



Wealth  
Management

# LGT WM Active MPS

Q1 2025 quarterly report



Josef Höger, detail from "View from the terrace of Palais Rasumofsky in Vienna," after 1837 © LIECHTENSTEIN. The Princely Collections, Vaduz-Vienna



## Overview

- China and Europe posted significant gains
- Tariffs cause equity market declines in the US
- Uncertainty and geopolitical risks remain high

# Macroeconomic landscape



The first quarter of 2025 has been a tale of two markets. Fluctuating economic conditions, geopolitical uncertainty, and a shift in narratives helped some markets surge while others experienced volatility. Headwinds remain, but there have been plenty of bright spots, and as we head into the second quarter of the year, there is a sense that opportunities may emerge from the turbulence.



One of the biggest success stories of the quarter has been China. The Hang Seng Index has increased nearly 18%, driven by a sharp rebound in investor confidence and a renewed sense of optimism around China's technology sector. At the heart of this rally is the country's aggressive push into artificial intelligence, where domestic firms are making major strides in challenging US dominance.



The Euro Stoxx 50 and Germany's DAX have both posted significant gains, supported by a wave of government spending, particularly in defence and infrastructure. With geopolitical tensions prompting many European nations to increase military budgets, the defence sector has been a large benefactor. European Financials performed very well during the quarter too – being one of the more cyclical sectors, they benefitted from an uplift in economic sentiment. They also started from deeply discounted valuations, making them attractive as investors rotated into undervalued sectors.



In contrast to China and Europe, the US stock market has experienced more turbulence. The S&P 500 entered correction territory, falling more than 10% from recent highs. A key driver of this downturn has been Trump's aggressive tariff policies, which will not only raise costs for businesses, but have also fuelled concerns about potential trade wars. Sectors with significant international exposure, such as Technology and Automotive, have been particularly affected due to fears of retaliatory tariffs from other nations.



Despite the turbulence of Q1, markets have shown resilience, with different sectors and regions stepping up after years of US exceptionalism. This diversification has been a welcome shift, demonstrating that opportunities exist beyond the usual market leaders in Q2 and beyond.



For a more detailed summary of the Q1 investment landscape, including insights from LGT's CIO Sanjay Rijhsinghani and other key team members, [click here](#).

# Q1 2025 performance

## Top performers

The **UK 100 Index** returned +5.65% over the first quarter. The FTSE 100's value bias proved supportive as investors pivoted from growth to value stocks amidst a renewed focus on valuations. The UK also benefitted from a rotation out of US stocks and an improved European economic outlook, following a renewed appetite for fiscal spending led by Germany.

**Lazard Global Equity Franchise** rose +4.06% over Q1. Lazard's value focus means it holds little exposure to US technology stocks, which suffered large declines over the quarter. Instead, Lazard holds large exposures to defensive sectors, such as Utilities and Healthcare, which performed well on a relative basis amidst rising uncertainty from Trump tariffs.

## Bottom performers

**T. Rowe Price US Smaller Companies** fell -11.03% over the first quarter, giving up the strong Q4 gains. US small caps have struggled this year as investors digested the impact of retaliatory tariffs. Furthermore, consumer and business surveys displayed a fall in confidence, adversely impacting small caps over large caps.

The **L&G Global technology Index** fell -16.98% over Q1 as US Tech stocks suffered large declines. The emergence of low-cost and more energy efficient AI tools from China caused investors to reevaluate their lofty earnings forecasts for these firms. This was exacerbated by policy uncertainty surrounding tariffs, detracting from stock markets, particularly risky US Tech stocks.

## Model portfolio performance as at 31 March 2025

| Model Portfolio  | 3 months | 6 months | 1 year | 3 years | 5 years |
|------------------|----------|----------|--------|---------|---------|
| Defensive        | 0.72     | 0.70     | 3.85   | 6.54    | 18.71   |
| Cautious         | -0.65    | -0.07    | 2.91   | 7.82    | 25.51   |
| Balanced         | -2.15    | -0.96    | 1.48   | 6.56    | 32.17   |
| Growth           | -3.52    | -1.53    | 0.81   | 7.45    | 38.87   |
| Adventurous      | -4.48    | -1.49    | 1.10   | 11.13   | 50.86   |
| Strategic Income | 0.32     | 0.89     | 5.32   | 12.70   | 42.10   |

Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested.



# Portfolio changes and rationale

## Moderate equity increase

Despite short term volatility, the medium to long term picture for global growth remains robust, and the decision was made to raise equity levels moderately. Though geopolitical tensions and uncertainty are high, key macroeconomic indicators are still supportive, with inflation continuing to fall across the majority of developed and developing economies, a factor that has previously hindered business and consumer confidence.

## Tilt toward Europe

Given the rotation away from US equities and the relative market strength of European and UK assets, a higher allocation has been granted to European equities, with a focus on funds that invest in stocks that have been boosted by the more positive market sentiment that can now be seen across the region. Generally, this was implemented through allocating further to global funds already held with higher active weightings to European assets. Moreover, this also helps boost diversification across the models, balancing out the natural bias to US equities.

## Broadening Asia exposure

We increased the position size of the **Vanguard EM Index** for a more diversified Asia allocation, increasing China exposure while avoiding a concentrated position. The move from the **L&G Pacific Index** into the **Vanguard EM Index** ensures a more balanced Asia allocation while maintaining meaningful Japanese exposure.

## Further material

### Making sense of Q1 2025: Quarterly roundup video

Watch LGT's Lead Portfolio Managers recap the first quarter of 2025 in this exclusive roundup.

 [Click here to watch](#)





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We strive to ensure that we never take advisers and their clients for granted and always remember that we must continuously earn the right to look after our clients' wealth”.

Henry Wilson  
Partner, MPS Team Head  
LGT Wealth Management

# Glossary of terms

|                                    |  |
|------------------------------------|--|
| Bear Market                        | A market condition where stock prices drop significantly   |
| Bonds                              | Bonds are debt securities issued by governments and corporations to raise money. Similar to an IOU, the investor lends money with the agreement that it will be paid back by a specific date, and they will receive periodic interest payments along the way. Bonds come under the umbrella of <b>'fixed income'</b> investments.  |
| Credit spreads                     | The difference in yield between two bonds of similar maturity but different credit quality.  |
| Defensive                          | Defensive positions prioritise preserving capital over growth. It is important to hold such positions in periods of market turbulence.   |
| Diversification                    | Spreading your money across different types of investments, such as equities, bonds, and property, instead of putting all your money in just one type of investment. By doing this, you can reduce the overall risk of your investment portfolio.  |
| Duration                           | The sensitivity of the price of a bond to changes in interest rates. A bond with a longer duration will typically be more sensitive to changes in interest rates than a bond with a shorter duration.  |
| Fixed Income                       | Investments that provide regular, set interest payments, such as bonds or treasury bills, and return the principal at maturity.  |
| Growth vs Value                    | Most stocks are classified as either value stocks or growth stocks. Generally speaking, a value stock trades for a cheaper price than its financial performance and fundamentals suggest it's worth. A growth stock is a company which comes at a higher price however, its profits are expected to grow significantly in the coming years as the company develops – this is typical for technology firms. |
| High Yield Bonds                   | High yield bonds pay investors a higher level of interest due to a great risk the borrower may default.  |
| Index                              | A fund that aims to track the performance of a market index.   |
| Magnificent Seven                  | A group of high-performing technology companies considered industry leaders, including Apple, Amazon, Alphabet, Microsoft, Meta, Tesla, and Nvidia.  |
| Market Capitalisation (Market Cap) | Market 'cap' is the market value of a company based on its current share price and total number of shares. Ultra-large cap companies have the largest market capitalisation. The largest companies by market cap are currently Apple, Microsoft, Alphabet (Google), Amazon, Nvidia and Meta (Facebook).  |
| Mega-cap                           | Ultra-large cap companies with the highest market capitalization.  |
| Quality-value                      | An investment style focusing on quality and value stocks, avoiding sectors like Technology.  |
| Rally                              | A market rally is a sustained increase in stock prices driven by positive investor sentiment and economic conditions.  |
| Sentiment                          | Market sentiment is the overarching attitude or outlook of investors towards a particular security, sector of the market or economy as a whole.  |
| Soft vs. Hard Landing              | A soft landing refers to a gradual economic slowdown or adjustment, usually avoiding a recession, while a hard landing is a sudden and severe economic downturn often leading to a recession.  |
| Value-Trap                         | An investment selling at depressed prices due to intrinsic issues  |
| Volatility                         | The degree of fluctuation in a security's price or a market's performance over time. A highly volatile share experiences larger price changes compared to more stable investments, indicating higher risk.   |
| Yen Carry Trade                    | The Yen carry trade is a financial strategy where investors borrow funds in Japanese yen, which typically has low-interest rates, and invest in higher-yielding assets in other currencies.  |
| Yield                              | The income you receive on an investment, such as dividends from shares or interest from bonds.   |
| Yield Curve                        | A visual depiction of how the yields of bonds vary at different maturities. It shows how much you'd earn. if you invested your money for a short time, e.g. 6 months, versus if you invested it for a longer time, e.g. 10 years.  |



Josef Hofer, detail from "View from Lake Gosau to the Dachstein," 1835  
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