

Investment report for Teesside Pension Fund March 2025

Political and economic outlook

In my last report I was worried about the unpredictability of Donald Trump and the fact that this raised uncertainty. This clearly was an understatement and Trump's predictable unpredictability is something that the world is going to have to learn to deal with. However even when you adopt this stance the speed with which Trump has moved is breathtaking. I think it's safe to say that nobody would have taken his previous threat to annex Greenland seriously but I'm not so sure now. Likewise The United States voted with Russia against a non-contentious UN resolution stating that Russia was the aggressor in the Ukraine / Russia conflict. The first time that the US has voted with Russia since 1945. The recent despicable behaviour by Trump and Vance against President Zelensky in the Oval Office unfortunately shows that this is a trend in motion which could be difficult to reverse. Furthermore, apart from Bernie Sanders, there appear to be very few voices, in the US political arena, against Trump regardless of how outrageous his actions are. Suggestions that the US is moving towards a fascist dictatorship are probably not too far-fetched unless a coherent opposition stands up soon to be counted.

The complete revamp of the political order appears in the short term at least to be bringing a more cohesive approach by the majority of European countries. Hungary and Slovakia still seem to be making overtures to Russia so a united European front is unlikely. The recent shift to the right in Germany looks to have resulted in an even more supportive approach to Ukraine. However, whatever the intentions of Europe, without U.S support in the supply of weapons, logistics, communications and

satellite surveillance it will not be able to adequately provide Ukraine with the necessary firepower.

The deterioration of relations between the US and Western Europe has given the Prime Minister (and the King) the chance to shine upon the world stage. Up to now Keir Starmer hasn't made a bad job of it, let's hope that he can restore, to some extent, the old political order. Despite some successes on the international front things have not been going that well domestically and the Prime Minister will be hoping for a sustained uplift in economic activity.

I really don't think I can add anything more given the level of confusion and uncertainty. Maybe I will be able to see more clearly when it's time to write the next quarterly report but I somehow doubt it.

Markets

With the political system in such disarray it is difficult to make any meaningful predictions on market movements. As an observation however, markets generally, both equity and fixed interest, have held pretty steady during the tumultuous events of the past couple of months since Trump's inauguration. This is quite a result! This will all change radically if Ukraine is overrun by Russia which is increasingly likely given the United States current approach.

So looking forward I would assume much of the same with conventional fixed interest markets remaining pretty steady in a stable inflationary environment.

Likewise index markets should also remain flat. Similarly I expect equity markets to remain quiet unless there is a significant change in Ukraine's position.

Property markets will be steady.

Funding remains extremely tight in private equity and in other alternatives. This is a reflection of the market and also to yet another pensions consultation.

Apologies, I should have just said that there is no change in market outlook from last time.

Portfolio recommendation

My advice remains the same as in previous recent reports. Given the degree of uncertainty and distress it seems wise to keep our heads down and take a steady as she goes approach of no change.

Peter Moon

3 March 2025