Gresham House Global Equity Fund

Quarterly Report
1 January 2025 to 31 March 2025

Gresham House
Specialist investment

Highlights

The Gresham House Global Equity Fund is an actively managed, concentrated global equity fund that invests in large cap value companies with strong quality characteristics.

This unaudited quarterly update provides an overview of Gresham House Global Equity Fund (the Fund) performance between 1 January 2025 and 31 March 2025.

The Fund launched in 2010 with a target return of 6% to 8% per annum.

Unit Price

(NAV per Unit)

€302.3992

Year to date performance

3.67%

Long-term ten-year annualised return

6.26%

The Gresham House Global Equity Fund gained 3.67% over the quarter.

The Fund is focused on cash generative, value creating companies trading on a valuation with a margin of safety with the expectation for them to deliver superior returns over the longer-term.

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.

Derek Heffernan
Chief Investment Officer

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 Equity Fund gained 3.67% over the quarter. Notable contributions to performance came from Buzzi which delivered 25% over the quarter and CVS Health which returned 48%. Buzzi's strong operational performance has continued and with the business' barriers to entry, we see this continuing. CVS Health was severely oversold over the last year and investors are refocusing on the improving fundamentals.

The solid performance number does not tell the full story of the volatility that we saw over the quarter. This was a quarter where the economic and political developments that took place will be felt for years and decades.

While we acknowledge that the US has fantastic companies and has been a leader in technology over the last twenty years, we believed the narrative of US exceptionalism in equity markets was taken to extremes. At the end of last year, the US accounted for over 70% of global equity market capitalisation with only 18% of global GDP and 4% of global population. This narrative around the US being the only option for investors was broken in Q1.

The first chink in the armour surrounded the AI bubble. In late January, Hangzhou-based DeepSeek released a large language model that matched the performance of OpenAI's o1, which had been launched just a few months earlier. DeepSeek came out of nowhere and was both remarkably innovative and astoundingly cheap with the final training run costing only $6 million compared with the tens or even hundreds of millions spent by some of its US rivals. DeepSeek matters so much because it calls into question two key assumptions that large technology investors have based their thesis on. The first is that companies wanting to compete in AI must spend vast sums to do so. The second is that Nvidia had an effectively monopoly on the chips needed. Both assumptions now look dead in the water. We have long been worried of the AI excitement finding it difficult to justify the large initial outlays and who would be the winners and loser in the AI race.

The other factors that moved markets in the quarter were Germany loosening their stringent fiscal rules and the Trump rhetoric around tariffs. The former is a positive and should add 1-2% to German GDP which is significant given the economy was close to recession. The latter could be a severe point of weakness for markets over the coming quarters depending on what is announced and what in enacted. The end goal of the US administration seems to be replacing income tax with an ad valorem tax on goods. Ad valorem taxes are regressive and impact the less well off. It is very difficult to see a positive here. We are looking at higher prices or lower demand. No equity market will be insulated from this but increasing exposure to regions outside the US seems the sensible option. We also insist on strong balance sheets and significant free cash flow generation.

While the coming quarters will be volatile, we remain excited about the prospects for the Fund for the years ahead. The valuation is more compelling than almost any time in history with a Price to Earnings ratio of 9x and a Dividend Yield of 4.7%. The return on equity of 14.8% illustrates the quality of the companies in the portfolio. Buying good quality companies at bargain prices and holding them until the market realises their inherent value has delivered superior investment performance over the long term. We believe the situation today to be no different.

	YTD	1 month	3 months	6 months	1 year	3 years	5 years	10 years	Since Inception
Net Return	3.67%	-3.31%	3.67%	0.87%	3.19%	18.96%	100.64%	83.49%	202.40%
Annualised Return	3.67%	-3.31%	3.67%	0.87%	3.19%	5.96%	14.94%	6.26%	7.70%
Best Month	18.83%	Nov-20							
Worst Month	-17.79%	Mar-20							
Current Month	-3.31%								

Regional Split	%	Top Holdings	%	Sector Weighting	%
Europe	49.95	Buzzi SPA	4.89	Industrials	18.54
UK	38.66	Associated British Foods plc	4.02	Materials	14.18
US	11.39	Barclays plc	3.93	Financials	13.03
		Ryanair Holdings plc	3.85	Consumer Staples	13.02
		Shell plc	3.82	Health Care	12.00

10 Year Fund Performance versus 7.0% Target Return

The Team

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