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WEALTH PARTNERS

RESEARCH UPDATE

MARKET watch

MARCH 2025

February saw most global equity markets retreat following rising geopolitical tensions, new tariffs and renewed concerns surrounding the established US artificial intelligence (AI) industry. The S&P 500 Index and the Nasdaq Composite Index lost -1.4% and -4.0% respectively, with the Consumer Discretionary, Communication Services and Information Technology sectors dragging on the index. Weak economic data contributed to the negative sentiment, with the US services sector contracting for the first time in over two years and consumer sentiment, falling to a 15-month low. The Hang Seng outperformed, rebounding 13.4% on momentum from DeepSeek and Chinese technology giants releasing their own AI models. The Hong Kong government has announced plans to turn the city into a global AI hub. The S&P/ASX 200 fell -4.2% despite the Reserve Bank of Australia (RBA) making its first rate cut in over four years.

S&P/ASX 200 Sector Performance

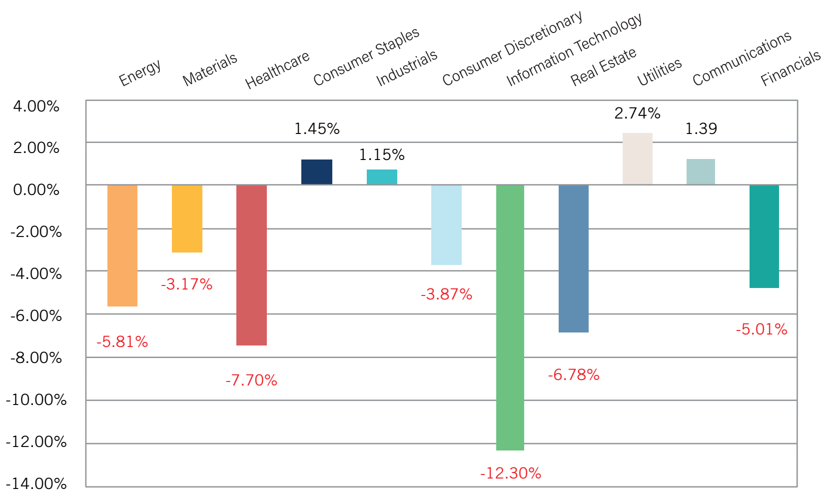
Utilities was the best-performing sector in February, rebounding 2.7%. APA Group was the primary driver of sectoral gains, rallying 8.2%. In its half-year results, APA Group reported a 9.1% increase in underlying earnings before interest, tax, depreciation and amortisation (EBITDA) to $1,015 million and a 1.3% increase in EBITDA margin compared to the prior corresponding period (PCP). The company also announced a 5-year plan to increase its north-to-south capacity and storage to meet East Coast gas demand.

The next best-performing sector was Consumer Staples at 1.5% despite most of the sector constituents falling over the month. The a2 Milk Company Limited jumped 35.3% after recording a 10.1% increase in revenue and a 7.6% increase in net profit after tax (NPAT) for the first half year, driven by sales growth in China, Asia and the USA. The a2 Milk Company Limited also announced its maiden dividend of 8.5 NZ cents per share, with plans to distribute semi-annually with a target payout ratio of between 60% and 80%. Coles Group Limited rose 2.5% in February, with the company announcing EBITDA and NPAT growth of 12.5% and 6.4% respectively. Management noted the success of its value campaigns and the ability to respond to industry supply chain disruptions as key drivers of revenue growth.

The worst-performing sector in February was Information Technology, down -13.2% for the month. Appen Limited reported a 14.2% fall in full-year group operating revenue, primarily due to the loss of the Google contract. Excluding the Google contract, Appen Limited returned to revenue growth due to generative AI. However, the company recorded a $20 million loss for the financial year. Wisetech Global Limited experienced a -27.3% fall in share price over the month as four independent non-executive directors stood down following differences over the future role of company founder, Richard White. The company also affirmed that its revenue guidance will be at the lower end of the range following delays to product rollouts.

The Healthcare sector also dragged on the index, falling -7.7%. Cochlear Limited retreated -19.2% after its half-year results came in below expectations. Revenue increased 5% on the PCP with weakness in its Services business as cost-of-living pressures impacted demand for upgrades. Management has indicated that full-year NPAT will come in at the lower end of previous guidance of $410 million to $430 million. Fisher & Paykel Healthcare Corporation Limited fell -10.77% on the announcement of US tariffs on products imported from Mexico and Canada, with 60% of the company's US volumes supplied from Mexico.

Graph 1: S&P/ASX 200 Sector Performance



Data Source: Desktop Broker, 1 February 2025.

Highlights

Australia: The Australian Bureau of Statistics has published the broadacre crop statistics for the 2023–2024 financial year. Winter broadacre crop production fell 27% to 50 million tonnes on the previous year due to drier conditions across large parts of Australia. The fall in production resulted in a 29% fall in total value, down to $18.7 billion.

The federal government has announced a $2.4 billion support package to rescue Whyalla Steelworks after the company fell into administration. The package will be funded by both state and federal governments, with funds set aside for creditor payments, infrastructure upgrades and to keep the steelworks and jobs afloat.

US: US President Donald Trump has signed an executive order to establish a US sovereign wealth fund (SWF). The Secretary of the Treasury and the Secretary of Commerce have been directed to develop a plan for the SWF within 90 days, in coordination with the Assistant to the President for Economic Policy. The SWF will 'promote fiscal sustainability, lessen the burden of taxes on American families and small businesses, establish economic security for future generations, and promote United States economic and strategic leadership internationally'.

US weekly jobless claims have risen to a three-month high. By the end of February 2022, 242,000 claims were made, a rise of 22,000 claims above the previous week. Lay-offs because of the Department of Government Efficiency are not expected to have affected the jobless claims.

UK: The Bank of England voted 7–2 to cut its interest rate by 0.25% to 4.5%. However, the central bank warned that it expects inflation to reach 3.7% in the third quarter of 2025. The BoE also downgraded its growth forecasts for the UK from 1.5% to 0.75%, citing falls in both household and business confidence.

Germany: The Christian Democratic Union (CDU)/Christian Social Union (CSU) alliance garnered the most votes in the German federal election, receiving 28.5% of the votes. The CDU/CSU alliance has begun initial talks with the Social Democratic Party of Germany (SPD) to form a coalition government. The outgoing SPD party only won 16.4% of the vote, a historic low.

France: French President Emmanuel Macron has committed €109 billion investing in AI to catch up to and compete with the US and China, the current dominant players in the industry.

Argentina: Argentinian President Javier Milei has faced calls for impeachment after he endorsed a cryptocurrency named $Libra on X (formerly Twitter). Milei's post was made minutes after $Libra began trading, resulting in a surge in price to almost $5 per token before the price crashed back down to below $1 per token.

Japan: Japanese annual core inflation came in at 3.2% in the year to January, the highest level since June 2023. The result has increased expectations for the Bank of Japan to make further rate hikes. The Japanese yen has hit a 4-month high as a result.

China: China agreed to a five-year deal with the Cook Islands to explore and research seabed minerals in Cook Islands' waters. In addition, the two countries have also agreed on partnerships to develop the island nation's infrastructure, trade and economy with the assistance of Chinese aid grants.

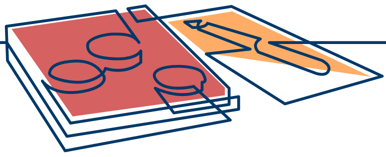
Taiwan: Taiwanese electronic manufacturer Foxconn has confirmed it was in talks with Japanese automobile manufacturer Nissan about cooperating in designing and manufacturing electric vehicles and potentially acquiring a stake in Nissan. Foxconn has also been speaking with French automaker Renault on a similar deal.

New Zealand: New Zealand has removed the English language test requirement from its Active Investor Plus visa. The visa aims to attract wealthy individuals to live and invest in New Zealand.

What to watch out for

Chinese technology and multimedia company Tencent has announced its own AI model named the Hunyuan Turbo S. Tencent claims its model surpasses DeepSeek, with faster query response times and better cost efficiency. DeepSeek is thought to be planning the release of a second model by early May.

Conclusion



Global equity markets retreated in February due to numerous factors, including, but not limited to, rising geopolitical uncertainty, weak economic data, tariffs, corporate reporting and a sell-off in US artificial intelligence stocks. Geopolitical tensions across the world remain elevated but have so far had little impact on markets.

During periods of uncertainty, clients should:

- Stick to the plan and focus on your long-term goals. Our investment approach is focused on the long term and designed so that your portfolio can ride out any downturns – including this one. Staying the course, despite how uncomfortable it may feel right now, will prove to be the better option when looking back five years from now.
  Investors who stayed the course while equity markets declined in the depths of the COVID-19 pandemic in early 2020 have benefitted from one of the fastest market turnarounds with equity markets. Investors who sold equities during the downturn and waited until economies started to show recovery before buying back into the market missed a large part of the recovery.
- Maintain a buffer of safety. Holding a buffer of cash and term deposits has

been a key strategy to provide a cushion against market downturns and to protect capital.

- Take advantage of the weakness. Market downturns provide buying opportunities to invest in long-term, quality investments.
- Focus on quality investments. Invest in companies that generate stable cash flows to support distributions, which are not connected to the movements in asset prices, and partner with fund managers who share the same investment philosophy and objectives.
- Diversify across asset classes, industries, sectors and geographies.
- Regularly rebalance the portfolio back to your risk profile to ensure that the portfolio is not exposed to unwanted risks and to also lock in profits.
- Remain calm, and speak to your Apt adviser. It is important that you speak to your Apt adviser before making any financial moves. Your adviser understands your long- and short-term goals and will have been planning for these types of scenarios already, so they are best placed to explain any impact and discuss the best options and opportunities for you personally.

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