

NO, I'M BLOCKADING YOU

Markets rally despite Hormuz stalemate

The month began with continued US and Israeli air strikes against Iran. After an escalating series of threats from US President Donald Trump, a ceasefire was agreed between the Iran and the US, followed by negotiations on a peace. However, the Iranian blockade of the critical Strait of Hormuz remained in place, limiting flows of crude oil, natural gas and other critical materials. In response the US announced its own blockade of the Strait, blocking the few remaining tankers that were making the passage. As the month wore on, with the ceasefire leading to negotiations that did not seem to be achieving any positive movement, the price of oil began to rise again, reflecting a belief that this stalemate would be protracted. Brent oil, a benchmark grade of oil, ended the month above \$110 per barrel, above the \$60 per barrel at the beginning of the year, but far below the \$150 – 200 per barrel needed to balance supply and demand if the Strait of Hormuz remains closed.

Equity markets shrugged off concerns over the economic impact of high energy prices with markets posting strong returns in April. The MSCI World rose by 7.64% in the month, driven by a strong recovery in the Magnificent 7 group of mega-cap technology stocks. Sentiment for these companies improved as spending commitments for artificial intelligence related infrastructure grew, underpinned by fast growing demand for AI related services. The US was the best performing major market in the month, benefitting from the high weighting of the Magnificent 7 in its index, with MSCI US rising by 8.51%. European markets still had strong absolute performance, helped by good corporate profits with the MSCI Europe index rising by 5.19%, as markets were buoyed by hopes that the ceasefire would lead to peace.

The rising price of oil began to make itself felt in inflation figures in Europe and the US, putting pressure on central bankers to manage the tradeoff between inflation and economic weakness. The US Federal Reserve and the European Central Bank both decided to keep rate levels steady in April.

AI theme dominated in Europe

The portfolio delivered a return of 6.29% during the month, outperforming the MSCI Europe Index, which returned 5.19%. The MSCI Europe Value Index lagged the broader market with a return of 4.41%, primarily due to its underweight exposure to the Information Technology sector, which outperformed over the period. Relative to both the MSCI Europe Index and the value index, portfolio performance was supported by strong stock selection.

Cyclical sectors outperformed during the month, with Financials, Industrials and Information Technology among the strongest performers. Financials, particularly banks, benefited from expectations that interest rates would remain higher for longer. At the same time, optimism around AI-related capital expenditure supported both Information Technology and industrial companies exposed to the development of AI infrastructure. Only Energy, Communications Services and Health Care posted negative returns during the month. Energy gave up part of the gains generated in March, when oil prices first spiked.

Several holdings contributed meaningfully to performance. Within Information Technology, Nokia and Infineon Technologies each advanced by more than 50% over the month. Nokia reported a strong first-quarter result, reinforcing investor perception of the company as a beneficiary of AI infrastructure and optical networking demand. Infineon Technologies also rallied sharply as investors and sell-side analysts priced in stronger AI-related demand, particularly for power semiconductors used in data centers. Within Industrials, Andritz and Husqvarna also performed strongly following market reception to their quarterly results.

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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