

# Investment report

## Market overview

### As at 23 April 2025

Financial market volatility has surged over the past month as United States (US) President Donald Trump announced tariff increases that have the potential to significantly alter US trade flows and impact the US and global economies.

Global equities had already declined in March, with the US S&P 500 index down 5.8% in the month, on the back of earlier US tariff changes and in anticipation of a major tariff announcement scheduled for early April. However, when so-called “Liberation Day” arrived on 2 April, President Trump announced a much harsher array of tariffs than markets had expected, triggering a further sharp selloff in global equity markets.

The announced tariffs were characterised as reciprocal, but rather than sized according to trading partners’ tariff rates, the new tariffs were instead based on a scaled ratio of the US trade deficit with each trade partner, divided by the value of US imports from each country. This resulted in surprisingly punitive tariff rates on many of the US’ major trading partners (as high as 54% on China and 46% on Vietnam), including many of the US’ closest traditional allies (25% on South Korea, 24% on Japan, 20% on the European Union). Even countries with whom the US runs a trade surplus, such as Australia, were not spared, falling under a new minimum tariff rate of 10%.

If implemented in full, the changes announced on 2 April would amount to a sharp increase in the US’ total weighted average tariff rate to the highest level since at least the 1930s and equate to a large tax increase on the US consumer. Such a shock would weigh on US economic growth while also driving a spike in inflation due to higher consumer goods prices, potentially putting the US Federal Reserve in a bind as it balances its inflation and employment objectives.

With the tariffs also set to weigh on global growth, equities plunged across all major markets in the days following 2 April, and the S&P 500 approached a peak-to-trough decline of 20% the following week as the US and China responded to each other with further tit-for-tat tariff escalations. While US 10-year government bond prices had initially rallied (i.e. yields fell) – a common reaction in times of high financial market uncertainty and a weakening growth outlook – this quickly unwound with yields bouncing back sharply alongside a softening of the US dollar, a possible indication that investors may be rethinking the safety and attractiveness of holding US assets.

While President Trump may have been willing to weather an equity market decline, it appears that the accompanying decline in the prices of US government bonds and the US dollar may have proved too much. On 9 April, just as the new ‘reciprocal tariffs’ were coming into effect, President Trump announced a 90-day pause on tariffs above the 10% minimum for all countries except China, to allow for negotiations with each trading partner.

This development is certainly a positive, and equity markets quickly regained some of their declines on the news. However, with a range of tariffs remaining in place (particularly on China), and high uncertainty impacting economic decisions of both businesses and households, events to date are likely already sufficient to weigh on US and global growth to some degree.

With its lower trade exposure to the US, Australia faces less of a direct impact from the US tariffs, though as a small open economy dependent on global trade (particularly with China), the tariffs still pose a headwind to growth here. With Australia not responding with any tariff increases, the economy won’t face the same inflation risk as the US, and the Reserve Bank of Australia (RBA) will face an easier decision on policy if growth deteriorates. If the US’ current tariff settings stay in place, the RBA is likely to ease rates further in the coming months, but as with the rest of the world, the outlook for growth, monetary policy and financial markets depends heavily on where US economic policy heads next.

## Monthly performance

### Accumulation Options – investment performance as at 31/03/2025

	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>	-2.54%	-2.22%	-1.86%	-1.19%	-0.50%	0.33%	-3.70%	-0.09%	-3.96%	-2.77%	-1.13%
<b>6 months</b>	1.79%	1.76%	1.81%	1.74%	1.73%	2.06%	-4.08%	1.79%	8.78%	1.08%	-1.88%
<b>FYTD</b>	5.56%	5.32%	5.17%	4.57%	4.04%	3.13%	2.40%	4.41%	11.47%	5.18%	3.35%
<b>1 year</b>	5.54%	5.34%	5.15%	4.68%	4.40%	4.21%	1.41%	4.88%	10.57%	5.39%	1.79%

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.