

CHETWOOD

INVESTMENT MANAGEMENT

TAILORED GROWTH PORTFOLIOS

QUARTER 2 2025 REPORT



Quarter Insights

- President Trump's larger-than-expected tariff announcements on April 2nd triggered a short and sharp market selloff. His softening of stance and deadline delays helped calm market fears and allowed most major asset classes to end the quarter with a positive return.
- Europe cut interest rates twice and laid out plans for increased fiscal support, aiming to boost confidence and growth across the region.
- The long-expected conflict between Iran and Israel caused a brief spike in geopolitical tensions, but the market impact was limited. Oil prices initially rose but resumed their previous downward trend as Saudi Arabia increased production.
- Attention in fixed income markets shifted from interest rate cuts to concerns over debt sustainability on the unveiling of President Trump's "One Big Beautiful Bill".
- The Bank of England cut rates by 25 basis points, bringing the base rate to 4.25%. Inflation remains elevated, with May CPI at 3.4%.
- The US dollar weakened by 5.9% against Sterling over the quarter.

Market Review

The second quarter of 2025 was marked by considerable market volatility, driven by geopolitical tensions and uncertainty around US trade policy. Despite the noise surrounding tariff headlines, most major asset classes delivered positive returns, as economic data remained relatively robust.

Markets reacted sharply to the surprise tariff announcement on 2nd April, dubbed 'Liberation Day', which triggered a swift sell-off in both equities and bonds. In response to bond market fears, Trump's administration soon softened its stance, pausing reciprocal tariffs for 90 days and outlining the framework for a trade deal with China.

This helped calm investors, and developed market equities had rebounded strongly by the end of the quarter.

Confidence was further buoyed by a strong US corporate earnings season, as Q1 earnings growth of 13% was well ahead of expectations. While tariff concerns were noted by CEO's, most firms maintained a business-as-usual tone and highlighted continued investment in AI as a long-term strategy to boost productivity. The 'Magnificent 7' tech stocks, which had lagged in Q1, outperformed in Q2 despite their high valuations.

While equities and bonds recovered, the US dollar weakened, ending the quarter down 5.9% against

Sterling, providing a headwind for UK-based investors in US assets. Emerging markets and Asia benefited from the combination of a softer dollar and easing trade tensions.

European equities continued to perform well, helped by inflows from investors seeking to diversify away from the US. UK equities lagged, held back by weakness in the energy and healthcare sectors. UK mid-cap stocks, with less exposure to these sectors and the weakening dollar, delivered solid gains.

The conflict between Iran and Israel caused brief market unease but had a limited lasting impact. Increased OPEC production pushed oil prices lower, and by quarter-end, prices were well below April highs, contributing to easing inflationary pressures.

In the US, GDP reported during Q2 showed a 0.5% fall in Q1 due to higher imports, likely driven by tariff concerns. The Federal Reserve held interest rates steady, resisting pressure to cut from the White House. In contrast, the Bank of England did cut rates to 4.25%, supporting UK government bond performance.

Late in the quarter, investor focus began shifting from monetary to fiscal policy, as President Trump's expansive tax and spending bill, dubbed the "One Big Beautiful Bill", raised fresh questions about US debt sustainability. Credit rating agency Moody's responded by downgrading the US sovereign credit rating.

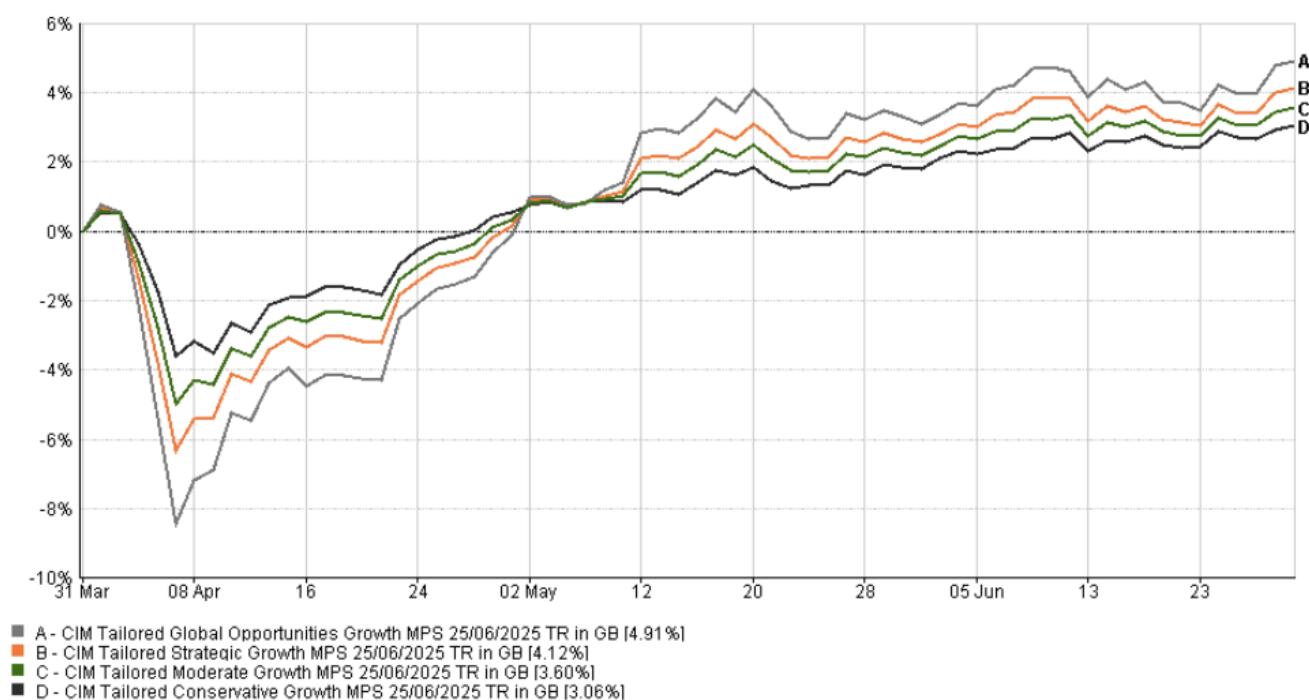
Portfolios performance

Portfolio / Comparator	3 months
CIM Tailored MPS Conservative Growth	3.06%
ARC Sterling Cautious PCI	1.71%
CIM Tailored MPS Moderate Growth	3.60%
ARC Sterling Balanced Asset PCI	2.29%
CIM Tailored MPS Strategic Growth	4.12%
ARC Sterling Steady Growth PCI	2.98%
CIM Tailored MPS Global Growth Opportunities	4.91%
ARC Sterling Equity Risk PCI	3.97%

Index Returns ¹	3 months
UK Equities	3.14%
UK Government Bonds (Gilts)	1.93%
All Country World Equities	5.10%
Pacific Equities (ex Japan)	7.55%
Emerging Market Equities	4.65%
US Equities	4.43%
UK Headline Inflation	1.53%

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



31/03/2025 - 30/06/2025 Data from FE fundinfo 2025

Key Funds and Trades over the Quarter

Top 3 Model Funds	3 months
First Trust Nasdaq Clean Edge Smart Grid Infrastructure ETF	16.29% ▲
Xtrackers MSCI Mexico ETF	13.36% ▲
iShares MSCI Europe Industrials Sector ETF	12.30% ▲

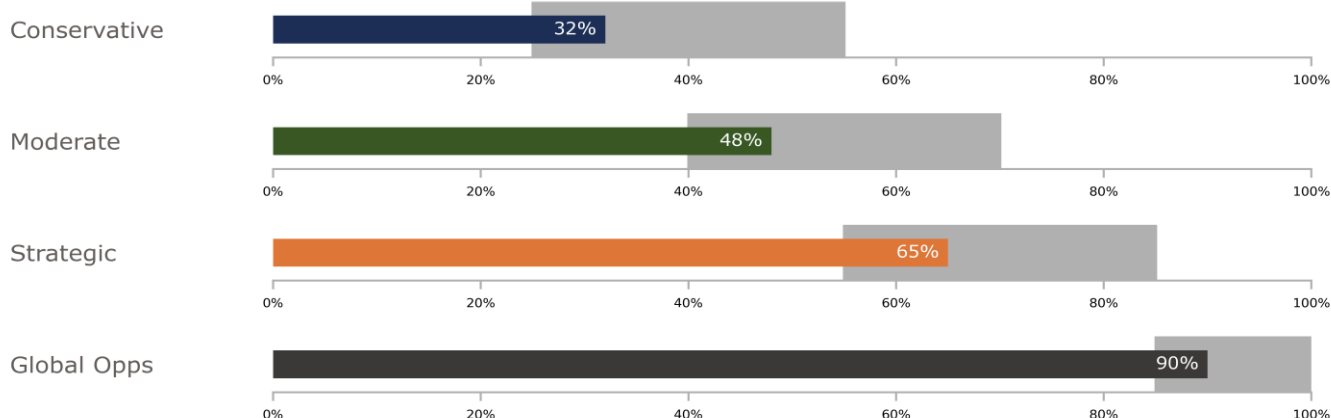
Bottom 3 Model Funds	3 months
iShares S&P 500 Financials Sector ETF	-0.70% ▼
Invesco S&P 500 Equal Weight ETF	-0.78% ▼
SPDR MSCI Europe Health Care ETF	-3.50% ▼

Source FE Analytics to 30th June 2025

Key fund	Commentary
First Trust Nasdaq Clean Edge Smart Grid Infrastructure ETF	This fund invests in companies in the power generation, smart grid and electrical engineering sectors. Technology companies and governments are spending \$300bn to \$400bn on power hungry data centres and AI infrastructure, driving extremely strong earnings growth in the holdings of this fund. We believe we are at the start of a long-term mega trend of AI spending that adds additional upside to the existing replacement cycle of power grid infrastructure.
Xtrackers MSCI Mexico ETF	As part of our broad Emerging Market equity exposure, we hold an overweight to Mexican equities via this ETF. Mexico sold off significantly in 2024 due to fears over Trump's tariff policies and traded on a heavy valuation discount. The primary holdings of this fund are materials, consumer staples and financial companies, which are less exposed to tariffs. We believe investors have overlooked these companies based on the exchange they are traded, rather than on the long-term fundamental drivers.
Amundi Prime Japan ETF	This passive, market-cap-weighted fund tracks large-cap Japanese equities, which continue to benefit from ongoing corporate reform. While US tariff uncertainty weighed on exporters, the fund produced a solid return in Q2, helped by the Bank of Japan holding off from further interest rate hikes during the quarter. Japanese equities remain relatively undervalued.
JPM Global High Yield Corporate Bond Multi-Factor ETF	This ETF provides broad exposure to the global high-yield corporate bond market, using a systematic, risk-aware approach. By focusing on credit quality, liquidity, and positive price momentum, it aims to capture attractive opportunities without taking on excessive risk. It has benefited from the strong economic and corporate earnings cycle, generating returns over other fixed income investments. With a yield of around 7%, it continues to offer a compelling income advantage versus investment-grade or government bonds.

Asset class review

Equity Exposure



Conservative

Ten largest fund holdings (%)

Amundi Index Global Agg Hedged ETF	9.7%
SPDR Bloomberg 15+ Year Gilt	8.5%
AQR Apex	8.4%
Lyxor Core UK Government Bond ETF	8.2%
AQR Adaptive Equity Market Neutral	8.0%
Vanguard Global Credit Bond Inst Hedged	7.9%
JPM Glb HY Corp Bond Multi-Factor Hdged	7.3%
Pimco GIS Emerging Local Bond	7.2%
Fidelity Index UK	3.7%
SSGA SPDR MSCI Europe Health Care	3.5%
Assets in top ten holdings	72.4%

Ten largest asset class exposures (%)

Government Bonds	23.5%
Other Alternatives	16.4%
Corporate Bonds	10.8%
European Equities	9.3%
North American Equities	8.5%
High Yield Bonds	7.3%
Emerging Market Bonds	7.2%
Asia Pacific ex Japan Equities	4.4%
UK Equities	4.4%
Japan Equities	3.2%

Moderate

Ten largest fund holdings (%)

AQR Apex	7.4%
AQR Adaptive Equity Market Neutral	7.0%
Vanguard Global Credit Bond Inst Hedged	6.5%
Amundi Index Global Agg Hedged ETF	6.0%
JPM Glb HY Corp Bond Multi-Factor Hdged	6.0%
Pimco GIS Emerging Local Bond	5.9%
Fidelity Index UK	5.5%
SPDR Bloomberg 15+ Year Gilt	5.3%
SSGA SPDR MSCI Europe Health Care	5.3%
Lyxor Core UK Government Bond ETF	5.1%
Assets in top ten holdings	60.0%

Ten largest asset class exposures (%)

Government Bonds	14.6%
Other Alternatives	14.4%
European Equities	13.8%
North American Equities	12.7%
Corporate Bonds	8.3%
Asia Pacific ex Japan Equities	6.6%
UK Equities	6.5%
High Yield Bonds	6.0%
Emerging Market Bonds	5.9%
Japan Equities	4.8%

Asset class review

Strategic

Ten largest fund holdings (%)

Fidelity Index UK	7.4%
SSGA SPDR MSCI Europe Health Care	7.0%
Invesco S&P 500 Equal Weight ETF	6.4%
iShares S&P 500 Financials Sector ETF	6.1%
AQR Apex	6.0%
Amundi IS Prime Japan ETF	5.9%
AQR Adaptive Equity Market Neutral	5.7%
Federated Hermes Asia Ex-Japan Equity	5.6%
JPM Climate Change Solutions ETF	5.4%
First Trust Nasdaq Clean Edge Smart Grid Infrastructure ETF	5.1%
Assets in top ten holdings	60.6%

Ten largest asset class exposures (%)

European Equities	18.5%
North American Equities	17.0%
Other Alternatives	11.6%
Asia Pacific ex Japan Equities	8.8%
UK Equities	8.7%
Government Bonds	8.5%
Japan Equities	6.4%
Emerging Market Equities	5.8%
Corporate Bonds	5.1%
High Yield Bonds	3.8%

Global Opps

Ten largest fund holdings (%)

Fidelity Index UK	10.3%
SSGA SPDR MSCI Europe Health Care	9.7%
Invesco S&P 500 Equal Weight ETF	8.9%
iShares S&P 500 Financials Sector ETF	8.5%
Amundi IS Prime Japan ETF	8.2%
Federated Hermes Asia Ex-Japan Equity	7.8%
JPM Climate Change Solutions ETF	7.5%
First Trust Nasdaq Clean Edge Smart Grid Infrastructure ETF	7.1%
Liontrust European Dynamic	5.8%
Artemis SmartGARP Global EM	5.8%
Assets in top ten holdings	79.6%

Ten largest asset class exposures (%)

European Equities	25.6%
North American Equities	23.5%
Asia Pacific ex Japan Equities	12.3%
UK Equities	12.1%
Japan Equities	8.9%
Emerging Market Equities	8.0%
Other Alternatives	7.6%
Cash	2.0%

Asset Class	Portfolio Views
Fixed Interest	We hold a positive view on government bonds due to the relatively high yields and attractive income profile. Capital upside may be muted in the short term due to higher-than-average government issuance, but with scope for considerable upside should economies slow and inflation abate. We prefer a diversified global portfolio of government and corporate bonds, with a focus on attractively priced UK assets.
UK Equities	UK equities continued their strong performance in Q2, driven by solid corporate results. We remain constructive given rising dividends, share buybacks and increasing M&A activity. The UK has completed a trade agreement with the U.S. and its services-led economy also offers some resilience against broader global trade tensions.
US Equity	Following a challenging Q1, we remain less constructive on U.S. stocks due to rich valuations and exposure to global tariff tensions. Within our US allocation, we favour greater diversification by sector and style to limit exposure to tariff risks and the historically high concentration to mega cap technology companies in the index.
Japan Equity	We remain positive on Japanese equities, supported by encouraging inflation and wage growth data, increased defence spending. The Bank of Japan's rate hike in January boosted financials, especially banks. 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 economic and earnings growth in 2025. Chinese equities will likely benefit from further stimulus and AI developments. However, we are waiting to increase allocations, given the region's sensitivity to trade tariffs and a stronger US dollar.
Alternatives	We view alternative investments as valuable diversifiers, particularly as traditional fixed income has struggled in a higher inflation environment. We currently favour liquid strategies managed by experienced teams, offering low correlation to traditional assets and potential resilience in volatile markets.

Outlook

Global growth is slowing, though it remains positive. Forecasts for 2025 and 2026 have been revised slightly lower, with trade tensions and policy uncertainty weighing on business investment and consumer confidence. Inflation remains sticky in most regions, hovering around 2.5%–3%, although Europe stands out as it moves closer to the ECB's 2% target. Lower energy prices are helping to ease global inflationary pressures.

Central banks, including the US Federal Reserve, face a difficult balancing act between slowing growth and persistent inflation. Markets continue to price in rate cuts, but the timing is unclear amid mixed data and political pressures.

In contrast, US fiscal policy is highly expansionary. Tax cuts and new spending plans are expected to push the budget deficit to 6%–7% of GDP and national debt towards 120%. This should support growth, offsetting weakness in the private sector. Europe is also seeing improving sentiment, particularly as Germany adopts a more active fiscal

approach. China is also providing domestic support.

We believe US trade policy will remain the key market driver through the rest of 2025.

Despite \$400 billion in annualised tariff revenues, inflation has yet to rise meaningfully. The bigger risk may lie in US companies if they pick up this tax bill via weaker profit margins. With earnings season approaching, we will be watching closely.

While headlines remain negative, companies continue to invest in productivity and AI, and we see no signs of a downshift. We expect a further pick-up in infrastructure spending in 2026, supported by fiscal policy around the world.

We remain constructive on the outlook. Large cash balances still on the sidelines and optimistic investor sentiment may lead to a slow grind higher in risk assets. Our portfolios remain well-diversified and resilient.

Thoughts for the quarter ahead...



- While hard economic data and inflation have remained broadly stable so far this year, we expect the effects of tariffs to become more visible in the second half, potentially weighing on growth and corporate margins.
- Tariff uncertainty remains high, with the current pause on reciprocal tariffs set to expire on 9 July for most countries. The outcome could be a key market driver.
- We will be closely watching the upcoming US earnings season for signs that rising trade costs are beginning to erode profits.
- Markets are currently pricing in two Federal Reserve rate cuts by year-end. These would likely be well received unless triggered by a more severe economic slowdown.
- US fiscal risks are building, with the "One Big Beautiful Bill" expected to add \$3–5 trillion to the national debt. This could put downward pressure on US bond prices and the dollar.
- Elevated geopolitical tensions and rising fiscal uncertainty underscore the importance of the global diversification that is embedded in our investment process.

Important information

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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