

Managed Portfolio Service

Monthly Investment Report
May 2025

Summary

From the CIO

The temporary US-China trade détente marked May's investment landscape, offering a brief window of opportunity amid persistent structural challenges. This diplomatic pause, while welcome, masks deeper economic divergence across major regions.

Binary Capital identifies two compelling investment narratives emerging for this new environment. First, the AI sector's maturation is creating a natural selection process, favouring infrastructure providers with tangible solutions over conceptual promises. Second, healthcare's transformation accelerating through consolidation and technological integration.

May 2025 demonstrated the complex interplay of policy uncertainty, technological disruption, and regional divergence shaping global markets. While alternative investments and select equity markets delivered strong returns, the underlying economic environment remains fragile.

Looking forward, Binary Capital continues to adopt a 'quality-first' stance in navigating what promises to be an increasingly discriminating market. The firm sees the remainder of 2025 not as a time for broad market exposure, but for selective positioning in innovation, resilience, and pricing power.

For investors, the message is clear: patience and thematic conviction will likely outperform reactive trading in a market characterised by conflicting signals.

Markets

American tariffs continued to be a dominant theme in markets. Global equity markets saw a significant recovery in May (MSCI ACWI GBP +4.8%), predominantly due to de-escalation between US and China on tariffs.

Fixed income was very volatile over the month, particularly around longer-dated fixed income.

Equity Markets



United States

- Legendary investor Warren Buffett, the 94-year-old CEO of Berkshire Hathaway, announced his retirement effective at the end of 2025. Buffett created a \$1.16 trillion conglomerate over six decades.
- On 16 May, Moody's downgraded the US credit rating from Aaa to Aa1, citing concerns over the nation's \$36.2 trillion debt and the lack of effective measures to curb rising deficits. This downgrade, the last among major rating agencies, led to some reaction in equity markets, as well as increased yields on Treasury bonds, particularly longer yields, with heightened investor concerns about the US fiscal trajectory.
- President Trump's ambitious 'Big Beautiful Bill', a comprehensive tax and spending package, narrowly passed the House with a 215-214 vote. The bill aims to make the 2017 tax cuts permanent, introduce new tax exemptions, and implement significant spending cuts. Critics, including Senator Rand Paul and Elon Musk, argue that the bill's "math doesn't really add up", potentially increasing the national debt by up to \$5 trillion over the next decade. The bill now faces challenges in the Senate, where further revisions are anticipated.
- President Trump embarked on a Middle East tour, visiting Saudi Arabia, Qatar, and the UAE. The trip resulted in a historic investment commitment from Saudi Arabia to the US, focusing on sectors like energy, defence, and technology. There was a large emphasis on technology and artificial intelligence. Additionally, Trump announced plans to ease sanctions on Syria, aiming to normalise relations and promote peace in the region.

Tariffs:

- The start of the month was marked by what seemed to be a Trump stock market put, with the US administration significantly de-escalating on tariffs with China. As the month progressed, markets contended with renewed trade tensions. A proposed 50% tariff on all EU imports added to uncertainty. Meanwhile, accusations that China has violated trade agreements have triggered a partial re-escalation of the US-China trade conflict. The administration also announced a 100% tariff on non-US film imports, at the start of the month.
- UK-US Deal: The US and the UK finalised the Economic Prosperity Deal, enhancing trade relations post-Brexit. Key provisions include the elimination of tariffs on US beef and ethanol exports to the UK. Reduced tariffs on up to 100,000 UK-manufactured cars exported to the US, lowering rates from 25% to 10%. Commitments were made to streamline customs procedures and to enhance cooperation in areas like digital trade and intellectual property. Despite this, a universal 10% tariff on UK goods entering the US remains in place.

Companies:

- Coinbase Global Inc. (COIN) became the first cryptocurrency exchange to be included in the S&P 500 index on 19 May, replacing Discover Financial Services following its acquisition by Capital One. This inclusion signifies a significant step toward mainstream acceptance of the cryptocurrency industry. Coinbase's stock experienced a nearly 10% surge in premarket trading following the announcement, reflecting investor optimism. The company's addition to the index is expected to attract increased investment from both passive and active funds, enhancing its liquidity and market presence.
- Apple's decision to increase iPhone production in India, exporting approximately 2.9 million units to the US in April, has drawn criticism from President Trump. He threatened a 25% tariff on iPhones not manufactured domestically, urging the company to relocate production to the US. Apple continues to diversify its supply chain amid geopolitical tensions.
- UnitedHealth Group (UNH) has encountered significant headwinds in 2025, with its stock price declining to approximately \$301.91, marking a near 50% drop from its 52-week high of \$630.73. The downturn is attributed to rising Medicare costs, regulatory changes, and internal management challenges. This is
- Google plans to overhaul its search engine to add features that will allow it to function similarly to an AI chatbot, as the company races to compete with rivals such as OpenAI. US users will be able to activate "AI mode" in Google search and Chrome browser that will provide a conversational, question-and-answer experience akin to OpenAI's ChatGPT, rather than a traditional list of links.
- Nvidia (NVDA) reported robust quarterly earnings, broadly beating analyst expectations, leading to a 5.3% increase in its stock price on 29 May.



United Kingdom

- On 19 May, the UK and EU announced a comprehensive agreement aimed at resetting post-Brexit relations. The deal means reduced trade barriers for UK food exporters, eased travel for UK citizens, and a 12-year mutual fishing arrangement. It also includes a new security and defence pact, signalling a move towards European unity and cooperation. PM Keir Starmer hailed the agreement as beneficial for jobs, bills, and borders, projecting a £9 billion boost to the UK economy by 2040.
- Positive GDP growth: UK GDP expanded by 0.7% in Q1, surpassing forecasts. This supported the Bank of England's decision to reduce the Bank Rate to 4.25%.
- In a significant move, US meal delivery firm DoorDash announced its acquisition of UK-based Deliveroo for approximately £2.9 billion (\$3.85 billion). The deal is expected to close in Q4 2025.
- Toyota plans to invest £40 million in its Burnaston plant in Derbyshire to establish a new assembly line for the GR Corolla. This move allows Toyota to benefit from favourable tariffs, with US import duties reduced from 25% to 10% for the first 100,000 UK-manufactured vehicles.
- BP is actively pursuing the sale of its Castrol lubricants division, attracting interest from major firms like Reliance Industries and Saudi Aramco. The sale is part of BP's broader strategy to divest \$20 billion in assets by 2027.



Europe

- Germany, under the newly-elected Chancellor Friedrich Merz, unveiled a €46 billion corporate tax relief package aimed at revitalising investment and addressing prolonged economic stagnation. The plan includes accelerated depreciation for capital investments, subsidies for electric vehicle purchases, and a phased reduction of the federal corporate tax rate from 15% to 10% by 2029. These measures are part of a broader €1 trillion initiative to modernise infrastructure and defence capabilities.
- The European Union proposed a €2 flat fee on small-value imports, predominantly from China, to alleviate customs burdens and ensure VAT compliance, similar to moves from the US. The move is expected to impact e-commerce platforms like Temu and Shein.
- Novo Nordisk reported Q1 2025 earnings on May 7, delivering strong headline results - revenues and EPS exceeded expectations, with continued momentum in diabetes (Ozempic) and obesity (Wegovy) treatments. However, the company revised its full-year outlook downward, citing headwinds in the U.S. obesity market, including slower adoption and competition from compounded alternatives.



China

- Alibaba reported mixed financial results. Revenue and earnings missed expectations despite a sharp rise in net profit and continued growth in core segments like cloud and international commerce. Stocks initially dropped 5% following the earnings miss but later rebounded due to the US-China agreement to reduce tariffs.
- Major EV battery manufacturer, CATL, was designated as a 'Chinese military company' by the US Department of Defense, and restricted US companies from investing in CATL. Despite this, CATL's Hong Kong IPO raised ~\$4.6bn and rose 16% on day 1.
- ADRs in budget online retailer PDD (Temu) dropped 18% after reporting the lowest adjusted operating margin in three years and concerns with US-China trade tensions. PDD cited 'substantial investments' made to support merchants and consumers.



India

- India and Pakistan saw a major de-escalation after the US brokered a ceasefire on 10 May. Both countries blamed each other for starting and escalating the conflict.



Taiwan

- Jensen Huang paid tribute to Taiwan, 'the largest electronics manufacturing region in the world', hailing it as the 'centre of the computer ecosystem'. Foxconn subsidiary Big Innovation Company will work with Nvidia and the Taiwanese government to build an AI supercomputer using 10,000 of Nvidia's latest Blackwell chips to be used by Taiwan's tech ecosystem.

Fixed Income



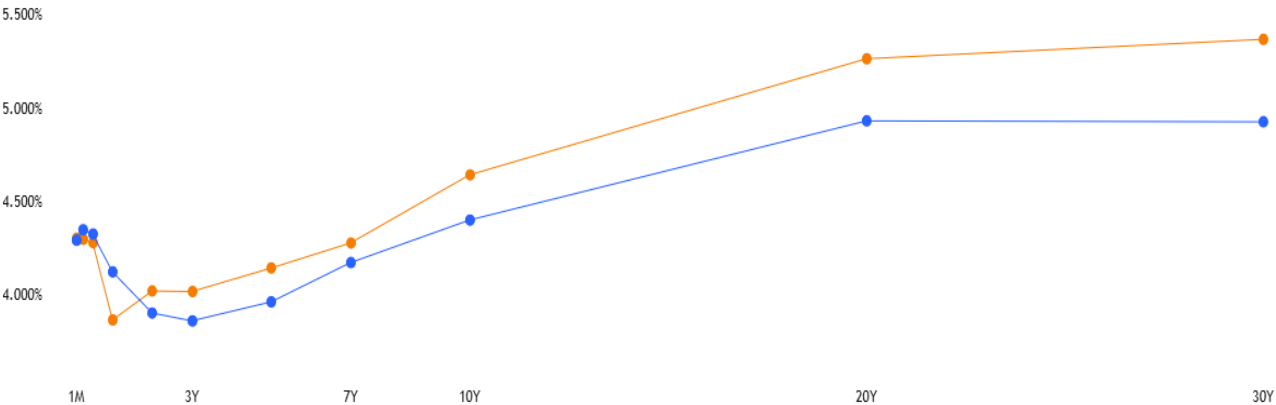
Dollar-Denominated Fixed Income

- April’s US inflation came in softer than expected, with headline CPI up 0.2% MoM and 2.3% YoY (vs 2.4% expected), and core CPI easing to 2.8% YoY.
- US producer prices fell 0.5% month-on-month in April - the sharpest drop since the early COVID lockdowns - defying forecasts for a modest rise.
- On 16 May, Moody's downgraded the US credit rating from Aaa to Aa1, citing concerns over the nation's \$36.2 trillion debt and the lack of effective measures to curb rising deficits. This downgrade, the last among major rating agencies, led to increased yields on Treasury bonds, with heightened investor concerns about the US fiscal trajectory, particularly affecting longer yields.



Sterling-Denominated Fixed Income

- The Bank of England cut its base rate from 4.5% to 4.25%.
- The British pound (GBP) experienced strength against the US dollar (USD), beginning the month around \$1.33 and peaking at \$1.35 on 30 May, a 3-year high.
- UK CPI rose significantly in April; from 2.6% in March to 3.5% in April.
- Governor Andrew Bailey highlighted the potential "growth shock" risks to the UK economy due to the new tariffs, noting that while a recession is not imminent, the trade measures could dampen growth prospects. MPC member Megan Greene suggested that the tariffs might have a disinflationary effect, potentially reducing inflationary pressures in the UK.



Country	On date	1M	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	20Y	30Y
USA	May 30, 2025 ▾	4.290%	4.346%	4.323%	4.120%	3.900%	3.858%	3.960%	4.170%	4.398%	4.929%	4.924%
United Kingdom	May 30, 2025 ▾	4.301%	4.295%	4.277%	3.863%	4.018%	4.015%	4.141%	4.275%	4.640%	5.262%	5.366%

Equities – By Region:

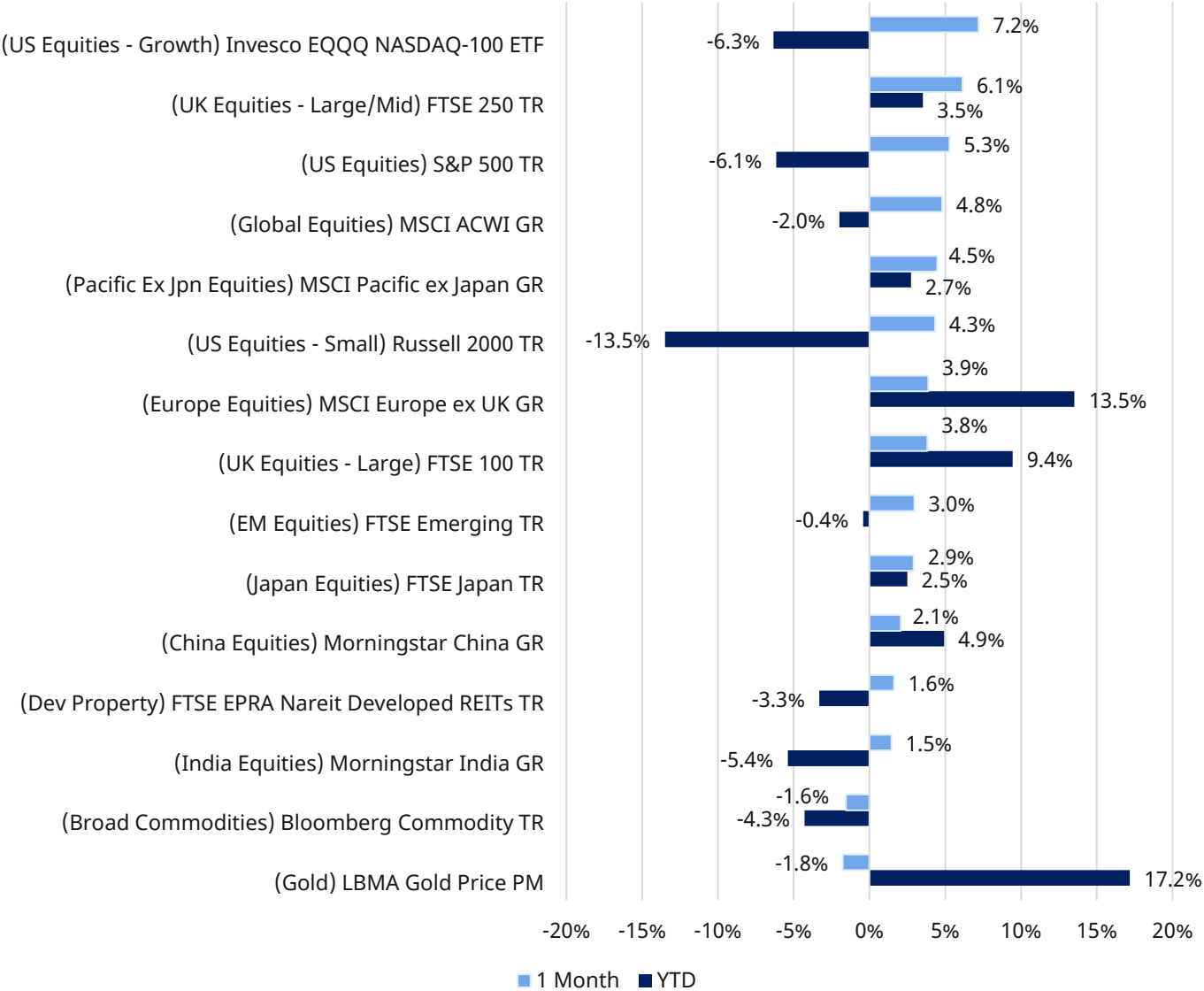
- Global equities saw a recovery in May, with the MSCI ACWI gaining 4.8%, reducing year-to-date (YTD) losses to -2.0%.
- US equities similarly rebounded; the Russell 2000 small-cap index gained 4.3% last month, reducing the YTD decline to -13.5%. Growth stocks, recovered the most, maintaining resilience gaining 7.2% (NASDAQ-100 ETF), approximately halving last month's YTD loss to -6.3%. Sterling investors have had less of a bounce back as Sterling has significant YTD gains against the dollar and at a 3-year high at the end of May.
- UK equities saw gains; the FTSE 100 showed an improvement of 3.8% further contributing to a strong YTD gain of 9.4%. The FTSE 250 rose 6.1% last month, reversing its YTD loss to a gain of 3.5%.
- European equities, 2025's best performing equity region, further extended positive momentum, rising 3.9%, consolidating impressive YTD gains of 13.5%.
- Emerging markets and Chinese equities rebounded, gaining 2.9% and 2.1%, respectively. Emerging markets YTD losses have reduced to -0.4%. Indian equities saw modest gains of 1.5% last month.
- Pacific ex-Japan equities saw improvements, as one of the better performing equity asset classes, gaining 4.5% last month, with Japanese equities advancing by 2.9% last month.

Alternatives:

- Gold fell slightly, falling 1.8% over the past month. YTD increase is relatively high at 17.2%.
- Broad Commodities continued to decline, with the Bloomberg Commodity Index down -1.6% last month.

*Performance in sterling terms.

End May 2025 - Equity Market Returns (GBP)



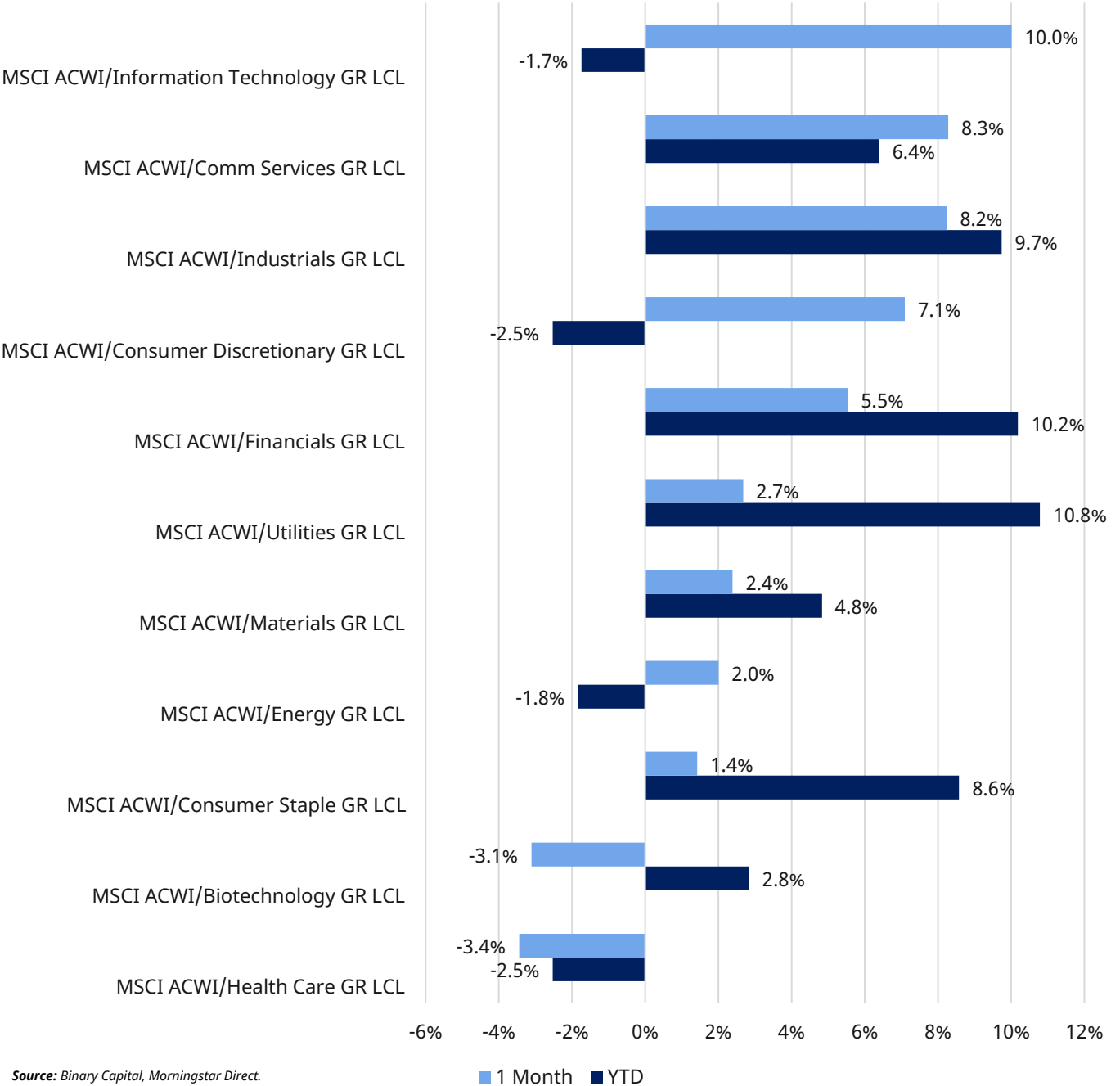
Source: Binary Capital, Morningstar Direct.

Equities – By Sector:

- Sector performance showed a broad recovery.
- IT gained 10.0% reducing its April YTD loss nearly 10-fold to -1.7%. Consumer Discretionary also saw good recovery (+7.1%).
- Financials posted good returns of 5.5%.
- Healthcare and Biotechnology declined ~3%, bringing Healthcare’s YTD performance negative to -2.5%.
- Energy stocks saw a reversal from April, gaining 2.0% last month.
- Consumer Staples saw a steady gain of 1.4%, increasing its YTD to 8.6%.
- All other sectors saw a large rebound: Industrials (+8.2%), Communication Services (+8.3%), and Utilities (+2.7%) sectors showed good recovery in the past month, pushing all YTD gains to ~10%.

*Performance in US Dollar terms.

End May 2025 - Equity Sector Returns (USD)

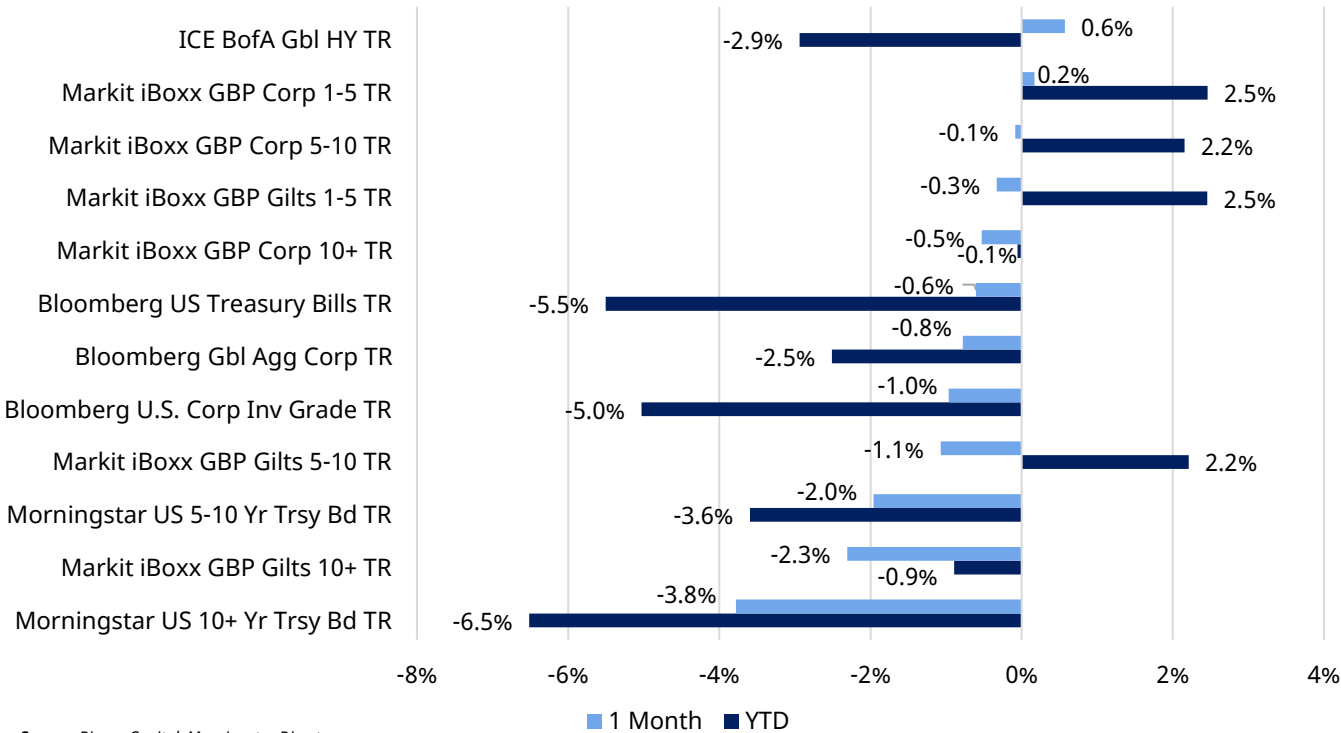


Fixed Income:

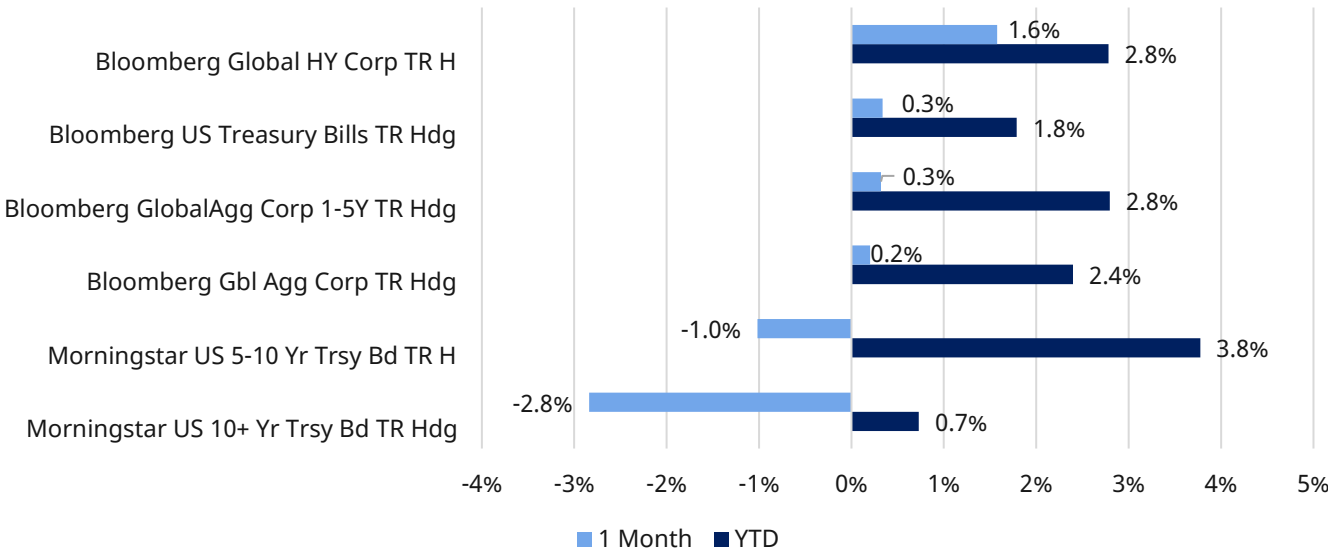
- Sterling-denominated fixed income saw negative total returns across most segments in May.
- Intermediate Sterling IG outperformed Intermediate Gilts. 5–10Y gilts fell –1.1%, Sterling 5-10Y corporates fell –0.1%.
- Long-duration significantly underperformed. Short duration £ IG outperformed Intermediate, offering positive returns (0.2%).
- Sterling investors in Dollar denominated fixed income saw significant drawdowns.

**All performance figures are quoted in Sterling terms.*

End May 2025 - Fixed Income Returns (GBP)



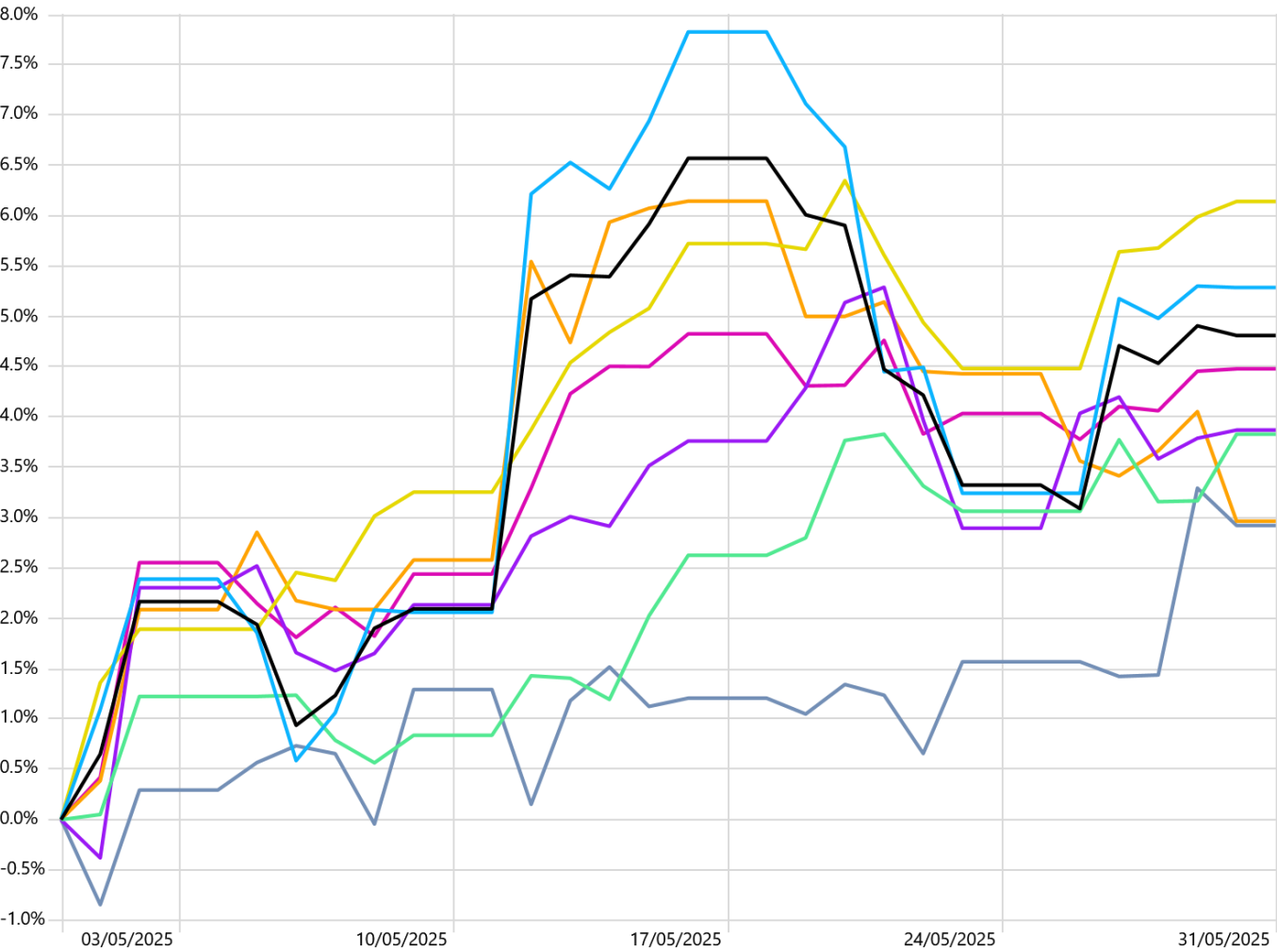
End May 2025 - Fixed Income Returns Hedged (GBP)



Market Performance – 1 Month

1 Month - Market Performance

Time Period: 01/05/2025 to 31/05/2025



- (Global Equities) MSCI ACWI GR GBP

— (US Equities) S&P 500 TR GBP

— (UK Equities - Large) FTSE 100 TR GBP
- (UK Equities - Large/Mid) FTSE 250 TR GBP

— (Europe Equities) MSCI Europe ex UK GR GBP

— (EM Equities) FTSE Emerging TR GBP
- (Pacific Ex Jpn Equities) MSCI Pacific ex Japan GR GBP

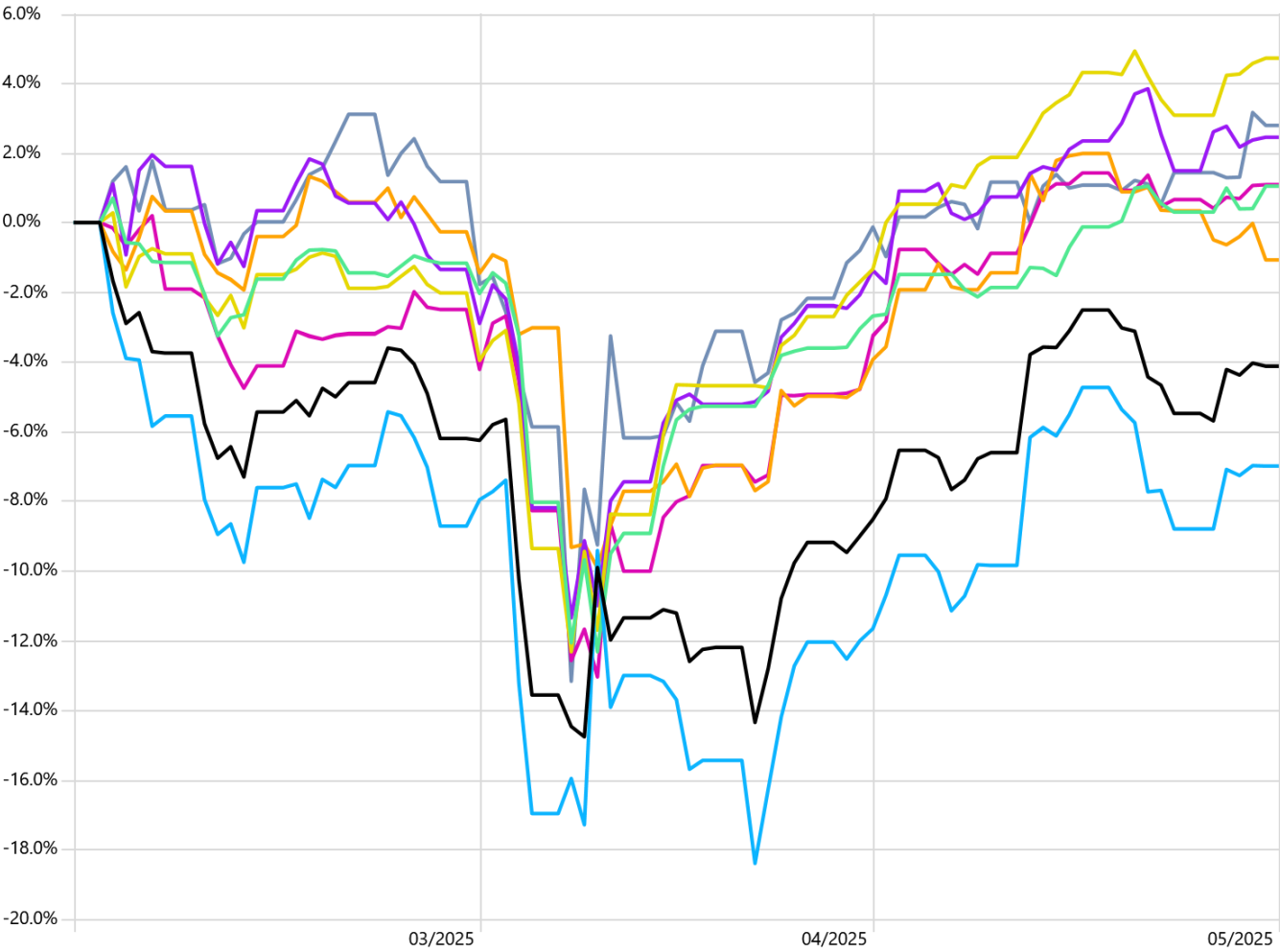
— (Japan Equities) FTSE Japan TR GBP

Index Name	1 Month (%)
(UK Equities - Large/Mid) FTSE 250 TR GBP	6.14
(US Equities) S&P 500 TR GBP	5.28
(Global Equities) MSCI ACWI GR GBP	4.81
(Pacific Ex Jpn Equities) MSCI Pacific ex Japan GR GBP	4.47
(Europe Equities) MSCI Europe ex UK GR GBP	3.87
(UK Equities - Large) FTSE 100 TR GBP	3.83
(EM Equities) FTSE Emerging TR GBP	2.96
(Japan Equities) FTSE Japan TR GBP	2.92

Market Performance – 3 Months

3 Month - Market Performance

Time Period: 01/03/2025 to 31/05/2025



- (Global Equities) MSCI ACWI GR GBP
 (US Equities) S&P 500 TR GBP
 (UK Equities - Large) FTSE 100 TR GBP
- (UK Equities - Large/Mid) FTSE 250 TR GBP
 (Europe Equities) MSCI Europe ex UK GR GBP
 (EM Equities) FTSE Emerging TR GBP
- (Pacific Ex Jpn Equities) MSCI Pacific ex Japan GR GBP
 (Japan Equities) FTSE Japan TR GBP

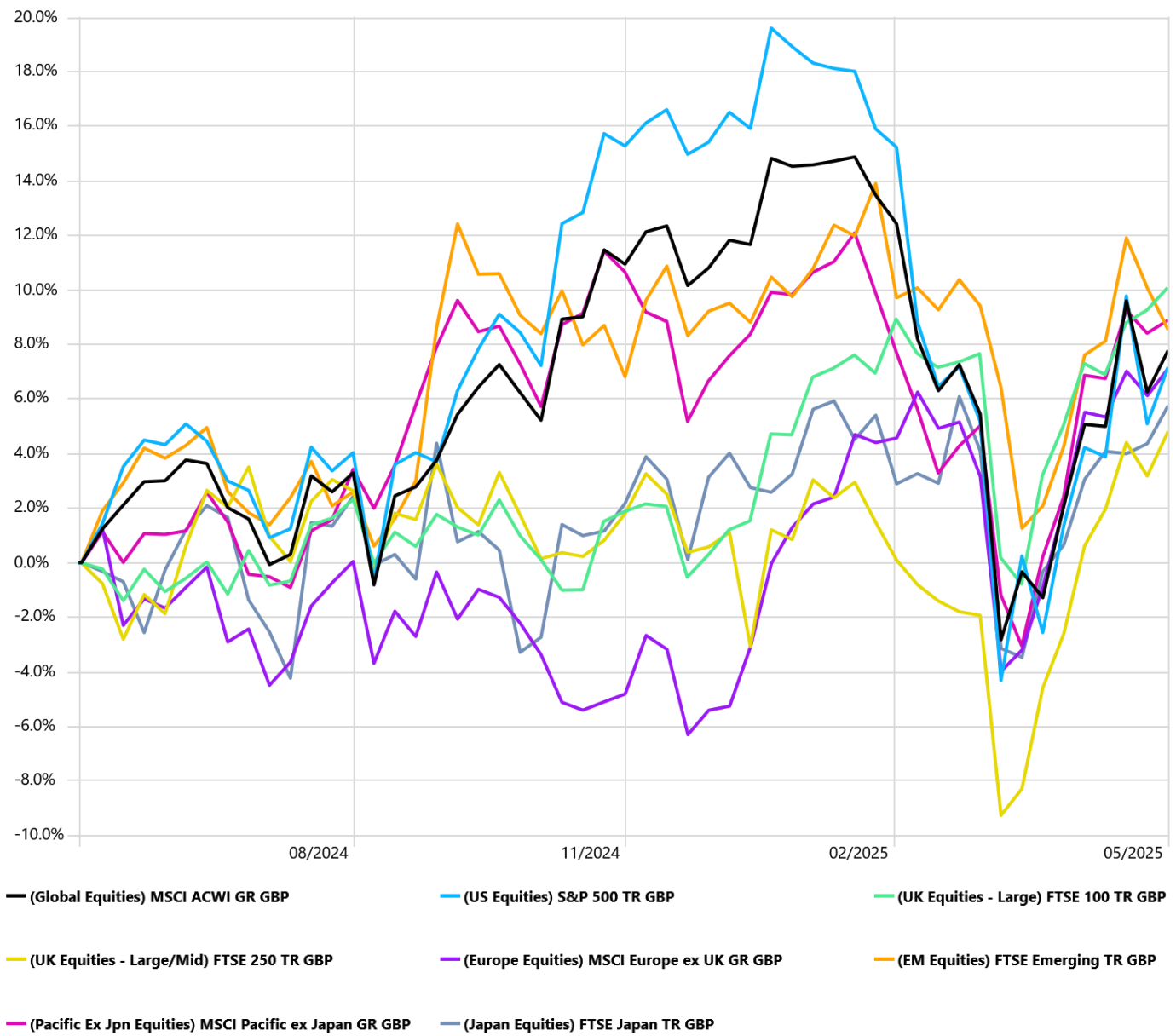
Index Name	3 Months (%)
(UK Equities - Large/Mid) FTSE 250 TR GBP	4.72
(Japan Equities) FTSE Japan TR GBP	2.78
(Europe Equities) MSCI Europe ex UK GR GBP	2.45
(Pacific Ex Jpn Equities) MSCI Pacific ex Japan GR GBP	1.08
(UK Equities - Large) FTSE 100 TR GBP	1.04
(EM Equities) FTSE Emerging TR GBP	-1.07
(Global Equities) MSCI ACWI GR GBP	-4.12
(US Equities) S&P 500 TR GBP	-6.98

Source: Binary Capital, Morningstar Direct.

Market Performance – 12 Months

12 Month - Market Performance

Time Period: 01/06/2024 to 31/05/2025



Index Name	12 Months (%)
(UK Equities - Large) FTSE 100 TR GBP	10.07
(Pacific Ex Jpn Equities) MSCI Pacific ex Japan GR GBP	8.88
(EM Equities) FTSE Emerging TR GBP	8.55
(Global Equities) MSCI ACWI GR GBP	7.78
(US Equities) S&P 500 TR GBP	7.18
(Europe Equities) MSCI Europe ex UK GR GBP	7.14
(Japan Equities) FTSE Japan TR GBP	5.75
(UK Equities - Large/Mid) FTSE 250 TR GBP	4.83

Source: Binary Capital, Morningstar Direct.