

RECENT MARKET UPDATES

The global economy and international markets remain highly **uncertain** due to the lack of **clarity** in **U.S. trade policy**. The high degree of uncertainty in the global economy and international markets remains, as the **U.S. trade policy** has not yet been sufficiently clarified—whether the imposed **tariffs** will ultimately remain, which additional tariffs might be introduced and when, on what criteria, against which countries, their amounts, and their policy implications. Gold has reaffirmed its status as a safe haven asset, reached a new all-time high of \$3,085.96 per ounce with its year-to-date gain exceeding 17%. Additionally, there is **uncertainty** regarding the **geopolitical developments** of the new president's ongoing initiatives (such as the **war in Ukraine** and developments in the **Middle East**).

U.S. TRADE POLICY AND TARIFFS

- A **25% tariff** on imports from **Mexico** and **Canada** (with a reduced **10%** rate for Canadian energy) challenges the foundational principles of the **USMCA**.
- Tariffs on **Chinese** goods have been increased to **20%**, affecting approximately **\$1.3 trillion** of **U.S.** imports (about 43% of total imports based on 2023 data).
- Proposals include a **25% tariff** on **steel** and **aluminum**, as well as a **25% tariff** on **auto** imports starting April 3.
- In 2024, the total value of goods exported from **Europe** to the **U.S.** reached **\$600 billion**.

POTENTIAL GOALS

- The measures aim to address the **U.S. goods trade deficit**, which reached a record **\$153.3 billion** in January 2025.
- **Tariffs** are intended to shield domestic manufacturers and generate revenue to offset the fiscal impact of the **Tax Cuts and Jobs Act**, which is projected to cost around **\$4 trillion** or more over the next decade, along with funding further tax cuts.
- The **fiscal deficit** for the current year is expected to exceed **7% of GDP**, with the **government** pledging to reduce it.
- The low **yields** on **10-year government bonds** are placing a greater burden on the **government**, as these yields are crucial for **refinancing \$8.6 trillion** of **US public debt** maturing this year (from a total of **\$36 trillion**).
- The yield on the **10-year US government** bond has dropped from **4.58%** to **4.34%** since Trump's inauguration.
- **President Trump's** strategic use of tariff announcements and withdrawals approach could be designed to create uncertainty among trade partners, potentially providing leverage in bilateral negotiations. While this tactic introduces short-term market fluctuations, it may be aimed at achieving more favorable long-term trade agreements.

MONETARY POLICY

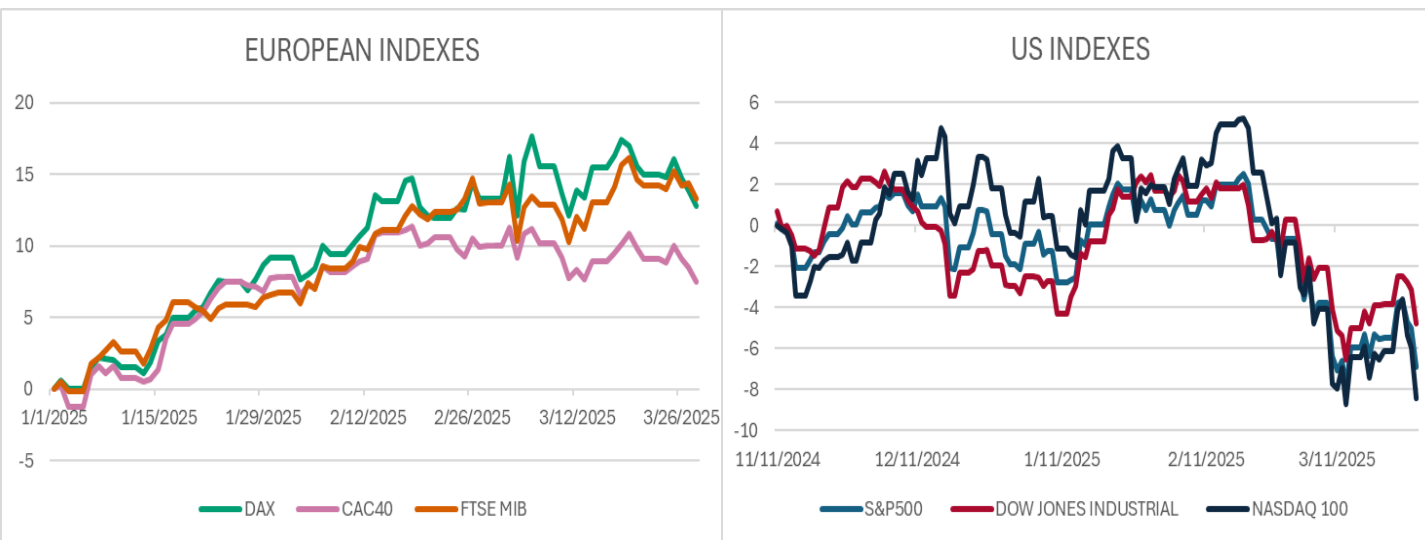
The **Fed** must balance concerns over **growth**, the need to reduce inflation, pressures from **President Trump** to **cut** interest rates, and the potential fallout from a trade war outbreak. At its latest March meeting, the **Federal Reserve**, as expected, left its rates unchanged at **4.25%-4.50%**. The **Fed** revised its growth forecasts downward, now projecting a **1.7%** expansion in **2025** (down from **2.1%**) and **1.8%** in **2026** (down from **2%**). Conversely, it raised its **inflation** projections (core personal consumption expenditure deflator) for **2025** to **2.8%** from **2.5%**. The **Fed** Chair noted that the baseline scenario of two **0.25% rate cuts** in **2025** remains the most likely, while describing the inflation increase as **temporary**.

EUROPE

In **Europe**, **Germany's** conservative **CDU/CSU** and the **Social Democrats** have reached an agreement to loosen fiscal rules for defense and launch a new infrastructure package. Chancellor **Friedrich Merz** stated that the country is ready to do whatever it takes to defend itself, announcing a special off-budget infrastructure fund of **€500 billion** to be invested over 10 years in areas such as transportation, energy grids, and housing. Meanwhile, the President of the European Commission revealed that the **EU** plans to activate a mechanism allowing member states to use their national budgets for defense spending over four years without incurring budgetary penalties. This package could mobilize nearly **€800 billion** if fully utilized.

STRATEGY

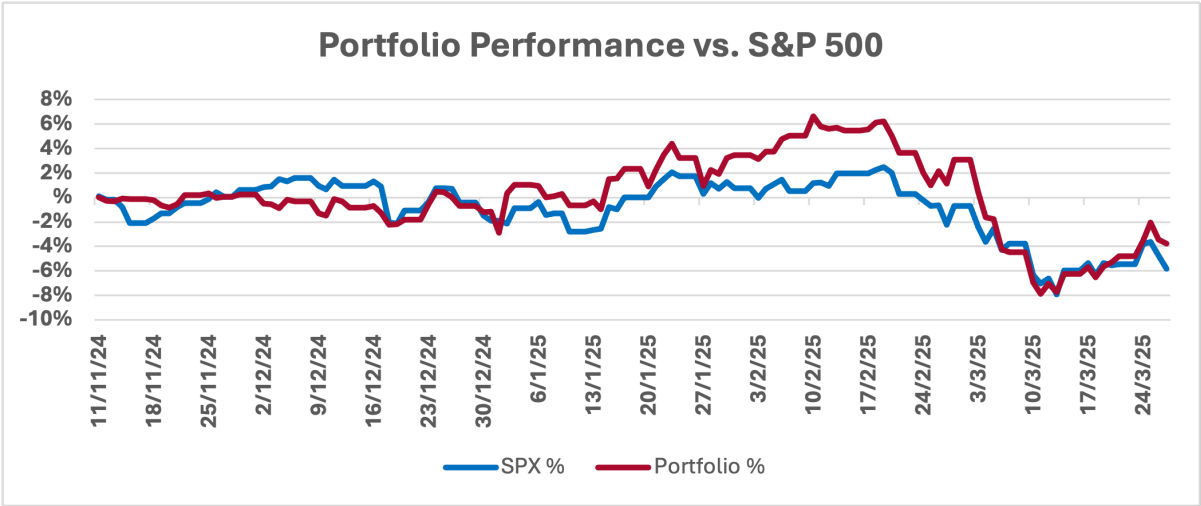
The developments previously mentioned have led us to change our **portfolio strategy**. **America's exceptionalism** and the AI boom that America experienced have faded—at least temporarily. The blur landscape of policy decisions is creating uncertainty and volatility in the markets, while the once-insignificant likelihood of a **recession** now seems closer, as the main **U.S. indices** are declining **year to date**. To navigate this environment, our focus has shifted toward sectors that offer relative stability amidst heightened volatility. We have strategically increased exposure to defensive industries, particularly healthcare and consumer staples, which tend to demonstrate resilience in periods of economic uncertainty. Additionally, recognizing the geopolitical developments in Europe, we have selectively increased our allocation to defense contractors, as we anticipate these companies will benefit from the region's accelerated defense spending. This tactical repositioning is designed to reduce overall portfolio beta and position us to capture long-term growth opportunities while mitigating downside risks.



PORTFOLIO RISK & ANALYSIS

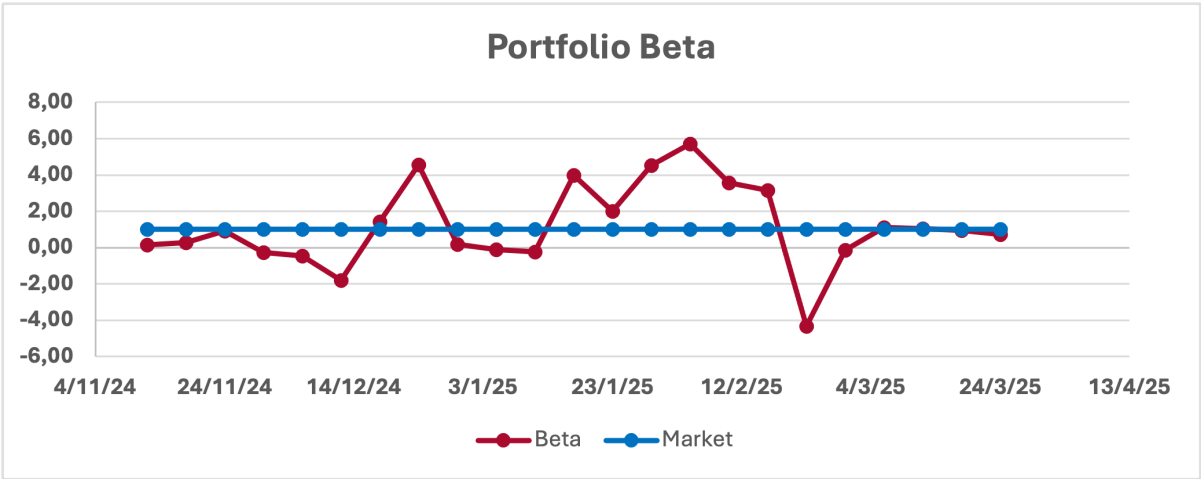
PORTFOLIO SUMMARY

During the period between **January 01** and **March 31, 2025**, the **Portfolio** has expanded from **12** to **17** strategically chosen stocks. Initially, the **Portfolio** was primarily **U.S.-focused**, comprising stocks listed on American exchanges. This approach aligned closely with the Benchmark (**S&P 500**). However, in response to evolving market conditions, the **geographic exposure** has been adjusted, with a **14,5% allocation** now directed towards **European markets**, diversifying the Portfolio's international exposure. **Year-to-date (YTD)**, the **Portfolio** has returned **0.01%**, with a total return of **-2.87%**. Despite this, it has **outperformed** the **S&P 500**, as reflected in a **Jensen's Alpha of 3.43%**, highlighting the Portfolio's ability to generate excess returns relative to the benchmark.

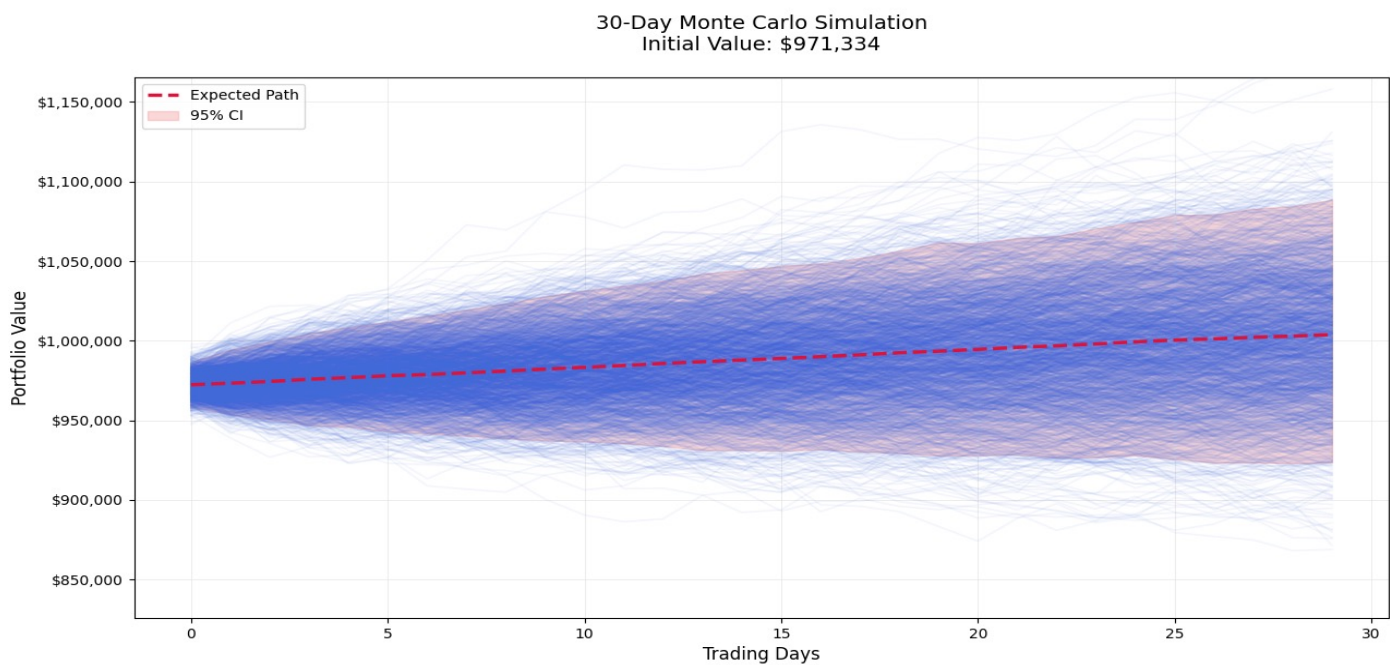


RISK ANALYSIS

During the period between **January 01** and **March 31, 2025**, the Portfolio exhibited a **Average Beta** of **1.476** relative to the **S&P 500** (^SPX), indicating a sensitivity to market movements **47.6%** higher than the **Benchmark**. In contrast, the **Historical Beta** of **0.933** shows that the Portfolio is usually closer to the market's risk level. The increased Beta observed during the live period indicates that heightened market volatility led to a higher risk profile for the Portfolio.



The **Value at Risk (VaR)** for the Portfolio, calculated at the **99.9%** confidence level over a one-month horizon, was **\$91,013**, representing the maximum expected loss within this confidence interval. The **Conditional Value at Risk (CVaR)**, which captures the average loss in the worst **99.9%** of scenarios, was higher at **\$104,085**, emphasizing substantial tail risk. These risk metrics were derived using a **Monte Carlo simulation** with a robust sample size of **10,000 iterations**, ensuring a comprehensive assessment of extreme market conditions. Moreover, the Portfolio's monthly **Standard Deviation** of **3.84%** signifies moderate volatility. However, when coupled with a negative **Total Return** of **-2.87%**, this performance underscores inefficiency and underperformance relative to the level of risk undertaken.



The **Sharpe Ratio**, a key measure of risk-adjusted performance, provides further insight into the Portfolio's inefficiency during the live period. **Historically**, the **Sharpe Ratio** was **1.962**, reflecting reasonable returns per unit of risk. However, during the analyzed period, the **Sharpe Ratio** turned negative at **-0.550**, suggesting that the Portfolio underperformed the **Risk-free rate** of **4.45%** derived from the **10-year U.S. Treasury bond yield**. This **Negative Sharpe Ratio** emphasizes inefficiency, as the Portfolio's higher risk did not translate into corresponding returns during the live period.

CAPITAL MARKET RISK

The **Portfolio** has navigated a challenging macroeconomic environment, characterized by high **interest rates**, **inflationary pressures**, and **geopolitical uncertainty**, all contributing to increased market volatility. While the U.S. dollar has weakened due to **shifting global conditions**, we are observing a reversal in equity markets. Broader market trends have intensified risks. The heightened volatility of the **S&P 500**, which experienced a **decline** over the **past quarter**, along with a **4.45% risk-free rate**, have amplified systemic risks. With a **Beta** above **1**, the **Portfolio** remains highly sensitive to adverse market movements, which has contributed to its negative overall performance. Furthermore, as we **allocated 14,5%** of the **Portfolio** to the **European market**, the prevailing conditions there have begun to **affect performance**, adding **diversification** to the risk exposure.

RESULTS AND DISCUSSION

The analysis highlights that the Portfolio's risk profile during the live period was elevated, driven by its **higher Beta (1.460)** and exposure to systematic risks. The negative **Sharpe Ratio (-0.550)** indicate inefficiency, with the Portfolio underperforming the **Risk-free rate** despite its relatively high volatility. The high **VaR (\$91,013)** and **CVaR (\$104,085)** figures further underscore the potential for significant losses during extreme market conditions. A comparison of **Live Performance** with **Historical Behavior** reveals notable differences. While the **Historical Beta of 0.933** and **Sharpe Ratio of 1.962** indicate a more favorable risk-return profile in the past, the current period has seen a shift towards **higher risk** but also a better relative performance **compared** to the **market**. This suggests that, despite the increased volatility, the **Portfolio** has captured **upside potential**, demonstrating its resilience amid ongoing **market challenges**.

PORTFOLIO SUMMARY AS OF 31/3/2025

Symbol	Sector	Quantity	Average Price	Value(\$)
ALLIANX SE-REG	Financials	292.48	\$344.10	\$64,168.11
AMAZON.COM INC	Consumer Cyclicals	2,081.07	\$215.49	\$84,855.10
BANCO BILBAO VIZCAYA-SP	Financials	136.30	\$11.87	\$67,950.00
BAKER HUGHES CO	Energy	0.88	\$43.55	\$39,731.09
BLACKROCK INC	Financials	151.3007	\$946.30	\$62,390.62
WALT DISNEY CO/THE	Telecomm	400	\$99.59	\$39,434.00
MASTERCARD INC - A	Telecomm	100.00	\$522.34	\$94,037.21
META PLATFORMS INC- CLASS A	Telecomm	138	\$636.57	\$79,272.03
NETFLIX INC	Telecomm	88	\$905.68	\$81,777.52
NORTHROP GRUMMAN CORP	Industrial	100	\$502.77	\$51,267.00
NVIDIA CORP	Technology	327.83	\$197.49	\$62,489.75
PFIZER INC	Healthcare	1,103.3468	\$27.19	\$62,489.75
PROCTER & GAMBLE CO/THE	Consumer Non-Cyc	703.6885	\$170.53	\$73,309.36
UBER TECHNOLOGIES INC	Technology	1,279	\$62.44	\$82,163.52
WILLIAMS COS INC	Energy	2,053.0367	\$58.45	\$35,756.19

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