

Monthly Market Commentary

Global equity markets started the calendar year strongly with supportive macro data helping broaden the rally away from US large caps. Against this backdrop, value, cyclicals and small caps all outperformed in January.

Japan's Nikkei225 was the standout amongst global indices, up 5.9% in local currency terms, and continuing its solid performance on growing odds of a strong election outcome for PM Sanae and her pro-growth agenda. Elsewhere in Asia, China's Shanghai Composite Index also delivered, finishing up 3.8% for the month.

US equities were stronger, aided in part by another decent reporting season. While large caps delivered reasonable performance with the NASDAQ and S&P500, up 0.9% and 1.37% respectively, it was small caps that stole the show with the S&P600 Small Cap Index up 5.5%. Large cap indices also lagged their equal-weighted equivalents with the S&P500 Equal-Weighted Index rising 3.28%, demonstrating broad-based strength.

In local currency terms, performance in Europe was more mixed. The UK FTSE outperformed most continental bourses, rising 2.9% for the month thanks to its outsized exposure to energy and materials. A disappointing result from software giant SAP weighed on Germany's DAX, though it still managed a 0.2% gain, while political uncertainty impacted sentiment towards France with the CAC40 falling 0.3%. That said, performance in USD terms across the board was a bit better courtesy of USD weakness with the DXY Index falling 1.4%.

At a sector level, performance was led by more economically sensitive areas exposed to capital spending cycles and commodity prices. Energy and Materials were strongest, rising 12.6% and 8.9%, respectively, with Industrials also up a solid 7.1%. Utilities, Telecommunications and Staples also did well, each up more than 3%. Financials, Health Care and Consumer Discretionary lagged in a relative sense, each up less than 1%. Information Technology was the worst performer, falling 1.2% in January, in part thanks to poorly received Q2 results from Microsoft and concerns around disruptions to many software companies' business models.

The AUD rose 4.4% against the USD, helped in part by broad-based commodity price strength. The Bloomberg Commodity Index finished up 10%, driven by precious metals with gold and silver up 13.3% and 18.8% in USD terms. Energy was also well supported with WTI oil prices up 13.6% for the month. VIX rose 2.49 points to close at 17.44, with yields on 10yr US Treasuries also rising 7bps to 4.24%.

German-based Bayer was the biggest contributor to Fund performance with its shares performing strongly in the month following positive updates on the litigation front and drug development pipeline. US-based recruitment and consulting group, Robert Half, was also a meaningful contributor during the month with shares rising strongly on a well-received FY25 result that showed signs of sales stabilising. US-based HP Inc was the biggest detractor in January following a surge in memory chip prices, a key manufacturing component for the computer and printer maker.

During the month, the Fund gained exposure to Exor, a holding company controlled by one of Italy's wealthiest families, the Agnelli family. In addition to a significant stake in Ferrari, it also owns interests in agricultural and construction equipment maker CNH, automaker Stellantis, and health technology group Philips, along with a diverse range of other listed and unlisted investments. Additionally, the group has a solid balance sheet and has recently undertaken a share buyback equivalent to over 5% of the market cap. With the shares trading at over a 50% discount to Net Asset Value, we think Exor stock offers compelling value for shareholders.