



June 2025

# Fiduciary Manager Trends: US Tariff Trouble

**isio.**



“Tariffs”, a word that has been well-used over the last few months, as President Donald Trump looks to negotiate trade deals for the United States. Whatever your views on the tariffs, the volatility it has created in the global economy has been undeniably felt by institutional and retail investors around the world.

For this paper, we surveyed 14 Fiduciary Managers (“FMs”) and analysed how they were positioned going into this unpredictable period, how they responded during, and their outlook going forward.

---

# As a Trustee or Company Sponsor of a pension scheme, why does this matter to me?

The use of fiduciary management (“FM”) is a popular approach to managing pensions schemes in the UK. Trustees delegate investment responsibilities to a third party (a fiduciary manager) to reduce the governance burden for investment decisions and increase responsiveness to make decisions quickly. Approximately 18% of UK Defined Benefit schemes use some form of FM.

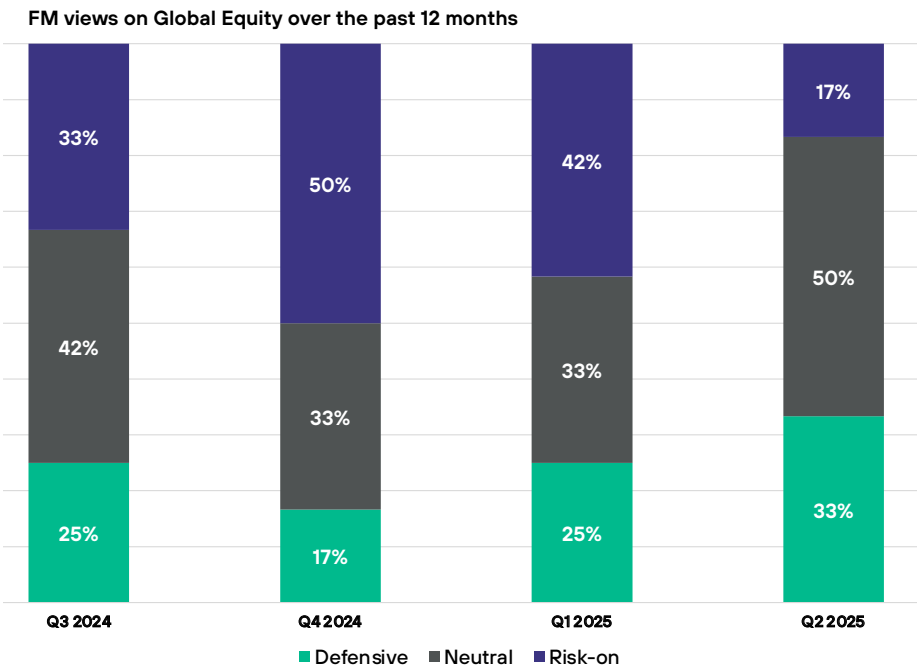
Trustees who use FM often delegate the decisions around strategic asset allocation, fund manager selection and dynamic asset allocation changes over time. Equity, often a driver of returns for many fiduciary growth portfolios, has been notably impacted by recent events, along with other asset classes like liquid credit and alternatives. We think it is important for Trustees to better understand the impact of this disruption. **Our article will provide you with the tools to more effectively work with your FM and understand the challenges that your pension scheme may face.**



# How were FMs positioned prior to the 'Liberation Day' announcement?

Over the last twelve months, we have seen a shift in FM views regarding the risk in global equity markets.

FMs generally had a positive view of equities and risk assets moving into the fourth quarter of the year, following the election of Donald Trump. However, after the recent tariff disruption, we have seen that outlook change, **with 33% of respondents lowering their Risk-on view of equity markets since Q4.**



**91%**  
Were underweight the "Magnificent 7" Stocks

**41%**  
Utilised derivative protection strategies

**68%**  
Took a defensive view on investment grade credit

The FM market appeared reasonably well prepared for this scenario, with most managers recognising concentration in equity markets prior to these events and employing diversification and protection strategies. The market's defensive view regarding investment grade credit (as noted in the statistic above) is not necessarily surprising, but appears prudent in the short-term, given tight credit spreads and subsequent yield rises.

Fiduciary managers have continued to reach out to clients with reassuring messaging, indicating their assets did not fall by as much as the wider market. We do, however, await further data to understand how resilient their performance was during this period.

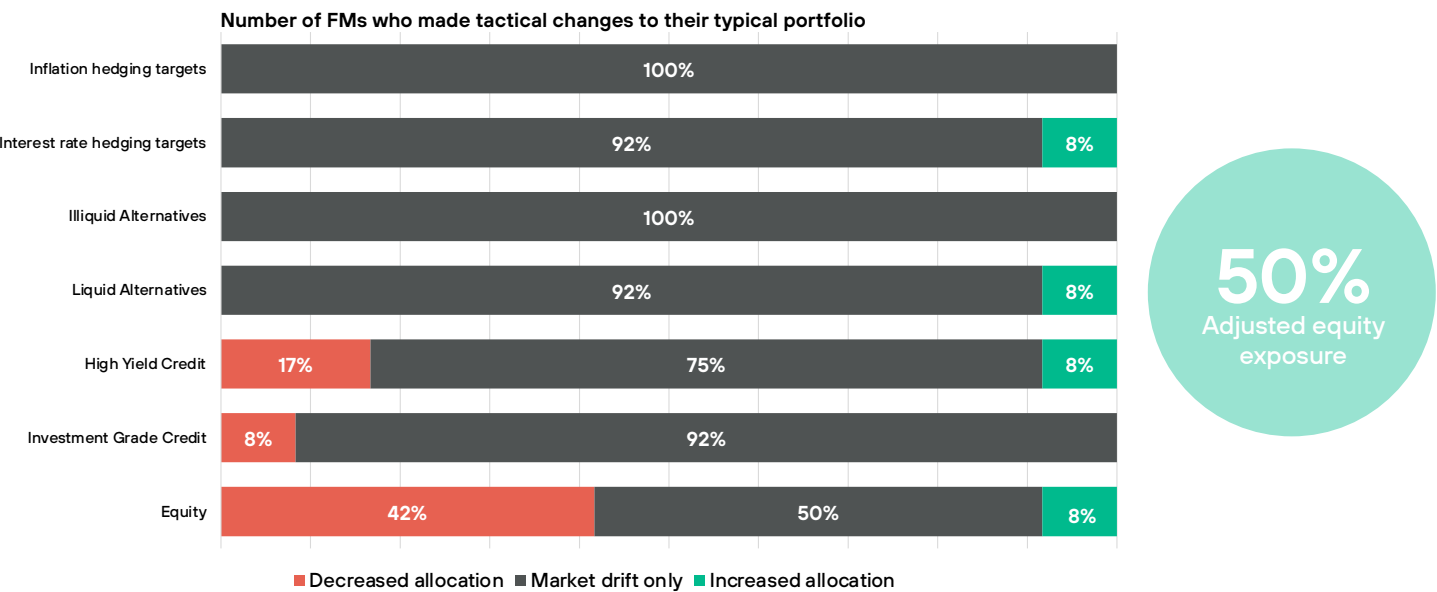
# FM actions in the immediate aftermath of 'Liberation Day'

## Strategic (long-term) changes

75% of FMs maintained their strategic asset allocations for their client portfolios. This sends a clear message to the market around being a long-term investor - FMs are looking to avoid reactive knee-jerk changes to long-term strategy based on short-term market volatility.

Given investments in pension scheme portfolios are made with the medium-to-longer term in mind, we are supportive of FMs taking a more considered view on how these tariffs could impact their long-term assumptions. We also do not expect FMs to "chase" investment returns beyond sensible risk budgets.

When delving into the 25% of FMs who chose to make strategic changes over the period we can see a trend of reducing exposure to riskier assets, such as Equities and high yield credit, with increased allocations to liquid diversifiers and high-quality investment-grade credit. At face value this strategic action seems to have been taken for risk reduction purposes. Whether this has ultimately helped or hindered client portfolios will become clear over time, as will their ability to take advantage of opportunities that emerge.



## Tactical/Dynamic (short-term) changes

In contrast, the short-term provides an opportunity for FMs to make smaller tactical changes. The extent to which your FM has made a tactical decision will come down to their philosophy. Some FMs attribute more of their returns to tactical/dynamic views than others.

**We saw 50% of managers making short-term tilts to their equity allocations (with 42% decreasing and 8% increasing their allocations respectively).** Outside of equity, most FMs allowed the portfolio to drift with market movements (allowing for rebalancing only), riding out choppy markets until the horizon became clear. Clients' liability hedging targets were also largely unchanged over the period, showing that maintaining clients' hedging exposure remained a priority.

The tactical decision by some FMs to reduce equity exposure in the short-term is a reasonable approach in our view, provided it is supported by a view to manage downside risk and volatility for individual pension schemes (and is aligned with their objectives).

It is unsurprising to us that liability hedging targets have remained broadly unchanged, given the typical fiduciary manager is maintaining high hedging levels (i.e. close to 100% of assets where affordable). We do, however, understand that FMs are currently holding higher levels of cash as collateral to support liability hedging arrangements – where viable, it also means some are ready to respond to any attractive market dislocations.



## What about fiduciary manager performance?

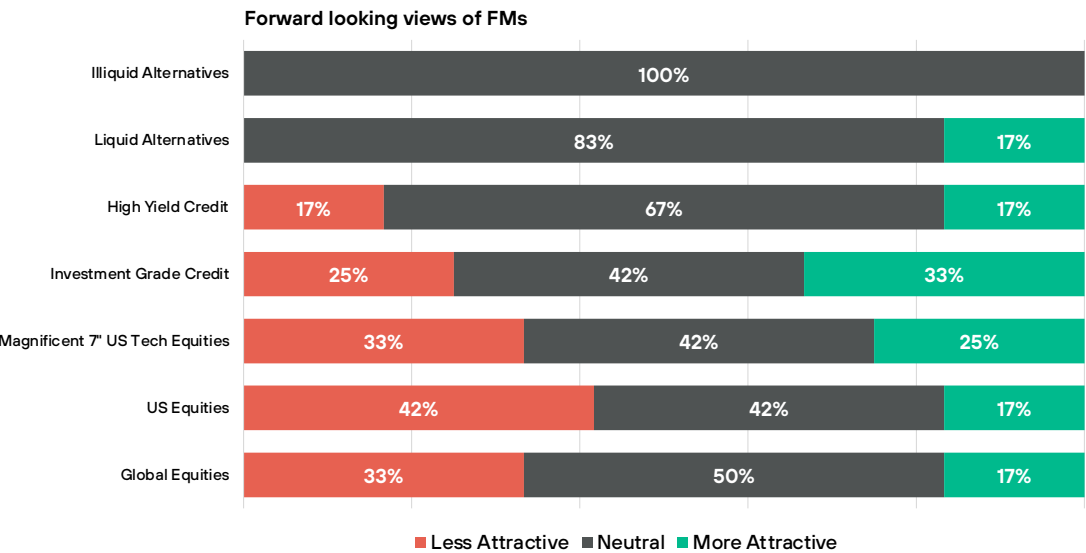
Given the recency of the market events and volatility experienced, we don't yet have a clear picture on which FM performed better or worse. Nonetheless, given the differences in views prior to Liberation Day, and the asset allocation decisions since, we are expecting diverging investment returns across the FMs.

Isio will be analysing performance data for clients, as well as peer group analysis using the Global Investment Performance Standards ("GIPS") information when this becomes available. We plan to discuss this analysis and our independent observations in the near future, so please stay tuned!

# What are the key issues FMs are considering in 2025?

## How has 'Liberation Day' impacted longer-term views?

We asked FMs how their views on growth assets have changed since "Liberation Day". The responses highlighted a massive divergence within FMs over what markets are most attractive for future investment. Whilst some FMs expressed a less favourable view of the most impacted asset classes, such as US equity, other FMs indicated a view that the ensuing disruption brought a range of new return opportunities. This divergence in views is highlighted in the chart.



**33%**  
Believe investment grade credit is now more attractive.

A shift in views on Equities was to be expected, particularly US stocks and the influential "Magnificent 7" US technology companies. Considering 91% of FMs have already confirmed they were underweight US mega-cap stocks going into this period, it appears this will continue into 2025 for a while to come. It's also clear that some FMs are exploring alternative opportunities in place of Equities. As an example, widening credit spreads after a prolonged period of tightening presents an attractive opportunity for some fiduciary managers.



# 66%

Of FMs believe US Tariffs have a negative impact on return opportunities

## So how will this impact return opportunities going forward?

The majority of FMs believe that return opportunities have been negatively impacted by US tariff policy and the resulting trade disruption. Whilst there may be opportunities to utilise market dislocation – with lower equity prices and widening credit spreads – the current view is that investor confidence has been damaged. We expect volatility to continue with daily new feeds from the US, and as at the time of writing, the tariffs have been paused for 90 days, and are now being contested in US courts as potentially unlawful.

For trustees and company sponsors who use FM for their pension schemes, this could present a significant challenge, particularly where higher investment returns are required (for example, Gilts + 2.0% per annum or greater). Fiduciary managers may adopt a more cautious approach in the short term. Although potentially sensible from a risk management perspective, this may also undermine long-term ability to generate returns. Isio are therefore looking for fiduciary managers to sensibly manage their risk budgets for investors as we progress through 2025.

## Isio's suggestions for taking this forward with your fiduciary manager

This period of global heightened volatility and disruption may be the acid test of the effectiveness of your fiduciary manager. It is clear from the divergence of views in responses that not everyone will pass this test. The Isio FM Oversight team will be carefully monitoring the actions of each FM over this period and going forwards.

Sources: Isio Fiduciary Management Survey 2024, Isio "US Tariff" survey of 14 fiduciary managers.

We thank all fiduciary managers who shared responses.



# Contact

Please get in touch to find out more about how your fiduciary manager navigated the “US tariff trouble” or stay tuned for our deeper analysis.

## Authors

Joel Rigby  
Nathaniel Lock  
Alex Owen  
Steven Wright

## Paula Champion

Head of Fiduciary Management Oversight  
[paula.champion@isio.com](mailto:paula.champion@isio.com)  
+44(0)117 374 6477

## Anthony Webb, FIA

Head of Fiduciary Clients  
[anthony.webb@isio.com](mailto:anthony.webb@isio.com)  
+44(0)207 123 6004

## Alex Owen

Principle Investment Consultant  
[Alex.Owen@isio.com](mailto:Alex.Owen@isio.com)  
+44 (0)118 338 4423

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. © Isio Group Ltd and or its affiliates 2025. All rights reserved. Isio Services Limited is authorised and regulated by the Financial Conduct Authority FRN 922376