

# RELAX, IT'S TACO TIME

## Stocks rally as tariffs paused

**Markets** had their best monthly performance of the year so far, with the MSCI World Index returning 6.06%, breaking a streak of three consecutive monthly declines. Early in the month, the US signed a trade deal with the UK, albeit one of limited scope, but more importantly the US and China agreed to lower tariffs for ninety days while trade negotiation began.

Markets positively responded to the easing tensions in the trade war. The US market was the best performing of the major markets, with the MSCI US Index rising by 6.55%. European equities were also strong, although they lagged the US as the MSCI Europe Index rose by 4.70%. However, year to date, European equities are still far ahead of US equities, with the MSCI Europe returning 9.97% since the beginning of the year, compared to a decline of 7.90% for the MSCI US. Mega-cap US technology stocks were the biggest beneficiaries of the more bullish US market environment, with stocks such as Nvidia and Microsoft – both of which had struggled during the first quarter – leading the market rally.

The US dollar and US treasuries rallied in the first half of the month, with the seemingly more benign tariff environment. However during the second half of the month, a trade court found that President Trump lacked authority to impose the tariffs, with this finding quickly stayed by an appeals court. China and the US restarted their war of words over trade, and the month ended with the US doubling steel and aluminum tariffs to 50%. The dollar weakened, and treasuries declined as the tariff war escalated again, with

the dollar-euro exchange rate ending the month approximately where it started.

## Cyclical stocks outperformed

**The Portfolio** returned 4.98% in the month, outperforming the MSCI Europe Index return of 4.70%. This outperformance was due in part to the value style of the fund and strong selection, while an underweight position in Information Technology and Industrials was a drag on our relative performance. The portfolio also outperformed the 4.33% return of MSCI Europe Value, partly due to its more cyclical bias than the value index. Stock selection contributed positively relative to the MSCI Europe Value Index, though to a lesser extent.

Alongside Information Technology, Industrials and Financials were strong performers as the market viewed the pause on tariffs as positive for the global economy. Defensive sectors such as Health Care and Consumer Staples were the weakest performing sectors.

Several holdings in the portfolio delivered strong performance during the month. UK materials company Johnson Matthey rose sharply after announcing the divestiture of one of its business units at a better-than-expected price. German semiconductor company Infineon also performed well as demand outlook improved, driven by a more positive global economic outlook and easing trade tensions between China and the US.

See performance and fund data

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## Strategy

European Value invests in European equities, 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 countries.

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