PACIFIC MULTI-ASSET SOLUTIONS

MONTHLY INVESTMENT COMMENTARY

MARCH 2025

MARKET OVERVIEW

Escalating geopolitical tensions and the implementation of tariffs from the US on imports from China, Canada and Mexico weighed on financial markets last month. The continued uncertainty around how far tariffs will go also extended into the global economy, as we saw downward revisions to GDP in the US, along with weaker sentiment from businesses and consumers.

Despite this, the Federal Reserve looked beyond the potential inflationary pressures from tariffs and maintained its policy stance in March, keeping its policy rate at 4.25-4.5% and reiterated that it expected two rate cuts this year.

Against this backdrop, US equities saw a sharp decline, with the S&P 500 falling 8% (in sterling terms) as investors assessed the risks of a global trade war. European equities, which initially rallied on news of Germany's planned 500bn spending package, ended the month down 1.6%. UK and Japanese equities also declined, though they outperformed the US in relative terms, finishing down 2% and 1.6%, respectively.

Against this backdrop, US equities saw a sharp decline, with the S&P 500 falling 8% (in sterling terms) as investors assessed the risks of a global trade war.

Although major equity indices fell, our allocation to defensive sectors—such as Healthcare, Utilities, and Consumer Staples—helped offset some losses. The iShares Edge MSCI World Value fund also performed relatively well, benefiting from the market rotation away from economically sensitive and overvalued sectors.

It was a volatile month for fixed income markets. While corporate bond spreads remain tight, we did see some modest widening last month. Our holding in the iShares Ultrashort Bond fund, which is less sensitive to changes in interest rates, was flat on the month.

Diversifying assets once again provided returns uncorrelated to traditional asset classes. The allocation was a positive contributor to performance last month, with the AQR Style Premia fund, which goes long and short based on market factors such as valuations, momentum and carry, was up 2.5%. We also saw gains from our position in a US 2s10s Steepener strategy, as longer-term yields rose, along with our FX Value position, which was up 5.4% in a period where we saw elevated volatility in currency markets.

PLEASE GET IN TOUCH

Pacific Asset Management
74 Wigmore Street
London, W1U 2SQ
United Kingdom

Contact us
T +44 20 3970 3100
E info@pacificam.co.uk

www.pacificam.co.uk
For more information, updates and to find out more please visit our website

> MOVE FORWARD

IMPORTANT INFORMATION – FOR AUTHORISED USE ONLY

This document is issued and approved by Pacific Capital Partners Limited (PCP), which is authorised and regulated by the Financial Conduct Authority. This document is intended primarily for internal use, but may be distributed upon request to investment professionals and exempt investors in accordance with the FSMA 2000 (Promotion of Collective Investment Schemes Exemptions Order 2005) for authorised purposes only. It does not constitute advice, an offer or a recommendation to purchase or sell any financial products and you should not rely on the information in making an investment decision. The information and analysis contained herein are based on sources believed to be reliable. However, we do not guarantee their timeliness, accuracy or completeness, nor do we accept liability for any loss or damage resulting from your use or reliance upon of this document. Any opinions expressed reflect our current judgment at the date of this document and are subject to change without notice. Past performance is not necessarily a guide to future performance. This report is not directed to or intended for distribution to or use by any person or entity in any jurisdiction where such distribution, publication or use would be unlawful. This document may not be reproduced (in whole or in part), transmitted, modified or used for any public or commercial purpose without the prior written permission of PCP. Pacific Asset Management is a trading name of PCP.