

Royal London

Investment update

Quarter 1 2025



Market update

YEAR	2022	2023	2024	YTD
1	Commodities 30.7%	Global Stocks 16.0%	Global Stocks 20.2%	Commodities 5.6%
2	Cash 1.4%	Global HY 11.9%	Mixed Asset 10.0%	UK Stocks 4.5%
3	UK Stocks 0.3%	Corp Bonds 8.6%	UK Stocks 9.5%	Global HY 1.3%
4	Mixed Asset -6.9%	UK Stocks 7.9%	Global HY 8.9%	Cash 1.1%
5	Global Stocks -7.8%	Mixed Asset 7.6%	Commodities 7.3%	Corp Bonds 0.7%
6	Property -8.8%	Cash 4.7%	Cash 5.2%	Property 0.6%
7	Global HY -12.6%	Gilts 3.7%	Corp Bonds 1.7%	Gilts 0.6%
8	Corp Bonds -17.7%	IL Gilts 0.9%	Property 1.6%	IL Gilts -1.4%
9	Gilts -23.8%	Property -0.7%	Gilts -3.3%	Mixed Asset -2.0%
10	IL Gilts -33.6%	Commodities -13.1%	IL Gilts -8.3%	Global Stocks -4.3%

Source: Lipper, Royal London, as at 31 March 2025.

Past performance isn't a guide to the future. Prices can go down as well as up. Investment returns may fluctuate and aren't guaranteed, you/clients could get back less than the amount paid in.

Mixed Asset return = Governed Portfolio Growth. Governed Portfolio returns are net of 1% Annual Management Charge.

All indices are total return in £ Sterling except Commodities which is in US dollars. Global Stocks are ex UK.

Following two consecutive years of double-digit returns, global equities posted a much weaker start to the year. Volatility surged over the quarter as investors turned their attention from President Trump's promised tax cuts and deregulation to tariffs, DOGE layoffs and deportation. With megacap stocks entering the year at lofty valuations, worries of a new Artificial Intelligence (AI) model from DeepSeek, that is far cheaper than the US alternatives, saw the S&P 500 index witness its eleventh quickest correction since 1928. Meanwhile, European shares put in stellar performance on the back of a larger than expected fiscal package, including a debt break reform and a €500bn infrastructure fund to rearm Europe.

This underperformance of US stocks versus rest of the world was the most in any quarter since 2009 .

One asset which has benefitted significantly from the currently elevated global uncertainty is gold. The asset class has been a strong performer in commodity markets, both last year and so far in 2025. Central bank demand for physical metal has been very strong over recent years and consumers have stepped up as well more recently. Gold has historically acted as a good hedge in equity drawdowns, as we are seeing now, and expectations of largescale US tariffs have led to additional upside pressure ahead of the April 2 deadline.

Asset Class Breakdown

Global equities underperformed other asset classes amid heightened volatility as Trump's first couple of months in office sent policy uncertainty soaring. North American stocks struggled, and the Magnificent 7 index entered bear market territory as valuations were questioned on China's DeepSeek and growth fears. European stocks rallied on hopes of positive developments around fiscal spending. UK markets

ECB and BoE cut interest rates, while Fed stayed put and BoJ continued to move in another direction, this meant in Q1, UK was up 4.5%, and Europe positive 6.3%. UK property was up 1.3% for the Quarter. US yields fell as forward-looking data started to roll over. German 10-year saw the largest weekly rise since the 1990 reunification period on fiscal news.

Commodities were up 5.6% and outperformed other major asset classes amid tariff uncertainty; precious metals were especially strong as gold recorded its best quarter since 1986.

European currencies outperformed amid historical fiscal stimulus while US dollar depreciated on weaker than expected activity data. The yen was

supported by BoJ policy direction and risk-off mood in markets.

The Governed Portfolios' diversified approach, which includes a mix of equities, bonds, commodities, and other asset classes, helped mitigate some of the risks associated with market volatility. The portfolios' active management and tactical allocation adjustments allowed them to respond effectively to changing market conditions. For instance, the portfolios' exposure to commercial property, which tends to be an inflation hedge, provided additional resilience. The portfolios also benefited from their allocation to global high yield bonds and government bonds, which offered stability amid market fluctuations.

Overall, the performance of the Governed Portfolios in Q1 2025 demonstrated the importance of diversification and active management in navigating complex market environments. By strategically adjusting their asset allocations and leveraging a broad range of asset classes, the portfolios were able to deliver resilient performance despite the challenges faced by the broader stock markets.



Governed Range portfolio positioning as at 1st April 2025

On a tactical level in Q1, we trimmed our equity overweight position closer to neutral, with a preference towards Europe and away from the US. Our Investment Clock had moved into Overheat, which historically has seen commodities outperform bonds. While US hard data remained resilient, forward-looking indicators flashed warning signs, with business and consumer confidence being challenged by policy uncertainty.

Market outlook

The RLAM Outlook 2025 report provides a comprehensive analysis of the UK investment landscape for the upcoming year. It highlights key economic indicators, market trends, and investment opportunities across various asset classes. The report emphasizes the importance of responsible investment and stewardship, with a focus on environmental, social, and governance (ESG) factors. It also discusses the potential impact of geopolitical events, regulatory changes, and technological advancements on the UK market.

Please see the link in the 'Additional Materials' section for more details.



Governed Range strategy

We consider the following aspects to help the Governed Range position us for the future:

Strategic Asset Allocation (SAA) & Tactical Asset

Allocation (TAA): The SAA of the Governed Range is monitored on a quarterly basis and reviewed annually. This aims to ensure the portfolios remain appropriate for the long-term objectives of maximising returns after inflation, for a given risk level. We recently increased portfolio diversification via the SAA process.

We aim to add value through TAA irrespective of the market direction by utilising the Investment Clock, and other investment models, to make tweaks to our multi asset and regional equity allocations.

Diversification: The portfolios have exposure to Emerging Market and Global Equities as well as holdings in asset classes such as Commodities which are a useful hedge against inflation.

Active Management: It's crucial to design portfolios that match individual risk attitudes. Younger investors can take greater risks for higher returns, as their future pension contributions are yet to be invested, while older investors tend to be more risk-averse. Therefore, different portfolios are built to suit varying risk levels.

We think it's very important to be an active investor and we would actually argue there's no such thing as a passive multi-asset fund. The choice of asset classes to include in the first place is an active choice. You should be adjusting the asset mix, as the investing environment changes, both in terms of the valuation, which gives you a view of longer term returns, but also shorter term developments, and, for example, the business cycle.

Investing for the long-term in the UK: Investors in the Governed Range will typically be pension customers retiring into a UK economy so it makes sense to have long term outcomes relative to UK pension savers and UK inflation.

Our approach

We believe that a well-diversified portfolio is the most effective way of maximising risk-adjusted return and mitigate uncertainty over both the short and longer term. Our multi-asset portfolios are designed to optimise performance and better withstand shocks, manage volatility and downside risk. A typical pensions customer will be invested for years, if not decades and, as such, we position the portfolios to maximise performance over the long-term.

Additional Material

[Governed Range Factsheets](#)

[RLAM Fund Commentaries and Quarterly Reports](#)

[Investment Clock Updates](#)

[Latest Investment Performance](#)

[RLAM Outlook 2025](#)



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