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WEALTH PARTNERS

RESEARCH UPDATE

MARKET watch

MAY 2025

Global equity markets were mixed over a volatile month, with headlines dominated by changes to US trade policy. Dubbed 'Liberation Day', US President Donald Trump announced sweeping 'reciprocal' tariffs on more than 180 countries and territories, with a 10% baseline tariff introduced on imported goods from all countries. Specific sectors were also targeted, including a 25% tariff on automobile imports. Following turmoil in US bond and stock markets, and less than 24 hours after the tariffs came into effect, Trump announced a 90-day pause for all countries, excluding China, which saw a substantial increase in its tariff rate. The S&P 500 Index ended the month down -0.8% whilst the Nasdaq Composite Index rose 0.9% as the Information Technology sector rebounded. On the other hand, the Hang Seng Index lost -4.3% as the trade war intensified. The S&P/ASX 200 outperformed other international indexes, up 3.6% for the month.

S&P/ASX 200 Sector Performance

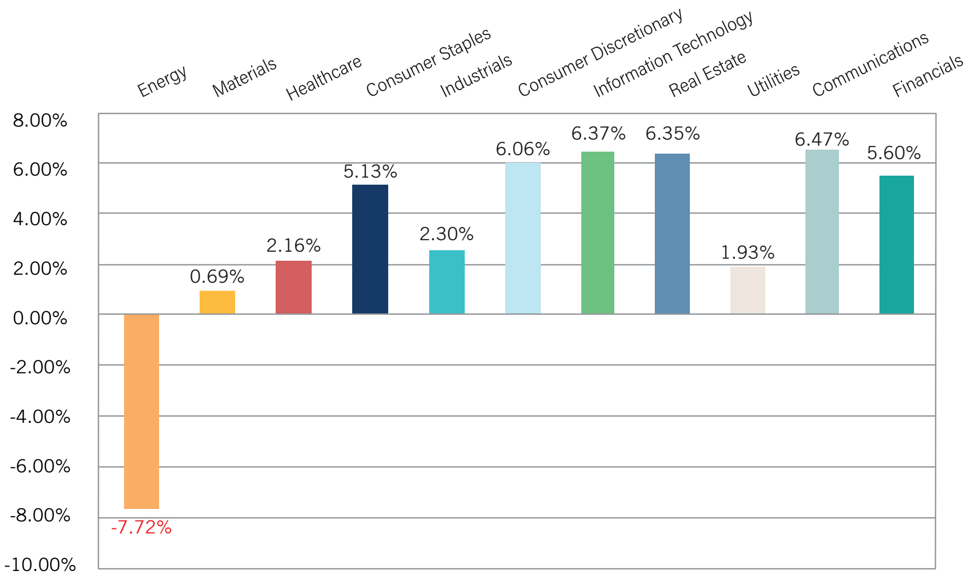
Communication Services was the best-performing sector in April, returning 6.5%. Gains were led by REA Group Limited (9.4%), Telstra Group Limited (6.6%) and TPG Telecom Limited (5.9%). The companies saw higher demand as investors began to shift away from higher-risk growth companies towards more defensive companies with consistent earnings that would be unaffected by tariffs.

The next best sector was Information Technology, with a 6.4% rise. Megaport Limited was the best performer, rebounding 18.6% despite no significant news being released by the company. WiseTech Global Limited (10.6%) followed despite the ongoing governance concerns after the exit of four independent directors due to 'intractable differences' surrounding the role of founder Richard White. In April, the company signed a new contract with White, appointing him as Executive Chair and Chief Innovation Officer. PEXA Group Limited rallied 7.8% after receiving approval from the UK Financial Conduct Authority to become an authorised payment institution, allowing the company to launch its UK sale and purchase product.

The Real Estate sector also returned 6.4% over April. Stockland (10.2%) led gains, after finalising contract negotiations to develop the Waterloo Renewal Project of over 3,000 apartments. Stockland also reaffirmed funds from operations (FFO) guidance of 33–34 cents per share and a full year distribution at a payout ratio of 75% of post-tax FFO. Region Group rose 10.0% on its third quarter update where it reported a supermarket monthly annual turnover (MAT) growth of 2.6% and a non-discretionary specialty MAT growth of 2.5%. The share price was also supported by the start of a $100 million on-market buy-back.

The Energy sector was the only laggard, falling -7.7% over the month due to a sharp drop in crude oil prices. The Organization of the Petroleum Exporting Countries Plus (OPEC+) unexpectedly announced plans to almost triple their previously planned production increase of 140,000 barrels per day in May to 411,000 barrels per day. The ongoing trade war between the US and China has also dampened the demand outlook for crude oil. Losses were led by oil and gas exploration and production companies Beach Energy Limited (-20.9%) and Karoon Energy Limited (-13.3%), and resource and energy professional services company Worley Limited (-15.9%). Uranium producers Boss Energy Limited (29.4%) and Paladin Energy Limited (8.1%) helped offset losses, rallying on strong quarterly updates and a higher uranium price.

Graph 1: S&P/ASX 200 Sector Performance



Data Source: Desktop Broker, 1 May 2025.

Highlights

Australia: The Australian Bureau of Statistics published the retail sales data for February 2025. After seasonal adjustment, retail sales rose 0.2% month on month and 3.6% for the year to February. Monthly turnover growth was driven by department stores (1.5%) and food retailing (0.6%) whilst household goods retailing (-0.3%) and other retailing (-1.0%) dragged.

The ASX has begun a review process into its shareholder approval requirements. The review comes after a backlash over James Hardie Industries being granted a waiver that allowed the company to avoid holding a shareholder vote for its proposed acquisition of US company Azek. The ASX will begin by updating a similar analysis from 2017 before seeking feedback from stakeholders.

US: President Donald Trump revealed a plethora of 'reciprocal tariffs' on more than 180 countries and territories. However, a 90-day pause on tariffs was declared a week later after turmoil in both US bond and equity markets. The US is using the pause on tariffs to discuss trade deals with major trading partners.

The US economy is expected to struggle in 2025, with an estimated US$90 billion in revenue to be lost in reduced tourism and the boycott of US products overseas. Geopolitical tensions, global economic uncertainty, tariffs and hostility at the US border have led to a fall in non-citizen plane arrivals. Travellers from Canada, Germany and the UK have seen the largest falls.

Canada: Mark Carney has won the Canadian federal election, leading the Liberal Party to a fourth consecutive term in charge. However, the Liberal Party fell short of securing a majority in parliament and will require the assistance of another party to pass legislation.

United Kingdom: The UK government has taken control of British Steel, the UK's last producer of crude steel, saving 2,700 workers from redundancy. British Steel was acquired by Chinese company Jingye in 2020 but had proposed to close two blast furnaces last month.

The UK and the European Union (EU) have been in talks of a strategic partnership to present a united front in the face of the US tariffs. A draft resolution on free and open trade, defence, energy and more will be prepared for the UK–EU summit, which will be held on 19 May.

Germany: A coalition government has been formed by the mainstream parties, with the centre-right Christian Democratic Union (CDU) and sister party Christian Social Union (CSU) forming government with the centre-left Social Democratic Party (SPD).

Brazil: The ongoing trade war between the US and China has benefited Brazil, with its agricultural sector filling the demand left behind by US producers as retaliatory tariffs cut into margins. Brazil remains China's largest supplier of food and has increased its lead over the US.

Japan: A shortage in domestic rice has resulted in the first imports of rice from South Korea since 1999. Japanese rice prices have rocketed after record heat affected domestic supply, exacerbated by panic buying and distribution issues.

China: Chinese battery manufacturing and technology company Contemporary Amperex Technology Co. has unveiled its new battery cell that claims to provide a range of 520 km with five minutes of charge. The claim upstages hybrid and electric vehicle automaker BYD's announcement last month, where it revealed a new battery with a range of 400 km with five minutes of charge.

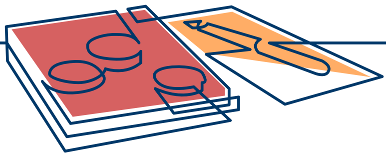
China's economy grew 5.4% in the 12 months to the March quarter, above expectations.

The strong result has boosted hopes that recent stimulus has been able to stimulate the economy. However, the data does not include the significant increase in tariffs imposed on Chinese goods by the US.

What to watch out for

With Labor's landslide victory in the recent 2025 Australian Federal Election, this outcome signals a continuation of current Federal Government spending and policy, with potential refinements in key areas and new initiatives.

Conclusion



Global equity markets were mixed after a volatile month as markets whipsawed in response to changes in US trade policies. 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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