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Investor trends survey

Q2 2025

Quilter

Welcome to the latest edition of our investor tends survey, a quarterly survey of the views of our WealthSelect global partners, a select group of high-quality asset managers. This edition is based on responses received in the second quarter of 2025 before the US-China tariff announcement.

Our latest survey found:

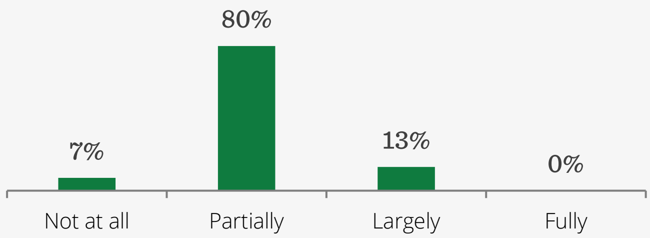
- An overwhelming expectation from investors that Trump's reciprocal tariffs, which are currently subject to a 90-day pause, will be partially reintroduced.
- The possibility of an expanded trade war when the 90-day pause does expire, with most investors expecting some kind of retaliation from the EU.
- A marked reduction in investors' expectations for 2025 economic growth in developed market economies as tariff uncertainty begins to take effect.
- Uncertainty from investors about future US growth. The US was previously the market expected to perform the best in 2025, but US equities are now expected to perform the worst.

'Reciprocal tariffs' are here to stay

The question being asked by markets right now is 'what happens after the 90-day pause on Trump's reciprocal tariffs expires?'. There is widespread agreement amongst investors that these punitive tariffs are here to stay, but perhaps not to the same extent as those first announced on 2 April 2025.

In response to the question 'To what extent do you believe US reciprocal tariffs will be reintroduced following the 90-day pause?', 80% of respondents said they will be 'partially' reintroduced, with 13% expecting them to be 'largely' brought back. Only 7% expect them to be dropped, while none of our respondents expected them to come back in the same shape as they were first introduced.

To what extent do you believe US reciprocal tariffs will be reintroduced following the 90-day pause?



President Trump has clearly been prepared to listen to markets, having been forced to act when US treasury yields rose sharply in April, but he will not want a repeat of this. However, one respondent noted that there has been increasing pressure on the President and that some deals, even if small, will be negotiated and touted by the US President as a victory. Meanwhile, another felt that the 10% universal tariff is here to stay as the US government needs the revenue to enact other parts of the Trump agenda.

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Lindsay James, Investment Strategist, Quilter

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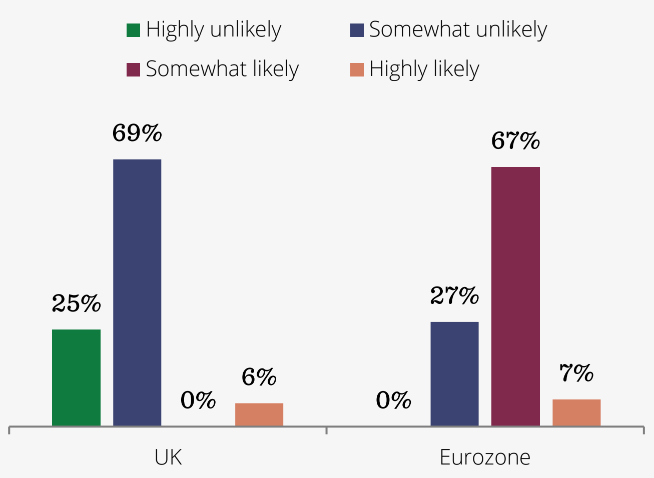
Prepare for an expanded trade war

Should the reciprocal tariffs be reintroduced, then investors need to prepare for an expansion of the global trade war despite the recent progress. At the time of writing, the UK has agreed to a narrow deal whilst the US and China have cut tariffs substantially, if temporarily. However, large trading blocs such as the European Union may be prepared to retaliate.

There is a high degree of agreement between respondents on the scope of retaliation from major economies. More than 93% felt it was unlikely that the UK would retaliate. This has rung true with the UK the first to strike a deal with Trump – although the contents of the deal do not amount to a full negotiation, which can take years. Meanwhile, 74% believed it was somewhat likely or highly likely that the EU would retaliate, with one respondent expecting the EU to further distance themselves from the US.

Given the volatility seen in financial markets after the initial tariff announcement in April, it is unlikely share prices will react well should we see a re-escalation of the trade war. Europe clearly has the appetite to respond and as such we may be heading fora fresh stand-off once the 90-day pause ends.

How likely are retaliatory measures against the US through tariffs or non-tariff barriers from either the UK or the EU?



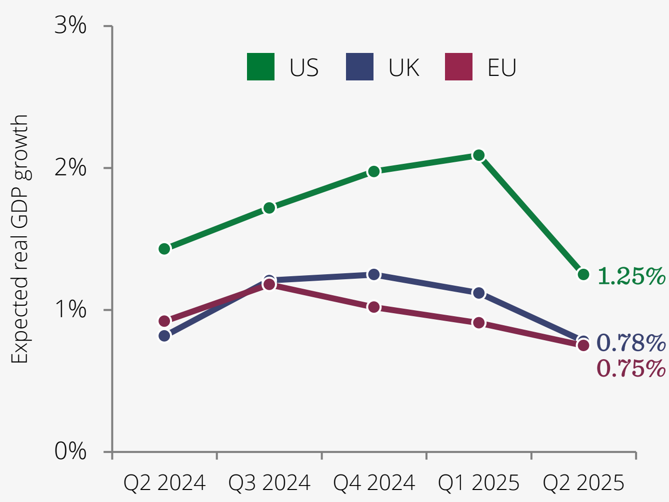
Trump whirlwind hits global growth forecasts

President Trump's second administration is just over 100 days old, but its impact on the economic outlook for the US, and the global economy, has been profound. This has been reflected in the responses to our survey, with one third believing that the US will deliver less than 1% of real GDP growth in 2025. This makes it susceptible to slipping into recession. Expectations for both the UK and Europe have also slipped slightly.

The US economy is still expected to recover somewhat in 2026, with respondents, on a weighted average basis, expecting a growth rate of 1.8%. This is an improvement from the weighted average growth rate of 1.25% anticipated for 2025, although as one respondent pointed out 'there is a higher-than-normal variance around our growth forecast for the US'.

White House policies have been pinpointed by respondents as much of the cause of this swing in sentiment. We asked the fund groups to rate the impact White House policies will have on growth, corporate investment, valuations, and investment allocations in the US over the next four years, on a scale of -5 (very negative) to 5 (very positive). Put simply, investors feel these policies will hamper growth, reduce corporate investment, crush valuations, and stifle investment allocations to the US. The weighted average scoring is shown on the next page.

Changing expectations for real GDP growth in 2025



How do you expect White House policies to impact the US over the next four years?

Growth	Corporate investment	Valuations	Investment allocations
-1.6	-1.3	-2.1	-2.0

Whilst many companies and US investment houses now feel they must tread carefully to avoid overt criticism of the recent policies, the investment community is in widespread agreement that the current approach is damaging on many fronts.

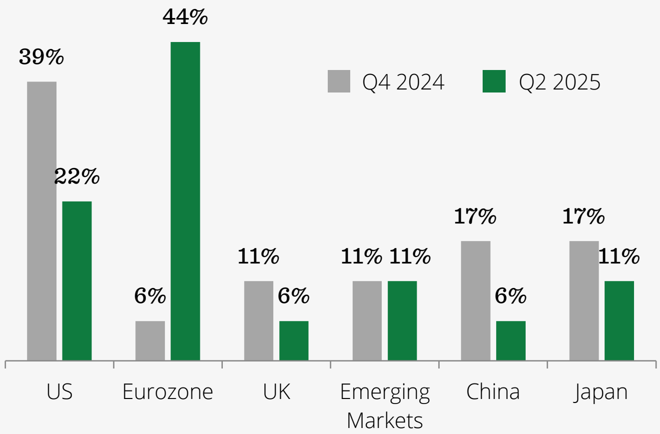
Flipping the switch on return expectations

At the end of 2024, we asked our global partners which regions they believed would offer the best and worst index returns. Given we had just had the election of Trump as President for a second term, and the expected pro-business administration he would usher in, it was no surprise to see the US expected to be the best performer. By contrast the EU was expected to be the worst.

However, fast forward just six months and the script has been ripped up and rewritten. In our latest survey, the US is expected to have the worst returns, as voted for by 53% of respondents. Meanwhile, the EU led the way in expectations of having the best returns.

This complete shift in expectations, driven by impressive performance by European stocks in light of increased defence spending, highlights the swift and damaging nature the tariff announcement has had on US growth expectations, and contrary to President Trump's belief, making the US economy weaker in the longer-term.

Which region do you believe will offer the best returns in 2025?



Sentiment indicator

Q2 2025

Our sentiment indicator provides you with a 12-month outlook from our WealthSelect global partners. We asked each global partner how they think a range of asset classes such as equities and fixed income across different regions will perform over the next year.

The sentiment indicator is an indication of investment sentiment from a selection of asset managers. No-one can predict the future direction of stock markets and past performance is not a reliable guide for future returns.

Outlook guidelines

▲ A positive outlook – The asset manager believes the sector will perform positively over the next 12 months.

↔ A neutral outlook – The asset manager believes the sector's performance will be relatively neutral over the next 12 months.

▼ A negative outlook – The asset manager believes the sector will perform negatively over the next 12 months.

	Equities							Fixed income		
▼ Negative ↔ Neutral ▲ Positive ↑ Positive shift ↓ Negative shift	UK	US	Europe	Japan	Asia Pacific ex Japan	China	Emerging markets	UK gilts	UK corporate bonds	US Treasuries
Allspring	↔	▼	↔	▼	▼	↔	▲	▲	↔	▼
Artemis	▲	▼	▲	↔	↔	↔	▲	▼	▲	▼
BlackRock *	↔	▲	↔	▲		↔ ↓	↔	↔		▼
BNY	↔	▼ ↓	↔ ↓	▼ ↓		↔	↔ ↓	▲	▼ ↓	▼
Fidelity **	↔ ↑	↔ ↓	▲ ↑	↔	▼	▲ ↑	▲ ↑	▲ ↑	▼ ↓	↔
Invesco	▲	↔ ↓	▲	▲	▲ ↑	▲	▲ ↑	▲	↔ ↓	▼
JPMorgan	▲ ↑	↔ ↓	↔ ↑	▲			↔ ↑	↔		▼
M&G	▲	▼	▲	▲	▲	▲	▲	▲	▼	▲
Pictet	▲ ↑	▼ ↓	▲ ↑	▲ ↑		▲ ↑	▲	↔	↔	▼ ↓
PIMCO										
Premier Miton	▲	↔	▲	↔	↔	▲	↔	↔	↔	↔
Redwheel	↔	▼	▲	↔	▲	▲	▲	↔	↔	↔
TwentyFour	↔	▼	↔	↔	↔	↔	↔	↔	▲	▲
Wellington	▲ ↑	↔ ↓	▲ ↑	▲ ↑	▲ ↑	↔	↔	▲ ↑	↔	▲ ↑
Consensus	▲	▼	▲	▲	▲	▲↔	▲	▲↔	↔	▼

** The views of BlackRock are on a six- to 12-month horizon from a US dollar perspective. This material represents an assessment of the market environment as of May 2025 and is not intended to be a forecast or guarantee of future results. This information should not be relied upon as investment advice regarding any fund, strategy, or security.*

*** This is the broad investment view of the Fidelity multi-asset team. It does not necessarily represent the opinion or positioning of individual portfolio managers or Fidelity International more broadly. These views give an overall sense of their investment view, but do not indicate a specific numerical value or index in relation to their outlook.*

Important information

Investment involves risk. The value of investments may go down as well as up and investors may not get back the amount originally invested. Exchange rates may cause the value of overseas investments to rise or fall.

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