POST QUARTERLY UPDATE

On 2nd April 2025, President Donald Trump announced significant tariff measures which included a 10% tariff on all imports, effective April 5, 2025, and higher tariffs targeting specific countries, such as a 20% tariff on European Union imports and a 34% tariff on Chinese goods, bringing the total tariffs on China to 54%.

IMPACT ON GLOBAL ECONOMY:

The announcement of these tariffs raised concerns on potential disruptions to global trade, increased inflation, and the possibility of a recession.
The European Union proposed a "zero-for-zero" tariff agreement to eliminate tariffs on industrial goods, aiming to de-escalate tensions. However, the US administration indicated that the EU would also need to address non-tariff barriers for negotiations to proceed.
As of the 7th April, President Trump also vowed to slap additional 50% import taxes on China unless it withdraws its retaliation against earlier US levies, bringing total tariffs on Chinese goods to 104%.

IMPACT ON FINANCIAL MARKETS:

Equities: Following the tariff announcements, the SP 500 experienced a 10.7% decline between the 3rd and the 7th of April, resulting in a loss of approximately USD 7trn in market value. The US markets stabilized on Monday and the biggest indices closed flat. However ongoing market volatility and policy uncertainties may remain for the foreseeable future. Emerging market equities faced pressures due to the broad application of tariffs and the resultant risk-off sentiment among investors. For instance, Hong Kong's Hang Seng Index plunged 13% on Monday, marking its worst day since 1997.

Bonds: Credit spreads have widened due to fears of a trade war. The spreads (yield differentials) on bonds issued by companies with strong balance sheets widened slightly, rising from 90 basis points (0.9%) to around 115 in general, while the spreads on bonds issued by lower-quality (high yield) companies reached their highest level since the second quarter of 2023. US high-yield corporate bond spreads climbed to around 460 basis points above US Treasuries.

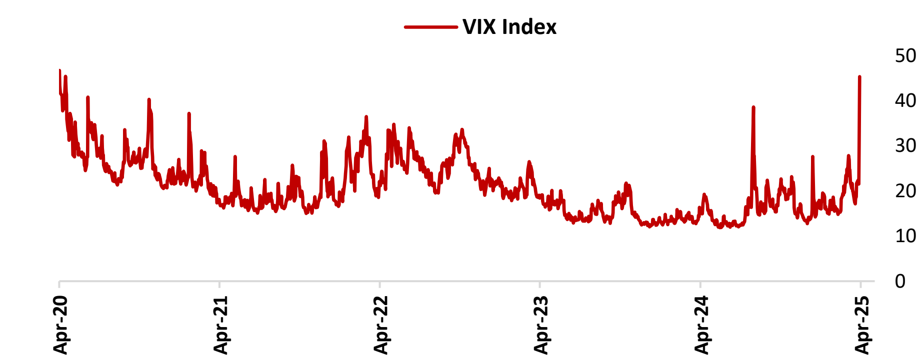
MARKET VOLATILITY:

The tariffs introduced significant volatility into global financial markets. The VIX climbed above 45, the highest reading since April 2020, reflecting heightened investor uncertainty. This surge in volatility indicates increased market nervousness and expectations of continued turbulence. In summary, President Trump's tariff announcements in April 2025 could impact the global economy and financial markets—unless they are ultimately used as a negotiating tool and lead to trade deals that satisfy US interests.

The US dollar retraced a bit versus the most important world currencies since the beginning of the quarter. In April, as investors sought to diversify away from the US dollar, gold—primarily denominated in USD—declined by 4.5%, while the Swiss franc, another traditional safe haven asset, appreciated by 4.3%. This movement continues the negative correlation observed between the two assets in recent years.

Oil (WTI and Brent), the big victim of the beginning of Q2, dropped USD 10 in a few days on fears that tariffs may slow global growth, weaken Chinese demand, strong Chinese households' adoption of EV and lack of OPEC members discipline on production targets.

In conclusion, at the time of writing, the market remains clouded by uncertainty, with global equity markets experiencing sharp intraday swings. Investors are staying alert to further developments while actively seeking opportunities amid shifting policy responses and ongoing adjustments in financial markets.

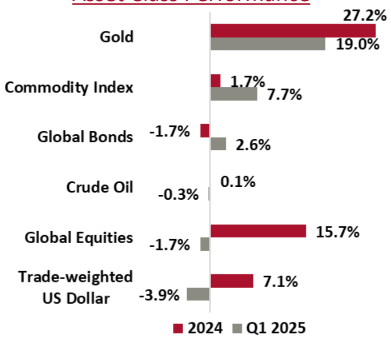


Source: MCB PWM, Bloomberg

ASSET CLASS OVERVIEW

2025 began on a cautious note. Global growth concerns resurfaced as the Trump administration reintroduced trade tariffs, while the US Fed signaled a more measured approach to rate cuts. Markets also digested several key developments: 1) a sharp revaluation in AI thematic stocks following the launch of China's DeepSeek, 2) Germany's EUR 500bn infrastructure stimulus, and 3) rising geopolitical and trade tensions.

Asset Class Performance



Source: MCB PWM, Bloomberg

As a result, global equities (MSCI ACWI) declined by 1.7%, reflecting more cautious investor sentiment. In contrast, global bonds (Bloomberg Global Aggregate Index) rose by 2.6%, supported by falling US yields amid uncertainty.

Commodities stood out as a bright spot. The Bloomberg Commodity Index climbed 7.7%, led by gold, which surged 19% on the back of strong central bank demand and safe-haven flows amid market volatility. Crude oil was flat (-0.3%), with geopolitical risks balancing supply constraints.

The US Dollar Index weakened by 3.9% during the quarter, with a notable 3% drop in March, driven by concerns over the economic impact of new tariffs.

MARKET OUTLOOK/PORTFOLIO POSITIONING

We maintain a neutral stance on equities overall. Central bank support and steady earnings growth continue to anchor markets, but recent US tariffs, persistent inflation risks along with decelerating GDP growth and intensifying geopolitical tensions suggest potential for renewed volatility ahead.

EQUITIES: Our view on US equities has turned neutral. Recent economic data shows signs of softening, with recession concerns resurfacing. While expectations of Fed rate cuts and solid earnings growth (15% projected for 2025) remain supportive, new tariffs introduce greater uncertainty. The impact on growth is still unfolding, with some forecasters already revising GDP expectations downward. Upcoming inflation data will be critical in shaping the Fed's policy path.

Market leadership gradually broadened beyond the "Magnificent 7," benefitting our positioning in Q1. We remain overweight in Financials, Healthcare, and Industrials, and slightly underweight in Technology and Communication Services, where sentiment has weakened, particularly around AI-related stocks.

Despite headwinds, we believe the US economy remains fundamentally resilient. Potential fiscal reforms and tax cuts later in the year could provide additional support. However, we are closely monitoring the impact of tariffs and AI sector volatility on earnings.

We are turning more neutral on European equities. Germany's historic fiscal pivot, increased EU defense spending, and tentative signs of progress in the Russia-Ukraine conflict offer a more constructive backdrop. These developments, combined with undervalued market valuations, prompt us to explore opportunities for increased exposure. Still, we remain cautious about the potential fallout from US tariffs, particularly on Europe's key export sectors like autos and industrials.

We remain overweight Japanese equities. Solid wage growth, healthy consumer spending, and improving corporate fundamentals continue to support the market. The BoJ is expected to implement one more rate hike as part of a gradual policy normalization. Meanwhile, reforms, strong buyback activity, and stable earnings remain constructive drivers. We are mindful of short-term risks, including yen appreciation, upcoming upper house elections, and reciprocal tariffs imposed by the US—all of which could impact sentiment.

We remain neutral on Chinese equities. The launch of DeepSeek and renewed government support for private tech innovation are encouraging signs. Recent stimulus measures, including a special action plan to boost consumption, have helped improve sentiment. However, escalating US-China tensions and a new wave of trade tariffs continue to pose downside risks. We maintain a cautious stance until there is greater clarity on both the policy front and geopolitical trajectory.

FIXED INCOME:

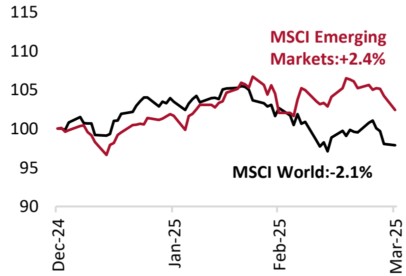
Following the announcement of "Reciprocal tariffs" on the 2nd April 2025, yields on government bonds fell globally, with the US Treasuries rates dropping across different maturities. Expectations for rate cuts were revised from 2 to 5 to reach a Fed rate of 3% by end of 2025 on mounting concerns over the impact on economic growth. On the corporate bond markets, credit spreads have widened, particularly across high yields issuers but still remained below the historical average levels.

As at date, the market continues to re-evaluate the potential implication of Trump's policies. The uncertain policy environment, the higher risk of recession and the risk of higher inflation due to the imposition of new tariffs are the main concerns and we therefore remain very cautious, favoring good quality names and prefer relatively shorter duration maturity bonds on both Investment Grade and High Yield issuers while remaining very selective in the last segment.

GLOBAL EQUITIES

Emerging markets began 2025 on a positive note, with the MSCI Emerging Markets rising 2.4% in Q1. In contrast, developed markets (MSCI World), declined by 2.1%, weighed down primarily by the sharp underperformance of US equities amid renewed trade tensions and signs of slowing growth. In comparison, sentiment across emerging markets was more resilient, largely supported by a strong rebound in China, which drove much of the region's gains.

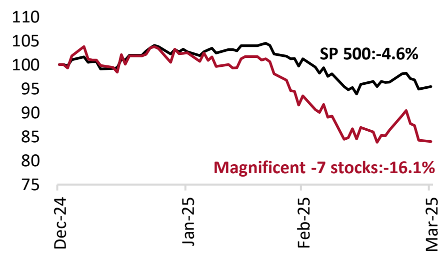
Developed vs Emerging markets: Q1 25 performance



Source: MCB PWM, Bloomberg

US: US equities had a volatile and ultimately disappointing first quarter of 2025, significantly underperforming other major regions. The SP 500 fell 4.6% in Q1, its worst quarterly showing since Q3 2022, while the Nasdaq tumbled over 10%, driven primarily by a correction in the Tech and Communications sector. The "Magnificent 7" stocks which had led market gains in 2023 and 2024, bore the brunt of the selloff, collectively dropping by 16%. The correction was largely driven by stretched valuations, profit-taking, and a wave of retail investor selling, prompting a rotation into more reasonably priced markets and sectors.

SP 500 vs Magnificent 7 stocks: Q1 performance



Source: MCB PWM, Bloomberg

Meanwhile, the Fed kept rates unchanged, with Chair Powell maintaining a cautious tone and tempering expectations for near-term cuts. Inflation remained sticky, and the economic impact of tariffs further complicated the Fed's policy path.

SP500 Sectors	Q1 2025	2024
Energy	9.3%	2.3%
Healthcare	6.1%	0.9%
Cons. Staples	4.6%	12.0%
Utilities	4.1%	19.6%
Financials	3.1%	28.4%
Real Estate	2.7%	1.7%
Materials	2.3%	-1.8%
Industrials	-0.5%	15.6%
Comm. Services	-6.4%	38.9%
Info. Tech	-12.8%	35.7%
Cons. Discretionary	-14.0%	29.1%

Despite the broader index declines, 7 of the 11 SP 500 sectors posted gains. Energy led the way, rising 9.3% on the back of geopolitical tensions and resilient demand. On the downside, Consumer Discretionary (-14.0%) and Technology (-12.8%) lagged significantly, reflecting the sharp reversal in sentiment toward mega-cap tech stocks.

European stocks: Q1 performance

	Q1
Europe STOXX 600	5.2%
Germany DAX	11.3%
Italy FTSE MIB	11.3%
France CAC 40	5.6%

Source: MCB PWM, Bloomberg

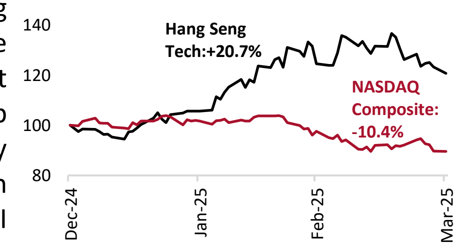
Europe: European equities gained 5.2% in Q1, supported by better-than-expected Q4 2024 earnings growth of 8.5%, and a notable shift in fiscal policy across the region. Germany's EUR 500bn stimulus package, alongside rising EU-wide defense spending, helped lift growth expectations and rekindled investor interest in undervalued sectors.

Financials and Aerospace & Defense stocks were the key drivers of performance in Q1, reflecting both the macro policy shift and thematic momentum around defense and infrastructure modernization. However, markets gave back some gains in March amid renewed concerns over US trade policy, particularly the potential imposition of tariffs on European auto exports.

Germany's DAX surged 11.3% in Q1, standing out as one of the top-performing indices globally. Optimism grew around the newly formed government under Chancellor Friedrich Merz, with expectations of a more pro-growth agenda and historic spending plans. The rally was led by industrial names, especially Rheinmetall AG, which jumped 114.6% on long-term defense rearmament prospects.

China: Chinese equities staged a strong recovery. The MSCI China Index rose 14.8% (in HKD), rebounding from last year's slump. The rally was led by a sharp rebound in technology stocks, particularly after the launch of DeepSeek, which reignited optimism around China's AI capabilities.

Hang Seng Tech vs Nasdaq Composite in Q1



Investor sentiment was further buoyed by supportive signals from the "Two Sessions" meetings and President Xi Jinping's renewed emphasis on private-sector innovation and tech leadership. Meanwhile, the announcement of additional stimulus measures, including a special action plan aimed at boosting domestic consumption which also helped reinforce the outlook for growth.

Japan: Japanese equities, as measured by the TOPIX, ended Q1 down 4.5%. The quarter started strong following a BoJ rate hike to 0.5% in January, which supported financial stocks. Corporate earnings were solid, with announcements of share buybacks and dividend increases. However, sentiment turned cautious later in the quarter as US auto tariffs and broader trade policy uncertainty weighed on Japanese exporters. The yen appreciated 3.8%, strengthening from 156 in December to 150 by quarter-end, adding currency pressure on earnings.

Market Update
31 March 2025

FIXED INCOME

After a tumultuous ending to 2024, global bonds witnessed an uptick in Q1 2025, with positive total returns of 2.6%. US Treasury bonds (+2.9%) stood out as top performers as concerns on global growth forecasts loomed large.

PERFORMANCE OF GLOBAL BOND INDICES	Ccy	YIELD		TOTAL RETURNS		DURATION
		31 Dec 2024	31 Mar 2025	YTD	Q1 2025	years
Global Aggregate bonds	USD	3.7%	3.6%	2.6%	**2.6%**	6.5
U.S Treasury bonds	USD	4.5%	4.1%	2.9%	**2.9%**	6.0
U.S Investment Grade Corporate	USD	5.3%	5.1%	2.3%	**2.3%**	7.0
U.S High Yield Corporate	USD	7.5%	7.7%	1.0%	**1.0%**	3.5
Europe Investment Grade Corporate	EUR	3.2%	3.3%	0.0%	**0.0%**	8.2
Europe High Yield Corporate	EUR	5.7%	6.0%	0.6%	**0.6%**	3.0
Emerging Markets Aggregate	USD	6.7%	6.5%	2.3%	**2.3%**	6.2

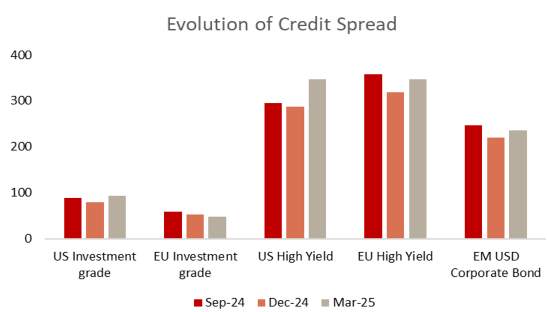
Source: MCB PWM, Bloomberg

Yields for US treasury bonds fell to 4.1% as the treasury curve flattened leading to positive performance from higher duration bonds. US Investment Grade bonds (+2.3%) and Emerging Markets bonds (+2.3%) also benefitted from fall in yields. High Yield bonds in US and Europe saw modest gains due to wider credit spreads. Euro Investment Grade bonds were flat even though yields rose slightly on the back of Germany's decision to remove its stringent debt brake.

SHIFTING RISK SENTIMENT

The credit spread movements from September 2024 to March 2025 reflect a shift in risk sentiment across global bond markets. US Investment Grade (IG) spreads initially tightened from 89 bps in September to 80 bps in December but widened to 94 bps by March, suggesting a reassessment of corporate credit risk amid evolving macroeconomic conditions. In contrast, European IG spreads steadily compressed to 49 bps, signaling improved investor confidence in corporate balance sheets and a more resilient economic outlook.

The high-yield segment exhibited notable volatility, particularly in the US, where credit spreads widened from 287 bps in December to 347 bps in March, reflecting rising concerns over default risk, tighter liquidity conditions, or a softening economic backdrop.



Source: MCB PWM, Bloomberg

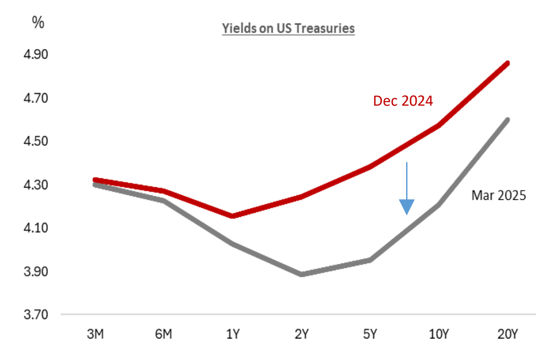
Similarly, European High Yield spreads initially tightened to 318 bps but rebounded to 346 bps by March, indicating a shift toward risk aversion. In Emerging Markets, spreads tightened in Q4 2024 but widened to 236 bps by March, highlighting fluctuating sentiment. While some EM credits benefited from improving fundamentals, broader risk concerns led to renewed spread widening. The overall trend suggests a cautious credit market, with investors recalibrating risk exposure amid persistent macroeconomic headwinds.

CENTRAL BANK ACTIONS

- **United States:** The Federal Reserve held rates at 4.5%, with inflation easing to 2.8% in February, but economic growth slowed to 2.4% in Q4 2024 from 3.1% in Q3.
- **Eurozone:** The ECB cut rates by 25bps in March, marking its sixth cut since June 2024, while inflation fluctuated to 2.3% in February, and GDP growth is projected to remain weak at 0.2% for the first quarter.
- **United Kingdom:** The Bank of England cut rates by 25 bps in February but held rates steady in March. Inflation eased to 2.8% in February as the economy continues to face challenges due to fiscal policy adjustments.
- **Japan:** The BOJ hiked rates by 25bps in January before holding steady in its March meeting. Inflation moderated to 3.7% in February but remains elevated with concerns over US tariffs impacting economic outlook.
- **China:** In January, the PBOC announced plans to adopt a moderately loose monetary policy and injected significant liquidity into the banking system. GDP growth in Q4 was 5.4% but it faces headwinds from US tariffs.

US TREASURY YIELDS

Over the quarter, Treasury yields fell across the curve, particularly in the 2Y to 10Y range, with the 2Y dropping from 4.24% to 3.88% and 10Y falling from 4.57% to 4.21%. On the longer end of the curve, yield on the 20Y dropped from 4.86% to 4.60%. We see a strong demand for safe-haven assets and lower future rate expectations in the aftermath of tariffs announced by the Trump administration.



Source: MCB PWM, Bloomberg