SLC Management

MID-YEAR 2025

Checking In, Looking Ahead

Global Uncertainties Persist in 2025

In a year marked by tariff whiplash, market volatility and macro-level changes, our investment experts agree – the only thing that's certain for the rest of 2025 is continued uncertainty.

In our newest podcast series, **Checking In, Looking Ahead**, Dec Mullarkey, Managing Director, Investment Strategy & Asset Allocation, Tim Boomer, Senior Managing Director, Head of Client Solutions and U.S. Business Development, and Nitin Chhabra, Managing Director, Head of Insurance Solutions, discuss their outlook for the last half of the year and beyond. Below are key takeaways from their conversation – you can listen to the full podcast episode on our website.

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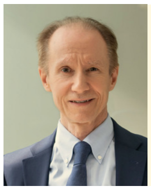

Dec Mullarkey

Managing Director, Investment Strategy and Asset Allocation

Tim Boomer

Senior Managing Director, Head of Client Solutions and U.S. Business Development

Nitin Chhabra

Managing Director, Head of Insurance Solutions

Markets are weighing risks and recalibrating

- Tariffs, the independence of the U.S. Federal Reserve and the size of the fiscal debt are impacting equity and rate markets, as well as the U.S. dollar.
- Exogenous shocks can be difficult for markets to pin down, and picking winners and losers becomes much more uncertain. Despite the confusion, market response has been encouraging.
- Generally, pension plan clients have seen their funded status remain unchanged, but equity market scares may serve as a reminder to re-evaluate risk levels in their portfolio.
- Insurance company clients appear to have maintained their long-term strategic allocations, but some were able to take advantage of market dislocations via tactical changes into equities, BBB corporate bonds and CLOs.

" I once heard someone say that insurance asset management is an 'at the margin business,' and I think that does a really good job of describing the way insurers reacted to the year's volatility."

- Nitin Chhabra

" Diversification is key in the current market. I think when you can't hang your hat on any particular source of protection, you need to make sure you're covering a lot of bases."

- Tim Boomer

During times of uncertainty, diversification could be key

- In the current market, diversification becomes even more important than usual.
- Many investors we work with are looking to diversify equity portfolios into alternative asset classes. Alternatives can provide equity-like returns in a higher rate environment, but with a different risk profile and set of correlations, as well as a potentially more consistent return profile.
- Pension plan sponsors tend to have a different approach to the adoption of alternatives, depending on their time horizons and how to best manage risk.
- Insurers continue to allocate to alternatives for the beneficial impact it has on overall portfolio diversification. In the current higher-for-longer rate environment, alternative credit continues to model well in strategic asset allocations for our insurance clients.

Key themes our investment experts are paying attention to

- The 30-year Treasury rate – many investors tend to look at the 10-year rate as an important economic indicator, but the 30-year rate reflects debt concerns in major global economies.
- 30-year rates are increasing in unison across the U.S., U.K., Germany and Japan, which could signal market distress over rising debt levels.
- Stagflation – of all the potential macroeconomic scenarios our insurance clients could face this year, stagflation would likely be the most detrimental. On the growth side, a slowdown in economic growth negatively impacts the amount of insurance premiums that these companies write, particularly property and casualty insurers. On the profitability side, higher inflation means higher insurance-loss costs.
- The inverse correlation between equity markets and Treasury yields – seeing negative correlation between rates and equity markets can be cause for concern.
- Much of the asset allocation work that is done for pension plans is based on the premise that the U.S. will continue to be the risk-free currency for the world. When there is a disconnect from these historical norms – Treasuries rallying as equities sell off – our risk assumptions enter uncharted territory.

" Investors are focusing more and more on the debt loads that sovereigns have, and governments having been able to get away for a long time with borrowing and building up that debt-to-GDP ratio."

- Dec Mullarkey

Sources: Bloomberg, Financial Times, 2025. Podcast was recorded on May 28, 2025, and reflects views of the participants as of that date.

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