

The fund was down 6.7% in the second quarter, underperforming its benchmark of FTSE World Index (down 0.8%). The fund underperformed its benchmark over the past year up 2.6% (benchmark was up 16.7%). It was up 7.3% since inception in 2018, versus the benchmark up 16.4%.

Economic backdrop

Global economic activity is slowing due to increased US tariffs, elevated levels of uncertainty about suspended tariffs reinstatement, uncertainty about the generally chaotic US interventions and tightening financial conditions. The negative impacts of erratic US government policy on consumer sentiment, consumption, business confidence and investment are causing US economic growth to weaken abruptly from a previously robust rate.

China's nominal economic growth has been weak due to ongoing deflation and the consequences of a severely weakened property market. It is now being further undermined by the escalating trade war with the US, which will negatively impact Chinese exports and manufacturing. On the positive side, however, Chinese consumer confidence and spending may be improving from historically low levels, buoyed by more aggressive monetary and fiscal stimulus and structural state interventions that are now specifically targeted at improving local consumption.

The Japanese and European economies have been particularly negatively affected by the 25% US automotive import tariff on their large automotive export sectors. Europe's economy, which has been stagnating due in part to its export link to a weak manufacturing economy in China, will start to benefit from higher fiscal stimulus. Germany has started to see a boost in business confidence following the decision to lift the debt ceiling and meaningfully increase fiscal spending in infrastructure and defence.

Markets review

Global markets were slightly negative in the first quarter (down 1.7% in US dollars), mainly due to the underperformance of the US (down 8.1%) and Japan (down 5.6%), while Hong Kong (up 15.9%) and Germany (up 15.8%) outperformed. Emerging markets were also positive overall, up 3.0% for the quarter, with outperformance from Brazil (up 16.8%), China (up 15.1%) and South Africa (up 13.9%).

Fund performance and positioning

Notable positive contributors in the quarter were Koninklijke Philips, Sumitomo Mitsui Financial, Evonik and Shell. Walt Disney were the main detractors in the quarter.

The main positive contributors to the fund's performance relative to the benchmark over the first quarter of 2025 were our Financials (Prudential, Unicredit, Mitsubishi UFJ Financial), Information Technology (Hirose Electric, Siltronic, Dexerials), Industrials (Siemens, SKF, Timken), Health Care (Medtronic, Bayer, Koninklijke Philips) and Consumer Staples (Dollar General) holdings. Sectors that contributed negatively on an absolute and relative basis were Real Estate (Aroundtown) and Communication Services (Walt Disney).

Our fund is mainly positioned in companies listed in developed markets, with exposure to a broad range of diversified sectors. Some examples of the global structural themes underpinning some of our holdings include an ageing population (pharmaceuticals, financial services, medical devices), tomorrow's workforce (automation and robotics), future mobility (energy storage, components and consumables) and food security (crop protection, fertilisers, seeds and aquaculture).

We have maintained our overweight positioning in consumer discretionary, financials and high-quality cyclical companies as we believe that share price levels are low relative to their long-term prospects, and they should provide very attractive forward-looking returns.

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