RATHBONES

RATHBONE GLOBAL OPPORTUNITIES FUND

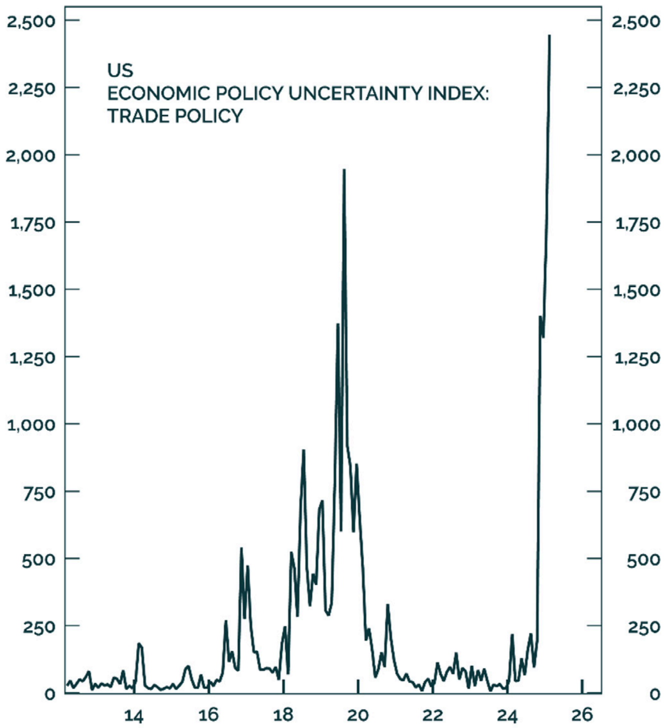
MONTHLY UPDATE FEBRUARY 2025

For professional advisers only

In February, your fund returned -2.8% versus a -3.3% average from the IA Global sector. Year-to-date the fund is up 3.6%.

Equity markets have taken fright in the face of Trump tariff and economic policy uncertainty as tariffs are floated, carved out or withdrawn with minimal predictability for the public and business community. We think the least market-friendly policies are being rolled out now (DOGE, deportations and deglobalisation) with a more pro-growth agenda (tax cuts and deregulation) coming in time for next year's mid-term elections. Trump knows that 60% of US households have exposure to the equity market. Stock market ructions might just prove that rare voice of dissent that he decides to listen to. Expect volatility and many reversals, but avoid panic in this year of extremes.

POLICY UNCERTAINTY IS HITTING FRESH PEAKS



Source: Economic Policy Uncertainty. © BCα Research 2025.

Policy fright is contributing to a growth scare combined with record investor positioning in what was the only game in town – US equities. The broadening-out trade has seen the Magnificent 7 underperform and European stocks outperform in a reversal of last year's trends. The trigger for Mag 7 underperformance has been slower earnings upgrades for Nvidia, Microsoft, Telsa and the gang versus the rest of the market. The red line in the chart below shows one-year forward earnings estimates for the Mag 7 relative to the rest of the S&P 500. The white line tracks the relative stock performance of the Mag 7 versus the broad index.

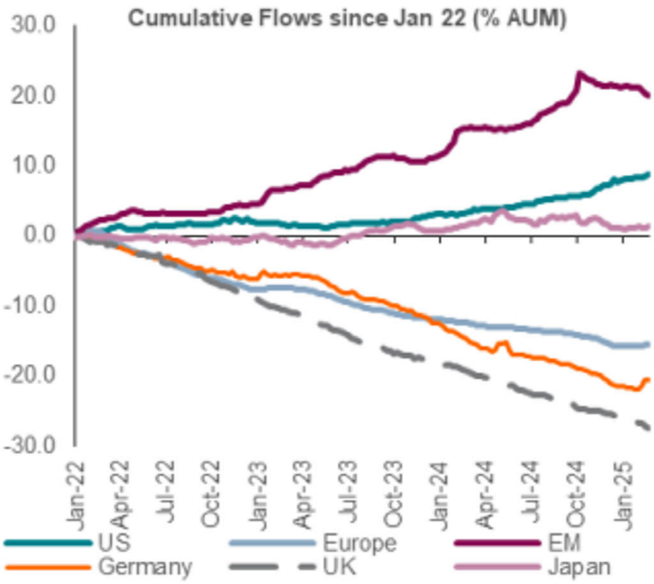
HIGH MAG 7 VALUATIONS DRIVEN BY HIGH EPS GROWTH

Source: Baird

While we own five of the Mag 7 stocks (we don't own Tesla or Meta), our combined exposure is approximately 12% compared with about 23% in global tracker funds. We prefer a broader and more balanced spread of investments.

The outperformance of European equities has highlighted their safe haven status in a Trump policy tornado. And the recent sea change in fiscal policy in Europe has supercharged this rotation. Germany has announced an exemption of the debt brake for defence spending and the creation of an off-budget infrastructure fund worth €500 billion. One economist suggests these two initiatives could potentially boost German GDP by 1.5% and Eurozone GDP by 0.8% by 2030. Given the German economy hasn't grown for almost three years, this marks a major step in the structural reforms required to make Europe competitive. The Donald might have just done what 'Super-Mario' Draghi and many others could not – trigger real change that addresses the root causes of European underperformance.

MONEY HAS BEEN FLOWING OUT OF EUROPE FOR YEARS



Perhaps that might halt the 15% cumulative outflows from EU and German active equity funds and ETFs over the past three years? Over this time, US, global and emerging market equity funds have all seen sizeable inflows. Further structural reforms to tax, social spending, employment flexibility, business freedom and higher innovation spend may be required to convince investors that current glimmers of hope prove more than a mirage.

JAMES THOMSON
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Fund Manager

For more info on our fund, including factsheets, performance and fund manager views, please click here.

If you require further clarification on this commentary, then please contact your adviser or Rathbones at the contact details below.

Any views and opinions are those of the investment manager, and coverage of any assets held must be taken in context of the constitution of the fund and in no way reflect an investment recommendation. Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back what you originally invested.

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