JUL 2025 INVESTMENT UPDATE

HIGHLIGHTS

Q2 2025 Market Review

- Q2 2025 saw strong rallies across most asset classes, apart from the US dollar and oil.
- S&P 500, led by the Magnificent 7, posted its quickest rebound back to all-time highs from a 15% drop on record, though it is still lagging other regional markets year-to-date
- Credit and Treasury bonds also eked out modest positive gains in Q2, but were outshone by equities. Gold continues to rally 5.8%, soaring 24.3% in the first half, its best start to the year since 1974.
- The US Dollar Index marked its worst first half since 1979 with a 10.8% drop.

After The Rally, Now What?

- Equities reached new highs just 41 days after April's lows - a reminder to stay invested, and that active strategies can help to navigate or take advantage of rapid shifts in sentiment.
- Despite strong gains, buying at all-time highs isn't necessarily risky; historically, markets often continue to perform well after reaching new highs.

The prevailing environment also matters:

- **Supportive factors:** Improving trade clarity, potential policy tailwinds, e.g deregulation, and resilient earnings so far.
- **Risks to watch:** Valuations elevated, labour market or earnings disappointment, and a potential trade re-escalation.

Income Amid Uncertainty

- Income strategies offered stability as volatility spiked during the 'Tariff Tantrum'.
- Traditional safe havens like U.S. Treasuries showed more price volatility, while our preferred shorter-duration credit segments provided more reliable returns.
- Flexibility remains essential, and the ability to allocate across high-income segments like Asian credit and select quality Investment Grade credits can help ensure steadier income.

Outlook: Cautious Optimism

- We remain cautiously optimistic on risk assets and are closely monitoring key market indicators for signs of potential turning points.
- Equities: Remain positive, while managing risks through defensive and alternative exposures such as gold or alternative income.
- Fixed income: preference for higher-quality, shorter-duration credit with lower interest-rate sensitivity. We are actively avoiding potential 'duration traps', where investors in long-term bonds may face capital losses in the event of inflation surprises.

Read the full commentary here

Finexis Asset Management