

The fund was down 3.1% this quarter, underperforming its benchmark of FTSE World Index (down 2.0%). The fund was down 0.8% return over the last year and up 8.0% per annum annualised return over the last 5 years.

### **Economic backdrop**

Global economic activity remains firm, benefiting from gradually easing financial conditions and strong developed market real household income growth due to falling inflation and higher wages. The US economy is demonstrating resilience, with relatively strong consumption underpinned by a robust labour market, healthy immigration and high aggregate household wealth.

Europe's economy, which has stagnated given its export link to China's weak economic recovery, should benefit meaningfully from an eventual rebound in global manufacturing activity from low levels, lower gas prices and increased government investment (particularly in the south). Japan is maintaining solid economic activity, with improving business investment and increasing private consumption amidst high wage growth. The very weak yen is aiding exports and inbound tourism.

Following a very slow post-COVID reopening recovery, Chinese economic growth is gradually accelerating but is weak in nominal terms due to persistent deflation. Property market activity has been considerably weak for a sustained period and has depressed consumer confidence. Nonetheless, there is an improvement in exports, manufacturing and infrastructure spending.

### **Markets review**

Global markets were positive in the second quarter (up 2.8% in US dollars), with Hong Kong (up 9.2%) and the US (up 4.3%) outperforming. Emerging markets were also positive in the period (up 5.1%), with outperformance from Turkey (up 21.6%), South Africa (up 12.5%) and India (up 10.4%).

### **Fund performance and positioning**

Notable positive contributors in the quarter were Siemens Energy, Koninklijke Philips and Evonik. Albemarle, Continental and Panasonic were the main detractors in the quarter.

By sector, Industrials (Siemens Energy, Hitachi), Health Care (Koninklijke Philips, Roche Holdings) and Energy (Shell) contributed positively to the fund's performance relative to the benchmark over the second quarter of 2024. Our significant underweight positions in Information Technology and Communication Services were the main detractors on a relative basis. Our Consumer Discretionary (Continental, Panasonic) and Materials (Albemarle, Johnson Matthey, Yara International) holdings detracted on an absolute and relative basis.

We remain overweight European equities and substantially underweight US equities relative to our benchmark. We have maintained our positioning in high quality cyclical companies as we believe that share price levels are still low relative to their long-term prospects, and they should provide very attractive forward-looking returns.

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