# DEPOSIT ADMINISTRATION FUND

## GUARANTEED RETURN FUND RANGE

utmost
CORPORATE SOLUTIONS

EURO ANNUAL REPORT
2025

## ECONOMIC BACK-DROP & MACRO SITUATION

The 2024 theme of political regime change evolved into a narrative of profound structural transition across the Eurozone in 2025. Germany's new Chancellor, Friedrich Merz, orchestrated a historic pivot in the country's economic policy. By moving away from decades of strict budgetary austerity, Berlin announced a landmark €500 billion infrastructure and defence stimulus package. This was designed to revitalise the German industrial heartland through digital modernisation and energy independence, providing a vital fiscal tailwind for the broader bloc.

This domestic spending surge served as a necessary counterweight to heightened trade frictions following the introduction of US tariffs in April. While France grappled with persistent domestic gridlock within a fractured National Assembly, the wider Eurozone showed resilience. Spain and Portugal continued to lead the region in growth, benefiting from a robust services sector and a gradual recovery in household consumption.

Monetary policy reached a definitive turning point as inflation, having started the year at 2.4%, continued to moderate towards the European Central Bank's 2% target. This allowed the ECB to deliver a series of rate reductions lowering the key deposit facility to 2% by June, where it remained for the rest of the year. This allowed the ECB to assess the inflationary impact of the German stimulus and a strengthening Euro, which helped suppress import costs but challenged exporters.

The labour market remained stable, with Eurozone unemployment reaching a historic low of 6.2% by December. Wages finally outpaced price increases improving consumers purchasing power. The focus for the year ahead has shifted from lowering inflation to ensuring that the policy rate does not restrict economic growth.

## EUROPEAN FINANCIAL MARKETS

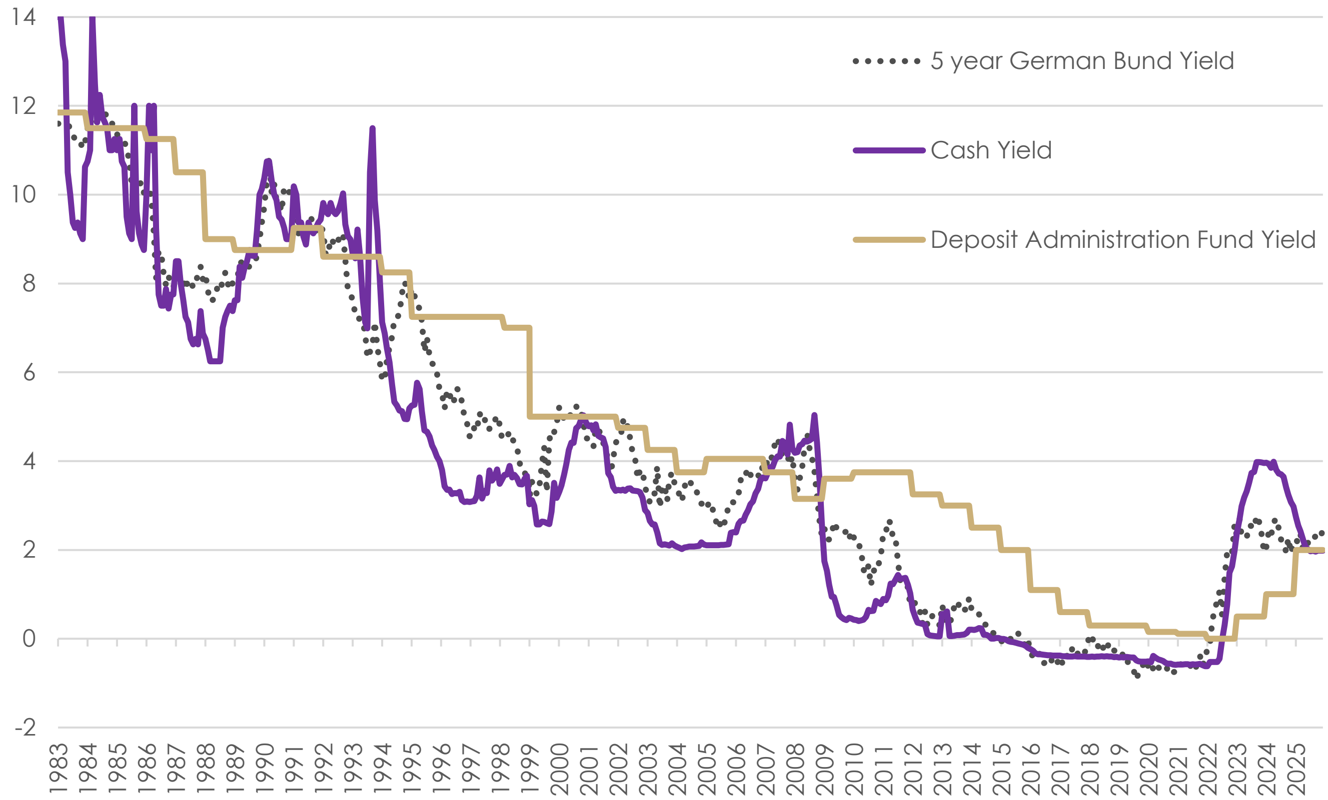
European equities delivered robust double-digit returns, led by industrials and defence sectors buoyed by the German spending surge. In the currency markets the Euro hit a four-year high against the Dollar, driven by fiscal optimism and narrowing interest rate differentials. The euro-bloc's currency strength significantly boosted total returns for international investors, even as it pressured exporters.

A combination of the ECB lowering deposit rates, the announced stimulus from Germany and fiscal deficit worries pushed the yields available on longer dated bonds higher, with the 10-year German Bund yield hitting 2.9% and the 30-year yield hitting multi-year highs at 3.5%. Despite being lower rated and having high levels of debt relative to the respective size of their economies, debt issued by Italy and Spain outperformed German Bunds as the expectation of future issuance weighed heavily on German securities.

# THE EURO DEPOSIT ADMINISTRATION FUND

The following chart details the fund's 2025 declared rate of 2%, along with cash returns and the yield on 5 year German Bunds.

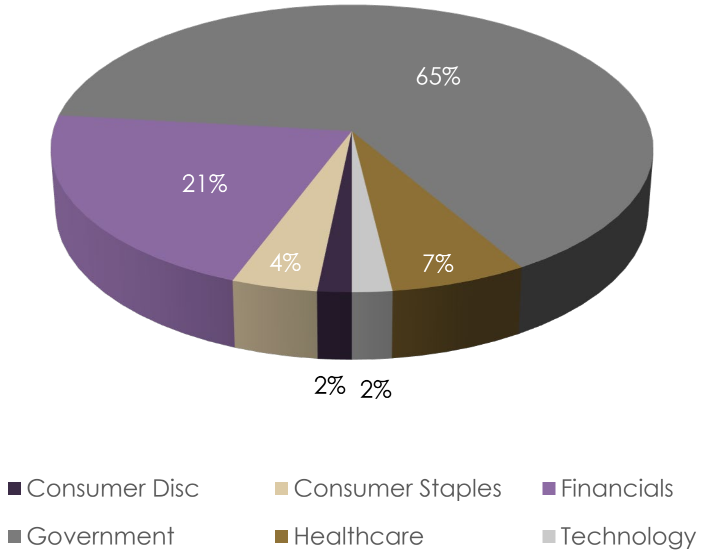
## PERFORMANCE COMPARISON CHART



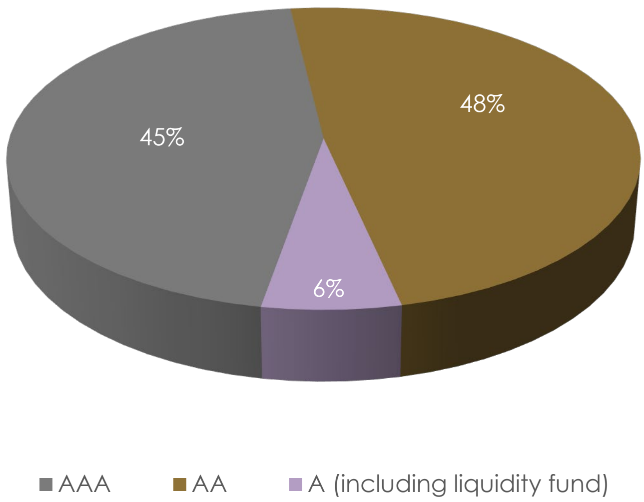

The portfolio ended the year allocated 65% to Government and Government related bonds (including Supranational agencies) with the balance in corporate bonds, including financial issuers and highly rated covered bonds. The portfolios sensitivity to changes in interest rates, measured using modified duration, was 1.9 years having increased from 1.6 years at the start of the year. This was incrementally increased throughout the year as opportunities in medium dated securities arose.

This defensive positioning helped to protect the assets backing the Deposit Administration Fund from the volatility experienced in longer-dated assets. Our fund managers continue to actively manage the portfolio, adapting it to a rapidly changing world.

## ASSET DISTRIBUTION BY SECTOR




## ASSET DISTRIBUTION BY CREDIT RATING




A WORLD *of* DIFFERENCE

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