

# Dollar weakness isn't a strength

## Markets rise despite Middle East conflict

Markets rose in June despite Israel and Iran launching direct assaults on each other. The conflict between Israel and Iran ended in a truce after the US joined Israel and engaged in a bombing campaign against Iranian nuclear facilities.

The MSCI World rose by 0.89% in the month. The US market continued its recovery from its first quarter declines, with the MSCI US index rising by 1.65%. European equities were weak in the quarter as the European Central Bank signaled it was close to the end of its easing cycle, despite economic growth in Europe remaining anemic.

The strong US market performance was despite further declines in the outlook for the US economy. With tariff related shocks still reverberating, and additional economic headwinds from a much more tightly enforced immigration policy, the US Federal Reserve faced a balancing act on interest rates between the need to support the economy and fear that inflation remained a problem. During its June meeting the Federal Reserve kept rates steady, despite the Federal Reserve chair Jerome Powell coming under considerable political pressure from US President Trump. Although rates were not reduced in the June meeting, the Fed did indicate that an easing cycle was likely to start shortly.

The US Dollar continued its downward slide against other major currencies that began at the beginning of the year. The primary beneficiary has been the Euro, with the Euro strengthening by 15% during 2025. The dollar weakness has been driven by concerns over the level of US debt, as congress debated President Trump's tax and spending bill that would significantly increase the US deficit. The dollar weakness also reflects concerns around institutions such as the Federal Reserve that were intended to be free from political influence but are being subjected to presidential pressure.

Oil had a brief rally in the month following the conflict between Iran and Israel, only to promptly give up all gains when the ceasefire was announced.

## Magnificent 7 continue their recovery

The Portfolio rose by 0.04% in the month, below the 0.89% return of the MSCI World index. The underperformance of the fund was due to the fund not owning highly valued technology stocks such as Nvidia and Microsoft which performed very well as they continued their recovery from the first quarter sell-off. The underweight in the US and the underweight in Information Technology, a net of not owning these very large technology companies contributed to the underperformance. The value style was relatively strong in the month, which benefitted the fund, as the stock recovery became more narrowly focused on the magnificent 7. Stock selection was a modest positive during the month. The fund underperformed the MSCI World Value index, which returned 0.26% in the month. Relative to the MSCI World Value, the fund benefitted from having a more cyclical exposure. However the funds small-cap tilt and underweight in the US led to the slight underperformance.

Information Technology was the best performing sector in the month, followed by Communication Services, with both sectors benefitting from the continued recovery of the Magnificent 7 set of mega-cap technology focused companies. Consumer Staples was the weakest performing sector, followed by Real Estate, as the market continued its rotation away from defensive stocks.

The portfolio benefitted from strong performance from a number of holdings in the month. Whirlpool, a US based home appliance company performed well as the market overcame fears related to the impact of tariffs on the company's business. US technology company Oracle was another strong performer as the market continued to recognize the strong position the company has in both the cloud and artificial intelligence. Canadian retailer Canadian Tire was also a strong performer in the month, continuing its strong performance since the initial tariff concerns, as the company acquired storied Canadian retail brand Hudson Bay to add to its portfolio of brands.

## 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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