CANTOR FITZGERALD ASSET MANAGEMENT

Market Update

MAY 2025

April was a month for the record books. A sell off in risk assets that matched or even beat some of the steepest declines in history was met with a rally of almost as powerful a magnitude. In the midst of this we saw a break down in historic price correlations for a short period during the month which saw all Dollar assets, stocks, bonds, and the currency itself all sell off in unison as international investors recoiled at the negotiation tactics of the Trump administration. We used this unprecedented turmoil to fully invest the remaining cash that we had raised in Mid-November post the euphoric reaction to Trumps election victory. As ever the seeds of long-term performance are sown amidst the winds of Short term volatility. Reports of the end of US exceptionalism are premature. It has an energy and technology dominance that is the envy of the world. A defence sector that is critical to the safety of its allies and financial sector that is paramount to the wealth of those countries too. The current administration’s aggressive short term trade policies cant jeopardise that and should ultimately complement and enhance it.

Although the level of tariffs announced on April 2nd was beyond the upper end of even the most bearish expectations, we think this was very much in keeping with our idea that this, for markets anyway is the peak turmoil around tariffs. Economies and supply chains will naturally take longer to adapt if these tariffs actually do go into place. Treasury secretary Bessent, very much seen as a moderate has consistently pointed out these are the “ceiling” for tariffs with country-by-country deals to be struck quite quickly to alleviate some, but not all the impact. Most major trading partners have come out with a similar message of negotiate over retaliate. Canada/Mexico had been left out of these reciprocal tariffs, marking significant progress on that ill-fated trade war he started with those countries. This is a good road map for how things can work out quickly with other allies.

On balance we saw this unprecedented turmoil as an opportunity to invest the remaining cash we have for our funds. As of the end of the first week in April our funds were all fully invested. By that stage some market measures indicated the sell off and de risking had surpassed extreme historical events such as COVID and GFC. The S&P futures had never dropped this much over any 3-day period, ever. The risk reward in early April for equity investors was as good as its been since late March 2020. The market was ignoring a number of positives around rate expectations, an opec price war and, as we wrote mid-month was completely underestimating the chances of a last-minute reprieve/delay on tariffs post the unprecedented volatility. In effect the asset market dislocation was the short term solution as the Trump administrations negotiating stance became untenable, unworkable and unpalatable to all. Valuations across certain sectors in the US were compelling, especially as the secular winners of recent years had already been weak as part of the momentum unwind of q1. Technology sector relative valuation got to a level it hasn’t traded at in over a decade. Amidst all this chaos the long-term structural trends that have driven so much of the markets returns over the past number of years, particularly around technology capex spending continued to show no real signs of abating. If anything post earnings season they are still growing at a rate that is not yet reflected in share prices.

Continued on next page

It would be remiss of active managers such as ourselves not to exploit the opportunities that our investment process leads us to believe are being presented right here right now. Positioning now in the funds has changed significantly from the start of the year. All the cash has been invested. The overweight's in European and UK Financials and Defence stocks which have outperformed so materially have been fully sold and rotated back into US listed stocks that benefit from on going US reshoring (Industrials), Hyperscaler Capex (Semis and Software) the Global power shortage and future US LNG dominance. Aswell as that we bought some global high quality consumer brands which were on sale at the height of the global trade war fears. As always, we remain vigilant to an ever changing investment landscape. The outlook is uncertain.....but then again when is it not.

Phil Byrne
Chief Investment Officer

WARNING: Past performance is not a reliable guide to future performance.

WARNING: The value of your investment may go down as well as up.

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