

HERE WE GO AGAIN

U.S. equities positive on election, other less so

Markets responded positively to the election of President Trump in the U.S. presidential election at the beginning of the month. Markets looked past the prospects for economically damaging tariffs and focused on the potential for a more benign regulatory and pro-growth environment. The sentiment was buoyed in the days following the election as it became apparent that the Republicans were set for a clean sweep of President, Senate and House, removing any impediments to implementation of their economic programs. The MSCI World index rose by 7.50% in the month, driven by a 9.18% rise in the MSCI US index. Markets elsewhere were less enthused by the re-election of President Trump, with European equities ending the month with a return of only 1.06%, as the potential for rising tariffs and heightened trade tensions weighed on stocks. Adding to European market woes, towards the end of the month France appeared to be lurching towards further political uncertainty, as the main opposition party threatened a vote of no-confidence in response to the government's finance bill. The uncertainty in France impacted equities as well as raising borrowing costs for the French government.

In the wake of the U.S. election the Dollar rallied against major currencies, as the inflationary impact of potential tariffs led to declining expectations of future rate cuts by the U.S. Federal Reserve. The Euro weakness against the Dollar was compounded by weak economic data reported in the month, raising expectations that the European Central Bank would cut rates by half a percent during the upcoming meeting in December. Even with rising geopolitical tensions, the price environment for energy remained soft, with oil declining over the month, reflecting adequate levels of supply despite 2024 marking a new peak in oil demand.

Stock selection shines as value struggles

The Portfolio returned 8.03% in the month, above the 7.50% return of MSCI World. Style was a slight negative in the month, as although the market rally in the U.S. was broad based, it generally favored higher priced growth stocks. The portfolio did benefit from strong stock selection in the month, which more than offset headwinds from the fund style. The MSCI World Value index returned 6.75% in the month, below the return of the MSCI World, reflecting the weakness of the value style in the month. The fund's outperformance against the MSCI World Value index was due to strong stock selection, assisted by some positive contribution from industry allocation, partially offset by weakness in the style returns due to the fund having a greater value exposure than the MSCI World Value index.

Sectors such as Consumer Discretionary and Financials were amongst the strongest performing sectors in the month, as these were perceived to be beneficiaries of the policy positions of the new U.S. administration. Health Care was amongst the weakest sectors, with Health Care stocks impacted by the announcement that the candidate for the new U.S. Secretary of Health was someone with unconventional views on certain health care topics.

The strong stock selection in the month was broad based, with several holdings experiencing strong returns. U.S. regional bank Regions Financial was a strong performer in the month as markets anticipated relaxation of regulation in the U.S. banking system. Japanese insurance company Sampo was also a strong performer as the company raised its earnings guidance for the year. U.S. building materials company Owens Corning performed well in the month as the company reported strong quarterly earnings.

See performance and fund data

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Strategy

Global Value invests in global equities from developed markets, cf. the fund's prospectus. Stocks are selected using the value strategy, meaning that through careful fundamental analysis, the team strives to identify companies that trade at healthy discounts relative to intrinsic value. A risk-aware approach to the portfolio construction ensures a well-diversified portfolio and broad exposure across sectors and regions.