

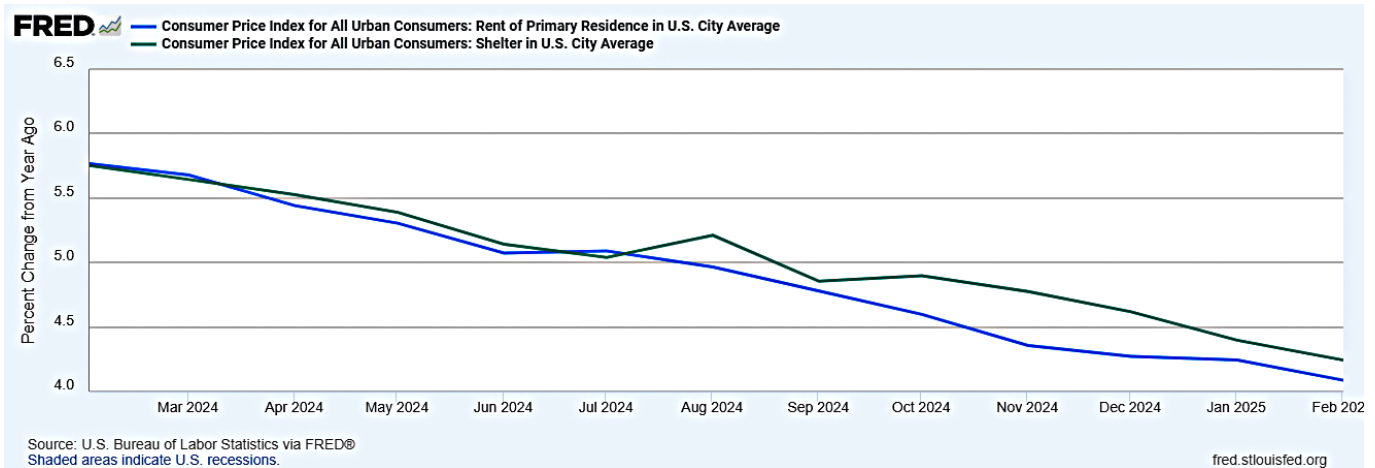


# iSectors® Newsletter

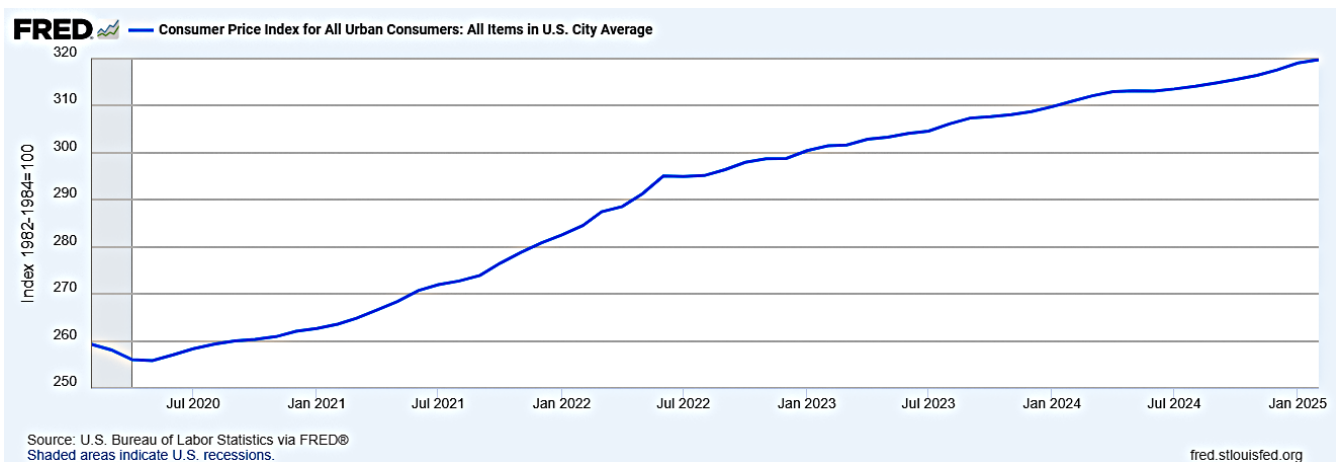
March 2025

## Inflation Is Cooling but Still High

The monthly increase in the Consumer Price Index (CPI) for February was lower than expected this week, primarily due to changes in rent and shelter data. The decline in shelter prices, which is a significant component of the CPI calculation, is occurring faster than the overall CPI itself. These shelter numbers are reported with a delay, meaning that current trends in rental or housing prices are not yet reflected in the latest data release. Many were surprised to see the data cool off in the wake of the impending trade war sparked by tariffs imposed by the White House. However, as the decreasing shelter and rent costs are considered, the situation becomes even more complicated. Over the past year, components of the CPI for rent and shelter have shown a downward trend, reaching their lowest levels since 2022.



Regardless of whether inflation was 0.1% above or below expectations this month, it's important to understand that this does not indicate that prices are decreasing. Prices continue to rise on top of the record highs we have experienced in recent years. A chart of the CPI over the last five years would make it difficult to describe inflation as "cool" in this environment.



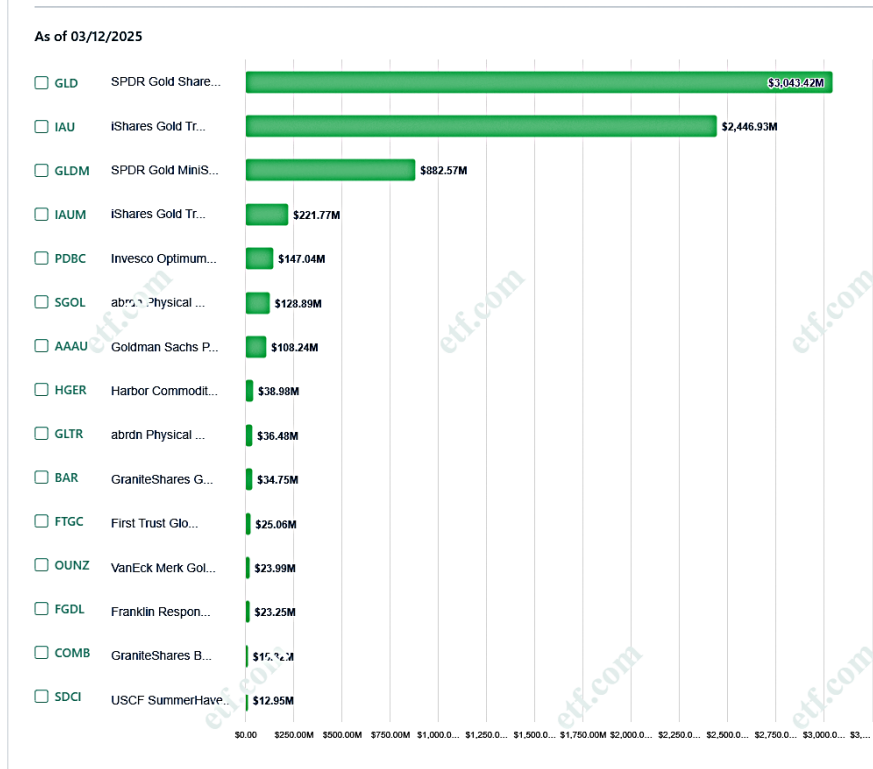
# The Role of Precious Metals

With inflation at these levels, geopolitical tensions rising worldwide, and uncertainty surrounding the potential trade war, it is not surprising that precious metals have performed well recently. Gold and silver have both outpaced the S&P 500 by a significant margin since the start of 2025, as represented by the abrdn Gold and Silver ETFs (SGOL/SIVR) and the SPDR S&P 500 ETF (SPY).



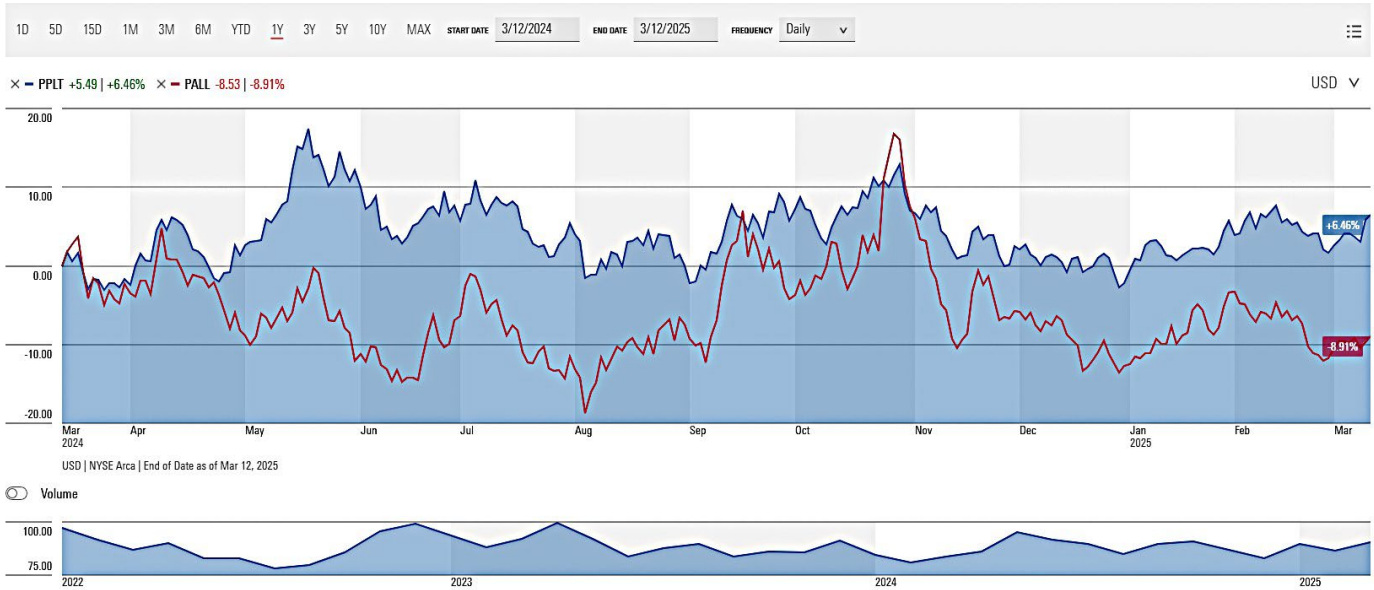
Source: Morningstar Direct

Investors often turn to gold for its safe-haven qualities and potential to provide positive returns when the broader market falters, as shown in the previous chart. This trend has resulted in strong inflows into gold ETFs so far this year, with over \$6 billion in the last month, according to ETF.com.



# iSectors Update

The iSectors Precious Metals Allocation has benefited from the impressive returns of gold and silver mentioned earlier, making it the best-performing iSectors model year-to-date and over the past 12 months. Our model has historically included smaller allocations to platinum and palladium alongside significant positions in gold and silver. However, these two metals have not performed as well as gold and silver over the last year, primarily due to their greater industrial usage and lack of the same "safe haven" status. The performance over the last year can be seen in the abrdn Platinum ETF (blue) and the Palladium ETF (red). The price of palladium has been declining for the past five years and has experienced significant volatility during that period.



Source: Morningstar Direct

Moving forward, the challenges for palladium will persist. Last month, we decided to sell our palladium holdings completely and evenly distribute the proceeds between platinum and gold. Although both platinum and palladium are in a supply deficit, projections indicate that palladium's deficit may shift to a surplus by 2028, while platinum's deficit is expected to continue at least until 2029 (according to the World Platinum Investment Council). Removing palladium from our model should also reduce overall volatility while maintaining a similar return stream, which could improve risk-adjusted returns in the future. The current breakdown of the metals in our model is as follows:

Metal	Target Weight
Gold	55%
Silver	30%
Platinum	15%



## Gold in Other iSectors Models

As discussed in previous newsletters, the iSectors Post-MPT Allocations have maintained a near-maximum weighting in gold over the last two years. This strategy has yielded solid returns during that period, especially in 2025, with both models outperforming their benchmarks year-to-date. Full performance numbers for these models are available upon request. The iSectors Inflation Protection Allocation and the iSectors Liquid Alternatives Allocation also hold gold positions and have similarly outperformed their benchmarks year-to-date. More information about these models can be found on our website.

## Crypto Corner

When Bitcoin surpassed the \$100,000-mark, sentiment reached an all-time high. Inflows into spot BTC ETFs reached record levels, and advisors were asking us if it was a good time to invest in the iSectors CryptoBlock® Allocation. However, following a 20% pullback from its all-time high, we have not received similar inquiries. Interestingly, the news surrounding cryptocurrency has improved during this pullback, including the announcement of a national Bitcoin Strategic Reserve, which adds to the supportive environment created by the crypto-friendly administration. Despite this, overall crypto sentiment has not improved, as Bitcoin has been affected by the volatility impacting other risk-on assets in the stock market this year.

This short-term volatility is just noise and now is a better time than ever to enter the crypto market. All the tailwinds remain the same as when Bitcoin hit its all-time high earlier this year, just a few short months ago. We have discussed those tailwinds in our last [few videos](#), but there is some other data we have not presented that supports the case for Bitcoin even further.

Bitcoin has closely followed the trend of global money supply over the past few years. On a 10-week lead, the movements of Bitcoin and global money supply have shown a strong correlation. In the chart below, you can see that the global money supply has been increasing recently. If the past connection between these two data points holds, the price of Bitcoin could rebound very soon.



Source: RealVision.com



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