

Market Watch

February: Tariffs, Uncertainty and Unrest

- February was a volatile month for global markets, with Trump's everchanging policies on trade tariffs, caused general market uncertainty and unrest.
- Australian shares** returned -3.8% over the month with the index retracing from an all time high in late January. The Small Cap market fell in tandem, returning -2.8% in February.
- Global Shares** on a hedged basis was down -0.9%. Global Shares on an unhedged basis -0.4%. US shares fell amid softer economic data and persistent worries over the potential impact of tariffs on the US economy. On the other hand, European shares have continued their strong run from the month prior.
- Global small caps** had a negative month returning -3.0%. Global small cap stocks were sold off as investors responded to the uncertainty caused by Trump's policies by de-risking their portfolios into defensive assets.
- Global emerging markets** returned a modest +0.8%, outperforming developed markets, on the back of a rally in Chinese equities fueled by optimism around advancements in AI.
- Property and Infrastructure** were the best performing asset class, the Global listed property (hedged) sector returned +1.9% and Listed Infrastructure (hedged) sector +1.8% over the month. The defensive characteristics of the asset class was attractive for investors in face of uncertainty.
- Fixed income** in similar fashion was a strong performer for the month, with Australian bonds returning +0.9% and global bonds returning +1.2%.
- The **Australian dollar** AUD was down against all major currencies. Most notably, the AUD fell 3.0% against the Japanese Yen over the month.

Job Market:

U.S.

- The annual unemployment rate in February unexpectedly rose to 4.1%, from 4.0% in January.
- U.S. Non-farm payrolls rose by +151,000 in February, below the 170,000 forecast. January Non-farm payrolls were also revised down from 143,000 to 125,000 jobs.
- Labor force participation fell slightly over February at 62.4%.

Locally

- The Consumer Price Index (CPI) in Australia rose to 2.5% year on year (yoy) to January 2025. The top contributors were Food and non-alcoholic beverages (+3.3%), Housing (+2.1%) and Alcohol and Tobacco (+6.4%).
- Australia's seasonally adjusted unemployment rate rose slightly by 0.1% to 4.1% in January 2025. Despite the uptick, Australia's labour market remains strong with labour

participation rose rising by 0.2% to a record high of 67.3% in January 2025.

Major asset class performance

Asset classes	1 month %	1 year %	3 years (p.a.) %	5 years (p.a.) %
Australian Shares	-3.8	9.9	9.2	8.9
Australian small companies	-2.8	7.3	2.1	5.6
Global shares (unhedged)	-0.4	21.3	16.2	14.9
Global shares (hedged)	-0.9	16.1	10.1	13.1
Global small companies (unhedged)	-3.0	12.8	8.6	9.9
Global emerging markets (unhedged)	0.8	15.3	5.8	5.0
Global listed property (hedged)	1.9	10.4	-1.9	0.7
Listed Infrastructure (hedged)	1.8	15.8	4.2	4.6
Australian fixed income	0.9	4.2	0.3	-0.6
International fixed income	1.2	5.0	-0.4	-0.7
Cash	0.3	4.5	3.4	2.1

Source: Lonsec iRate, Rhombus Advisory, 28 February 2025

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Listed Infrastructure (hedged): FTSE Global Core Infrastructure 50/50 NR Index (AUD Hedged) Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD

Please note: Past performance is not indicative of future performance.

Currency markets

Exchange rates	At close on 28/02	1 month change %	1 year change %	3 year change %
AUD/USD	0.62	-0.1	-4.4	-5.1
AUD/GBP	0.49	-1.5	-4.1	-3.0
AUD/Euro	0.60	-0.2	-0.5	-2.6
AUD/Yen	93.47	-3.0	-4.0	3.9

Source: Lonsec iRate, Rhombus Advisory, 28 February 2025

All foreign exchange rates are rounded to two decimal places where appropriate.

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