

WAITING GAME

Equities swung on Presidential pronouncements

Markets declined in the month as equities were unsettled by a combination of weak economic data in the U.S. and repeated and at times contradictory declarations on U.S. trade policy coming from U.S. President Donald Trump. The MSCI World declined by 0.76% in the month, with the U.S. leading the declines. The MSCI USA index declined by 1.65% in the month as a sell-off hit previously high flying Magnificent 7 stocks such as Tesla and Amazon. Japanese equities also ended declining during the month, as rising trade war fears drove Japanese indices into negative territory during the last couple of days of the month.

In contrast to U.S. and Japanese equities, European equities demonstrated resilience despite the threat of tariffs being placed on European Union exports to the U.S. The MSCI Europe index rose by 3.63% in the month, with strength across most major European markets including France, Germany and the United Kingdom. European stocks performed well as markets drew hope from a couple of apparently productive meetings between President Trump and firstly President Macron of France followed by Prime Minister Starmer from the UK. Additionally, the prospect of peace in Ukraine, albeit one forced on the country, raised the prospect of a continent-wide peace dividend.

The Dollar weakened slightly in the month versus the Euro, Sterling and Japanese Yen as yields on U.S. Treasuries fell, reflecting market concerns that any potential tariffs were more an act of economic self-harm than a coherent attempt at reforming U.S. trade policy.

Magnificent 7 declines impacted returns

The Portfolio rose by 1.20% in the month, outperforming the 0.76% decline of the MSCI World. The outperformance of the portfolio was due to positive stock selection, partially offset by the fund style. The biggest negative style impact came from the fund's small-cap exposure, with small-cap stocks continuing their underperformance relative to the overall market. Part of the strong selection came from the portfolio not owning any of the highly priced Magnificent 7 stocks, which generally underperformed in the month. However, the fund did also receive good positive stock selection from its holdings. The MSCI World Value index returned 1.53%, above the return of the fund. The underperformance of the fund relative to the MSCI World Value index was due to the small-cap tilt of the portfolio, which more than offset the positive stock selection the fund had relative to the value index.

During the month Consumer Discretionary, Communication Services and Information Technology were the weakest performing sectors, due to these sectors containing the Magnificent 7 stocks. Consumer Staples and Real Estate were the strongest performing sectors.

As mentioned above, the fund had strong stock selection in the month. U.S. semiconductor company Intel was a strong performer in the month due to suggestions that the company may sell its manufacturing business. Steel maker ArcelorMittal performed well in the month as the company reported earnings that was ahead of expectations. U.S. biotech company Gilead was also a strong performer due to earnings as well as the announcement of new drug treatments.

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.

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