NORTH CAPITAL

Spotlight:

Uncertainty is the only certainty

May 2025

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Over the first four months of this year, we have seen some seismic changes to the world order, largely driven by an unorthodox and, at times, slightly erratic White House, whose unpredictability has straddled the line between bold reimagination and disarray. Decisions coming from Washington have not only defied diplomatic norms but, in many cases, upended decades of geopolitical consensus.

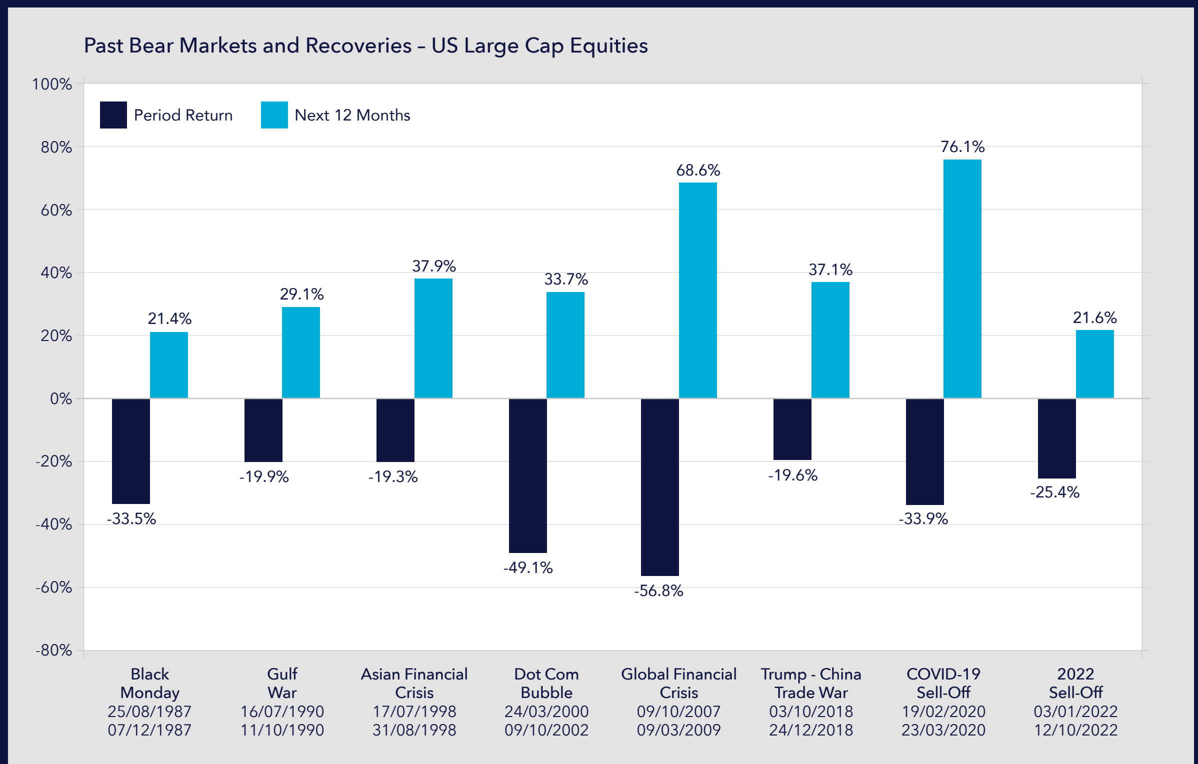
Actions that would have been dismissed as inconceivable at the start of the year have now become reality. We are witnessing a US administration that appears more at ease within the ornate confines of the Kremlin than in the deliberative chambers of Brussels. While in a development that would have been unthinkable at Christmas, Germany has taken steps to rearm, its most significant military recalibration since the 1940s. And as if to underscore the magnitude of this shift, a full-blown global trade war has erupted, so far-reaching in its consequences that even the remote penguins of the Heard and McDonald Islands have been impacted. To paraphrase, there are decades where nothing happens; and there are months where decades happen. This year, we are living through the latter.

This reconfiguration of international alliances and economic policies has caused stress in global markets. As would be expected the US stock market has fallen the most however other regions have not been immune to the volatility. In currency markets the dollar, traditionally seen as a safe haven in times of upheaval, has itself come under sustained pressure as confidence in US institutions waivers. Similarly, one of the world's safest assets, 10-year US government debt, experienced a weekly sell-off of a magnitude seen only once in the past two decades, prompting commentators to question its traditional 'safe haven' status.

Why stay invested?

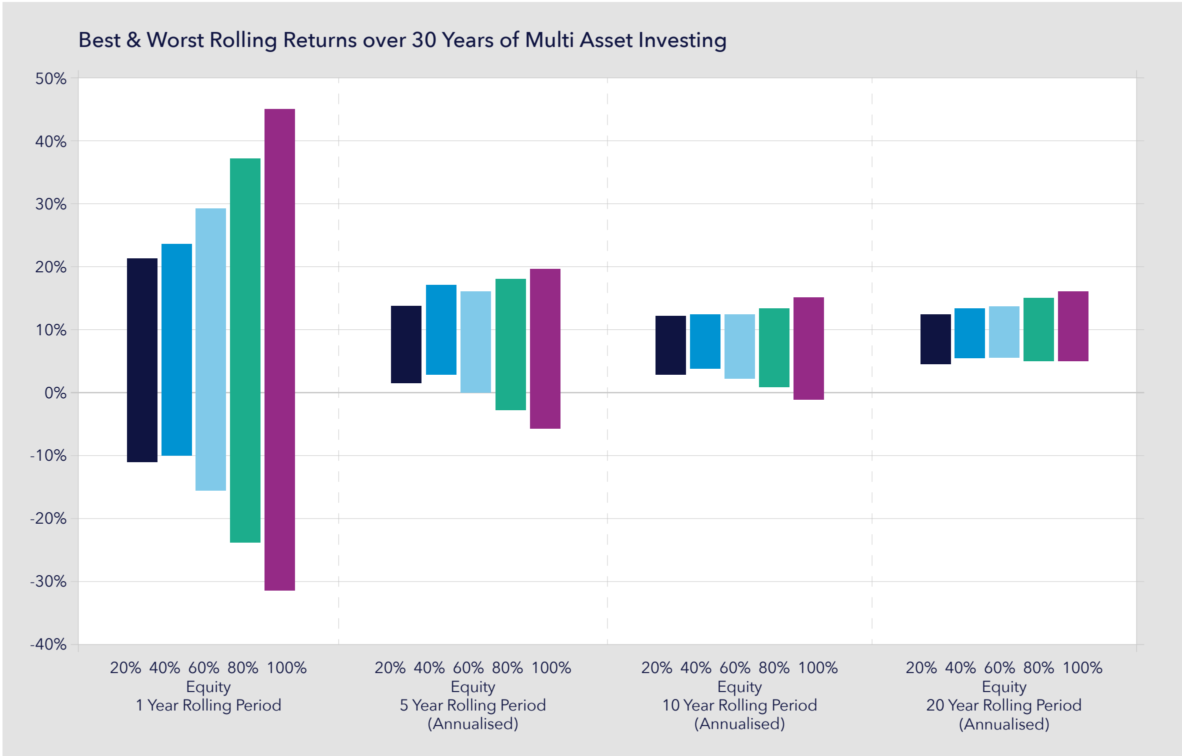
While market stress can be deeply uncomfortable, and negative headlines may make it tempting to sell and seek the comfort of a better night's sleep, these are precisely the moments when long-term investors must pause and take the longer view. History consistently shows that some of the most challenging market environments are often followed by periods of exceptional recovery.

Rather than reacting emotionally to short-term volatility, it is crucial to reflect on past cycles, where panic-driven selling often gave way to strong and sustained rebounds. It can be observed in the chart below that sharp drawdowns in the US stock market over the last few decades have typically been followed by strong returns over the following year.

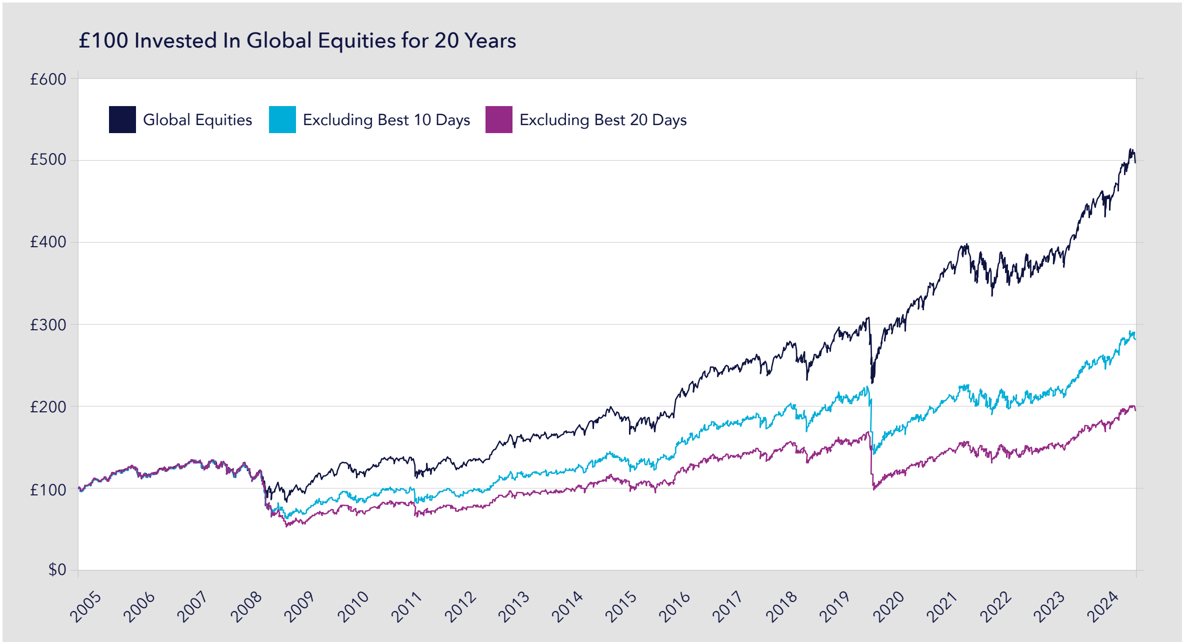


Source: LSEG, North Capital Management. As at 31 March 2025.

For long-term investors, staying invested through all market cycles is key. As the following chart illustrates, while one-year rolling returns can exhibit significant volatility, the likelihood of negative returns diminishes substantially as investments are held over longer time horizons. Time in the market, rather than timing the market, remains one of the most reliable paths to compounding wealth and reducing risk.



In fact, missing just a handful of the market's best days can significantly damage long-term returns. An investor who missed the twenty best days since 2005 would have seen their annualised returns drop from around 9% to a modest 3%, barely outpacing inflation over time. This highlights the importance of staying fully invested, even during periods of market volatility, to capture the gains that drive long-term wealth creation.



How do we deal with market volatility?

At North Capital, our role is not to pass judgment on the policies of other nations, however disruptive they may appear. Instead, our focus is on ensuring your portfolio is resilient across a range of possible outcomes. We do this not only through having an allocation to real assets in your core portfolio but also by offering satellite portfolios designed to provide capital protection during periods of market stress. Of course, we also actively manage your core portfolio and, since January, have been gradually reducing equity exposure in favour of lower-risk assets.

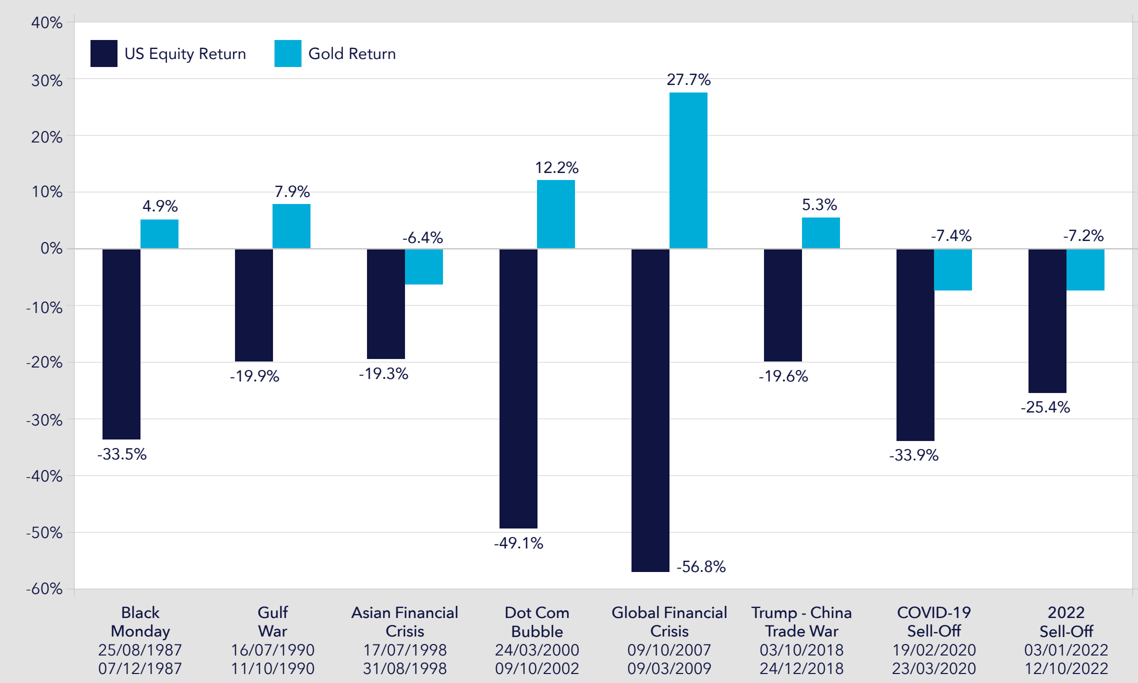
Real Assets in Your Core portfolio

Unlike many of our peers, we incorporate a select range of Real Assets within your core portfolios to reduce reliance on traditional equity markets. These alternatives are carefully chosen to participate in capital appreciation during strong markets, while also offering valuable diversification during periods of stress.

This allocation is composed of three key components:

Commodities	Infrastructure	Gold
Which offer a hedge against geopolitical uncertainty and supply shocks	A lower volatility equity exposure with defensible cash flows	A historical safe haven and store of value during market turbulence

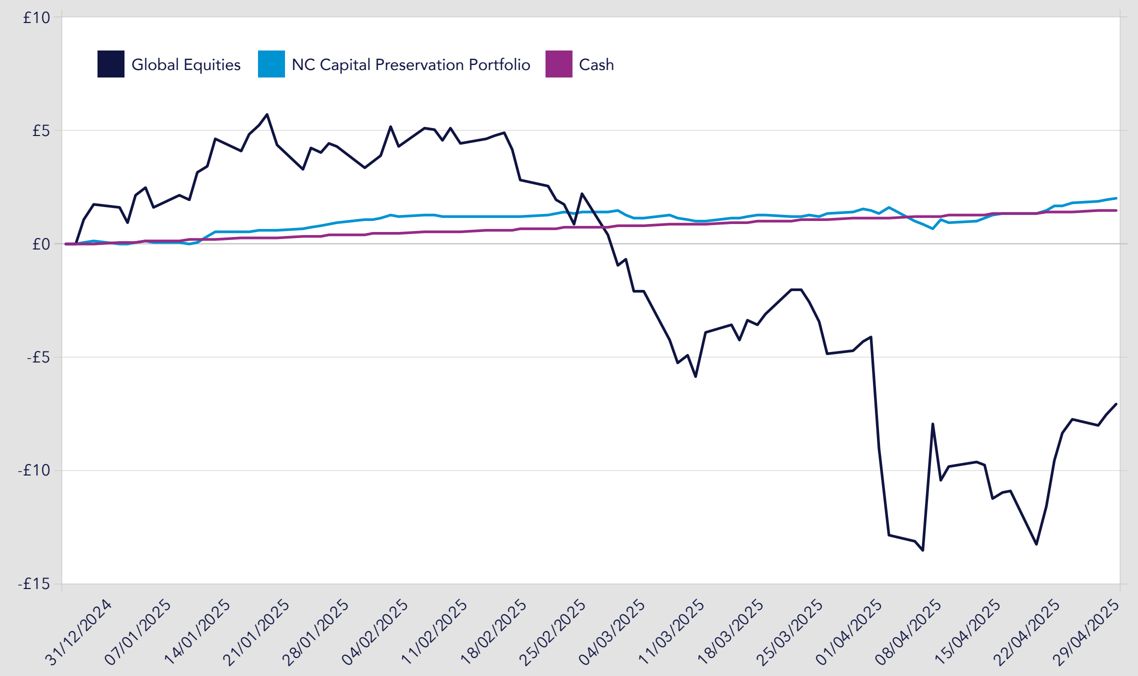
While all three have contributed to the portfolio's overall resilience, it is gold that has stood out in the current environment. As the chart below illustrates, gold has historically performed well during times of heightened uncertainty, providing a stabilising force when traditional assets come under pressure.



Capital preservation

North Capital's Capital Preservation Portfolio is designed to deliver positive absolute returns with low volatility over the short to medium term (up to three years). It achieves this through a diversified blend of money market instruments, fixed income, absolute return strategies, and multi-asset funds.

Year to date, the portfolio has demonstrated strong resilience, driven primarily by significant allocations to cash and cash-equivalent holdings as well as actively managed, low risk fixed income, which have provided stability amid broader market volatility. Additionally, exposure to agile, opportunistic strategies, such as the M&G Target Return Fund, has added further protection. These types of funds are structured to respond swiftly to market shifts and have been well-positioned to benefit from recent downturns. The next chart demonstrates the performance of North Capital's Capital Preservation portfolio year-to-date, with returns ahead of its cash benchmark, while significantly outpacing equities:



This portfolio is structured to be defensive, aiming to reduce overall volatility when used alongside a core portfolio. While it has delivered strong performance this year, it is important to acknowledge that, over the long term, lower risk assets have historically underperformed higher risk alternatives.

In a year already marked by extraordinary change, uncertainty remains a constant. But while the headlines may shift and markets may fluctuate, our commitment to long-term, resilient investing does not. At North Capital, we don't claim to predict the future, but we do ensure portfolios are built to withstand it. Through diversification, disciplined strategy, and use of alternative assets. As history has shown time and again, during periods of uncertainty, staying the course can deliver the most meaningful rewards for long-term investors.

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