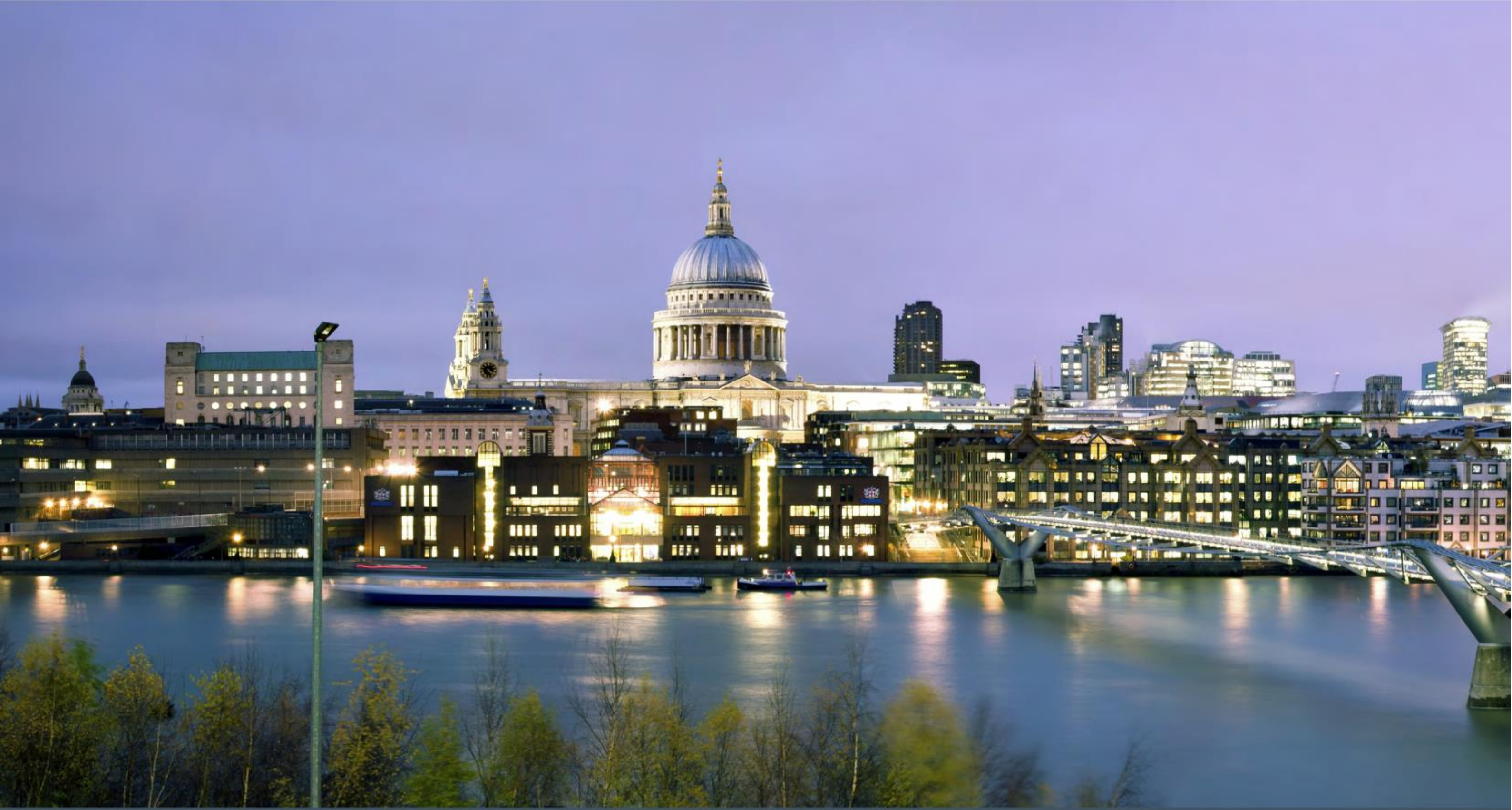

ALBERT E SHARP

INVESTMENT MANAGEMENT & STOCKBROKING

Market Commentary

April 2025

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Monthly returns and summary

Index	Portfolio Benchmark Risk Level	30/04/2025	1 Month	3 Months	1 Year	3 Years	5 Years
ARC Cautious	Low Risk	207.30	-0.1%	-1.2%	+3.6%	+4.4%	+12.7%
ARC Balanced	Medium Risk	257.22	-1.0%	-4.2%	+2.6%	+5.9%	+20.9%
ARC Steady Growth	Medium High Risk	308.74	-1.5%	-6.2%	+1.6%	+7.2%	+27.8%
ARC Equity Risk	High Risk	361.48	-1.8%	-8.2%	+0.6%	+8.1%	+34.1%

Source: Figures based on ARC estimates.

Index	Region / Asset Class	30/04/2025	1 Month	3 Months	1 Year	3 Years	5 Years
UK 100	UK	8494.85	-1.0%	-2.1%	4.3%	12.6%	44.0%
UK All Share	UK	4594.05	-0.6%	-2.5%	3.7%	9.8%	40.8%
Dow Jones Ind Avg	US	40669.36	-3.2%	-8.7%	7.5%	23.3%	67.0%
S&P 500 Index	US	5569.06	-0.8%	-7.8%	10.6%	34.8%	91.2%
Nikkei 225	Japan	36045.38	1.2%	-8.9%	-6.1%	34.3%	78.5%
MSCI Europe Ex UK	Europe	209.81	-0.9%	-2.1%	4.2%	19.4%	57.4%
MSCI Asia Ex Japan	Asia	717.86	0.5%	1.3%	8.4%	4.6%	17.7%
MSCI Emg Mkts (£)	Emg Mkts	669.29	-2.1%	-4.7%	2.2%	5.3%	28.5%
MSCI World Index (£)	Global	3655.52	0.7%	-4.7%	10.6%	30.8%	78.1%
UK Conventional	Gilts	3093.74	1.7%	1.4%	3.5%	-13.4%	-26.8%
UK Index-linked	Gilts	3653.12	0.1%	-2.6%	-4.4%	-31.5%	-34.2%
UK Real Estate Investment Trusts	Property	1911.12	4.2%	2.9%	-5.0%	-34.9%	-15.5%
WTI Crude ($/Barrel)	Oil	58.21	-18.6%	-19.7%	-29.0%	-44.4%	209.0%
Gold Spot $/Oz	Commodities	3288.71	5.3%	17.5%	43.8%	73.4%	95.0%
£1 = US$	Currencies	1.3329	3.2%	7.5%	6.7%	6.0%	5.8%
£1 = €	Currencies	1.1765	-1.5%	-1.6%	0.5%	-1.3%	2.3%
£1 = Yen	Currencies	190.68	-1.6%	-0.9%	-3.3%	17.0%	41.2%

Source: Bloomberg. NB: Price returns only, excluding dividends

Index	Region / Asset Class	30/04/2025	1 Month	3 Months	1 Year	3 Years	5 Years
UK Investment Companies	Diversified	11,859.42	-0.7%	-8.0%	-1.7%	-5.3%	20.6%
Latest Weighted Average Discount	-15.7%						
12 Month Weighted Average Discount	-15.0%						

Source: Bloomberg, Refinitiv. NB: Price returns only, excluding dividends

General Comments

April 2025 was the most volatile month for markets since the onset of the COVID-19 pandemic in 2020. Markets swung sharply, with the VIX volatility index surging to 60 after President Trump imposed sweeping tariffs on all trading partners.

Notably, oil prices collapsed amid concerns over declining international trade and a potential recession. Meanwhile, gold, a traditional safe haven, continued to appreciate. The US dollar depreciated against nearly all major currencies as investors moved away from dollar assets. Equity markets were mixed, with some recovering more quickly than others, but volatility remained elevated across all regions.

At time of writing in May, many markets have surpassed their pre-"Liberation Day" levels, and most assets are performing well. This serves as a timely reminder that attempting short-term predictions and market timing is often futile.

UK Commentary

Wages across the UK continued to rise in the three months to February. According to the Office for National Statistics (ONS), average weekly earnings excluding bonuses increased by 5.9% year-on-year, slightly above the 5.8% growth recorded in the previous quarter. This increase was primarily driven by private sector wage growth.

Meanwhile, UK consumer inflation fell to 2.6%, its lowest level since 2021. Combined with rising wages, this indicates increasing purchasing power for UK consumers as wage growth outpaces price increases. While this suggests a robust economy, it also complicates the Bank of England's efforts to return inflation to target, since elevated wage growth can contribute to ongoing price pressures.

Marks and Spencer (M&S) suffered a serious cyber-attack, which, at the time of writing, remains unresolved. The attack significantly disrupted business operations and reportedly caused substantial financial and reputational damage, with some estimates suggesting losses in the hundreds of millions of pounds. This incident underscores the challenges companies face in the digital era and highlights why many information technology firms are highly valued by the market.

North America Commentary

The long-awaited "Liberation Day" saw the introduction of Trump's tariffs, which exceeded most expectations in both scale and scope. Markets reacted sharply, with volatility spiking before a 90-day pause was announced, allowing markets to recover much of their lost ground. We have commented on these events elsewhere within this commentary (and others) so won't elaborate further here.

US GDP contracted by 0.3% in the first quarter, primarily due to a 41.3% surge in imports as companies sought to get ahead of impending tariffs. Many economists noted that, aside from net trade, the underlying economic data was broadly positive. However, because net trade is a significant component of GDP, a major increase in imports relative to exports negatively impacted the headline figure. It will be interesting to see what the next few quarters hold in this regard.

The US labour market provided some positive news, with 228,000 jobs added in March—well above the forecast of 135,000 and an acceleration from February's 151,000. This growth occurred despite significant federal job cuts implemented by the newly formed Department of Government Efficiency (DOGE).

Inflation data also offered encouragement, as consumer price growth slowed to 2.4%, below expectations and down from 2.8% the previous month. The implications for interest rates remain uncertain given the inflationary risks posed by trade policy, but this reading gives the Federal Reserve additional flexibility.

Corporate earnings remain robust. Major firms such as Alphabet, Microsoft, and Meta all reported strong results. With over 90% of S&P 500 companies having reported first-quarter earnings, overall growth exceeded 11%, with positive surprises surpassing 8%.

Europe Commentary

As expected, the European Central Bank's Governing Council reduced its key interest rate by 25 basis points, bringing the headline rate to 2.25%. President Christine Lagarde noted that most inflation indicators now suggest price growth is returning toward the 2% target. She also highlighted that factors such as the euro's appreciation, falling commodity prices, and potential trade diversion could exert downward pressure on inflation, but the full impact of escalating trade disputes remains uncertain and will only become clear over time.

March saw record inflows into European equity ETFs, according to Morningstar, a trend corroborated by Vanguard, which observed continued investor preference for European over US-focused ETFs in April. This marks a notable shift in investor behaviour, with Europe now attracting more attention due to relatively appealing valuations.

European corporate results were mixed. Companies such as Nestlé, LVMH, and Carlsberg warned of the negative impact of tariffs, while Adidas reported particularly strong results, with profits nearly doubling on the back of the strongest first-quarter sales growth in the company's history.

Asia Pacific Commentary

China responded to US tariffs by raising levies on US goods to 125% (from 84%), calling further increases "economically nonsensical." The US maintained its effective tariff rate on Chinese imports at 145%, incorporating previous measures. At the time of writing, a temporary détente has seen both countries sharply reduce tariffs (US: 145% to 30%; China: 125% to 10%).

Apple announced plans to shift all US iPhone production to India by 2026, a move widely interpreted as an effort to avoid the steep tariffs on Chinese imports. This would double production in India and marks a significant step in the company's long-term strategy.

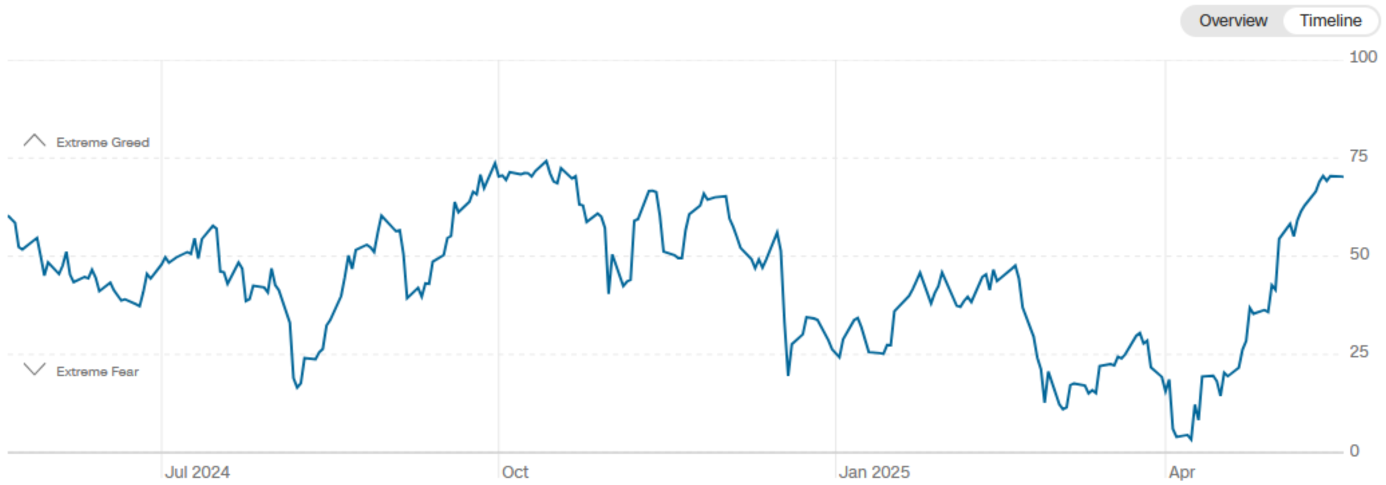
India received a further boost from the IMF, which now forecasts that it will surpass Japan to become the world's fourth-largest economy this year, and overtake Germany to claim third place by 2028.

Emerging Market Commentary

There are signs of progress toward peace in Ukraine, with reports that Vladimir Putin has offered to halt the invasion as President Trump seeks to broker a deal. While similar rumours have circulated before, there is hope that this time a more concrete resolution may be reached.

Most emerging market currencies strengthened in April, benefiting from a weaker US dollar. Eastern European currencies such as the Bulgarian lev and Czech koruna performed particularly well, as did the Taiwanese dollar and South Korean won in Asia. The Mexican peso also appreciated, reflecting relief that Mexico avoided further US tariffs in the latest round, having been among the first targeted earlier in the year.

Chart(s) of the month – CNN's Fear & Greed Index



April 2025 saw the CNN Fear & Greed Index reach levels only previously observed during the 2008–09 Financial Crisis and March 2020, highlighting the severity of market reactions to shifting trade policies.

A reading above 50 signals optimism, while below 50 indicates pessimism. On April 8, the index fell as low as 3, reflecting extreme fear. However, sentiment improved rapidly as news of trade negotiations emerged, underscoring how quickly market mood can shift and the difficulty of predicting short-term momentum.

Investment Profile – Merchants Trust

The Merchants Trust is a long-established British investment trust focused on providing shareholders with above-average income and long-term capital growth. Founded in 1889, the trust has navigated various market conditions and global conflicts throughout its 134-year history and has increased its dividend in each of the last 43 years. The FTSE 250-listed investment trust is renowned for its dual focus on delivering above-average income and long-term capital growth.

Managed by Simon Gergel & Richard Knight of Allianz Global Investors, the trust maintains a diverse portfolio of mainly UK equities, with significant allocations to typical value sectors such as financials and energy stocks. Its top holdings include GSK, British American Tobacco, Lloyds Banking Group, Shell, and BP. More recently, the managers have decided to tilt the strategy towards mid cap equities where they see greater value.

Since May 1989 (as far back as Bloomberg data goes) the trust has outperformed its benchmark by almost 850%, managing to compound returns of around 8.5% per annum over that period.

Investment Team's thoughts

President Trump's tariffs erased $5.4 trillion from US stock markets in just two days at the start of April, marking the fifth-worst two-day performance for the S&P 500 since World War II, according to Deutsche Bank. However, markets have since rebounded, fully recovering and surpassing pre-"Liberation Day" levels as tariffs were rolled back and sentiment improved.

We do not attempt to time the market, preferring a long-term investment approach and avoiding pockets of overvaluation. This strategy helps insulate client portfolios from some short-term volatility, though they may remain somewhat exposed to short-term market swings at times of heightened volatility. April reinforced the value of this approach, as successfully timing market entry and exit during such turbulent periods would have been nearly impossible.

Long-term investors were rewarded for staying invested through this period of heightened fear, much as they were during the sharp volatility of early 2020 at the onset of the COVID-19 pandemic. Then, recovery took months; this time, it took only weeks.

It is important to remember these episodes and the lessons they offer. While it is easy to panic during periods of extreme volatility, acting on such emotions can be costly. Our focus remains on looking through short-term noise and concentrating on what we can control, rather than overreacting to market swings