

For advisers to share with their clients

With Profits Growth Fund

Q1 2025 Review

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Market Review and Outlook

US politics, has, undeniably, dominated investment markets in the first quarter of the year, as global investors scramble to keep up with the speed of news coming out of the White House, and the impact this is having on global governments and economies.

Following President Trump's inauguration in January, the world is now digesting a second helping of a 'Trump-style' presidency. However, unlike his first term in office (2017 to 2021), this time, the President holds more of the cards with full control of the US government. Within a few days of his new presidency, he began signing dozens of executive orders and has continued with his plan to implement those 'infamous' trade tariffs on countries worldwide (not just the US's closest trading partners) and including the European Union.

We have said numerous times in our updates, that investment markets hate uncertainty more than anything, and this has never been more apparent than right now. In this 'new world' of heightened 'US protectionism', in just three short months, America has become less of an ally for developed nations –as it looks to remove the 'perceived' reliance on the US by the European Union. This was evident in January, when President Trump urged Nato's European members to spend 5% of their GDP on defence. In addition, the British Government also announced in

February it would be increasing its defence spending. Both of which pushed up the valuations of defence stocks - which was beneficial for those of our funds invested in companies in this sector, such as BAE Systems.


The implications of President Trump's changes in policy doesn't mean that the US stock market has gone unscathed - quite the opposite. In early March, US stocks lost \$4 trillion in value, as investors worried about an economic downturn following the President's indecisions over trade tariffs for the country's major trading partners (such as Canada, Mexico and China). This all made for a weaker US stock market - with both European and UK investment markets fairing much better than their US counterparts. This is the opposite of last year where US markets had strongly outperformed, and our Fund Managers felt they had simply become too expensive.

It is that 'lesser reliance' on the US (mentioned earlier) that may just spur the European Union to invest in its own economy more so in the future. If anything, it has promoted a feeling of more solidarity amongst European member states (and the UK). Certainly, our exposure to European companies has been helpful in the first quarter, along with retaining many of our UK holdings. We've reported previously we were underweight in US technology stocks as we'd cautioned that valuations were

too high. The recent softening of the US market is a stark warning that things can change quickly when investment markets get rattled.

We continue buying more fixed income investments for our funds (corporate bonds and government bonds) as we remain optimistic that these markets can return to producing positive returns in the years ahead, as interest rates eventually come down. Whilst some of our funds have done better than their benchmarks, overall returns for the quarter have been disappointing, following the market falls in March - which is not exclusive to Wesleyan.

Until investors get further clarity on trade tariffs and what it means for individual countries, the markets will be unable to predict how this will affect global growth and in turn, global inflation. So, we can expect a lot more volatility going forward, but this can also bring opportunities for long-term investors such as ourselves.



Please note that past performance is not a reliable guide to future performance and the value of your investment, and any income can go down as well as up, so you could get back less than you invested.

If you have any queries or would like more detail about Wesleyan's With Profits Growth Fund please speak to your adviser.

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