Managed Portfolio Service

Monthly Investment Report

January 2025

BinaryCapital

SUMMARY

Global equity markets delivered significant positive returns across most major asset classes in January 2025, with notable exceptions in Chinese, Indian and Japanese equities. Fixed-income markets delivered very good returns over the month.

The month began with volatility in longer-dated government bonds, as yields increased markedly, creating investor concerns in the bond markets. However, sentiment shifted positively following softer US and UK inflation data.

Investors are now closely monitoring their social media feeds following Donald Trump's inauguration as US President. Markets reacted positively as Trump did not immediately enact trade tariffs, easing fears of abrupt policy that could disrupt global trade. This has given investors a sense of reassurance, suggesting that Trump may govern with more pragmatism than his campaign rhetoric had indicated. On the last day of the month, Trump announced he will slap hefty tariffs on Mexico, Canada and China.

A significant development in the technology sector came from the Chinese AI company DeepSeek, which launched an innovative AI model which many tech experts have described as 'novel'. The launch triggered volatility in AI-related stocks globally, as investors reassessed competitive dynamics and questioned the substantial infrastructure investments made by established tech leaders in Nvidia chips.

EQUITIES

US

- US equities started the year off well, after some volatility around inflation and rising yields in longer dated US treasuries in the first half of the month.
- Major banks had significant earnings growth in Q4 2024, which kicked off the earnings season on a positive note for 2025, driven by a pickup in deal-making activities, as well as robust trading and lending activity.
- In the technology sector, companies such as Apple, Microsoft, Tesla, and Meta Platforms reported stable earnings growth. Notably, Netflix exceeded analyst expectations with significant global subscriber growth. Tech executives have signalled 2025 as a pivotal year for innovation, particularly in artificial intelligence (AI). This follows major investments in AI infrastructure, including the $100 billion Stargate AI initiative, a project involving Oracle, OpenAI, and SoftBank. The initiative was presented by Donald J. Trump alongside Oracle founder Larry Ellison, OpenAI CEO Sam Altman, and SoftBank's Masayoshi Son.

UK

- The FTSE 100 reached all time highs during the month. UK Large Cap equities broadly have performed well during January 2025.
- The banking sector has been a significant contributor to the FTSE 100's gains. Higher interest rates have bolstered net interest margins, leading to increased profitability for banks.
- Elevated oil prices have benefited major energy companies like BP and Shell.
- Diageo was a notable underperformer, facing demand adjustments from changing consumer behaviour. The growing adoption of GLP-1 weight-loss medications (Ozempic, Wegovy) has introduced additional uncertainty, given their potential impact on alcohol consumption behaviours.

Europe

- European equities started 2025 with strong momentum, with broad European indices hitting all time highs, marking a notable reversal from Q4 2024's weakness. The good performance in European equities could be attributed to good corporate earnings, some improving economic indicators as well as some rotation as European equities trade at attractive valuations relative to US equities. Furthermore, there was some relief to European equities as Trump did not enact immediate export trade tariffs on European goods.
- LVMH saw increased sales in the last quarter, against analyst expectations of a decline, which has raised optimism that the luxury goods market is past the worst of the downturn. This was following a positive surprise for Richemont.
- The largest constituent in the MSCI Europe Index, and Europe’s largest tech company – ASML had a very volatile start to the year, after being c.+8.4% YTD, shares fell significantly from news around DeepSeek. It then saw strong earnings, ending the month positive. ASML’s CEO stated that the development of AI models like DeepSeek is expected to positively impact global chip demand, thereby benefiting ASML's business growth. ASML is a very significant player in the global semiconductor supply chain.

Emerging Markets

- To support the domestic stock market, Chinese regulators introduced measures to boost investment from state insurers and commercial insurance funds into A-shares. They required state-owned insurers to allocate at least 30% of new policy premiums to local stocks and directed mutual funds to increase their annual shareholdings by 10% over the next three years. These steps are expected to bring significant capital into the market, with estimates suggesting inflows of up to $68 billion.
- India's economic growth showed signs of deceleration.
- TSMC, a stock that accounts for approximately 10% of the MSCI Emerging Markets Index, delivered a strong Q4 2024 earnings update, driven by robust demand for its high-performance chips. Despite the positive earnings, TSMC’s ADR share price declined following the news of DeepSeek’s AI breakthrough.

FIXED INCOME

We expected bond volatility to be a theme to watch closely as bond investors worry about the sustainability of government debt and uncertainty around inflation trends. This is a key reason why we substitute some of our fixed income allocations towards absolute return in our portfolios. This volatile scenario somewhat played out during January of 2025.

The Japanese central bank raised its short-term policy interest rate on the 24th of January from 0.25% to 0.50% following a high core inflation print for December 2024 at 3%. The BoJ's tightening monetary policy could have significant implications for global markets, particularly western government bonds. As Japanese interest rates rise, Japanese investors may find domestic bonds more attractive, potentially leading to reduced demand for western bonds. This shift could result in upward pressure on western government bond yields as demand decreases.

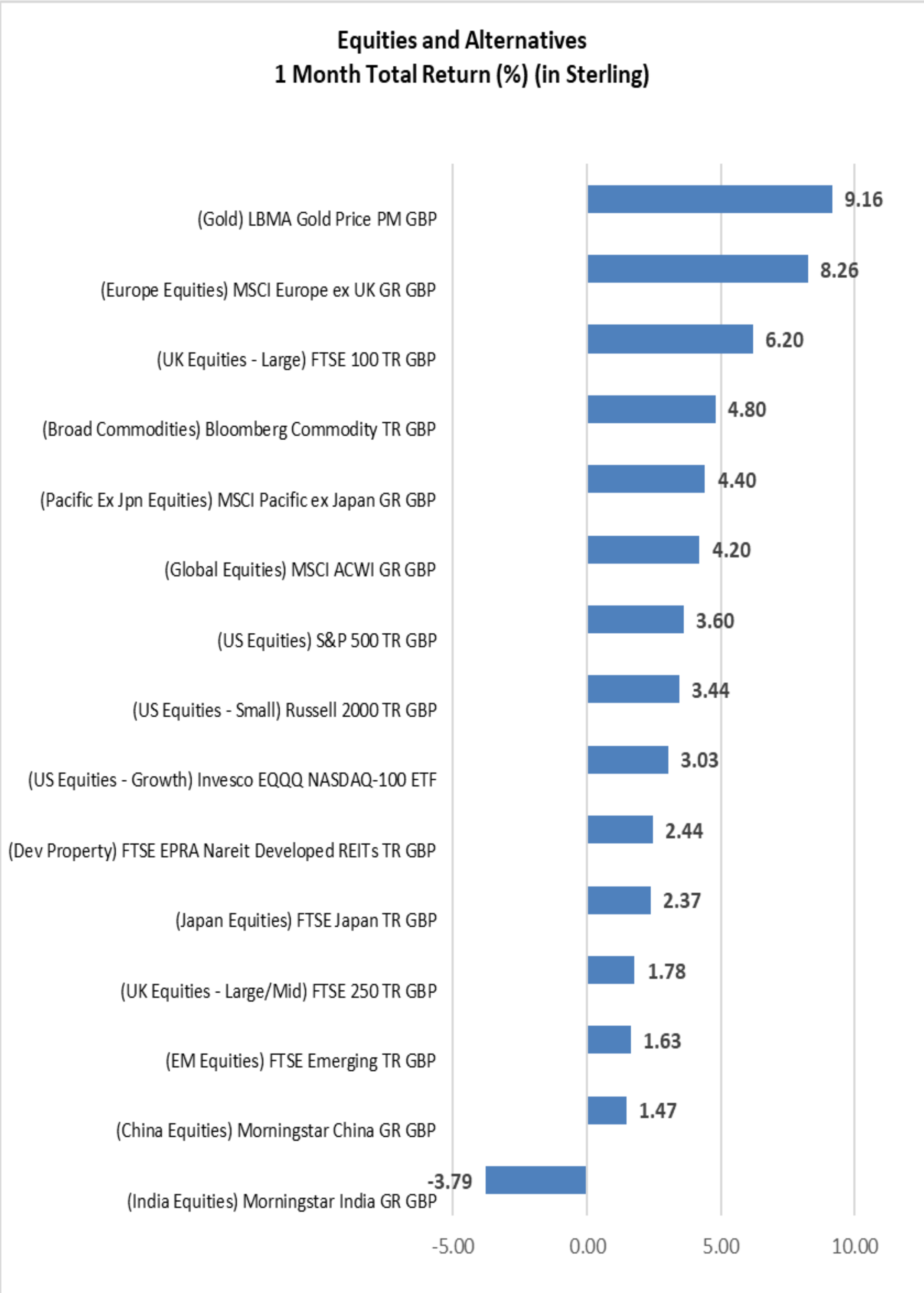
The ECB continued its rate-cutting cycle by lowering its benchmark interest rate by a quarter-point to 2.75%, amid expectations of further reductions given persistently weak economic conditions and downside risks. Meanwhile, the Euro Area registered 0% GDP growth for the fourth quarter of 2024, with Germany remaining in recession.

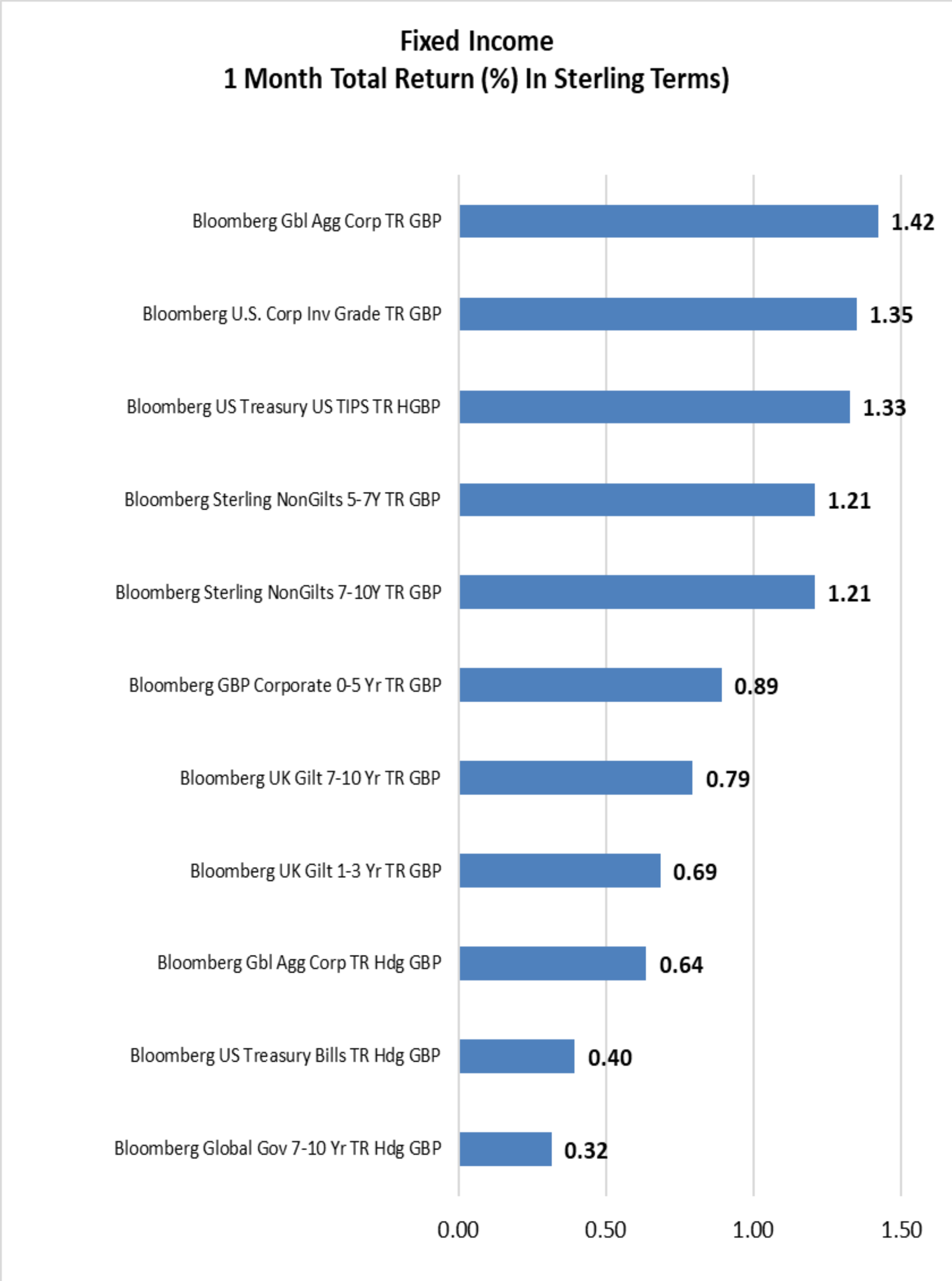
Dollar

- US Core CPI came in softer than consensus expectations for the month of December.
- On January 29th, the U.S. Federal Reserve struck a slightly hawkish tone, leaving interest rates unchanged; dismissing Donald Trump’s calls for immediate interest rate cuts. J Powell highlighted an overall strong economy and a solid labour market. The Fed signalled a pause in interest rate cuts.

Sterling

- At the start of the year, 10-year gilt yields were around 4.6%, topping at 4.9% over the month. This increase raised concerns that the additional fiscal headroom created in the Autumn Budget from higher National Insurance (NI) contributions from businesses may have been eroded. Consequently, fears emerged that Chancellor Rachel Reeves might need to either raise taxes or cut public spending to address the fiscal deficit. Investors were worried that, without urgent action, the UK could face a reinforcing debt spiral. With much relief, the 10-year gilt yield ended the month near where it started.

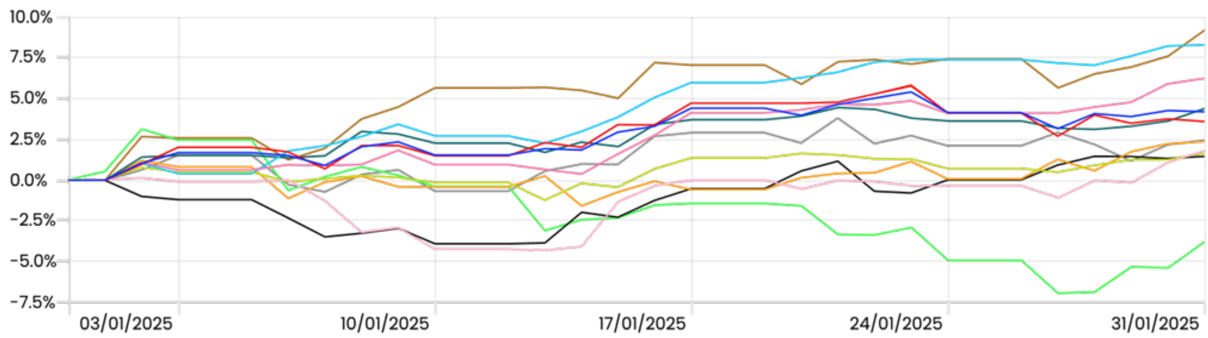



Fixed Income
1 Month Total Return (%) In Sterling Terms)
Bloomberg Gbl Agg Corp TR GBP
1.42
Bloomberg U.S. Corp Inv Grade TR GBP
1.35
Bloomberg US Treasury US TIPS TR HGBP
1.33
Bloomberg Sterling NonGilts 5-7Y TR GBP
1.21
Bloomberg Sterling NonGilts 7-10Y TR GBP
1.21
Bloomberg GBP Corporate 0-5 Yr TR GBP
0.89
Bloomberg UK Gilt 7-10 Yr TR GBP
0.79
Bloomberg UK Gilt 1-3 Yr TR GBP
0.69
Bloomberg Gbl Agg Corp TR Hdg GBP
0.64
Bloomberg US Treasury Bills TR Hdg GBP
0.40
Bloomberg Global Gov 7-10 Yr TR Hdg GBP
0.32
0.00
0.50
1.00
1.50

1 Month - Market Performance

Time Period: 01/01/2025 to 31/01/2025

Currency: Pound Sterling

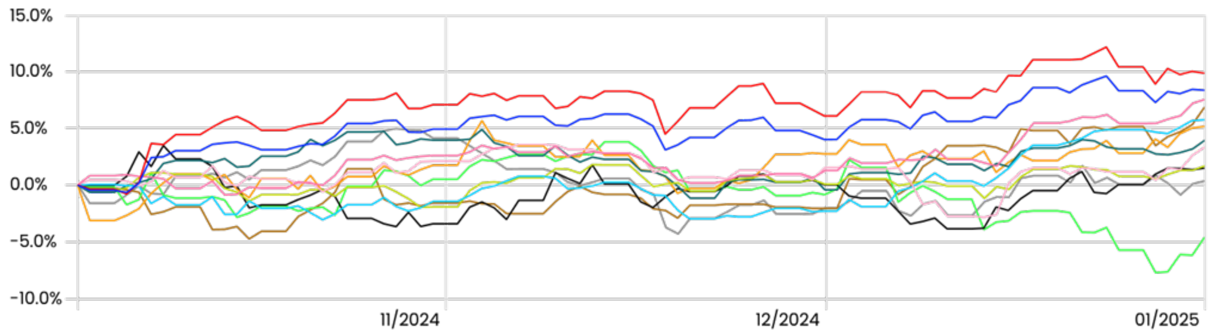


(Global Equities) MSCI ACWI GR GBP	4.2%	(US Equities) S&P 500 TR GBP	3.6%	(UK Equities - Large) FTSE 100 TR GBP	6.2%
(UK Equities - Large/Mid) FTSE 250 TR GBP	1.8%	(Europe Equities) MSCI Europe ex UK GR GBP	8.3%	(EM Equities) FTSE Emerging TR GBP	1.6%
(Pacific Ex Jpn Equities) MSCI Pacific ex Japan GR GBP	4.4%	(Japan Equities) FTSE Japan TR GBP	2.4%	(China Equities) Morningstar China GR GBP	1.5%
(India Equities) Morningstar India GR GBP	-3.8%	(Gold) LBMA Gold Price PM GBP	9.2%	(Dev Property) FTSE EPRA Nareit Developed REITs TR GBP	2.4%

3 Month - Market Performance

Time Period: 01/11/2024 to 31/01/2025

Currency: Pound Sterling

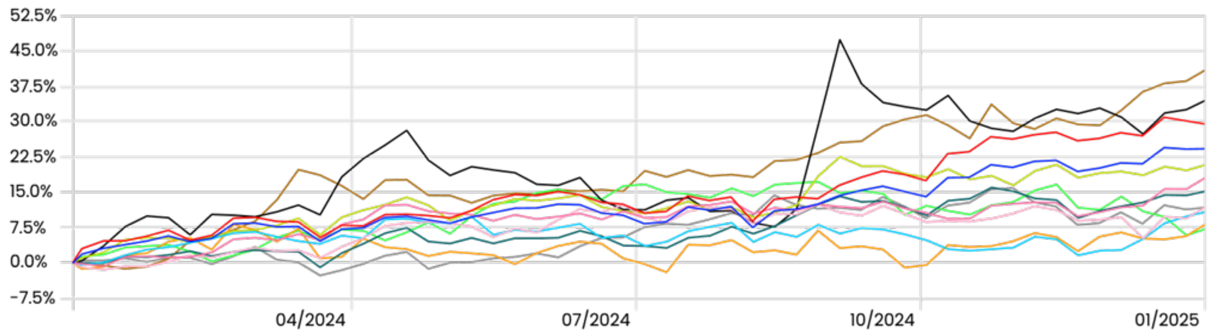


(Global Equities) MSCI ACWI GR GBP	8.4%	(US Equities) S&P 500 TR GBP	9.9%	(UK Equities - Large) FTSE 100 TR GBP	7.6%
(UK Equities - Large/Mid) FTSE 250 TR GBP	3.3%	(Europe Equities) MSCI Europe ex UK GR GBP	5.8%	(EM Equities) FTSE Emerging TR GBP	1.7%
(Pacific Ex Jpn Equities) MSCI Pacific ex Japan GR GBP	4.0%	(Japan Equities) FTSE Japan TR GBP	5.2%	(China Equities) Morningstar China GR GBP	1.5%
(India Equities) Morningstar India GR GBP	-4.6%	(Gold) LBMA Gold Price PM GBP	6.9%	(Dev Property) FTSE EPRA Nareit Developed REITs TR GBP	0.3%

12 Month - Market Performance

Time Period: 01/02/2024 to 31/01/2025

Currency: Pound Sterling



(Global Equities) MSCI ACWI GR GBP	24.3%	(US Equities) S&P 500 TR GBP	29.5%	(UK Equities - Large) FTSE 100 TR GBP	18.0%
(UK Equities - Large/Mid) FTSE 250 TR GBP	11.8%	(Europe Equities) MSCI Europe ex UK GR GBP	10.8%	(EM Equities) FTSE Emerging TR GBP	20.8%
(Pacific Ex Jpn Equities) MSCI Pacific ex Japan GR GBP	15.1%	(Japan Equities) FTSE Japan TR GBP	8.1%	(China Equities) Morningstar China GR GBP	34.5%
(India Equities) Morningstar India GR GBP	7.2%	(Gold) LBMA Gold Price PM GBP	40.9%	(Dev Property) FTSE EPRA Nareit Developed REITs TR GBP	11.8%

Contact Us

Discuss your investment needs with us.

If you are a financial advisor seeking to find out more about our services, please contact the team using any of the methods below or visit ou website: binarycapital.co.uk

Sarb Thind *BA, ACSI*
Head of Sales
t: 0755 764 9718
e: sarb.thind@binarycapital.co.uk

Sam Boughton *BSc*
Client Sales Director
t: 0203 943 5084
e: sam.boughton@binarycapital.co.uk

Disclaimer

The Information in this document is not intended to influence you in making any investment decisions and should not be considered as advice or a recommendation to invest. Any Information may not be suitable for all investors and investors must make their own investment decisions using their own independent advisors and relevant offering material. Any investment decisions must be based upon an investor's specific financial situation and investment objectives and should be based solely on the information in the relevant offering memorandum. Income from an investment may fluctuate and the price or value of any financial instruments referenced in this document may rise or fall. Past performance is not necessarily indicative of future results.

We assume no responsibility or liability for the correctness, accuracy, timeliness or completeness of the information. We do not accept any responsibility to update the Information. Any views, opinions or assumptions may be subject to change without notice.

Binary Capital Investment Management Ltd is incorporated in England under company number 06692644, registered address, 43-45 Dorset Street, London, England, W1U 7NA, Binary Capital is a trading name of Binary Capital Investment Management Ltd.

Binary Capital Investment Management Ltd is authorised and regulated by the UK Financial Conduct Authority(reference number 507900). Principal place of business: 28 Hampstead High Street, London, NW3 1QA

binarycaptial.co.uk

t: +44 (0)203 943 5080

e: info@binarycaptial.co.uk

28B Hampstead High Street, London, NW3 1QA