Gresham House Euro Liquidity Fund

Quarterly Report

1 January 2025 to 31 March 2025

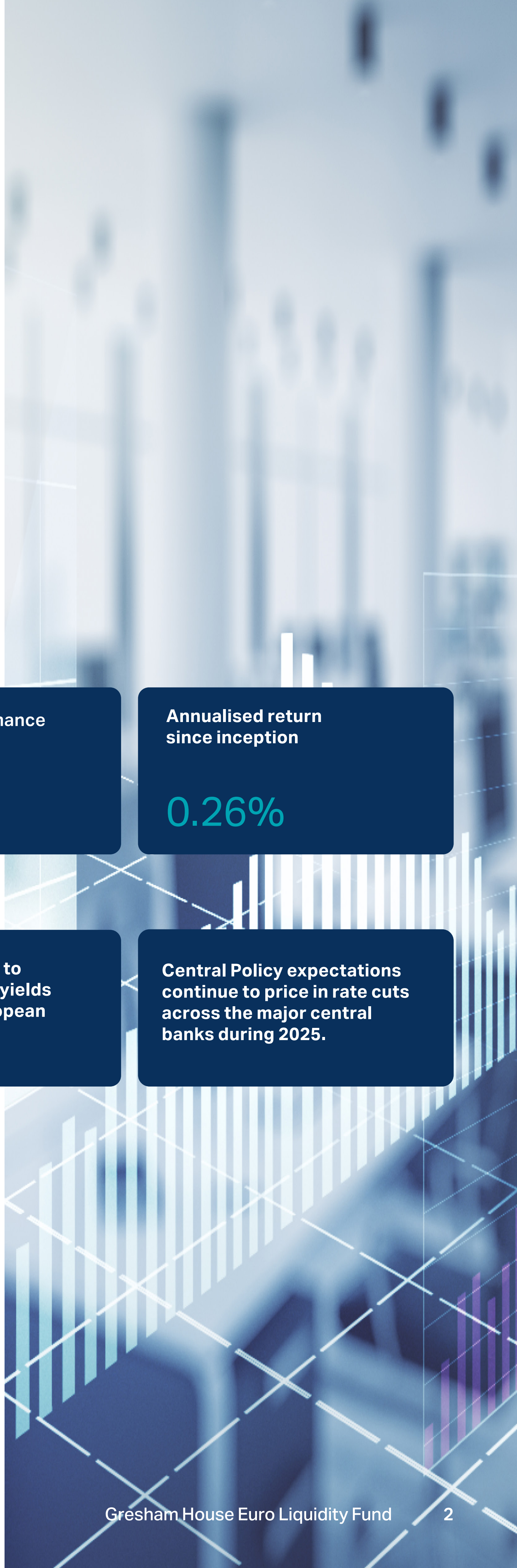
Gresham House

Specialist investment

Highlights

The Gresham House Euro Liquidity Fund (the Fund) is an actively managed fund which is presently invested in short-dated government debt but may also invest in cash deposits, corporate debt and floating-rate notes (FRNs).

The Fund invests across a spread of instruments and institutions to diversify risk. This generates an appropriate level of return including income, achieving a low level of volatility and preserving capital over the long-term. This weighting could involve an increase in the short-term volatility profile of the Fund.



Unit Price

(NAV per Unit)

€104.2770

Year to date performance

0.47%

Annualised return since inception

0.26%

The yield to maturity of the Fund at the end of Q1 2025 was 2.19%.

The Fund continued to benefit from higher yields on short-dated European government bonds.

Central Policy expectations continue to price in rate cuts across the major central banks during 2025.

The Investment Manager, Gresham House Asset Management Ireland Limited (Gresham House Ireland, Investment Manager or the Manager), is a leading Irish based asset manager, managing a range of funds, which invest globally, to grow and protect our clients' assets while generating sustainable income.

For more information visit

www.greshamhouse.ie

Investment Manager's Report

Market Commentary

The Gresham House Global Multi-Asset Fund finished the quarter up 2.59%, the Gresham House Global Thematic Multi-Asset Fund finished the quarter down 0.27%, the Gresham House Global Equity Fund gained 3.67%, and the Gresham House Global Small Company Fund fell 0.30%. The Gresham House Euro Liquidity Fund gained 0.47%.

Coming into 2025, the consensus opinion in the market was one that was fully endorsing US exceptionalism and ignoring assets outside the US. All of that changed in Q1. Despite no major changes in our relative fundamental models (US earnings came in strong and economic data was unsurprising) sentiment has shifted dramatically. The three newsworthy events that caused the sentiment shift were: Germany's announcement that it would break previous fiscal rules, news from DeepSeek that AI can be delivered much more cheaply than expected, and President Trump's tariff rhetoric about using tariffs against trading partners.

The German fiscal announcement has been the first major break in policy we have seen for many years. The spending could boost German GDP by 1-2%, a significant amount for an economy that was on the brink of recession. Some of this excitement should be tempered by the fact Germany is exposed to a potential trade war and the fact it will take years for the fund flows to translate into the real economy.

The announcement by DeepSeek took some froth out of the Western AI market. We have long been weary of the AI excitement, finding it difficult to justify the large initial outlays and to determine who the winners and losers in the AI race would be.

President Trump's tariff rhetoric is concerning, and we expect it to continue over the coming quarters. This could cause severe market volatility and dislocations. Both the result and indeed the end goal are uncertain. The noise should die out towards the end of the year. Otherwise, the Republicans risk losing the Senate after the mid-term elections in November 2026. A lame duck Congress would severely hamper Trump's agenda for the remaining two years. The reaction of the US dollar has been interesting and has been on our radar for some time.

Economic theory would imply that the dollar would rise as an offset to the tariffs. This has not materialised, and the dollar is now close to its six-month lows. We have long held the belief that too much investor wealth is held in US assets. The US has now become a much less welcoming place for foreign capital, we expect to see the dollar weakness to continue. The reaction of the dollar has dashed hopes that the tariff pain will be borne by the overseas exporter. It will hit the US consumer.

We expect nothing but continued chaos and volatility for at least a couple more quarters. Corporate credit spreads will be crucial. We continue to favour equities with strong balance sheets, strong free cash flow generation and limited US dollar exposure. In our multi-asset portfolios, we will look to add to our equity weighting on signs of peak pessimism and exhaustion.

Fund Performance

The Gresham House Euro Liquidity Fund delivered a return of 0.47% in Q1. The Fund remains invested in short-dated European government bonds, which continued to offer strong yields across developed markets in Europe, even as the European Central Bank (ECB) progressed through its easing cycle - implementing six rate cuts since June 2024. As of the end of the quarter, the Fund's yield to maturity stood at 2.19%. The Fund's duration widened slightly over the period, increasing from 0.46 years at the start of the quarter to 0.60 years.

At a macro level, ECB policymakers maintained a keen focus on inflation projections through March, as price pressures remained stubbornly rangebound between 2-2.5%. The ECB's key deposit rate now stands at 2.5%, and there is a growing sense that the final stage of the rate - cutting cycle may be approaching. The most recent ECB projections from December suggest that inflation will moderate further this year, reaching the 2% target by 2026-27. However, international policy uncertainty could weigh on growth.

Despite a more complex outlook, the landscape in Europe is inching towards a more positive standing. On one side, potential stimulus in Germany, economic stabilisation in France, and geopolitical improvements - such as a resolution in Ukraine - could support European assets. However, risks remain, with trade tariffs and their impact on economic momentum being chief among them. Combining these factors suggests that ECB policymakers may face increasing divisions over the pace and extent of future rate cuts.

With early indications that the rate-cutting cycle may be nearing an inflection point, the Fund is well-positioned to continue benefiting from a strong yield environment. It remains actively managed with a diversified approach across geographies and tenors, ensuring it captures attractive opportunities while maintaining high liquidity. European bonds continue to offer value, and the Fund is structured to capitalise on these dynamics effectively.

	YTD	1 month	3 months	6 months	1 year	3 years	5 years	10 years	Since Inception
Net Return	0.47%	0.16%	0.47%	1.13%	2.70%	3.11%	1.02%	-2.03%	4.28%
Annualised Return	0.47%	0.16%	0.47%	1.13%	2.70%	1.03%	0.20%	-0.20%	0.26%
Best Month	0.54%	Aug-11							
Worst Month	-0.25%	Feb-20							
Current Month	0.16%								

Asset Positioning	%	Top Holdings	%
Bonds	98.90	Irish Bond	7.33
Cash	1.10	Finnish Bond	6.85
		Belgian Bond	5.97
		Dutch Bond	5.70
		Austrian Bond	4.97

The Team

Investment Team

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