Global Strategic Equity Feeder Fund

Market context

Global equity markets diverged sharply in Q1 2025 as regional dynamics and policy responses shaped performance. The US market struggled, weighed down by renewed trade tensions, inflation concerns and the unwinding of big tech dominance. The S&P 500 posted its worst quarterly return in three years, while investor sentiment shifted toward more traditional sectors. In contrast, European equities delivered strong returns, buoyed by a structural shift in fiscal policy towards higher defence spending, as well as relative economic resilience. UK equities followed suit, supported by large-cap banks and defence firms. South African markets stood out globally, fuelled by a powerful rally in precious metals and a robust resources sector. Meanwhile, Chinese equities rebounded on the back of economic stabilisation, stimulus measures and AI-driven tech optimism, despite persistent structural concerns. Emerging markets broadly outperformed their developed counterparts, with positive momentum driven by policy tailwinds, commodity strength and improved sentiment in key regions such as China, Brazil and Central Europe.

In commodities, oil prices fluctuated due to OPEC+ production plans and potential US sanctions on Iran and Russia. Copper hit a record high, while iron ore and aluminium declined. In a period of rising geopolitical uncertainty, gold surged 8%.

Performance

For the quarter, the Fund underperformed the benchmark.

Stock picking in communication services was the top contributor to performance overall, where Chinese tech giant Tencent rallied on renewed optimism for Chinese internet stocks following supportive government signals. Spanish utility Iberdrola was the top contributor to performance, driven by its leadership in renewable energy investments and strong financial resilience amid global decarbonization trends. WH Group, the world's largest pork producer, surged on better-than-expected earnings, operational efficiency improvements, and growing investor confidence in its overseas expansion strategy. Gold miners Newmont Corp and Kinross Gold both performed well on higher gold prices and strong cash flow generation. Within healthcare, Swiss pharmaceutical and diagnostics company Roche Holding outperformed in Q1 2025 due to strong demand for innovative medicines and diagnostic solutions. Healthcare giant Johnson & Johnson benefited from sector rotation into defensives stocks. Fundamentally, the company's pharmaceutical portfolio continues to execute very well despite the Stelara patent cliff in 2025.

Stock selection in industrials and consumer discretionary hurt performance the most. Delta Air Lines unexpectedly cut first quarter profit due to weakening consumer confidence and reduced corporate travel demand amid macroeconomic uncertainty. In consumer discretionary, Tesla fell sharply due to lower-than-expected sales, as it slowed production ahead of the production changeover to the new Model Y. This was negatively viewed as a demand protest because of Elon Musk's political affiliation. Within IT, Autodesk declined, weighed down by broad weakness in US tech stocks rather than any company-specific factors. Microsoft fell slightly on concerns over slowing Azure cloud growth and rising capex, compounded by pressures from emerging AI technologies. EPAM Systems declined after issuing disappointing 2025 guidance, despite solid Q4 results and its recent acquisitions of NEORIS and First Derivative. Within consumer staples, US food retailer Lamb Weston struggled as industry headwinds—overcapacity, declining restaurant traffic, and rising manufacturing costs – continued to weigh on performance.

Outlook

Markets have sold off dramatically following tariff announcements from US President Trump. Under the new framework, all exports to the US will face a minimum 10% tariff, with additional reciprocal tariffs applied selectively. A further negative surprise was the broad application of tariffs to all US trading partners, not just China. The market is worried that tariffs will result in stagflation in the US — higher inflation and lower growth as the US consumer cuts back on spending, and this could trigger a broader global recession. One week following that announcement, on April 9th, the US announced a 90 day pause on reciprocal tariffs for all trading partners except China, further clouding the outlook.

Overturning the trade system that has proved so beneficial to global growth over the last eight decades will have significant long-term consequences. However, markets will adjust as trade patterns shift. This change has already begun, with China's exports to the US now accounting for just 14% of their total exports, down from over 25% a decade ago. Over the past eight years, China has actively diversified its trade partnerships and stepped up its participation in alternative global trade agreements. These shifts are building a structural buffer against trade disruptions. The medium-term outlook will hinge on whether the Chinese recovery can continue, even as the US consumer retrenches in the face of higher prices.

In the short term, we expect continued volatility as global economies respond to these announcements. Forecasting remains complex, given the highly fluid policy environment. In the US, the Trump administration's policy agenda – most notably new tariff measures and cost-cutting initiatives – is beginning to weigh on business confidence and consumer sentiment. With high fiscal deficits already placing strain on monetary policy flexibility, the path forward for the US economy looks more uneven in the near term. Europe will clearly not be immune from a tariff war, but this should be somewhat mitigated by the increased probability of a ceasefire in Ukraine, which could reduce geopolitical risks and deliver economic benefits through lower energy costs, and the implementation of large-scale fiscal stimulus in Germany which could provide a boost to both domestic demand and corporate activity.

The strategy remains style-agnostic, overweight defensives, with selective cyclical exposure in the US and China, where valuations are now attractive. Elevated volatility is expected to persist, offering attractive entry points into quality US names and high-growth emerging markets like India and Brazil.

We do not pretend to predict the future with certainty. But past crises have taught us that what matters beyond the short-term is positioning and managing the portfolio thoughtfully, guided by robust fundamental signals, being nimble in execution, and anchored in a disciplined, repeatable process. We remain focused on bottom-up opportunities, wherever they emerge, leveraging insights from the broader investment ecosystem, with stock-specific risk continuing to be the primary driver of portfolio returns.

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