



Q2 | April - June 2025

▶ Market Review & Outlook

US & TT Perspectives

Aligning to Quality Through a Dynamic Economic Horizon

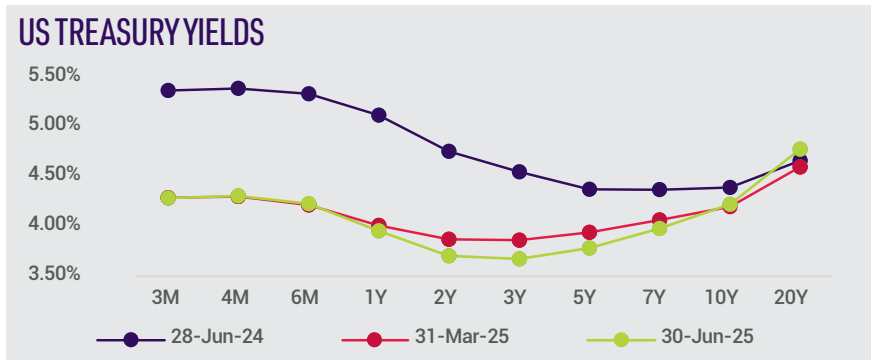
Markets faced a challenging environment in the second quarter of 2025, as renewed trade tensions and evolving policy expectations unsettled both investor sentiment and economic momentum. In April 2025, the U.S. implemented a broad new set of tariffs, triggering swift retaliatory measures from major trading partners. Geopolitical uncertainty, coupled with stickier-than-expected inflation, contributed to a modest 0.5% contraction in U.S. GDP for the first quarter. Primarily reflective of an increase in imports and a decrease in government spending.

ECONOMIC INDICATORS	Q1 2025 _A	Q2 2025 _P	Q3 2025 _F	Q4 2025 _F	CY 2024 _A	CY 2025 _F
Real GDP (YoY%)	-0.50	1.80	1.30	1.00	2.80	1.50
CPI (YoY%)	2.70	2.50	3.10	3.30	3.00	2.90
Housing Starts ('000s monthly avg.)	1,401	1,324	1,345	1,357	1,371	1,361
Unemployment (%)	4.10	4.20	4.40	4.50	4.00	4.30
Interest Rate - Fed Res. (%)	4.50	4.50	4.35	4.05	4.50	4.05

(A) Actual (P) Preliminary (F) Forecast

Headline CPI continued to hover above 2.0% year-over-year just shy of 3.0%, with services inflation proving particularly persistent. The Federal Reserve held interest rates steady at 4.25% – 4.50%, while policymakers adjusted their forward guidance, signalling fewer rate cuts in 2025. Some Fed members now project no cuts at all for the year. The labour market showed signs of cooling, with unemployment edging up to 4.2%, while wage pressures eased modestly.

The U.S. housing market continued to struggle under the weight of high mortgage rates and affordability constraints. Housing starts declined roughly 5.5% quarter-over-quarter in Q2 2025 to a 1.324 million annualized pace, driven by weakness in multifamily construction. Building permits dropped to 1.408 million, and existing home sales remained soft, unchanged from Q1 levels. With 30-year mortgage rates holding near 7%, both buyers and builders remained cautious.



Fixed income markets reflected a tug-of-war between growth fears and inflation concerns:

- The 10-year U.S. Treasury yield rose to approximately 4.23% by quarter-end, as investors reassessed the likelihood of policy easing.
- Investment-grade bonds posted solid gains of around +1.8%, supported by strong demand for high-quality credit.
- The high yield boasted gains of 4.9% as investors waded back into the asset class on expectations that the worst of the trade war was over.
- Emerging market bonds returned approximately 2.5%, benefitting from stable local currencies and attractive yield differentials.

INVESTOR OUTLOOK

As we enter the second half of 2025, markets remain shaped by crosscurrents: a slowing but resilient economy, persistently high inflation, and policy uncertainty. With the Fed adopting a more cautious stance, and the potential for global trade friction to persist, portfolio positioning will need to balance risk control with selective opportunity.

In fixed income, we continue to emphasize investment-grade corporate bonds as the anchor for stability and income. Yields remain attractive, and high-quality issuers offer insulation from economic volatility. Investors should maintain moderate duration exposure, while being selective with high-yield allocations, favouring issuers with strong cash flow and defensive characteristics. Emerging market debt remains a compelling diversifier, but selectivity and risk management are critical.

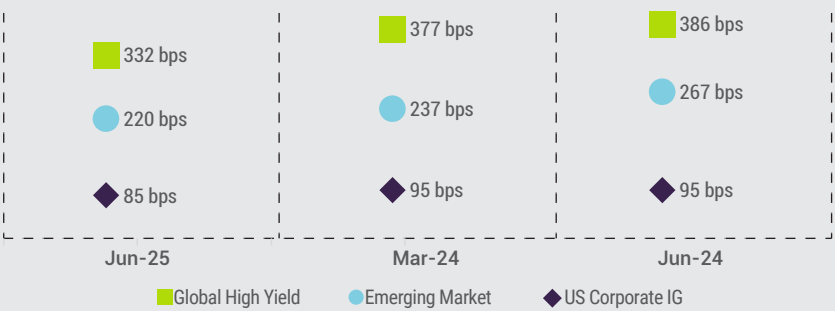
In equities, we maintain a long-term view focused on quality and structural alignment. While markets are near record highs, there are pockets of opportunity, particularly in companies linked to durable secular trends:

- Infrastructure and industrials remain beneficiaries of government investment, re-shoring efforts, and domestic supply chain resilience.

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CREDIT SPREADS – HY, EM AND IG



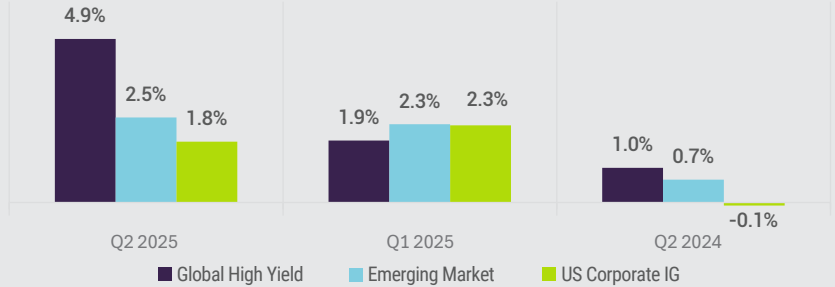
Equity markets whipsawed in Q2 but ultimately the S&P 500 advanced 10.9% over the quarter. The pullback was most pronounced in April following the initial tariff shock. However, the latter part of the quarter benefitted from renewed sentiment as market participants bet on the roll out of trade deals. The outcome led to the broad-based index hitting an all-time high. Sector performance was largely in the green, save for two exceptions:

- Information Technology +23.7% led, as global tech heavyweights managed to soothe the market as the allure of the AI growth thesis outweighed the concern of export curbs.
- Telecommunications +18.5% shot higher, with investors seeking service exporting entities, which were deemed to be largely unscathed by tariffs.
- Industrials +12.9% outperformed due to increased infrastructure spending and momentum in U.S.- based capital investment.

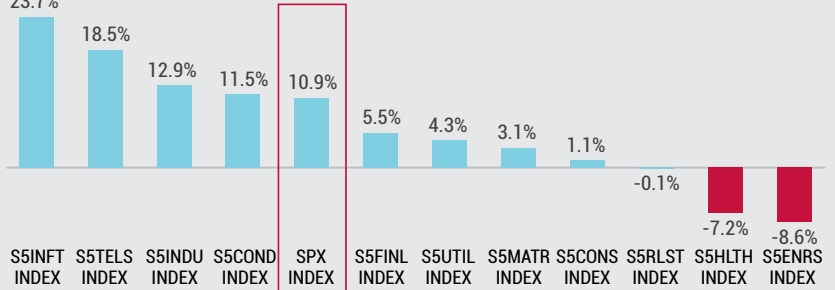
Conversely, several sectors underperformed:

- Healthcare lost 7.2% as sector specific tariffs prompted a pullback in sentiment for bellwethers with international production facilities.
- Energy -8.6% declined as concerns over slowing global demand weighed on oil prices despite ongoing production cuts by major suppliers.

TOTAL QUARTERLY RETURNS: HY, IG & EM



Q2 2025 - TOTAL RETURN BY SECTOR



- Cybersecurity and AI infrastructure are integral to the digital economy and continue to attract long-term capital.
- Digital financial platforms are transforming access to lending, investing, and payments, offering scalable growth without legacy overhead.
- Nuclear enabled utilities are poised to benefit from rising energy demand and support for low carbon alternatives.

In this environment, staying invested with discipline, diversification, and a focus on quality will be key to compounding value through the cycle. The second quarter served as a reminder that volatility and external shocks are a natural part of investing. We recommend taking profits in names with stretched valuations, especially in consumer and tech sectors and reallocating to more reasonably priced companies tied to our long-term theses. What matters is not avoiding turbulence but having a clear process and the discipline to stay focused on fundamentals. History has shown that markets reward patience and long-term thinking. As we navigate the second half of 2025, we continue to emphasize high-quality investments, long-duration themes, and riskaware portfolio construction, designed not only to endure market cycles but to create enduring value.

Contact us to find out more about opportunities for investment and growing your wealth.

Opportunities to Pivot in Midst of Energy and Foreign Exchange Challenges

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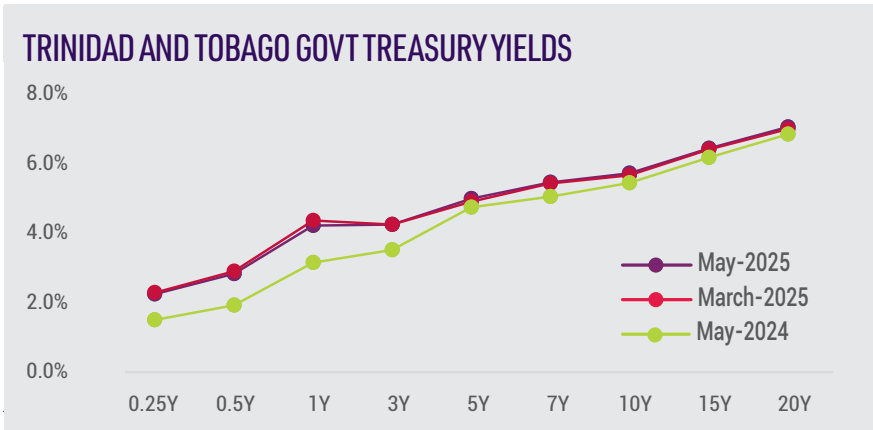
The second quarter of 2025 marked a significant shift in Trinidad and Tobago's political and economic landscape. A new government was elected in early June, ushering in expectations for policy adjustments and fresh perspectives on long-standing challenges. However, the incoming administration inherits an economy marked by weak growth, foreign exchange pressures, and fiscal constraints.

ECONOMIC STATISTICS						
	Q1 2024 _A	Q2 2024 _A	Q3 2024 _A	Q4 2025 _F	CY 2024 _A	CY 2025 _F
Real GDP (YoY%)	0.50	-1.10	1.00	1.70	N/A	0.40
CPI Growth (YoY%)	-0.08	0.30	0.20	0.50	0.50	1.80
Debt/GDP (%)	73.4	76.4	76.1	74.3	73.1	80.0
Unemployment (%)	5.40	4.80	4.10	5.50	5.00	5.20

(A) Actual (F) Forecast Data via S&P Global Ratings

Economic activity remained muted during the quarter, with preliminary estimates pointing to real GDP growth of just 0.2%. The energy sector continued to weigh on national output. Natural gas production remained below 2.5 billion cubic feet per day, further constraining downstream production of ammonia, methanol, and LNG. Export volumes from these key commodities declined relative to the same period in 2024, contributing to weaker external earnings.

The non energy sector offered some support, particularly in retail trade, tourism related services, and construction. Government revenue from non-energy sources showed modest year-over-year growth. Still, business confidence remained subdued, in part due to uncertainty over foreign exchange access and the upcoming policy stance of the new government.



approvals slowed, reflecting tighter consumer budgets and concerns around job stability. Residential mortgage credit grew by just 1.2% year-over-year. While interest rates on mortgages remained steady, rising construction costs and lower housing demand led to a cooling of activity, particularly in the mid-income residential segment. Some resilience was observed in the commercial and warehousing space, driven by logistics and retail refurbishments.

Inflation remained low, with the Consumer Price Index (CPI) rising 1.4% year-on-year as of May 2025. Food prices continued to be the primary contributor to headline inflation. The Central Bank maintained the repo rate at 3.5%, supported by subdued inflation and a fragile recovery. Treasury yields, however, have continued to edge upward. The 1-year government bond yield rose to 4.11% by the end of May, reflecting a cautious stance by investors amid increasing fiscal and foreign exchange concerns.

INVESTOR OUTLOOK

The outlook for the remainder of 2025 is shaped by a combination of political transition, fiscal challenges, and persistent energy sector uncertainty. While the new government brings a fresh mandate and the potential for policy renewal, structural constraints are likely to limit immediate progress.

The new administration is expected to outline its fiscal and economic strategy in the coming months. While broad themes such as diversification, efficiency in public spending, and external engagement are expected, concrete reforms may take time to materialize. In the near term, uncertainty about policy direction could weigh on investor sentiment and delay private sector investment decisions.

The fiscal outlook remains tight. Energy-based revenues, already on a downward trend, are likely to remain under pressure for the rest of the year. The revocation of Trinidad and Tobago's license to pursue gas development in Venezuela's Dragon field has removed a major near term growth lever. In its absence, the government faces a narrower revenue base, limiting its ability to fund new initiatives or expand social programs without additional borrowing.

Non energy revenues have grown, but not at a pace sufficient to close the gap. A large portion of fiscal space may be consumed by debt servicing, public wages, and transfers, leaving limited room for capital expenditure. The government may need to reconsider the scale and timing of some development projects.

Public sector debt remains elevated and is projected to reach approximately 80% of GDP by year-end. While the country retains investment-grade status, any deterioration in the fiscal position or reserve coverage could prompt rating

NET OFFICIAL RESERVES AND IMPORT COVER



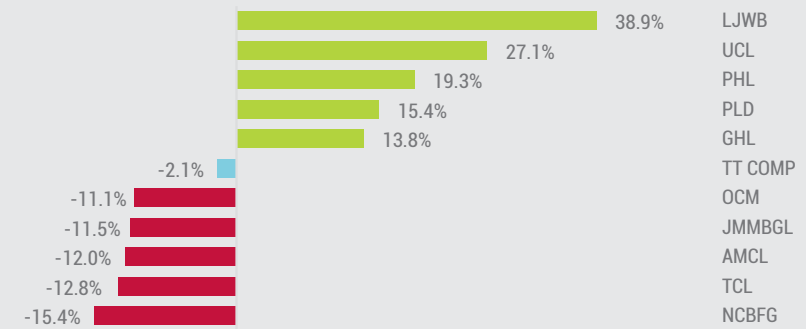
Foreign exchange conditions remained challenging. Official reserves fell to US\$5.09 billion by the end of May, reflecting continued pressure on the external account. This decline was driven by reduced energy export receipts and the absence of alternative foreign currency inflows, following the suspension of plans related to the Dragon Gas project in Venezuela. Market participants reported increasing delays in FX allocations, particularly for non-essential imports.

NATURAL GAS PRODUCTION (MMSCF/D)



The local equity market broadly contracted by 2.1% in the quarter, trading volumes remained flat over the quarter. Meanwhile underperformance by conglomerates and banks, the TTSE's largest sectors weighed on the overall market, outperformance came from smaller sectors such as trading and manufacturing.

TT COMPOSITE INDEX - Q2 2025 TOTAL RETURN



agencies to revise their outlook. The new government may seek to raise funds through domestic bond issuance or international financing institutions, but investor appetite may hinge on clarity around fiscal discipline and long-term energy strategy.

Managing the foreign exchange shortage will be a central policy issue. Without new sources of hard currency inflows or a reversal in energy sector performance, pressure on reserves is likely to persist. Sustained FX shortages may hamper the importation of critical goods, further affecting production and retail sectors. Clear signals from the government on FX policy, diversification, and investor engagement will be vital in restoring market confidence.

The housing market may remain soft through the remainder of the year, especially as disposable incomes remain under pressure and FX constraints limit construction inputs. However, interest rate stability could provide some support to demand. The government's housing policy including any stimulus measures or support for first-time buyers will be closely watched in upcoming budget announcements.

Trinidad and Tobago's economic recovery remains delicate. The second half of 2025 will be a test of the new government's ability to balance immediate fiscal pressures with the need for long-term structural reform. A credible roadmap addressing revenue diversification, energy sector revitalization, and foreign exchange stability will be essential to unlocking investor confidence and setting the stage for more sustainable growth. While challenges abound, targeted policy action and clear communication can lay the foundation for a more resilient and competitive economy in the years ahead.

Contact us to find out more about opportunities for investment and growing your wealth.



ANSA WEALTH MANAGEMENT
TATIL BUILDING, 5TH FLOOR, 11A MARAVAL ROAD, PORT OF SPAIN, TRINIDAD W.I.
INFORMATION@ANSAWEALTH.COM | +1-868-235-5828 | ANSAWEALTH.COM