



crestone.

Illuminating private debt: A fast-growing alternative asset class

Core Offerings

Our latest view of markets and insights
into our latest strategic and tactical
asset allocation positions

May 2025



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Illuminating private debt: A fast-growing alternative asset class

AN UPDATE FROM LGT CRESTONE'S CHIEF INVESTMENT OFFICER



Scott Haslem
Chief Investment Officer



Martin Randall
Head of Private Markets

"Private debt is the extension of credit by non-bank financial lenders. It is defined by who is performing the lending, rather than the kind of lending being done."

KKR, 2025

When assessing historical returns of closed-end funds, private credit has outperformed publicly traded syndicated loans in every vintage year from 2000 to 2023.

Private debt has rapidly gained prominence in investor portfolios over the past 10 years. Yet it is not a new or untested asset class in the global arena. In recent times, it has garnered significantly more attention within both institutional and private client investment circles. And it's not hard to see why—the rapid increase in interest rates in 2022, combined with slower public market debt issuance through 2023, saw total yields increase to highly attractive levels, often double digits depending on the risk profile and use of leverage.

With such attention (and returns) comes heightened scrutiny on the asset class, alongside broader private markets as seen with [ASIC's recent discussion paper Australia's Evolving Capital Markets: A Discussion Paper on the Dynamics Between Public and Private Markets](#). Such a discussion can be healthy of course but can also confuse what we believe is a sound, long-term investment thesis when used in an institutional manner—as a result, we continue to build private debt into investor portfolios. In this month's *Core Offerings*, we explore the value of private debt, discussing its breadth and some of its associated risks.

What is private debt?

Alternative asset specialist KKR recently stated that "private debt is, in the simplest of terms, the extension of credit by non-bank financial lenders. It is defined by who is performing the lending, rather than the kind of lending being done". Private debt is a broad market, it reaches the same markets as public and commercial markets.

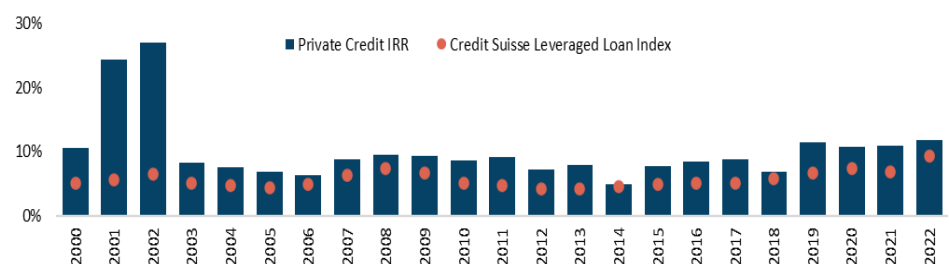
There is far more than just the evaluation of returns when assessing private credit managers and dispersion of returns is typically much higher in private relative to public markets, stressing the importance of manager selection. We apply a rigorous screening process when it comes to selecting private debt managers, and we are currently introducing more global focussed strategies given their breadth and maturity relative to domestic players.

A key focus of ASIC's discussion paper was on private debt and highlights several due diligence factors, including valuations, where in Australia, private debt is generally not marked-to-market in a comparable way to global peers. We view ASIC's discussion as a positive evolution of Australia's private debt market, as we see any movement towards greater transparency and more robust valuation practices as beneficial to both retail and institutional investors.

How does private debt fit within our asset allocation?

From a Strategic Asset Allocation (SAA) perspective, we assess private debt (like any other asset class) through our proprietary risk factor lens. This framework, detailed in our June 2024 Observation, [Splitting the Investment Atom](#), gives us deep insight into the underlying risk and return drivers behind all investment markets and allows us to evaluate and compare the merits of any asset class relative to our entire investible universe. This lens illustrates that, at least from a top-down perspective, private debt's role in a multi-asset portfolio is to provide efficient exposure to credit risk, an illiquidity premium (that compensates an investor for owning an illiquid asset), and other idiosyncratic risk drivers (unique risk to an individual asset, bespoke deals, and greater management alignment).

Private credit investment returns have outperformed public loans in each vintage year

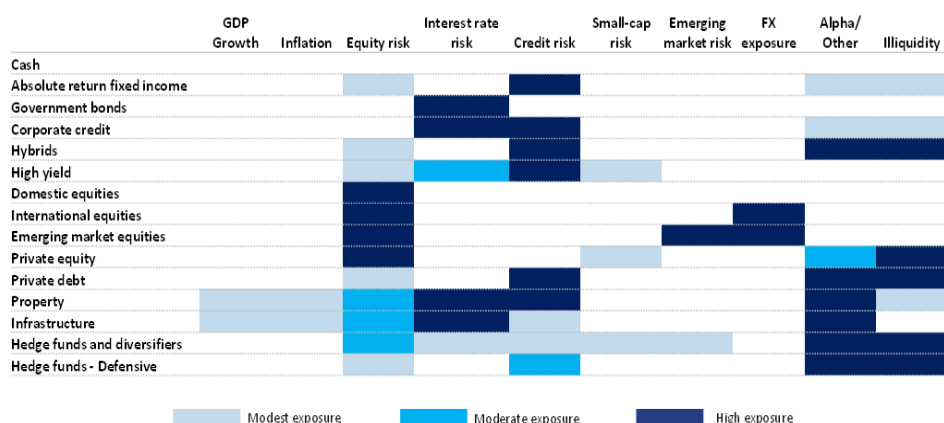


Source: Hamilton Lane Data via Cobalt, Bloomberg (January 2025)

This provides us with context for why private debt warrants consideration in investor portfolios. It also sheds some light on why historically, private debt has demonstrated the potential for attractive risk-adjusted returns, often exceeding those of public debt markets.

When assessing historical returns of closed-end funds, private credit has outperformed publicly traded syndicated loans in every vintage year from 2000 to 2023; this has equated to 0–3% per annum (10 years to September 2024). This outperformance stems partly from an illiquidity premium—compensation for holding assets which aren’t easily traded, along with a complexity premium often associated with structuring bespoke deals.

LGT Crestone multi-asset risk framework: understanding private debt’s risk and return



Source: LGT Crestone calculations and assumptions. Sensitivity estimates are indicative and for illustrative purposes, 2025.

Key insight: Private debts’ characteristics combined with its diversification benefits (from its breadth as an asset class) support our case for a dedicated allocation within portfolios.

Exploring the private debt universe, beyond commercial real estate lending

Given the level of attention and product proliferation afforded to ‘private debt’ in recent years, Australian investors could be forgiven for believing that private debt as an asset class is synonymous with domestic Commercial Real Estate (CRE) lending. The private debt universe however extends far beyond any single strategy or geography. The table below highlights the primary sub-sectors, the total market size of each, how banks and the public markets participate, and the numerous private strategies available to investors.

In building out our private debt allocations, the primary focus areas have been across the two largest sectors, namely corporate lending and asset-based finance. We invest in CRE, in addition to distressed debt and special situations globally. However, these exposures are typically a component of broader offerings versus dedicated strategies. We consider these sub-sectors to be more ‘satellite’ in nature and as such would allocate a smaller allocation within our clients’ portfolios.

Global private sector debt market – more than just commercial real estate

	Total market size	Banks	Public markets	Private debt strategies	Description
Corporate lending	\$25.7T (U.S. and Europe)	C&I bank loans	Leveraged loans Corporate bonds	Direct lending	Loans to middle market companies that generally sit in the senior portion of the capital structure
				Mezzanine	Directly originated debt that sits between senior debt and equity, including preferred equity
				Venture debt	Loans to early-stage companies
Asset-based lending/asset-backed finance	\$11.0T (Global)	Consumer lending, collateralized business lending	Asset-backed securities (ABS) market	Consumer/mortgage finance	Focused on consumer debt backed by assets such as mortgages and auto loans
				Hard asset finance	Financings structured around hard assets such as aircraft, homes and energy assets
				Commercial finance	Loans to small and midsize business secured by assets such as receivables or inventory
				Contractual cash flows	Investments backed by cash-flowing assets like royalties or intellectual property
CRE lending	\$7.8T (U.S. and Europe)	CRE banks loans	Commercial mortgage-backed securities (CMBS) market	Private CRE debt	Debt backed by commercial property such as apartments, industrial and retail buildings
Other strategies	\$639B (Global)			Distressed debt	Investments in companies that are in bankruptcy or otherwise unlikely to meet obligations
				Special situations	Strategy focused on atypical situations that could result in a security being undervalued

Sources: Preqin, Macrobond, Bloomberg Finance, L.P., KKR, Integer Advisors, as of December 31, 2023. Market sizes are for reference purposes only.

Private debt’s role in a multi-asset portfolio is to provide efficient exposure to credit risk, an illiquidity premium, and other idiosyncratic risk drivers.

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In building out our private debt allocations, the primary focus areas have been across the two largest sectors, namely corporate lending and asset-based finance.

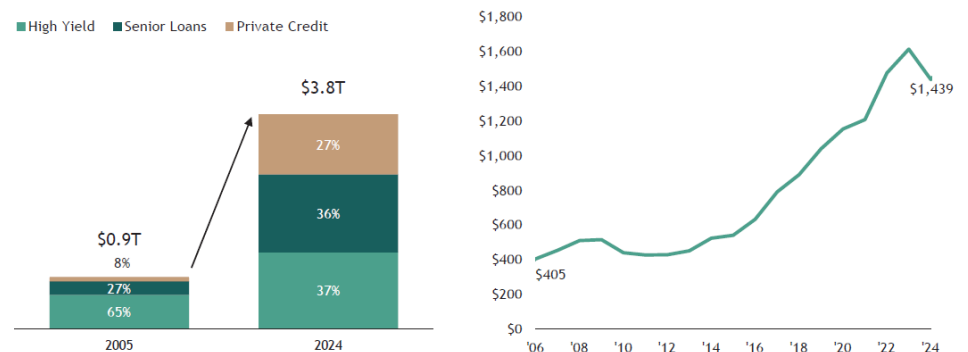
Corporate lending is the largest and most mature private credit sector globally. The key strategy is direct lending, involving loans made directly to companies to finance operations, growth, or acquisitions, either with a private equity sponsor or without.

Corporate lending within private debt

The corporate sector is the largest and most mature sector on a global basis. The key strategy is direct lending, involving (typically, floating rate) loans made directly to companies to finance operations, growth, or acquisitions, either with a private equity sponsor (eg loans to companies owned by a private equity firm) or without (non-sponsor-backed). The sector has not only grown significantly in absolute terms, but also on a relative basis as a segment of the total addressable sub-investment grade credit market as depicted in the bar chart below. With the level of private equity 'dry powder' at near record highs, further growth is anticipated with industry research suggesting that private credit could reach USD 2.6 trillion alone by 2029 (Preqin as at 18 September 2024).

Despite the competition and growth in the sector, risk-adjusted returns in direct lending remain attractive and we expect it to remain the dominant allocation in private debt portfolios.

Growth of US private credit (left) and private equity dry powder (right)



Sources: Left - Bloomberg ("High Yield") and LCD ("Senior Loans") as of December 31, 2024. Preqin ("Private Credit") as of June 30, 2024. Right - Preqin as of December 31, 2024. For illustrative purposes only. Represents private equity dry powder in North America only.

Asset-based finance is a critical tool for financing the day-to-day activities for millions of businesses and consumers globally and crosses a broad range of credit types from residential mortgages, credit cards and student loans, to planes, trains, automobiles, sports and entertainment royalties.

Asset-based finance in private debt

The asset-based finance (ABF) sector extends credit against diversified pools of hard or financial assets as opposed to lending to operating businesses. It is a critical tool for financing the day-to-day activities for millions of businesses and consumers globally and crosses a broad range of credit types from residential mortgages, credit cards and student loans, to planes, trains, automobiles, sports and entertainment royalties.

Making the case for ABF is its:

- ability to deliver excess returns above public asset-backed and corporate markets – targets absolute double digits returns
- exposure to highly diversified pools of underlying assets, across multiple sectors
- lower correlations to traditional corporate credit markets.

Key insight: private debt encompasses a sizeable investment universe including both traditional corporate lending and broader consumer sectors via asset-based finance. We build portfolios diversified across sectors and geographies to capture differentiated risks and returns without being over-exposed to one specific region or sub-sector.

Assessing risks alongside returns in private debt diversified portfolios

Private debt currently, can provide equity-like returns and lower volatility (owing to the lack of a daily mark to market pricing). It sounds attractive, but investors also need to consider the underlying risks inherent in private debt markets.

Seniority is not a guide to a company's credit quality

It's important to highlight that corporate direct lending globally translates largely to sub-investment grade credit (ie equivalent to public high yield bonds and syndicated loans of BB+ quality or below). While senior positioning in the capital structure gives lenders priority claims over assets, it does not mean that the underlying credit quality is investment-grade.

Defaults are bad, but recovery rates are a mitigant...

Defaults are a reality in all lending and is a normal part of the credit cycle. It is therefore a primary risk factor when investing in the asset class. In the last five years, corporates have

Investors need to consider the underlying risks inherent in private debt markets.

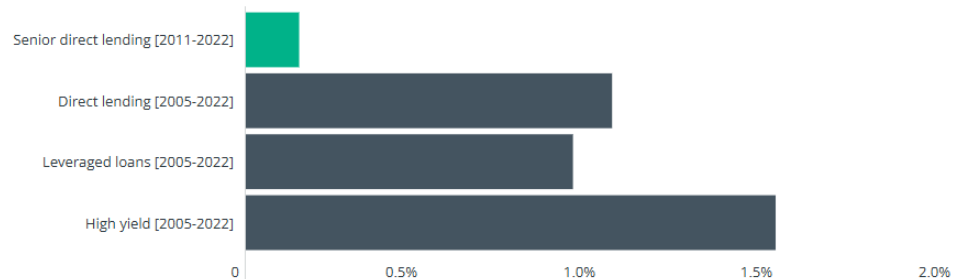
experienced the impacts of both COVID-19 and the rapid rise in interest rates through 2022. Both these events have heightened the level of defaults across public and private credit portfolios. Defaults often grab the headlines, but the general rhetoric often misses the impact of recovery rates which impact ultimate loss rates on loans and portfolios.

Recovery rates dictate the amount a lender can recuperate after a borrower defaults and are determined by numerous factors including the seniority of and type of security attached to the debt, the extent of the deteriorating financial health of the business, and industry, macroeconomic, and other factors. Of critical importance is the lender's credit underwriting and ability to work-out a challenging scenario with the company and the private equity sponsor—genuine experience and appropriate resourcing is imperative here.

...resulting in relatively low overall loss rates, on average

The chart below shows average annualised loss rates catering for both default and recovery rates, across direct lending and public markets. Such losses appear fairly benign. However, it is important to highlight that default, recovery and loss rates will vary from the average through the cycle (eg in more 'stressed' years like 2020 where year-end loss rates were higher). Similarly, a more extreme recessionary scenario ahead could see default rates pick up materially and recovery rates decline resulting in larger losses.

Historical loss rates – direct lending losses below public markets



Sources: Cliffwater, Morningstar LSTA LL Index, Bloomberg US High Yield Index and JPMorgan Markets as of September 2023.

Loan concentration and fund leverage are important considerations

With the influx of global private debt offerings coming to the market, one also needs to consider that fund-level leverage is often employed with many such offerings adding 0.5-1.0x leverage (ie \$150–200 exposure per \$100 invested). Clearly this increases risk as potential losses can be magnified, but conversely, it also increases returns which is how many funds have been able to deliver double digit yields post high fee loads.

When looking at domestic strategies, a far shallower market typically results in lower loan-level diversification exposing investors to greater idiosyncratic risks associated with individual positions. Single sector strategies (eg CRE) also focus capital on specific return and risk attributes associated with a given sector. That does not imply that local or sector specific strategies should not be used; it just means that sizing needs to be adjusted to cater for the heightened concentration to specific loans or sectors.

Key takeaways

- Private debt offers investors potential for enhanced returns, lower volatility, and diversification relative to public equivalents.
- We favour building core exposures to global corporate (principally sponsor-backed) direct lending and multi-sector asset-based finance. We believe these sectors bring greater diversification relative to many local-only strategies which are typically more concentrated across loans and/or specific sectors.
- Private debt is not without risk and is comparable to public, sub-investment grade high yield bonds and syndicated loans but is not marked to market daily. This factor can 'mask' its underlying credit risk, but we hold the view that recent media discussions overstate these risks.
- By tapping into private debt's breadth of both local and global, high-quality strategies, it can help build a diversified and constructive portfolio.

New global private debt offerings are often employing fund-level leverage.

What's driving our views

We began leaning into equities mid-month amid signs that US policy uncertainty may have peaked

The 'Liberation Day' tariffs announced in early April sparked extensive market volatility and a sizeable intra-month correction in risk assets. Amidst the market panic, we employed our constraints-based framework to develop a set of clear signposts to chart a course through the chaos. These disciplined signposts helped us identify a potential peak in US policy uncertainty as US President Trump ran into his key constraint—the bond market. We used this opportunity to further increase our overweight to equities via a special intra-month tactical tilt which has proved accretive amid ongoing moderation in the US' trade stance. We remain constructively positioned overall and are primed and ready to respond to emerging risks and opportunities.

Navigating policy uncertainty: Trump 2.0 heralds potential tailwinds for the US economy but also more political and geopolitical uncertainty. Investors will need sound frameworks and steady hands to navigate potential disruptions prudently.

Can central banks secure the soft landing? Benign inflation allowed central banks to cement a global rate cutting cycle in 2024. US policy uncertainty presents a key challenge in balancing downside risks to growth with perceived inflation fears.

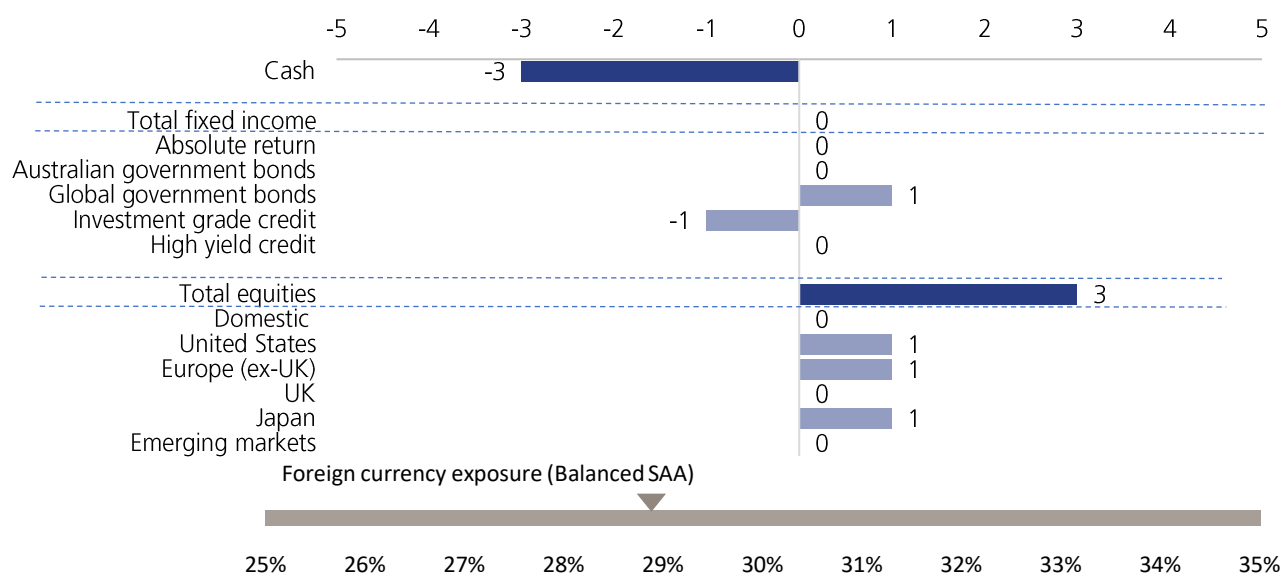
Discovering opportunities beneath the surface: The best opportunities will likely lie beneath the broad index level, rewarding more active 'hunter' versus passive 'gatherer' investors. This has proven particularly true so far this year.

Fortune favours the bold: 2025 is likely to favour investors who can digest and exploit the opportunities that come with market volatility. Prudent portfolio diversification and active management will be important tools in the astute investor's arsenal.

Structural themes

The reality of a multi-polar world will likely create more volatility, presenting growth and opportunities for investors.	Policy uncertainty, cost, energy security, and more extreme physical impacts complicate a challenging energy transition .	Artificial intelligence presents challenges and opportunities. Advances in pharmaceuticals are a constructive force for the long term.	Higher rates increase forward-looking returns across all asset classes, giving investors more options.
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Tactical asset allocations (% weights)



	What we like	What we don't like
Equities	<ul style="list-style-type: none"> Japanese equities with corporate reform tailwinds Actively managed small and mid-cap equities Broader (non-mega cap) S&P 500 exposure 	<ul style="list-style-type: none"> Passive or benchmark-aware strategies in concentrated markets Expensive defensives in Australia (eg CBA and WES)
Fixed income	<ul style="list-style-type: none"> Actively managed funds investing in higher quality credit Fixed/floating rate 4 to 7-year senior and tier 2 bank credit 	<ul style="list-style-type: none"> Longer-maturity bonds, which are vulnerable to rising inflation and term premia risk Lower quality credit vulnerable to higher cost of funds and economic disruptions
Alternatives	<ul style="list-style-type: none"> Multi-strategy hedge funds and other diversifying strategies Global venture capital secondaries Senior private debt, incl corporate, asset-based finance Global infrastructure across the risk spectrum, particularly playing to long-term structural themes 	<ul style="list-style-type: none"> Long-bias equity hedge fund strategies Construction and/or junior lending within real estate Carbon-intensive assets/ industries with no transition plan

Source: LGT Crestone Wealth Management. Units refer to the percentage point deviation from strategic asset allocations. Investment grade credit includes Australian listed hybrid securities. Foreign currency exposure is representative of the balanced strategic asset allocation.

Economic and asset class outlook

Economic outlook

Global economy



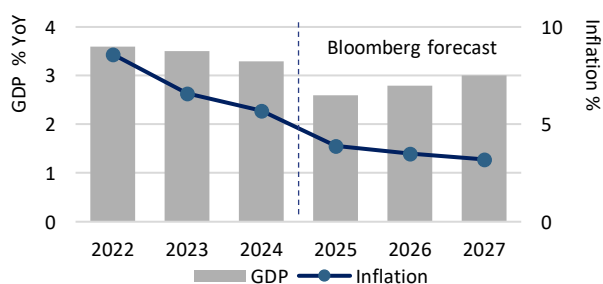
The Trump Administration's 'Liberation Day' announcements in early April, together with subsequent shifts, escalation and partial de-escalation of tariff rates globally, has materially deteriorated the outlook for the global economy over the year ahead. Despite the US's 'back down' on the most draconian tariffs as initially announced, the 'mostly' 10% tariffs now in place, and selected higher 25% tariffs across aluminium, steel, autos and auto parts, remain a significant headwind to global activity. There is now also the risk of a US recession unfolding over the next couple of quarters. The sharp uplift in trade protectionism—a return to at least the 1930s, on most estimates—will also likely promote a multi-year re-direction in supply chains and global trade if the US and China effectively proceed down a path to decoupling.

Over the past 30 years, the 'great disinflation' has unfolded as the neo-liberal rules-based global trading system has focused on efficiency and sourcing goods from their most productive source. Heightened trade restrictions are likely to support sub-optimal global growth and productivity, with fewer jobs and poorer real income growth over the decade ahead. In the other direction, extra capex associated with defence, the artificial intelligence (AI) revolution, climate change should support global growth.

While the outcome of trade negotiations between the US and its trading partners over the coming 90 days remains uncertain, recent data have begun to reflect the disruption associated with rapidly shifting policy announcements. Surveys of business conditions have generally softened in April, flagging weaker global growth ahead. While headline inflation measures are likely to pick-up (temporarily) over coming months, inflation data through to March continued to suggest global inflation pressures were easing ahead of the tariff imposts. The prospect of weaker growth globally has underpinned market pricing for a more rate cuts during 2025 than previously anticipated, though worries about inflation have led to higher bond yields.

After 3.3% in 2024, consensus has recently trimmed the global growth outlook to 2.8% in 2025 and 3.0% in 2026 (from 3.1% earlier this year), modestly below the long-term trend of about 3.5%. However, both UBS and Barclays Research have lowered their 2025 and 2026 global growth forecasts more meaningfully post Liberation Day to about 2.5% for both years.

Global GDP growth and inflation



Source: Bloomberg as of 30 April 2025.

Australia



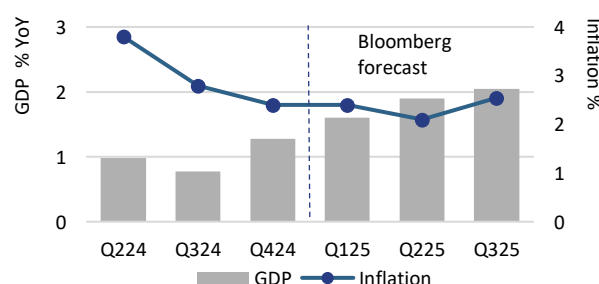
The Australian economy showed signs of recovery in late 2024, after weakening sharply mid last year to a well-below trend sub-1% pace. While the public sector continues to be the significant driver of growth, Q4 consumer spending revealed better momentum for the first time in many quarters. Falling inflation, mid-2024 fiscal easing and the lagged impact of significant wage gains over the past year are likely stabilising consumer activity. Lower interest rates from early 2025 should support consumer and housing activity further. Nonetheless, the outlook remains heavily conditioned by global events, tariff outcomes, China's efforts to further stimulate growth, and the extent of any global growth deceleration. The headwind of tariffs for Australia is likely to be less significant than for other countries. Australia's Federal election was called for May 3, with the ruling Labor party on track to be re-elected.

Growth rebounded in Q4, rising 0.6% and lifting the annual pace from 0.8% to 1.3%, its fastest in a year. Public demand continues to be the most significant driver, up 2.1% annually. However, while overall private demand remains weak (at 0.8% annually), Q4 saw a moderate recovery in consumer spending (to 0.7% from 0.3%). Early 2025 data have been mixed. Retail sales edged up only 0.2% in February after 0.3%, in line with a "still cautious consumer" according to CBA. Jobs rebounded by 32,000 in March after a sharp 58,000 drop. Despite the unemployment rate being little changed at 4.1% over the past year, the monthly trend has now clearly slowed below 20,000.

Inflation was unchanged in Q1 at 2.4%, near the middle of the target range. The key underlying 'trimmed' measure printed 0.7% for the quarter, lowering the annual rate to 2.9% from 3.2%, in line with the Reserve Bank of Australia's (RBA) 0.7% forecast. The RBA's latest commentary in their post-March meeting minutes took on a more 'dovish' tone, after its 'hawkish' cut in February. Specifically, the RBA removed the comment that "upside risks remain" to inflation. Rate cut expectations for 2025 have risen, with UBS moving from two to four cuts (to 3.10%), while CBA still expects three further cuts (to 3.35%), with both expecting a cut in May.

After growth of just 1.0% in 2024, CBA expects a pick-up to 2.1% in 2025. UBS has cut its outlook from 2.1% to 1.9% on the impact of the trade war on Australia's export growth.

Australian GDP growth and inflation



Source: Bloomberg as of 30 April 2025.

Economic outlook

United States



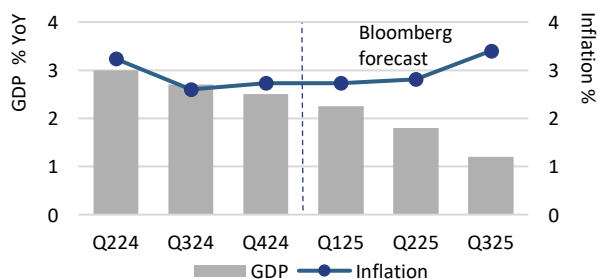
US growth slowed sharply in Q1, led by soft housing activity and a weaker consumer. The frequency of announcements and policy changes from the US Administration, and associated uncertainty, now also looks to be weighing heavily on business and consumer confidence in early Q2. Forecasts for US growth are being cut by analysts, with the risk of recession now viewed as significant. In the months ahead, uncertainty will likely impact negatively consumer spending and business capex decisions, at a time the US Federal Reserve (Fed) may have less scope to cut rates quickly as it takes time to assess the sharp rise in consumer inflation expectations. Positively, unemployment is still low, and consumer and corporate sector balance sheets remain healthy.

President Trump's trade agenda has led to unprecedented volatility in expected tariff rates over the past month. So-called 'Liberation Day' on April 4 unleashed sharply higher 'reciprocal' tariffs across more than 50 of the US's trading partners, including long-term strategic allies, like Europe, the UK and Australia. While almost all countries signalled no intent to retaliate before negotiations, despite an average US tariff rate of 25% (the highest since the 1930s), China's retaliation led to a tit-for-tat escalation that resulted in tariffs rising to around 145% on China's US exports and similar for US exports to China. For all except China, Trump subsequently announced a 90-day delay on tariffs above 10%. While still high, this 'pause' will extend until early July, allowing negotiations to proceed.

Growth appears to have been little more than 'flat' in Q1, well below the 2.7% average annualised pace in H2 2024. Late Q1 data was mixed. A strong 1.4% rebound in March retail sales mostly reflected the pull-forward in auto demand ahead of tariffs, despite ongoing weakness in consumer confidence, down 32% year to date. April's composite purchasing managers' index (PMI) eased to 51.2 from 53.5, its lowest level in 16 months, led lower by weaker services activity.

Inflation in March showed renewed cooling ahead of the likely (temporary) tariff-induced uplift in April and May. Fed Chair Powell signalled a willingness to wait and assess data (despite calls from Trump to cut rates "now"), albeit tariffs were seen as transitory not inflationary. After strong growth of 2.8% in 2024, UBS has sharply cut its 2025 forecasts from 2.0% to 1.5%, with 2026 sliced even further to 0.8% (was 1.8%).

US GDP growth and inflation



Source: Bloomberg as of 30 April 2025.

Europe



While recent data continue to paint a picture of weak growth, Europe's outlook has become noticeably more positive on the back of a new sizable fiscal package, as well as rising hopes for a more activist approach to supporting future growth. Easing inflation pressures are also supporting a more rapid reduction in interest rates in H1 2025. While the US's initial 'reciprocal' tariffs were higher than expected at 20%, the 90-day reprieve at 10% (helped by Europe's stated intention to negotiate not retaliate) has seemingly turned Europe's attention to engaging around non-US trade deals. While a potential ceasefire in Ukraine has somewhat faded from view, the likelihood of future construction stimulus remains, as does the nearer-term benefit for Europe of lower energy prices globally, on the back of a weaker global energy demand outlook.

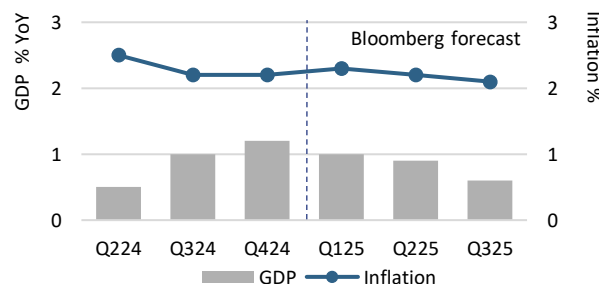
In Germany, the Christian Democratic Union, Christian Social Union and Social Democratic parties have concluded talks to form a government, easing uncertainty. Their 'Treaty' includes new spending on defense and a euro 500 billion special fund for infrastructure focused on railways, hospitals, schools and bridges, as well as reforms targeting higher minimum wages.

Growth stagnated (at 0.0%) in Q4, after Q3's 0.4% positive surprise, edging annual growth higher to 1.2% from 1.0%. Negative growth was recorded in Germany (-0.2%) and France (-0.1%) with stronger growth across Spain (0.8%) and Italy (0.1%). Q1 activity has been mixed. Retail sales rose 0.3% in February (its first gain in four months). April's PMI fell from 50.9 to 50.1 as recent tariff uncertainty began to weigh. Despite a tight jobs market, wages growth is slowing.

Inflation eased further in March to 2.2% from 2.4%, while core inflation cooled more than expected (2.4% from 2.6%), led by lower services inflation. The European Central Bank (ECB) cut the policy rate in April by 0.25% to 2.25% (its seventh cut this cycle). While the ECB reiterated its data dependent view, President Lagarde noted the disinflationary process is "well on track" and described the policy stance as "meaningfully less restrictive", signalling a near neutral stance.

After growth of 0.8% in 2024, UBS has trimmed its growth forecast for 2025 from 0.9% to 0.7%. Barclay's Research has sliced its growth forecast to just 0.3% on a weaker global outlook (and tariffs), before a pick-up to 0.7% in 2026.

European GDP growth and inflation



Source: Bloomberg as of 30 April 2025.

Economic outlook

United Kingdom



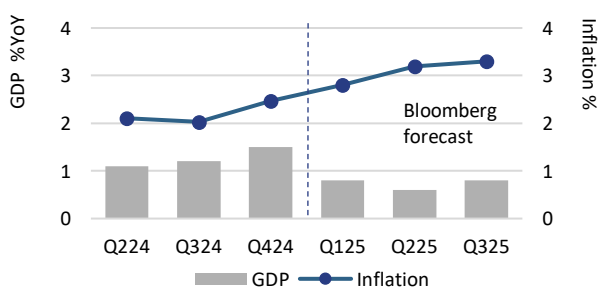
Notwithstanding an unexpectedly strong start for growth in early 2025, like elsewhere, the UK's growth outlook has been trimmed in the wake of the US's tariff imposts. Despite the UK government's efforts to negotiate a trade deal, the universal 10% tariff will weigh on activity in the quarters ahead. Further easing of core inflation pressures, helped by moderating wage growth—and a deteriorating external environment—should see the UK's central bank cut rates further in May, ahead of additional moderate cuts in H2 2025.

Growth in Q4 remained weak, rising 0.1% after Q3's 0.0%, signalling almost no growth in the UK in H2 2024. Recent data has taken a more positive turn. Monthly growth surprised positively in February, up 0.5%, consistent with a pick-up in Q1 growth to a 0.6% pace. As UBS notes, "encouragingly, output grew across all three sub-sectors: industry, services and construction". Across January and February, retail sales jumped 2.5%, more than reversing the four prior months of declines. But the PMI in April collapsed to 48.2 from 51.5, its weakest in over a year, while recent jobs data flag growth headwinds, falling by 78,000 in March, while vacancies fell below pre-COVID levels for the first time in nearly four years.

The Bank of England (BoE) held rates steady in March at 4.5%, as widely expected. According to CBA, "the vote leaned in a more hawkish direction with three members who had supported a rate cut at the previous meeting now voting for no change". However, as UBS notes, given a now weaker growth outlook, the BoE is widely expected to "acknowledge the newly emerged disinflationary pressures from a sharp drop in energy prices and the risk of a redirection of cheaper imports from China". March core inflation eased as expected, to 3.4% (from 3.5%), led lower by services inflation. Against this backdrop, a rate cut in May is now anticipated. UBS expects two further reductions in H2 2025 to 3.75%.

After growth of just 1.1% in 2024, UBS has again materially cut its forecasts for 2025 to 0.8% (from 1.1% a month ago and 1.5% earlier in the year), albeit noting significant uncertainty around the outlook. In contrast, Barclay's Research has recently lifted its forecast for the UK to 1.0% in 2025, rising further to 1.3% in 2026, reflecting early 2025 strength and ongoing attempts to fast-track exports ahead of tariffs.

UK GDP growth and inflation



Source: Bloomberg as of 30 April 2025.

Japan



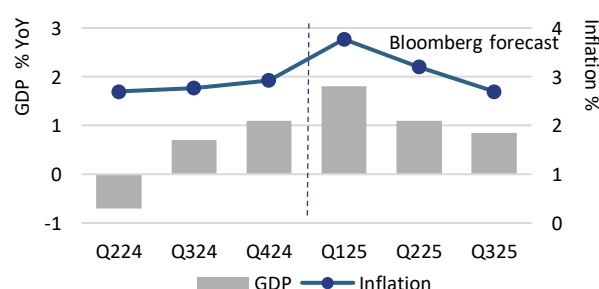
Recent data continue to point to an improving outlook for Japan's economy, and a sustained transition from secular stagnation (a persistent headwind for decades) to nominal growth of about 3% in the years ahead. However, uncertainty has increased over the past month given the US's tariff imposts that have shifted weaker both the global manufacturing and Japan's own outlook. According to UBS, "the effective tariff rate is estimated at 14%, instead of 24.3%, with an initially announced reciprocal tariff of 24%. This leaves the direct drag on Japan's growth reduced from 0.6 percentage points (ppt) to 0.4 ppt". These new headwinds have led to reduced expectations of rate hikes in Japan in 2025. Further reduction in tariffs is likely to depend on Japan's ability to commit to additional LNG imports from the US, 'voluntary' export restraints or additional purchases of US agricultural products.

Growth in Q4 beat expectations, rising by 0.6% and lifting the annual pace to 1.2%, its fastest since mid-2023, and led by robust consumption. Recent data has remained relatively positive. The Q1 Tankan survey of business conditions remained solid, reflecting better inflation expectations and financial conditions. Retail sales rose by a solid 0.5% in February, following January's 1.2% jump. After March's PMI surprised weaker to 48.4 (from 52.0), April saw a stabilisation at 48.5. The jobs market remains tight, with unemployment edging lower to 2.4%, albeit little changed over the past year. The 2025 Shunto spring wage negotiations beat, with wages up 5.5%, a touch above expectations and higher than last year's 5.1% result, a positive for growth.

Inflation has partly reversed its recent strength, easing from 3.7% to 3.6% in March (and 4.0% in January), as energy and food prices reversed some of their recent strength. Having left policy unchanged since July 2024's unexpected hike to 0.25% (from 0.15%), the Bank of Japan (BoJ) raised rates to 0.50% in late January 2025, its highest since 2008. Most analysts have now delayed forecasts for further hikes into 2026 or 2027 in the wake of the US tariff announcements and weaker outlook.

Despite better momentum in early 2025, UBS has now trimmed its forecasts growth for 2025 from 1.2% to 0.8% (after 0.1% in 2024). Barclays Research has also trimmed its 2025 outlook from 1.5% to 0.9% (and just 0.4% in 2026).

Japanese GDP growth and inflation



Source: Bloomberg as of 30 April 2025.

Economic outlook

China



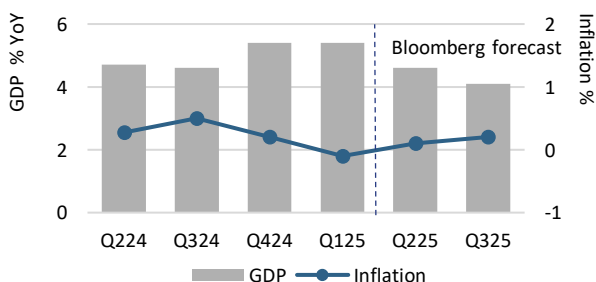
China's outlook remains highly uncertain in the wake of the unfolding US-China trade war. The US raised 'reciprocal tariffs' on China to 125% on April 9, in addition to the 20% tariff hikes (related to fentanyl control) that have already been implemented since early February (and on top of the tariffs added during the first Trump administration and Biden era). China has retaliated with similar tariff hikes on US goods since the reciprocal tariff announcement on April 2. As of April 11, China's retaliatory tariffs on US imports stood at 145%.

Moreover, China stated officially that "at the current elevated tariff level, there is no market acceptance of US goods exported to China; if the US continues to impose additional tariffs on Chinese goods, China will ignore it". As part of a broad-based 'walk back' by Trump, mid-April saw the US exempt a range of tech from tariffs, including smartphones, computers and some other electronics goods have been exempted from the US reciprocal tariffs, including those imports from China (about 20% of China's exports to the US). Where the trade war settles, and the extent of renewed China stimulus, will impact China's growth. For now, analysts have been trimming China's growth outlook for the year ahead.

China's Q1 growth maintained its recent momentum, steady at 5.4%, up from 4.6% in Q3 last year. March data also revealed improved momentum, ahead of the escalating trade dispute. Retail sales (5.9% after 4.0%) lifted sharply, while industrial output jumped (7.7% from 5.9%). Overall fixed asset investment (4.2% after 4.1%) also edged higher, and while property sales cooled in Q1, they improved through March. Inflation in March stabilised at 0.1%. As noted by CBA, "US tariffs will only further increase deflationary pressures on the domestic economy [as] tariffs weaken demand for goods". The much-awaited Politburo meeting concluded on April 25, with a more supportive macro policy tone amid US tariff hikes, albeit no announcements of new stimulus were made.

After 5.0% in 2024, and despite a 5.0% government target, UBS has again cut its forecast for 2025 growth, now 3.4% (slowing further to 3.0% in 2026). Barclays Research holds a similar view, expecting a slowdown to 4.0% (was 4.3%) in 2025 and 4.0% in 2026. The extent of renewed stimulus will be key to whether growth can retain the 5% growth target.

Chinese GDP growth and inflation



Source: Bloomberg as of 30 April 2025.

Emerging markets

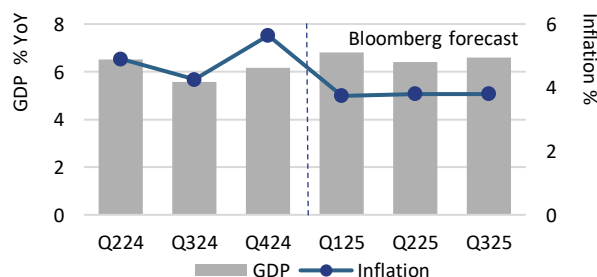
The past month's US tariff announcements impart a meaningful headwind to the outlook for emerging market growth. As UBS notes, "it isn't clear that emerging market growth will avoid a hit comparable to the US". That said, the delay in the initially announced 'reciprocal tariffs'—which appeared quite high for the Asia region, comparatively—has eased the extent of some of the growth revisions (in many cases shifting the impact from an initial 0.5% to closer to 0.25%), while frontloading may boost Q2 export growth. Similarly, subsequent exemptions being announced for key sectors (especially tech with positive impacts for Taiwan and Korea) have softened the impact for some economies. Recently lower oil prices, on the back of a deteriorating global growth outlook, has also reinforced expectations for lower central bank policy rates. This has the potential to mitigate some of the trade headwinds.

Central banks in Asia are expected to trim rates several times this year. In April, the Philippines cut by 0.25% to 5.75%, helped by an easing inflation pressures. South Korea also cut 0.25% to 2.5%, reflecting perceptions of rising headwinds for growth, not least due to increased tariffs. Singapore also eased policy via its currency peg. India cut by 0.25% to 6.0%, as the central bank trimmed its growth and inflation outlook. India is likely less at risk from tariff headwinds relative to elsewhere in Asia due to its lower exposure to global trade. India's Q4 growth lifted to 6.2% after 5.6%, led by a stronger (rural) consumer and better net exports. UBS's leading indicator suggests further uplift in early 2025, albeit growth should stabilise around the Q4 pace given a steady consumer and supportive housing (helped by the rate cut in April).

Latin America looks set to deliver another year of below trend growth, masking significant divergence across economies. Brazil's growth in February accelerated modestly to a 4.1% pace, ahead of the 3.6% growth recorded for Q4. After hiking by 1% in March, the central bank kept rates on hold at 14.25% in April. Mexico's growth appears to be moderating (after just 0.5% in 2024), albeit February industrial output jumped.

For all emerging markets, UBS has trimmed the growth outlook from 4.4% in 2024 to 3.5% in 2025 and 2026, well below its 4% trend. Barclays Research remains moderately more upbeat with forecasts of 3.9% and 3.8%, respectively.

India GDP growth and inflation



Source: Bloomberg as of 30 April 2025.

Asset class outlook

Absolute return and government bonds

Position: Neutral absolute return; overweight global government bonds; neutral Australian government bonds

Key points

- Signs of slowing US growth and negative investor sentiment keeps 10-year Treasuries under 4.35%.
- Uncertainty around Trump's tariff policies will keep volatility elevated in the near term.
- Market pricing terminal rate of 2.85% in Australia.

Global bond markets have experienced heightened volatility in recent weeks, with sharp fluctuations in yields driven by geo-political tensions, evolving domestic policies, and shifting investor sentiment. US Treasury yields have seen large swings. The 10-year yield surged from 3.86% on April 4 to 4.51% by April 9—marking the largest three-day increase since 1982—before easing to around 4.17%. This spike was triggered by a mix of inflationary pressures from new tariffs, equity market margin calls, and significant foreign selling. Japanese investors alone sold USD 17.5 billion in US Treasuries in early April, highlighting mounting concern over US fiscal policy. The sharp rise in yields and negative market reaction contributed to a shift in tone from US policymakers, though uncertainty around tariffs remains. Despite ongoing tit-for-tat tariffs between the US and China, a 90-day pause on US tariffs above 10% for other countries, along with a partial rollback on electronics, helped ease market stress. This has contributed to the recovery in bond and equity markets from recent lows.

The outlook for bond markets will depend heavily on upcoming economic data and policy decisions. Analysts suggest that restoring investor confidence may require a combination of Fed rate cuts, tax relief, and deregulation. Encouragingly, recent inflation data cooled more than expected, even before the full effects of recent tariffs, supporting a firmer tone in the bond market. Our base case is that global disinflation will persist despite short-term inflationary pressure from tariffs. Trade tensions are likely to slow global growth and push global rates lower. We are increasing our allocation to global government bonds. Central banks remain data-driven, but the Fed may be forced to act sooner if economic conditions deteriorate.

In Australia, the RBA remains on a clear easing path, with expectations for up to five rate cuts this year, potentially reducing the terminal rate to around 2.85%. Although the RBA delivered a cautious 0.25% cut in February, it has remained wary of disrupting disinflation progress. However, with renewed global growth concerns, a further cut in May, following the federal election, appears likely. Meanwhile, the 3–10 year yield curve has steepened to approximately 100 basis points, the highest in five years. We recommend targeting the 7–9 year part of the curve to benefit from this steepness. With the 10-year yield at 4.16%—6 basis points above the cash rate—and further easing expected, we see limited upside in yields and advocate buying on dips, anticipating lower yields over the next 3–6 months.

Investment grade credit and high yield credit

Position: Underweight investment grade credit; neutral high yield credit

Key points

- Investment grade and high yield spreads have widening over the last few weeks on the back of elevated equity and rates volatility.
- To mitigate against potential downside risks to global growth, our preference is to increase exposure to global government bonds over credit.

Investment Grade (IG) credit spreads have widened, reflecting growing concerns over US tariff policy, recession risk, and equity market volatility. Since 'Liberation Day', IG credit spreads have moved around 30 basis points wider as markets react to the potential economic fallout from geo-political tensions. While the high-yield (HY) sector experienced more pronounced stress, IG has remained relatively resilient, though not immune. Issuers now face tighter financing conditions, and although the repricing appears orderly rather than panic-driven, continued policy uncertainty could drive further spread widening and elevate borrowing costs.

Liquidity in the over-the-counter (OTC) bond market deteriorated during the volatility spike. Many dealers stepped back, and bid/offer spreads widened significantly as sellers overwhelmed buyers. Senior spreads moved 10–15 basis points wider, while tier 2 spreads widened by 25–30 basis points. However, with President Trump's announcement of a temporary pause on new tariffs, credit markets have begun to stabilise, though spreads remain elevated compared to Q1 levels. Earlier in Q1 2025, IG issuance hit record annualized levels, supported by a solid US economic backdrop. That momentum has since faded. Heightened uncertainty has significantly curtailed new issuance, with the primary market slowing to a trickle. We expect IG markets to remain supported by strong corporate balance sheets and steady investor demand for quality assets. Prolonged geopolitical friction and economic slowdown risk could keep spreads volatile. We maintain a slightly underweight position in IG and recommend a cautious approach, balancing yield pursuit with risk-aware portfolio rebalancing.

The HY bond market was hit harder by recent developments. The early-April tariff announcement sparked a sharp sell-off, fuelling recession concerns and triggering spreads to widen materially, with US HY spreads reaching around 451 basis points, the widest since June 2023. The average yield on HY bonds has climbed to around 8.4%, reflecting heightened credit risk and increased borrowing costs for sub-investment grade issuers. New issuance has all but paused in the wake of the tariffs, with sub-IG companies stepping back amid uncertain market conditions. Despite this, we remain cautiously optimistic on HY. Strong fundamentals and investor appetite for yield provide a base of support, but selectivity is key. While both IG and HY markets face headwinds, careful credit selection and active risk management are critical.

Asset class outlook

Domestic equities

Position: Neutral

Key points

- The S&P/ASX 200 Index gained 3.6% in April, significantly outperforming the MSCI World Index, which fell by 1.8%.
- Interestingly, both value and growth as factors have been performance detractors over the past month, highlighting the need for 'style agnostic' managers in the current volatile market.
- The energy sector was a notable underperformer over April, with oil prices trading to their lowest level in four years.

Peak-to-trough P/E multiple compression for the ASX 200 in prior periods of market stress is between 6 (COVID) and 9 P/E pts (GFC). Should EPS growth fall to zero (versus current projections of around 7%) and the one-year forward multiple slides to 15x (the 5-year pre-COVID average) downside is around 18% (near the 2022 lows). On a P/E basis, Australia looks less attractive than other regions; at 17.1x P/E, the ASX200 is above its 10-year average. However, relative to bonds, the ASX 200 is currently trading at its most attractive levels on an earnings yield basis in over 12 months, and on dividend yield basis in two years.

Citi strategists ran a tariff scenario on the impact on growth using the Oxford Economics Model and also the RBA MARTIN model. Overall, given the large hit to growth under the current tariff assumptions – 10% reciprocal tariff on the world and a large 145% tariff on China – they see large downside risk to growth and inflation over the course of 2025, but mainly 2026. For equities, lower inflation and interest rates should help offset the loss of confidence and buttress the labour market. This would prove beneficial for domestically orientated consumer sectors. Elsewhere, banks may continue to outperform the resources sector, although risk to business credit growth is now higher in an environment of uncertainty. Moreover, some metals and mining companies, especially gold-related, are unlikely to be hit hard, but downside risk to China growth continues to persist. Australia is expected to fare better than other countries and the RBA has ample room to ease monetary policy. Overall, it's possible that domestic stocks outperform some of their regional peers where the impact of US trade policy is far more severe.

Mining remains a key drag for the index. China accounts for 27% of global manufacturing but just 12% of global consumption and can no longer export its chronic excess capacity. The mining sector is very China-investment-sensitive (with China accounting for half of industrial commodity demand), not particularly cheap, not at its cost-curve support and is the worst-performing sector if manufacturing indices fall relative to service PMIs (as is likely).

International equities

Position: Overweight Japan, the US and Europe, neutral the UK and emerging markets

Key points

- The MSCI World ex-Australia Index fell by 1.8% (AUD) over April, although at its lows was down over 8% for the month and almost 14% from peak to trough.
- European markets (ex UK) performed strongly. German equities rose by 3.8% for April, Spanish equities by 3.4%. Japanese equities also rallied strongly on the prospect of a tariff deal, rising by 2.9%(all in AUD terms).
- Investors gravitated towards defensive, low volatility exposures, as well as large cap and quality. In contrast, dividend and buyback factors underperformed.

The three-day decline in the S&P 500 between April 2 and April 6 is among the largest ever. Given the speed of the collapse, the widespread panic (the Volatility Index, VIX, briefly exceeded 60) and the unwind in equity positioning, the odds of a short-term tactical reversal were high if there are positive headlines on tariff negotiations, which there were. However, absent compelling drawdowns (around 20%) or valuation, we continue to believe that the second half set up for equities could be more advantageous. In order to be sustainably adding, beyond the technical bounces, one needs to see the news flow on tariffs settle (tentative signs), the Fed to capitulate (not evident yet), credit spreads to widen (they have, albeit from very tight levels) and corporate earnings to begin deteriorating (too soon to see such evidence yet). Across all of these factors, the progress is mixed to date (or too early to be reflected in data).

On the positive side, it's highly likely that we are past 'peak uncertainty'. It seems unlikely that Chinese tariffs will worsen from here and the 90-day reprieve to negotiate has enlightened investors on where the Trump 'put' is. This means that although investors should brace for ongoing volatility, the worst-case situation of a severe recession has likely reduced.

Nonetheless, Corporate America is showing signs of spending cuts. The on again, off again nature of US tariffs has seen several companies curtail planned capital programs – Dow Chemical (industrial activity), Boston Scientific (medical equipment), Norfolk Southern (rail transport activity) and even Hasbro (toys) have announced plans to trim or contain costs ahead. How extensive and lengthy these cuts are (and likely to show up in next quarter earnings releases) will be key to market performance over the second half of 2025.

Both JPMorgan and BofA strategists believe that a return to peak P/E multiples (22-24x) is unlikely, with 20x more like an upper constraint on US equities. With the S&P500 now at 20.1x, the onus on resilient (or otherwise) earnings becomes paramount, and it's likely too soon to know the extent of this, setting up for choppy and rangebound markets in the near-term.

Asset class outlook

Currencies

Key points

- US dollar weakens as investors flee US policy chaos.
- Despite extreme intra-month volatility in April, the Australian dollar recovered to around 0.62–0.64 versus the US dollar.

The US dollar has continued weakening against a broad range of currencies in recent weeks, with its decline accelerating in the immediate aftermath of 'Liberation Day'. Remarkably, the currency exhibited emerging market-like behaviours, with US bond yields spiking higher as the US dollar weakened. It is too soon to reliably assess whether this represented a near-term technical-driven liquidity squeeze or the start of a more insidious loss of confidence and longer-term flight out of US assets. Regardless, extreme policy actions in the US have done significant damage to its reputation as a critical economic, diplomatic, and financial counterparty. On a fundamental basis, the ongoing relative US fiscal drag (driven by Trump's requirement to find fiscal savings to fund his tax cut extension) compared to the rest of the world (particularly with Germany re-arming and China potentially stimulating) points to modest US dollar weakness. Near-term volatility is also likely to remain elevated. Structural factors including increasing geo-political multi-polarity also point to downside pressures longer-term.

The Australian dollar was not immune from 'Liberation Day' volatility, dipping to a post-COVID low just below USD 0.59, before bouncing strongly back into its USD 0.62–0.64 range. Still-strong Federal and State government stimulus, a stabilisation in risk sentiment, and potential China stimulus could continue to provide support in the near-term. Our external partners are expecting the Australian dollar to end 2025 between USD 0.62 and USD 0.65, with US trade uncertainty (and the ensuing impacts on global growth) the prime driver of divergence.

The euro continued to perform strongly over the month, rising to around USD 1.14 as investors fled the US dollar in April. We continue to expect the Eurozone to face trade risks on a cyclical basis and macro risks on a structural basis, though the scale of the US' own goal on trade aggression and the extent of Germany's fiscal shift may herald the start of a paradigm shift for Europe.

Japan's yen also strengthened over the month, buoyed by the flow-on impact of euro strength and US dollar weakness to trade around 143 vs the US dollar. Japan's internal inflation and macro dynamics remain tilted towards policy normalisation and a 'nominal renaissance' in growth to continue over the next 12–18 months, though it will not be immune to volatility surrounding potential trade and geopolitical tensions as we traverse 2025.

Commodities

Key points

- Global commodity prices fell in April amid extreme intra-month volatility, as gold pushed to new all-time highs of around USD 3,300 per ounce.
- Despite renewed tariff pressure on China's economy post Liberation Day, iron ore prices continued to trade around USD 100 per tonne (p/t) during April.

Trade policy uncertainty continued to buffet global commodity markets over the month, driving Bloomberg's broad commodity price index as low as 10% in mid-April, though it has since pared its loss to around 4% for the month.

Crude oil prices were particularly volatile over the month amid rising fears of global recession coupled with flaring US-Iran tensions. Brent crude is currently trading at around USD 66 per barrel (p/b) towards the end of April, having dipped as low as USD 63 mid-month.

Meanwhile, gold prices have continued to push higher amid renewed investor concerns around inflation, geopolitical risks and US trade policy and are trading at around USD 3,300 per ounce. Uncertainty around the US fiscal and trade policy outlook likely present two-way risk to gold prices from here.

Industrial metal prices were similarly volatile in April on trade policy concerns. Copper is down approximately 4% over the month (having fallen as much as 18%), while iron ore is trading around the USD 100 p/t mark.

The evolution of US trade policy, particularly with respect to China, as well as China's economy itself, will continue to play a key role in the near-term outlook for commodities. In mid-April, the Trump Administration ordered a Section 232 review on a range of critical minerals with a focus on rare earths (in which China dominates global processing capacity). This review may open a further dimension to US-China trade tensions and will likely further accelerate a longer-term bifurcation of the supply chain in these critical minerals.

Longer-term themes, including climate change and geopolitics, are likely to support the commodity complex on a secular basis. It is difficult to determine how these competing cyclical and secular forces might evolve over the year ahead. We are particularly cognisant of the risk that a cyclical downturn could outweigh secular tailwinds in the near term.

Asset allocation views

Strategic asset allocation views

Why do we believe in strategic asset allocation?

We believe that the central component of successful long-term performance is a well-constructed strategic asset allocation (SAA). Empirical evidence suggests that a disciplined SAA is responsible for around 80% of overall investment performance over the long term¹. Diversification plays a critical role within SAA. By diversifying your portfolio among assets that have dissimilar risk and return behaviour, lower overall portfolio risk can be achieved, and your portfolio can be better insulated during major market downswings.

Why do we advocate SAAs to our clients?

We believe that SAAs encourage a disciplined approach to investment decision-making and help to remove emotion from these decisions. A thoughtfully designed SAA provides a long-term policy anchor for clients. Over the long term, we believe clients are best served by identifying the risk they can bear, then adjusting their return expectations accordingly. Return expectations may be anchored unrealistically. However, risk tolerance tends to remain more consistent through different cycles.

Why strategic asset allocation?

Strategic asset allocation is an important part of portfolio construction as it structures your portfolio at the asset class level to match your specific objectives and risk tolerance.

Furthermore, history has shown that a disciplined strategic asset allocation is responsible for around 80% of overall investment performance over the long term.

Strategic asset allocations in models

	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
Cash	4	4	4	4
Fixed income	52	34	16	13
Absolute return	11	6	2	2
Government bonds	27	14	7	5
Investment grade credit	11	12	5	4
High yield credit	3	2	2	2
Equities	22	40	58	38
Domestic	9	16	24	11
United States	8	14	20	16
Europe (ex-UK)	2	3	5	4
Japan	1	2	3	2
United Kingdom	1	2	2	2
Emerging markets	1	3	4	3
Alternatives	22	22	22	45
Private markets	8	10	11	20
Real assets	9	8	7	14
Hedge funds and diversifiers	5	4	4	11
Target foreign currency exposure	20	30	40	40
Indicative range for foreign currency	15–25	25–35	35–45	35–45

Source: LGT Crestone Wealth Management. Investment grade credit includes Australian listed hybrid securities.

¹ Ibbotson, Roger G., and Paul D. Kaplan. 2000. 'Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?' Financial Analysts Journal, vol. 56, no. 1 (January/February).

Active portfolio weights and tactical asset allocation views

Our current tactical asset allocation views

While US trade policy uncertainty remains extreme, we believe it may have peaked. The macro backdrop remains fundamentally supportive, though we expect this to deteriorate in coming months. Progress on inflation should allow central banks to continue cutting rates, particularly if growth weakens.

We do not see a deep global recession in the near-term, though extreme policy uncertainty could spark a mid-cycle slowdown. Australia continues to be challenged by stubborn inflation and stagnant growth, albeit expectations of more significant RBA rate cuts have recently grown. We are maintaining a nimble stance in the face of evolving macro and geopolitical risks.

Cash

We remain underweight cash, reflecting our conviction that inflation fears are overdone in the medium-term and our still-constructive outlook for financial assets going forward, particularly after the recent sell-off.

Fixed income

This month, we funded an intra-month tactical move to lean into equity markets through a slight underweight to investment grade credit. We remain overweight global government bonds as a downside hedge and to reflect a view that global central banks have more leeway to cut rates than is currently priced.

Why tactical asset allocation?

Tactical asset allocations have a six- to 12-month investment horizon and are reviewed monthly. They can be considered an interim strategy where the aim is to provide a smoother investment journey without altering the end goal.

Alternatives

We favour infrastructure, private debt, hedge funds and diversifying strategies. We are becoming more constructive on real estate globally and anticipate that the next three to six months should present an attractive long-term entry point for those looking past short-term volatility.

Equities

In mid-April, we made an intra-month tactical move to lean into equity markets, trusting to our frameworks and taking the opportunity to go overweight European equities at much-reduced valuations. We remain constructively positioned in equities. We are also overweight US and Japan equities and are neutral in other regions.

Active portfolio weights and active tactical asset allocation tilts

	Active tilt	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
Cash	-3	1	1	1	1
Fixed income	0	52	34	16	13
Absolute return	0	11	6	2	2
Australian government bonds	0	13.5	7	3.5	2.5
Global government bonds	1	14.5	8	4.5	3.5
Investment grade credit	-1	10	11	4	3
High yield credit	0	3	2	2	2
Equities	3	25	43	61	41
Domestic	0	9	16	24	11
United States	1	9	15	21	17
Europe (ex-UK)	1	3	4	6	5
Japan	1	2	3	4	3
United Kingdom	0	1	2	2	2
Emerging markets	0	1	3	4	3
Alternatives	-	22	22	22	45
FX exposure	-1	19	29	39	39



Decreased weight this month



Increased weight this month

Source: LGT Crestone Wealth Management. Investment grade credit includes Australian listed hybrid securities. Tactical portfolio changes were made intra month, refer to Special Report "Begin Leaning in - we update our TAA", 10 April 2025.

Our view on fixed income

Australian government bonds

We are neutral Australian government bonds. Domestic bond yields have outperformed the recent volatility in US Treasuries with yields at the front end of the curve reflecting more rapid shift in monetary policy. While we now like the longer 7–10-year bond yields due to the steepness of the curve, our preference is to add duration to global government bonds as offshore central bank rates fall.

Global government bonds

We are overweight global government bonds. To mitigate against potential downside risks to global growth, our preference is to increase exposure to global government bonds. We believe that despite the near-term inflationary impact of tariffs, global disinflation will continue. The Fed remains data dependent and may need to act sooner if growth slows dramatically.

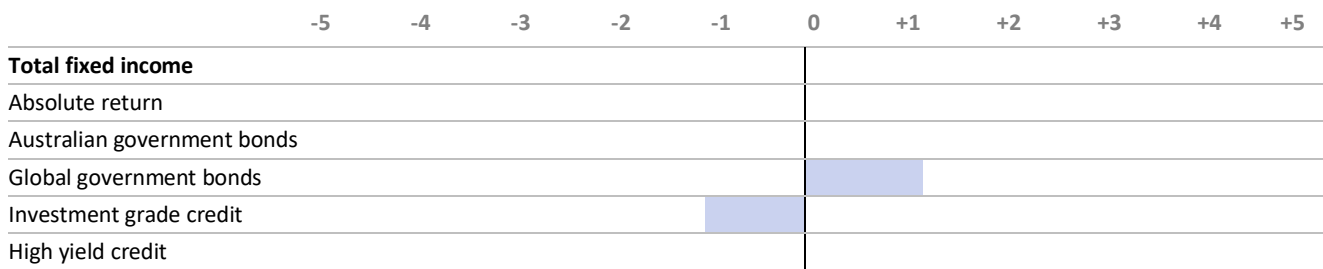
Investment grade credit

We moved underweight investment grade credit. Spreads remain close to historically tight levels, despite some recent modest widening. Until US policy certainty and investment sentiment improves, we do not expect credit spreads to tighten in the near term.

High yield credit

We are neutral high yield credit. Spreads have widened around 150 basis points from their lows, brought on by uncertain US policy making and renewed risks around a US and global growth slowdown. While uncertainty persists, we will remain neutral to higher risk assets.

Active fixed income weights (%)—we have increased our exposure to global bonds, neutral fixed income overall



Fixed income market summary

Fixed income indices	Current	One month ago
Australian iTraxx	90.43	87.81
Australian 3-year yield	3.31%	3.70%
Australian 10-year yield	4.16%	4.38%
Australian 3/10-year spread	83.9 bp	68.3 bp
Australian/US 10-year spread	-1.4 bp	0.2 bp
US 10-year Bond	4.17%	4.21%
German 10-year Bund	2.50%	2.74%
UK 10-year Gilt	4.48%	4.67%
Markit CDX North America Investment-Grade Index	67.0 bp	61.5 bp
Markit iTraxx Europe Main Index	66.6	63.6
Markit iTraxx Europe Crossover Index	341.8	327.9
SPX Volatility Index (VIX)	24.2	22.3

Source: LGT Crestone Wealth Management, Bloomberg as of 30 April 2025. Active fixed income weights sourced from LGT Crestone Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

Our view on equities

Domestic

We are neutral domestic equities. Having regained 60% of their peak-to-trough fall, Australia is benefiting from its perceived haven status, fiscal stimulus, and the prospect of more rate cuts from the RBA should economic conditions deteriorate. China's economic response to any tariffs, and major bank earnings will be key for index level returns.

US

We are overweight US equities. President Trump's 90-day tariff reprieve to enable negotiations has enlightened investors on where the so-called Trump 'put' is, suggesting that peak uncertainty is now behind us. From here, the key will be corporate America's response in terms of capital expenditure, and the consumers' own outlook for growth.

Europe (ex-UK)

We moved overweight European (ex-UK) equities. The recent weakness has unwound a large degree of the enthusiasm for European equities, affording a better risk/reward for what was emerging as a seminal moment in the outlook for continental Europe, following Germany's overhaul to its fiscal spending regime, as well as increased European defence and infrastructure spending.

United Kingdom

We are neutral UK equities. In terms of style, the FTSE 100 leans heavily towards value stocks. A large portion of its constituents are classified as 'large-value' in stark contrast to global indices, which have a stronger orientation towards growth sectors, like technology. This tilt will likely serve UK equity markets well in an environment of heightened volatility and/or an enduring growth shock.

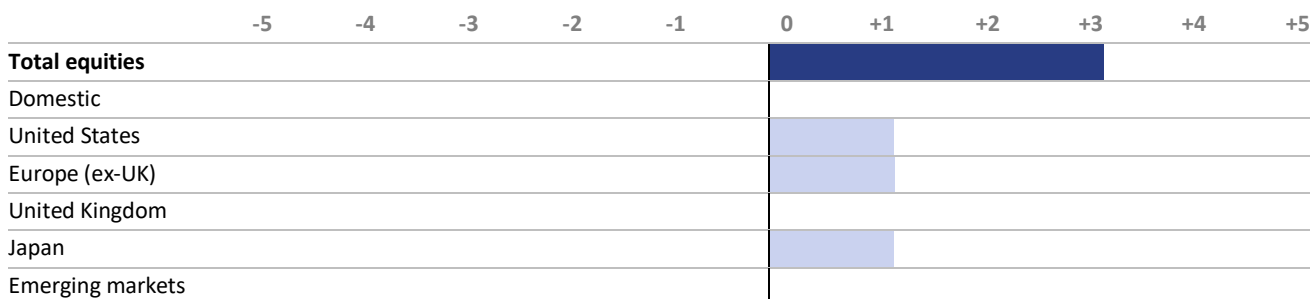
Japan

We are overweight Japan equities. Japan has many things going for it—a large interest rate differential, corporate reforms, and consumer reflation, but the tariff uncertainty is feeding through to a volatile currency and making performance difficult. Longer-term, however, the case for stronger valuations, and greater earnings stability and growth remain compelling.

Emerging market equities

We are neutral emerging market equities. They remain under-owned, valuations are attractive, China stimulus is likely, and a weaker US dollar helps. However, tariff uncertainty remains. Global trade has been the dominant driver of emerging market growth for the last 25 years.

Active equity weights (%)—We increased our overweight to equities during April



Equity market summary

Region	Index	Latest price	Consensus 1 yr		Next year P/E ¹	Next year D/Y ²
			Target	Upside		
Australia	S&P ASX 200	8,070.6	8,482.1	5.1%	17.7	4.2%
New Zealand	S&P NZ 50	12,025.5	13,668.0	13.7%	43.9	3.2%
United States	S&P 500	5,560.8	6,537.6	17.6%	18.8	1.5%
Europe	Euro Stoxx	540.3	613.2	13.5%	13.1	3.4%
United Kingdom	FTSE 100	8,463.5	9,834.1	16.2%	11.6	3.7%
China	CSI 300	3,286.7	3,848.2	17.1%	11.3	3.1%
Japan	Nikkei 225	35,840.0	44,197.9	23.3%	16.8	2.2%
India	Sensex	80,288.4	89,285.3	11.2%	21.5	1.4%

Source: Bloomberg. Data as of 30 April 2025; 1 P/E = Price to earnings ratio; 2 D/Y = Dividend yield. Active equity weights sourced from LGT Crestone Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

Our view on alternatives

Hedge funds and diversifiers

High interest rates and greater asset price dispersion continue to support the case for hedge funds, as evidenced by strong performance through 2024. Recent volatility is proving to be a near term stress test for hedge funds particularly for long/short and long-biased strategies that de-levered in March ahead of Liberation Day announcements. It’s still too early to assess April impacts, but current volatility and longer-term macro and structural market forces should support a more expansive set of long and short opportunities for unconstrained investment vehicles, like hedge funds. Hedge funds are well positioned to capitalise on a greater market dispersion, given their natural role as both liquidity providers and opportunistic investors. Low-beta, multi-strategy exposures are preferred within hedge funds alongside other so-called ‘alternative alternatives’ including royalties, insurance and litigation, given they collectively offer ‘true’ diversifiers to traditional risk factors.

Private markets

Private equity remains core, but policy uncertainty will likely limit transaction activity. New deal and exit activity did show signs of improvement however policy uncertainty is now likely to slow transaction and exit activity in the near term. Company fundamentals remain strong and secondary markets are likely to benefit, as fund managers and investors seek other forms of liquidity via GP-led (fund manager) or LP-led (investor) transactions. We prefer new primary commitment structures or those that can invest in secondary opportunities. Regarding secondaries, we continue to re-iterate that investors should not be complacent nor focus on the upfront ‘discount’ at the expense of portfolio quality.

Private debt is preferred, albeit competition is increasing. Base rate cuts in the US have reduced total yields however risk-adjusted returns continue to be attractive relative to other asset classes. Notably, public markets have re-opened which has increased competition and spreads are tightening. Direct, sponsor-backed transactions versus broadly syndicated strategies are preferred, as loan terms can be negotiated directly. We are also looking at private, asset-backed finance and other means to provide more diversified exposures. Asset-backed finance is a good diversifier but it also potential to be a larger, less competed, market. We remain cautious on construction and land-focussed real estate lending. We are also keeping an eye on those lenders converting cash-paying loans to so-called ‘payment in kind’ which could indicate borrower stress.

Real assets

We are more constructive on global real estate. Both US and domestic property indices are now suggesting a shift in sentiment. While they may move further, particularly in lower quality assets, 2025 should present an attractive long-term entry point, particularly as rising replacement costs may limit future supply. Moderating interest rates should also support valuations. Investors should focus on high quality assets without making heroic assumptions about future interest rate moves or value-add initiatives. Trying to pick the bottom of the market will remain challenging but on a medium- to long-term view, core-plus property equity looks attractive. We currently prefer global over local markets.

Infrastructure is the most preferred sub-asset class within alternatives. Infrastructure continues to perform strongly, given its more defensively positioned assets with often long-term, inflation-linked contracts. It also plays to long-term, multi-decade structural growth themes, most notably decarbonisation and digitisation, where we are happy to take on a little more risk through value-add exposures. An attractively priced and growing secondary market is creating opportunities and supporting new investment vehicles, which are more suitable to private clients. Versus institutional clients, private clients remain underinvested in unlisted infrastructure. An increased exposure to this segment should improve long-term portfolio outcomes on both return-enhancing and risk-reduction measures.

We favour infrastructure, private debt, hedge funds and diversifying strategies, and are maintaining private equity exposures. We are becoming more constructive on real estate globally.

What we like		Least preferred	Most preferred
<ul style="list-style-type: none">Multi-strategy hedge funds and other diversifying strategiesSenior private debt, including corporate and asset-based financeGlobal infrastructure across the risk spectrum, particularly playing to long-term structural themes.	Hedge funds		<div></div>
	Private equity		
	Private debt		<div></div>
What we don't like	Property		
	Infrastructure		<div></div>

Direct equity

Recommendations: Domestic equities - Best sector ideas

Objective of this list

The objective is to identify the best business models or best in breed by GIC's Industry Group for longer-term investors. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to the list, some metrics we consider are:

- **Profitability measures:** Return on net operating assets, return on invested capital, free cashflow and return on equity
- **Liquidity and leverage:** Net debt to equity, Altman Z-score, net debt to earnings before interest, tax, depreciation, and amortisation (EBITDA)
- **Efficiency:** Capital expenditure to sales
- **Valuation:** Price/earnings ratio, price/book ratio, enterprise value to sales and EBITDA, private equity screens.

Code	Company	Sector	Market price	Consensus price target	P/E 1yr fwd (x)	Dividend yield	ROIC	ROE	1yr EPS growth	MSCI ESG rating
REA	REA Group Ltd	Com. Services	\$244.20	\$251.44	55.6	1.0%	44%	33%	16%	AA
ALL	Aristocrat Leisure Ltd	Cons. Disc.	\$65.85	\$75.60	24.7	1.4%	30%	25%	12%	AA
TLC	Lottery Corp Ltd/The	Cons. Disc.	\$5.14	\$5.44	31.5	3.2%	21%	109%	13%	AA
MTS	Metcash Ltd	Cons. Staples	\$3.24	\$3.77	13.0	5.5%	18%	17%	8%	AAA
ALD	Ampol Ltd	Energy	\$23.60	\$30.37	14.8	4.3%	13%	13%	36%	AA
BPT	Beach Energy Ltd	Energy	\$1.18	\$1.51	5.9	5.9%	17%	13%	5%	AAA
MQG	Macquarie Group Ltd	Financials	\$192.48	\$205.10	20.0	3.3%	3%	11%	15%	AA
SUN	Suncorp Group Ltd	Financials	\$20.06	\$21.36	16.3	4.9%	7%	12%	-3%	AAA
COH	Cochlear Ltd	Health Care	\$273.54	\$288.30	43.6	1.6%	27%	22%	14%	AAA
RMD	ResMed Inc	Health Care	\$36.69	\$44.56	24.7	0.6%	30%	26%	11%	A
CSL	CSL Ltd	Health Care	\$248.78	\$317.43	24.5	1.2%	14%	17%	13%	AA
MND	Monadelphous Group	Industrials	\$15.96	\$16.14	20.0	4.4%	20%	16%	3%	AAA
BXB	Brambles Ltd	Industrials	\$20.50	\$21.56	22.1	1.8%	21%	27%	11%	AAA
XRO	Xero Ltd	Info. Tech	\$162.11	\$183.93	111.5	0.0%	14%	14%	54%	AA
IGO	IGO Ltd	Materials	\$3.77	\$4.94	na	0.5%	-6%	-9%	-190%	AAA
JHX	James Hardie Industries	Materials	\$36.76	\$49.06	15.7	0.0%	39%	32%	7%	AA
GMG	Goodman Group	Real Estate	\$29.73	\$36.79	24.9	1.0%	11%	11%	10%	AA
APA	APA Group	Utilities	\$8.34	\$8.27	68.4	6.8%	6%	7%	59%	AAA

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 30 April 2025. ESG is environmental, social, and corporate governance.

Trade opportunities

Please note the following opportunities may not fully satisfy metrics for the above table.

Cochlear Limited (COH AU) – Buy. JPMorgan analysts believe that Cochlear's new implant will offer exciting new features and potentially superior hearing outcomes, supporting a material boost in market share. This next-generation cochlear implant is coming to market in mid-2025 and is the first significant new platform since 2009 (there have been processor and implant upgrades, but nothing of this overarching scale).

Goodman Group (GMG AU) – Buy. Goodman has de-rated due to a large capital raising, uncertainty over data centre capex own history and peers, and is cheaper now than it was before it announced its data centre pipeline.

ResMed, Inc (RMD AU) – Buy. A very strong third quarter result should allay concerns over the impact of GLP-1 molecules on the sleep apnoea market. Furthermore, a key development was the confirmation from US Customs that ResMed's respiratory product range is exempt from tariffs, under the Nairobi Protocol.

Recommendations:

Domestic equities - Sustainable income

Objective of this list

This objective is to generate 'sustainable income' over time. Historically, companies that grow their dividends consistently can offer superior long-term performance. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to this list, some metrics we consider are:

- **Profitability measures**—Return on assets, cashflow, return on invested capital and return on equity
- **Liquidity and leverage**—Net debt to equity
- **Efficiency**—Change in revenue, EBITDA, and margins
- **Management signalling**—Dividend growth and pay-out ratios.

Code	Company	Sector	Market price	Consensus price target	P/E 1yr fwd (x)	P/B 1yr fwd (x)	Franking	Div. yield	1yr DPS growth	MSCI ESG rating
SUN	Suncorp Group Ltd	Financials	\$20.06	\$21.36	16.3	1.5	100%	4.9%	-10.6%	AAA
MQG	Macquarie Group Ltd	Financials	\$192.48	\$205.10	20.0	2.2	35%	3.3%	13.9%	AA
ANZ	ANZ Group Holdings Ltd	Financials	\$29.67	\$28.75	12.7	1.3	100%	5.6%	1.2%	AA
QBE	QBE Insurance Group Ltd	Financials	\$21.55	\$23.01	11.9	1.9	20%	3.5%	6.2%	AAA
COL	Coles Group Ltd	Cons. Staples	\$21.28	\$20.42	26.0	7.6	100%	3.2%	12.9%	AA
MTS	Metcash Ltd	Cons. Staples	\$3.24	\$3.77	13.0	2.3	100%	5.5%	9.6%	AAA
TLC	Lottery Corp Ltd/The	Cons. Disc.	\$5.14	\$5.44	31.5	38.4	100%	3.2%	11.0%	AAA
TAH	Tabcorp Holdings Ltd	Cons. Disc.	\$0.57	\$0.71	29.7	1.0	0%	2.5%	28.6%	AA
TLS	Telstra Group Ltd	Com. Services	\$4.52	\$4.39	23.6	3.5	100%	4.2%	6.8%	AA
CAR	CAR Group Ltd	Com. Services	\$33.05	\$38.78	33.0	4.1	0%	2.4%	12.9%	AA
RMD	ResMed Inc	Health Care	\$36.69	\$44.56	24.7	6.3	100%	0.6%	10.2%	A
PME	Pro Medicus Ltd	Health Care	\$227.66	\$248.95	208.3	107.0	100%	0.2%	40.5%	BBB
REP	RAM Essential Services	Real Estate	\$0.59	\$0.74	14.4	1.4	0%	8.5%	2.0%	-
MGR	Mirvac Group	Real Estate	\$2.25	\$2.34	18.4	1.0	0%	4.1%	5.5%	-
IRE	IRESS Ltd	Info. Tech	\$7.95	\$9.45	22.5	3.9	0%	2.7%	24.8%	AA
DBI	Dalrymple Bay Infra.	Industrials	\$4.12	\$4.09	21.5	1.9	65%	5.7%	3.8%	-
ALX	Atlas Arteria Ltd	Industrials	\$5.08	\$5.49	17.8	1.2	0%	7.9%	-0.7%	AA
APA	APA Group	Utilities	\$8.34	\$8.27	68.4	3.9	0%	6.8%	1.4%	AAA
ALD	Ampol Ltd	Energy	\$23.60	\$30.37	14.8	1.8	100%	4.3%	55.6%	-
AMC	Beach Energy Ltd	Energy	\$1.18	\$1.51	5.9	0.8	100%	5.9%	11.4%	AAA
BHP	BHP Group Ltd	Materials	\$38.07	\$42.64	11.4	2.7	100%	2.9%	-0.9%	A
AMC	Amcor PLC	Materials	\$14.61	\$17.56	12.8	3.6	0%	3.5%	2.4%	AA

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 30 April 2025. ESG is environmental, social, and corporate governance.

Trade opportunities

Please note the following opportunities may not fully satisfy metrics for the above table.

CAR Group (CAR AU) – Buy. CAR has grown its dividend every year since listing in 2009, growing at a 13.5% compound annual growth rate. It has leveraged its first mover advantage into a significant network effect in the Australian market. There is considerable scope for growth among its international segments, where it is yet to maximise yield from its clear advantage.

Pro Medicus (PME AU) – Buy. Recent share price weakness has resulted in a buying opportunity for one of Australia's highest quality companies. Although its valuation remains a headwind, the company highlighted its own confidence and cashflow by reactivating its buyback during the recent bout of weakness.

Atlas Arteria (ALX) – Buy. The company is forecast to distribute 7.6% in dividends in the coming 12 months. A new concession tax, which is being imposed on traffic networks, is fully priced, yet there is a chance it will be overruled by the French constitutional court. Even if the tax is upheld, Atlas may seek compensation which is all upside to its current price.

Recommendations:

International equities - Best sector ideas

Objective of this list

The objective is to provide a list of large-cap international companies across sectors with sustainable business models that generate compounding returns on investment and capital over the longer term. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to the list, some metrics we consider are:

- **Profitability measures**—Return on net operating assets, return on invested capital, free cashflow and return on equity
- **Liquidity and leverage**—Net debt to equity, Altman Z-score, net debt to EBITDA
- **Efficiency**—Capital expenditure to sales
- **Valuation**—Price/earnings ratio, price/book ratio, enterprise value to sales and EBITDA, private equity screens.

Code	Company	Sector	Base CCY	Market price	Consensus price target	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
GOOGL US	Alphabet Inc	Com. Services	USD	160.16	202.69	16.7	0.4	1,954,727	BBB
UMG NA	Universal Music Group	Com. Services	EUR	25.01	29.77	24.1	2.4	52,176	AA
DIS US	Walt Disney Co/The	Com. Services	USD	91.17	122.27	16.9	1.2	164,816	A
9988 HK	Alibaba Group Holding	Cons. Disc.	HKD	116.30	162.13	13.5	0.7	286,398	BBB
NKE US	NIKE Inc	Consumer Disc.	USD	57.54	75.61	26.8	2.7	84,928	BB
SBUX US	Starbucks Corp	Consumer Disc.	USD	84.85	97.45	29.5	3.1	96,424	A
ABNB US	Airbnb Inc	Consumer Disc.	USD	125.49	149.74	28.8	0.0	78,788	BB
RMS FP	Hermes International	Consumer Disc.	EUR	2386.00	2580.19	52.8	0.9	286,574	BB
COST US	Costco Wholesale Corp	Consumer Staples	USD	991.70	1055.61	54.7	0.5	440,001	A
288 HK	WH Group Ltd	Consumer Staples	HKD	6.92	8.47	7.6	0.9	11,445	—
SHEL LN	Shell PLC	Energy	GBP	2443.00	3106.00	9.5	0.1	195,694	AA
LSEG LN	London Stock Exchange	Financials	GBP	11405.00	12800.85	28.3	1.4	80,851	AA
LLOY LN	Lloyds Banking Group	Financials	GBP	73.18	77.80	9.8	5.6	58,955	AA
WFC US	Wells Fargo & Co	Financials	USD	71.10	77.15	12.3	2.6	231,372	BB
2318 HK	Ping An Insurance Group	Financials	HKD	46.60	61.26	6.3	6.0	120,460	A
939 HK	China Construction Bank	Financials	HKD	6.29	8.40	4.4	6.5	206,908	AA
MA US	Mastercard Inc	Financials	USD	539.68	621.60	34.0	0.6	490,119	AA
JNJ US	Johnson & Johnson	Health Care	USD	155.91	171.72	14.7	3.4	375,131	A
NOVOB DC	Novo Nordisk A/S	Health Care	DKK	424.35	682.80	15.8	3.8	288,764	AAA
ISRG US	Intuitive Surgical Inc	Health Care	USD	514.89	573.68	66.3	0.0	184,546	A
EXPN LN	Experian PLC	Industrials	GBP	3632.00	4222.25	31.0	0.0	44,658	A
DSV DC	DSV A/S	Industrials	DKK	1288.50	1679.43	24.0	0.7	47,217	AA
2330 TT	Taiwan Semiconductor	Information Tech.	TWD	902.00	1227.78	15.1	2.1	729,839	AAA
ASML NA	ASML Holding NV	Information Tech.	EUR	585.00	761.55	25.2	1.4	262,116	AAA
MSFT US	Microsoft Corp	Information Tech.	USD	394.04	488.36	29.9	0.9	2,929,286	AA
ACN US	Accenture PLC	Information Tech.	USD	298.47	354.04	23.4	2.1	187,059	AA
SHW US	Sherwin-Williams Co	Materials	USD	348.13	379.13	29.3	1.0	87,242	A
EQIX US	Equinix Inc	Real Estate	USD	851.65	1008.00	64.4	2.4	83,307	AA
ORSTED DC	Orsted AS	Utilities	DKK	257.80	337.85	10.8	4.1	16,517	AAA
Average Yield:							2.0%		

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 30 April 2025. ESG is environmental, social, and corporate governance.

Recommendations: Thematic investing - Inflation

Objective of this list

Thematic investing is an approach which focuses on predicting long-term trends rather than specific companies or sectors. As it is also often associated with secular forces, this means it can provide investors with exposure to themes that are expected to grow at rates above economic growth over the longer term. Thematic investing is best suited to longer-term investors and those looking for opportunities beyond the comparatively smaller investment universe that exists in Australia. Some key themes that investors are exploring include:

- Climate change
- Cryptocurrency and blockchain
- Demographics
- Electric vehicles
- Healthcare and genomics
- Energy transition
- Artificial Intelligence
- Security and safety
- Supply chain disruption
- Sustainable investing.

Supply chain disruption—Select exposures.

A recent convergence of factors has put global supply chains in focus. Trump's bluster around global tariffs, simmering geopolitical tensions, and ongoing military conflicts around the world have emphasised the importance of our logistics networks.

Code	Company	Sector	Base CCY	Market price	Consensus price target	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
AMZN US	Amazon.com Inc	Consumer Disc.	USD	187.39	247.51	22.5	0.0	1,988,651	BBB
BABA US	Alibaba Group Holding	Consumer Disc.	USD	118.88	164.94	11.8	5.3	283,873	BBB
EBAY US	eBay Inc	Consumer Disc.	USD	67.20	64.50	11.9	1.8	31,315	A
WMT US	Walmart Inc	Cons. Staples	USD	96.04	106.83	32.6	1.0	768,405	BBB
SHEL LN	Shell PLC	Energy	GBP	2443.00	3106.00	8.5	0.1	195,635	A
BPT AU	Beach Energy Ltd	Energy	AUD	1.18	1.51	5.6	6.6	1,719	--
LLOY LN	Lloyds Banking Group	Financials	GBP	73.18	77.80	7.7	0.1	58,937	AA
DSV DC	DSV A/S	Industrials	DKK	1288.50	1679.43	19.5	0.7	47,194	AA
KNIN SW	Kuehne + Nagel	Industrials	CHF	186.85	207.33	18.6	4.2	27,392	AAA
DHL GY	Deutsche Post AG	Industrials	EUR	37.03	43.86	11.0	5.2	50,528	A
DE US	Deere & Co	Industrials	USD	460.64	490.86	21.0	1.5	125,024	AA
BXB AU	Brambles Ltd	Industrials	AUD	20.50	21.56	20.0	2.0	18,005	AAA
WTC AU	WiseTech Global Ltd	Info. Tech.	AUD	88.22	120.93	59.8	0.2	18,884	AAA
ACN US	Accenture PLC	Info. Tech.	USD	298.47	354.04	21.8	2.1	187,059	AA
INTC US	Intel Corp	Info. Tech.	USD	20.34	21.14	24.6	0.3	88,723	AAA
SAP GY	SAP SE	Info. Tech.	EUR	254.60	273.77	34.6	1.1	355,659	AAA
GMG AU	Goodman Group	Real Estate	AUD	29.70	36.79	22.7	1.0	38,590	AA
PLD US	Prologis Inc	Real Estate	USD	103.10	119.61	27.9	4.1	97,896	A

Source: Bloomberg Analyst consensus and MSCI Research. Data as of 30 April 2025. ESG is environmental, social, and corporate governance.

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Contact us

LGT Crestone Wealth Management Limited

ABN 50 005 311 937
AFS Licence No. 231127

lgtcrestone.com.au

Adelaide

Level 26
91 King William Street
Adelaide SA 5000
+61 8 8403 9400

Brisbane

Level 18, Riverside Centre
123 Eagle Street
Brisbane QLD 4000
+61 7 3918 3600

Melbourne

Level 17
101 Collins Street
Melbourne VIC 3000
+61 3 9245 6000

Sydney

Level 32, Chifley Tower
2 Chifley Square
Sydney NSW 2000
+61 2 8422 5500