

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

The stock market recovery post April's tariff tantrum continued in Q3 with the MSCI All Country World Index advancing 8%. Bond market returns (as measured by the Bloomberg Barclays Global Aggregate Bond Index) were fairly muted, with a 1% gain. Perhaps most notable was the broad-based market strength in the face of much macro consternation, combined with a geographic broadening of returns: Developed Markets ex-US and Emerging Markets are both more than 10% ahead of the S&P 500 Index year-to-date (YTD). The Fund had a solid quarter, bringing the return for the last twelve months to 12.4% compared to 6.1% for the benchmark (SOFR + 1.5%). The Fund has performed well over all meaningful periods.

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

- 14% in short-dated US T-bills
- 21% in developed market government bonds
- 22% in investment-grade corporate bonds
- 10% in US inflation-linked bonds
- 4% in high-yield fixed income
- 5% in real assets (listed infrastructure and property)
- 24% effective equity

Our fixed income positioning remains conservative. The Strategy's duration of approximately one year is far shorter than that of the global bond aggregate index's 6 years. The Strategy's yield to maturity (YTM) of 4.8% 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.

With global stock market returns being driven by a small number of US-listed, large capitalisation technology shares over the last few years, it was very pleasing to see this continued broadening out of market returns. Since early 2024, we have argued that increasingly narrow global stock markets have resulted in large parts of the market being totally ignored by investors. This has created a diversified opportunity set – across sector, style, and geography – for us as long-term focused, active stock pickers. While we admire many US businesses and still find select value there, we find the current opportunity set outside the US more attractive. The Fund's US weight is directionally in line with our global equity strategy, as shown in the graph on the right.

Figure 1

CONTINUING TO FIND OPPORTUNITIES OUTSIDE OF THE US



Last quarter, we discussed the emerging market (EM) trio of winning businesses Coupang, Nubank, and Sea Ltd. These companies have a history of strong innovation, having leveraged their leading platforms into new services and revenue streams, with strong growth outlooks underpinned by multiple structural tailwinds. And this quarter, four of the top 15 contributors were from emerging markets, with the list including Nubank, the abovementioned leading digital bank in Latin America; Taiwan Semiconductor Manufacturing Company (TSMC) which designs and manufactures nearly all of the world's most advanced semiconductor chips, holding a near-monopoly on the leading-edge process technology that powers AI innovation and cutting-edge computing; and Grab Holdings, which holds a dominant position in South East Asian ride-hailing alongside a strong presence in food delivery and fintech. Each of these businesses is on the right side of technological change, with a strong multi-year growth outlook that is superior to US-based peers, whilst trading at a fraction of the relative valuation.

With global stock markets also increasingly volatile, we continue to believe that frequent and extreme price dislocations are creating significant opportunities for investors who focus their research on company fundamentals. These opportunities still emerge even within the arguably "expensive" US market. Warner Bros Discovery, a company we have owned for nearly three years was the largest contributor in the quarter, is one such example. Warner Bros. Discovery is a US-listed media company consisting of three distinct businesses. Its growth assets include the critically acclaimed HBO Max streaming platform, which is behind hit shows like Game of Thrones and The White Lotus, and the Warner Bros. Studio, which owns valuable IP such as Superman and Harry Potter. It also owns a collection of linear TV networks that are in structural decline but still contribute significantly to earnings and cash generation. As a result of a still hefty, but declining and manageable debt load as well as exposure to declining linear networks, the market largely ignored the combined entity, which traded on a single-digit PE multiple. But this has now changed. First, the company announced that it would split into two separate entities to better highlight the value in its growth assets. And then in early September, it emerged that the Ellison-backed Paramount Skydance Corporation was exploring a bid for the whole company, sending shares up 50% plus over two days.

Mercado Libre, the leading ecommerce and fintech player in Latin America, was a new purchase in the quarter. The share declined 10% over the period due to concerns over Argentina's economy (its third-largest market by sales, but more in terms of profits) and increased competitive intensity in Brazil. Whilst cognisant of these risks, it is worth remembering that Mercado Libre has grown strongly through many economic cycles, as evidenced by exceptional revenue growth of 45% per annum in USD over the last decade. And in Brazil specifically, it has an extremely strong competitive position thanks to its synergistic ecosystem that includes ecommerce, payments, and credit, and continues to grow its market share in the Brazilian ecommerce market. We continue to be attracted to its long growth runway, with ecommerce and credit penetration remaining very low in its geographies. We took advantage of the recent weakness to add to our position.

It was also pleasing to see strong contributions from Thermo Fisher Scientific and UnitedHealth. We had written about our healthcare holdings in Q2:

"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."

Approximately 13 country benchmarks hit all-time highs in Q3. And while the upside in our equity portfolio is lower than at the depths of the market sell-off in April, we still see an attractively valued portfolio that is diversified across geographies and sectors, and importantly, the composition of the equity portfolio remains high quality, with over 90% of the equity bucket comprised of winning businesses. Our conservative fixed income positioning and relatively low equity weighting provide ample dry powder to take advantage of dislocations in either of the two key asset classes.

Thank you for your support and interest in the Fund.

Portfolio manager
Neil Padoa

as at 30 September 2025