



Review

After a weak December, animal spirits returned in January as the prospect of Donald Trump's second coming came into view and with it optimism that the new administration would be more pro-business than the last. Those companies that derive significant amounts of their revenues from within the US borders were not to be disappointed as within hours of taking office, the new President took out his pen and signed numerous executive orders, rolling back most of President Biden's policies that he deemed as woke or regressive.

It was notable during the inauguration how many senior executives of large cap technology companies were in attendance, with Jeff Bezos (former Amazon), Mark Zuckerberg (Meta) and Sundar Pichai (Alphabet) standing shoulder to shoulder only a little further from the President than Tim Cook (Apple), but significantly closer than many former presidents and family members. Day two saw Sam Altman (OpenAI), Larry Ellison (Oracle) and Masayoshi Son (Softbank) being courted by the President as they announced the creation of Stargate, investing \$500bn over the next four years in AI infrastructure based in West Texas.

No sooner than the US had stated its aim to secure its position as the AI leader in the world, the market was caught off guard by the unveiling of DeepSeek's performance data, indicating that the restriction of leading technology to China had led to them developing an alternative way to generate AI material at a fraction of the cost. This sent shock waves through the technology sector as they scrambled to analyse the ramifications of this new entrant to the AI race.

Across the Atlantic, Rachel Reeves, sought to cling onto her job, after the consequences of her budget started to appear. A trip to China saw her return hailing great success having secured £600m of orders for the UK over the next five years; please refer to Stargate numbers above to put this 'success' in context. A trip to Davos led to further attempts to placate the bond markets, promising nothing but growth initiatives during the course of Labour's tenure in Government - however the policies thus far have yet to impress the markets.

On a more positive footing, we also saw the Israelis and the Palestinians agree to a peace deal in Gaza, halting the months of devastation and destruction in the region in exchange for hostage/ prisoner exchanges. We hope that this peace can hold, although it will take years and many billions of dollars to restore even basic living standards to the war-torn region. We await to see what President Trump can bring to bear in the other war-torn region, namely Ukraine, after his grand promises during his election campaign.

Fund Performance/ Activity

The Fund gained 5.19% during the course of the month, clocking a new all-time high before DeepSeek sent ripples through the market, impacting many of our holdings exposed to the AI infrastructure build out. The Fund outperformed both the wider IA Global sector peer group that returned 5.07%, and the iShares MSCI World tracker ETF which posted a 4.32% return over the month.

During the month we had positive contributions to performance from our holdings in Thermo Fisher, Relx, JP Morgan Chase, Banque Cantonale Vaudoise and United Rentals, all of which gained more than 10% during the course of the month.



Capital at Risk – the value of investments can fall as well as rise and you may not get back what you invested

Past performance is not a reliable indicator of future results.

The largest detractors from performance, unsurprisingly were from those related to AI for the reason mentioned above. Our holdings in Amphenol, Schnieder Electric, Nvidia, and Microsoft all fell sharply, but have recovered some ground since the initial scare.

Activity was up a little on the previous three month average, as we took the opportunity of the market correction to initiate a position in the US electrical, mechanical, engineering and construction company, Emcor, while selling our remaining position in Heineken to fund the purchase. We also added to our holdings in Visa, Amphenol, and Amadeus, while booking some profits in American Express, which once more rose to more than our self-imposed 5% maximum position size after a further period of strong performance.

Market Outlook

The forthcoming month sees the German nation hold their general election, which was initially meant to be in September, before Olaf Scholz lost a vote of no confidence. His SPD party will almost certainly lose power as the CDU/CSU party and the far-right AfD parties have sizeable margins above the SPD in the polls.

Despite the negative macroeconomic data permeating out of Europe, we see signs that some of the surveys might have bottomed and might even be starting to improve from very low bases. This certainly seems to be reflected in the stock markets, where European equities have outperformed those in the US, UK, China and Japan over the last month, with German and Swiss markets rising almost 10%. This may be a partly due to the relative discount to the US of European equities which is a record levels, however we recognise the opportunity should this performance persist. Although our geographical positioning is a bi-product of our bottom up stock selection process, and we prefer to focus on where companies generate their profits, the Fund has significant exposure to European listed assets.

We continue to be bullish on US equities as the pro-business leadership is likely to continue to push through growth measures, and tear back red tape, cutting regulation and barriers to investment. We have concerns over the implications of tariffs that are being proposed, with Mexico and Canada being the first in the firing line with 25% levies being imposed this weekend, however, we do believe that Donald Trump can be pragmatic should he see a valuable quid-pro-quo, after all he is the author of the Art of the Deal.

Richard Scrope, Fund Manager, VT Global Select Fund, 31st January 2025

Data source (unless otherwise stated): Bloomberg, FE Analytics

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