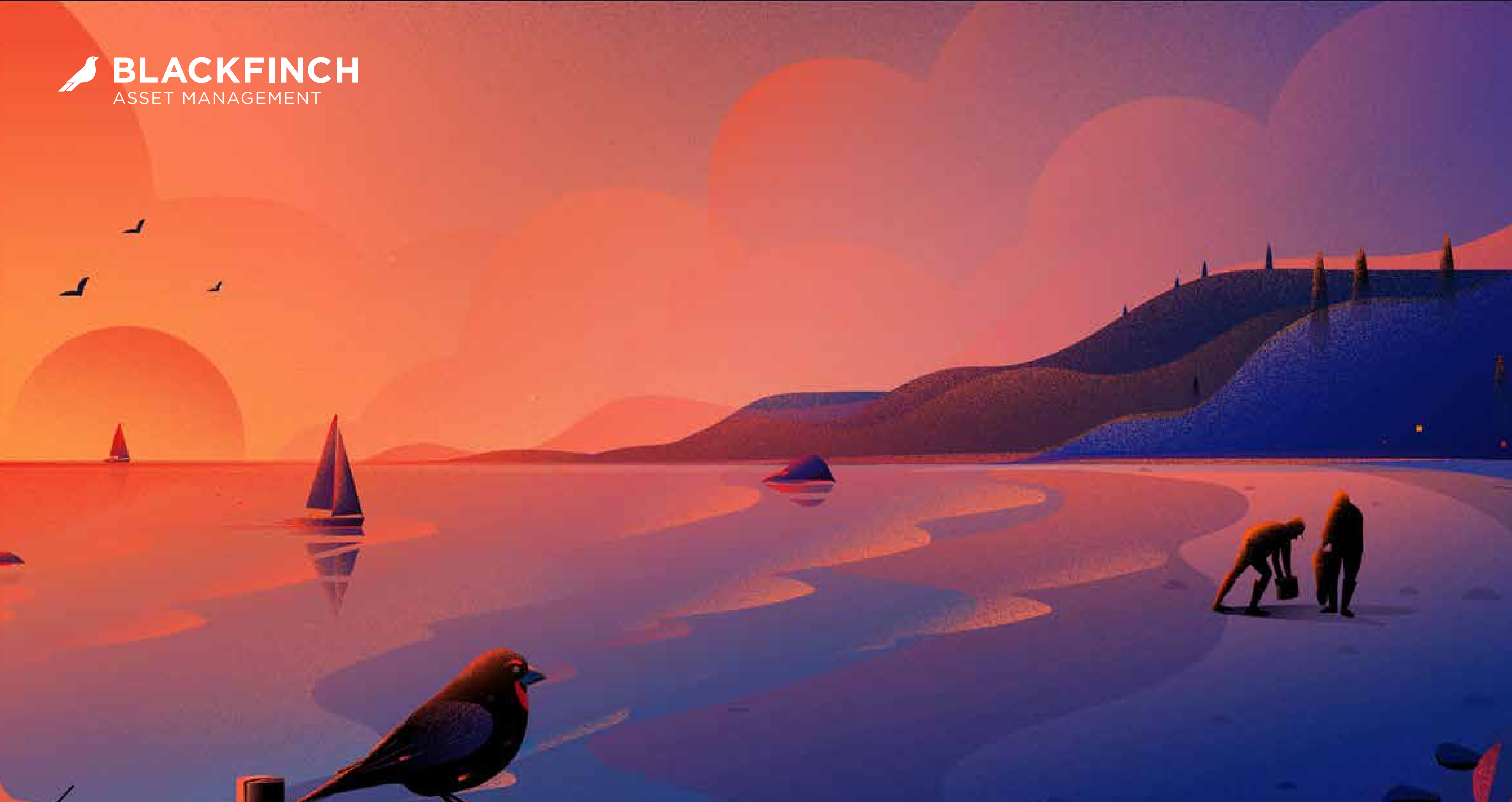

Quarterly Investment Report

Cautious Portfolio | Q1 2025 - 1st January 2025 - 31st March 2025

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Principles for Responsible Investment

Your Investment Manager
Blackfinch

We're part of Blackfinch Group, an independent investment specialist with a heritage dating back over 25 years. We're a responsible investor working to build positive future prospects. We work closely with your financial adviser to deliver attractive risk-adjusted returns over the long term to help you meet your goals and aspirations. Our investment objectives are centred on delivering returns targeted at beating inflation, against which you and your financial adviser can easily measure us.

Responsible Focus

As a UN PRI signatory, we take multiple factors into account when assessing an investment. We positive screen for businesses with responsible practices and policies in place. We prioritise investments where there's active engagement on risk-management issues and fund managers value this approach

Our Approach

Our investment team includes dedicated specialists whose sole focus is the portfolios. We're active investment managers, buying into and selling out of investments, as market conditions dictate. We invest globally, aiming to both capture returns and manage downside risk. Transparency is central to how we work, so you can know where your money is invested at all times.

An Independent Specialist

As part of an independently owned company, we can look across many investments and strategies to find the most suitable ones. Your portfolio holds a wide range of investments, including shares (equities) and bonds (fixed income). We review, rebalance and restructure the portfolios on an ongoing basis.

Your Reporting

We aim to keep you as up to date and informed as possible. This quarterly investment report gives detail on financial markets and factors that have driven returns. The report is supplementary to monthly factsheets, featuring market commentary and details of portfolio activity. We also provide ad-hoc commentary on topics affecting your portolio's performance.

The Last Quarter
In Focus

Past performance is no guarantee of future performance.

Date of inception: 2nd July 2018.

All performance figures are quoted net of AMC and fund OCFs.

Global markets eagerly anticipated the inauguration of Donald Trump on 20 January, with US investor sentiment buoyed by his "America First" policy programme and what boosts this may give to domestic companies.

Trump's announcement of a 25% levy on all non-US made automobiles added to ongoing market volatility. At the end of March and into April, Trump also imposed a minimum 10% tariff on all exporters to the US, with regions proposing retaliatory measures.

The reality that Trump's bite may finally be as harsh as his bark tariffs, investor sentiment soured on what impacts this may have on the global economy. After an impressive streak of US equity returns, investors took profits amid a flight to 'safer' assets. To compound issues further, incoming economic data suggested both consumers and investors were concerned over a broader US economic slowdown.

A Bird's Eye View
Global Events
Impacting your Portfolio

Emerging Markets:

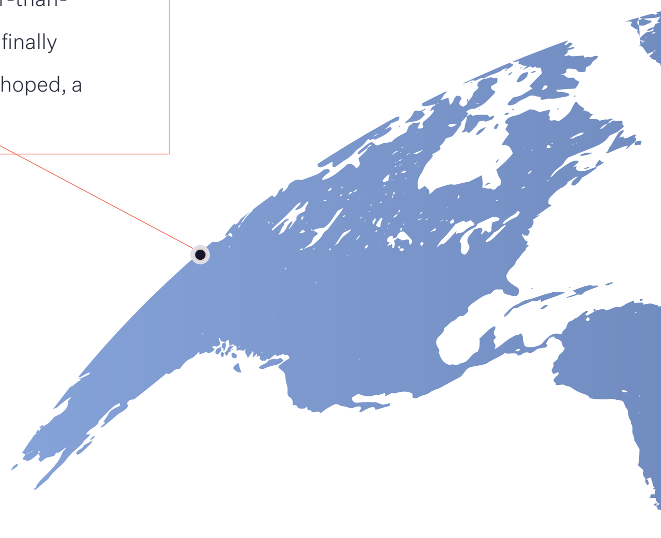
Although China benefitted from new economic stimulus and newfound Artificial Intelligence (AI) demand from start-up DeepSeek, other Emerging Market countries struggled. Taiwan faced headwinds amid fears over tariffs imposed by the US administration on semiconductor exports to the US and a potential slowdown in AI investments from some US technology companies. After an impressive run, Indian equity markets came under pressure. This was from a combination of a domestic economic slowdown as well as stretched valuations for Indian companies weakening investor sentiment.

United Kingdom

After much speculation, Chancellor of the Exchequer Rachel Reeves confirmed further spending cuts in the annual UK Spring Statement. The Office for Budget Responsibility revised its forecast for economic growth in 2025, halving the original figure to 1% and suggested higher levels of inflation and unemployment later in the year. Although intensive diplomatic negotiations on a UK-US economic deal took place, they did not spare British exporters from Trump's tariff plans. The growing economic uncertainty fuelled the current 'risk-off' sentiment and further depressed valuations over the quarter.

United States

US exceptionalism – the idea that the US is distinctive or exemplary compared with other countries – was brought into question. 'Trumponomics' was the main topic of conversation, as Donald Trump was inaugurated on 20th January and began hatching his plan to 'make America great again.' Unfortunately, this came at the cost of US equity markets, as investors braced against the potential fallout from trade tariffs and started taking profits. Softer-than-expected economic data also fed fears that the US economy may finally be slowing down, and should tariffs prove a larger headwind than hoped, a possible US economic recession.



Europe ex UK

Germany made historic strides in attempting to drive economic growth. Its parliament voted in favour of a new fiscal package, consisting of defence spending, a €500bn infrastructure fund, and an increase in the allowable structural deficit. The key component of the announcement was the proposal to soften the 'debt brake,' a historic rule that has previously prohibited excessive borrowing. 513 votes were cast in favour of the proposal, with only 207 voting against. This, combined with a potential ceasefire in Ukraine and the subsequent demand for a reconstruction effort, boosted sentiment in the eurozone and foreign investment surged over the quarter.

China

China was one of the winners over the quarter, as the region benefitted from growing optimism about its AI capabilities following the initial release of DeepSeek's lower-cost model in January. Chinese shares were also given a boost after government stimulus measures, such as interest rate cuts and support for the troubled property sector, helped stabilise the economy and restore investor confidence. Despite geopolitical tensions rising over a potential trade war with the US, the Chinese government set an annual economic growth target of approximately 5% for the third straight year, an ambitious goal analysts believe will require significant stimulus to combat potential future headwinds.

Japan

Despite the uncertainty in global markets affecting exporters, Japanese companies again reported solid results. Overall, results indicated they managed the challenges well and maintained robust earnings. An improvement in corporate governance, including share repurchases and improved dividends, provided some support against macro headwinds.

Market Commentary

Coming into 2025, the consensus opinion was to back US exceptionalism, which flipped on its head by the end of the first quarter. So what changed sentiment? There were three key factors. First, 'Trumponomics,' as Donald Trump took office on 20th January and began hatching his plan to 'make America great again.' Unfortunately, this came at the cost of equity markets, as investors braced against the potential fallout from trade tariffs. Second, news from Chinese Artificial Intelligence (AI)-startup DeepSeek suggested AI could be delivered more cheaply than expected, which undermined America's mega cap tech companies, which had driven US equities higher in previous years. Third, Germany announced a break from its previous fiscal rules and pledged considerable spending plans that acted as a booster shot for the lagging European market. This created a paradigm shift in global markets, with investors taking their profits from the US and seeking opportunities over the Atlantic. Looking forward, both higher tariffs and future policy risk have dampened global business sentiment, raised inflation fears (given the scale of imports affected), and firmly moved markets into a risk-off stance.

The US Federal Reserve (Fed) also appeared influenced by tariff uncertainty, as the central bank slashed its growth forecast for the US economy to 1.7% for 2025 and increased its inflation forecast to 2.7%. It came as no surprise when the Fed left interest rates unchanged at the 4.25% to 4.5% range at its March meeting, as widely expected, but comments from Fed Chair Jerome Powell stole headlines. He suggested the level of uncertainty over the US economy was in part caused by confusion surrounding the new administration, particularly over tariffs. Unfortunately, this political noise also severely affected the US consumers' psyche. Consumer year-ahead inflation expectations jumped to 5.0% and long-run inflation expectations rose to 4.1%, their highest level in over 30 years. Joanne Hsu, the Director of Surveys of Consumers at the University of Michigan, noted "Consumers continue to worry about the potential for pain amid ongoing economic policy developments." This will add to concerns about the second-round effects of tariffs on inflation.

Although intensive diplomatic negotiations on a UK-US economic deal took place, it was not enough to spare British exporters from Trump's tariff plans. The growing economic uncertainty fuelled the current 'risk-off' sentiment and further depressed valuations over the quarter. Bank of England Governor Andrew Bailey cited this uncertainty as the key factor in the 8-1 vote to leave interest rates unchanged at its March meeting. After much speculation, Chancellor of the Exchequer Rachel Reeves enacted further spending cuts in what went down largely as a 'non-event' UK Spring Statement. Reeves confirmed that the Office for Budget Responsibility had revised its forecast for UK economic growth in 2025, halving the original figure to 1% and suggested higher levels of inflation and unemployment later in the year. Questions remain on how the government can stimulate the economy and meet its pledges of attractive economic growth over the longer term. Recent gross domestic product (GDP) data underlined this, as the UK economy ground to a halt in the final quarter of 2024, with quarter-on-quarter growth of just 0.1%, marginally higher than Q3's flat reading. The implications of US 'Liberation Day' may help frame the Autumn Budget this October, where any economic damage inflicted on the UK will be more widely understood.

There was more positive news from Europe. As expected, the European Central Bank (ECB) lowered its benchmark rate from 2.75% to 2.50%. But the key source of good news was from Germany, after its newly-elected government made a historic amendment to its Basic Law and departed from its traditionally conservative stance on spending. The amendment paved the way for a spending package that includes a €500bn infrastructure investment fund and, more importantly, an adjustment to the 'debt brake' to allow for greater manufacturing, cybersecurity, and military spending. Further bolstering the case for an ECB April interest rate cut, Germany's inflation rate eased to 2.3%, beating expectations, according to its federal statistics office. A final positive for the region came from Ukrainian President Volodymyr Zelenskyy, who said there were constructive talks between Ukraine and the US towards the end of March. Shortly after, a partial ceasefire between Russia and Ukraine was announced which focused on suspending attacks on energy infrastructure. However, US tariffs remain a potential headwind for economic growth. ECB President Christine Lagarde said the recent 25% tariff imposed by the US would lower eurozone growth by around 0.3% in the first year, while retaliatory tariffs could increase that number to 0.5%.

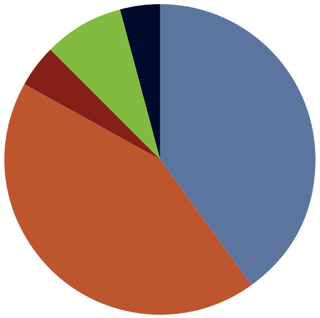
China was one of the winners over the quarter, as the region benefitted from growing optimism about its AI capabilities following the initial release of DeepSeek's lower-cost model in January. Despite geopolitical tensions rising over a potential trade war with the US, the Chinese government set an annual economic growth target of approximately 5% for the third straight year, an ambitious goal analysts believe will require significant stimulus to combat potential future headwinds.

In Japan, sentiment was heavily influenced by the developments in the US, particularly surrounding trade policy, as the country is historically known as an export-driven economy. The lack of visibility on a solution to trade tensions led investors to adopting a risk-off stance, and Japanese equity markets experienced a strong sell-off. Despite the global uncertainty in global markets impacting exporters, Japanese companies reported solid results once again over the period. Overall, results indicated they managed the challenges well and maintained robust earnings. An improvement in corporate governance, including share repurchases and improved dividends, provided some support against macro headwinds.

Portfolio Breakdown
Cautious Portfolio

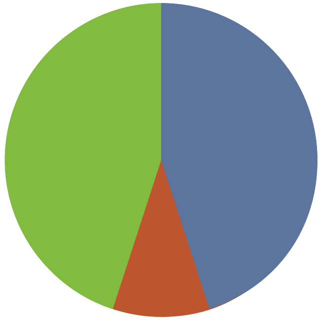
Investment Objective

The Cautious portfolio is designed to achieve a total return in excess of the Consumer Price Index plus 2% per annum, over a rolling 5 year basis net of fees. The portfolio is globally diversified and contains multi asset investments including fixed income, equities, property, alternatives and cash. As a UN PRI signatory, responsible investing is implemented through a positive screening approach whereby investments are not solely excluded based on the sector in which they operate. There is no guarantee that the objective will be met or that a positive return will be delivered over any time period. Capital at risk. All data is at 31st March 2025.



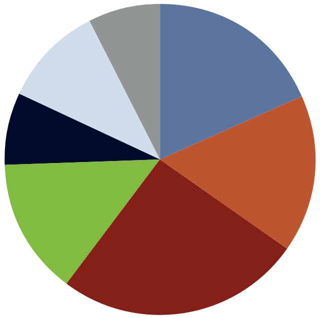
Tactical Asset Allocation

Fixed Income	38.50%
Equities	40.00%
Property	5.00%
Alternatives	12.50%
Cash & Equivalent	4.00%



Fixed Income Breakdown

Sterling Corporate	44.16%
UK Government	19.48%
UK Index Linked Government	0.00%
Global Bonds	36.36%



Equity Breakdown

United Kingdom	20.00%
Europe Ex UK	0.00%
North America	42.50%
Japan	13.75%
Asia-Pacific Ex Japan	0.00%
Thematic	13.75%
Emerging Markets	10.00%

Portfolio Holdings
Cautious Portfolio

Fixed Income

Man GLG - Sterling Corporate Bond	8.00%
Vanguard - UK Government Bond Index	7.50%
iShares - Corporate Bond Index (UK)	6.00%
PIMCO - Income	6.00%
iShares - ESG Overseas Corporate Bond Index (UK)	5.00%
L&G - Short Dated Sterling Corporate Bond Index	3.00%
Vanguard - US Government Bond Index	3.00%

Equities

iShares - US Equity Index	13.00%
Vanguard - FTSE 100 Index	8.00%
Blackfinch - NextGen Infrastructure	5.50%
Fidelity - Index Japan	5.50%
Artemis - SmartGARP Global Emerging Market Equity	4.00%
T.Rowe Price - US Smaller Companies Equity	4.00%

Property

Blackfinch - NextGen Property Securities	5.00%

Alternatives

TM Tellworth - UK Select	8.00%
Janus Henderson - Absolute Return	4.50%

Cash & Equivalent

CanLife - Sterling Liquidity	2.00%
Cash	2.00%

Portfolio Activity

Fixed Income

Fixed income assets proved their defensive capabilities across the quarter, helping to offset some of the losses and volatility seen in equity markets. High yield assets at the higher-risk end of the bond market saw some marginal losses due to concerns over a potential recession raising the risk of defaults. However returns across other sectors, both government and corporate, were positive.

UK government bonds (Gilts) struggled in the early days of the quarter, as the spending plans of the Labour government left investors concerned about the potential for additional borrowing and spiralling debt levels. We saw this as an opportunity to increase exposure across our lower risk portfolios as 10-year Gilt yields moved close to 4.9%. Through the quarter, Gilt prices recovered as the asset class was seen as a safe haven from the increasing market volatility, and the broad Gilt index finished the quarter in positive territory.

Our active fund selections across both global fixed income markets and sterling corporate bonds were the stand-out performers in the quarter, returning 3.36% and 2.67%, respectively, as the value of active management in volatile markets proved its worth. US Treasuries also performed well due to their safe-haven status among global investors.

Property

While property assets performed well early in the quarter, these gains were handed back in March, as Trump's tariff war came into full effect. Concerns over inflation, and what this could mean for the future path for interest rates, caused concern for a sector that is so heavily reliant on lending to fund its activity. The potential for interest rates to remain higher for longer, tied to the potential for a tariff-invoked recession, left investors with questions over property valuations.

Despite this, our key active fund in the sector finished the quarter with a loss of only 0.09%, while passive indices in the sector saw losses of over 1.5%, again highlighting the benefit of active management to protect investor capital during falling markets.

Portfolio Activity

Equities

The year began with a feeling of cautious optimism for equity investors, with the inauguration of the US President Trump being seen by many as a positive for equity markets given some of the market-friendly policies implemented through his first term. However, sentiment quickly soured, as two key events caused panic amongst investors. First was the headline-grabbing news from China's DeepSeek artificial intelligence (AI) model, which raised significant questions over the valuations of US tech companies that had been riding high on the wave of AI hype. Second, it became apparent relatively soon into Trump's second term that his approach this time around would not be as positive for equity markets.

US equities were the hardest hit through the quarter, with large cap growth names and smaller companies heavily sold, as concerns over economic growth and the re-emergence of inflation took hold. Japanese equities also struggled due to their perceived vulnerability to trade tariffs. At the top end of the equity performance tables this quarter were China, Europe and the UK, but all for different reasons. The potential for greater economic stimulus from the Chinese government encouraged investors to return to a region which has been out of favour for some time, while Europe benefitted from the announcement of substantial fiscal spending from the German government. In the UK, the relative defensive nature of many of the sectors in the FTSE 100, along with the potential for the country to be somewhat shielded from the worst of Trump's tariff plans, saw equity markets post gains for the quarter.

We changed our portfolio positioning in January, reducing the number of holdings across the range, placing more conviction in our fund selection and portfolio positioning. We believe this will help our key active fund manager selections to have a greater impact on portfolio performance during bouts of market volatility, which are likely to remain a prevalent feature of markets for the coming months, or even longer.

Alternatives & Cash Equivalents

Much like fixed income, diversifying alternative assets is a key portfolio component during times of equity market weakness. In times like these, we look to alternative investments to deliver uncorrelated, low-volatility positive returns, and to bring some balance to portfolios. Our key selections in the sector did just that during the quarter. Equally, money market funds also posted positive returns, as well as a meaningful yield, given interest rates may remain higher for longer than investors had expected at the end of 2024.

Important Information

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