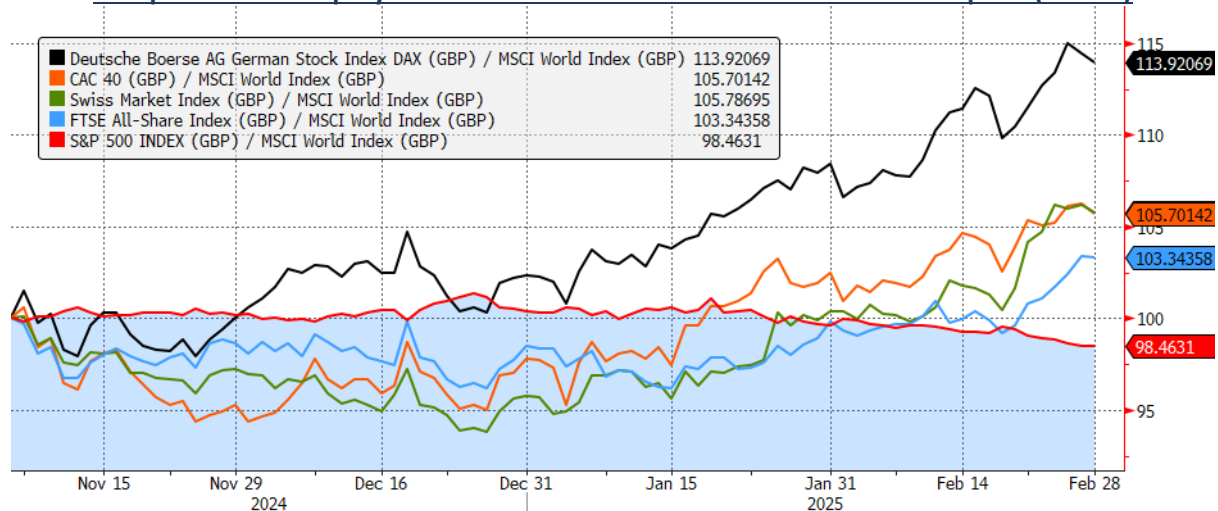


Review

February proved to be a difficult for US equity markets as the Trump administration flip-flopped over whether tariffs were being implemented or not, and by how much, leaving management teams unsure about the impacts and strategies needed to counter them or not. At a time when they were in the thralls of reporting their 2024 numbers and outlooks for 2025, this became a cause for concern. By the end of the month there was a significant uptick in bearish sentiment by consumers and the US outperformance relative to the rest of the world, had given back all that it had gained since Donald Trump's election.

Notably, European equity markets were much more upbeat than those on the other side of the Atlantic, with German, Swiss and Spanish headline markets now all up more than 10% since the turn of the year, compared to the S&P & Nasdaq indices which have negative returns. The return of the CSU/CDU to power in Germany with a pro-business chancellor and France's prime minister & president both trying to boost outside investment in France certainly helped sentiment towards European markets, even the UK has stated to see some increase in appetite from investors.

European and US equity markets relative to Global markets under Trump 2.0 (in GBP)



DAX Index (Deutsche Boerse AG German Stock Index DAX) Daily 06NOV2024-28FEB2025 Copyright© 2025 Bloomberg Finance L.P. 28-Feb-2025 10:20:44

On a more positive note, which may also be helping European equity markets, Donald Trump's engagement with Vladimir Putin appears to be resulting in the Russians taking the first tentative steps towards a resolution as the war enters its fourth year. Like tariffs, however, this had not been a plain process. Although the US is demanding a heavy price in terms of mineral rights from Ukraine and lines of control are yet to be discussed, which ultimately resulted in Presidents Trump and Zelensky having a very public visceral exchange, the European Leaders have seen the need to proactively engage with the terms of any ceasefire and what ongoing support maybe put in place to dissuade either side reengaging post a settlement. Engagement between the warring parties, which has been absent until now is a positive step.

Meanwhile, the tentative ceasefire in Gaza is also currently at an impasse, but at least discussions are still ongoing, even if there have been a few mishaps over the prisoner exchanges. A more peaceful environment on the borders of Europe would be positive for equity markets, and there are likely to be significant opportunities when reconstruction contracts start to be discussed.



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.

Fund Performance/ Activity

The Fund fell by 4.18% during the course of the month, reducing the year-to-date returns to 0.79%, as tariffs led to cautious outlook statements from company managements and questions resurfaced over the returns on investment from capex spent on data centres. The Fund underperformed the wider IA Global sector peer group that fell by 3.47% over the month of February.

During the month we had positive contributions to performance from our holdings in Nestlé, Fiserv, Novo Nordisk, AstraZeneca and Fiserv, all of which gained more than 5% during the course of the month. The largest detractors from performance came from our holdings in Zebra Technologies, United Rentals, Thermo Fisher, Amazon, and Diageo which all fell during the month. We used some profits in Apple, Microsoft and Fiserv to initiate a position in Deutsche Börse, which provides market data & analytics in addition to settlement and trading in European equities as well as other investment management solutions.

Market Outlook

It is not unusual for February to be a poor month for equity markets, however we are pleased to see some of the froth caused by momentum investing come out of the markets and signs of investors starting to switch their attentions to quality fundamentals, which has been absent over the past 18 months. Questions continue to be asked about the likely returns on investment from the capital expenditure by the 'Mag-7' on AI, especially in the light of DeepSeek, and only Meta and Apple have seen positive share price moves since the December peak, suggesting that leadership may be broadening out, and not just a very select collection of companies.

The increase in interest in European equities is also pleasing to see, and although there have been many false dawns in European markets over the past few years, the discount of these markets relative to the US still remain close to all time highs, suggesting that their rally may yet have legs to run, and we have seen the breath of performance within these markets increase, which is a bullish sign.

The American Association of Individual Investors Bull/Bear survey is currently close to the lowest sentiment levels seen over the past 30 years; when the market points to extreme fear has historically been a good point to invest as many companies become victims of index net selling rather than any fundamental reasons.

Richard Scrope, Fund Manager, VT Global Select Fund, 28th February 2025

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

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