Economic Outlook & Portfolio Review

Q1 2025

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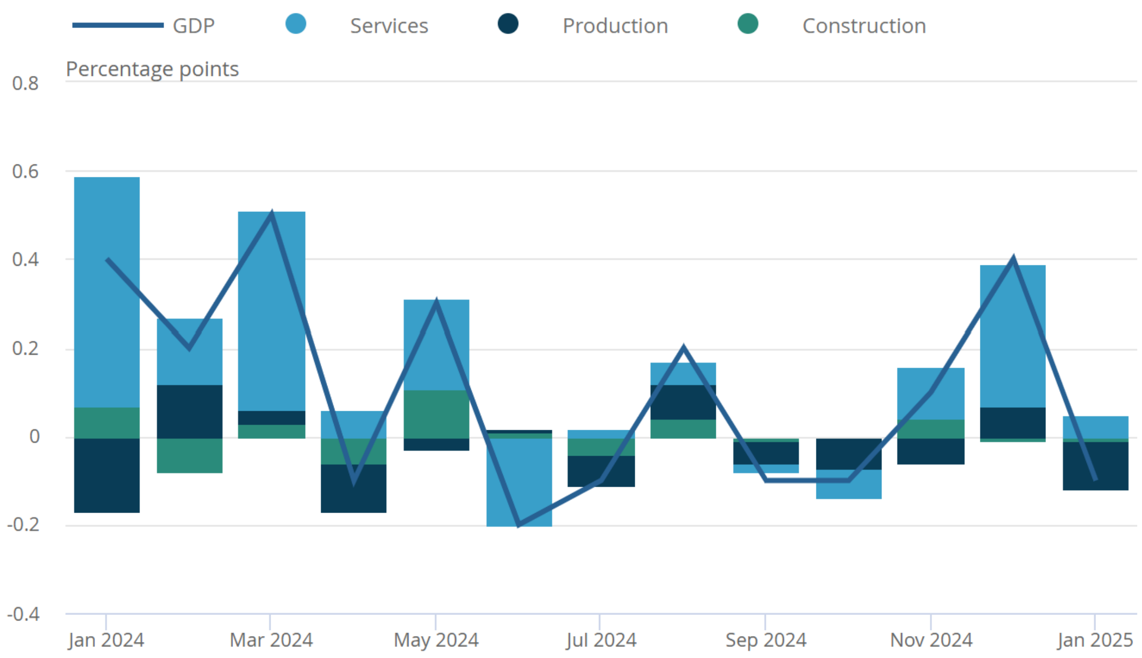
Economic Outlook and Portfolio Review – Q1 2025

Well, the first quarter of 2025 has shown that a great deal can happen in just 90 days. Summarising the start of the year across the investment and economic landscape has been a daunting task. A sense of uncertainty has been echoed across the markets, with the first quarter bringing volatility and revised forecasts for the year ahead.

Spring Forecast - Clear or Cloudy Skies for UK Economy Ahead?

With the sun (sporadically) breaking through the gloom of the early months, the first signs of spring are just beginning to emerge in the UK. Whilst this brings a sense of hope, some trepidation remains that the UK economy could still face rainy days ahead. The Spring Statement, often seen as the little brother to the annual Budget, was delivered against the backdrop of disappointing growth forecasts and the news that the UK economy had unexpectedly shrunk by 0.1% in January[1], driven by a decline in the manufacturing sector.



Source: ONS

This prompted a number of financial institutions to cut their forecasts for the UK under the current global climate. The OECD revised its forecast for UK GDP growth in 2025 down to 1.4%[2] - a 0.3% reduction from its previous prediction of 1.7% at the end of 2024. This is **not**

[1] Financial Times, 2025.
[2] Financial Times, 2025.

an isolated issue for the UK; Trump's tariffs have proven to be a global dampener on growth, with almost a dozen G20 countries in a similar position.

These downgrades are accompanied by the Office for Budget Responsibility's (OBR) report, which claims Reeves' fiscal headroom from the Budget has almost disappeared due to increased defence spending, coupled with rising borrowing costs for the UK. The OBR went so far as to halve its growth forecasts for the UK to 1%, much to Reeves' evident frustration. In response to these concerns, Reeves moved to rein in public spending - her main alternative to sacrificing her previous commitment not to raise personal taxes at the Budget. This involved multi-billion-pound cuts to welfare spending, along with broader reductions in Whitehall expenditure.

However, the end of March brought some signs of reprieve from the downcast financial news, with reports that the S&P Global Purchasing Managers' Index had jumped to a six-month high[3]. These surveys provide a monthly indication of economic trends and are among the most closely watched business indicators in the world. The six-month high of 52 was stronger than economists had expected and is an early sign that the stagnation which has plagued the Labour government since taking office might finally be easing.

So, what does this all mean for the UK? For now, the Spring Forecast hasn't shaken away the concern about a return to austerity, which often accompanies widespread spending cuts. However, much like the British weather, the reality may be quite different from the forecast, with early signs of potential growth beginning to emerge. While the short-term outlook suggests some turbulence ahead, we can hope for brighter days and long-term growth on the horizon.

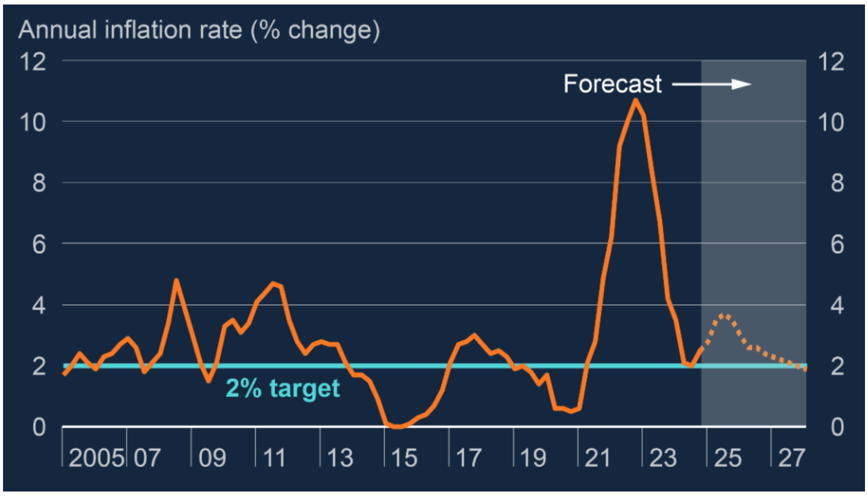
Inflation - From VR Headsets to Chickens for Rent

Inflation has once again taken centre stage in the news, both in the UK and abroad. The Office for National Statistics (ONS) has recently unveiled its updated basket of goods for measuring UK inflation. Designed to reflect everyday life in Britain, the basket is reviewed annually to provide an accurate snapshot of spending patterns. Some may now be surprised to see the inclusion of items such as VR headsets and yoga mats in the official calculations[4]. While these may not seem like everyday essentials for the average person, they replace more outdated items such as DVD rentals, which are likely a foreign concept to anyone in Gen Z or younger.

In terms of data, the Bank of England (BoE) remains cautious about inflation over the coming months. The 12-month figure for January 2025 rose to 3%, up from 2.5% at the end of December[5]. With energy and water bills expected to increase from April onwards, the BoE predicts inflation could hit 3.7% in the first half of 2025.[6] However, the latest

[3] Bloomberg, 2025.
[4] BBC, 2025.
[5] BBC, 2025.
[6] Bank of England, 2025.

figures for February offered a welcome surprise for consumers, as inflation levels dropped to 2.8%, slightly below the Reuters economists' poll prediction of 2.9%.[7]



Source: BOE

Across the pond, the US is also grappling with inflation, albeit in slightly different ways from the UK. Egg prices have surged by 310% since 2005[8] due to recent bird flu outbreaks, coupled with generally higher grocery costs, making headlines in recent months. In response, some Americans have turned to an unusual solution of renting chickens, to offset the high grocery prices caused by ongoing supply chain disruptions.

Egg prices have been a key topic of discussion since the election and have become a battleground for Trump's policies. While the rising price of eggs is beyond the President's control, recent tariffs have left the Federal Reserve concerned that the average American will start to feel the strain of higher prices. In March, the Fed revised its inflation forecast for the year, predicting that inflation could reach as high as 2.7%[9] by the end of 2025. Continued tariffs seem to be keeping price pressures elevated for the underlying consumer. Much to Trump's dismay, this is prompting the Federal Reserve to keep interest rates unchanged in the near future to better handle the impact of the policies brought in by Trump's administration.

While inflation remains stubbornly high in the US, as always, it's difficult to predict with certainty what will happen over the next few quarters, particularly given shifting foreign policy dynamics.

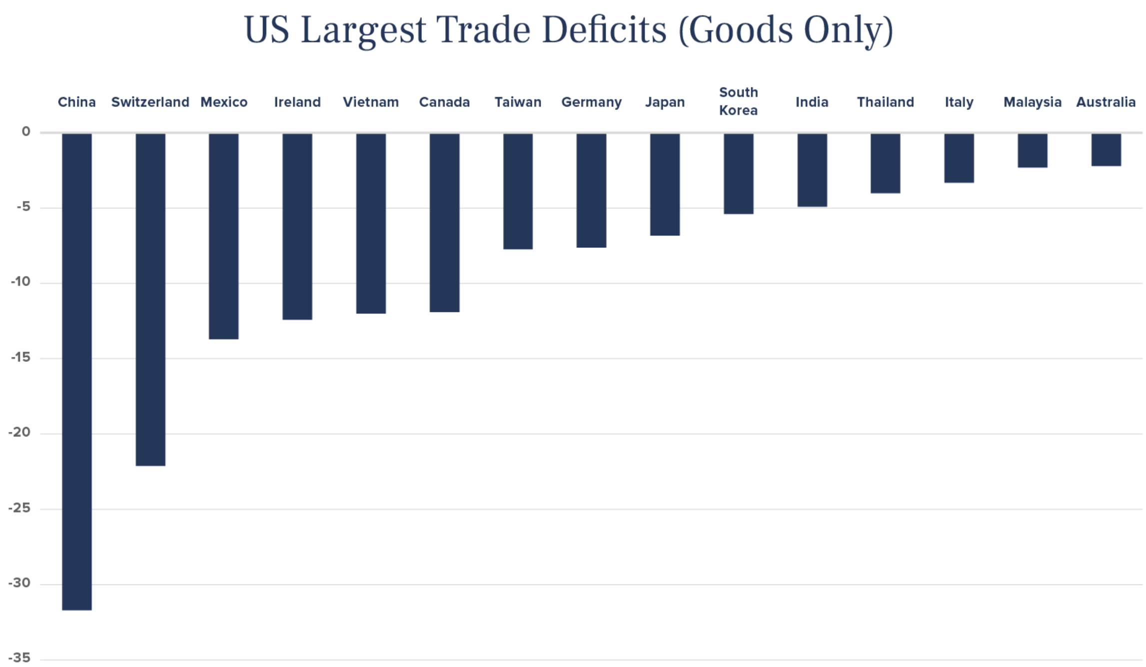
[7] Investment Week, 2025.
[8] The Guardian, 2025.
[9] BBC, 2025.

Tit-for-Tat Trade Wars

On 20th January, a sense of trepidation surrounded the White House as Trump was sworn in again, and markets held their breath. Many braced for the anticipated onslaught of tariffs and economic reforms. While there was a flurry of executive orders, now totalling just under 100 for his second term[10], tariffs initially appeared to be low on the agenda.

This was merely the calm before the storm. On 1st February, Trump announced plans to impose tariffs on the US's closest neighbours, Canada and Mexico. Since then, to describe Trump's approach to tariffs as 'fluid' would be a drastic understatement. With both delays and reciprocal tariffs causing uncertainty, predicting Trump's next move has become increasingly difficult. As we know, markets dislike uncertainty, and the S&P 500 has struggled throughout the first quarter as a result.

The US trade deficit is the primary driver behind these tariffs, with Trump arguing that the US is being taken advantage of by some of its closest international allies. He prides himself as an astute businessman (despite numerous bankruptcies), and many business leaders view running at a deficit as inherently negative. However, governing a country is fundamentally different to running a business. In January, the US trade deficit widened by a record margin to $131.4bn[11]. Some economists have suggested that the reason behind the swell was a pre-emptive move by companies to stockpile goods in anticipation of the impending tariffs.



Data from the US Census Bureau

[10] CBS, 2025

[11] KPMG, 2025.

It should be noted that trade deficits are not inherently positive or negative; like most things, the reality is more circumstantial. A trade deficit allows a country to consume more goods than it produces, which can boost economic growth and improve living standards. The US has run a trade deficit since the 1970s[12], and some economists argue that this is a sign of a strong economy. The Congressional Research Service (CRS) has observed that "most economists conclude the trade deficit stems largely from U.S. macroeconomic policies and an imbalance between saving and investment in the economy". The CRS also stated that "trade creates both economic benefits and costs, but that the long-run net effect on the economy as a whole is positive".

So, the question remains: what do the tariffs mean for investors? There are some fears that Trump's full-throttle approach might be leading the US into a recession. The US Commerce Secretary, Howard Lutnick, has even stated that a recession would be "worth it"[13] if it led to the implementation of the right policies. But is the long-term gain guaranteed after all the short-term pain? Recessions are costly; businesses suffer falling profits, stock prices drop, and economic hardship increases. Pair this with rising unemployment and growing government deficits, and the effects on the average citizen can be long-lasting.

While it's difficult to predict where this will lead in the long run, it's important to consider longer-term investment goals. Some of the best days in the market follow the deepest market dips, so at times like these, patience and a level head are worth an investor's weight in gold.

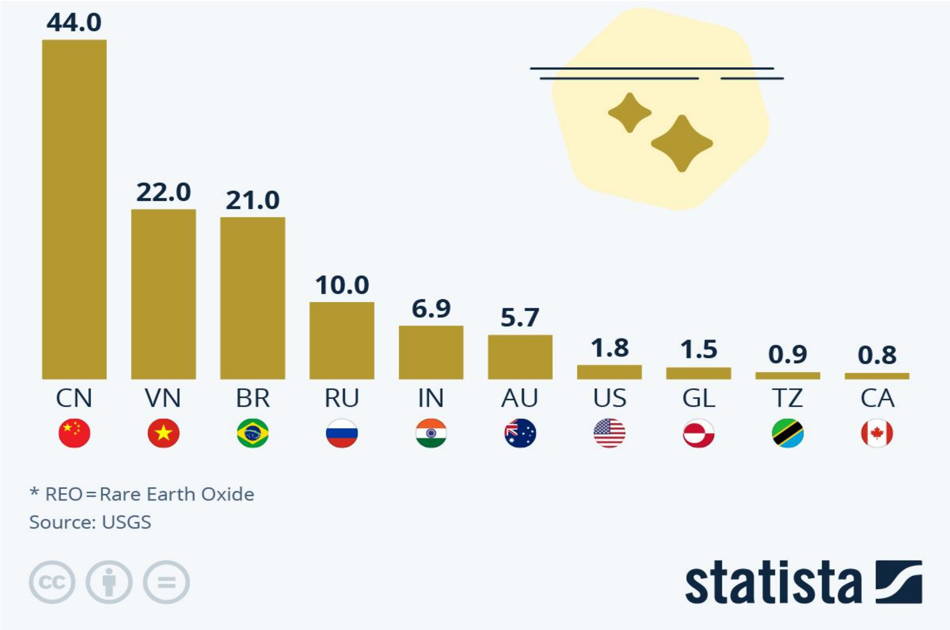
Rare Earth Metals - What's the Fuss About?

Against the backdrop of the ongoing conflict in Ukraine, rare earth metals and critical minerals seem to be dominating the spotlight. But what exactly are rare earth metals, and why are they playing a crucial role in global geopolitics?

Ironically, rare earth metals are not particularly rare. They are a group of 17 earth elements used in a wide range of products, playing a vital role in the production of consumer electronics and also in the transition to green energy. While these elements are relatively abundant, they are often found in concentrations too low to make mining them economically viable. This, combined with the fact that they are complex and expensive to extract and refine, makes them a highly valuable commodity.

[12] World Economic Forum, 2022.
[13] The Independent, 2025.

The chart below illustrates the top countries where rare earth metals had been identified prior to 2023.



Source: Statista (2025)

At the moment, China dominates the market, accounting for 60% of global mine production and 90% of refining[14]. This has left Western countries heavily reliant on Chinese supplies and refining capabilities. Naturally, this has sparked concerns that the West is dependent on China, not only for the transition to greener energy but also for the production of crucial military components, such as fighter jet engines, which are essential for national security.

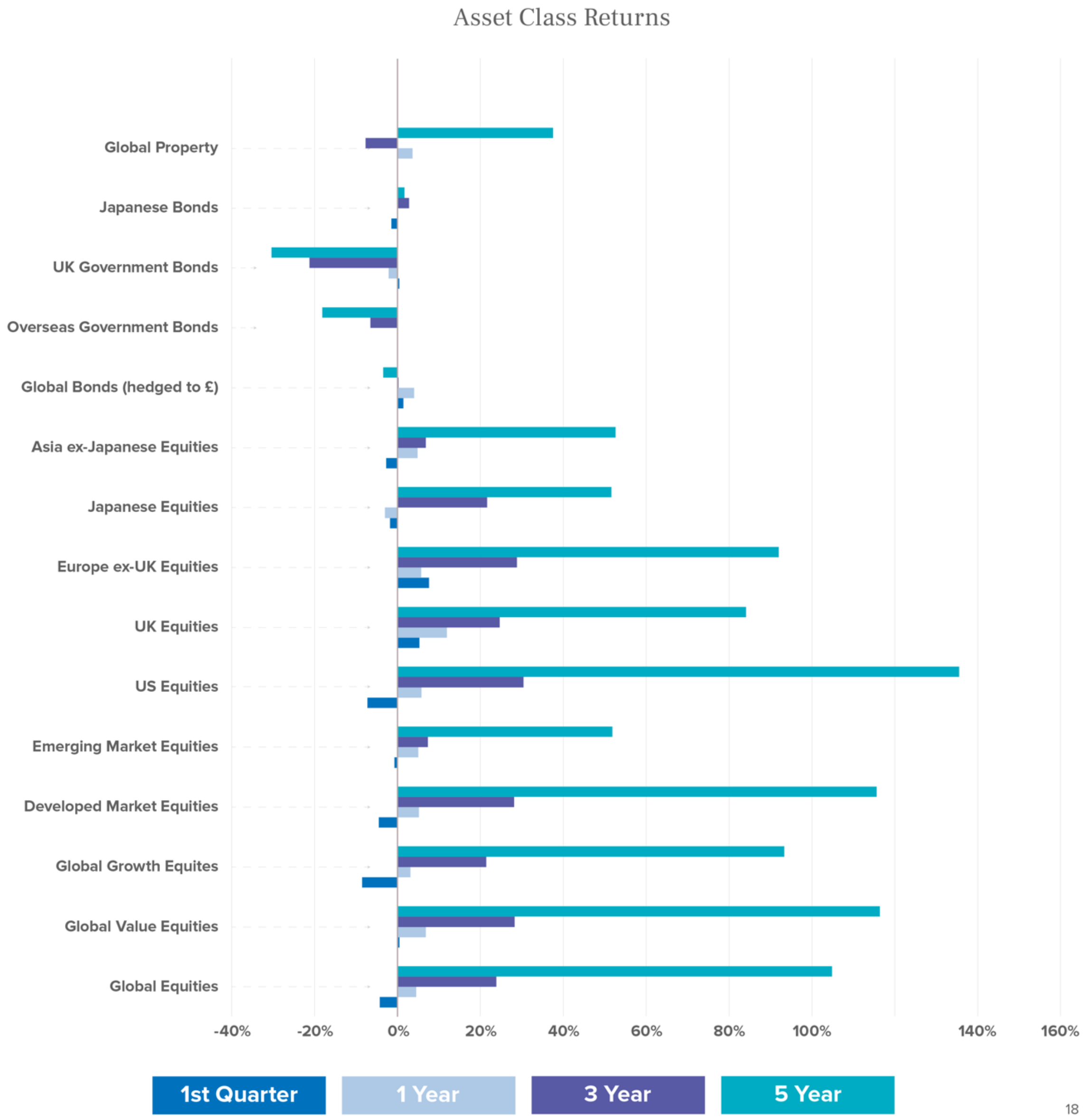
So, where does Trump come into this? The US is seeking to negotiate a deal to support Ukraine's war effort in exchange for access to its vast, untapped deposits of these metals. Estimates suggest that Ukraine holds around 10% of the world's total reserves[15]. This leads to the issue that a deal is yet to be brokered, and Trump is playing hardball, withholding any promised involvement.

The absence of US backing in the war effort has left Europe facing a defence funding gap. While governments are scrambling to address this - including Reeves' recent announcement of a £2.2 billion rise in defence spending[16] - the issue remains a pressing concern for European governments. As a result, some European asset managers are feeling the pressure to reconsider their policies on investing in defensive company stocks within ESG strategies. This includes large household names such as UBS Asset Management, which recently told Reuters that it is reviewing its defence sector

[14] Reuters, 2025.
[15] The FT, 2025.
[16] The Guardian, 2025.

exclusions[17]. This shift is not yet widespread across the industry, but momentum towards defence investment is steadily building.

Asset Class Commentary



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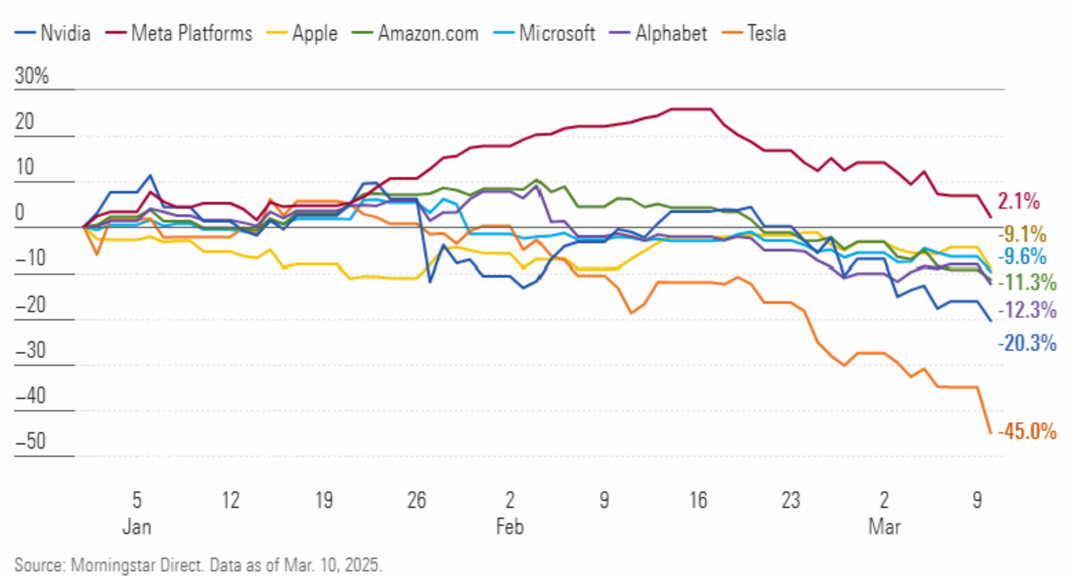
[17] Reuters, 2025.

[18] Proxies: Asia ex-Japanese Equities: Morningstar Asia Pacific ex-Japan Large-Mid Cap GR GBP; Developed Market Equities: Developed Market Equities: Morningstar Developed Markets Target Market Exposure GR GBP; Emerging Market Equities: Emerging Market Equities: Morningstar Emerging Markets Target Market Exposure GR GBP; Europe ex-UK Equities: Europe ex-UK Equities: Morningstar Developed Europe Target Market Exposure GR GBP; Global Bonds: Global Bonds: Vanguard Global Bond Index Hedged Acc GBP in GB; Global Corporate Bonds (hedged £): Vanguard Global Bond Index Hedged Acc GBP in GB: Global Equities: Global Equities: Morningstar Global Markets GR GBP; Global Growth Equites: Global Growth Equites: Morningstar Global Growth Target Market Exposure GR GBP; Global Property: Global Property: Morningstar Global Real Estate GR GBP; Global Value Equities: Global Value Equities: Morningstar Global Value Target Market Exposure GR GBP; Japanese Bonds: Japanese Bonds: Morningstar Japan Treasury Bond TR GBP Hedged;

Equities - Markets Tell Diverging Stories

In the first quarter, the longstanding trend of the US market outperforming its European peers was temporarily reversed. Dubbed the Magnificent Seven stocks - Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla - hold a disproportionate influence over the value of US stock indexes. Needless to say, this influence works both ways. While the stellar performance of the seven stocks drove large market gains in 2024, their returns in the first three months of 2025 have been lacklustre.

Magnificent Seven Stock Performance



Source: Morningstar (2025)

With no exception, all seven stocks saw prices decline in the first quarter. Tesla, in particular, lost almost 30% of its value. As a result, market-cap weighted Nasdaq composite and the S&P 500 indexes were down 10.3% and 4.4% since the start of the year[19].

Predicting how long the ongoing softening of the US market will last is inherently difficult. However, despite this uncertainty, two things remain clear.

Firstly, US market valuations remain elevated compared to the rest of the world, even after the recent downturn. The current trailing price-to-earnings (P/E) ratio of the S&P 500 index is around 28 and well above its historical average of 16. In comparison, the estimated P/E ratio of FTSE 100 is around 12.

Japanese Equities: Japanese Equities: Morningstar Japan GR GBP; Overseas Government Bonds: Overseas Government Bonds: iShares Overseas Government Bond Index (UK) D Acc in GB; UK Equities: UK Equities: Morningstar UK GR GBP; UK Government Bonds: Vanguard UK Government Bond Index Acc GBP in GB; US Equities: US Equities: Morningstar US Target Market Exposure TR GBP. Performance periods: 1st Quarter: 01/01/ 2025 -- 31/03/2025, Year: 31/03/2024 - 31/03/2025; 3 Year: 31/03/2022 - 31/03/2025, 5 Year: 31/03/2020 - 31/03/2025.

[19] As at the 31/03/2025.

Secondly, despite the recent correction, a long-term perspective reveals that American stocks are still performing exceptionally well. The S&P 500, when viewed over a five-year period, remains up by more than 125% at the end of the first quarter. In reality, the recent drawdown appears as little more than a minor blip in comparison to the index's long-term performance.

Across the Atlantic, investor attitudes have been more optimistic, as reflected in the significant market gains across major European economies. In the first quarter, the FTSE 100 was up more than 4%, and the French CAC index was up more than 5%, while the German DAX index was up around 12%. This rally can be attributed to increased government spending[20], favourable monetary policies, and relatively low valuations. Compared to American stocks, European shares are not only more affordable but also more sheltered from the political and policy uncertainties that are driving volatility in the US on an almost daily basis.

Chinese stocks, which have struggled for years, have also experienced an upward surge in the first quarter. The SSE Composite index rose 2.5% and the Hang Seng index was up more than 17%, supported by government stimulus, heavy buying from mainland investors, and growing optimism in the Chinese tech sector[21]. A notable example is the Chinese AI model Deepseek, whose advanced reasoning capabilities recently sent shockwaves through the American tech industry. On 27th January, news of Deepseek triggered a 3.01% drop in the tech-heavy Nasdaq index, while Nvidia (one of its largest components) tumbled by 17%. This serves as a reminder that innovation can not only drive market gains but also introduce volatility when competition threatens the dominance of established tech giants.

While some have interpreted this recent trend of other markets outperforming America as a sign of a 'sharp sentimental shift' and 'fade of U.S. exceptionalism',[22] caution is still recommended. The technological dominance that has underpinned much of North America's equity market growth is not something that can disappear overnight. It is too early to tell when or whether the U.S. will ever lose its status as a powerhouse of world-changing innovation. However, trade wars and geopolitical tensions are likely to continue generating volatility in the near term.

[20] Invesco, 2025
[21] Reuters, 2025
[22] Euronews, 2025

Fixed Income

On the fixed-income side, asset prices have been less volatile compared to equities this quarter. Overall, global bonds are up 1.39% in the first quarter.

In recent months, the Federal Reserve has repeatedly signalled that it is in no rush to cut interest rates. The Fed has been reducing rates at a cautious pace, which is certainly slower than Trump would prefer.[23] With inflation remaining above target, the Fed is holding rates steady following its March meeting. Given the current economic uncertainty in the US, there is a possibility that further rate cuts could follow later in the year, impacting bond markets.

The European Central Bank (ECB) most recently cut its key interest rate on 12th March, lowering it by 25 basis points to 2.5% in response to forecasts of weak economic growth in the Eurozone and concerns over potential US tariffs. However, since early March, Germany's announcement of a bold fiscal plan to significantly increase government spending has driven yields higher and pushed bond prices down across the Eurozone. In particular, long-term European bond yields rose sharply following the announcement.[24]

Emerging market bonds did relatively well this quarter compared to recent history for the asset class. This bullish trend was driven by several factors, including high carry from elevated yields; a fall in U.S. yields in the latter half of the quarter which helped make the region's debt markets more attractive; and the resilience of emerging market currencies such as the Colombian peso and Brazilian real, which defied expectations despite tariff threats from the U.S[25].

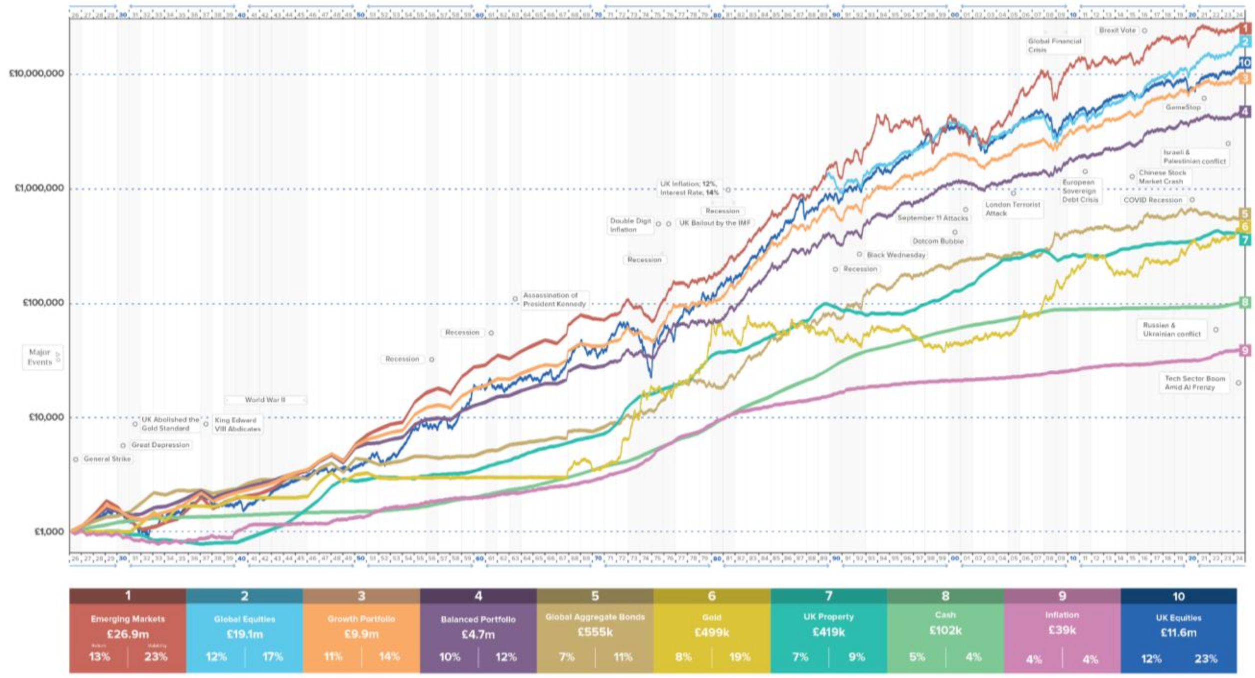
[23] Bloomberg, 2025.
[24] Financial Times, 2025.
[25] VanEck, 2025.

Glittering (Fool's) Gold

Gold has been performing exceptionally well recently, with prices reaching all-time highs. On 31st March, gold hit £2400 per ounce. This represents a significant increase of 16% since the beginning of the year and 64% over 3 years. The surge is driven by several key factors, including rising geopolitical uncertainty, the anticipation of future interest rate cuts, persistent inflationary pressures, and strong demand from central banks.[26] [27] When the future becomes more unpredictable, many investors turn to gold as a 'safe haven' asset, as it is perceived to retain, or even appreciate, its value when other assets are declining.

However, investors should be mindful that gold has historically demonstrated significant price volatility over various timeframes, often reacting sharply to major economic and political events.[28] Expert opinions generally suggest that gold prices are likely to remain elevated throughout the remainder of 2025, with some forecasting further gains. While the outlook remains positive, investors should not forget the inherent volatility of the asset.

According to a Morningstar study published in 2023, which analysed half a century of assets' historical returns, gold has been significantly more volatile than both stocks and bonds.[29] Our analysis finds that gold has a return profile similar to bonds but with volatility akin to emerging market equities, as illustrated in our chart below:



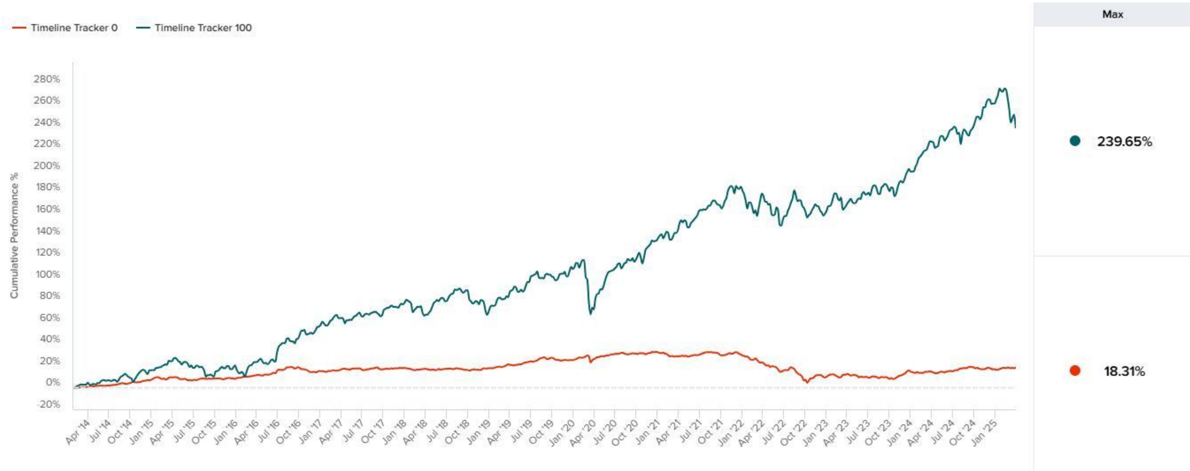
[26] J P Morgan, 2025.
[27] The Armchair Trader, 2025.
[28] Investopedia, 2025.
[29] Morningstar, 2025.

As unpredictable as the equity market already is, predicting gold prices is even more challenging due to the commodity's lack of cash flow and its reliance on complex, often unpredictable macroeconomic and geopolitical factors. Unlike equities, which can be analysed using fundamental metrics to determine intrinsic value, gold's price is largely driven by unexpected events and human psychology - often leading to speculative trading. With this in mind, we remind investors that gold may be better placed in jewellery rather than in a portfolio.

Performance Commentary

Tracker Investment Strategy

In the opening quarter of 2025, our Tracker portfolios, designed to closely mimic global market indices, have struggled due to the increased volatility in the equity markets. The equity-only Tracker 100 portfolio returned -5.87% for Q1, driven by political uncertainty and looming tariffs weighing on investor sentiment. Growth equities struggled this quarter and lagged behind their value counterparts. In contrast, the fixed income portion of the portfolio performed better over the same period, returning 1.01%. This reflects the relatively flat returns of the asset class more broadly, as shown in the composite comparison in the table below.



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This chart shows the cumulative performance % of the selected financial assets from the starting point.

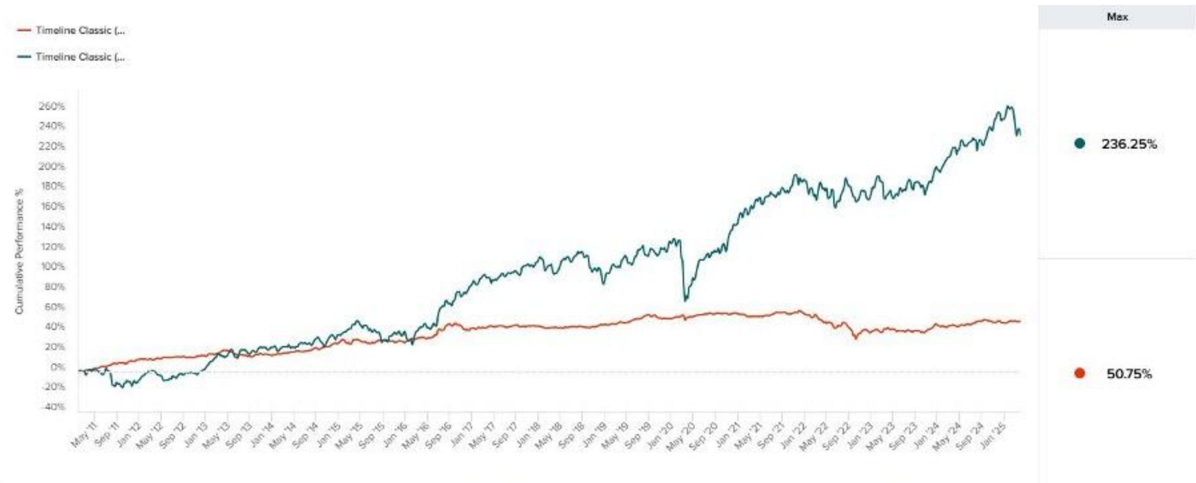
Over the longer term, the portfolios have delivered strong performance relative to the composite comparison. The 100 model has benefited from the strong equity markets over the past 10 years, achieving total returns of 173.92% despite the flat return this quarter. However, the fixed income portion has struggled in comparison but still mirrors the wider markets. The period of high interest rates in 2022 has hindered the overall performance of the asset class since the Covid pandemic.

Portfolio	Portfolio Return			RPI +%			Morningstar Peer Group			Market Composite Index		
	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year
0	2.7%	-5.9%	7.8%	2.6%	28.5%	38.7%	3.5%	0.9%	17.8%	4.1%	-3.2%	9.8%
10	2.9%	5.4%	23.7%	3.1%	31.6%	45.5%	3.5%	0.9%	17.8%	4.2%	7.6%	26.2%
20	2.9%	12.4%	35.1%	3.6%	34.8%	52.6%	3.5%	0.9%	17.8%	4.2%	18.4%	42.6%
30	3.1%	19.9%	49%	4.1%	38.1%	60%	4%	16.7%	37%	4.2%	29.2%	59%
40	3.1%	28.9%	63.1%	4.6%	41.4%	67.7%	4%	16.7%	37%	4.3%	40%	75.5%
50	3.2%	38.5%	78.9%	5.1%	44.8%	75.9%	4.6%	34.5%	61.4%	4.3%	50.8%	91.9%
60	3.2%	48.1%	95.5%	5.7%	49.2%	86.6%	4.6%	34.5%	61.4%	4.4%	61.6%	108.3%
70	3.4%	60.7%	114.3%	6.3%	52.8%	95.6%	5.3%	54.1%	86%	4.4%	72.4%	124.7%
80	3.5%	74.5%	136.6%	6.8%	56.5%	105.1%	5.3%	54.1%	86%	4.4%	83.2%	141.1%
90	3.4%	84.3%	154%	7.3%	60.2%	115.1%	5.7%	77.9%	120.7%	4.5%	94%	157.5%
100	3.5%	94%	173.9%	7.8%	64.1%	125.5%	5.7%	77.9%	120.7%	4.5%	104.8%	173.9%

Portfolio comparators: Tracker 0 is compared against RPI -1.0% and the Morningstar UK Cautious Target Allocation Index™; Tracker 10 against RPI -0.5% and the Morningstar UK Cautious Target Allocation Index™; Tracker 20 against RPI and the Morningstar UK Moderately Cautious Target Allocation Index™; Tracker 30 against RPI +0.5% and the Morningstar UK Moderately Cautious Target Allocation Index™; Tracker 40 against RPI +1.0% and the Morningstar UK Moderately Cautious Target Allocation Index™; Tracker 50 against RPI +1.5% and the Morningstar UK Moderate Target Allocation Index™; Tracker 60 against RPI +2.0% and the Morningstar UK Moderate Target Allocation Index™; Tracker 70 against RPI +2.5% and the Morningstar UK Moderately Adventurous Target Allocation Index™; Tracker 80 against RPI +3.0% and the Morningstar UK Moderately Adventurous Target Allocation Index™; Tracker 90 against RPI +3.5% and the Morningstar UK Adventurous Target Allocation Index™; and Tracker 100 against RPI +4.0% and the Morningstar UK Adventurous Target Allocation Index™. Composite indices are based on the Morningstar Global Equity TME and Morningstar Global Core Bond Indexes, with weightings adjusted to reflect the underlying asset allocation of each portfolio.

Classic Investment Strategy

The Classic range aims to capture the small-cap and value premiums in equity markets. However, much like its Tracker counterpart, the equity portion of the Classic range has struggled this quarter due to market volatility. Mirroring global trends, the 100 portfolio returned -3.96%, faring slightly better than the Tracker due to its tilt toward value stocks. The fixed income portion of the portfolios remained relatively flat, with a 0.96% return for the quarter.



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This chart shows the cumulative performance % of the selected financial assets from the starting point.

Over the long term, the Classic portfolios have maintained strong performance, closely tracking both their RPI and composite comparators. While the equity 100 model previously lagged behind the dominance of growth stocks, this quarter saw value stocks overtake their growth counterparts over a five-year period, achieving 116.32% compared to 93.23% for growth.

Portfolio	Portfolio Return			RPI +%			Morningstar Peer Group			Market Composite Index		
	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year
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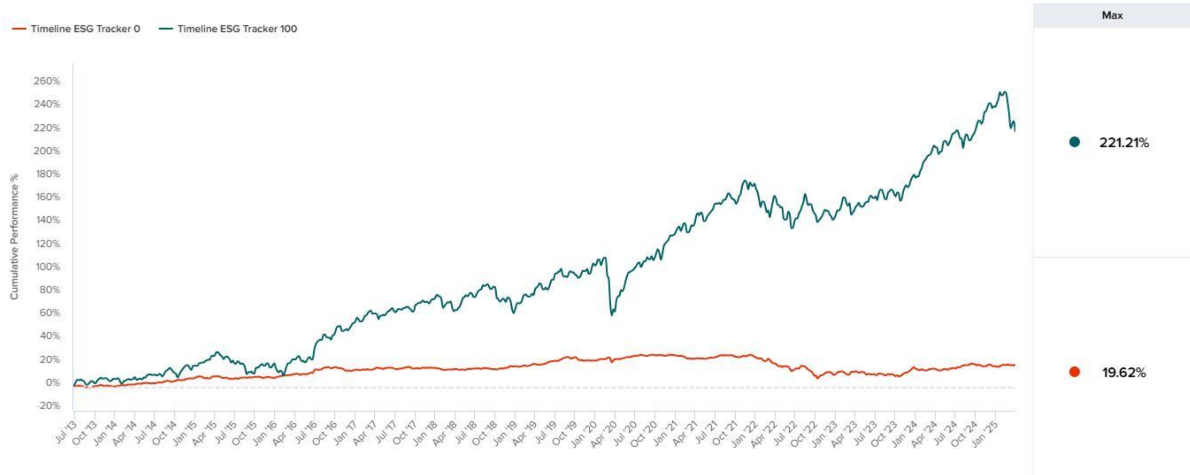
10	2.4%	5.2%	24%	3.1%	31.6%	45.5%	3.5%	0.9%	17.8%	4.2%	7.6%	26.2%
20	2.5%	12.8%	34%	3.6%	34.8%	52.6%	3.5%	0.9%	17.8%	4.2%	18.4%	42.6%
30	2.6%	20.9%	44.2%	4.1%	38.1%	60%	4%	16.7%	37%	4.2%	29.2%	59%
40	2.7%	29.4%	55.1%	4.6%	41.4%	67.7%	4%	16.7%	37%	4.3%	40%	75.5%
50	2.8%	38.5%	66.4%	5.1%	44.8%	75.9%	4.6%	34.5%	61.4%	4.3%	50.8%	91.9%
60	2.8%	47.9%	78%	5.7%	49.2%	86.6%	4.6%	34.5%	61.4%	4.4%	61.6%	108.3%
70	2.8%	57.6%	90%	6.3%	52.8%	95.6%	5.3%	54.1%	86%	4.4%	72.4%	124.7%
80	3.1%	68.1%	102.5%	6.8%	56.5%	105.1%	5.3%	54.1%	86%	4.4%	83.2%	141.1%
90	3%	78.5%	114.8%	7.3%	60.2%	115.1%	5.7%	77.9%	120.7%	4.5%	94%	157.5%
100	3.1%	90.2%	128.7%	7.8%	64.1%	125.5%	5.7%	77.9%	120.7%	4.5%	104.8%	173.9%

Portfolio comparators: Classic 0 is compared against RPI -1.0% and the Morningstar UK Cautious Target Allocation Index™; Classic 10 against RPI -0.5% and the Morningstar UK Cautious Target Allocation Index™; Classic 20 against RPI and the Morningstar UK Moderately Cautious Target Allocation Index™; Classic 30 against RPI +0.5% and the Morningstar UK Moderately Cautious Target Allocation Index™; Classic 40 against RPI +1.0% and the Morningstar UK Moderately Cautious Target Allocation Index™; Classic 50 against RPI +1.5% and the Morningstar UK Moderate Target Allocation Index™; Classic 60 against RPI +2.0% and the Morningstar UK Moderate Target Allocation Index™; Classic 70 against RPI +2.5% and the Morningstar UK Moderately Adventurous Target Allocation Index™; Classic 80 against RPI +3.0% and the Morningstar UK Moderately Adventurous Target Allocation Index™; Classic 90 against RPI +3.5% and the Morningstar UK Adventurous Target Allocation Index™; and Classic 100 against RPI +4.0% and the Morningstar UK Adventurous Target Allocation Index™. Composite indices are based on the Morningstar Global Equity TME and Morningstar Global Core Bond Indexes, with weightings adjusted to reflect the underlying asset allocation of each portfolio.

ESG Tracker Investment Strategy

The ESG Tracker suffered in the opening quarter due to the drawdown in the large US technology stocks. These stocks, which often make up a significant portion of ESG portfolios, detracted from overall performance, resulting in a -5.61% return for the equity-only 100 model. On the fixed income portion of the portfolio, it was a familiar story. With interest rates remaining steady, bond returns were relatively flat, leading to a 0.92% return year to date.



© Timeline Holdings Ltd 2025: All data is up to latest available price - 31 Mar, 2025. Past performance is no guarantee of future return. The data is sourced from Morningstar API, for which we are not responsible. Where Morningstar may have missing data or inaccurate data, we are not responsible. Careful consideration has been taken to ensure that the information is correct but it neither warrants, represents nor guarantees the contents of the information, nor does it accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein. Percentages may not total 100 due to rounding. Performance figures are net of fund manager charges. This tracking error is calculated by Morningstar over a 10-year period and then annualised. Where tracking error is not displayed, the comparable index was not available in Morningstar Direct in order to calculate. The data for the indices and the underlying funds of the portfolios is sourced from Morningstar API. We are not responsible for their presence or accuracy.

This chart shows the cumulative performance % of the selected financial assets from the starting point.

The ESG Tracker range aims to emulate the broader market, with tilts towards ESG characteristics, meaning its performance has largely mirrored its comparators in the table below. Over the 10-year period, the ESG Tracker's equity performance has remained strong, delivering returns of 152.99% despite the negative returns for this quarter. In the fixed income portion of the portfolios, the composite portfolio and RPI have outperformed the Tracker ESG 0. This has been largely due to periods of high inflation and the higher equity weighting of the peer group counterparts.

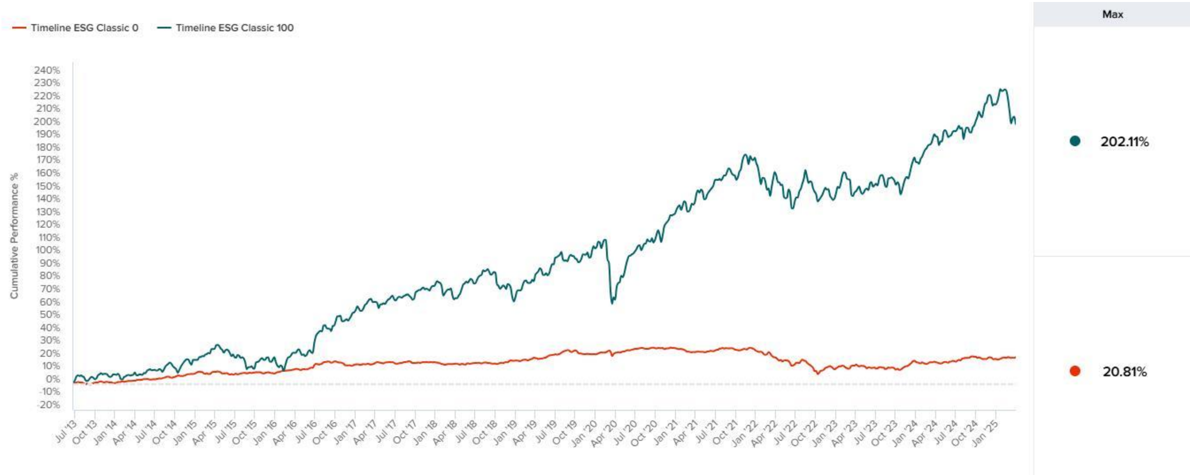
Portfolio	Portfolio Return			RPI +%			Morningstar Peer Group			Market Composite Index		
	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year
0	2.7%	-3.6%	9.2%	2.6%	28.5%	38.7%	3.5%	0.9%	17.8%	4.1%	-3.2%	9.8%
10	2.8%	4.2%	20.1%	3.1%	31.6%	45.5%	3.5%	0.9%	17.8%	4.2%	7.6%	26.2%
20	2.9%	11.1%	33.3%	3.6%	34.8%	52.6%	3.5%	0.9%	17.8%	4.2%	18.4%	42.6%
30	3%	19.5%	44.5%	4.1%	38.1%	60%	4%	16.7%	37%	4.2%	29.2%	59%
40	3.1%	28%	56.8%	4.6%	41.4%	67.7%	4%	16.7%	37%	4.3%	40%	75.5%
50	3.3%	37.3%	71.2%	5.1%	44.8%	75.9%	4.6%	34.5%	61.4%	4.3%	50.8%	91.9%
60	3.3%	46.5%	86.5%	5.7%	49.2%	86.6%	4.6%	34.5%	61.4%	4.4%	61.6%	108.3%
70	3.4%	56%	103.6%	6.3%	52.8%	95.6%	5.3%	54.1%	86%	4.4%	72.4%	124.7%
80	3.6%	69.1%	118.9%	6.8%	56.5%	105.1%	5.3%	54.1%	86%	4.4%	83.2%	141.1%
90	3.7%	79.7%	135.6%	7.3%	60.2%	115.1%	5.7%	77.9%	120.7%	4.5%	94%	157.5%
100	3.8%	90.5%	153%	7.8%	64.1%	125.5%	5.7%	77.9%	120.7%	4.5%	104.8%	173.9%

Portfolio comparators: Tracker ESG 0 is compared against RPI -1.0% and the Morningstar UK Cautious Target Allocation Index™; Tracker ESG 10 against RPI -0.5% and the Morningstar UK Cautious Target Allocation Index™; Tracker ESG 20 against RPI and the Morningstar UK Moderately Cautious Target Allocation Index™; Tracker ESG 30 against RPI +0.5% and the Morningstar UK Moderately Cautious Target Allocation Index™; Tracker ESG 40 against RPI +1.0% and the Morningstar UK Moderately Cautious Target Allocation Index™; Tracker ESG 50 against RPI +1.5% and the Morningstar UK Moderate Target Allocation Index™; Tracker ESG 60 against RPI +2.0% and the Morningstar UK Moderate Target Allocation Index™; Tracker ESG 70 against RPI +2.5% and the Morningstar UK Moderately Adventurous Target Allocation Index™; Tracker ESG 80 against RPI +3.0% and the Morningstar UK Moderately Adventurous Target Allocation Index™; Tracker ESG 90 against RPI +3.5% and the Morningstar UK Adventurous Target Allocation Index™; and Tracker ESG 100 against RPI +4.0% and the Morningstar UK Adventurous Target Allocation Index™. Composite indices are based on the Morningstar Global Equity TME and Morningstar Global Core Bond Indexes, with weightings adjusted to reflect the underlying asset allocation of each portfolio.

ESG Classic Investment Strategy

The ESG Classic range aims to capture the small and value premiums while applying ESG screening to equity markets. The equity-heavy 100 portfolio fared better than its Tracker counterpart, benefitting from value stocks outperforming growth stocks this quarter, resulting in a -4.15% return.

The ESG Classic 0, much like the other core ranges, managed to avoid the negative returns that were seen across the equity markets, returning 0.98% for the quarter.



This chart shows the cumulative performance % of the selected financial assets from the starting point.

Looking at long-term performance, the portfolios have held up well against their comparisons. Over the past 10 years, the Classic ESG 100 portfolio has returned 137.94%, significantly outpacing the RPI +4% return of 125.47%. The Classic ESG 0 has struggled against its RPI comparator over the longer term, largely due to the high inflationary period that began in 2022.

Portfolio	Portfolio Return			RPI +%			Morningstar Peer Group			Market Composite Index		
	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year
0	2.7%	-2.8%	10.3%	2.6%	28.5%	38.7%	3.5%	0.9%	17.8%	4.1%	-3.2%	9.8%
10	2.7%	5%	20.6%	3.1%	31.6%	45.5%	3.5%	0.9%	17.8%	4.2%	7.6%	26.2%
20	2.7%	11.4%	32.9%	3.6%	34.8%	52.6%	3.5%	0.9%	17.8%	4.2%	18.4%	42.6%
30	2.6%	19.2%	42.9%	4.1%	38.1%	60%	4%	16.7%	37%	4.2%	29.2%	59%
40	2.5%	27.7%	54.2%	4.6%	41.4%	67.7%	4%	16.7%	37%	4.3%	40%	75.5%
50	2.4%	36.1%	66.8%	5.1%	44.8%	75.9%	4.6%	34.5%	61.4%	4.3%	50.8%	91.9%
60	2.4%	44.9%	80.3%	5.7%	49.2%	86.6%	4.6%	34.5%	61.4%	4.4%	61.6%	108.3%
70	2.3%	53.5%	95.4%	6.3%	52.8%	95.6%	5.3%	54.1%	86%	4.4%	72.4%	124.7%
80	2.2%	66.8%	108.7%	6.8%	56.5%	105.1%	5.3%	54.1%	86%	4.4%	83.2%	141.1%
90	2.1%	76.8%	123.3%	7.3%	60.2%	115.1%	5.7%	77.9%	120.7%	4.5%	94%	157.5%
100	2.1%	86.6%	137.9%	7.8%	64.1%	125.5%	5.7%	77.9%	120.7%	4.5%	104.8%	173.9%

Portfolio comparators: Classic ESG 0 is compared against RPI -1.0% and the Morningstar UK Cautious Target Allocation Index™; Classic ESG 10 against RPI -0.5% and the Morningstar UK Cautious Target Allocation Index™; Classic ESG 20 against RPI and the Morningstar UK Moderately Cautious Target Allocation Index™; Classic ESG 30 against RPI +0.5% and the Morningstar UK Moderately Cautious Target Allocation Index™; Classic ESG 40 against RPI +1.0% and the Morningstar UK Moderately Cautious Target Allocation Index™; Classic ESG 50 against RPI +1.5% and the Morningstar UK Moderate Target Allocation Index™; Classic ESG 60 against RPI +2.0% and the Morningstar UK Moderate Target Allocation Index™; Classic ESG 70 against RPI +2.5% and the Morningstar UK Moderately Adventurous Target Allocation Index™; Classic ESG 80 against RPI +3.0% and the Morningstar UK Moderately Adventurous Target Allocation Index™; Classic ESG 90 against RPI +3.5% and the Morningstar UK Adventurous Target Allocation Index™; and Classic ESG 100 against RPI +4.0% and the Morningstar UK Adventurous Target Allocation Index™. Composite indices are based on the Morningstar Global Equity TME and Morningstar Global Core Bond Indexes, with weightings adjusted to reflect the underlying asset allocation of each portfolio.

Final Words

What a whirlwind 2025 has been so far, and this is only the opening gambit. Global politics and international tensions are tumultuous, to say the least, allowing uncertainty to creep into the markets. It's difficult to predict what might happen in both the economic landscape and the wider global climate over the rest of 2025. As we move forward into what is likely to be a year of higher volatility and inflation, we remind our clients to stay focused on the long-term investment horizon.

In times like these, it can be hard to see the wood for the trees when investing, but it's essential to stick to your financial plan and investment objectives. Forecasts are rarely accurate, and making rash decisions based on what people may believe the market will do is a dangerous game to play. Sticking to an evidence-based investment philosophy, built on research and market data, is key to maintaining long-term results.

So, we leave you with the wise words of Warren Buffett: "The rearview mirror is clearer than the windshield".

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