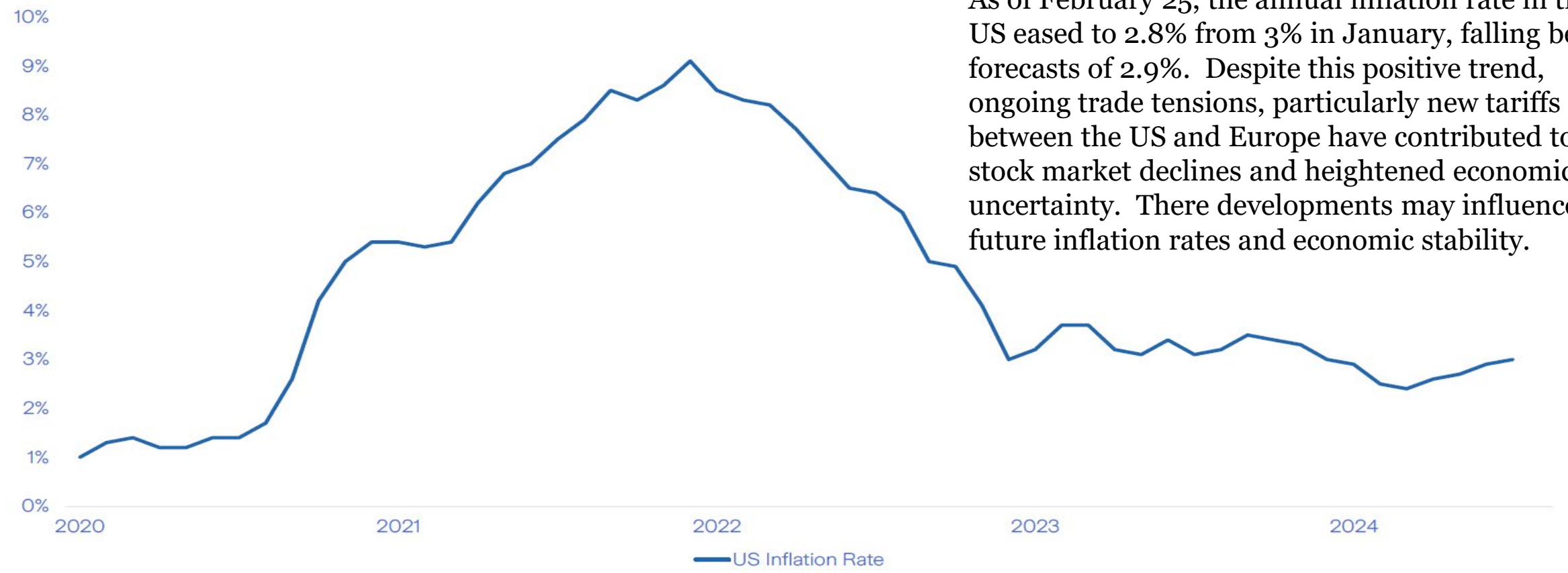
S&P 500 Total Returns

Since 1926



Source: S&P500, 31.12.2024

US INFLATION (%)

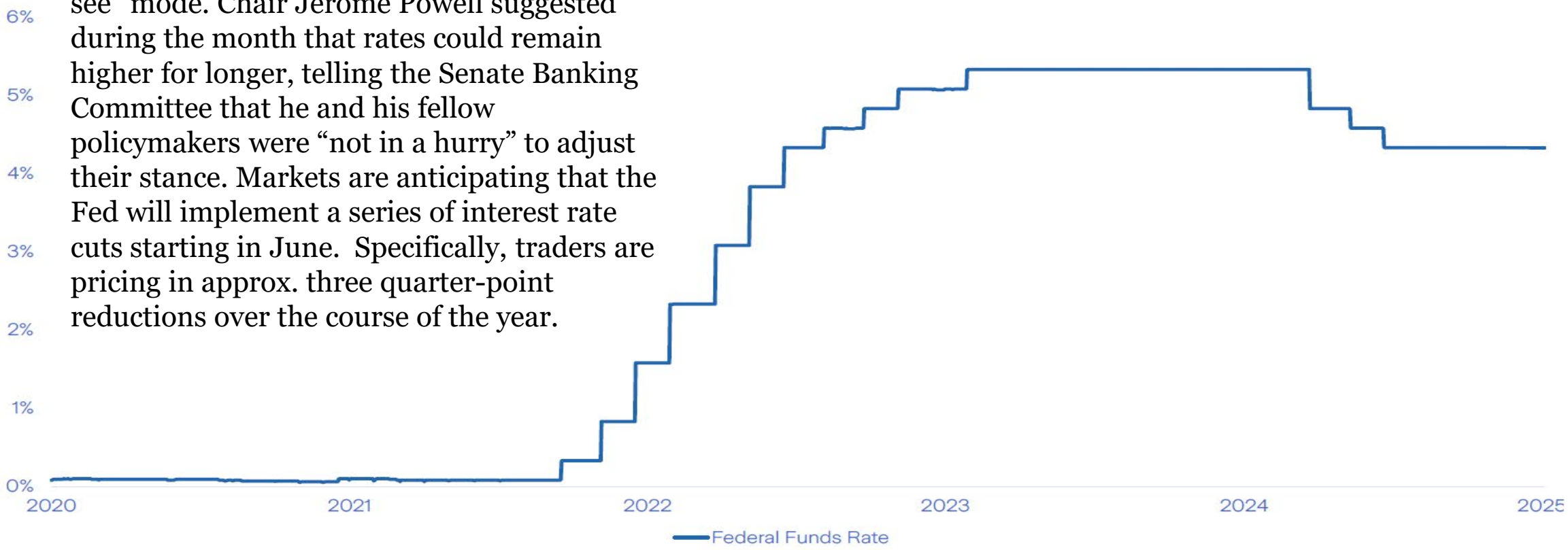


Source: Trading Economic, March 2025

As of February 25, the annual inflation rate in the US eased to 2.8% from 3% in January, falling below forecasts of 2.9%. Despite this positive trend, ongoing trade tensions, particularly new tariffs between the US and Europe have contributed to stock market declines and heightened economic uncertainty. There developments may influence future inflation rates and economic stability.

FEDERAL RESERVE FUNDS RATE (%)

The Federal Reserve remains in “wait and see” mode. Chair Jerome Powell suggested during the month that rates could remain higher for longer, telling the Senate Banking Committee that he and his fellow policymakers were “not in a hurry” to adjust their stance. Markets are anticipating that the Fed will implement a series of interest rate cuts starting in June. Specifically, traders are pricing in approx. three quarter-point reductions over the course of the year.



Source: Federal Reserve Bank of New York, March 2025

S&P 500 PERFORMANCE – COMPOUND ANNUAL GROWTH RATE

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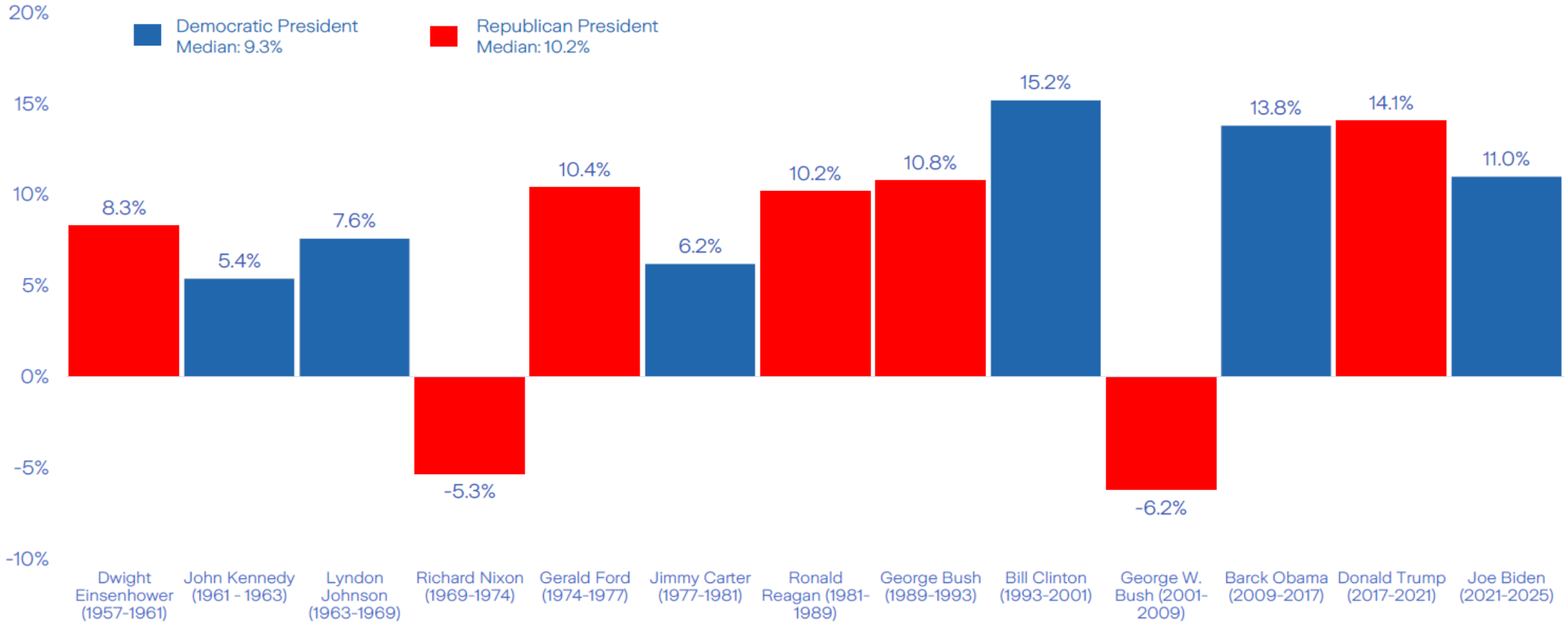

MARKET PERFORMANCE

14TH MARCH 2025

Equity Markets	Price	1 Day (%)	1 Month (%)	3 Month (%)	YTD (%)
World Index (€)	538	-0.6	-10.5	-8.7	-7.2
S&P 500	5,522	-1.4	-9.6	-8.5	-5.9
UK	8,543	+0.0	-1.5	+3.9	+5.4
Euro Stoxx 50	5,328	-0.6	-3.0	+7.6	+9.2
Ireland	10,754	-0.8	+4.1	+9.8	+10.5
Japan	37,053	+0.7	-5.3	-5.9	-7.1
Hong Kong	24,016	+2.4	+6.5	+21.1	+20.6
China	3,420	+1.8	+2.2	+1.2	+2.3

Bonds	Current Yield	1 Day Ago	1 Month Ago	3 Months Ago	Start of Year
US 10 Year	4.29%	4.27%	4.48%	4.40%	4.57%
German 10 Year	2.87%	2.85%	2.43%	2.26%	2.36%
UK 10 Year	4.68%	4.68%	4.50%	4.41%	4.56%
Irish 10 Year	3.12%	3.12%	2.61%	2.53%	2.64%

Interest Rates	Current Rate	1 Day Ago	1 Month Ago	3 Months Ago	Start of Year
US*	4.50%	4.50%	4.50%	4.75%	4.50%
ECB - Deposit Rate	2.50%	2.50%	2.75%	3.25%	3.00%
UK - Bank Rate	4.50%	4.50%	4.50%	4.75%	4.75%

Currencies	Current	1 Day Ago	1 Month Ago	3 Months Ago	Start of Year
EUR/USD	1.084	1.085	1.049	1.051	1.035
EUR/GBP	0.84	0.84	0.83	0.83	0.83

Commodities	Price	1 Day (%)	1 Month (%)	3 Month (%)	YTD (%)
Gold	$2,982/oz	+1.9	+3.7	+12.7	+13.9
Oil (Brent)	$71/bbl	-1.5	-6.5	-6.2	-6.4
Copper	$491/MT	+1.6	+5.0	+18.1	+21.7

Source: Bloomberg

*Fed Funds Target Rate - Upper Bound

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FUND MANAGER CATCH UP

We caught up with three fund managers, Cantor Fitzgerald, Zurich & Irish Life to get their views on current market volatility and how they are positioning their portfolios going forward.

UPDATE FROM CANTOR FITZGERALD

Investment Team Views

- We started the year underweight growth assets which weighed a bit on performance, but the main story has been the unprecedented outperformance of Europe vs the US in the opening 2 months, reaching about 20%.
- Our European overweight's such as banks and defence stocks have done well but have been slightly offset by some US single stocks especially in semi-conductors.
- The alternative fund weighed on the Multi Asset funds as the hedges in place there, were weighted towards Europe and have proved very expensive thus far and not needed.
- We are selling European winners now (banks, defence stocks) and adding back the US, especially US tech which has had a bad start.
- We continue to monitor markets closely as the trade war heats up and geopolitics worsens.
- We remain positive on outlook medium term and are awaiting better entry points to deploy cash.
- The investment team actively monitor all aspects of the market closely, following our proven investment process. We believe the merits of investing in our actively managed, style agnostic funds will continue to deliver for investors over the medium to long term.

Cantor Fitzgerald Fund Centre

UPDATE FROM CANTOR FITZGERALD

Multi-Asset current positioning 28 February 2025

	Cantor Fitzgerald Multi-Asset 30*	Cantor Fitzgerald Multi-Asset 50*	Cantor Fitzgerald Multi-Asset 70*
Cash	4.2%	4.8%	6.4%
Short Dated Bonds	54.2%	37.8%	17.9%
Medium Dated Bonds	5.6%	3.3%	2.5%
Long Dated Bonds	2.9%	1.7%	1.3%
Floating Rate Notes	0.0%	0.0%	0.0%
European Equity	2.8%	5.0%	7.4%
UK Equity	2.3%	4.2%	6.1%
US Equity	17.2%	31.6%	45.2%
Emerging Markets Equity	0.1%	0.2%	0.4%
Japanese Equity	0.3%	0.5%	0.7%
Property/REIT	0.4%	0.4%	0.9%
Commodities	0.9%	1.5%	2.0%
Alternatives	9.1%	9.0%	9.2%

** Due to rounding the asset allocation numbers may not add up to 100%. Source: Cantor Fitzgerald to 28 February 2025.*

UPDATE FROM ZURICH INVESTMENT MANAGERS

Investment Team Views

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- Our European overweight's such as banks and defence stocks have done well but have been slightly offset by some US single stocks especially in semi-conductors.
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UPDATE FROM IRISH LIFE INVESTMENT MANAGERS

Irish Life

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The fundamental backdrop for global equities over the next 12 months remains positive, despite uncertain US policy. Steady growth, strong consumer balance sheets, ongoing disinflation, rate cuts and a corporate-friendly stance from the US government should mean a favourable environment for the asset class. Divergence within regional equity performance, however, is likely to remain a feature.

Global equities valuations are above long-term averages, trading on a 12-month forward P/E multiple of 18.1x against a long-term average of 16.1x. However, with a positive fundamental backdrop, multiples could remain close to current levels. Equities remain expensive against both bonds and cash given the high yields currently available on these assets.

While equities appear fully valued, growth is expected to remain firm and earnings are forecast to rise strongly in the next one to two years. Additional rate cuts could also contribute to further gains. Over the medium term, the rollout of AI should boost efficiencies and earnings across the whole market and allow equities to trade at higher valuation levels. Any short-term volatility in markets is likely to be offset by the above factors. As a result, our 12-month view on equities is constructive

SUMMARY

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Our investment philosophy emphasizes the importance of staying invested for the long term while maintaining a well-diversified portfolio. Market fluctuations are inevitable, but history has shown that disciplined investors who remain committed to their strategy tend to achieve strong returns over time.

A diversified approach helps manage risk by spreading investments across asset classes, sectors, and geographies, reducing exposure to any single market event. Rather than reacting to short-term volatility, we focus on fundamental strengths, long-term growth potential, and strategic asset allocation to navigate changing economic conditions.

If you'd like to discuss anything in relation to your pension or investment please do not hesitate to contact us.

Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: These funds may be affected by changes in currency exchange rates.

UNDERSTANDING INVESTMENT RISK

1. You are a **'very low risk'** investor. You are not willing to accept any significant risks with your money, accepting the prospect of low returns to achieve this.
2. You are a **'low risk'** investor. You are likely to accept limited risks with your money and will want to try to avoid large fluctuations in the value of your investment, accepting the prospect of more modest returns to achieve this.
3. You are a **'low to medium risk'** investor. You are likely to accept some risk in return for the potential of higher investment gains over the long-term. You want to try to avoid large fluctuations in the value of your investment, but accept there will be some fluctuation, particularly over the short-term.
4. You are a **'medium risk'** investor. You are likely to accept significant risk in return for the potential of good investment gains over the long-term. You accept there will be significant fluctuations in the value of your investment, particularly over the short-term. However, you will want to limit the amount of your money held in more risky investments.
5. You are a **'medium to high risk'** investor. You are likely to understand that the value of your investment can go down and up sharply with the potential for greater returns over the long-term.
6. You are a **'high risk'** investor. You are likely to aim for high possible returns and accept higher levels of risk, recognising that the value of your investment may fluctuate very sharply, particularly over the short-term.
7. You are a **'very high risk'** investor. You are likely to aim for the highest possible returns and accept the highest levels of risk, recognising that the value of your investment may fluctuate very widely, particularly over the short term

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