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# Evolving Trends Strategy

## Investor sentiment supported by trade progress and accelerating AI infrastructure investment

- Global equity gains in July as US secured trade deals and strong start to earnings season
- Strength from Automation theme driven by AI-related CAPEX; weakness from Longevity
- We added Xiaomi and Oracle; trimmed Globus Medical

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### What's happening?

Global equity markets climbed higher during the month, with the MSCI All Country World Total Return Index rising 1.4% in USD terms. Risk appetite was boosted by the trade deals agreed between the US and both Japan and Europe, plus a strong start to corporate earnings season. Asia Pacific ex Japan was one of the strongest performing regions over the month, as trade negotiations between China progressed and the Chinese economy proved resilient despite continued issues with the property market and weak consumption.

### Portfolio positioning and performance

While the underlying earnings of companies within the fund have been strong, performance lagged in relative terms over the month of July.

Automation was the best performing theme, as companies exposed to Artificial Intelligence related capital expenditure such as Nvidia AND Broadcom performed strongly thanks to expanded spending plans from the hyperscalers.

Longevity was the weakest theme, as the Healthcare sector continued to underperform. Within the Healthcare sector Novo Nordisk was the biggest detractor, as they reported weaker than expected sales growth for their anti-obesity medications, fuelling concerns that they are losing market share to their biggest competitor, Eli Lilly. There were some reasons for optimism within the sector, however, as Thermo Fisher reported Q2 strong results and commented that they were seeing recovery in the Pharmaceutical and Biotechnology end markets. Stock selection within Financials was also a drag on performance, as Fiserv shares fell as their Q2 earnings showed that growth in their Merchant Solutions business was behind investors' expectations.

During the month we added Xiaomi to the fund, which is a Chinese electronics manufacturer that is rapidly growing in the Electric Vehicle market. We also added Oracle, which is well positioned to benefit from increasing demand for compute power. We trimmed our position in Globus Medical to reflect the increased execution risk of their M&A strategy and CEO transition.



## Outlook

While the economic outlook is uncertain, we are reassured by the earnings strength of the underlying companies in the portfolio. In particular, we are encouraged by the ever-increasing levels of capital expenditure being deployed in AI infrastructure, as we have a number of companies in the AI compute supply chain that are set to benefit from this growth. Capital expenditure more generally has been further supported by the passing of the “One Big Beautiful Bill Act” in the US which allows for the immediate depreciation of infrastructure and R&D investments and is expected to provide significant tax savings for companies investing heavily. In Europe, we have seen initiatives principally from Germany, who have launched a 500 billion Euro Infrastructure and Climate Bill set up to support investment in Germany over the next 12 years as well as an initiative from 61 Corporates in Germany to invest 631bn Euros domestically by 2028.

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 31/07/2025

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