Please note that the commentary is for the retail class of the Fund.

The second quarter of 2025 (Q2) began with a tariff tantrum and was characterised by policy uncertainty, elevated volatility, and US dollar weakness. Yet markets finished at all-time highs. There was little to distinguish performance across the main geographical regions over the quarter, with the S&P 500 Index slightly underperforming (by ~50bps) the MSCI All Country World Index's 11.5% return, and both the MSCI Emerging Markets and MSCI World ex-US indices slightly outperforming (by ~50bps). Global bond performance was also strong, delivering 4.5% for the period. The Fund's outperformance continued, with a gain of 6.5% in the quarter being well ahead of the benchmark's 1.5%. For the last 12 months, the Fund has returned 13.8% compared to 6.4% for the benchmark.

At quarter-end, the portfolio was positioned as follows:

- 12.8% in short-dated US T-bills
- 19.2% in developed market government bonds
- 25.7% in investment-grade corporate bonds
- 8% in US inflation-linked bonds
- 3.7% in high yield fixed income
- 5.8% in real assets (listed infrastructure and property)
- 24.9% effective equity

Our fixed income positioning remains conservative. The Fund's duration of one year is far shorter than that of the global bond aggregate index's 6.5 years. The Fund's yield to maturity (YTM) of 5% compares favourably, both to inflation expectations and the index's 3.5%. With credit spreads in both the investment grade and high yield markets at low levels, we believe now is not the time to be reaching for yield.

The Emerging Market (EM) trio of Coupang, NU Holdings (Nubank) and Sea Ltd (Sea) were amongst the top contributors for the quarter. As we have discussed previously, we consider these to be three of the most competitively advantaged businesses within the EM universe. These companies all possess the key attributes of a winning business, with leading and improving market positions, exceptional management teams alongside a culture of innovation, as well as being digital businesses on the right side of technological change. Each business has a strong multi-year growth outlook, supported by structural tailwinds, and will generate very attractive returns on invested capital at scale.

Coupang is the leading ecommerce platform in South Korea. Ecommerce penetration in its home market is already high, but Coupang has been a consistent share gainer, being the only company to invest in end-to-end logistics capabilities. In fact, its market share has tripled from 10% in 2019 to almost 30% today. In addition to profitable growth in its home market, the company also offers optionality post its Taiwan launch.

Nubank is the largest digital bank in Latin America with operations in Brazil, Mexico, and Colombia. In a region where customer service from traditional banks is notoriously exclusionary, inefficient, and expensive, Nubank has grown rapidly to serve well north of 100m customers today. But Nubank's market share in its key credit products remains very low, providing a strong structural growth opportunity as it upsells additional product into its existing large captive user base.

Sea is a leading Southeast Asian internet platform, with strong positions across ecommerce (Shopee), financial services (Monee), and gaming (Garena). Shopee, its ecommerce arm, continues to solidify its leadership position with over 50% market share in Southeast Asia, and is a strong challenger in Brazil. This fast growth in ecommerce has been complemented by meaningful margin improvements. Monee also delivered exceptional growth with revenue up 58% and EBIT margins reaching 29%, as Sea continues to scale its loan book. Sea is serving an extremely underbanked population with a unique ecosystem advantage, given the data and distribution reach provided by its ecommerce arm.

Our healthcare holdings, which span the life sciences, health insurance and healthcare equipment sectors, underperformed this quarter, largely due to growing uncertainty around potential regulatory changes in the US. The Trump administration has proposed cuts to healthcare programmes, including reductions to government and academic funding, the FDA and Medicaid. They have also implemented tariffs that affect the cost of drugs and medical equipment manufactured abroad. More recently, President Trump signed an executive order aimed at reducing US drug prices, which are currently about three times higher than in other developed markets. Most pharmaceutical companies earn the bulk of their profits in the US, and therefore, this change is raising concerns about how future innovation will be funded. These regulatory developments are adding a cloud of uncertainty over R&D spending and capital investment across the healthcare sector.

We believe market reactions have overshot the likely impact of these potential changes. We remain confident in our selected healthcare holdings and believe they are well-positioned across global supply chains, customer bases, and/or product portfolios to not only navigate these changes but also gain market share in the process.

We wrote in the Q1 commentary: "In early April, markets sold off heavily following the announcement of the Trump administration's tariff plan. A negative reaction is understandable considering the opening gambit is far worse than initial expectations. The sell-off has, in our view, been indiscriminate, reflecting widespread fear and de-risking, as opposed to a rational reassessment of specific company fundamentals.

For investors who allocate capital with a long-term horizon and who have a robust assessment of what a stock is worth, this volatility is an opportunity to be exploited.

We have followed our valuation discipline and responded to the changed opportunity set. This has caused portfolio turnover to be higher than usual, but the end result is a portfolio with a higher concentration of what we consider to be long-term winners, at more attractive valuations (and therefore higher expected future returns). We have also sold some short-dated US T-bills to fund a higher allocation to equities."

Markets have fully recovered from April's sell-off and the upside of our equity holdings is now lower. As such, we have reduced equity exposure from the intra-quarter peak, reversing much of the asset allocation decisions made three months ago. Notably, the composition of the equity portfolio remains high quality, with c.90% of the equity bucket comprised of winning businesses.

Thank you for your support and interest in the Fund.

Portfolio manager
Neil Padoa
as at 30 June 2025