CHETWOOD

INVESTMENT MANAGEMENT

CORE GROWTH PORTFOLIOS

QUARTER 1 2025 REPORT

Quarter Insights

- We have comprehensively outperformed other Wealth Managers this quarter by correctly positioning for tariff volatility.
- The idea of US exceptionalism came under pressure in Q1, as trade tariff headlines weighed heavily on US equity markets throughout the quarter. This came as US technology stocks stumbled after China's DeepSeek unveiled a breakthrough AI model.
- A clear market rotation took hold: the best-performing countries and sectors of 2024 lagged, while last year's underperformers took the lead.
- The European Commission unveiled a proposal for nearly €800bn in defence spending, while Germany announced a €500bn infrastructure plan, signalling a major policy shift in Europe.
- In the UK, Chancellor Rachel Reeves' Spring Statement included £8.4bn in spending cuts aimed at keeping public finances within the government's fiscal rules.
- Interest rate cuts were announced by both the Bank of England and the European Central Bank during the quarter, while the US Federal Reserve held rates steady but maintained a dovish tone.

Market Review

As we entered 2025, we were mindful that markets might be underestimating the risks associated with early policy signals from the new Trump administration. The campaign's emphasis on trade tariffs raised concerns that such measures could re-ignite inflation and weigh on global growth. Nevertheless, many investors appeared reassured, anticipating that a Republican-led government would reinforce the theme of US exceptionalism.

That confidence was quickly tested. Rising policy uncertainty dented sentiment and reignited fears of a US recession. In contrast, Germany's shift to a more expansionary fiscal regime lifted the outlook for Europe and drove a clear divergence in global equity and bond markets.

Equities began the year strongly, with the S&P 500 reaching a record high in February. However, momentum faded as US growth stocks retreated and many of 2024's top performers declined sharply. Renewed tariff threats unsettled investors, contributing to a more cautious tone. On a positive note, US bonds rallied, buoyed by rising recession risks. Although the Federal Reserve left rates unchanged over the quarter, Chair Jerome Powell struck a dovish tone in March, signaling increased concern about downside risks to growth.

DeepSeek's AI breakthrough in January prompted a reassessment of crowded positions in large-cap US tech, sparking a rotation into other areas. Fears also grew that proposed tariffs and planned public sector job cuts under the Department of Government Efficiency (DOGE) could erode consumer resilience.

In March, the Federal Reserve cut its 2025 US growth forecast to 1.7% from 2.1% and nudged its inflation outlook higher. Meanwhile, European policymakers acted with unexpected vigour. Germany's likely new Chancellor, Friedrich Merz, proposed a €500bn infrastructure plan and looser fiscal rules for defence spending. The European Commission also announced an €800bn defence initiative. These shifts supported European equities but pressured sovereign bonds, despite two 0.25% interest rate cuts from the European Central Bank (ECB), as markets focused on the prospect of larger debt issuance.

Chinese equities surged 12%, supported by stimulus measures, a stabilising property sector, and renewed optimism around its domestic technology industry. UK equities also rose, led by larger companies, though sentiment towards small and mid-caps remained fragile amid lingering economic concerns and fiscal caution in the UK Spring Statement.

> *Our focus on defensive and attractively valued assets helped portfolios navigate a turbulent quarter.*

Limited exposure to richly valued US tech and consumer names also helped shield performance from the sharpest parts of the sell-off.

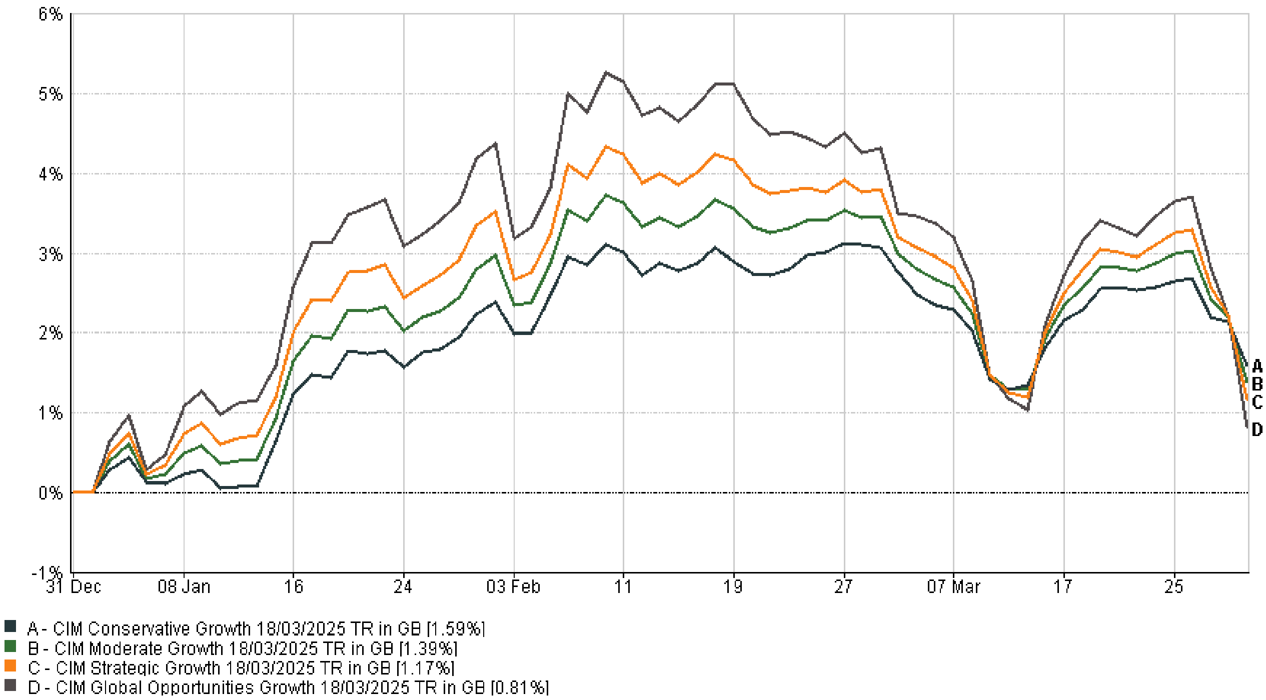
Portfolios performance

Portfolio / Comparator	3 months
CIM Conservative Growth Portfolio	1.59%
ARC Sterling Cautious PCI	0.78%
CIM Moderate Growth Portfolio	1.39%
ARC Sterling Balanced Asset PCI	-0.46%
CIM Strategic Growth Portfolio	1.17%
ARC Sterling Steady Growth PCI	-1.18%
CIM Global Growth Opportunities Portfolio	0.81%
ARC Sterling Equity Risk PCI	-1.70%

Index Returns[1]	3 months
UK Equities	6.08%
UK Government Bonds (Gilts)	0.56%
All Country World Equities	-4.25%
Pacific Equities (ex Japan)	-2.69%
Emerging Market Equities	0.18%
US Equities	-7.17%
UK Headline Inflation	0.66%

Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested.

Performance graph



31/12/2024 - 31/03/2025 Data from FE fundinfo2025

Key Funds and Trades over the Quarter

Top 3 Model Funds	3 months
AQR Apex UCITS C1	6.63% ▲
iShares Edge MSCI World Minimum Volatility ETF	4.65% ▲
Liontrust European Dynamic	4.37% ▲

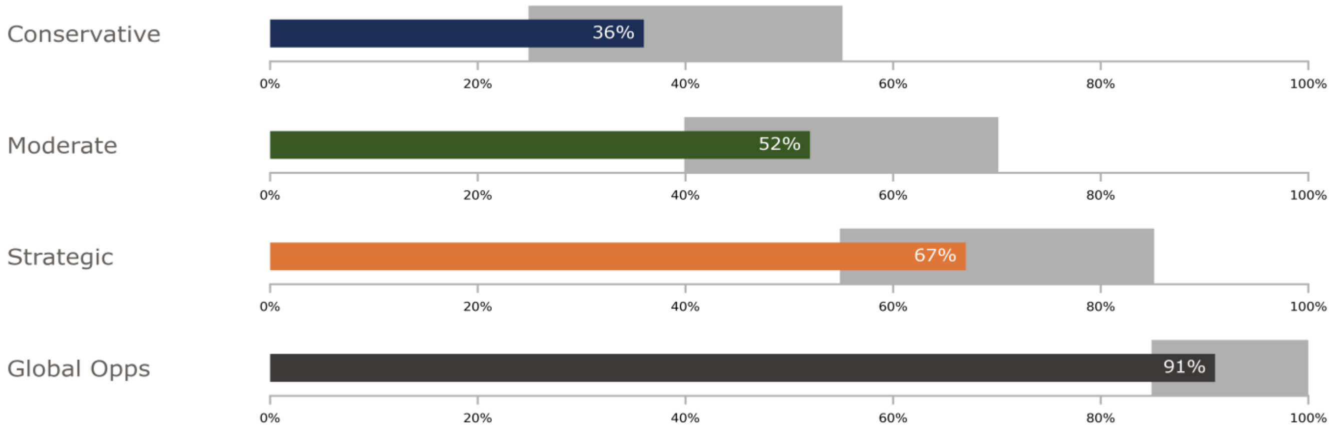
Bottom 3 Model Funds	3 months
Lyxor Core UK Government Bond ETF	0.55% ▼
Amundi Prime Japan ETF	-2.37% ▼
Invesco S&P 500 Equal Weight UCITS ETF	-3.68% ▼

Source FE Analytics to 31st March 2025

Key fund	Commentary
AQR Apex	We added the AQR Apex fund to the portfolio in late 2024 as an "alternative" investment, and it delivered excellent performance in the first quarter of 2025. Notably, its returns were uncorrelated with equities and fixed income, reinforcing its role as a true diversifier. Towards quarter-end, we secured some gains by trimming our position but continue to hold a meaningful allocation.
iShares Edge MSCI World Minimum Volatility ETF	This fund provides exposure to global equities with lower volatility than a standard equity index, offering a defensive stance in uncertain markets. Given concerns that the impact of US trade tariffs was being underestimated, we favoured this type of exposure coming into 2025. The fund performed well during a volatile first quarter, rising strongly. We took the opportunity to lock in profits and sold our position towards the end of the quarter.
Liontrust European Dynamic	This actively managed fund invests in European equities and benefited from Germany's bold fiscal expansion during the quarter. In March, German lawmakers approved a €500 billion infrastructure fund and eased borrowing rules for defence spending. These measures spurred a shift from US to European equities, contributing to the fund's strong performance.
JPM Climate Change Solutions	We introduced an allocation to this fund towards the end of the quarter. While this fund focuses on companies addressing climate change, we do not hold it for 'ESG' (Environmental Social and Governance) reasons. Our primary rationale is to increase exposure to industrial, power, and utility companies expected to benefit from the global expansion of electrification, AI and data centres. Despite strong earnings prospects, these stocks have been caught in the broader U.S. market downturn, providing an attractive entry point.

Asset class review

Equity Exposure



Conservative

Ten largest fund holdings (%)	
AQR Apex	15.2%
Amundi Index Global Agg Hedged ETF	13.6%
Lyxor Core UK Government Bond ETF	11.6%
Vanguard Global Credit Bond Inst Hedged	11.0%
JPM Glb HY Corp Bond Multi-Factor Hdged	10.2%
Fidelity Index UK	8.1%
Invesco S&P 500 Equal Weight ETF	7.0%
Amundi IS Prime Japan ETF	6.4%
JPM Climate Change Solutions ETF	5.9%
Liontrust European Dynamic	4.5%
Assets in top ten holdings	93.5%

Ten largest asset class exposures (%)	
Government Bonds	21.1%
Other Alternatives	15.2%
Corporate Bonds	15.1%
High Yield Bonds	10.2%
North American Equities	9.0%
UK Equities	8.2%
European Equities	7.3%
Japan Equities	6.9%
Asia Pacific ex Japan Equities	3.2%
Cash	2.0%

Moderate

Ten largest fund holdings (%)	
AQR Apex	13.2%
Fidelity Index UK	11.6%
Invesco S&P 500 Equal Weight ETF	10.0%
Amundi IS Prime Japan ETF	9.3%
Vanguard Global Credit Bond Inst Hedged	9.0%
JPM Climate Change Solutions ETF	8.4%
JPM Glb HY Corp Bond Multi-Factor Hdged	8.3%
Amundi Index Global Agg Hedged ETF	8.2%
Lyxor Core UK Government Bond ETF	7.0%
Liontrust European Dynamic	6.5%
Assets in top ten holdings	91.5%

Ten largest asset class exposures (%)	
Other Alternatives	13.2%
North American Equities	13.0%
Government Bonds	12.7%
UK Equities	11.8%
Corporate Bonds	11.4%
European Equities	10.6%
Japan Equities	10.0%
High Yield Bonds	8.3%
Asia Pacific ex Japan Equities	4.6%
Emerging Market Equities	2.6%

Asset class review

Strategic

Ten largest fund holdings (%)

Fidelity Index UK	15.0%
Invesco S&P 500 Equal Weight ETF	13.0%
Amundi IS Prime Japan ETF	12.0%
JPM Climate Change Solutions ETF	10.9%
AQR Apex	10.8%
Liontrust European Dynamic	8.4%
Artemis SmartGARP Global EM	8.4%
Vanguard Global Credit Bond Inst Hedged	5.6%
JPM Glb HY Corp Bond Multi-Factor Hdged	5.2%
Amundi Index Global Agg Hedged ETF	4.8%
Assets in top ten holdings	94.1%

Ten largest asset class exposures (%)

North American Equities	16.8%
UK Equities	15.2%
European Equities	13.7%
Japan Equities	12.8%
Other Alternatives	10.8%
Government Bonds	7.4%
Corporate Bonds	7.0%
Asia Pacific ex Japan Equities	5.9%
High Yield Bonds	5.2%
Emerging Market Equities	3.3%

Global Opps

Ten largest fund holdings (%)

Fidelity Index UK	20.2%
Invesco S&P 500 Equal Weight ETF	17.5%
Amundi IS Prime Japan ETF	16.2%
JPM Climate Change Solutions ETF	14.7%
Liontrust European Dynamic	11.4%
Artemis SmartGARP Global EM	11.4%
AQR Apex	6.8%
Assets in top ten holdings	98.2%

Ten largest asset class exposures (%)

North American Equities	22.6%
UK Equities	20.5%
European Equities	18.4%
Japan Equities	17.3%
Asia Pacific ex Japan Equities	8.0%
Other Alternatives	6.8%
Emerging Market Equities	4.4%
Cash	2.0%

Asset Class	Portfolio Views
Fixed Interest	We hold a positive view on government bonds, with yields—particularly on UK gilts—offering attractive income. Central banks retain scope to cut rates if needed, potentially adding capital upside. We continue to prefer government over corporate bonds, though widening credit spreads could improve the appeal of corporate debt going forward.
UK Equities	UK equities performed strongly in Q1, driven by solid corporate results. Valuations remain modest, and we remain positive given attractive dividends, share buybacks, and rising M&A activity, which should help unlock value. The UK's services-led economy also offers some resilience against global trade tensions.
US Equity	Following a challenging Q1, we remain underweight, particularly in mega-cap tech stocks, which we view as overvalued and exposed to global trade tensions. Within our US allocation, we favour greater diversification by sector and style to capture opportunities from the continued broadening of earnings beyond the dominant tech names.
Japan Equity	We remain positive on Japanese equities, supported by encouraging inflation and wage growth data, increased defence spending, and Berkshire Hathaway's decision to raise stakes in Japanese trading houses. Ongoing corporate governance reforms—reflected in rising activist investor interest and management buyouts—continue to enhance shareholder value and underpin market sentiment.
Asia and Emerging Market Equity	We maintain a positive long-term outlook, driven by strong growth prospects in China and India. Chinese equities will likely benefit from further stimulus and AI developments. However, we wait to move overweight, given the region's sensitivity to trade tariffs and a stronger US dollar.
Alternatives	We view alternative investments as valuable diversifiers, particularly if inflation picks up as a result of tariffs. We currently favour liquid strategies managed by experienced teams, offering low correlation to traditional assets and potential resilience in volatile markets.

Outlook

The start of 2025 has not been smooth, and as we look ahead, it seems likely that markets will continue to experience volatility for a while longer. Much of this is being driven by ongoing shifts in government policy, particularly in the US. That said, there is good news for investors: diversification is working again.

> *Unlike in 2024, when markets were dominated by a narrow group of large companies, more balanced portfolios are now holding up better in the face of uncertainty. We expect this will help us going forward.*

In Q1, falling US bond yields helped offset equity losses, while in Europe, strong equity performance balanced weaker bond returns. This regional variation shows the value of spreading investments across different markets and sectors.

Despite negative returns from US equities, corporate earnings in the US were strong in the first quarter. Manufacturing activity also picked up, likely as firms ramped up production ahead of new tariffs. While tariff concerns have weighed on sentiment, promised tax cuts and deregulation could provide support to markets in the coming months.

Central banks remain well-positioned to cut interest rates, which would be welcome news for households, businesses, and governments. Bonds have recently acted as a buffer against equity volatility, and we expect that relationship to continue unless inflation picks up sharply.

While uncertainty around US trade policy may persist, the broader backdrop remains supportive. Corporate profits are growing, consumers are still spending, and central banks have begun easing policy. Rate cuts may also encourage some of the $7.2 trillion sitting in US money market funds to re-enter markets.

While inflation is still above target, we believe central banks will prioritise growth and employment, which should help support asset prices. Volatility is likely to remain high, but history has shown that reacting too strongly in these periods can hurt long-term returns. Our focus remains on staying diversified, staying invested, and using volatility as an opportunity to bolster long term returns.

Thoughts for the quarter ahead...

- Policy uncertainty remains high, with US trade actions creating headwinds for global growth. This could raise the risk of recession and requires close monitoring.
- Tariffs may push inflation higher, but this could be offset by falling energy prices and slower growth, potentially keeping inflation in check.
- Labour market data will be key, as US government job cuts begin to take effect. The Federal Reserve will be paying close attention to any signs of weakening employment.
- Markets are watching for a policy pivot in the US—from tariffs to tax cuts and deregulation—which would be more favourable for equity markets and business sentiment.
- Valuations in US tech remain elevated, despite recent declines, suggesting more room for rotation into other regions and sectors. Investors will also be watching for any hint of a "Trump Put" if market weakness affects consumer confidence.
- Central banks retain flexibility, with room to cut rates further if economic conditions deteriorate, offering potential support for markets.
- An active, diversified investment approach is essential, particularly if trade tensions escalate into a more prolonged conflict.

Important information
Chetwood Investment Management Limited is authorised and regulated by the Financial Conduct Authority. Our regulation details are set out in the FCA register: Firm Reference No: 835233 www.fca.org.uk/register. Registered in England and Wales: 11810284. Registered office: St Denys House, 22 East Hill, St. Austell, Cornwall, United Kingdom, PL25 4TR.

This publication is for informational purposes only. The opinions expressed are based on current market conditions and are subject to change. The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security.

Any information herein is given in good faith, but is subject to change without notice and may not be accurate and complete for your purposes. This document is not intended for distribution to, or use by, any individual or entities in any jurisdiction where such distribution would be contrary to the laws of that jurisdiction or subject Chetwood Investment Management Limited to any registration requirements.

Risk factors should be taken into account and understood including (but not limited to) currency movements, market risk, liquidity risk, concentration risk, inflation risk, performance risk, local market risk and credit risk.

Investors should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.

[1] For the comparative index returns, we have used the total return performances of the following ETF's:

Comparative index	ETF Name
UK Equities	ISHARES CORE FTSE 100
US Equities	ISHARES CORE S&P 500
European Equities (ex UK)	ISHARES MSCI EUROPE EX-UK
Emerging Market Equities	ISHARES CORE EM IMI ACC
Japanese Equities	ISHARES CORE MSCI JAPAN
Pacific Equities (ex Japan)	ISHARES CORE MSCI PACIF X-JP
UK Government Bonds (Gilts)	ISHARES CORE UK GILTS
Global Bonds (GBP hedged)	ISHARES CORE GLB AGG GBP-H D
Commodities	ISH DIVERS COMMOD SWAP ETF