

THE COST OF POLITICS

Equities sell off on inflation fears

Markets declined in the month as markets faced the reality that many of the stated policy aims of the incoming U.S. administration were potentially inflationary. The U.S. Federal Reserve reduced rates at its December meeting but provided a more cautious view of rate declines in 2025. The Fed narrative proved the catalyst for a sell-off of global equities that left the MSCI World Index down by 0.66%.

Despite the decline during the month, the MSCI World Index still ended the year with very strong returns for 2024, rising 26.60% during the year.

For the month, there was little difference between the returns in the U.S. and in Europe, with MSCI Europe declining by 0.49% compared to the 0.63% decline of MSCI USA. Japan was the standout major market with MSCI Japan rising by over 1.5% as the Bank of Japan did not raise rates during the month, surprising markets. In contrast with the month, the year belonged to the U.S. The MSCI USA Index returned 32.90% in the year, compared to only 8.59% for MSCI Europe. U.S. stock market performance continued to be dominated by the Magnificent 7 technology stocks.

U.S. treasuries sold off during the month as markets absorbed the impact of higher rates into the future. The U.S. dollar continued to rally against other major currencies, with the euro, British Pound and Japanese Yen all weak as concerns over both higher rates as well as future trade restrictions pressured currencies.

Despite the rising dollar, the oil price rose as the OPEC+ group of oil producing nations reduced further their outlook for 2025 oil production, to better balance the market.

Value lost to growth for the month and year

The Portfolio declined by 3.60% in the month, below the -0.66% return of the MSCI World Index. The strong performance of technology and consumer companies such as Tesla and Amazon impacted on the funds' relative performance as the fund does not own these large, highly valued companies. The MSCI World Value Index declined by 3.83%. The slight outperformance of the fund against the MSCI World Value Index was due to the fund having a greater weight than the index in markets such as Europe and Japan, a lower weight in the U.S. which underperformed, along with some positive stock selection.

For the year the fund returned 18.27%, underperforming the MSCI World return of 26.60%, due to underperformance from the value style over the course of 2024, as markets were driven by the highly valued, growth orientated, Magnificent 7 stocks. For 2024 the MSCI World Value returned 18.91%. The fund underperformance against the MSCI World Value Index was due to the fund having a slightly greater exposure to the underperforming value style than the index, the impact of which more than offset some positive stock selection for the fund.

U.S. auto parts manufacturer Dana Inc was a strong performer for the fund during the month as the company announced it was divesting its off-highway division. Japanese automation and auto parts company Toyota Industries was also a strong performer in the month as the company reported stronger than expected earnings. Finnish mining equipment company Metso Corp also had strong performance in the month as the company announced some new orders from customers as well as some expanded facilities.

See performance and fund data

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Strategy

Global Value invests in global equities from developed markets, cf. the fund's prospectus. Stocks are selected using the value strategy, meaning that through careful fundamental analysis, the team strives to identify companies that trade at healthy discounts relative to intrinsic value. A risk-aware approach to the portfolio construction ensures a well-diversified portfolio and broad exposure across sectors and regions.

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