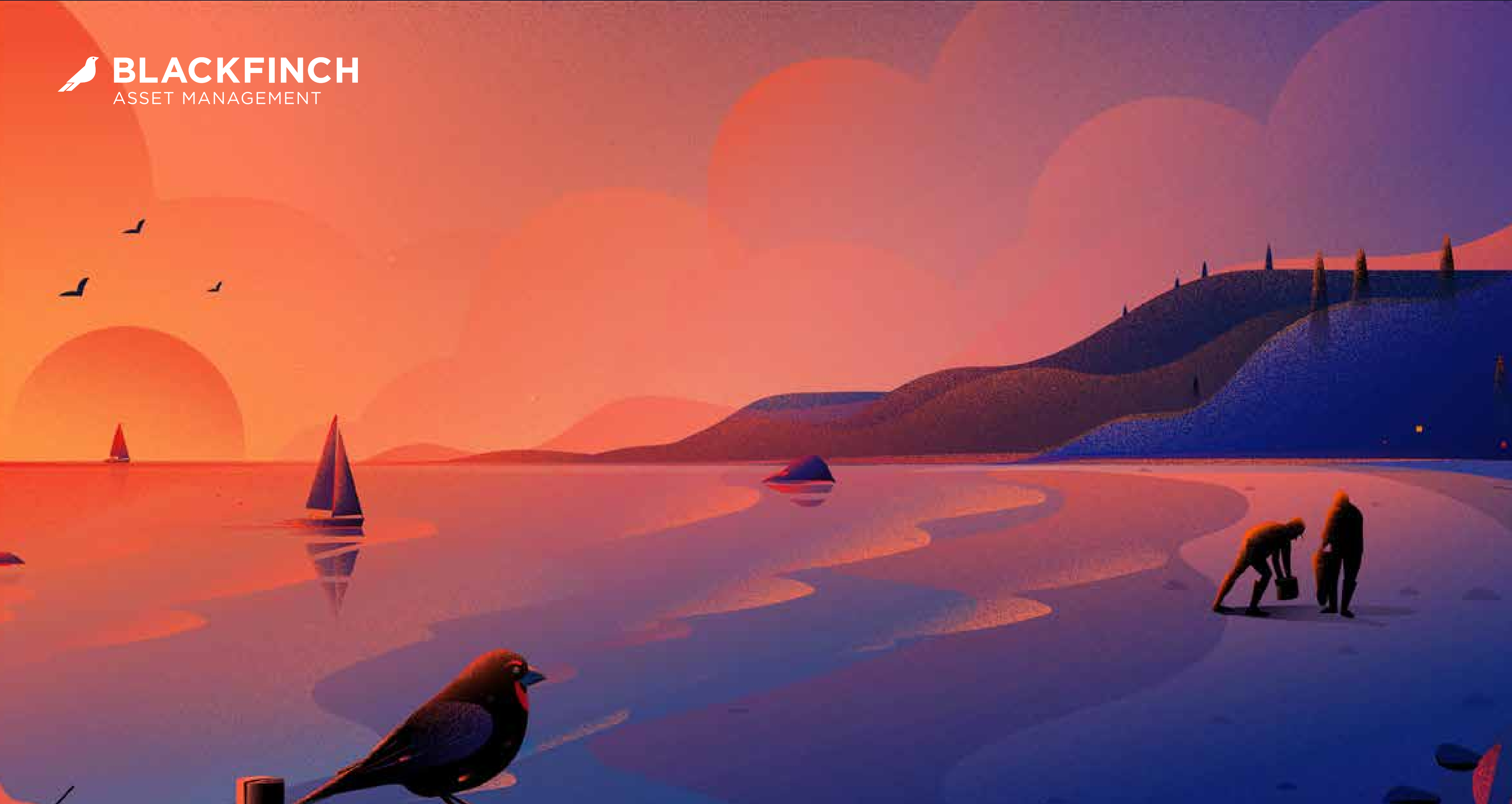
BLACKFINCH
ASSET MANAGEMENT



Quarterly Investment Report

Enhanced Growth Portfolio | Q1 2025 - 1st January 2025 - 31st March 2025

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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.

A Bird's Eye View
Global Events
Impacting your Portfolio

Emerging Markets:

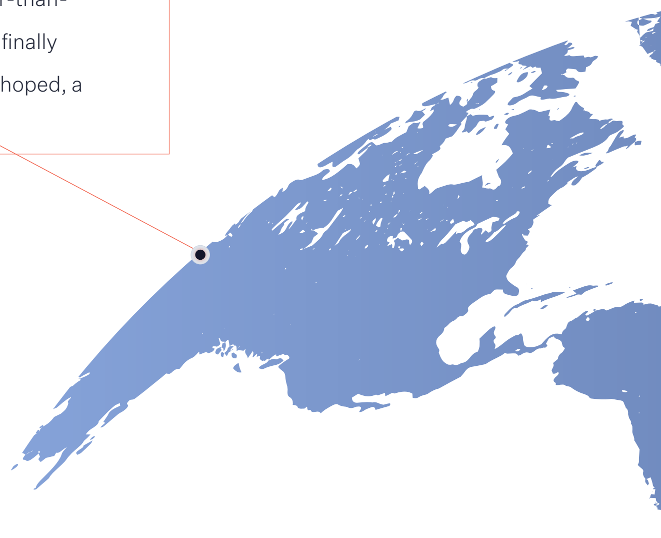
Although China benefitted from new economic stimulus and newfound Artificial Intelligence (AI) demand from start-up DeepSeek, other Emerging Market countries struggled. Taiwan faced headwinds amid fears over tariffs imposed by the US administration on semiconductor exports to the US and a potential slowdown 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%.

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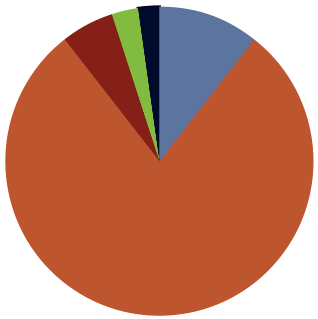
In Japan, sentiment was heavily influenced by the developments in the US, particularly surrounding trade policy, as the country is historically known as an export-driven economy. The lack of visibility on a solution to trade tensions led investors to adopting a risk-off stance, and Japanese equity markets 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
Enhanced Growth Portfolio

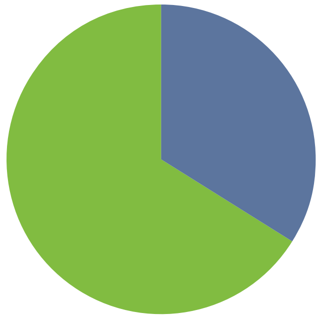
Investment Objective

The Enhanced Growth portfolio is designed to achieve a total return in excess of the Consumer Price Index plus 5% 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.



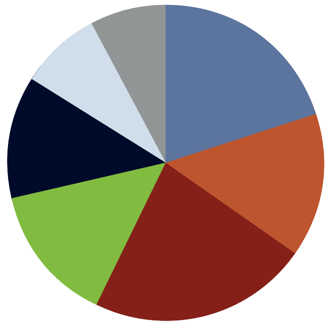
Tactical Asset Allocation

Fixed Income	7.00%
Equities	83.00%
Property	5.00%
Alternatives	3.00%
Cash & Equivalent	2.00%



Fixed Income Breakdown

Sterling Corporate	42.86%
UK Government	0.00%
UK Index Linked Government	0.00%
Global Bonds	57.14%



Equity Breakdown

United Kingdom	14.46%
Europe Ex UK	6.02%
North America	33.73%
Japan	10.24%
Asia-Pacific Ex Japan	9.04%
Thematic	12.65%
Emerging Markets	13.86%

Portfolio Holdings
Enhanced Growth Portfolio

Fixed Income

Capital Group - Global High Income Oppotunity	**4.00%**
Man GLG - Sterling Corporate Bond	**3.00%**

Equities

iShares - US Equity Index	**15.00%**
T. Rowe Price - US Smaller Companies Equity	**10.00%**
Fidelity - Index Japan	**8.50%**
iShares - Pacific ex Japan Equity Index (UK)	**7.50%**
Vanguard - FTSE 100 Index	**7.00%**
Blackfinch - NextGen Infrastructure	**6.50%**
iShares - Emerging Markets Equity Index (UK)	**6.00%**
Artemis - SmartGARP Global Emerging Markets Equity	**5.50%**
Gresham House - UK Multi-Cap Income	**5.00%**
HSBC - European Index	**5.00%**
L&G - Global Technology Index Trust	**4.00%**
BNY Mellon - US Equity Income	**3.00%**

Property

Blackfinch - NextGen Property Securities	**5.00%**

Alternatives

TM Tellworth - UK Select	**3.00%**

Cash & Equivalent

Cash	**2.00%**

Portfolio Activity

Fixed Income

Global bonds were more volatile than average in the fourth quarter, largely driven by central bank policy decisions and rising geopolitical tensions. Similar to equity markets, major government bond markets sold off after US and UK central banks indicated fewer interest rate cuts in 2025 due to persistent inflation concerns. The 10-year US Treasury yield spiked to a high of 4.57% at the end of the year, indicating uncertainty over the Fed's response should Trump's policies prove inflationary, adding to already persistent inflation. In a similar vein, the 10-year Gilt yield spiked in the UK in October after the Autumn Budget, where concerns over projected borrowing became apparent. Our allocation to government bonds, including those mentioned, came under pressure by the end of the year and experienced declines in value.

The varied performance of corporate bonds was noteworthy. High yield bonds, typically of lower credit quality and therefore higher risk, notably outperformed their investment grade counterparts, which are usually issued by well capitalised and reputable companies, and are therefore seen as higher quality. This was largely driven by expectations of a pro-business environment under the incoming Trump administration.

Property

As one would expect given the sharp readjustment of interest rate cut expectations, property as an asset class declined in value of period. Property remains highly-sensitive to central bank actions as the underlying companies rely on financing for future projects. With strong operational performance, growing rents and healthy balance sheets, we still believe specialist property assets have the potential to deliver long-term capital appreciation plus a growing income, despite the recent volatility. With the macroeconomic headwinds facing the property market over the past three years beginning to abate, current valuations continue to offer potentially a very attractive entry point to the asset class.

Portfolio Activity

Equities

The final quarter of the year showed the continued stark disparity in the performance of global equity markets. US shares made gains in the fourth quarter, which rounded out a strong year and ensured the US topped the performance tables. Returns were particularly buoyed by expectations that Trump's "America First" policies will lift economic growth, lower taxes and reduce regulation. Our positioning across the US market – including the more domestically-focused smaller companies that could be the biggest beneficiaries – allowed us to capture much of the trend. The stock market correction after the December meeting of the US Federal Reserve (US) saw some profit-taking, with many investment portfolios sitting atop sizeable US gains – an understandable exercise given the year's events.

Eurozone shares declined in the fourth quarter amid economic recession and political instability, with the real estate sector being one of the weakest on the list. The European Central Bank (ECB) cut interest rates by an expected 0.25% in both October and December. ECB President Christine Lagarde signalled more cuts to come in 2025 noting the "direction of travel currently is very clear", as the region struggles with "disappointing" economic growth. The UK followed in a similar vein, with posted moderate equity market losses and disappointing growth. The Office for National Statistics (ONS) reported the UK economy shrank for the second month in a row in October. At the same time, it revised growth figures over the summer from 0.1% to zero. Hopes remain that proposed government spending announced in the Autumn Budget will help drive more domestically-focused companies to more positive gains for 2025.

As expected, the Republican 'Red Sweep' election win proved a headwind for Emerging Markets (EM) over the quarter. EM investors grappled with the possibility of a US President proposing tariffs that could heavily impact China's exports (which China is heavily reliant upon for growth), and many are looking to Trump's inauguration in January to understand more. Concerns over a lack of further detail on policy stimulus measures announced in September further depressed share prices in the quarter. One of the bright spots was Japan, as considerable corporate governance reform, strong earnings results and yen weakness all helped boost the Japanese equity market by the end of the year.

Alternatives & Cash Equivalents

Alternative investments once again offered diversification against both bonds and equities, smoothing the return profile over the quarter. Of particular note were the protection offered on the downside market events, including the recent December sell-off caused by central bank comments on the potential for fewer interest rate cuts in 2025. We believe holding varied funds can offer uncorrelated returns amid this level of sensitivity and maintained our current positioning.

Important Information

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