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Evolving Trends Strategy

Positive indications of AI-driven growth following a period of weaker investor sentiment in the space

- Global equities continued to rebound in May amid easing trade tensions
- Strength from Automation theme; weakness from Longevity theme
- Added to Meta, rotated financial holdings; exited Becton, Dickinson and Companies

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What's happening?

After a volatile start to the year global equities rebounded strongly in May, with the MSCI ACWI rising 5.8% in USD terms. The major positive catalyst for the period was a de-escalation of trade tensions between the US and major international partners. The Information Technology sector was the strongest performer, boosted by the Trump administration's reversal of the AI diffusion rule that imposed strict limits on AI chips sold to certain countries. The worst performing sector was Healthcare, which continues to experience policy headwinds such as funding cuts to research programmes and more recently the Executive Order on "Most Favoured Nation" drug pricing terms in the US.

Portfolio positioning and performance

The strategy failed to keep pace with the strong rally in global equity markets over the month. At the sector level, being overweight Healthcare was the main detractor.

It was a strong month for the Automation theme, boosted by Nvidia's quarterly results that showed good progress following the launch of their Blackwell chip and a lower than originally anticipated impact of China export controls. Recently, major cloud computing providers have provided reassuring updates on their capital expenditure plans which has increased investor confidence on the durability of AI infrastructure spend. Additionally, modest easing in geopolitical risk for the sector has improved the outlook for the semiconductor sector. This boost to sentiment also drove Broadcom shares over 25% higher in May.

The Longevity theme was the biggest detractor, as the overweight position in healthcare dragged. Within the sector there were two particularly poor performers- United Healthcare and Globus Medical. United Healthcare had to reset earnings expectations lower in May due to higher than anticipated costs in their Medicare Advantage business. Spinal surgery company, Globus Medical, also reported weak Q1 results due to supply chain issues and a change in reimbursement policy by a large insurance provider.

During the month we added to our position in Meta, which is already seeing early signs of commercial success from AI. We switched our holdings in Swiss bank, Julius Baer, into JP Morgan following unexpected loan losses in Baer's private debt and mortgage businesses. We also sold Becton, Dickinson and Companies, where we see limited catalysts for recovery in the medium term.

Outlook

Markets have been volatile following the tariff announcements on 2nd April ("Liberation Day"). However, investor sentiment was boosted by the Trump administration's delayed implementation of some of the tariffs and signals that they were open to negotiations with countries to secure deals. Investors are paying close attention to developments here as we seek to understand where things are likely to ultimately settle. During earnings season, companies have understandably lacked confidence what the impact of tariffs may be over the coming quarters, given the evolving nature of the negotiations. Despite the elevated levels of uncertainty, we have been encouraged by the resilient earnings reported in Q1 and the stability in the labour market.

No assurance can be given that the Evolving Trends Strategy will be successful. Investors can lose some or all of their capital invested. The Evolving Trends strategy is subject to risks including Equity; Emerging markets; Currency; Global investments; Investments in small and/or micro capitalisation universe; ESG.

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Source: All data sourced from Bloomberg, local currencies, as at 31/05/2025

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