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Investing for a
world of change

Multi-Asset Strategy Quarterly

April 2025

Foreword



Iain Cunningham
Head of Multi-Asset Growth

Welcome to our latest Multi-Asset Strategy Quarterly. In this report, Iain Cunningham shares his perspective on cyclical growth and examines the current uncertain and cautious investment climate, marked by elevated risks and limited clarity on key drivers such as trade policies and tariffs.

We also provide a concise summary of our higher-conviction asset class views, spanning equities, fixed income, currencies and commodities.

Contents

General risks. The value of investments, and any income generated from them, can fall as well as rise. Where charges are taken from capital, this may constrain future growth. Past performance is not a reliable indicator of future results. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations. Investment objectives and performance targets are subject to change and may not necessarily be achieved, losses may be made. Environmental, social or governance related risk events or factors, if they occur, could cause a negative impact on the value of investments.

Specific risks. Currency exchange: Changes in the relative values of different currencies may adversely affect the value of investments and any related income. **Emerging market (inc. China):** These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems. **Commodity related investment:** Commodity prices can be extremely volatile and significant losses may be made. **Default:** There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss. **Equity investment:** The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. insolvency), the owners of their equity rank last in terms of any financial payment from that company.

Navigating tariffs and trade tensions



Iain Cunningham
Head of Multi-Asset
Growth

Outlook for US inflation darkens

In the US, monetary policy has been eased to support growth and protect the labour market. President Trump's recent announcements around tariffs, have, however, created uncertainty for the outlook for inflation and increased the risk of a stagflationary scenario taking hold in the US, along with broader implications for global growth. Additionally, the new US administration's policies around DOGE (the Department of Government Efficiency) and public spending look set to tighten conditions and weigh on the labour market, after several years of fiscal spending boosting economic growth.

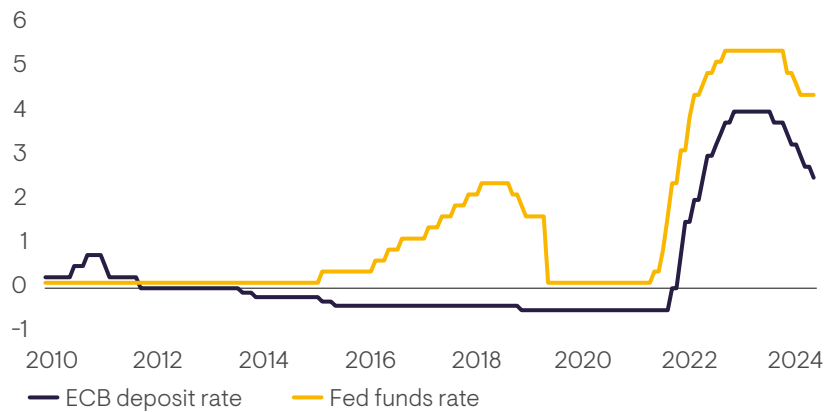
US Budget balance



Source: Ninety One, March 2025.

In our view, these headwinds heighten the risk of a more pronounced slowdown occurring in the US than is currently expected by consensus, particularly when considering the degree to which the public sector has supported growth in recent history. We acknowledge that monetary easing, supported by further disinflation progress and greater clarity over government policy implications, could still support a more benign growth outcome, and as a result, we expect some ongoing volatility in the price of US risk assets in the near term.

ECB deposit rate vs. Fed funds rate

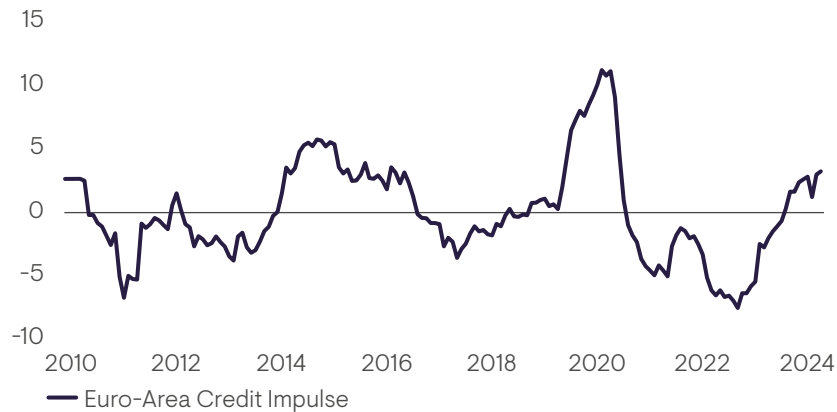


Source: Ninety One, March 2025.

Green shoots in Europe

In Europe, monetary policy has also been eased, bringing policy rates down to moderately tight levels. Growth indicators have been weak for some time; however, due to recent easing, interest rate-sensitive areas of the economy have shown signs of picking up.

Euro area credit impulse



Source: Ninety One, March 2025.

The latest budget proposals and constitutional changes by the outgoing German parliament, along with a broader move by European nations to increase defence spending, are expected to further provide fiscal support to economic growth and create the potential for a reflationary environment in the region later this year. We acknowledge that downside risks remain, however, particularly from President Trump's recent tariff announcements given their potential impact on global trade and the eurozone growth outlook.

China leans in

In China, easing measures are becoming progressively more forceful, with a further shift in communication toward prioritising domestic demand expansion. Chinese authorities have increasingly reversed course on previous tightening measures and pivoted back towards supporting the private sector and capital markets over recent months. We expect policymakers to do what it takes to ensure a sustained recovery in consumption takes hold however headwinds to the external backdrop from the recent tariff announcements from the US have made their job harder.

Growth metrics remain mixed, and the recovery will likely remain uneven. Inflation remains weak, but base effects should begin to provide more support on a forward-looking basis. We continue to believe that the Chinese economy will experience a more benign outcome than the bearish consensus suggests.

Growth risk, policy risk: the case for staying nimble

As discussed above, our central investment roadmap has led us to become more cautious about risk assets due to elevated downside risks to growth in the US and globally as trade tensions increase. In fixed income, a healthy exposure to defensive government bonds remains, given potential downside risks and a lack of value in credit markets. This provides us with dry powder to take advantage of any episodes of volatility in financial markets.

In currency, we have been increasingly adding to short US dollar positions given the potential economic divergence between the US and the rest-of-world (RoW), in particular Europe where an economic recovery appears to be underway. We continue to monitor reserve currencies such as the Swiss franc and Japanese yen which can provide defensive exposure in a weak global economic outlook.

Summary of asset class views

Defensive bonds

View as at	31 Mar 25	31 Dec 24	30 Sep 24
US	positive	positive	positive
Eurozone	neutral	positive	positive
Japan	neutral	neutral	neutral
UK	positive	positive	positive
China	neutral	neutral	neutral

■ max positive
 ■ positive
 ■ neutral
 ■ negative
 ■ max negative

Positive: Australia, UK, US, EU & US curve steepeners

Summary

Disinflationary trends across the US and Europe are allowing central banks to gradually ease policy from restrictive levels towards a more neutral stance. The pace of rate cuts and eventual terminal rates will depend on the trajectory of inflation and economic growth. Within portfolios, we maintain a preference for being overweight duration, with a focus on markets that are more sensitive to interest rates—particularly the UK, and the US, where downside risks to growth appear to be growing. In the US, the new administration’s policies are expected to drive a more material fiscal tightening and weigh on labour market conditions. Curve steepener positions in both the US and Europe remain attractive as easing cycles continue. In Europe, there is emerging evidence of a recovery underway outside of tariff risks and we expect the ECB to continue to ease policy. This creates the potential for a reflationary scenario later in the year and a further steepening in the yield curve.

Growth bonds & credit spreads

View as at	31 Mar 25	31 Dec 24	30 Sep 24
EM HC	neutral	neutral	neutral
EM LC	neutral	neutral	neutral
US Credit	negative	negative	negative
EU Credit	negative	negative	negative

■ max positive
 ■ positive
 ■ neutral
 ■ negative
 ■ max negative

Summary

Developed market credit spreads generally remain richly valued across sub-asset classes. Given the limited upside, we don’t believe these valuation levels compensate investors for taking credit risks here particularly in the US where downside growth risks appear to be growing.

Overall, we are neutral on emerging market fixed income given the uncertainty in the global macroeconomic outlook. While certain areas have succeeded in controlling inflation through early and effective policy responses, tariff risks and potential downside global growth risks are not fully compensated for in current risk premia levels.

FX

View as at	31 Mar 25	31 Dec 24	30 Sep 24
USD	max negative	neutral	neutral
EUR	neutral	neutral	neutral
JPY	neutral	neutral	neutral
CNY	neutral	neutral	neutral
EM	neutral	neutral	neutral

■ max positive
 ■ positive
 ■ neutral
 ■ negative
 ■ max negative

Positive: Australian dollar, Canadian dollar, Swiss franc, Japanese yen

Negative: US dollar, Taiwan dollar, Swedish krona

Summary

While uncertainty remains elevated, the outlook for the USD appears to be tilting to the downside. US growth momentum is starting to ease as the post-election demand bump wanes. Policies from the new US administration, particularly relating to immigration and fiscal spending, are also likely to weigh on economic activity, given the public sector's outsized role in supporting growth in recent years. In contrast, there are early signs of a recovery in European growth, underpinned by substantial policy easing. This sets the stage for potential economic divergence between the US and the RoW. As a result, we have continued to build short USD positions against the Swiss franc and dollar bloc currencies, while acknowledging upside risk from tariff announcements. The heightened growth risks in the US coupled with potential broad implications of the recent tariff announcements present headwinds to the global economic outlook. As a result, we continue to monitor reserve currencies such as the Japanese yen vs currencies like the Swedish krona and Taiwan dollar which we expect to provide defensive characteristics in a global trade shock.

Equity

View as at	31 Mar 25	31 Dec 24	30 Sep 24
US	neutral	positive	positive
Europe ex-UK	neutral	neutral	neutral
UK	neutral	neutral	neutral
Japan	neutral	neutral	neutral
Asia ex-Japan	max positive	max positive	max positive
EM vs. DM	neutral	neutral	neutral

■ max positive
 ■ positive
 ■ neutral
 ■ negative
 ■ max negative

Positive: China A-shares

Summary

Within equities, we have moved to a more neutral stance on the US as growth faces increasing downside risks and the Fed adopts a more cautious approach to further easing given tariff uncertainty. In contrast, European risk assets look set to benefit from a cyclical recovery, supported by rising fiscal spending, which could offer further upside outside of tariff-related risks. Within emerging markets, Chinese authorities are actively easing policy conditions to encourage growth and stabilise the economic outlook. We expect this to support linked equity markets, particularly given the reasonable valuations in the region.

Commodities

View as at	31 Mar 25	31 Dec 24	30 Sep 24
Energy	neutral	neutral	neutral
Precious metals	positive	positive	positive
Base metals & bulks	positive	positive	positive
Agriculture	neutral	neutral	neutral

■ max positive
 ■ positive
 ■ neutral
 ■ negative
 ■ max negative

Summary

Looking ahead, we continue to see compelling investment opportunities within the natural resources sector, driven by structural demand tailwinds (e.g., electrification), supply constraints, and attractive valuations (high FCF yields and shareholder distributions). Persistent inflation concerns add to the investment case, given the sector’s traditional role as an inflation hedge.

The base metal and bulk demand outlook is supported by a number of factors: China’s sustained 5% GDP growth target, expanding fiscal spending in Europe, and potential trade agreements with the US (shifting focus back to US economic growth). Gold continues to benefit from geopolitical uncertainty and inflationary concerns. Conversely, ongoing trade uncertainties and an expanding supply backdrop pose potential headwinds for oil prices.

Agriculture markets remain mixed as we enter Q2. Input markets such as potash fertiliser and corn seeds look relatively firm, but the backdrop of elevated grain inventories will likely keep a lid on price rallies in the near term with further risks from high-yielding production.

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Australia

Level 28 Suite 3, Chifley Tower
2 Chifley Square
Sydney, NSW 2000
Telephone: +61 2 9160 8400
australia@ninetyone.com

Luxembourg

2-4, Avenue Marie-Thérèse
L-2132 Luxembourg
Telephone: +352 28 12 77 20
enquiries@ninetyone.com

South Africa

36 Hans Strijdom Avenue
Foreshore, Cape Town 8001
Telephone: +27 (0)219011000
enquiries@ninetyone.com

Botswana

Plot 64289, First floor
Tlokweng Road, Fairgrounds
Gaborone
PO Box 49
Botswana
Telephone: +267 318 0112
botswanaclientservice@ninetyone.com

Namibia

Am Weinberg Estate
Winterhoek Building
1st Floor, West Office
13 Jan Jonker Avenue
Windhoek
Telephone: +264 (61) 389 500
namibia@ninetyone.com

Sweden

Västra Trädgårdsgatan 15,
111 53 Stockholm
Telephone: +46 8 502 438 20
enquiries@ninetyone.com

Channel Islands

PO Box 250, St Peter Port
Guernsey, GY1 3QH
Telephone: +44 (0)1481 710 404
enquiries@ninetyone.com

Netherlands

Johan de Wittlaan 7
2517 JR Den Haag
Netherlands
Telephone: +31 70 701 3652
enquiries@ninetyone.com

Switzerland

Dufourstrasse 49
8008 Zurich
Telephone: +41 44 262 00 44
enquiries@ninetyone.com

Germany

Bockenheimer Landstraße 23
60325 Frankfurt am Main
Telephone: +49 (0)69 7158 5900
deutschland@ninetyone.com

Singapore

138 Market Street
CapitaGreen #27-02
Singapore 048946
Telephone: +65 6653 5550
singapore@ninetyone.com

United Kingdom

55 Gresham Street
London, EC2V 7EL
Telephone: +44 (0)20 3938 1900
enquiries@ninetyone.com

Hong Kong

Suites 1201-1206, 12/F
One Pacific Place
88 Queensway, Admiralty
Telephone: +852 2861 6888
hongkong@ninetyone.com

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www.ninetyone.com

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For more details please visit www.ninetyone.com/contactus

United States

Park Avenue Tower, 65 East 55th Street
New York, 10022
US Toll Free: +1800 434 5623
usa@ninetyone.com

