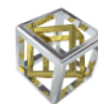




3D Financial Planning
Independent Financial Advisors

Newsletter
March 2025





Market Update

In February, global markets exhibited varied performance across key asset classes due to economic uncertainty, geopolitical developments, and shifting investor sentiment. US equities faced declines driven by weak economic indicators and escalating trade tariff concerns, while Eurozone and UK equities recorded gains, particularly supported by the financial sector. Emerging markets, notably China, benefited from optimism surrounding advancements in Artificial Intelligence (AI), outperforming global benchmarks. Bonds were positively impacted as investors sought safer assets amid uncertainty, although commodities faced broad declines.

US Equities

US equities declined in February, primarily due to soft economic data and heightened trade tariff anxieties. Consumer discretionary and communication services sectors were notably weak, whereas consumer staples managed modest gains. Tech stock earnings disappointed, and personal consumption expenditures slowed, intensifying market uncertainty. President Trump's threats of new tariffs further unsettled markets, while the Federal Reserve maintained interest rates unchanged, awaiting clearer signs on inflation.

Eurozone Equities

Eurozone equities advanced, driven predominantly by strong performance in the financial sector, particularly banks, along with gains in communication services and defence stocks. Conversely, information technology and healthcare sectors lagged. Investor optimism rose with expectations of a potential ceasefire between Russia and Ukraine. Additionally, Germany's CDU emerged as the largest party in recent elections, bringing political clarity despite ongoing US-Europe tensions.

UK Equities

UK equities rose in February, supported by robust performances from financial, healthcare, and industrial sectors. Large banks and major pharmaceutical firms significantly boosted the FTSE 100, while smaller companies underperformed amidst economic concerns. Inflation rose to 3% earlier this year, prompting the Bank of England to reduce interest rates by 0.25%. Prime Minister Keir Starmer announced increased defence spending, prompting concerns over potential tax rises. Nonetheless, the UK avoided new US tariffs, strengthening the pound and improving prospects for EU relations.

Emerging Market Equities

Emerging market equities delivered strong returns in February, outperforming global indices due largely to China's continued investor enthusiasm over its competitive edge in AI technologies. China's government provided additional economic stimulus, further bolstering market confidence. Markets in Hong Kong and the Philippines also recorded notable gains, whereas equities in India and Taiwan declined due to economic slowdown fears and trade tensions.



Government Bonds

Global bond markets strengthened in February as investors sought safer assets amid increased economic and geopolitical uncertainties. US Treasuries experienced high demand, driving yields lower amid weak economic indicators. European bonds also performed positively, supported by stability following German elections and hopes for improved EU-US diplomatic relations. Asia-Pacific bond yields rose slightly, influenced by robust growth in Japan and interest rate reductions in Australia and New Zealand.

Commodities

Commodities broadly declined in February, with significant downturns in livestock and agricultural sectors. Cocoa, wheat, corn, soybeans, and cotton faced price pressures, while sugar and coffee prices improved. Energy markets saw natural gas prices surge significantly, although industrial metals, particularly copper and lead, posted gains. Precious metals displayed mixed performance, with silver declining and gold achieving modest increases.

Source: Schroder Investment Solutions – Monthly Update March 2025

“The World is Changing Before Our Eyes”: The Spring Statement and Trump Tariffs

In her Spring Statement delivered on 26th March 2025, Chancellor Rachel Reeves remarked that "the world is changing before our eyes," and within hours, events confirmed it yet again. This phrase has become familiar at Westminster, highlighting the shifting economic priorities outlined by Rachel Reeves in her recent Spring Statement.

Much of this uncertainty stems from developments in the United States. With Donald Trump returning to the White House, predicting future trade policies has become increasingly challenging. Most recently, President Trump announced a 25% tariff on all imported cars, a decision with implications for the UK, whose second-largest car export market is the US, behind only the EU.

Firstly, let's look at what was covered in the Spring Statement.



Spring Statement Insights

Fortunately, the Chancellor's most recent address to parliament included no major immediate changes likely impact your personal finances. However, several important updates were announced, aimed primarily at future reforms and administrative enhancements.

Here's what you need to know:

Individual Savings Accounts (ISAs)

- There were concerns around potential cuts to ISA allowances, but reassuringly, no immediate changes have been announced. The Chancellor confirmed that the government is reviewing ISA reforms to better balance cash and equity investments, potentially enhancing long-term savings outcomes. We'll continue to monitor developments closely.

Taxation and Compliance

- HMRC is intensifying efforts to improve tax collection. Additional compliance and debt collection staff will be employed, with late payment penalties increasing notably from April 2025. These measures aim to raise approximately £810 million by 2029/30.
- The Making Tax Digital (MTD) threshold will drop to £20,000 from April 2028, extending its scope and raising an estimated £120 million by 2029/30.
- High Income Child Benefit Charge payments will simplify from summer 2025, allowing payments through PAYE, reducing the need for self-assessment returns.

Welfare and Benefits

- Eligibility criteria for Personal Independence Payments (PIP) will tighten from November 2026, generating over £4.5 billion in savings by 2029/30.
- Planned changes to the Work Capability Assessment have been cancelled, although assessments will resume from April 2026.
- Universal Credit's Health Element will be frozen from 2026/27, saving £3 billion by 2029/30, but the Standard Allowance will increase above inflation (CPI +5%) by April 2029, at a cost of around £1.9 billion.
- Efforts to reduce welfare fraud and error will be expanded, saving approximately £240 million by 2029/30.

Economic Overview

- GDP growth forecasts have been revised downwards to 1.0% in 2025, with slightly higher inflation expected at 3.2%. Interest rates are anticipated to remain elevated longer.
- The Chancellor maintained some budget flexibility, avoiding significant immediate tax increases despite challenging conditions. However, risks of future tax rises persist, particularly given the ongoing tariff disputes globally.

Government Spending and Investment

- Although the Chancellor aims to reduce annual government spending growth slightly, additional strategic investments were announced:



- An extra £13 billion allocated towards infrastructure, housing, and defence innovation.
- Creation of a £3.25 billion Transformation Fund supporting public service reforms, including new technology for probation, improvements in fostering, and government employee exit schemes.

Trump's Tariffs: Weathering the Trade War

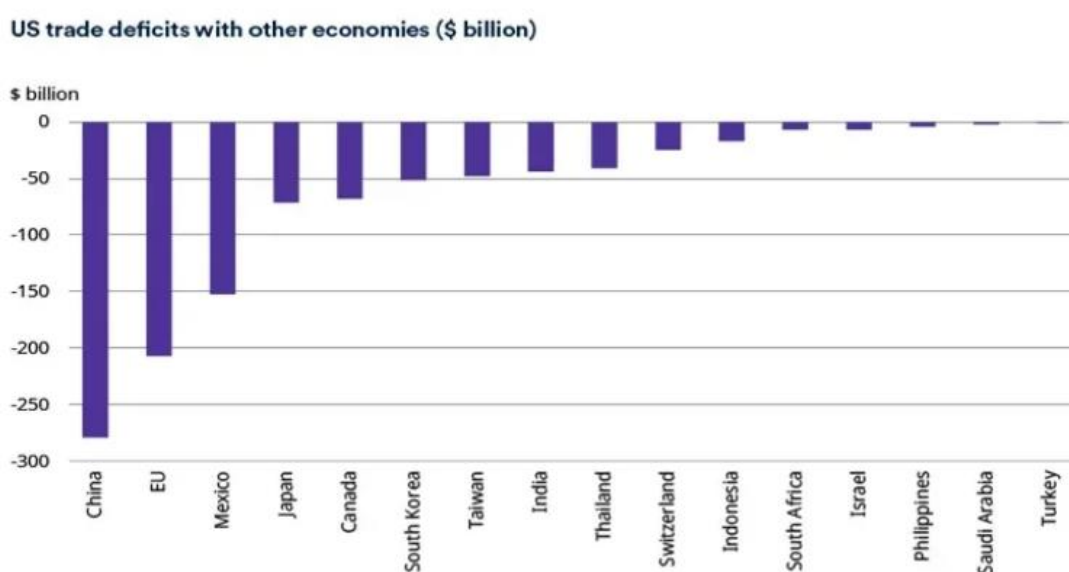
Global investors are adjusting to a new economic landscape following President Trump's return to the White House, where trade policy has once again become a priority. Tariffs are central to this new approach, with significant changes already announced.

As well as the recent announcement regarding tariffs on car imports into the US, President Trump has already introduced several tariffs, including:

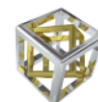
- A 25% tariff on imports from Mexico and Canada (now delayed by one month).
- An additional 10% tariff on Chinese imports, on top of an existing 25% tariff on certain goods.
- A 25% tariff on all aluminium and steel imports.
- Plans for reciprocal tariffs matching those imposed by other countries on US goods.

Which countries are most at risk?

President Trump's policies aim to protect US industries and jobs, focusing heavily on correcting trade imbalances. Countries with substantial trade deficits with the US—like China, the EU, and Mexico—face the greatest likelihood of further tariff actions. Several Asian economies may also come under scrutiny.



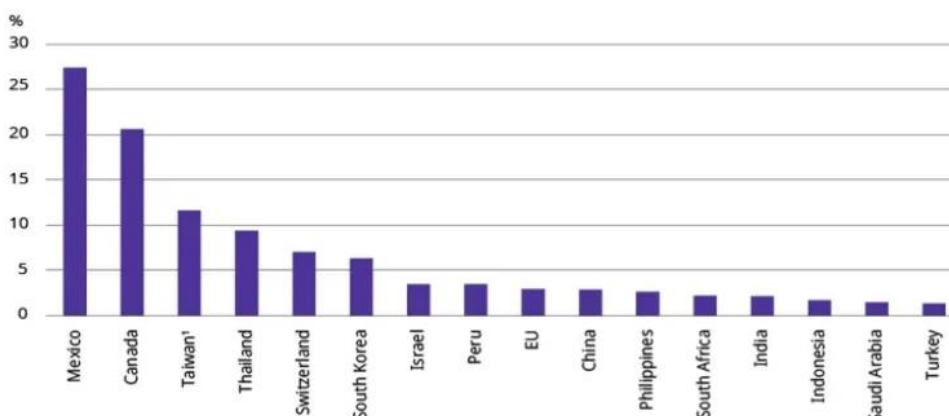
Source: LSEG Datastream, IMF DoTS, Schroders Strategic Research Unit, as at 31 January 2025. Note: data is for calendar year 2023. 614719



How impactful are tariffs economically?

For countries exporting significantly to the US, tariffs pose considerable economic risks. Mexico and Canada are notably vulnerable, given the substantial proportion of their GDP linked to US exports. Asian economies, including Taiwan and Thailand, also face considerable exposure.

Exports to the US as a share of GDP (2023)

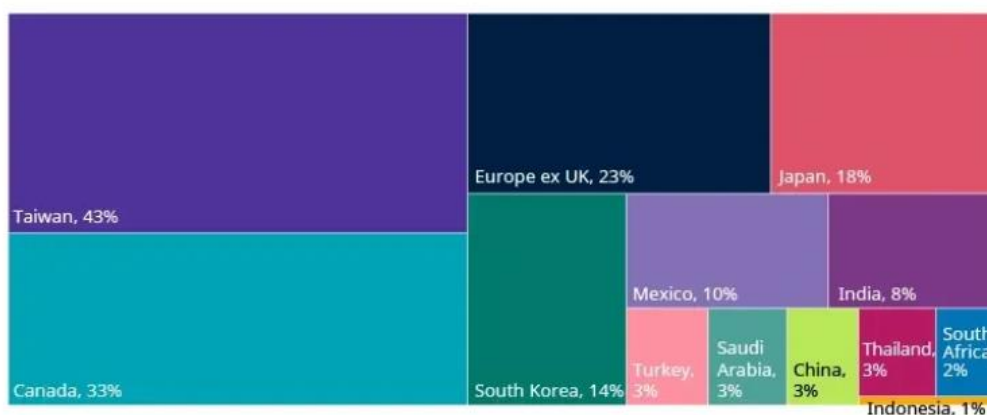


Source: LSEG Datastream, IMF, Schroders Strategic Research Unit, as at 31 January 2025. Economies shown are those with which the US has a trade deficit.
*Taiwan exports data based on US imports data from Taiwan as % Taiwanese GDP. 614719

Equity market exposure

Investors will need to consider how tariffs affect equity markets in impacted regions. Taiwan stands out, with 43% of its market revenues derived from the US, primarily from microchip exports—a strategic sector. Markets like Canada and Europe (excluding the UK) also face significant exposure. Interestingly, Mexico, despite high economic exposure, has relatively less direct equity market risk, while China has low direct exposure but potential indirect risks through global supply chains.

MSCI index exposure: equity market revenues from US



Source: FactSet, MSCI, Schroders Strategic Research Unit and Investor Insights Unit, as at 31 January 2025.
Only markets with a US trade deficit and available underlying data shown. Note that the largest stock in the MSCI Taiwan has an index weight of 55% as at 31 January 2025. 614719



Global market implications

The US market dominates global equities, comprising 66% of the MSCI All Country World Index. Economies facing significant tariff threats represent around 27% of this index, underscoring their relevance for global investors. Key markets include the EU, Japan, and Canada, with China and Taiwan also significant.

What does this mean for investors?

The current round of tariffs has been less severe than initially feared, and global markets have reacted positively thus far. However, risks remain:

- Further tariffs or retaliatory actions could increase volatility.
- Disrupted supply chains could negatively impact company performance globally.
- Currency fluctuations, particularly US dollar strength, could further influence investor returns and multinational company revenues.

Navigating this environment requires careful consideration of economic exposure, market impact, and individual company resilience to tariffs and related trade disruptions.

Looking Ahead

We are currently in a period of elevated uncertainty, where predicting exact outcomes is challenging. Fund managers expect trade-related uncertainties, especially involving the US, to persist but do not believe this volatility will last indefinitely.

It's important to consider potential secondary effects such as shifts in domestic policy and new geopolitical alignments. Many investment managers are adopting a more defensive stance, prioritising companies with strong competitive advantages and lower vulnerability to trade disruptions.

While the worst-case scenario involving prolonged trade conflicts remains possible, many experts believe that mutual benefits will ultimately guide negotiations towards more stable outcomes.

However, short-term market volatility should be anticipated.

As always—and without wanting to sound like a broken record—this environment reinforces the importance of maintaining diversified portfolios. Geographic and asset diversification remains your best defence against market uncertainty, helping to manage risk effectively while still allowing for strategic opportunities.

We'll continue to closely monitor developments and keep you informed, ensuring your financial strategy remains resilient amidst changing global dynamics.



Tax Year-End – Thank You

Lastly, as the tax year-end deadlines have now passed, we would like to thank you for your cooperation and understanding during this busy period. We appreciate your timely actions and communication, which helped us manage transactions smoothly and effectively.

If you have an ongoing request, we will endeavour to ensure this is completed by 5th April.

Important Information: 3D Financial are not responsible for the accuracy of any information recorded on the websites referenced in this newsletter. This does not constitute advice. Professional advice should be taken prior to acting on any part of it.