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# **Evolving Trends Strategy**

## **Uncertainty levels high creating a difficult corporate investment environment and a tough month for markets**

- Volatility and uncertainty continued in March amid trade tensions
- Weakness from digitalisation theme driven by rotation out of IT
- We opened a position in Saint Gobain

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### **What's happening?**

The MSCI ACWI index fell 4% in March in USD terms on increased concerns around potential trade wars, persistent inflation and potential US Federal spending cuts. Amongst the most impacted in this cyclical rotation were some of the Large Cap Tech companies that have been strong drivers of market returns over the last 2 years. In contrast to the potential austerity in the US, European stocks were boosted by potential fiscal spending, particularly in the defence sector.

### **Portfolio positioning and performance**

The strategy fared slightly worse compared to the broader equity market, down 6.6% compared to MSCI ACWI down 4% respectively, as thematic growth sectors such as communication services and information technology underperformed the broader market.

The Digitalisation theme detracted during the period as the fund's overweight Information Technology was a headwind to performance. Servicenow's shares fell over 14% largely due to concerns that Federal government spending, which accounts for around 10% of revenue, may be cut by the Department of Government Efficiency (DOGE) in the US. Uncertainty around the pathway for compute demand for AI compute continued to weigh on the technology hyperscalers leading to share price declines of -10% for Amazon and -9% for Alphabet.

Outside of technology, Novo Nordisk was also amongst the Fund's biggest losers, with shares falling over 23% in March on concerns that is failing to maintain its competitive advantage in anti-obesity medication. While the most recent trial data for their next generation of treatment was underwhelming, we believe that this was at least in part due to the design of the clinical trial and the market opportunity for GLP1s is still significant, despite potential new entrants.

The Biodiversity and Natural Capital theme contributed positively to performance thanks to strong performance from waste management company, Republic Services, which has shown strong pricing power and has a resilient business model in the event of macro-economic weakness.

During the month we added Saint Gobain to the portfolio. Saint Gobain is a European industrial company that produces building materials that are essential for the decarbonisation of the construction sector.

## Outlook

The key focus for investors following the announcement on April 2nd from the Trump administration of widespread tariffs with trading partners, is the degree to which this will escalate or moderate. It has become increasingly clear that the White House see tariffs as an effective method to reduce what they perceive to be unfair trading practises by other nations. The proposed tariffs as they currently stand have the potential to increase inflation and weaken business and consumer confidence. It therefore remains to be seen where trading relationships settle down in due course. We remain focussed on businesses that will be able to weather the storm thanks to structural growth, strong balance sheets and good pricing power to defend profitability and note that recent market volatility could present some interesting investment opportunities.

**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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