

# Investment report

## Market overview

### As at 19 March 2025

Financial market volatility has risen over February and into early March as the Trump Administration in the United States (US) announced further tariffs and signs emerge that the associated uncertainty is starting to weigh on consumer and business sentiment in the US. US equities began to decline from mid-February as a result, with the S&P 500 index ending the month lower and continuing on to a peak-to-trough fall of around 10% by mid-March, before stabilising in the following days.

February began with US President Trump announcing a plan for 25% tariffs on goods imports from Canada and Mexico, then quickly delaying them for a month, and this cycle was repeated in early March, as the planned start of the tariffs was quickly followed by another delay until April 2. Amidst the to-ing and fro-ing around tariffs on Canada and Mexico, the US has gone ahead with a 10% increase to tariffs on China which has since increased to 20%, and implemented 25% tariffs on steel and aluminium imports. In addition, the US is planning further announcements on potential reciprocal tariffs on April 2, the same day that the tariffs on Canada and Mexico are now set to commence.

This demonstrates that the US is serious about implementing tariffs in some form, and that uncertainty around US trade policy is set to continue at least in the short term. With the new administration also looking to cut parts of the government workforce, both businesses and many households are now operating in an environment of heightened uncertainty, impacting confidence and potentially economic activity.

The previously optimistic expectations for the US economy in 2025 are therefore being questioned. And with US equities coming from a starting point of high valuations and strong earnings expectations, there is still room for disappointment and further volatility even after the recent selloff.

The shake up to US trade policy has added uncertainty to the growth outlook for the rest of the world too, with the Bank of Canada citing the potential tariffs and related uncertainty as a reason behind its decision to lower rates by 0.25 percentage points (ppt) to 2.75% in mid-March. The European Central Bank also continued its easing cycle, cutting the deposit rate by 0.25 ppt to 2.50% in early March, and its updated economic forecasts accompanying the decision featured modest downgrades to Euro area GDP growth for 2025 and 2026, partly due to high trade policy uncertainty.

In the meantime, Germany has embarked on a significant shift in fiscal policy, opening the door to greater public spending on defence and infrastructure in contrast to its traditionally conservative approach to budget deficits which has hindered the ability of the government to stimulate the economy and respond to the shifting geopolitical environment. If passed through Germany's parliamentary bodies and utilised fully, the budget reform could see government spending rise by over 1% of GDP per year in coming years, providing a substantial boost to the economy which has struggled to grow over recent years. At the same time, the potential for increased debt to fund such support has caught the attention of investors, with the yield on 10-year German government bonds rising over 0.3 ppt following the developments.

Australia's gradual economic recovery is continuing, with real GDP growing 0.6% in the December 2024 quarter and annual growth rising from 0.8% year-on-year (yoy) to 1.3% yoy. Public demand remains a key driver of economic growth, but importantly, household consumption strengthened after two quarters of contraction, and the Reserve Bank of Australia's February rate cut will provide a little more breathing space in household budgets going forward. However, with Australia's economy highly exposed to global growth, and uncertainty around US trade policy adding risks to the global outlook, a full recovery in Australia is not guaranteed.

## Monthly performance

### Accumulation Options – investment performance as at 28/02/2025

	High Growth	Growth Plus	Growth (MySuper) - Default	Conservative Growth	Conservative	Cash	Australian Shares	Diversified Fixed Interest	Overseas Shares	Indexed Diversified	Property
<b>1 month</b>	-1.34%	-1.08%	-0.86%	-0.36%	0.14%	0.31%	-3.61%	0.86%	-0.09%	-1.10%	0.99%
<b>6 months</b>	6.06%	5.58%	5.10%	4.04%	2.96%	2.07%	2.65%	2.51%	13.32%	5.17%	0.18%
<b>FYTD</b>	8.32%	7.71%	7.15%	5.83%	4.56%	2.79%	6.34%	4.51%	16.06%	8.18%	4.53%
<b>1 year</b>	10.92%	10.02%	9.17%	7.52%	5.98%	4.22%	9.11%	5.76%	18.26%	10.86%	3.76%

Returns are based on the crediting rate, which is returns minus investment fees, taxes and until 31 January 2020, the percentage-based administration fee. Excludes fees and costs that are deducted directly from members' accounts. Past performance is not a reliable indicator of future performance.