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ASSET MANAGEMENT (C.I.) LIMITED

INVESTMENT MEMORANDUM

It has been unusual in recent times to report such a string of negative performances in international equity markets but all our readers will be very familiar with the reasons and these are articulated in our review this month. As this is completed, markets appear calmer but the economic news is unpredictable from day to day. As these tables show, whether it is for the US equity market or the US dollar, President Trump's actions have consequences although there is some reason to believe that these are being taken on board.

The tables below detail relevant movements in markets :

International Equities 31.01.25 - 30.04.25

Total Return Performances (%)				
Country	**Local Currency**	**£**	**US$**	**€**
Australia	-3.7	-8.1	-1.2	-9.6
Finland	+4.3	+6.2	+14.1	+4.3
France	-3.2	-1.5	+5.8	-3.2
Germany	+4.1	+5.9	+13.8	+4.1
Hong Kong	+4.7	-2.2	+5.2	-3.8
Italy	+4.2	+6.0	+14.0	+4.2
Japan	-3.7	-2.7	+4.6	-4.4
Netherlands	-7.5	-5.9	+1.1	-7.5
Spain	+11.7	+13.6	+22.1	+11.7
Switzerland	-1.6	+1.1	+8.7	-0.6
UK	-1.4	-1.4	+6.0	-3.1
USA	-7.6	-14.0	-7.6	-15.5
All World Europe ex UK	-1.1	+1.0	+8.6	-0.7
All World Asia Pacific ex Japan	-0.4	-5.7	+1.4	-7.3
All World Asia Pacific	-1.5	-4.7	+2.5	-6.3
All World Latin America	+7.7	+4.0	+11.8	+2.2
All World Emerging Markets	+0.8	-4.8	+2.3	-6.5
All World	-5.3	-9.9	-3.2	-11.5

Source : FTSE All World Indices

FTSE UK Government Securities Index All Stocks (total return) : +1.4%

International Bonds - Benchmark Ten Year Government Bond Yields (%)

	31.01.25	30.04.25
Sterling	4.54	4.44
US Dollar	4.54	4.18
Yen	1.23	1.27
Germany (Euro)	2.46	2.44

Sterling's performance during the quarter ending 30.04.25 (%)

	Quarter Ending 30.04.25
US Dollar	+7.5
Canadian Dollar	+2.1
Yen	-0.9
Euro	-1.6
Swiss Franc	-2.5
Australian Dollar	+4.3

Other currency movements during the quarter ending 30.04.25 (%)

	Quarter Ending 30.04.25
US Dollar / Canadian Dollar	-5.0
US Dollar / Yen	-8.1
US Dollar / Euro	-8.8
Swiss Franc / Euro	+1.1
Euro / Yen	+0.8

Significant Commodities (US dollar terms) 31.01.25 - 30.04.25 (%)

	Quarter Ending 30.04.25
Oil	-19.0
Gold	+18.6

MARKETS

Our table of international equity markets shows a wide divergence of performances with, unusually by past standards, the US market underperforming by a considerable extent, with weakness in US dollar terms magnifying the negative return for those investors whose base currency is, for example, sterling or the euro, the other two currencies detailed in our table. So, -7.6% in US dollar terms for the FTSE USA Index became -14.0% in sterling terms and -15.5% in euro terms. The best performance was the FTSE All World Latin America Index which showed a positive performance in all the currencies in our table. Of the major areas, the FTSE All World Europe ex UK Index held up best in relative terms although still lower in local currency and euro terms. These different market moves in absolute and relative terms were unmistakably due to the actions of President Trump which we discuss in detail in our review which follows.

Our table of benchmark ten year government bonds overall shows a modest decline in gross redemption yields except in Japan, although there was considerable volatility in the market at times. The lower gross redemption yields imply a positive return as investors moved to the perceived lower risk of bonds, although our review indicates why we are still cautious on this asset class.

Currency markets, like equities, showed big swings, with the change in investor attitude towards the USA leading to weakness in the US dollar, as the table shows. The main beneficiaries were the Swiss Franc, euro and Yen, against which sterling fell.

The tariff threat, with its implications for economic growth and therefore lower than anticipated oil usage, caused a sharp decline in the oil price as measured by Brent Crude, as our table shows. Conversely, gold benefited in its traditional role as a store of value in uncertain times, showing a rise of 18.6% over the quarter.

ECONOMICS

“Liberation Day”, the 2nd April, has proved to be anything but that for international securities markets. This was the day that President Trump announced tariff levels to be levied against other countries, some at extraordinarily high levels. Predictably, markets reacted badly although, as this is written, calmer conditions have returned, at least temporarily, and markets have shown a meaningful recovery.

In our reviews, we try not to take sides on policies but, rather, look at political and economic events through the eyes of a rational investor. It doesn’t mean that a rational investor is always right and such an investor might well prioritise his or her own interests over those of others or those of the country and wider world but it is a starting point for formulating an investment policy and portfolio construction. In the case of the tariffs which President Trump announced on 2nd April, the economic argument for them is so poor that we make an exception from our normal rule. We have emphasised in recent reviews that, whilst President Trump elicits strong emotions on both sides, our job as an investment manager is to play the ball and not the man, in other words watch what a politician actually does rather than what he or she says and to try to avoid being swayed by personality issues. In the case of economic policy decisions, it’s very rarely that one can say that a particular policy is wholly right or wholly wrong for there are usually arguments which can be made on both sides, however weak they are.

So, on the question of the tariffs proposed on the 2nd April by President Trump, it is hard for any economist or investor to find much in their favour and a lot to criticise. But it is also right to say that President Trump was not wrong in saying that the USA faces overt and covert discrimination against US goods and companies either through tariffs on imports from the USA or non tariff barriers, say like quality controls or what might seem to him to be partisan regulators. There is also probably some validity in his criticism of the way US technology companies have been treated by, say, the EU, where large fines have been levied on some of them and legislation has made doing business in the EU more difficult. So, it's not right to say that the President is 100% in the wrong but it is, nevertheless, a very high percentage score in that direction.

Any sensible business, which plans a change of direction, either in terms of policy or products or services offered, will carry out a cost/benefit analysis before finalising its plans. Costs and benefits are sometimes very clear, sometimes not so. In the case of President Trump's tariff plans they largely fall into the first category. Before spelling those out, and these will be obvious to our readers, it is worth showing how bad was the economic thinking behind the tariff levels chosen to be levied against other countries. It is fair to say that you would hardly find any economist who was impressed by the rationale. President Trump's thinking seemed to be that the USA was being ripped off by other countries because it has a huge current account deficit which in 2024 amounted to US$1.13 trillion or 3.9% of GDP. That was US$228.2 billion higher than in 2023. Those figures show an inconvenient fact that the USA is consuming more than it is producing but that is a choice of many individuals who like to buy imported goods which cannot be produced competitively in the USA. It is not necessarily bad to run a current account deficit and a string of current account deficits since the early 1980s, as many point out, has not stopped Americans enjoying a steadily increasing standard of living over those years. But current account deficits have to be financed and leave the USA more vulnerable to a loss of confidence on the part of its creditors, hence the importance of the US bond market. So, whilst the President may have some valid arguments that the USA is adversely affected by overt and covert trade barriers against the USA, the main reason for the large current account deficit is that the USA chooses to consume more than it produces. So, now back to the original tariff plans which have been suspended for 90 days. They seemed to be based on an idea, which has no valid basis in economics, that it is wrong to have a trade deficit with another country. The theory of comparative advantage in economics states very simplistically that countries will specialise in those goods and services where they have an advantage and import those where they don't. So, for example, low cost countries will have an advantage in low value goods which they might typically export to the USA, at the same time importing high value goods where the USA may have a comparative advantage. The term "consumer surplus" in economics refers to the differences between the price consumers are willing to pay for something and what they actually pay. So, as prices rise because of tariffs, the individual benefit to consumers falls. It is therefore obvious that anything done, like imposing tariffs on US imports, say of goods imported from low cost countries, will make consumers less well off because what they buy will be more expensive. So, for example, although China has become a much higher cost country than it was, US consumers have a desire to purchase many Chinese made imports. In return, in normal circumstances, China might import Boeing or Airbus aircraft where the USA and Europe would have a comparative advantage. The basis of calculation of the original tariff levels was extraordinary and one that no respectable economist would recognise, namely taking the trade deficit with the other country as a percentage of imports from that country and dividing the total by two to add to the blanket 10% import tariffs levelled universally.

It is hard to believe that the President and those around him could not have understood what a proper cost/benefit analysis of these new tariffs would have indicated. What might they have thought were the benefits? The import tariffs would produce revenue to help to tackle the enormous US budget deficit which amounted to US$1.83 trillion or 6.4% of GDP in 2024. There are widely differing views of how much these tariffs would actually raise because they would depend on the price elasticity of demand for the affected imports, in other words how price sensitive US consumers were. Before the 90 day tariff pause, the President claimed that the USA is making US$2 billion a day from tariffs.

Many economists were sceptical of these figures. Even if they had proved to be accurate, there would still have been a very large budget deficit. The other major claim would be that they would encourage re-shoring by US industry so that many items now imported would now be made in the USA. Here, he can claim some early success with some very large investments having been announced by, for example, technology and pharmaceutical companies. Assuming these investments materialise, their effect will be of a medium and long term nature. However, it is not possible for reshoring to take place immediately in many industries and not economic for many companies to produce the relevant products in the USA. Even if it is an economic prospect, the timescale may be long.

Objective economists or business people might see these as weak positive points but their negative list of expected outcomes will be much longer and much more likely to occur. Firstly, any additional tariffs, and certainly those of the magnitude originally planned, would add to inflation and reduce consumer spending power. This would invite retaliation, thus damaging US exports and the profitability of US exporting companies. They would realise that whatever the shorter term effect, there will be malign medium and longer term effects and, even if the tariff measures were completely withdrawn, they will have already caused reputational damage to the USA as a country with which to do business. This can already be seen in defence where Europe now sees the USA as a less reliable NATO partner so is taking actions to become more self sufficient but also more widely in supply chains which are international and highly inter connected. Tariffs throw a big spanner in the works of supply chains, with the auto and aerospace industries being two high profile ones. The USA will be seen as a less reliable partner more widely. Then there are the monetary effects which, in the short term, are probably more dangerous. One of the Federal Reserve's mandates is to control inflation and the fact that tariffs will cause it to rise will make the Federal Reserve's mandate more difficult to achieve because, at the same time, it is likely to have an effect on the employment market. Although it is likely to be avoided, the ultimate nightmare for a central banker is stagflation, i.e. high inflation and little or no growth. It seems likely that further central bank interest rate cuts in the USA will be less likely or, if they occur, less frequent than originally expected. Whilst on the subject of the Federal Reserve, it is difficult to imagine a more dangerous threat than the President appeared to present to Jerome Powell, the Chairman of the Federal Reserve, when he queried his position and made it clear that he would like him out of the job. Surely he and/or his advisors would have realised that threatening the position of the head of an independent central bank could have catastrophic effects on the US dollar and bond market. The independence of central banks is of paramount importance in maintaining confidence in a country's currency and bond market, especially as the USA has such a large amount of outstanding government debt with the US Federal Government debt standing at US$36.22 trillion equating to 124% of GDP. Even more so than tariffs the threat to the independence of the Chairman of the Federal Reserve is extraordinarily dangerous. How this was not foreseen is hard to explain since it was one of the most obvious consequences.

The President's particular ire has been directed at China with which the USA had a trade deficit in goods of US$295 billion in 2024, although a surplus in services of US$32 billion. The tit for tat on tariffs has, at the time of writing, reached 145% being the US tariff rate on Chinese imports and 125% on US exports to China. This will effectively shut down most trade between the two largest economies, an extremely undesirable position for the world economy to be in; since the knock on effects will be worldwide in slowing down economic growth. There is some evidence that both sides want to talk given the danger that these tariff levels pose to both countries.

It is, of course, early days to see how President Trump's actions will play out on the world economy but we have a flavour of things to come from the IMF's latest World Economic Outlook published in April. It has downgraded its projection for economic growth in 2025 to 2.8% from its from its January projection of 3.3% whilst for 2026 it has downgraded its forecast from 3.3% to 3.0%. Its new forecast for US growth this year is 1.8%, 0.9% lower than its January projection of 2.7%. Euro area growth this year is projected at 0.8% against 1% in January. For Emerging Market and Developing Economies this year's growth forecast has been reduced to 3.7% from 4.2% and for 2026 to 3.9% against 4.3% forecast in January. Within that, China, which is bearing the brunt of tariff hits, is now forecast to grow at 4.0% this year against the January forecast of 4.6% and for 2026 is now projected to grow at 4.0% also against the previous forecast of 4.5%. The projection for Indian growth this year is 6.2% against 6.5% and, for 2026, 6.3% against 6.5%.

Mentioned earlier is the very high level of US government debt, at around 124% of GDP and with large budget deficits continuing into the future at perhaps 7% of GDP, lower economic growth is unhelpful as it tends to lower tax revenues and increase government expenditure. The risk of a bond market buyers' strike rises so to take actions which lower growth, such as tariff impositions, is counter productive. But it's not only the USA, which has the benefit of having the world's largest reserve currency, to which this issue applies. If we look at G7 countries, France, Italy, the UK and Canada have a high level of indebtedness and all can be vulnerable. Within the eurozone, it could be a particular issue, given the difficulty of isolating one country's problems from the rest. In this context, the political problems in France are always a cause for concern with a budget deficit of 5.8% of GDP in 2024 and worsening. The government has had great difficulty in formulating a new budget in view of the fragmentation of the French parliament and the inability to get through meaningful structural changes to the economy which most economists believe are necessary.

It is difficult to overstate how shocking were the tariff announcements on 2nd April not only in the extent of them but their size and the apparent inability of the President and those around him to foresee what would be very obvious consequences. Then, as mentioned earlier, there seemed to be a threat to the position of the Chairman of the Federal Reserve, again one of the most counter productive ideas it is possible to have. We know that President Trump wants to push the boundaries of executive power as far as they can go and, in many cases, these are being tested in the courts but what were the economic constraints that have forced some U turns that restored, at least for the moment, some calmer conditions in markets? Essentially, it was the bond markets. As mentioned above, the USA has an enormous amount of outstanding debt and US Treasury bonds, although they have made a recovery, reacted badly to the tariff announcements and the implied threat to Jerome Powell's position as Chairman of the Federal Reserve. The bond market was the main constraint because a rise in bond yields, amongst the downsides, affects mortgage interest rates, something which is politically toxic. This powerful constraint should give comfort to investors that extreme actions can be neutralised. So, the President has said that, even if he was able to, which is doubtful, he will not fire Jerome Powell, quite a different message from the one the day before but influenced by movements in the bond market. On tariffs, market turmoil caused by the 2nd April announcement, and voters have shares, has seen the President gradually backtracking, except on China, with a 90 day pause on most extra tariffs, then on iPhones and some consumer goods, then on auto parts. Also, he has promised some trade deals will be announced soon. Even though at a great cost, meaning the shock of the tariffs concentrating minds, individual trade deals should be good news and also allow the President to extricate himself from the problems caused by tariffs which still apply at least at the 10% rate (25% on aluminium and cars for example). It seems, as one would expect in a situation like this, that market disciplines are the best enforcer of sensible economic management.

Whilst our objective investor would largely have focused on tariffs and the perceived threats to the independence of the Federal Reserve, he or she will also have considered some potentially positive actions which President Trump has taken and which we have highlighted before, namely deregulation and on the size of government. For quite some time, we have written about the economic costs of over regulation and the situation has only become worse as more and more regulations are issued with no incentive, it seemed, for governments or regulators to trim back their scope. Cutting regulations down to a size which is proportionate would be a cost free way for governments to stimulate growth but too many people have a vested interest in allowing regulation to grow. So, President Trump's actions, in principle, are welcome and it is interesting to note that a Labour government in the UK, perhaps not the most natural deregulators, are looking at deregulation as a way of stimulating much needed growth. The second area, linked in some ways, is the size of government which, again like regulation, seems to have grown without any substantive action to halt the growth, in spite of some fine words. Appointing Elon Musk to the DOGE (Department of Government Efficiency) meant drastic action which was widely criticised for the way in which it was executed but the main issue is that something is being done. With government finances in a poor state in many countries, reducing the cost of government is a good way to tackle the problem and, again, albeit in a different way, the UK is trying to cut back on the increasing cost of government, driven by the state of public finances. So, in talking about the principle, but not necessarily the execution, of this policy, it seems sensible economics to make some inroads into the costs of government and in the case of deregulation as well, to give a stimulus, however modest, to economic growth.

In terms of stock market movements, it has been striking, after years of significant outperformance, how much the US stock market has underperformed so far this year and the reason is obvious, which is that initial enthusiasm for President Trump's expected policies has turned sour after it was realised that what he had said he will do is actually what he has tried to do, albeit we are now seeing some backtracking. No-one believed that he would impose tariffs at the level he did on 2nd April. The recent recovery on Wall Street reflects this retreat from the most extreme policies. At the same time Europe and the UK have shown a modest to strong outperformance, these areas being seen as more stable. Is this right? The immediate outlook for growth is not good. In its latest World Economic Outlook, the IMF forecasts just 0.8% growth this year and 1.2% next year for the eurozone, well below the forecast for the USA of 1.8% and 1.7% respectively. Of the four largest eurozone economies, the best eurozone performance is expected to come from Spain at 2.5% this year and 1.8% next year but for Germany the figures are 0.0% and 0.9%, for France 0.6% and 1.0% and for Italy 0.4% and 0.8%. Germany with its superior financial position is able to dispense with its debt brake and, inter alia, increase its military spending substantially which should have a beneficial economic multiplier effect in Germany and elsewhere but other countries are constrained by excessive borrowing. There is some evidence, perhaps notably in the field of competition regulation, which has been very aggressive in the EU, that, as Mr Draghi said in his 2024 report, there should be a change in the way competition policy is looked at. Like the UK, the EU is desperate to stimulate growth and more appropriate competition regulation supportive to long term growth could help. But, it's also individual countries which set the tone. Last year, the French market underperformed noticeably because of the political impasse caused by an inconclusive parliamentary election result which made decisive action to address the budgetary problems impossible. The budget of 2025, aimed at reducing the budget deficit to a still too high 5.4% of GDP, makes depressing reading as far as signalling to investors is concerned. Because, at present, it is almost impossible to make the structural changes needed in France to reduce the size of the state and the level of public expenditure which help to crowd out the private sector. So, it is the easy but easily damaged targets which have been called on to raise more money for the government. To list some of them makes the point. Major companies will have to pay an exceptional surtax on their profits of 20.6% or 41.2% depending on the scale of their total revenue. The Financial Transactions Tax has been revised from 0.3% to 0.4%, and there is an 8% tax on share buybacks for companies with revenues exceeding €1 billion. Higher income individuals also face higher taxes. Whether one views as right or wrong the measures taken to start to deal with the budget deficit, the signalling is bad and will not encourage investment in France.

Turning now to the UK, the market is in modestly positive territory so far this year but has underperformed most of the large European markets. The currency has weakened against the euro and Swiss Franc but strengthened considerably against the US dollar. From our perspective, we see the UK as facing some very difficult times although the IMF forecasts a higher growth rate than for the eurozone at 1.1% for this year and 1.4% for next. The problem is government finances which look as if they may be deteriorating quite rapidly. In March 2025, the government borrowed £16.4 billion which was £2.8 billion more than in March 2024 and for the year to March 2025 borrowing was provisionally estimated at £151 billion which was £20.7 billion more than the level a year earlier. This was also £14.6 billion more than the £137.3 billion forecast by the Office for Budget Responsibility (OBR). The borrowing represents 5.3% of GDP, 0.5% more than a year earlier. Public sector debt was estimated at 95.8% of GDP at the end of March 2025. It seems highly likely that the headroom in respect of the Chancellor's fiscal rules, which she allowed herself in the March budget, will have disappeared, not helped by the international economic disruption caused by President

Trump's tariff proposals. Looking at the signalling from an investor's point of view, and not passing judgement from a political point of view because that is not our business, it is not good. As in the USA with the imposition of tariffs, the consequences of various actions taken in the UK would have been obvious at the time. A rise in employers' National Insurance contributions, a reduction in the level at which they apply and a rise in the minimum wage will all have a negative effect on the private sector in terms of employment, and profits and, for the economy, inflation. It is admitted that the new employment rights legislation will cost business £5 billion and the negative consequences for employment are obvious. Similarly, the exodus of non domiciled people as a result of the end of the status was clearly predictable so tax revenues will be adversely affected as well as the economic multiplier effect of the loss of income for businesses with which non doms dealt. Another example, initiated by the previous government was the end of VAT free shopping for foreign visitors. It was clear that it would affect UK retailers directly but the indirect effect of foreign visitors choosing a country where it was still available and the loss of tourism and ancillary revenue would impose a cost on the UK. The likely shortfall in the UK's public finances will mean tough decisions for the Chancellor in the autumn with the choice between tax increases, public expenditure cuts or a combination of the two. The constraints of the bond market will leave the Chancellor without much choice for to loosen her fiscal rules would be badly received in the bond market and risk a crisis rather like the one when Liz Truss was Prime Minister. It is not a certainty that the fiscal headroom allowed for in the March budget will be used up but it seems highly likely at this stage. The signalling from the UK is not good for investors.

There are a host of geopolitical consequences arising from President Trump's imposition of tariffs which, in their initial iteration at least, did not discriminate between allies and those countries where relations were more difficult. What is certain is that both friend and foe will regard the USA as a less reliable country with which to do business. Supply chains will be reviewed so US suppliers are bound to be adversely affected. In the geopolitical area, some countries, particularly those in Asia, may want to move closer to China which, whilst being the subject of punitive US tariffs, currently 145%, may gain a longer term benefit. On the other hand, because the USA is such a large market, trade deals which countries like the UK are trying to strike with it may work the other way. All this is speculation at the moment but the consequences will appear over time.

The theme of this review has been of political decisions made on economic or related matters where the negative consequences should have been quite obvious before they were made, yet they were still carried out. We emphasise that we are not expressing a political viewpoint but rather the view that a rational investor is likely to take. We have discussed budget decisions made in France and the UK but, obviously, they have been dwarfed by what President Trump has done in the USA in terms of his tariff announcements and his periodic threats to the position of the Chairman of the Federal Reserve, Jerome Powell. Whilst we do not go in for hyperbole in our reviews, the nearest we come to it is to say that the tariff decisions and the threats to the position of Jerome Powell represented an astonishing misreading of economics and markets. The expression "adults in the room" is widely used now to relate to serious people who understand the consequences of actions and we have to wonder where they were at the time these decisions and statements were made.

So what should investors make of the current market situation? As our clients know, we never make knee jerk decisions when unexpected events occur. One could say that the President's predilection for tariffs was well known and articulated on the election trail but, in mitigation, an investment manager could say that nothing on the scale of the tariffs originally announced was envisaged as was shown by the immediate reaction in markets to the announcements on the 2nd April. Markets are gradually calming down and volatility has fallen. We can see from a string of announcements that the President is retreating from his most extreme position articulated on 2nd April. Why is this? For the obvious reason that he is now realising, what almost anyone with economic or financial knowledge knew on 2nd April, that the economic and political consequences would be catastrophic. Inflation, perhaps some empty shelves in supermarkets, retaliation which will hurt US manufacturers, disrupted supply chains and a very nervous bond market are just some of the consequences and more appear every day. But, as we said earlier, even a President who tries to push every limit of executive power, has to pull back at some stage. It might be the Supreme Court or the limits of executive authority but in the economic sphere it's markets, whether bond or equity ones, particularly the former. He may also be influenced by the political cost which the opinion polls now show as satisfaction with him falls. Because the President made such an issue about "Liberation Day" on 2nd April, any row back, which we have seen in practice now happening, has to be gradual to avoid the appearance of an admission of a bad policy. There is a long way to go but it seems unlikely that after the 90 day period of relief from the additional tariffs over the 10% figure ends, he will restore them. If some trade deals have been struck, that should provide a further path to rowing back on the tariffs. So we see investors' best hope is that the drip feed of additional pull backs on tariffs will encourage investors to remain in equity markets. We remain more concerned about bonds because the slowdown in the expected growth rate for 2025 and 2026 forecast by the IMF will put additional stress on already overstretched government finances. We have this year seen in the US, eurozone and UK bond markets that prices can react quite significantly to news which may affect them.

As the table at the beginning of this review shows, what has happened in the USA has been reflected in an underperformance of the US stock market relative to Europe as foreign investors have withdrawn money from US equities. There is no doubt that companies around the world are facing the problems of making significant adjustments to their business model, notably in those they make to their supply chains, but one would expect the larger companies to be more resilient and that includes US companies. At the moment, we do not see the problems created by the US government justifying a move away from the US equity market where there is a wide range of types of company not always available elsewhere. In passing, we might also note that the weak US dollar will be helpful to US companies with overseas businesses. As we have touched upon, other countries have problems, too, so we feel it premature to reduce US equity exposure.

Although, as this is written, volatility has died down, it would be complacent to believe that this will remain the situation. Nevertheless, we do not believe that the current highly unusual background for markets warrants a change in our investment strategy and, in particular, we remain unconvinced by the attractions of bonds for the reason given in this review.