Gold shines amid market turbulence

2025 Q1 review by Jake Winterton, Assistant Fund Manager, and Jasper Jogi, Multi Asset Analyst

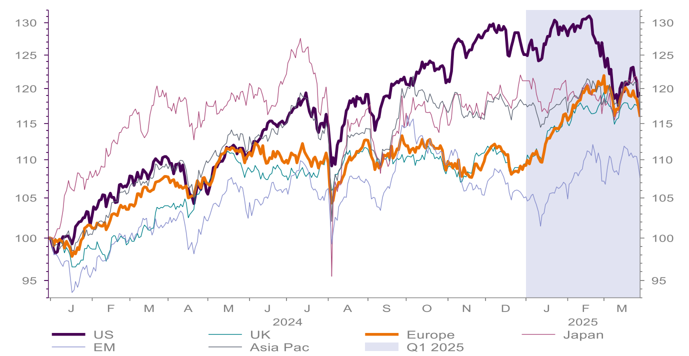
Following two consecutive years of double-digit returns, global equities posted a much weaker start to the year. Volatility surged over the quarter as investors turned their attention from President Trump's promised tax cuts and deregulation to tariffs, DOGE layoffs and deportation. With megacap stocks entering the year at lofty valuations, worries of a new Artificial Intelligence (AI) model from DeepSeek, that is far cheaper than the US alternatives, saw the S&P 500 index witness its eleventh quickest correction since 1928. Meanwhile, European shares put in stellar performance on the back of a larger than expected fiscal package, including a debt break reform and a €500bn infrastructure fund to rearm Europe. This underperformance of US stocks versus rest of the world was the most in any quarter since 2009 (Chart 1).

One asset which has benefitted significantly from the currently elevated global uncertainty is gold. The asset class has been a strong performer in commodity markets, both last year and so far in 2025 (Chart 2). Central bank demand for physical metal has been very strong over recent years and consumers have stepped up as well more recently. Gold has historically acted as a good hedge in equity drawdowns, as we are seeing now, and expectations of largescale US tariffs have led to additional upside pressure ahead of the April 2 deadline.

On a tactical level, we have trimmed our equity overweight position closer to neutral, with a preference towards Europe and away from the US. Our Investment Clock has moved into Overheat, which historically has seen commodities outperform bonds. While US hard data remains resilient, forward-looking indicators are starting to flash warning signs, with business and consumer confidence being challenged by policy uncertainty – we continue to closely monitor the damage from tariffs, both for US and globally.

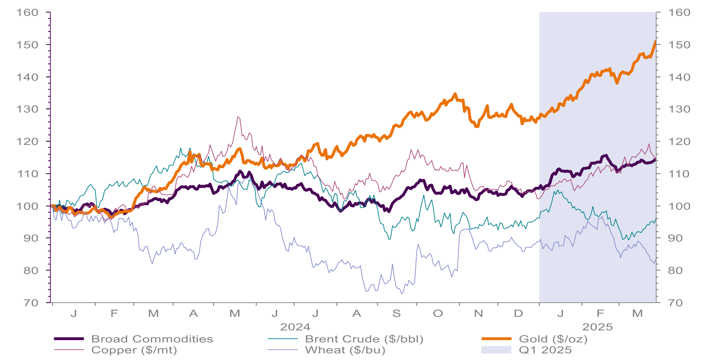
Please see the Investment Clock blog for our latest views.

Chart 1: Performance of regional equity markets



Source: Refinitiv Datastream as at 31/03/2025.

Chart 2: Performance of major individual commodities



Source: LSEG Datastream as at 31/03/2025.

Table 1: Sterling-based annual returns from major asset classes 2018 – Q1 2025

Year	2018	2019	2020	2021	2022	2023	2024	YTD
1	Property +7.5%	Global Stocks +22.6%	Global Stocks +14.3%	Commodities +28.3%	Commodities +30.7%	Global Stocks +16.0%	Global Stocks +20.2%	Commodities +5.6%
2	Cash +0.6%	UK Stocks +19.2%	EM Stocks +11.9%	Global Stocks +20.0%	Cash +1.0%	UK Stocks +7.9%	EM Stocks +14.8%	UK Stocks +4.5%
3	Gilts +0.6%	EM Stocks +15.9%	Gilts +8.3%	Property +19.9%	UK Stocks +0.3%	**Multi Asset +7.0%**	UK Stocks +9.5%	Property +1.3%
4	**Multi Asset -1.5%**	**Multi Asset +10.0%**	**Multi Asset +5.2%**	UK Stocks +18.3%	EM Stocks -6.4%	Cash +4.4%	**Multi Asset +7.8%**	Cash +1.2%
5	Global Stocks -3.1%	Gilts +6.9%	Cash +0.3%	**Multi Asset +8.4%**	**Multi Asset -7.4%**	Gilts +3.7%	Commodities +7.3%	Gilts +0.5%
6	Commodities -5.7%	Commodities +3.5%	Property -1.0%	EM Stocks +1.0%	Global Stocks -7.8%	EM Stocks +2.9%	Property +7.0%	**Multi Asset +0.3%**
7	EM Stocks -7.6%	Property +2.1%	Commodities -6.1%	Cash +0.0%	Property -10.1%	Property -0.1%	Cash +5.3%	EM Stocks -0.8%
8	UK Stocks -9.5%	Cash +0.7%	UK Stocks -9.8%	Gilts -5.2%	Gilts -23.8%	Commodities -13.1%	Gilts -3.3%	Global Stocks -4.3%

Past performance is not a reliable indicator of future results. Source: RLAM, Refinitiv Datastream as at March 2025; property as at February 2025. 'Multi Asset' returns are based on the benchmark weights of Royal London GMAP Balanced Fund. Indices used are FTSE All Share, FTSE World, MSCI Emerging Markets ESG Leaders, MSCI/AREF UK All Balanced Quarterly Property Fund, Bloomberg Commodity Index, BoAML BB-B Global Non-Financial High Yield Constrained Index, iBoxx Sterling Non-Gilt Index, Bloomberg Barclays Global Aggregate Corporate Index, FTSE Actuaries UK Index Linked Gilts, Bloomberg Barclays UK Government Inflation Linked Bond 1-10 year Index, Bloomberg Barclays World Government Inflation Linked Bond (ex UK) 1-10 year, FTSE Actuaries UK Conventional Gilts Index, JPM Global ex-UK Traded Index, FTSE Actuaries UK Conventional Gilts up to 5 Years Index, SONIA. Total returns in sterling terms.

Markets: Policy uncertainty sets US exceptionalism under question

- Global equities underperformed other asset classes amid heightened volatility as Trump's first couple of months in office sent policy uncertainty soaring.
- North American stocks struggled, and the Magnificent 7 index entered bear market territory as valuations were questioned on China's DeepSeek and growth fears. European stocks rallied on hopes of positive developments around fiscal spending.
- ECB and BoE cut interest rates, while Fed stayed put and BoJ continued to move in another direction. US yields fell as forward-looking data started to roll over. German 10-year saw the largest weekly rise since the 1990 reunification period on fiscal news.
- Commodities outperformed other major asset classes amid tariff uncertainty; precious metals were especially strong as gold recorded its best quarter since 1986.
- European currencies outperformed amid historical fiscal stimulus while US dollar depreciated on weaker than expected activity data. The yen was supported by BoJ policy direction and risk-off mood in markets.

FX	1 GBP buys	%chg Q1 (vs GBP)	%chg 2025 (vs GBP)
USD	1.29	-3.0	-3.0
EUR	1.19	1.3	1.3
CHF	1.14	-0.5	-0.5
JPY	193.5	1.8	1.8
AUD	2.07	-2.1	-2.1
CAD	1.86	-2.9	-2.9

CB rates	Rate (%)	chg in Q1 (%)	chg 2025 (%)
Fed	4.50	0.00	0.00
BoE	4.50	-0.25	-0.25
ECB	2.50	-0.50	-0.50
BoJ	0.48	0.25	0.25

Bond Yield	Yield (%)	chg in Q1 (bps)	chg 2025 (bps)
US 10 Year	4.21	-36	-36
UK 10 Year	4.68	11	11
EU 10 Year	2.74	37	37
JP 10 Year	1.47	38	38

	Local Currency		GBP	
Multi Asset	Q1	2025	Q1	2025
UK Stocks	4.5	4.5	4.5	4.5
Global ex UK Stocks	-2.1	-2.1	-4.3	-4.3
Gilts	0.6	0.6	0.6	0.6
UK Cash	1.2	1.2	1.2	1.2
UK Property	1.3	1.3	1.3	1.3
Commodities	8.9	8.9	5.6	5.6

	Local Currency		GBP	
Equity Regions	Q1	2025	Q1	2025
UK	4.5	4.5	4.5	4.5
North America	-4.1	-4.1	-6.9	-6.9
Europe ex UK	6.3	6.3	7.6	7.6
Japan	-3.9	-3.9	-2.1	-2.1
Pacific ex Japan	-4.0	-4.0	-7.0	-7.0
Emerging Markets	2.0	2.0	-0.8	-0.8

Global	Local Currency		GBP	
Equity Sectors	Q1	2025	Q1	2025
Consumer Discretionary	-8.4	-8.4	-10.3	-10.3
Industrials	0.6	0.6	-0.7	-0.7
Financials	5.1	5.1	3.0	3.0
Consumer Staples	4.7	4.7	2.6	2.6
Utilities	5.6	5.6	3.6	3.6
Healthcare	4.2	4.2	2.0	2.0
Energy	8.5	8.5	6.2	6.2
Materials	3.4	3.4	1.7	1.7
Communication Services	11.6	11.6	10.2	10.2
Technology	-11.8	-11.8	-14.2	-14.2

	Local Currency		GBP	
Bonds	Q1	2025	Q1	2025
Conventional Gilts	0.6	0.6	0.6	0.6
Index Linked Gilts	-1.4	-1.4	-1.4	-1.4
GBP Credit	0.7	0.7	0.7	0.7
Global High Yield	1.2	1.2	1.3	1.3

	Local Currency		GBP	
Commodities	Q1	2025	Q1	2025
Energy	11.0	11.0	7.7	7.7
Agriculture	2.0	2.0	-1.0	-1.0
Industrial Metals	8.6	8.6	5.3	5.3
Precious Metals	18.3	18.3	14.8	14.8

Note: Standard indices sourced from DataStream and Bloomberg as at 31 March 2025; property data as at February 2025.

Jake Winterton is assistant fund manager, and Jasper Jogi analyst within Royal London Asset Management's multi asset team. The team manages portfolios including the Governed Range pension portfolios, the Global Multi Asset Portfolios (GMAPs), Multi Asset Strategies Fund (MAST) which is available on third party platforms and the euro based multi asset funds that form the core of the Royal London Irish pensions offering.

Investment risks – RL GMAP fund range

Investment risk: The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Credit risk: Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

Derivative risk: Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both fund losses and gains. The impact to the fund can be greater where they are used in an extensive or complex manner, where the fund could lose significantly more than the amount invested in derivatives.

EPM Techniques: The fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the fund to increased price volatility.

Exchange Rate risk: Changes in currency exchange rates may affect the value of your investment.

Interest Rate risk: Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

Emerging Markets risk: Investing in emerging markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse effect of social, political and economic instability, weak supervisory structures and accounting standards.

Counterparty risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the fund to financial loss.

Fund investing in Funds risk: The fund is valued using the latest available price for each underlying investment, however it may not fully reflect changing stock market conditions and the fund may apply a 'fair value price' to all or part of its portfolio to mitigate this risk. In extreme liquidity conditions, redemptions in the underlying investments, and/or the fund itself, may be deferred or suspended.

Liquidity and Dealing risk: The fund invests indirectly in assets that may at times be difficult to value, harder to sell, or sell at a fair price. This means that there may be occasions when you experience a delay in being able to deal in the fund, or receive less than may otherwise be expected when selling your investment.

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