

Good, bad, or just different?

Published on: 4 April, 2025 | Author: Investment Team

Following strong positive returns in 2024, all Tacit strategies have delivered broadly flat returns in 2025 to date. This is during a period in which global equities, as measured by the MSCI World Index, have fallen 5.4% for sterling investors.

Volatility has increased markedly this year as investors have reassessed the thesis that US exceptionalism will prevail at the expense of all others. The fact that it took President Trump's policies and rhetoric for this reassessment to occur is of note. History shows us that major changes in market environments occur with little warning and are generally not anticipated by investors. The volatility which we are currently experiencing is very uncomfortable, but we believe it is a necessary phase as market prices are recalibrated for a different environment.

The chart below, which we include in a wide range of Tacit publications, is a graphic illustration of why it is important to remain invested during uncertain times such as these. In hindsight, we would all sell assets at the top of each cyclical peak and buy back in after a large fall.



Among the bad events identified in the time series above, even those which provoke the most severe declines in markets, are transitory in the longer view of history. It is in human nature to adapt and to find ways of turning threat into opportunity. The current episode is not yet shown but it may well be added if the current volatility continues. But what about the good things that happen?

For example, this year the Chinese government has decisively increased economic stimulus to the second largest economy in the world which will result in improved economic growth in China. The German parliament has approved a generational fiscal spending boost which will grow the European economy significantly more than anyone had expected coming into this year. These are just two examples of good economic news which will also shape the investment

landscape for our clients.

There is no doubt we are moving into an economic environment where all roads do not lead to the USA. This is different but not necessarily negative – a more balanced economic world order one might argue. Getting there is going to be choppy, not necessarily bad, just different.

The inherent diversification offered by our stabiliser assets helps manage volatility in the short term whilst the Tacit approach, which owns a diverse range of growth investments globally, is better suited to this new environment than one in which only US assets perform well at the expense of all others.

Preserving values over the past quarter has been difficult and there are likely to be many more turns over the coming months, however we believe the assets we own are well positioned to take advantage of the opportunities that will arise once the short-term volatility abates. As is always the case, your personal objectives and time horizons drive which of our strategies best suit your needs. Not being a f

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