



PORTFOLIOMETRIX QUARTERLY INSIGHTS

GPS PORTFOLIOS
MARCH 2025

PORTFOLIOMETRIX

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MARKET COMMENTARY

The first quarter of 2025 in global markets was marked by great uncertainty. Gold broke through the \$3,000/oz level, and US equities lagged European equities by the most in over a decade. Global bonds provided some comfort to investors. The markets concern centres primarily around escalating U.S. tariffs, worries around slower growth and rising inflation (stagflation), and doubts over tech valuations as the cost of the AI-race intensifies. Interestingly, over the quarter the US Dollar weakened, a typical safe-haven asset responding atypically identifies additional risk in the US and calls for robust diversification and steady investor composure.

Developed Equity

European and UK equities displayed a healthy outperformance of US equities. This outperformance was largely catalysed by DeepSeek's AI model causing a review of a deep-seated belief that US technology companies were miles ahead in the AI-race. Further driving the wedge between the two regions was Donald Trump's tariffs and hostile foreign policy which has led international investors to review their exposure to US assets, even if just at the margin. European equities benefitted from E.U. announcements of higher defence-spend, in addition to easier expected policy rates.

Emerging Equity

In the five-years since Covid-19 drew markets to their lowest Emerging Market equities have lagged Developed Market equities by 8.2% p.a. (7.9% versus 16.1% p.a.), this has been exacerbated as China went through the painful reconfiguration of its economy. During the quarter it was Latin America and EM Europe that outperformed (EM Europe was in fact the best performing region across Developed and Emerging markets with 16.8%).

Global Fixed Income

Global Sovereign and Emerging Market debt (hard currency) had a decent quarter, rewarding investors with +2.6% each. Investment-grade corporate bonds provided similar support, but more interestingly the High Yield sector provided a steady return of +1.8% despite the potential threat of higher tariffs and the late-stage business-cycle we find ourselves in.

Global sovereign bonds are the place to watch as the European Union requires greater funding for their anticipated spending programmes, the US potentially undermines its assumed risk-free status, and global growth may slow whilst inflation rises.

Global Real Assets

Commodities (+8.9%) reflected the turning sentiment over the quarter, but none more-so than gold (+19.3%) which pushed above \$3000 per troy oz. Driven mostly by uncertainty around global trade and the impact this will have as the US turns more inward. Typically, US treasuries provide this safe haven.

Global Real Estate has closer links to the real economy and thus lagged other real assets over the quarter, whereas infrastructure displayed a more robust response as it returned +5% in USD.

Looking Ahead

Five-years on from the market lows of the Covid-19 pandemic and the world faces a new challenge as Trump 2.0 gains momentum. At the time of writing Trump had announced the various "Liberation Day" tariffs on all trade partners, he then subsequently paused these reciprocal tariffs, but then locked horns with China in a fully-fledged trade war. Rag-dolling the global economy is not wise and often the market provides "guard-rails" for politicians through its quick-response volatility. This is not a time for outsized thematic investment positions since the outcome of these policies, let alone the policies themselves, are hard to predict.

A potent cocktail of high equity valuations, uncertain US foreign and trade policy, waning growth and rising inflation expectations all threaten to provide a bumpy road ahead, but investors need to prepare for such outcomes by remaining invested. There is an expectation that markets will continue to test investors' resolve but this serves as a strong justification for robust portfolio diversification and investor composure. Historically, investing during a crisis has typically rewarded investors handsomely.

INDEX RETURNS & MARKET INDICATORS

As of 31/03/2025

Global Asset Returns (USD)

	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Global Equity	-1.3	-1.3	7.2	6.9	15.2	8.8
Global Bonds	2.6	2.6	3.0	-1.6	-1.4	0.6
Global Property	1.8	1.8	6.4	-3.6	7.5	3.2
Global Infrastructure	5.0	5.0	14.0	3.3	10.2	6.9

Developed Equity (USD)

	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Developed Equity	-1.8	-1.8	7.0	7.6	16.1	9.5
North America Equity	-4.4	-4.4	7.8	8.1	18.0	11.5
UK Equity	7.7	7.7	12.9	6.5	12.9	4.7
Europe Ex UK Equity	10.7	10.7	4.7	7.1	13.0	6.0
Japan Equity	0.3	0.3	-2.1	5.3	8.8	5.3
Pacific Ex Japan Equity	0.3	0.3	6.8	0.4	10.1	4.1

Emerging Equity (USD)

	QTD	YTD	1 Year	3 Years	5 Years	10 Years
EM Equity	2.9	2.9	8.1	1.4	7.9	3.7
EM Latin America Equity	12.7	12.7	-13.6	-2.0	11.8	2.6
EM Asia Equity	1.3	1.3	9.8	1.9	7.5	4.4
EM Europe Europe Equity	16.8	16.8	15.9	16.5	-6.4	-3.9

Fixed Income (USD)

	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Global Gov Bonds	2.6	2.6	1.9	-3.2	-3.0	-0.1
Global Corp Bonds	2.3	2.3	5.2	1.5	1.7	2.5
Global HY Bonds	1.8	1.8	8.9	5.5	7.1	4.7
EM Local Currency Govt	1.6	1.6	4.4	1.1	2.5	2.1
EM Hard Currency Agg	2.6	2.6	7.1	3.2	2.7	2.9

Commodities (USD)

	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Bloomberg Commodity Index	8.9	8.9	12.3	-0.8	14.5	2.8
Gold Spot	19.3	19.3	40.7	17.3	14.6	10.3
Brent Crude	-0.9	-0.9	-16.3	-12.1	26.3	2.9

Currency

	QTD	YTD	1 Year	3 Years	5 Years	10 Years
EUR/USD	4.3	4.3	0.0	-1.0	-0.3	0.1
GBP/USD	3.1	3.1	2.2	-0.7	0.8	-1.4
US Dollar Index (DXY)	-3.9	-3.9	-0.3	2.0	1.0	0.6

Currency Movements

Positive movements indicate an appreciation of the price currency relative to the base currency in the Price/Base currency quoting convention. For example, if the Pound Sterling strengthens from £1.30/USD to £1.20/USD quarter-to-date (QTD), this is interpreted as an 8.33% appreciation of the Pound against the Dollar over the quarter.

Source: Morningstar Direct

ASSET CLASS PERIODIC TABLE

As of 31/03/2025

Asset Class Performance (USD)

<div>Best</div> <div>↑</div> <div>↓</div> <div>Worst</div>	North American Equity 19.4	Global Property 28.7	Dollar Cash 1.7	North American Equity 26.0	North American Equity 23.9	Europe Ex UK Equity 11.0	Europe Ex UK Equity 11.0
	Emerging Market Equity 17.5	North American Equity 26.5	Pacific Ex Japan -4.2	Europe Ex UK Equity 21.9	Global Infrastructure 9.5	UK Equity 7.7	UK Equity 7.7
	Japan Equity 13.9	UK Equity 17.2	Global Infrastructure -4.9	Japan Equity 20.1	Global High Yield Bonds 9.2	Global Infrastructure 4.8	Global Infrastructure 4.8
	Europe Ex UK Equity 11.3	Europe Ex UK Equity 16.2	UK Equity -10.9	UK Equity 14.4	Japan Equity 8.3	Global Government Bonds 2.6	Global Government Bonds 2.6
	Global Corporate Bonds 9.7	Global Infrastructure 14.9	Global High Yield Bonds -12.7	Global High Yield Bonds 14.0	UK Equity 7.5	Global Corporate Bonds 2.3	Global Corporate Bonds 2.3
	Global Government Bonds 9.5	Pacific Ex Japan 5.2	Global Corporate Bonds -15.3	Emerging Market Equity 10.2	Emerging Market Equity 7.1	Emerging Market Equity 2.2	Emerging Market Equity 2.2
	Pacific Ex Japan 8.3	Japan Equity 1.4	Japan Equity -16.4	Global Property 9.7	Dollar Cash 5.4	Global High Yield Bonds 1.8	Global High Yield Bonds 1.8
	Global High Yield Bonds 7.0	Global High Yield Bonds 1.0	Global Government Bonds -17.5	Global Corporate Bonds 8.5	Global Corporate Bonds 2.6	Global Property 1.6	Global Property 1.6
	Dollar Cash 0.4	Dollar Cash 0.0	Europe Ex UK Equity -17.8	Pacific Ex Japan 5.8	Pacific Ex Japan 1.9	Dollar Cash 1.1	Dollar Cash 1.1
	Global Infrastructure -4.1	Global Corporate Bonds -0.9	Emerging Market Equity -18.2	Dollar Cash 5.2	Global Property 1.2	Japan Equity 0.4	Japan Equity 0.4
	UK Equity -6.9	Emerging Market Equity -1.8	North American Equity -19.5	Global Government Bonds 4.2	Europe Ex UK Equity 0.2	Pacific Ex Japan 0.1	Pacific Ex Japan 0.1
	Global Property -8.8	Global Government Bonds -6.6	Global Property -26.5	Global Infrastructure 2.2	Global Government Bonds -3.6	North American Equity -4.3	North American Equity -4.3
		2020	2021	2022	2023	2024	YTD

Source: Morningstar Direct

PORTFOLIO PERFORMANCE

Core Portfolios

PortfolioMetrix Global Portfolio Series Performance (USD)						
	QTD	YTD	1 Year	3 Years	5 Years	Since Inception
EAA Fund USD Cautious Allocation	0.9	0.9	4.3	1.9	3.7	2.6
GPS Profile 3	-0.4	-0.4	3.5	1.8	6.6	4.1
GPS Profile 4	-0.9	-0.9	3.5	2.2	7.8	4.5
EAA Fund USD Moderate Allocation	0.2	0.2	4.0	2.3	6.2	4.0
GPS Profile 5	-1.9	-1.9	3.2	2.8	9.5	5.3
GPS Profile 6	-2.7	-2.7	2.9	3.3	10.9	6.0
GPS Profile 7	-3.5	-3.5	2.6	3.8	12.3	6.7
EAA Fund USD Aggressive Allocation	-0.8	-0.8	4.0	3.2	9.0	5.3

Contributors & Detractors

This quarter, global market performers shifted focus from US equities to European and UK equities. Specifically, our iShares Continental Europe Index provided returns of 10.2%, followed by JP Morgan UK Equity Plus (8.34%), Invesco European Focus (8.1%), and Vanguard FTSE All Share (8.3%). PIMCO GIS Emerging Markets Bond (EUR Hedged) also contributed to portfolios with a 7.13% performance (in USD).

The US market encountered significant challenges, resulting in CT American Smaller decreasing by 13%, while passive trackers fell between 4 and 4.5%. Our European equity, mid-cap manager also underperformed, dropping by 5.9%.

PORTFOLIO CHANGES

Strategic Asset Allocation

As part of our continuous review of our asset allocation, which includes updating our optimisation process for the Global Portfolio Series (GPS), we made adjustments to the GPS range. These changes are designed to improve performance and increase efficiency whilst ensuring the portfolio range remains risk calibrated. This helps us produce risk/return attributes that are coherent and consistent for all portfolios across the risk spectrum.

First addressing our Global Equity exposure, the GPS portfolios adhere to market cap weights for regional allocations, which we manage via drift weights within the funds. Each region employs a mix of active and passive strategies to ensure an efficient allocation of our active risk budget. Additionally, we have executed a slight reweighting of our Real Asset sleeve, marginally increasing our allocation to Global Infrastructure relative to Global Property. A more material adjustment was made within the Global Fixed Income allocation; following an optimisation across this segment, we maintained our Global Sovereign allocation while reducing exposures to Global Corporates and EM Bonds, in favour of High Yield assets.

Equity Portfolio Changes

In the first quarter of 2025 we re-allocated our active U.S. SMID exposure from William Blair Small-Mid Cap Core Fund to CT US Smaller Companies, a strategy managed by a well experienced team focused on constructing a well-diversified and risk-controlled portfolio in a less efficient part of the market, that lends itself to active management. Our large-cap stocks are still passively managed via S&P 500 trackers while also using the MSCI USA index to capture the broader market, thus diversifying risk. We are also in progress of modifying our European Equity exposure. Specifically, we are divesting from Invesco European Focus and allocating toward Amundi European Europe ex-UK which is a core active fund that provides the desired exposure to the European equity market, without the typical overweight to value and growth. We have also down-weighted the position of Premier Miton European Opportunities to reflect the funds midcap characteristics.

Fixed Income Portfolio Changes

There were no changes made in this asset class over the quarter.

Real Asset Changes

We switched our active Global Property fund manager from Catalyst Global Real Estate and introduced CT Global Real Estate Securities to portfolios.

DISCLAIMER

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