

**Please note that the commentary is for the US dollar retail class of the Fund. The feeder Fund is 100% invested in the underlying US dollar Fund. However, given small valuation, trading and translation differences for the two Funds, investors should expect differences in returns in the short term. Over the long term, we aim to achieve the same outcome in US dollar terms for both Funds.**

### Performance and fund positioning

The Fund declined 1.9% for the quarter (Q2-24) compared to the benchmark return of 2.9%, bringing the rolling 12-month performance to 11.9% against the 19.4% returned by the MSCI All Country World Index (ACWI).

In general, the economic momentum of the first quarter continued into the second, and investors had to reassess the outlook for rate cuts, which moved further out. Artificial Intelligence (AI) once again dominated the markets, and a strong earnings season for tech companies meant that US growth stocks had strong gains over the quarter. In China, government moves to support the real estate sector provided a boost for equities which, together with the AI-exposed Taiwanese market, helped Asia ex-Japan give rise to strong gains in the region. In Europe, returns were hampered by the snap election in France, which surprised the markets and caused French equities to fall, overshadowing a rate cut announcement by the ECB.

North America was the best-performing region in Q2-24, advancing 3.8% (in US dollar terms). Japan's return was the weakest, declining -4.2% (in US dollar terms). Europe rose 0.9%, and the Pacific ex-Japan advanced 2.5% (both in US dollar terms). Emerging markets outperformed developed markets, advancing 5% compared to 3% (both in US dollar terms).

Amongst the global sectors, IT (+11.2%), telecommunications (+7.7%) and utilities (+2.2%) were the best-performing sectors for the quarter. The worst-performing sectors were materials (-4.0%), consumer discretionary (-2.7%) and industrials (-2.6%).

It was a difficult quarter for all the underlying managers with all of them underperforming the index (ACWI).

Contrarius Global Equity and Eminence Long Fund were the two big detractors for the quarter, but Tremblant Global Growth, SEG Crosby Street, Coronation Equity Select and Egerton Capital also had negative returns for the period. While Lone Monterey and Coronation Global Emerging Markets produced positive returns, both still lagged behind the benchmark (ACWI).

Contrarius had a difficult quarter, declining 6.6%, thereby extending their recent run of underperformance. The most damage originated from the communication services, consumer discretionary and financial sectors. Positions in Warner Brothers Discovery (-14.9%) and Qurate Retail (-48.8%) were the key underperformers but Block Inc. (-23.8%), Baidu (-17.9%), Just Eat (-18.8%), and Paramount (-11.3%) also contributed. Amongst all the negatives, Tesla (+12.6%) rebounded from its recent lows, while Fox Corp. (+11.9%) and Sea Ltd (+33.0%) also made positive contributions.

Eminence returned -4.7% for the period. Consumer discretionary and healthcare stocks caused the bulk of the underperformance with names such as Verano Holdings (-39.5%), Dave & Buster's Entertainment (-36.4%), Entain (-20.9%) and Green Thumb Industries (-17.7%) being the key negative contributors. The smaller position in food delivery companies Just Eat (-18.8%) and Delivery Hero (-17.0%) also detracted. Eminence also owns Sea Ltd (+33.0%) with other positive performers including Schibsted (+16.3%) and Amazon (+7.1%) helping to limit the downside.

After a strong run of performance, Egerton retreated this quarter with the industrials, materials and consumer staples stocks causing a decline of 1.4%. Airbus (-24.0%), GE Healthcare Technology (-14.3%), Ryanair (-22.9%) and Canadian Pacific Kansas City (-10.6%) were examples of this. Positions in Alphabet (+20.6%), Amazon (+7.1%) and Microsoft (+6.4%) did well to offset some of the underperformance.

Consumer discretionary stocks accounted for all of Tremblant's underperformance as it trailed the index by 4.2% for the quarter. Five Below (-39.9%), Yum China (-22.2%), DoorDash (-21.0%) and DraftKings (-15.9%) were examples of this.

Select Equity Group's Crosby Street returned -1.7% after its healthcare, financials and materials stocks dragged it behind the benchmark. Examples of detractors include Edenred (-18.9%), CRH (-12.7%), Sartorius Stedim Biotech (-42.2%) and CDW (-12.3%). TSMC (+28.2%) was the bright spot amongst the gainers.

### Outlook

At the start of 2024 expectations were that inflation would return to near-normal and allow central banks to cut rates and accelerate global growth. However, six months on, while growth has been satisfactory, inflation has proved sticky, and rates remain firmly elevated. Looking ahead, global growth should remain as is although change geographically. The US is showing some signs of moderation, and a soft landing is possible even if fairly rare. At the same time, growth is picking up in Europe as the cost-of-living shock fades and the region moves into a more favourable growth environment. Solid labour markets and rising real wages should continue to support consumption while the slow deployment of the Recovery Fund investments should also contribute to this rebound. In Asia, China is still struggling with its real estate market and a slump in consumption, but activity is improving elsewhere within emerging markets. Equity markets have benefited from the excitement around AI but on a very narrow basis, meaning that there is potential for continued gains as the broader market recovers especially if there is scope to eventually cut rates later this year or early 2025.

### Portfolio managers

**Tony Gibson and Karl Leinberger**

as at 30 June 2024