



Global Strategic Equity Fund

Market context

Global equities had another strong quarter, overcoming a bout of significant turbulence at the start of August. Weak US labour data revived fears of a 'hard landing' for the US economy and, compounded by a surprise hawkish move by the Bank of Japan (BoJ), led the VIX volatility index to touch its highest level since March 2020.

However, sentiment improved as the quarter progressed, helped by the US Federal Reserve's decision to cut rates by 50bps and the BoJ's indication that further tightening would depend on financial stability. US economic data also proved to be more resilient than feared, helping global equities rise for a fourth straight quarter.

Meanwhile, China unveiled its most substantial stimulus package since the pandemic to boost its ailing economy. This helped the country's equity market post its best quarterly performance since 2009. European and UK equities also advanced albeit by a smaller magnitude. Japanese equities, however, underperformed following the BoJ's rate hike.

Looking at market leadership, the quarter saw a noticeable rotation away from technology stocks. Real estate and utilities were the top performing sectors within the MSCI ACWI, while industrials and financials also outperformed. By contrast, IT and communication services lagged after some disappointing earnings numbers called into question the elevated valuations. Energy was the weakest performer amid the sluggish economic growth outlook.

Performance

The Fund underperformed the MSCI ACWI (net of fees) in what was a strong quarter for global equities.

Market rotation meant that one of the sectors that had contributed most to performance in the previous quarter – communication services – now became the leading detractor. Social creation website Pinterest suffered after disappointing numbers, Alphabet, the owner of Google, lagged the market, not helped by threats of anti-trust action in the US. We have reduced our position here. Semiconductor equipment giant ASML saw profit-taking as clients such as Intel announced reductions in capex. Similarly, South Korean semiconductor business SK Hynix lagged due to growing concern that the semiconductor cycle may be peaking. Gambling products business Light & Wonder suffered after its key competitor, Aristocrat Leisure, won an injunction to prevent the roll-out and monetisation of its new game Dragon Train.

In a disappointing period for the sector, stock selection in healthcare proved challenging. US health insurer Elevance Health was weak as the market focused on more economically exposed companies. Concerns regarding constrained supply versus key competitor Eli Lilly, together with a weak phase IIa trial result for its oral pipeline asset Monlunabant, resulted in profit taking in Danish diabetes and obesity specialist Novo Nordisk.

Conversely, stock selection in the industrial and materials sectors proved successful during the period. In industrials, Australian logistics business Brambles was boosted by a favourable reaction to its increased dividend payout ratio target, along with the share buyback announced with full-year results. Chinese financial Ping An Insurance rallied with the rebound in Chinese stocks, reporting results ahead of analyst expectations. In Europe, Spanish utility Iberdrola rose after highlighting its growing position in datacentres, and Unilever benefited from ongoing momentum behind management's restructuring plans and a rebound in gross margins. With the gold price making new highs during the quarter, North American precious metal miners Newmont Corporation and Kinross Gold were both

An analysis of the portfolio with reference to the extent to which it has or has not adhered to its policy objective.

Past performance does not predict future returns; losses may be made.

among the leading contributors for the period.

Outlook

We expect higher, more volatile inflation through the cycle, driving greater swings in interest rate expectations, resulting in the sort of market volatility we have seen in the last quarter. Currently, reasonable economic growth persists, bolstered by lower inflation and interest rate cuts. The first 0.5% US rate cut of the cycle has already occurred, with the bond yield curve steepening and early-cycle sectors like housebuilders performing well.

Inflationary pressures remain sticky, particularly in commodities, as the recent Chinese stimulus revives metal prices and the latest developments in the Middle East have halted the prior slide in oil prices. The market now expects another 0.5% rate cut in the US, with an additional 1% in 2025. Europe has seen two ECB rate cuts, while Switzerland and Canada also eased policy.

China's recovery remains sluggish, though recent monetary and fiscal stimulus sparked a sharp rally in its markets. Low valuations and improving momentum could offer opportunities, especially compared to expensive Indian and developed markets. However, as most of the planned initiatives are monetary in nature, in our view they are likely to prove insufficient to address China's structural issues, even if they are a step in the right direction. For the positive momentum to sustain, we will probably need to see improved economic datapoints emerging and more policy support to continue, particularly those that address structural challenges such as local government financing and fiscal reform. Meanwhile, in Japan, yen strength, rising wages, and shareholder activism create potential investment opportunities.

Geopolitical risks, including the Russia-Ukraine crisis and Middle Eastern tensions, present ongoing challenges. Elections in key regions, including the US, add to uncertainty. However, market fundamentals, not political outcomes, remain central to our strategy. The US election result could impact policy, particularly around tariffs and corporate lobbying, but sector performance has historically been unrelated to party affiliation. Consumer discretionary and technology were the best and second-best performing sectors during the Obama administration, and they were the second-best and best performing sectors during the Trump years. Despite widely disparate views regarding the sector, energy was the worst performing sector under both presidents.

Given the complex macroeconomic landscape, we advocate a balanced, multi-factor approach with a focus on stock selection and flexibility. Resources, notably materials, remain attractive for diversification, while climate-related investments offer growth potential in electric vehicles and infrastructure. Our tech holdings have driven recent outperformance, particularly in AI and data centres, though we are cognisant of valuations and potential market volatility.

Specific risks.

Currency exchange: Changes in the relative values of different currencies may adversely affect the value of investments and any related income. Derivatives: The use of derivatives is not intended to increase the overall level of risk. However, the use of derivatives may still lead to large changes in value and includes the potential for large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss. Equity investment: The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. insolvency), the owners of their equity rank last in terms of any financial payment from that company. Emerging market (inc. China): These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems.

Important information

All information is as at 31.12.2024 unless otherwise stated. Where applicable, the distribution yield reflects the amount that may be expected to be distributed over the 12 months, as a percentage of the mid-market unit price of the Fund. The yield is not guaranteed, will vary over time and take no account of any preliminary charge. This communication is not for general public distribution and is for general information only. If you are a private investor and receive it as part of a general circulation, please contact us on +44 (0)20 7597 1800. The value of this investment, and any income generated from it, can go down as well as up and will be affected by changes in interest rates, exchange rates, general market conditions and other political, social and economic developments, as well as by specific matters relating to the assets in which it invests. The Fund's investment objective will not necessarily be achieved and there is no guarantee that these investments will make profits; losses may be made. This Fund may not be appropriate for investors who plan to withdraw their money within the short to medium term. Performance shown is that of the Fund and individual investor's performance may differ as a result of initial fees, actual investment date, date of any subsequent reinvestment and any dividend withholding tax. All the information contained in this communication is believed to be reliable but may be inaccurate or incomplete. Any opinions stated are honestly held but are not guaranteed and should not be relied upon. This is not a buy, sell or hold recommendation for any particular security. It is not an invitation to make an investment nor does it constitute an offer for sale. Before making an investment, please read the Prospectus and Key Investor Information Document, which sets out the fund specific risks and is available from Ninety One SA (Pty) Ltd ("Ninety One SA"). The portfolio may change significantly over a short period of time. The Fund is traded at the ruling price and can engage in borrowing, up to 10% of the portfolio net asset value to bridge insufficient liquidity, and scrip lending and may be closed in order to be managed in accordance with the mandate. The Fund is a sub-fund of the Investec Global Strategy Fund, which is a UCITS organised as a Société d'Investissement à Capital Variable under the law of Luxembourg. For further information on the Fund including application forms and a schedule of fees and commissions, please contact Ninety One SA. Fund prices and English language copies of the Prospectus, Report & Accounts and Articles of Incorporation and local language copies of the Key Investor Information Documents may be obtained from our website and free of charge from the following country specific contacts: Luxembourg – Investec Global Strategy Fund, 49 avenue J.F. Kennedy, L-1855 Luxembourg. In South Africa, Ninety One SA is an authorised financial services provider. Those sub-funds offered for public sale in South Africa are approved under the South African Collective Investment Schemes Control Act.

Indices

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