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ASSET
MANAGEMENT

ACTIVE CLIENT COMMUNICATION

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CONNECTED FINANCIAL THINKING

A summary from Progeny Asset Management's Active specialists

What has happened?

On Wednesday, dubbed 'Liberation Day', President Trump announced the much-anticipated new round of global tariffs on goods entering the United States.

The measures implemented a 10% tariff globally from 5 April and a series of further 'reciprocal' tariffs with some countries (from 9 April), including the UK (10%), EU (20%), China (34% on top of the existing 20%), Japan (24%) and Vietnam (46%). Some specific items such as auto parts will also have more punitive levies added to them on import to the US too.

For the United States, the architect of the post-World War Two and Cold War liberal consensus, to increase tariffs unilaterally and dramatically in this fashion is clearly a substantial event geopolitically, economically and for financial markets.

Active portfolios

We have been mindful of increasing geopolitical risk and the potential effect on portfolios. This includes the tactical asset allocation changes that we made in December, as well as more recent changes.

We have reduced portfolio risk and increased diversification through additional allocations to Government Bonds, decreases to Corporate Bonds as well as an increase to our Alternatives allocation. We have also altered our equity blends to favour a more balanced & defensive stance, in particular increasing exposure to 'Value' stocks. Our Equity beta (sensitivity to markets) is below where it was prior to these changes.

Since the December implementation of our tactical asset allocation review in ProFolio Model & Global funds, our Alternatives allocation has outperformed Global Corporates and our allocation to the L&G S&P 500 Equally Weighted



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Tracker has been more resilient to US Equity declines than the market capitalisation weighted index.

The UK equity portion of the Bespoke and FIC portfolios managed by the Private Wealth team have proved resilient. They are currently c.50bps (0.50%) ahead of the benchmark and the positioning of the portfolio has been defensive for some time.

Being overweight to healthcare and utilities has benefitted portfolios, with pharmaceutical companies GSK and AstraZeneca and electricity businesses SSE and National Grid all performing well. Similarly, being underweight to the industrial sector, which is highly vulnerable to tariffs, has helped the UK equities in bespoke portfolios to retain value today.

Those PAM portfolios that contain a UK biased asset allocation look well positioned to protect capital in the short-term as the UK equity market looks to be one of the least affected.

Outlook

Clearly, we are in unprecedented territory, and it is difficult to make firm predictions. In times like these we rely on our philosophy and principles, which is to be disciplined, manage emotions and tune out the noise.

As we have seen many times over, markets tend to react and then recover, and we do not see this situation as any different. The global environment is even more uncertain than usual, but this has not been without precedent. Our widely diversified portfolios are designed to withstand shocks and to traverse rockier periods as well as the smoother ones.

As ever, it is imperative that we remain diversified and focused on long-term growth – principles that have proved effective time and time again.

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