

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.

Magnificent 7 lead the charge to growth

The Portfolio returned 4.07% in the month, underperforming the MSCI World Index. The underperformance was due in part to the industry allocations of the fund, with the portfolio underweight the Information Technology sector which was the best performing market sector of the month. The fund also underperformed the broad market due to its value style as during the month value underperformed growth. The portfolio outperformed the 3.19% performance of the MSCI World Value, due in part to the fund having a more cyclical bias than the value index. Stock selection was also strong relative to the MSCI World Value index.

Alongside Information Technology, the Communication Services, Industrials and Consumer Discretionary sectors were also 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. UK materials company Johnson Matthey rose sharply after announcing the divestiture of one of its business units at a better-than-expected price. US industrial company Terex was also a strong performer in the month as the potential for lower tariffs improved the outlook for the business. 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

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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