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ECONOMIC REVIEW

It was a challenging quarter for global equities. The US market experienced its worst quarterly performance since the Covid-19 pandemic. There were significant shifts in sentiment amid US tariffs and heightened stagflation fears – growth stocks such as the ‘Magnificent 7’ underperformed significantly. Inflation concerns resurfaced in the US and the Federal Reserve held interest rates steady, anticipating a slower pace of rate cuts.

In contrast, European markets delivered strong returns, achieving the largest quarterly outperformance relative to the US S&P 500 Index in a decade. This was largely driven by a major fiscal policy pivot on the continent, particularly in Germany, where proposals to loosen the ‘debt brake’ in favour of increased defence and infrastructure spending lifted investor sentiment.

FUND REVIEW

During the quarter, the fund fell less than a global equity index as it cannot invest in US technology stocks.

Our holding in food retailer Ahold Delhaize contributed positively to the fund’s performance. The company’s share price rose on the announcement of a share buyback programme. It is a very defensive company and will generally be expected to outperform at times of increased market stress and volatility.

The share price of food and drink company Nestlé rallied as its results were not as bad as had been feared, and investors began to gain confidence in a turnaround at the business.

In contrast, the share price of pet food company Freshpet fell as its guidance on revenue growth was less than expected. However, we think the market has overreacted, as Freshpet remains a high-growth business in a sector with unique barriers to entry.

Shares in fast food chain Chipotle sold off on worries around weaker discretionary consumption amid slower US economic growth.

FUND TRANSACTIONS

We increased our holding in flavours and fragrances company Givaudan as we believe the share price has lagged the broader European equities rally and revenue growth is likely to be stronger than the market expects. We also added to fast food chain Wingstop on what we believe is unjustified share price weakness.

We exited our holding in Yum China as the restaurant company faces a challenging Chinese consumer and competition remains tough in the domestic restaurant industry. Finally, we took some profits in Ahold Delhaize and invested the proceeds in other holdings that we believe will increase further in value.

OUTLOOK

Global corporate earnings growth appears to be slowing. In Q1, equity markets in Europe and China benefited from the uncertainty caused by Donald Trump’s trade policies, with investors looking to diversify at the expense of US markets. Core US inflation remains sticky, and with business and consumer confidence weakening, Make America Great Again policies could lead the US into a recession later in 2025. Global trade relations and regulations are likely to come under greater scrutiny. We are keeping a close eye on a White House that is acting more aggressively and decisively than during Trump’s first term. We will continue to focus on high-quality companies with sensible balance sheets that are regular dividend payers, which should give some downside protection in volatile markets.

In the food and agriculture value chain we favour higher-quality companies that are generating strong cash flows. Food prices are inflating slower or coming down in some instances. Consumer behaviour has become driven by health, wellness and convenience as well as value. The agriculture cycle has turned negative relative to two years ago, but we remain aware that geopolitics and climate change could help to put these companies in favour once more. The fund would also benefit from a broadening-out of performance from primarily a handful of US technology companies.



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This document does not explain all the risks involved in investing in the Fund and therefore you should ensure that you read the Prospectus and the Key Investor Information Document, which contain further information including the applicable risk warnings. The Prospectus, the Key Investor Information Document as well as the annual and semi-annual reports of the Fund are available free of charge from www.sarasinandpartners.com or from Sarasin & Partners LLP, Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU, Telephone +44 (0)20 7038 7000 (telephone calls may be recorded).

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