360
from AW Financial Management
April 2025

Welcome to the Spring edition of 360. We are thoroughly enjoying the longer evenings, sunnier days and seeing the new life spring up around us as the new season begins to make its presence felt! Very welcome indeed.

The Trump Effect

In light of Trump's first presidential term, where market growth was incredibly positive, as reflected in 63% growth in the S&P 500 (America's largest 500 firms), investors were understandably very hopeful of a repeat of this during Trump's second term.

Market's initially reacted very positively to Trump's election, as set out in our November newsletter. However, since Trump's inauguration in January, anxious anticipation had been building as a result of what his proposed "America First" trade policy may look like in reality. The 2nd of April brought about Trump's "Liberation Day", where he shone a light on what his reciprocal tariff plan would in fact look like. The outcome of this only increased the already high uncertainty and volatility being experienced in the markets.

Fearing an escalating trade war, increased inflation and a potential recession as a result, the markets reacted very negatively to Trump's announcement. The S&P 500 dropped almost 11% following 'Liberation Day' alone, bringing the total pullback to nearly 18% since the middle of February.

Slight relief came as a result of Trump's 90-day 'pause' to his proposed policy on the 9th April, resulting in the 10th *highest* single day return in history for the S&P 500 (9.50%). Greater single day returns have only been experienced during the Great Depression in the 1930's, and following the Global Financial Crisis in 2008.

What next? Time will tell. Perhaps the most impactful trade negotiations of a generation will now be taking place. As companies and economies adjust to their new trade terms, uncertainty and volatility will likely remain for 2025. A global recession is a very real risk. However, having been able to overcome a challenge as large as a global pandemic only 5 years ago, there is every reason to believe light will appear at the end of the tunnel.

In this issue

Global Markets and Your Portfolio

This table reflects performance of the ten AWFM-managed investment strategies over the course of the last 3 and 12 months.

Description	AWFM Risk Model	Ethical		Unrestricted	
		3m	1yr	3m	1yr
Low Risk	1	-2.44%	1.00%	-1.10%	2.31%
Low to Medium Risk	2	-4.09%	0.03%	-2.84%	1.39%
Medium Risk	3	-6.54%	-1.26%	-6.00%	0.84%
Medium to High Risk	4	-9.22%	-5.31%	-7.71%	0.58%
High Risk	5	-10.62%	-6.37%	-8.98%	-4.29%

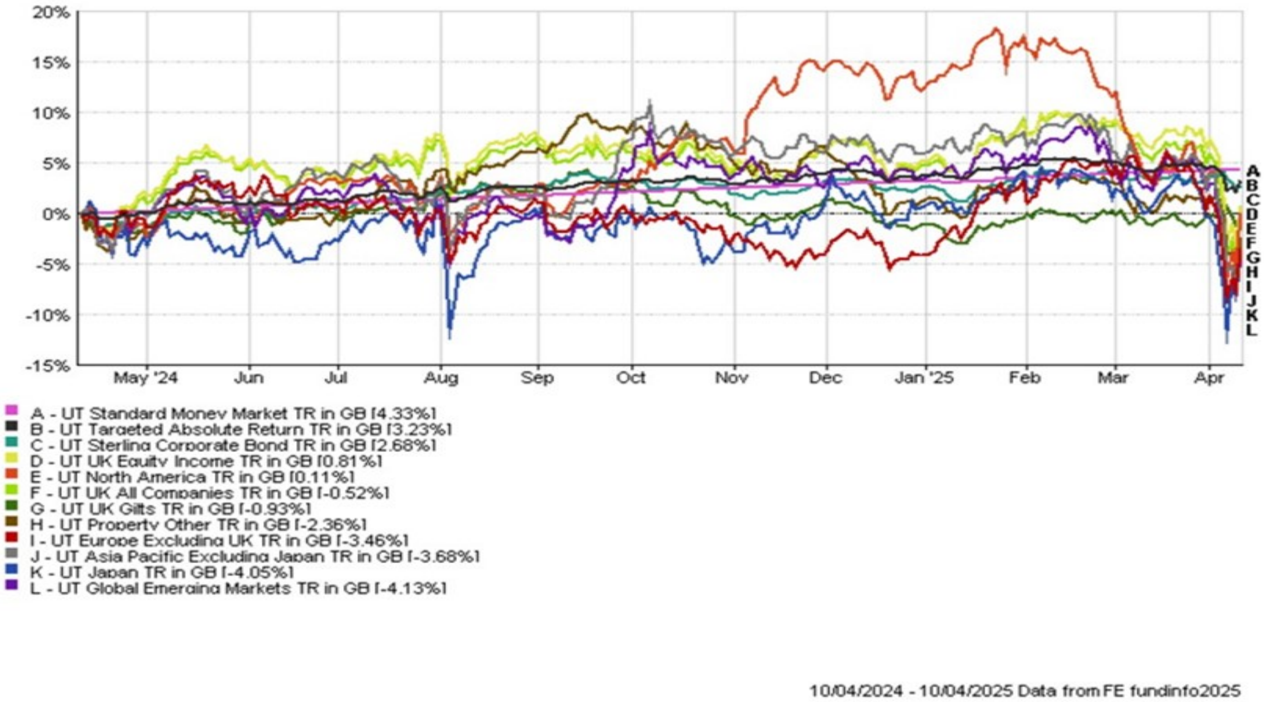
As you can see, short term returns have been poor, largely due to Trump's tariff plans and the global stock market reaction, which in turn has dragged down the yearly return. Effectively, all the gains made since the autumn of last year, and even the "Trump Bounce" following his election, have now been given back.

The ethical portfolios have fared slightly worse due to a greater allocation to US equities and a consequential lower weighting to Asian stocks (driven in part by ethical selection criteria), as well as a bias towards "growth" stocks, which tend to be more sensitive to these type of global economic concerns and the potential impact on interest rates.

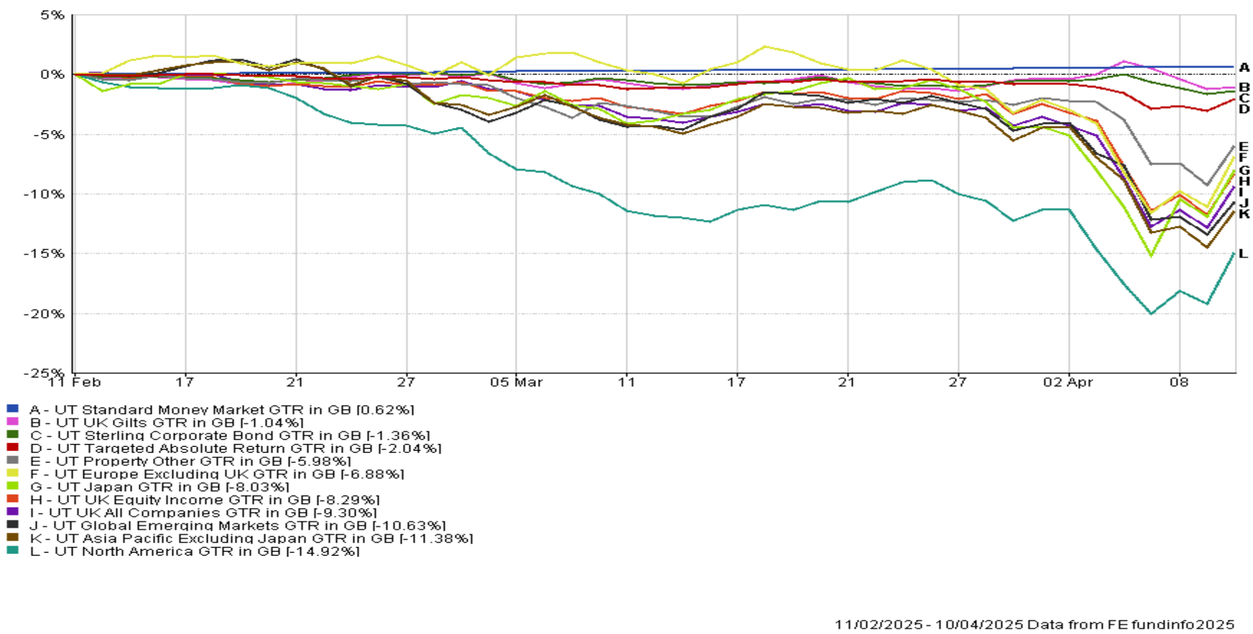
"Jesus said to her, 'I am the resurrection and the life. The one who believes in me will live, even though they die; and whoever lives by believing in me will never die. Do you believe this?'"- John Chapter 11 verses 25-26.

Investment Returns & Outlook

Given the extreme volatility seen in the global stock markets over the last few weeks it is perhaps not surprising to see that the best performing sector over the last year has been cash ("Money Markets")! It is of course for times like these that we always recommend clients establish a suitably sized "emergency fund" or "rainy day fund" in secure bank savings or Premium Bonds.



You can see that the US ("North America") was leading the surge in equity markets, which started in the autumn of last year, on the back of falling inflation and interest rates. US stock markets suffered the worst of the selling when traders started dumping shares in favour of safe haven assets such as bonds and gold. Again, stock market corrections like this remind us why we allocate sizeable allocations to bonds of various types for medium and lower risk investors, as they often provide some value protection during periods of volatility, as you can see in the 3 month chart of the same sectors below.



Of course we do not know where the markets will go from here in the short term. We have seen something of a relief rally in stock markets, following Trump's pause to his tariff plans for all nations bar China—who have been saddled with an eye watering tariff rate of 145%! However, Trump has only announced that he will *pause* the major tariffs for 90 days, not overturn them. Clearly he is hoping for some negotiations to ensue, and if that does transpire, this would at least give stock markets some short term hope.

Looking longer term, events like this are unlikely to derail global economic expansion, though it would well make a dent. Successful businesses will adapt and manoeuvre—as they did following Trump's round of tariffs in his first term as President (accepting that these tariffs weren't anywhere near as severe). We are confident in our active fund managers abilities to pick the winners out of this crisis, and, as ever, a globally diverse portfolio of investments is likely to yield a good outcome for clients when taking a longer term view.

The Spring Statement

Rachel Reeves delivered her Spring Statement on the 26th March. This was her second fiscal statement following the record breaking Autumn budget.

Looking back to that first fiscal statement, Reeves announced changes which were estimated to generate an additional £40bn of tax revenue, a figure exceeding anything previously proposed in a single statement! These involved increases to stamp duty and capital gains tax amongst others. However, the main angle of attack was an increase to Employers National Insurance Contributions, which is forecast to make up £25bn of the total increase.

Focusing back on Reeves' more recent statement, headlines were much less dramatic. There were cuts to some elements of the welfare benefits, aiming for savings of £3.4bn. Around 10,000 civil service jobs are expected to go, with the government targeting a 15% reduction in administrative costs by 2030.

Additional spending on defense of £2.2bn will be implemented next year, which was already due to increase by £2.9bn. A £2bn grant will be available for the building of new social and affordable homes, with Labour targeting 305,000 new homes to be built per year by the end of the decade.

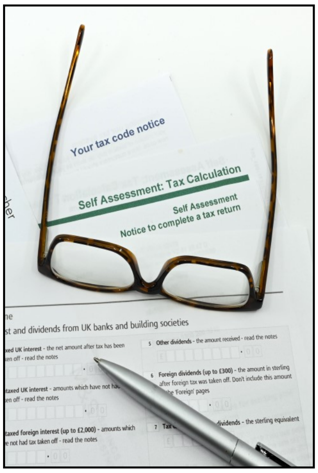
In terms of the economic outlook (at the time of the spring statement!), the OBR downgraded their predicted growth for the year to 1%, previously predicted at 2%. With estimated growth for the next four years to be 1.9% next year, 1.8% in 2027, 1.7% in 2028 and 1.8% in 2029. Hardly exciting economic growth!

Inflation is getting back to more 'normal' levels, with 2025 now expected to average out at 3.2% (higher, however, than previously forecast at 2.6%), before reducing to 2.1% in 2026 and then hitting the 2% target in 2027. Of course, Trump's tariff plans could have a significant impact on these estimates.

Tax Tables - *Virtually no changes except those that are highlighted yellow. (Stealth tax in other words!)*

Income Tax & Allowances		
Main personal allowances and reliefs	**25/26**	**24/25**
Personal allowance* *(set to be frozen until 2028)*	£12,570	£12,570
Marriage/civil partner's transferable allowance	£1,260	£1,260
Employees National Insurance Contributions	8%/2%	8%/2%
Employers National Insurance Contributions	15%	13.8%
Annual ISA subscription allowance	£20,000	£20,000
Annual Pension contributions allowance	£60,000	£60,000
Rent-a-room relief	£7,500	£7,500
Property allowance and trading allowance (each)	£1,000	£1,000

*Personal allowance reduced by £1 for every £2 of adjusted net income over £100,000. Married couple's/civil partner's allowance reduced by £1 for every £2 of adjusted net income over £31,400 until minimum reached.



UK taxpayers (excluding Scottish taxpayers') non-dividend, non-savings income	**25/26**	**24/25**
20% basic rate on first slice of taxable income up to	£37,700	£37,700
40% higher rate on next slice of taxable income over	£37,700	£37,700
45% additional rate on taxable income over	£125,140	£125,140
Dividend and savings income		
Starting rate at 0% on band of savings income up to**	£5,000	£5,000
Personal savings allowance at 0%: Basic rate	£1,000	£1,000
Higher rate	£500	£500
Additional rate	£0	£0
Dividend allowance at 0%	£500	£500
Tax rates on dividend income:		
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%
Capital Gains		
Annual Exempt Amount	£3,000	£3,000
Main Rate (Basic / Higher Rates)	18%/24%	10%/20%
Residential Property	18%/28%	18%/28%

Stamp Duty updates

Re-introduction of 2% threshold band
The nil rate Stamp Duty Land Tax (SDLT) threshold has been reduced to its previous level of £125,000, having been temporarily doubled to £250,000 in the September 2022 mini-Budget. The "new" £125,000 - £250,000 threshold banding is liable to SDLT at 2% (in line with previous levels).

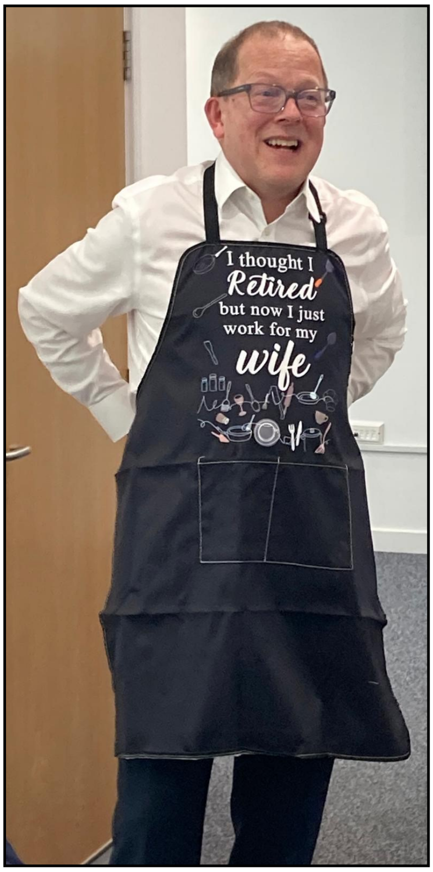
This works out to an increased tax bill of £2,500 for any house purchase over £250,000.

First time buyers
The thresholds for first time buyers relief have also been updated. Again, thresholds have been reverted to the pre-September 2022 mini-Budget levels. The nil rate threshold has now reduced to £300,000 (from £425,000), and is only available for house purchase values of less than £500,000 (previously £625,000). The £300,000-£500,000 threshold is subject to SDLT at 5%, in line with the standard rates.

As an example, a first time buyer making a house purchase of £400,000 would previously not have had to pay any SDLT due to the property value falling *within* the £425,000 nil rate threshold. With the threshold now having been reduced to £300,000, the excess £100,000 would now be liable SDLT at 5%. Resulting in a £5,000 stamp duty charge, no small amount!

Second homes
For those purchasing a second home, the lower 5% rate is now applicable only on the first £125,000 (rather than £250,000), with a new £125,000 - £250,000 band being introduced, which is subject to SDLT at 7%.

Again, to provide an example, the purchase of a second "holiday" home for £500,000 would now be subject to a £40,000 stamp duty charge, representing 8% of the home's value. This is a £2,500 increase from the same scenario we ran in our November newsletter.



AWFM News

Sean reached the finish line of a 40-year career in financial services at the end of March (over 8 years of which were here at AWFM). He decided that it was time to retire and left us on 31st March.

The parting gift from his colleagues here at AWFM suggests that retiring from paid work may bring its own challenges.

From all the team at AWFM, we wish Sean the very best for this next season of life he is embarking on.

It is a case of one-in-one-out at AWFM, with Josh Penman joining the team at the start of March.

New to the industry, but having a strong interest in personal finance and broad business knowledge, he is thoroughly enjoying learning the ropes at AWFM and is very much looking forward to embarking on his exams in the coming months.

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