HYMANS ROBERTSON

Fiduciary management oversight perspective

Managing risk in a volatile market

January 2026

Don't look back in anger

The start of 2026 is a great time to reflect on what markets threw at us in 2025 and how fiduciary managers responded. Despite being a fantastic year for growth markets, 2025 was marred by uncertainty early in the year amid Trump's tariff announcements. April marked the height of this volatility, and markets experienced a serious wobble.

Drawing on market evidence and decision-making insight over this period of market volatility, we've got some fascinating insights into what fiduciary managers did and didn't do. Importantly, we found that short-term, tactical decisions were modest, despite agility and nimbleness often being held out as a key benefit of fiduciary management. For trustees and scheme sponsors, understanding how fiduciary managers behave is critical, not only in assessing the value of the approach, but also in informing future governance decisions.

Markets over 2025 – growth, but not plain sailing

2025 rolled in with a cloud of uncertainty surrounding global growth prospects. A new US administration and the general geopolitical environment pointed towards a rise in trade tensions and protectionism across the world. However, besides April's bump in the road when US tariffs were first implemented, the market shrugged off its concerns, focusing on the positives that could emerge from the AI boom. By the end of December, global equity markets were up by 20.5% over the calendar year, and other growth assets (eg high-yield credit) were strong too.

Remind me: how does fiduciary management work?

Fiduciary managers possess delegated authority to make portfolio changes without instruction from clients. One of the key perceived benefits of a fiduciary manager is their dynamism. This ability to react in real time (especially during periods of market turbulence) is often a key part of the value proposition. In this analysis, we examine whether the market volatility related to 'Liberation Day' tariffs resulted in significant changes to client portfolios, as well as the decisions fiduciary managers made and the value they added.

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So, what did we learn?

We engaged with all the leading fiduciary managers (of these, most shared data) to understand their portfolio adjustments over April 2025, as well as how they were positioned beforehand. We received varied responses, reflecting differing views on risk, valuation and market timing.

1. Asset allocation and tactical positioning

Most managers adopted a defensive stance by reducing allocations to equities and often increasing cash or alternatives. Some managers stuck to strategic targets, choosing not to make changes with a short-term view. A couple of managers took tactical opportunities to increase exposure to risk assets such as equities and high-yield bonds. Across the board, the focus remained on diversification, credit quality and disciplined strategic macro positioning.

Summary of key themes – April 2025

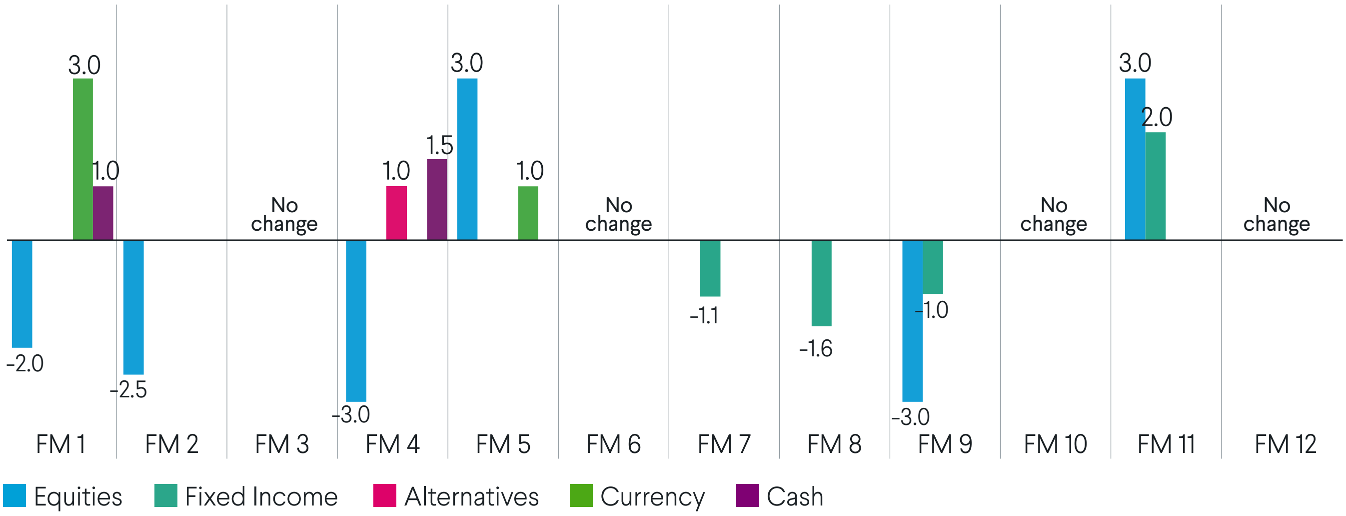
Asset class	Net positioning change		Key actions observed
Equities	↓	Reduced	Broad equity exposure trimmed; underweights increased in US equities, with selective reallocations to other regions (eg Japan)
Fixed income	↔	Mixed	Some increased exposure to bonds and high-yield credit, while others reduced exposure to investment-grade credit and specific regions (eg Asia high yield)
Alternatives	↑	Increased	Allocations to gold increased as a defensive diversifier
FX	↑	Active	Increased exposure to the Japanese yen and euro; reduced exposure to the Australian dollar; tactical positioning in the US and Canadian dollars
Cash	↑	Increased	Reallocation to cash funded from reductions in equity

If we categorise manager actions into three broad types – **risk-on** (increased portfolio risk), **neutral** (changes with minimal risk impact) and **risk-off** (reduced risk) – the overall distribution across managers is as follows:

- **Risk-on positioning:** 2 of 12 managers
- **Neutral positioning:** 4 of 12 managers
- **Risk-off positioning:** 6 of 12 managers

The chart below summarises significant changes made by each manager, the asset class and the direction of change over the period 31 March to 30 April 2025. For example, FM 1 reduced equity exposure by 2%, introduced currency positioning covering 3% of assets and increased cash by 1%.

Summary of 'dynamic' asset changes over April



Source: Fiduciary Managers and Hymans Robertson.

Note: Changes per manager don't necessarily sum to zero for a variety of reasons, including that exposure can be added and removed synthetically and that small changes may be omitted from the data.

A key point to note is that changes were modest – typically no more than 2–3% of growth assets. This shows that despite volatility, managers largely reaffirmed their long-term strategies, resisting the urge to overreact and make big changes to short-term market swings. Active rebalancing was a common theme, with nearly all managers adjusting portfolios to stay aligned with strategic objectives amid shifting market conditions.

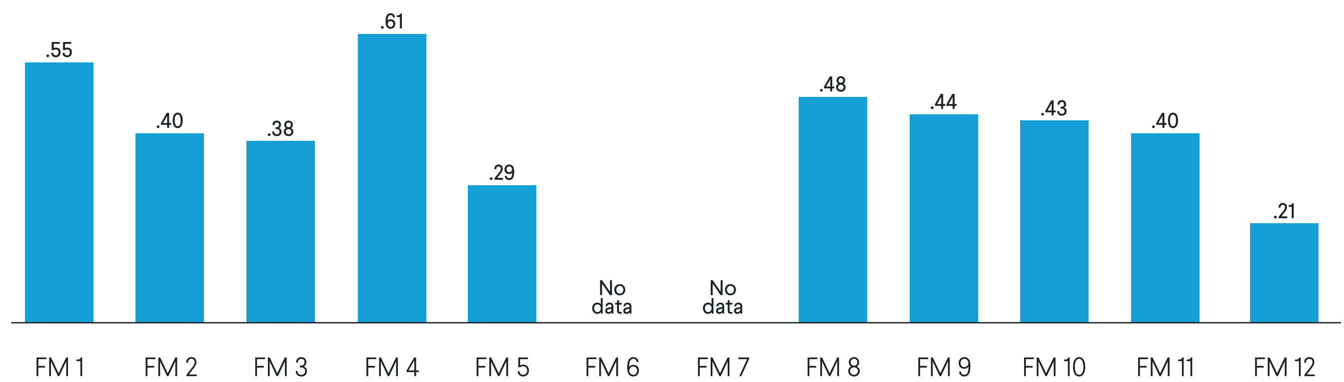
Key findings: asset allocation

- The majority of managers took risk-off or neutral positions during volatility.
- The sizes of changes made were modest – typically no more than 2–3% of growth assets.

2. Risk and volatility

To understand the positioning from a risk perspective, we examined equity market beta heading into the volatile period. Equity beta is a measure of portfolio sensitivity to the market. A range of beta values (0.21–0.61) highlighted the differing risk appetites across managers . Managers with lower betas were better insulated against the equity market fall in early April. Two of these managers (FM 5 and FM 12) posted positive returns in April of +0.5% and +0.8%, while most fiduciary managers saw falls of between 0.5–1.3% within their growth portfolios. We look at performance in more detail shortly.

Equity market beta, as at 31 March 2025



Source: Fiduciary Managers and Hymans Robertson. Note: data not provided for FM 6 and FM 7.

To get insight into how much portfolio values fluctuated over the period, we examined the maximum drawdowns experienced. We requested daily performance information covering the month of April; however, only five of the 12 managers were able to supply this due to data limitations or the fact that their portfolios contain assets that are not daily priced.

All the managers that supplied data experienced daily falls in growth assets between 2–3% and total drawdowns during April of between 5–7% of growth assets. This compares to daily equity market falls of around 5% and total drawdowns of over 10%.

We also asked managers about the drawdowns they'd experienced in the year leading to 31 March 2025 and the year leading to 30 April, to understand the effect of April's volatility. As expected, April was a challenging month. For the vast majority of fiduciary managers, it resulted in drawdowns that were higher than in the previous year. Some of these drawdowns were large (7% during April) and show that diversified growth portfolios can still fall meaningfully in a short space of time. In summary, the sharp rise in drawdowns for most managers suggests that liquidity and risk controls were tested during the 'Liberation Day' volatility.

Fiduciary manager	Largest daily fall	Largest peak to trough drawdown
FM 1	-2.7%	-6.9%
FM 2	No daily data	No daily data
FM 3	No daily data	No daily data
FM 4	No daily data	No daily data
FM 5	-2.0%	-4.6%
FM 6	No daily data	No daily data
FM 7	No daily data	No daily data
FM 8	-2.0%	-5.8%
FM 9	No daily data	No daily data
FM 10	-2.4%	-5.1%
FM 11	-2.8%	-6.8%
FM 12	No daily data	No daily data

Key findings: risk and volatility

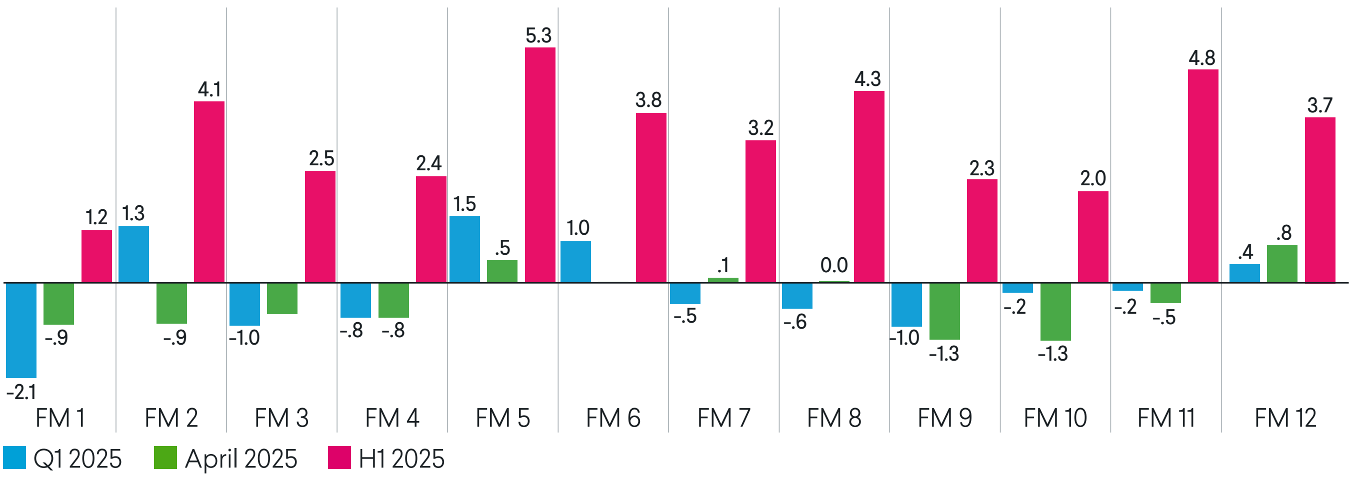
- Liquidity and risk controls were tested during the 'Liberation Day' volatility. We saw that even well-diversified growth portfolios can still fall meaningfully in a short space of time.

3. Performance

The returns of the fiduciary managers' unconstrained growth portfolios show how the above factors played out in terms of performance delivered to clients. We've split our analysis into three time periods:

- Q1 2025: showing the lead-up to April's volatility
- April 2025: focusing on the turbulent month itself
- H1 2025: bringing it all together, including two months following April

Growth portfolio returns



Source: Fiduciary Managers.

Most managers posted negative returns over April; five managers broke even but just two posted notably positive returns (+0.8% and +0.5%). Most managers saw asset values drop significantly (5–7%) around early April, but much of this was recovered later in the month. As a result, by the end of April, most managers were only down by roughly 1%.

When looking at how managers performed after April, those who were protected most from the month's falls were also some of the strongest performers over the first half of the year. This was by no means a given; portfolios cushioned from market falls can often miss out on capturing subsequent rallies. In this case, it seems that strong performance from diversified sources of returns (eg alternative assets like gold) helped managers build returns across multiple asset classes and not just equities.

4. Risk management strategies: liability hedging and currency management

92% of managers made no changes to their LDI strategy

An analysis of fiduciary managers' risk management-related strategies (namely LDI hedging and currency management) shows that most fiduciary managers made no changes to their LDI hedging strategies, with only one implementing a tactical adjustment.

A number of managers made tactical adjustments in relation to currency hedging positions, but the shifts were still modest (altering exposure by a few percentage points). Around half of the managers adjusted their currency positions primarily involving tactical shifts in US dollar exposure and other adjustments (eg to sterling relative to the Japanese yen), while others maintained their strategic levels.

Key findings: risk management

- It's currently very unusual for fiduciary managers to make tactical changes to hedge levels. This suggests confidence in their long-term liability hedging frameworks and limited appetite for tactical plays. We support this, given that small changes in hedge level can have outsized effects on funding levels without the performance transparency that comes with growth portfolios.
- As expected, currency hedging was more active and differentiated compared with LDI hedging.

5. Client engagement and communication

In response to the market volatility, fiduciary managers demonstrated a clear focus on client communication. All managers engaged proactively with clients, using a range of avenues including webinars, written updates, live data tools and one-to-one meetings.

Over half of the managers reported providing real-time insights, such as daily funding updates and interactive dashboards, to assist clients and support timely decision-making. Notably, several managers tailored their communication approach to meet individual client needs, reflecting a personalised and responsive engagement strategy.

Key findings: communication

- All managers proactively communicated with clients. Their efforts, including the variety of methods used, were generally strong.
- Some managers stood out with interactive tools, and another manager had a pre-agreed crisis protocol, highlighting the value of managers developing communication contingency plans.

Bringing it all together

April's market volatility tested fiduciary managers' judgment, agility and communication discipline. Overall, managers demonstrated restraint rather than reactive trading, leaning into their long-term mandates and risk frameworks. Portfolio responses varied across the risk spectrum, with half taking a defensive stance. Common themes of diversification, active rebalancing and capital preservation prevailed.

Risk management strategies, particularly in liability hedging, were largely unchanged. This confirmed that most managers view volatility as transitory and their hedging frameworks as robust. Currency hedging proved to be an area of more tactical (though not significant) adjustment, with managers selectively positioning tactically, especially to US dollar exposure.

What have we learned? Don't get distracted by the hype!

Our findings show that despite the significant market movements seen in April, short-term 'tactical' or 'dynamic' asset changes were modest – typically no more than 2–3% of growth assets. This is an important reminder: although the fiduciary management industry likes to sell its benefits as a dynamic solution, the key determinants on outcome are the 'boring' long-term, strategic decisions implemented by fiduciary managers. This includes the balance between growth and protection assets, and the level of liability hedging targeted.

Contacting us

To discuss these themes in more depth, please contact your usual Hymans Robertson consultant or the authors of this article.

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