

CHETWOOD

INVESTMENT MANAGEMENT

CORE 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.

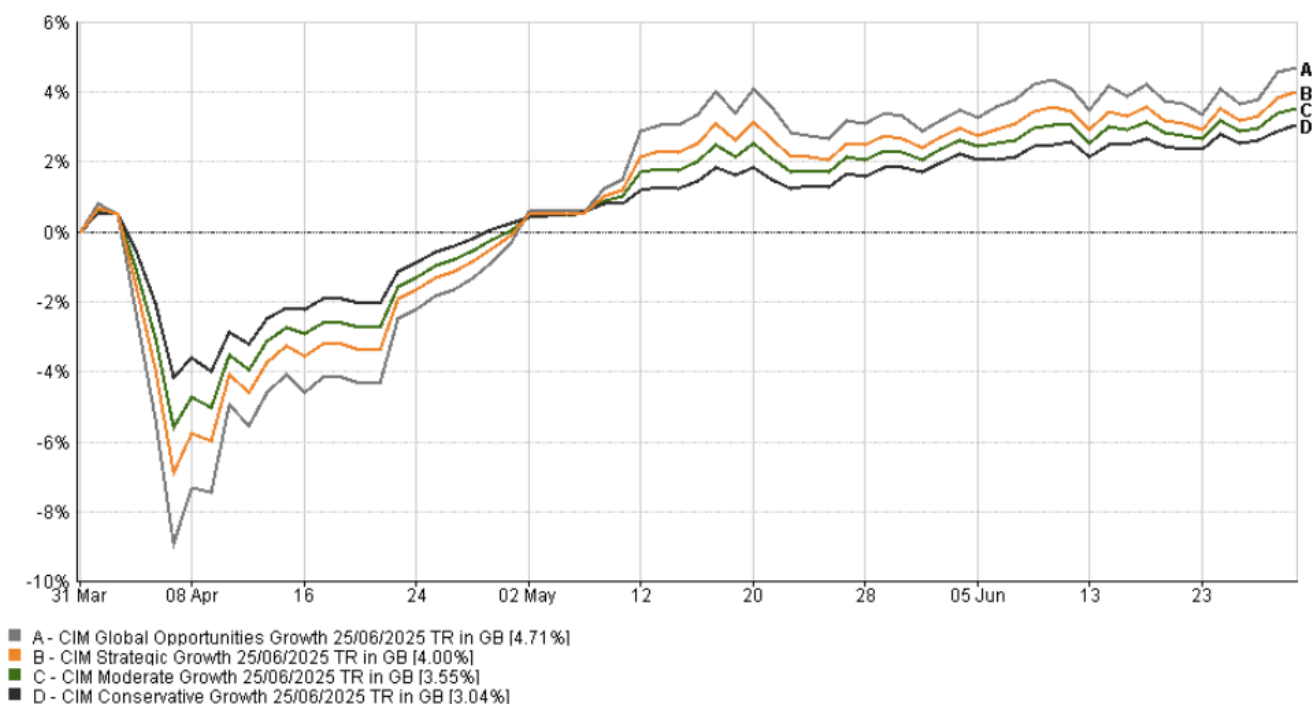
Portfolios performance

Portfolio / Comparator	3 months
CIM Conservative Growth Portfolio	3.04%
ARC Sterling Cautious PCI	1.71%
CIM Moderate Growth Portfolio	3.55%
ARC Sterling Balanced Asset PCI	2.29%
CIM Strategic Growth Portfolio	4.00%
ARC Sterling Steady Growth PCI	2.98%
CIM Global Growth Opportunities Portfolio	4.71%
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
JPM Climate Change Solutions ETF	9.34% ▲
Liontrust European Dynamic	8.41% ▲
Artemis SmartGARP Global EM	5.74% ▲

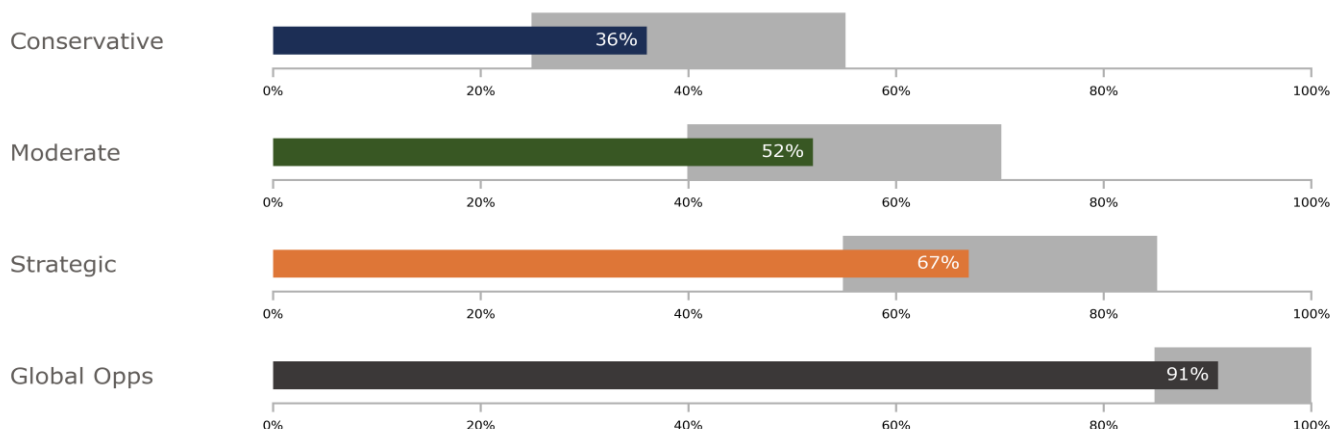
Bottom 3 Model Funds	3 months
Lyxor Core UK Government Bond ETF	1.93% ▼
Amundi Global Aggregate Bond ETF	1.54% ▼
Invesco S&P 500 Equal Weight ETF	-0.78% ▼

Source FE Analytics to 30th June 2025

Key fund	Commentary
JPM Climate Change Solutions ETF	This fund invests in companies in the power generation, industrial and electrical engineering sectors. Technology companies and governments are spending \$300bn to \$400bn to build out new 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 cycle of AI spending power grid-related capital spending.
Liontrust European Dynamic	The fund employs an active bottom-up stock selection process, focusing on companies generating substantial free cash flow relative to valuation. It aims to dynamically adjust its investment exposure, informed by indicators like valuations, investor sentiment, corporate activity and momentum. This fund remains a core position in the portfolio and has performed well this year, with European stocks leading global benchmarks in 2025.
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 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 (%)

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	10.1%
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	91.6%

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	9.9%
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	13.6%
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	16.1%
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 98.1%

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 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

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.

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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