



Global Select

Quarterly Report to 31 March 2025

Objective

To provide capital growth over the medium to long term through a diversified portfolio of funds investing in global equities.

Strategy

Investing only in equities, the portfolio is designed to maintain a global exposure and focusses on funds whose remit is to invest in areas of the world's equity markets which, although possibly more volatile, we believe offer the prospect of higher long term capital growth. In line with the desire to maintain a balance of investments around the globe, UK equities will usually represent at most 20% of the portfolio.

Market Commentary

Within UK fixed income markets it was the high yield, non-investment grade bonds which continued to post the strongest gains. Whilst credit spreads, i.e. the additional amount of yield investors demand for holding more risky assets, remain tight relative to history, default levels remain benign. We did see some widening, however, towards the end of the period, as economic concerns arose and as 'liberation day' approached, where we would learn the extent of the tariffs the US were going to impose on goods arriving from other countries.

Meanwhile, a greater level of volatility and lower returns were seen in investment grade and government bond markets. Price movement in these markets is driven to a much greater extent by the perceived and actual direction of inflation, economic growth and therefore interest rates. With inflation continuing to remain 'sticky' in many countries, maintaining a level above central bank targets, interest rates saw little downward movement during the quarter. Yield curves have seen a little steepness return, but are still relatively flat compared to their normal upward sloping shape.

We saw a great deal of divergence across equity market returns during the quarter in local currency terms. Within the UK, concerns regarding economic growth weighed on the performance of those stocks more heavily reliant on the domestic economy. This meant that both mid and small cap indices succumbed to weakness, with both in negative territory. Conversely, large cap stocks continued to power ahead, with the large cap index posting a return in excess of 6%. Large cap stocks typically derive a large proportion of their earnings from overseas. The index was also helped by its sector breakdown which is more defensive than others. A low level of exposure to technology stocks finally proved a benefit rather than a hinderance.

US equities struggled during the quarter. Technology stocks were negative as sentiment towards the sector turned. A weaker outlook for economic growth weighed on the sector, which was compounded by high share valuations. After a strong period following the inauguration of Trump, smaller companies share prices also succumbed to weakness. The weaker outlook, changes in regulation looking like they will take longer to come through, along with the potential inflationary impact of tariffs, all weighed heavily as these stocks gave back all of their previous gains and then some.

The more defensive nature of the European equity markets in terms of sector breakdown, along with lower valuations, meant we saw a positive change in sentiment, leading to outperformance against most other developed markets.

Performance

During the quarter the portfolio posted a return of -2.97%, which was ahead of the IA Global sector average return of -4.51%. One of the key drivers of this outperformance was an underweight to US equities, which were some of the weakest performers during





Performance

the period. This underweight position was due to concerns over the valuation of these companies, along with the concentration risk of the Magnificent 7 stocks within the S&P 500.

The strongest performing fund within the portfolio was Lightman European. European equities saw something of a resurgence, with lower valuations being a catalyst. Signs that the economic area also appeared to be coming together in terms of generating economic growth through a collegiate fiscal response also spurred investors back into this market. A weaker US dollar was a positive for emerging markets, with Lazard Emerging Markets and Bailie Gifford Emerging Markets Growth also in the black.

Weaker performing funds during the period were those with a strong growth bias and large exposure to US equity markets. At the bottom of the list was the Artemis US Smaller Companies fund. Economic growth concerns, plus concerns over the potential for tariffs, weighed on smaller companies, which are more dependent on the outlook for the domestic economy. As a consequence small caps gave up all of their post-election rally and more. This was also a detractor for the performance of the Vanguard Small Cap Index fund.

Growth concerns also weighed on the BlackRock Global Equity Unconstrained fund. Exposure to some of the more tech heavy names, such as ASML, Microsoft and Meta, detracted from performance. Weakness within US equities also weighed in funds such as M&G North American Dividend and Goldman Sachs Global CORE Equity, although Dodge & Cox US Stock held up much better due to its valuation driven investment approach.

Source: FE Analytics, Bid-Bid, Total Return

Portfolio Activity and Positioning

There were no changes made to the portfolio, with switches having been made in the previous quarter, along with a rebalance of the portfolio to return funds to their original allocations.

During what are uncertain times, where we have seen an increase in volatility, the portfolio remains well diversified from a geographical perspective. We maintain a careful eye on equity market valuations, comparing the absolute valuation of markets against each other, but also against their own history. This focus means that the portfolio maintains an underweight position in US equities relative to other sector peers and also the MSCI World.

There also remains diversification across different investment styles, with growth, value and quality managers being held. This reflects the uncertainty around the environment which we are currently seeing, with unknowns around economic growth, inflation, fiscal and monetary policy, all of which could have an impact on corporate earnings moving forward.

The RGI European fund remains under watch following the departure of the fund manager. The management remains with James Sym but through his new company of work, Goodhart Partners, for now. This relationship will need to be monitored. There is exposure to three smaller company funds in the form of Artemis US Smaller Companies, Vanguard Global Small Cap Index and Gresham House UK Smaller Companies. If economic conditions are to deteriorate, potentially leading to recession, on the back of tariff announcements and a slowdown in global trade, the level of exposure here may require adjustment.

Disclaimer

The portfolio is managed on a discretionary basis therefore the investment manager may make changes to the investments held without notice. Investors are agreeing to the investment model as recommended by an Adviser and may not be investing into the specific assets included in this report.

Past performance is not a guide to future performance. The value of investments and any income from them can fall as well as rise and are not guaranteed, so you may get back less than you invested. If you invest in currencies other than your own, fluctuations in currency value will mean that the value of your investment will move independently of the underlying asset.

Consideration should be given to whether it is felt that the outcome of any risk assessment is accurate and advice should be sought for factors such as investment objectives, the investment term, attitude to risk, capacity for investment loss and the level of inflation.

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